



TRADE & INDUSTRIAL POLICY STRATEGIES



2010/11

**ANNUAL REPORT**



TIPS is an independent, non-profit, economic research institution active in South Africa and the region. The organisation facilitates policy development and dialogue in pursuit of sustainable and equitable growth in Africa.

TIPS works across six theme areas or policy pillars: Trade, African Economic Integration, Industrial Development, Inequality and Economic Marginalisation, Sustainable Growth and Rural Development. Its working model integrates research, policy development, advice, disseminating information, capacity building, technical support and programme design and management.

### ABBREVIATIONS

<b>BIDPA</b>	Botswana Institute for Development Policy Analysis
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>CoGTA</b>	Department of Cooperative Governance and Traditional Affairs
<b>CSDP</b>	Competitive Supplier Development Programme (South Africa)
<b>CWP</b>	Community Work Programme (South Africa)
<b>DBSA</b>	Development Bank of Southern Africa
<b>EPA</b>	Economic Partnership Agreements
<b>ESA</b>	Eastern and Southern Africa
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GATS</b>	General Agreement on Trade in Services
<b>IA</b>	Implementing Agent
<b>IDC</b>	Industrial Development Corporation
<b>IDRC</b>	International Development Research Centre
<b>ILO</b>	International Labour Organization
<b>IPAP</b>	Industrial Policy Action Plan (South Africa)
<b>MDGs</b>	Millennium Development Goals
<b>NGO</b>	Non-Governmental Organisation
<b>NIPP</b>	National Industrial Participation Programme (South Africa)
<b>NTB</b>	Non-Tariff Barrier
<b>NTM</b>	Non-Tariff Measure
<b>PES</b>	Payment for Environmental Services
<b>TDCA</b>	Trade, Development and Cooperation Agreement
<b>SACU</b>	Southern African Customs Union
<b>SADC</b>	Southern African Development Community
<b>SADRN</b>	Southern African Development Research Network
<b>SMEs</b>	Small and Medium Enterprises
<b>SOE</b>	State-Owned Enterprise
<b>The dti</b>	Department of Trade and Industry (South Africa)
<b>TIPS</b>	Trade and Industrial Policy Strategies
<b>UN</b>	United Nations
<b>UNCTAD</b>	United Nations Commission on Trade and Development
<b>WTO</b>	World Trade Organisation

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# BOARD OF DIRECTORS AND BOARD OF MEMBERS

The activities of TIPS are directed by a Board of Directors and Board of Members. The Board of Members includes a sub-set of the Board of Directors, but extends to a wider cross-section of representatives from the private sector, government and non-governmental organisations (NGOs). Its role is to provide overall strategic guidance to TIPS.

## DESCRIPTION

1	<b>Alan Hirsch (Chair of the Board of Directors)</b>	The Presidency
2	<b>Jorge Maia</b>	Industrial Development Corporation
3	<b>Nimrod Zalk</b>	<b>the dti</b> (Department of Trade and Industry)
4	<b>Shirley Robinson (Chair of the Board of Members)</b>	Economic Rise Consulting
5	<b>Fundi Tshazibana</b>	National Treasury
6	<b>Leslie Maasdorp</b>	Absa Bank and Absa Capital
7	<b>Merle Holden</b>	University of KwaZulu-Natal
8	<b>Rashad Cassim</b>	South African Reserve Bank
9	<b>Stephen Yeo</b>	Centre for Economic Policy Research
10	<b>Tshediso Matona</b>	Department of Public Enterprises
11	<b>Nkosi Madula</b>	<b>the dti</b> (Department of Trade and Industry)
12	<b>Simon Roberts</b>	Competition Commission of South Africa
13	<b>Ravindra Naidoo</b>	Development Bank of Southern Africa
14	<b>Rosalind H Thomas</b>	R H Thomas Consulting CC

# CHAIRMAN'S MESSAGE

In a year when the South African government put jobs at the top of its economic agenda, TIPS has been a leader in policy development and implementation on a number of fronts related to employment creation. The Community Work Programme (CWP) and input into the Industrial Policy Action Plan 2 (IPAP2) on green industries are two examples of TIPS's contribution to this effort. The New Growth Path has identified a potential for 300 000 "green jobs" in South Africa, and TIPS collaborated on a report on the relevant sectors. After TIPS managed the pilot and initial roll-out of the CWP project, this was handed over to government, as a programme of the Department of Cooperative Governance and Traditional Affairs (CoGTA), from April 2010. Since then TIPS has continued to provide technical support to CoGTA, and the programme was in place at 74 sites around the country by April 2011.

TIPS remains a key partner of the Department of Trade and Industry (**the dti**) through its provision of technical assistance, by facilitating dialogue on key policy questions, and through helping to meet key research needs. TIPS has also been working closely with other core departments in government's Economic Cluster.

Over the past year, TIPS has made more deliberate efforts to advance research and other activities beyond South Africa into the region. As regional economic integration increasingly comes to the fore as a crucial vehicle for sustained growth on the continent, this thrust of TIPS's work will grow. Regional trade, enhanced through trade in agricultural products and building their value chains, can play a major role in reducing rural poverty, contributing to rural development in South Africa and the region. TIPS is gearing for research in this area.

TIPS played a role in initiating discussions on the Southern African Customs Union's (SACU) new revenue-sharing formula, on which member countries have not yet agreed.



TIPS has, more broadly, been involved in research in the Southern African region by a range of researchers through the Southern African Development Research Network (SADRN). To support and enrich policy discussion around this, TIPS engaged with policymakers and the broader spectrum of stakeholders, including through closed discussion sessions, seminars and research papers.

We will in the coming year focus on research on the feasibility of enhancing industrial development as well as co-operation and co-ordination between South Africa and its neighbours. South Africa is developing industrial development strategies at a sector level. TIPS has supported this at the general level so far,

and TIPS staff recognise that there is scope to expand the regional angle on such issues.

Building a regional industrial platform needs to integrate trade and industrial policy, and TIPS has an existing foundation through the SADRN Thematic Working Group it hosts in the region. Other research areas to include are those needed to increase the competitiveness of local and regional industry, and those that explore ways to support complementary industrial development efforts.

All these issues will remain central in the coming year, and as TIPS sharpens its focus on its six core policy pillars, I am sure even more will be achieved.

I would like to thank my fellow directors for their valuable support over the past year as well as for their contribution in guiding the strategy of the organisation. My thanks also go to the executive director and staff for their enthusiasm and hard work.

**Alan Hirsch**  
Chairman  
**TIPS Board of Directors**  
**April 2011**

# STAFF

TIPS staff comprises a multi-disciplinary team whose expertise includes trade, industrial development, agriculture, sustainable growth and inequality. The core team reflects its growing regional focus with staff from South Africa, Zimbabwe, Zambia and the Democratic Republic of Congo. TIPS is committed to building leadership and supporting gender equality. TIPS has a staff of 19, and 11 of these are women.



**Ximena Gonzalez-Nuñez**  
Executive Director



**Juanita Pardesi**  
Chief Operations Officer and  
CWP Programme Manager



**Myriam Velia**  
Head of Research



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**Bongani Motsa**  
Programme Manager:  
African Economic Integration



**Kate Philip**  
Programme Manager:  
Inequality and  
Economic Marginalisation



**Peet du Plooy**  
Programme Manager:  
Sustainable Growth



**Mboholowo Tsedu**  
Assistant Programme  
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**Sithembiso Mtanga**  
Junior Economist



**Evans Chinembiri**  
Junior Economist



**Meagan Jooste**  
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**Dinga Fatman**  
Junior Economist



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**Cynthia Chiororo**  
Assistant Accountant



**Rozale Sewduth**  
CWP Programme  
Co-ordinator



**Tanya Claassen**  
Internal Communications  
Co-ordinator



**Boitumelo Kgomo**  
Office Co-ordinator



**Emily Sindane**  
Office Assistance and  
Maintenance

# EXECUTIVE DIRECTOR'S OVERVIEW

Given the increasingly complex nature of the questions policymakers are being asked to address – such as, “How do we grow in a sustainable, yet equitable manner that simultaneously reduces poverty and unemployment?” – TIPS has begun positioning its support to include a number of different facets.

During the year under review, TIPS consolidated its research and other activities under five of the six pillars identified as its main focus areas, namely Trade, African Economic Integration, Industrial Policy, Inequality and Economic Marginalisation, and Sustainable Growth. At present, rural development remains a component of other pillars, where relevant. The team expanded to include new staff to drive this process, bringing in expertise in areas such as sustainable growth, as well strengthening the organisation's quantitative skills base to underpin its support of evidence-based policymaking.

In 2010, we continued to facilitate policy dialogue through our Development Dialogue seminars, tackling burning policy issues such as carbon taxes and the SACU revenue-sharing formula. TIPS also began playing a crucial role in supporting the dti's IPAP process, undertaking and commissioning research to inform this. TIPS continued to support the South African government in its roll-out of the Community Work Programme, with 89 000 people having participated by the end of March 2011. During the year TIPS also helped strengthen the monitoring and evaluation aspects of the programme through developing impact indicators.

In addition, much focus is being placed on ensuring that activities are proposed and undertaken across different pillars with clear linkages between them. In particular, the Sustainable Development programme manager has linked up with work being undertaken in the Industrial Development pillar by providing advisory support to the dti and other related government departments. This has focused on both policy formulation and implementation around green industries and energy efficiency.

Capacity building and skills transfer remain crucial, though these activities will be brought under the relevant policy pillars in future. TIPS remains active in a few areas, running courses and engaging interns, as well as providing a small research grant facility. In addition demand for TIPS to provide advisory support to high-level policymakers has increased. TIPS has also been investigating the



idea of including mentorship aspects to its support programmes in future.

It is encouraging to see that TIPS is increasingly demonstrating its ability to have an impact on policy formulation and implementation. The Climate Change Opportunities and Risks report was referenced extensively in the South African government's National Climate Change Response Green Paper. TIPS's work on climate and trade also informed the BASIC (Brazil, South Africa, India, China) Expert Forum during the United Nations Framework Convention on Climate Change meeting in Tianjin, China in October 2010.

In the South African policy sphere, employment and equality remain high priorities. TIPS will continue to support policymakers around implementing key strategic policy agendas articulated around these such as the New Growth Path. More broadly, TIPS has started to work closely with a range of policymakers to evaluate themes for which research is needed that can be disseminated and shared publicly across all its pillars. We are also making headway in facilitating greater communication across different government departments in South Africa, in an effort to foster greater policy harmonisation, as well as making a contribution in shaping South Africa's role in the region.

As regional integration becomes progressively more important to the South African policy context, TIPS is contributing through its experience in areas such as industrial development. The focus will increasingly be on enhancing thinking around how to support regional industrial development.

Given all of this, 2010 indeed marked an exciting year for TIPS, and we have made much progress in positioning ourselves as a key support nexus for policy design and implementation both in South Africa and in the region. This would not be possible without the excellent team of individuals that make up TIPS, as well as the support from our funders, and our Board of Directors and Board of Members. Thank you for your invaluable contributions to the TIPS of today.

**Ximena Gonzalez-Nuñez**  
Executive Director  
April 2011

# WORKING RELATIONSHIPS AND FUNDERS

Although TIPS focuses on six core policy areas, these do not work in isolation. Industrial development, for example, overlaps with sustainable growth in creating green jobs. Policy implications for small business cut across industrial development and economic marginalisation. Climate change overlaps with trade and regional integration. Rural development is central to tackling economic marginalisation. Staff members therefore work together across areas to ensure a holistic approach to specific assignments.

In the year under review TIPS has refined its working model, which integrates research, policy development, advice, disseminating information, capacity building, technical support and programme design and management:

## Conducting and Commissioning Research

Including identifying areas for new and required research, and carrying out research as well as finding relevant researchers or partners. TIPS also makes research findings available to the public to stimulate debate.

## Policy Development

TIPS supports research that is relevant for policymakers and provides a safe space for frank discussion by bringing together policy practitioners and the wider research community.

## Disseminating Research

TIPS uses different methods to disseminate information and promote dialogue, including seminars, workshops, one-on-one briefings, newsletters, publications such as policy briefs, and its website.

## Capacity Building

TIPS is involved in capacity building both internally through internships, mentorship and training, and externally through training courses, policy briefings and small research grants.

## Technical Assistance

TIPS provides technical assistance, skills transfer and advisory support to government.

## Project Design

Translating strategy into programme delivery, including designing implementing systems, information management and reporting systems, monitoring and evaluation, and policy impact assessment.

## Managing Projects and Programmes

Programme management and technical support.

## Strengthening Networking

TIPS is well-placed to connect various stakeholders nationally, regionally and internationally.

TIPS's involvement in the CWP is an example of the range of services TIPS can provide, including policy innovation, programme design and implementation, technical support, the management of reporting databases, monitoring and evaluation, and policy impact assessment.

During the year to March 2010, TIPS continued to work with the Presidency and Department of Social Development in the initial roll out of the CWP. During this time it was decided that the CWP should become a fully-fledged government programme and housed in CoGTA from 1 April 2010.

TIPS has continued to provide a supporting role, and CoGTA has requested that TIPS continue to play this role through into 2011 while it sets up a dedicated CWP unit.

TIPS is continuing its support to the South African Presidency and the dti, among others. Activities have included TIPS providing data input for international meetings, to help inform the debate on trade and other pertinent economic issues. TIPS is also provided technical support, including seconding its Sustainable Growth programme manager to the dti part time. TIPS is preparing a new Memorandum of Agreement with the dti, following a request for a more systemic arrangement to support ad hoc research requests across both trade and industrial policy themes.

In addition, as the demands for policymakers have become more comprehensive, there has been a clear need to develop support that is more multi-faceted. To this end, TIPS works closely with economic policy stakeholders in South Africa and other Africa countries, particularly from the public sector and civil society, drawing from a network of researchers and partners across the continent.

Strong relations with partner organisations remain crucial. TIPS's executive director has been invited to become a board member of the Trade Law Centre for Southern Africa. Business has also requested a tighter relationship with TIPS for various industrial and environmental policy themes. TIPS also has a close partnership with the University of Mauritius. The World Trade Organisation (WTO) chair is at this university at present. TIPS continues to support research by South African universities around various facets of economic policy. A relationship has also been established with the University of the Witwatersrand in Johannesburg to develop a workshop on issues related to mineral-based development in the course of 2011. A relationship focusing on sustainable development has been established with the University of Pretoria around the multi-disciplinary ASSET programme. This partnership encompasses knowledge sharing in the areas of renewable energy and payment for environmental services.

In further strengthening our networks in the region, the SADR programme provided valuable lessons. Building on these, TIPS is in developing a research consortium that includes institutions from Mozambique, Namibia, Tanzania and Zambia. The organisations were chosen because of their expertise and experience in economic research and capacity building. We have also established preliminary contacts with the African Capacity Building Foundation and the Macroeconomic Financial Management Institute, both based in Harare.

These relationships and partnerships are central for TIPS's ability to deliver on its role of facilitating research and policy analysis that is practical for policy development and refining.



## FUNDERS

TIPS continues to receive support from a number of donors operating in South Africa and the region. In particular, TIPS wishes to acknowledge the generous core funding contributions received from the International Development Research Centre (IDRC) and **the dti**. Continued donor assistance highlights the organisation's success in becoming a mature research leader that is responsive to the local policy environment while maintaining an overt and strong interest in public policy in the areas associated with developing country economic policy.

### TIPS's funders in 2010 were:

- The IDRC and **the dti**, which support TIPS's function as a research network support and capacity-building institution
- **The dti** also supports the IPAP Upscaling Project
- The IDRC also supports the Southern African Development Research Network Programme
- CoGTA, which has commissioned TIPS to provide technical assistance for the Community Work Programme



# POLICY PILLARS

## TRADE

Trade has been a central part of TIPS's work since its inception. The present focus of this pillar is on activities that enhance regional and international trade and support industrial development in the region. This includes trade facilitation, particularly reducing non-tariff barriers (see *Making it easier to trade*), trade data, and policy analysis to facilitate export diversification and develop resource-based industries and trade in services.

A South Africa-New Zealand study was conducted following a request from the International Trade and Economic Division at **the dti**. This examines the trade relations between New Zealand and South Africa. It identifies sectors already performing strongly on the trade front and highlights areas with future potential trade and investment growth. Recommendations include identifying policy initiatives that could facilitate the trade relationship. Specific proposals on how to achieve the agreed proposals have also been laid out. This report has been merged with an independent but similar study produced in New Zealand. Both **the dti** and the High Commission of New Zealand are involved in evaluating the findings in the joint draft report.

A South Africa-Asia trade analysis looked the relations between South Africa and Asia over the last decade, including an assessment of growth rates and trade shares. It noted a decline in trade between South Africa and European countries but an increase in trade between South Africa and Asian economies.

TIPS also supported a consultant who was completing a briefing paper for government on aid for trade in South Africa. This used data collected through the Organisation for Economic Co-operation and Development database as well as comparative case studies to determine compliance with the Paris Declaration on Aid Effectiveness. TIPS is hoping to expand this research in 2011, to determine whether aid for trade in the Southern African region can contribute to African economic integration

### TRADE AND ECONOMIC DATA

The lack of up-to-date trade and economic data remains a concern. In December 2007, a proposal for "maintenance of statistical portal and data provision" was prepared by TIPS for **the dti**, aimed at addressing the shortcomings of trade data. However, the proposal was not implemented and the lack of accurate data has persisted. As part of TIPS's support programme to **the dti**, it is working with the department to develop a programme to manage trade and economic data.

At the regional level, TIPS held discussions with the Southern African Development Community (SADC) Secretariat about the transfer of the SADC database developed by TIPS. A concept note was developed and submitted to the secretariat. This includes a proposal to develop a SADC online trade portal, the SADC Trade Centre. This work will also include activities to facilitate collection, processing and analysis of trade data.

### LOOKING AHEAD

All of the SADC countries consider export diversification, both regional and international, as crucial for economic growth and overall development. Given the existing industrial structure in the region, South Africa could play a leading role in enhancing intra-regional trade for those products for which there is demand in South Africa and those countries in the region which have a competitive advantage. TIPS is planning a number studies around enhancing regional trade and export diversification among SADC members. These aim to identify sectors in which countries have a comparative advantage but where there is limited or no trade at present.

It will also look at the demand for the products in these sectors through an analysis of the trade data. Another aspect is identifying investment opportunities, particularly for resource-based industries which would supply inputs that use local materials from the region.

Another planned study links with work being undertaken under the African Economic Integration pillar and will focus on China and Africa trade and investment relations, looking at the policies driving these relations and policy implications for SADC countries, particularly South Africa, as the major trading partner in the region and with China.

TIPS is also planning a scoping exercise around trade in services. Until recently trade in services did not receive much attention at regional and multilateral levels. At the regional level the Protocol on services for SADC was finalised in 2009. At the multilateral level efforts to liberalise trade in services are vested in the General Agreement on Trade in Services, GATS, but negotiations have stalled. However, the European Union has, as part of the Economic Partnership Agreements (EPAs), put forward liberalisation of services on the agenda for negotiations. This sector therefore provides an opportunity for TIPS to contribute.

### WORKING RELATIONSHIPS

SADC Secretariat

**The dti**



## Making it easier to trade

As tariffs have been reduced, the impact and importance of non-tariff measures and non-tariff barriers are taking their place. This trend is increasing in the region, according to a number of studies.

There is no agreed definition of what constitutes non-tariff measures, NTMs or non-tariff barriers, NTBs. However, the WTO says NTBs “in general terms, refer to any measure other than a tariff which protects domestic industry”, and the United Nations Commission on Trade and Development (UNCTAD) defines NTMs as policy measures, other than ordinary customs tariff, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both. This term covers a wide variety of policy tools, both traditional and new, including sanitary and phytosanitary measures, technical barriers to trade, quotas, import and export licences, rules of origin, export restrictions, customs surcharges, and anti-dumping and safeguard measures.

Like customs tariffs, NTBs increase the cost of doing business and make products uncompetitive. They restrict and sometimes even completely stop trade transactions from taking place. NTBs have a negative effect on the economy. In particular, concerns have focused on the fact that the increased use of NTBs in international trade risks neutralising the gains of tariff liberalisation for all countries, but particularly for products of export interest in developing countries.

Despite this, use of these measures to protect local industry has increased worldwide and is a major concern globally. They are considered a major hindrance to intra-regional trade in Eastern and Southern Africa. Concern about the proliferation of NTBs and their impact the three regional economic communities of COMESA (Common Market for Eastern and Southern Africa), SADC and ESA (Eastern and Southern Africa) have resulted in collaboration with the SADC Secretariat to establish a joint online mechanism for monitoring and eliminating NTBs. So far a total of 656 NTBs have been reported.

The major difficulty in dealing with NTBs is that new ones are created as old ones are eliminated, with different impacts. Research to continuously identify and quantify the cost of NTBs is needed to provide policymakers with information at country and regional levels. This will allow informed decisions on their elimination so as to create a conducive business climate in the region. In the coming year, the TIPS research agenda will include looking the impact of NTMs on trade. The initial work will be undertaken in selected countries in the SADC region based on import and export opportunities that are being constrained by numerous NTBs.

# POLICY PILLARS

## AFRICAN ECONOMIC INTEGRATION

Economic integration boosts trade and expands markets and work opportunities. It also eases the spread of technology and enables a more attractive investment climate. Economic integration has long been a core objective of the African continent, though success has been mixed. Steps towards integration include setting up the Organisation for African Unity in 1963 and the signing of the Abuja Treaty in 1991, with the subsequent objective of establishing an African Economic Community by 2027. Regional Economic Communities were established to underpin this process. However, multiple and overlapping memberships in communities such as the SADC, COMESA and ESA have created a complicated web of competing commitments which, combined with different rules, have resulted in high costs for trade between African countries and work against beneficial integration. In the past TIPS has focused on the trade aspect of integration and on other aspects such as employment and investment. In the year under review a comprehensive African economic integration programme was devised with a focus on competition policy, investment and financial markets.



### Levelling the playing fields

Internal markets in Africa are small and purchasing power is weak, with a tendency for entire industries to be dominated by a few large firms. While this is not bad in itself, the trend has been for suppliers to overprice goods and services. In countries where the domestic market is large enough, such as South Africa, firms have a tendency to share market information to maximise profits and disadvantage the consumer. Coupled with Africa's predominantly weak regulatory and institutional environment, firms have succeeded with such anti-competitive behaviour. Economic welfare, including attracting of new investors (new domestic entrants and FDI, in particular) is sacrificed as owners of existing firms engage in anti-competitive behaviour. This has necessitated putting in place competition legislation that deters such practices.

Competition law has three vital elements: merger provisions, conspiracy provisions, and abuse of dominance. There is also the need to include public interest elements in competition legislation. For example, in Zambia competition policy includes promoting innovation while in South Africa it provides for promoting small and medium enterprises (SMEs) in merger evaluation. The challenges African countries face include conflict with other policy objectives and resistance from interest groups, capacity constraints, including training of judges, strong leadership, the cost of running an authority, adequate human resources, legal enforcement tools and tensions with the sub-sector regulator.

The aim of introducing competition policy as part of the African Economic Integration pillar is to increase economic efficiency and consumer welfare in the SADC region. These objectives are in line with the Millennium Development Goals (MDGs) which seek to alleviate poverty. This programme, developed in partnership with the Competition Commission of South Africa, aims to build capacity through research, seminars and workshops targeted at policymakers. Initially the research will focus on four industries in the agricultural sector: maize, poultry, wheat and flour, and sugar. Five country authorities in SADC will be involved in the initiative.

## COMPETITION POLICY

TIPS is working with the Competition Commission of South Africa to establish research and capacity building around competition issues in the agro-industry sector in countries on the African continent (*see Levelling the playing fields*). At a regional level, a number of countries have developed domestic competition policies and are setting up relevant authorities. The Competition Commission of South Africa, which has taken TIPS on board as a partner, is involved in many of these developments. It is also planning research on anti-competitive industries involved in cross-border trade, with TIPS as a partner for analysing trade flows and policy aspects.

## INVESTMENT

Foreign direct investment (FDI) into Africa is mainly directed at the extractive industry. South Africa is one of few countries that attract investment into other sectors, and this is because of its well diversified economic structure. The scarcity of skills on the continent and the generally weak regulatory environment discourages greenfield investments. Indeed attracting investment is closely linked to a country's trade and industrial policy. For national governments to develop an attractive investment agenda it is imperative that these policies are taken into consideration at national and regional levels. The research agenda for the investment sub-pillar will therefore focus on dependency on agriculture, weak regulatory environment, poor infrastructure, weak governments, exports of primary goods, and mismatch of incentive packages.

A study on the role of South African retailers in regional development will be conducted in partnership with the Botswana Institute for Development Policy Analysis (BIDPA). The primary research question for this is: Do South African retail shops promote development in host (SADC) countries in the context of supporting local industries (small or established). This question acknowledges the fact that since the early 1990s there has been a push by SADC governments to liberalise trade. Ironically, this was seen as a means of promoting industrialisation and lowering the cost of production. To that end, SADC countries have been host to a number of South African retail outlets seeking new markets. There has been a proliferation of these concerns in the region including Shoprite/Checkers, Pick n Pay, Spar, Game, Makro, Mr Price, Jet, Edgars and Truworths. A 2009 study by Rosemary Emongor and Johann Kirsten, *The impact of South African supermarkets on agricultural development in the SADC: a case study in Zambia, Namibia and Botswana*, found that participating in the supermarkets channels benefited small-scale farmers.

It also showed that 80% of all processed food products in Botswana, Namibia and Zambia were imported from South Africa, and that supermarkets used a mixture of procurement systems for fresh fruit and vegetables and processed food products.

The study will focus on five elements: taking stock of products imported by retailers from South Africa and yet also produced domestically; reviewing the regulatory environment surrounding the operation of retail shops in the host countries; the impact of South African retail shops in the host country's industrial development; the relationship between South African retailers and suppliers/producers; and, based on the five country studies, what can be done to promote regional economic integration? This project has an overlapping element across themes, such as investment and competition policy, and also cuts across TIPS's pillars, involving the African Economic Integration, Trade and Industrial Policy pillars.

## FINANCIAL MARKET INTEGRATION

The efficient functioning of financial markets ensures capital accumulation and increased productivity. Africa is a small player in the global financial market, although in recent years investors from developed and emerging economies have begun shifting their attention to the continent as a means diversifying risk. Four types of financial intermediation have gained prominence: banking, stock market, private equity market and the bond market. The SADC Secretariat has done work on financial market integration, particularly on payment and settlement systems, capital and stock market integration, pension funds and insurance, and development finance. The secretariat's emphasis is, however, on oversight and standards. The Programme Officer for Financial Sector development has indicated interest in working with TIPS either through commissioning research or developing the programme. The research agenda will focus on the role of national development banks in addressing market failures, and the financial barriers to climate change and adaptation to ascertain the costs, types of funding required, and the financial mechanisms that are required.

## WORKING RELATIONSHIPS

SADC Secretariat  
University of Pretoria  
University of Eduardo Mondlane  
University of Mauritius  
Botswana Institute for Development and Policy Analysis  
Competition Commission of South Africa



# POLICY PILLARS

## INDUSTRIAL DEVELOPMENT

The industrial development pillar has been in a state of flux over the past year. In South Africa, TIPS is continuing to work closely with the dti on projects that are in line with the objectives of the second Industrial Policy Action Plan and will continue to support research around industrial development. Increasingly, however, work around industrial policy is being expanded to the region, building on existing work done by TIPS in its hosting of the SADRN Thematic Working Group on Industrial Policy.

### INDUSTRIAL POLICY ACTION PLAN

TIPS continues to play a secretariat and research support role in the up-scaling of the dti's IPAP process. This support is mainly carried out through commissioning and conducting research, which serve as strategic action papers for the IPAP 2 process. The sectors and themes that have been investigated include: public procurement, the plastics industry, the automotive industry and metal fabrication, capital and transport equipment. Synopses have been produced to complement the strategic action papers as part of the additional research undertaken by TIPS. An in-house strategic action paper on concentrated solar power and a sector action plan on industrial financing have been completed.

TIPS also supports the dti in preparing and setting up IPAP meetings and related seminars, as well as producing minutes and undertaking all contracting related to commissioned research, as well as quality control support.

#### Locomotives

Rolling stock research for the dti: TIPS is completing research on the potential for localising manufacture of components for locomotives and wagons. With high levels of planned future investment, numerous medium-technology components and substantial state leverage via the state-owned and monopoly enterprises Transnet Freight Rail and the Passenger Rail Agency, this sector was considered attractive for state-driven localisation of manufacture.

#### Capital Equipment

TIPS is working on an update of the capital equipment and allied services sector development strategy. This includes determining the factors necessary to ensure localisation of the capital equipment and allied services sector is attained.

#### Valves, Pumps and Electric Motors

TIPS is also completing an assessment of the viability, funding model and desired industry structure to give effect to the strategic procurement of valves, pumps and electric motors by state-owned enterprises, municipalities and other state agencies.

### NEW GROWTH PATH

In the year under review, it was agreed that TIPS would provide more dedicated technical assistance. Specifically TIPS seconded its Sustainable Growth programme manager part time to the dti to facilitate setting up the dti's Chief Directorate: Green Industries and Energy Efficiency. The outcome has been that TIPS has played a crucial role in assisting South Africa to develop its policy formulation and implementation agenda in this area.

Along with IPAP, the South African government's New Growth Path has defined the Industrial Development pillar research in South Africa. IPAP seeks to advance the work of the Economic Sectors and Employment Cluster, including supporting rural development through a range of interventions in a number of sectors such as agriculture, as well as systematically promoting green and energy efficient industries and services. The New Growth Path expands industrial policy considerations to encompass issues related to job creation, value addition and the linkages between infrastructure development and economic growth.

TIPS is also involved with two short-term projects on the leveraging of demand from state-owned enterprises (SOEs) for particular components and parts (*see Using state procurement to increase local production*). Although demand driven, this work should allow TIPS researchers to pinpoint issues that might need to be investigated at greater length to understand leveraging SOEs and capital sector development. In addition, TIPS will assess how to support the dti around the impact assessment of, for example, the IPAP, drawing on methodologies being developed in the Inequality and Economic Marginalisation pillar.

## TRADE AND INDUSTRIAL POLICY

The links between trade and industrial policy is a large research area. Unlocking trade threats from a local perspective entails attention to the role played, and prospects offered, by China and India. The New Growth Path also means that TIPS will need to look more closely on how the expansion of infrastructure interacts with industrial development.

## OTHER RESEARCH

A joint Industrial Development and Sustainable Growth pillar focus was the sector assessment of the economic risks and opportunities associated with climate change and climate action in South Africa. The report, produced in collaboration with energy renewal consultancy Camco, was used for the South African government's National Climate Change Response Strategy. TIPS also produced a case study of greening in the construction industry.

Other research focused on small business looking at the lessons South Africa could learn from Brazil and India.

## REGIONAL FOCUS

Research around industrial development from a regional perspective as well as from the perspective of individual countries in the region is needed.

There is also scope for research around particular sectors, in particular around regional value chain efforts for particular sectors as well as the efforts to develop these value chains. TIPS will be looking at two sectors regionally: minerals and agriculture. Research will focus on how to enhance beneficiation for the former and on how to develop agro-processing for the latter. In the coming year, the regional focus of industrial policy will cut across the African Economic Integration pillar.

## WORKING RELATIONSHIPS

### The dti

South African Presidency  
University of Cape Town  
University of KwaZulu-Natal  
University of Rome  
University of Mauritius

## Using state procurement to increase local production

The Competitive Supplier Development Programme (CSDP) was initiated in South Africa in November 2007. The aim was to reform internal SOE procurement systems and to increase the local content of goods and services procured by public entities. The CSDP commits firms supplying a SOE to broadly engage with procurement practices that develop capacity and capabilities nationally.

A review of the CSDP notes that SOEs have struggled to meet these obligations. The two SOEs engaged with the programme at present use different criteria to evaluate their commitments. The time taken to influence the local content in the relevant transactions was highlighted as a key constraint. Also, it has been suggested by some firms engaged in Transnet's CSDP that it may take them two to three years before being in a position to effectively carry out a CSDP. Another obstacle is the detailed reporting aspects of monitoring a CSDP, which are hard to meet.

The other major state leverage programme is the National Industrial Participation Programme (NIPP). The NIPP leverages government procurement linked to large international purchases, by requiring international contractors to develop and invest in offset projects that provide long-term economic benefits to South Africa. The NIPP applies to all government tenders above US\$10 million. Its application has been limited however: of an estimated R900 billion in public expenditure, only R72 billion has been influenced or affected by NIPP. This is mainly because of misconceptions around the eligibility of certain projects for NIPP. Because of the shortcomings of both the CSDP and the NIPP, the Preferential Procurement Policy Framework Act is being redrafted to empower the dti to "designate" sectors that will be required to integrate the emerging local-content thrust. The revisions empower the dti to designate certain industries that are of "critical importance" for local manufacture by organs of state and public entities. This would mean that state agencies are obliged to locally source products that form part of a contract between a state and private supplier. Designation will be based on the alignment of products with creating or retaining decent jobs; advancing sectors identified under IPAP; and promoting small, micro and medium enterprises. TIPS is undertaking some research on identifying products with the potential to be produced in South Africa in a number of capital equipment sectors.

# POLICY PILLARS

## INEQUALITY AND ECONOMIC MARGINALISATION

The work of this pillar builds on the outcomes of a strategy process commissioned by the South African Presidency, and reflected in the framework *Second economy strategy: Addressing inequality and economic marginalisation*, approved by Cabinet in January 2009, and included in full in the final report of the Accelerated and Share Growth Initiative for South Africa (AsgiSA) in April 2009. This work focused on three key areas of structural inequality, all of which are rooted in legacies of apartheid:

- The structure of the economy: its impacts on unemployment, on local economic development and in limiting economic opportunities in marginal contexts. This included work on competition issues, small enterprise, the informal sector, value chains and labour markets.
- Spatial inequality: the continued impacts of the 1913 Land Act, bantustans and apartheid cities – coupled with the spatial impacts of more recent policies also. This also looked at rural development strategies, the impacts of skewed patterns of development in agriculture, and the scope for payment for environmental services to create rural employment.
- Inequality in relation to human capital: education and also health.

At a strategic level, the framework document highlighted that the kinds of strategies required to address these issues – as the New Growth Path now tries to do – will take time to work, and that these impacts will reach the most marginalised last. A complementary set of strategies was therefore proposed, intended to create access to employment even where markets are not doing so. This included the need for innovation in scaling up public employment. It was against this backdrop that, with support from the Presidency and the Department for Social Development, the Community Work Programme (CWP) was initiated and piloted.

### COMMUNITY WORK PROGRAMME

The CWP is adapted from the concept of a minimum employment guarantee, as developed in India. It is designed to create an employment safety net by providing participants with a minimum number of days of regular work, typically two days a week, with a present rate of R60 a day. In the first three months of 2010, TIPS continued to project manage the rollout of the CWP in partnership with the two programme Implementing Agents (IAs), Teba Development and Seriti Institute, scaling up to 49 sites by the end of March and demonstrating the ability of the programme to go to scale.

The CWP was then handed over into government, as a programme of CoGTA, from April 2010. Since then TIPS has been providing technical support to CoGTA. Activities include providing support to institutionalise the programme in the department, and working with the two IAs to ensure the smooth transition in terms of financial reporting, narrative reporting and management information system reporting. Financial modelling and budgeting processes were also put in place and an operations manual developed.

A monitoring and evaluation system is also being designed. This included a workshop with government and academics to design the impact indicators and has involved compiling a beneficiary data system.

By April 2011, the CWP was in place in 74 sites, in all the provinces with more than 89 000 people having participated, and the impact of the programme is increasingly being seen (*See Community Work Programme – stimulating local economies*).



**WORK AHEAD**

### Community work programme – stimulating local economies

The CWP work must be ‘useful work’ – work that contributes to the public good or the quality of life. Activities at each site are agreed through consultation at community level and vary from site to site. In practice, however, a common set of priorities has emerged around the country, called anchor programmes. These include food security and planting food gardens with thousands of gardens now established all around the country; clean-ups and environmental rehabilitation; community safety; home-based care for households affected by HIV, TB and other illnesses; care of orphans, vulnerable children and the elderly; assisting people to access documentation and grants; early childhood development programmes; support for schools; and youth recreation. The programme provides work for a minimum of 1000 people at a site; however the money earned has a wider multiplier effect.

The importance of the programme for reducing poverty goes beyond the people working at sites. Money going into the community circulates around the local economy supporting a variety of other microenterprises from building and transport to hair styling and shoe repairs. Local markets are flourishing with traders setting up markets to sell on pay days. In Koppies in the Free State participants report that small informal businesses that were previously closed have opened again. At Bokfontein in the North West participants are taking active steps to keep the money in the community by setting up a buying co-op. Participants are investing in buildings. At sites in KwaZulu-Natal participants have learnt to build water tanks instead of buying them so that the money is spent locally. People are also improving their skills. The money is described as a “stepping stone”, with people saying it made it possible to get a driver’s licence or do a computer course. In Keiskammahoek in the Eastern Cape, some people are exercising choice and investing in their children’s education by spending some of their earnings on taxis to send their children to a “good school” in the area.



## EMPLOYMENT CREATION FUND

In December TIPS began to implement a programme of work contracted by CoGTA and funded by the Employment Creation Fund, which is housed in **the dti**. This programme has three components: CWP Innovation Fund, Watershed Services Programme and Organisation Workshops.

### CWP Innovation Fund

This was created to finance innovative projects that are able to strengthen and improve the delivery of the CWP. The aim is to use it to improve the sustainability of the CWP as well as strengthen capacity at local level. Funding has been approved for four projects in the fields of early childhood education, waste management, water conservation and setting up nurseries to provide seedlings for gardens.

### Watershed Services Programme

The term 'watershed services' refers to the role nature plays in channelling water down to streams and rivers in the catchment area of a dam. When these natural watershed services are degraded, they need to be rehabilitated. The four rivers in the Hartbeespoort Catchment area run through a number of human settlements, both formal and informal. Because of the high population density, litter and pollution has become an environmental problem along the watercourse. These watercourses also pass through eight CWP sites. The CWP is piloting the delivery watershed services in the Hartbeespoort Catchment area. A key purpose of the pilot is to test whether the savings on water purification costs that result from such watershed services are sufficient to cover the costs of the employment, and whether such employment could in future be funded on a sustainable basis from within the existing water tariff. During the pilot, the delivery of these services created work opportunities for 2 112 people working two days a week at the eight CWP sites.

### Organisation Workshops

The CWP aims to broaden and deepen implementation capacity, and to bring in new implementing partners. One of the ways this will happen is through the use of Organisation Workshops. This is an intensive three-week action-learning programme, first developed by Clodomir Santos De Morais in Brazil. It teaches work organisation and task management skills

by involving large numbers of people in organising and managing tasks identified and prioritised by the community.

Because of delays in the approval of new sites, these funds were not used on Organisation Workshops, in the timeframe.

### Looking Ahead

The intensity and scale of the work on the CWP has tended to crowd out some of other focus areas of the pillar.

In particular, in the coming year, the following areas will be taken forward:

- Looking at how the structure of the economy affects SME development and the informal sector
- Looking at how to shift the distribution of power and value in value chains, focusing on the agro-processing and retail sectors in particular, and focusing on the instruments available to the state to influence these outcomes
- Developing a market for environmental services and markets arising from climate change and green jobs

### WORKING RELATIONSHIPS

South African Presidency  
Department of Cooperative Governance and Traditional Affairs  
University of KwaZulu-Natal

The Institute for Poverty, Land and Agrarian Studies (PLAAS)  
at the University of the Western Cape

Natural Resource Management Programme of the  
Department of environmental Affairs

International Labour Organization's Employment  
Intensive Investment Programme



# POLICY PILLARS

## SUSTAINABLE GROWTH

**Natural capital, the stock of renewable and non-renewable resources used for production, is crucial for growth and development. Revenues from natural resource extraction can be a driver for growth, or an impediment, for example the rising cost of imported oil. Preserving ecological systems and landscape matters economically, underpinning industries, such as agriculture and tourism, and livelihoods. TIPS works in a number of areas related to the green economy, including the economic dimensions of climate change and low-carbon energy, and the growth of green industries as a driver for industrialisation and job creation.**

In South Africa sustainable development, though ill-defined, is enshrined as a human right in the constitution. What distinguishes South Africa from its neighbours is its greater capacity to overcome the limitations of natural resource scarcity. While the country has a well-established agricultural sector it has also made significant progress in its manufacturing and service industries. For this reason, under climate change discussions, while neighbouring and other countries on the continent make climate change adaptation a priority, South Africa's emphasis is on climate change mitigation. South Africa will have to deal with some of the impacts of climate change, such as flooding, sea level rise, rising temperatures and the associated impacts on the agricultural sector of more frequent droughts. However, it has the capacity to transform from an economy built around a minerals-energy complex, which has attendant implications on inequality, marginalisation and governance, towards an economy which is more low carbon and thereby more sustainable.

South Africa's sustainable development agenda is therefore different in some senses to that of its Southern African regional partners. However, its experiences can act as a prototype for sustainable development programmes in neighbouring countries. The country is planning for the risks of climate change by engaged in policy development to transform its economy away from being coal intensive to a low-carbon structure which incentivises 'going green' (see *Going green*).

Given the dual context of IPAP and the New Growth Path and the South African presidency of the 2011 climate change negotiations under the United Nations Framework Convention on Climate Change, scheduled to take place in Durban in December 2011, TIPS is engaging in research which will support relevant government policy development on a low-carbon and green economy transition.

### CROSS PILLAR CO-OPERATION

The Sustainable Growth work complements the other TIPS pillars as follows:

#### Industrial Policy

The Green Industries Sector Strategy is an element of the IPAP2, effectively linking the economic opportunities of a move to a greener economy to industrial development in South Africa.

#### Trade

TIPS has done work on climate change and trade and will explore further work on this theme with **the dti**.

#### African Economic Integration

The proposed work on regional energy infrastructure addresses one of the key constraints for regional development, but also

presents an opportunity for regional collaboration and trade in services (electricity).

#### Inequality and Economic Marginalisation (and Rural Development)

The Green Industries Sector Strategy and regional energy infrastructure work both address a central component of multi-dimensional poverty – energy poverty, which includes lack of access to clean cooking. They also target industries and activities that provide potential rural livelihoods such as biomass energy. In 2011, as part of its support to **the dti** on the implementation and further development of IPAP, TIPS will develop, in consultation with **the dti** staff and external stakeholders, a sector strategy for green industries, as well as action plans in six key sub-sectors: solar and wind energy; biomass energy; clean and multi-energy stoves; waste and wastewater treatment and recovery; water- and energy-efficient appliances and materials; and efficient motors, electricity storage, metering and control.

#### Research and Advocacy

In the year under review, TIPS made public interest submissions or contributed directly to various government processes, including public consultation on the draft National Strategy on Sustainable Development, the 2010 Integrated Resource Plan (for electricity), the Feed-in Tariff for Renewable Energy (REFIT), and finance mechanisms for renewable energy and the green economy. It was also involved in publications on green jobs with the Development Bank of Southern Africa (DBSA) and the Industrial Development Corporation (IDC), and the green economy, with University of Stellenbosch for DBSA.

Other research includes:

#### Green Jobs and The Green Economy

TIPS is collaborating in producing a report that details the distribution in time (short, medium and long term) and over sectors (manufacturing, construction and operations and maintenance) of the green jobs targeted by the South African government's New Growth Path.

#### Climate Risks and Opportunities

This collaboration with Camco was an assessment of the economic risks and opportunities associated with climate change in South Africa. The report was used in compiling the South Africa's National Climate Change Response Strategy.

#### Climate and Trade

TIPS provided input to the BASIC (Brazil, South Africa, India, China) Expert Forum on the likelihood, impact and legality of border carbon tax adjustments, as well as recommendations on how to deal with these in multilateral climate negotiations.

### Climate Finance – the SA Renewables Initiative (SARi)

Rolling out renewable energy at scale provides an industrial opportunity while tackling the climate challenge. Overcoming the high up-front cost of these technologies needs innovative funding instruments. TIPS, with partners in the European Union (EU) and South Africa, conducted an evaluation for the German development bank (KfW) of such an instrument.

### Alternative Energy Generation

This assessed non-coal energy generation options for South Africa, drawing on experiences from other countries such as India, Brazil and China. This work was commissioned by the Employment Promotion Programme at the University of Cape Town and resulted in a policy paper mid-July. The recommendations from this paper were discussed at a high-level government-only workshop involving the multiple departments active in this area, convened by TIPS and the Presidency.

### Energy Efficiency Project

This short-term study assessed electricity efficiency within South Africa for government in light of the large electricity tariff increases and further planned increases.

Two interns produced research pieces. The first deals with barriers to the rollout of solar water heaters by government through cities and assessed how government could tap into such rollout for a national solar water heater production strategy. The second deals with payment for environmental services (PES) and also looks at how PES projects have been implemented in the few cases where this has happened.

A third piece is being completed involving an intern and TIPS staff member on border carbon adjustments.

### WORKING RELATIONSHIPS

#### The dti

Department of Economic Development  
National Treasury  
National Planning Commission  
World Wide Fund for Nature (WWF)  
South African environmental consultants and green industry companies  
University of Cape Town  
University of Pretoria



### Going green

The green economy is prominent in South Africa's New Growth Path. It is a relatively new term and emerged after the 2008/2009 global financial crisis, referring to the economic growth that can be achieved by pursuing environmental goals. This growth is achieved through three channels:

- Savings and improved security and competitiveness by existing companies "going green", particularly through measures to improve the energy, water and material efficiencies of their operations, products and processes.
- Growth of "green industries" – those businesses supplying products and services that prevent, reduce or reverse environmental depletion, damage or pollution.
- Protection and enrichment of the ecosystems and biosphere on which our food, leisure and genetic diversity depends.

A green economy involves a renewable supply of, and the efficient use of, energy, water and materials and is promoted by economic principles and mechanisms that serve to place greater value – in a literal sense – on the conservation of natural resources. The global green industries market was estimated by the UK government to be worth more than £3 trillion in 2008, dominated by clean energy technologies – renewable energy and energy efficient products and services. At the last assessment, in 2006 using 2004 data, the South African sector was worth around R20 billion and was dominated by waste management and recycling.

Spin-offs from a green economy include improved resilience to commodity price shocks, the growth of new industries in important sectors such as manufacturing, and also the creation of many associated jobs. The South African Department of Economic Development estimates that there is potential for around 300 000 new "green jobs" in South Africa. The most job-intensive green industries are land and services based, with the potential to also enhance rural development.

# OTHER PROGRAMMES AND PROJECTS

## SOUTHERN AFRICAN DEVELOPMENT NETWORK (SADRN)

IDRC funding support for this programme ended on February 1, 2011. Following advocacy work undertaken by TIPS in the region, other institutions in the region expressed interest in participating in the research network. Three other research institutions, Eduardo Mondlane University – Mozambique, the University of Dar-es-Salaam and the Institute for African Studies, an autonomous unit of the University Zambia, participated in a workshop of potential consortium partners. The meeting proposed that other institutions be included in the network and identified two key programme areas for the entire network under Phase II of the programme, which is being developed. The first programme is on NTBs to trade in southern Africa with BIDPA spearheading the proposal, which will mainly involve research. The second is on sustainable development, for which TIPS is taking the lead, and which features elements of research and capacity building.

In the year under review, TIPS set up the African Researchers Database. Early on in implementing this project, it became clear that regional institutions often operate in isolation and that there is very little information sharing. This results in duplication of activities in some areas, while leaving specific research areas underserved. SADRN is therefore committed to building a database of regional institutions, their core activities and their contact details. This will not be limited to institutions that actively participate in SADRN activities. The idea is to centralise information about the activities of institutions, where they are located, and their resources available such as the overall institutional focus and individual expertise.

## TIPS/AUSAID SADC TRADE DATABASE

TIPS submitted its final report on this programme in February 2010. To ensure the sustainability of the programme, a primary objective has been to transfer ownership of the SADC Trade Database to the SADC Secretariat. TIPS remains in discussions with the SADC Secretariat about hosting it.

Despite an Overseas Development Institute review of the database that formally concluded there is no longer a need for this, given the vast improvements in trade data on the region, SADC member states still prefer to use data sourced from member states. Demand for the database ([www.sadctrade.org](http://www.sadctrade.org)) has therefore continued, and it continues to be a frequently visited website. This website is the primary source of SADC trade data, SADC research materials and other related research tools and publications.

In the year January 2010 to January 2011, there were 6 800 visits to website – and 82.9% of those visits were from new

users, highlighting its continued relevance. South Africa remains the largest originator of visits at 38.1% of visits.

The US and UK complete the top three areas with a combined 12.7% of site visits. Other SADC countries in the top 10 countries are Tanzania, Namibia, Mauritius and Zambia, contributing 2% each to visits to the website. India accounted for 4% and Norway 2% Saint Lucia was a notable surprise addition onto the list, with Switzerland and Ethiopia also contributing 2% each to the total number of visitors.

TIPS no longer updates the trade data available on the SADC Trade database due to financial constraints. However, new additions were added to enhance its functionality.

TIPS continues to highlight the freely available ITC trade tools online. Other noteworthy additions are:

- SADC member country **tariff data**, which is available freely for download for research purposes ([www.sadctrade.org/tariff\\_data](http://www.sadctrade.org/tariff_data))
- The inclusion of local, regional and international data providers and their corresponding **links**, for data acquirement ([www.sadctrade.org/datalinks](http://www.sadctrade.org/datalinks))
- The addition of TIPS **data analysis templates**, for data analysis capacity building purposes ([www.sadctrade.org/data\\_analysis\\_tool](http://www.sadctrade.org/data_analysis_tool))

These features are aimed at increasing the availability of tools for researchers to enhance and upgrade their research capacity and to promote the proliferation of data-focused research and policymaking. TIPS anticipates greater use of these following the creation of the African Researchers Database under SADRN.

## TDCA FACILITY

The Trade, Development and Cooperation Agreement (TDCA) is designed to strengthen co-operation in various fields between the European Union (EU) and South Africa. The TDCA was signed in 1999 and came into force in 2004. In 2010, a consortium led by WYG International, with TIPS as the local partner, was awarded the contract to manage a programme that seeks to facilitate co-operation among the EU and South Africa. The specific focus of the programme is to unlock areas of the agreement that have previously not been tackled such as co-operation in health, education, environmental issues and migration.

TIPS is hosting the Programme Management Unit at its offices and will likely also provide short-term technical assistance. The programme will be running for two years, though discussions are taking place around a potential two-year extension, as well as a doubling of the current budget.

# CAPACITY BUILDING AND TRAINING

TIPS has reduced its direct involvement in capacity building, given the cost of such activities. In future, this will be brought under the relevant research pillars. Nevertheless, TIPS remains active in two areas, namely running courses and engaging interns. In addition there is increased demand for TIPS to provide advisory support to high-level policymakers. TIPS has also been investigating the idea of including mentorship aspects to its support programmes in future.

TIPS continued to provide its annual economy-wide policy impact analysis course (involving training on Input-Output (IO), Supply-Use Table (SUT) and social accounting matrix (SAM) analysis to those interested internationally. This course was held in September 2010. TIPS also organised a SAM and computable general equilibrium (CGE) course earlier, in March 2010, at its offices. All 2010 courses were highly successful and TIPS is planning to hold a more advanced computable general equilibrium (CGE) course in 2011. Participants are drawn from the region and even beyond the African continent.

A number of interns were involved with TIPS in 2010. Two interns were appointed from the University of Pretoria, one from the Economics Department and another one engaged in an interdisciplinary resource economics programme, the ASSET programme. Xolani Sibande produced a small technical piece on

poverty and environmental services and Guillaume Duhain worked on finalising the data template under the AusAid programme. Both interns have subsequently found employment.

Another intern, a trade economist, was appointed at the end of 2010. He is investigating aid for trade issues and providing support on a particular project assessing bilateral trade and supporting miscellaneous trade research queries. TIPS will re-open more fully its internship programme in 2011.

TIPS remains committed to building the capacity of students who have completed their Masters programme in South Africa as well as other countries. To this end, TIPS is working with two dti interns through its sponsored short-term projects. The dti has requested TIPS to assist these interns in developing fieldwork and research skills.

## COURSES ORGANISED BY TIPS

EVENT	PARTICIPANTS	DATE
SAM and CGE Policy, Pretoria	Policymakers across government department, researchers and practitioners	March 2010
Introduction to Economy-Wide Policy Impact Analysis, Pretoria	Policymakers across government departments, researchers and practitioners	September 2010

## COURSES ATTENDED BY TIPS STAFF

EVENT	PARTICIPANTS	DATE
Policy Brief Workshop – African Economic Research Consortium, in Mombasa, Kenya	Bongani Motsa	November 2010
Industrial Policy Training – the dti	Sithembiso Mtanga, Meagan Jooste, Mbofholowo Tsedu, Peet du Plooy	October 2010
Bio-economic Modelling Course – University of Cape Town, in Cape Town	Meagan Jooste	October 2010
Public Finance Management Act course by the South African Institute of Government Auditors	Ipeleng Mohlala, Juanita Pardesi, Rozale Sewduth, Cynthia Chiororo	July 2010
Preliminary findings of the Department of Cooperative Governance Local Economic Development Strategic research projects	Evans Chinembiri	December 2010
ILO's Mitigating a Jobs Crisis – Innovations in Public Employment Programmes, in Turin, Italy	Ximena Gonzalez-Nuñez, Juanita Pardesi	November 2010

# RESEARCH AND DISSEMINATION

The research activities of TIPS are both supply and demand driven. The focus is wide-ranging although it is generally on filling a knowledge gap. During 2010, on the demand side, TIPS continued to commission and conduct various research studies at the request of policymakers.

On the supply side, TIPS continues to support research that is in the general public arena. The funding stream for this is through small grants allocated to Masters students at universities and, large grant amounts for research pieces, and working papers, focused on salient questions or on questions that are emerging for policymakers and for which an academic input is required.

## DISSEMINATION

All of the TIPS research available in the public domain is disseminated through our website, and details of new research are sent out to our distribution list.

TIPS also plays a more focussed role in the dissemination of salient research. This is achieved through a range of events. While some events are small, others are larger. TIPS continues to host its regular Development in Dialogue seminars, which facilitate discussion around key areas of policy priority. In addition, TIPS staff have been asked to participate in numerous events that took place during 2010. While staff have been regularly involved to chair some of the meetings, TIPS staff has been directly involved with some presentations in 2010.

## WEBSITE

TIPS's website is central to its dissemination strategy. The website has more than 700 downloadable research papers that focus on trade and industry issues as well the new focus areas such as economic marginalisation and sustainable growth. The Annual Forum papers are still popular with users due to a large selection of policy-related papers available for download even though some of these date back to 1997.

A number of recently published working papers and research reports made possible by TIPS's internship and small grants programmes are also available for download on the website. This has increased the site usage. The industrial policy bibliography online facility also contributed to the increase in website traffic. With 190 industrial policy related papers from all over the world, the facility has received nearly 400 requests for papers since its launch in May 2007. The website is also used to provide information on forthcoming training workshops and conferences facilitated by TIPS or its partner organisations.

## Website Traffic

The growth in the number of visits continues to be strong and surpassed the 75 000 mark between January and December of 2010. Compared to the same period of the previous year, the total number of visits has increased by almost 20%. The number of page views for the same period was 160 000.

## Traffic Sources

Search engines remain the dominant application used by users to access the TIPS website (83.6%). Only 11.2% (up from 8.8%) of the recorded visits to the website were executed directly.

## Origin of Visitors

South Africa accounts for 59.7% of the total number of visits. Other notable sources of visits include the United States, United Kingdom and India. The only African countries that have made a considerable contribution to the site traffic are Nigeria and Tanzania. What is striking is the high proportion of new visits from all countries in the top nine, indicating TIPS's continually expanding web presence (see Table).

## TOP 9 VISITOR SOURCES

Top nine countries with most visits to TIPS website	Number of visits (% increase from previous period)	New visits as a percentage of visits
South Africa	46 882 (+13.13%)	80.11%
United States	4 842 (+12.89%)	87.84%
United Kingdom	2 956 (+21.80%)	83.42%
India	1 624 (+9.58%)	92.06%
Nigeria	1 322 (+71.91%)	84.80%
Australia	981 (+41.35%)	85.93%
Germany	949 (+30.54%)	81.56%
Tanzania	978 (+97.58%)	90.70%
Canada	266 (+8.57%)	75.81%

Source: Google Analytics, 2010 ([www.google.co.za/analytics](http://www.google.co.za/analytics))

# RESEARCH OVERVIEW

This table provides an overview of research conducted during 2010 through to March 2011, including for its policy pillars and other research. The research in the public domain is available on the TIPS website [www.tips.org.za](http://www.tips.org.za).

TITLE	AUTHOR/S	PILLAR/PROJECT	PUBLIC DOMAIN
SACU data note	TIPS researcher	Trade	Yes
South Africa-Asia trade relations	TIPS researcher	Trade	To be released in 2011
Review of trade trends between New Zealand and South Africa – A road map to future bilateral relations (joint project for the International Trade and Economic Division at <b>the dti</b> and MFAT, the New Zealand Ministry of Foreign Affairs and Trade)	Infometrics (New Zealand) and TIPS Professor Ron Sandrey is the main author with contributions from Dirk van Seventer, Dr Adolf Stroombergen, John Carran at Infometrics and TIPS researchers	Trade	To be completed in 2011
Southern African Customs Union Trade Statistics: Similarities and discrepancies in the TIPS SADC trade, ITC trade map and UN comtrade data sets.	Evans Chinembiri, TIPS	Trade	To be released in 2011
Climate Change: Risks and opportunities for the South African economy – An assessment of mitigation response measures	TIPS researchers and Camco, a renewable energy consultancy	Industrial development and Sustainable growth	Yes
Climate change risks and opportunities for the South African Economy: Economic sector reviews (joint TIPS-Camco report)	TIPS researchers	Industrial development and Sustainable growth	Yes
Climate change risks and opportunities for the South African Economy: The construction industry's path towards a low carbon trajectory	TIPS researchers	Industrial development and Sustainable growth	Yes
Strategic action papers on public procurement, plastics industry, automotive industry, metal fabrication, and capital and transport equipment (for <b>the dti</b> )	Dr Zavareh Rustomjee, Derek Thomas, Letsema; Suren Singh SUDEO-IBC; Richard Goode, Mintek	Industrial development/ IPAP	No
South African rail rolling stock manufacturing: Industrial capacity and localisation opportunities (for <b>the dti</b> )	TIPS researchers	Industrial development/ IPAP	To be completed in 2011
Small business: Lessons from Brazil and India	Stephen Timm, freelance journalist	Industrial development	Yes
Policy developments in SADC – industrial policy	Sandy Lowitt, consultant	Industrial development	To be released in 2011
Mitigating a jobs crisis: Innovations in public employment programmes (IPEP), ILO Employment Sector, Employment Report No 6.	M Liew-Kie-Song, ILO; Kate Philip, TIPS	Inequality and economic marginalisation/Working paper	Yes
Inequalities in emerging economies: What role for labour market and social policies?	Kate Philip	Inequality and economic marginalisation	Yes
Links between PES (public employment schemes) and poverty alleviation	Xolani Sibande, TIPS intern	Inequality and economic marginalisation/ Internship paper	Yes
Towards a right to work: the rationale for an employment guarantee in South Africa	Kate Philip, TIPS	Inequality and economic marginalisation	Yes
Green jobs and green economy	Industrial Development Corporation, Development Bank of Southern Africa, TIPS	Sustainable growth	To be released in 2011
Alternative energy generation (for the Employment Promotion Programme, University of Cape Town)	TIPS researcher; Mike Goldblatt, PDG	Sustainable growth	
Energy efficiency in South Africa (for IDDT-E, comprising the Presidency, <b>the dti</b> , National Treasury, DOE, DPE and Department of Economic Development – the Government Working Group on Energy	TIPS researchers	Sustainable growth	No
Financing needs and preconditions for the South African renewables Initiative (SARI) ((for the KfW and BMU)	TIPS, Ecologic Institute (Berlin) Imbewu Legal Specialists	Sustainable growth	No
Inertia, equity and ingenuity: Mapping opportunities in South Africa's green economy	A Cartwright, Econologic	Sustainable growth/ Working paper	Yes
Trade and climate change: The environment from developmental and economic perspective in the South African Development Community (SADC)	J G Capôco, consultant	Sustainable growth/ Working paper	Yes
Trade and climate change: Policy and economic implications for South Africa (for the Energy Research Centre, University of Cape Town)	TIPS researcher	Sustainable growth	To be released in 2011
The extent of SADC trade protection and its effects on the least developing members of the region	TIPS researcher	Trade data report	Yes
Examining South-South trade flows and market access conditions: A case study of the Brazil and South Africa Development Initiative	T E Mutambara, Rhodes University	Trade data report	Yes
South Africa's current and future trade agreements	TIPS researcher, M Kalaba	Trade data report	Yes
Contribution to trade policy review: Overview of Africa and SADC trade 2006-2008	TIPS researchers	Trade data report	Yes
Trade effects of regional economic integration in Africa: The case of SADC	Mengesha Yayo Negasi, BIDPA	SADRN	Yes
Internationalisation of higher education in Southern Africa with South Africa as the major exporter	Kwaramba Marko, BIDPA	SADRN	Yes
An evaluation of the impact of reforms in services on downstream manufacturing: Evidence and policy implications for Uganda's non-financial services	Yusuf Abdalla, Jimmy Apaa-Okello, TIPS	SADRN	Yes

TITLE	AUTHOR/S	PILLAR/PROJECT	PUBLIC DOMAIN
Services sector development: A key to poverty alleviation in Mauritius	Tandrayen-Ragoonbur Verena, Ragoobur Vishal, Poonoosamy Ken, University of Mauritius	SADRN	Yes
Poverty and trade: Do conservancies help alleviating poverty?	Erwin Maimhwaka, BIDPA	SADRN	Yes
Analysing the impact of biofuels on the rising food prices in SACU countries	Thomas Funke, BIDPA	SADRN	Yes
Small-scale mining and its impact on poverty in Namibia: A case study of miners in the Erongo region	Jacob Nyambe, Taimi Amunkete, BIDPA	SADRN	Yes
Positioning the Western Cape Province as a knowledge hub: An exploratory study	Kara Mackay, University of Mauritius	SADRN	Yes
The impact of imported GMO chickens on Zimbabwe's poultry industry	Evangelista Mudzonga, BIDPA	SADRN	Yes
Does the railway sub-sector contribute to poverty alleviation in Namibia?	Jacob Nyambe, Beaven Walubita, Caschni du Plessis, BIDPA	SADRN	Yes
Increasing temporary movement of natural persons in the SADC Region: What should be done?	Albert Makochekanwa, University of Mauritius	SADRN	Yes
Trade and poverty in Mauritius: Impact of EU sugar reforms on the livelihood of sugar cane workers	Rojid Sawkit, Tandrayen Verena, Seetannah Boopen, Sunnasse Vinesh, University of Mauritius	SADRN	Yes
Services sector development in Uganda: An analysis of the role of the financial services sector	Charles Augustine Abuka, Kenneth Alpha Egesha, University of Mauritius	SADRN	Yes
Prospects for the establishment of an education hub: The case of Botswana	Johnson Tsoro Maitetso, BIDPA	SADRN	Yes
Fostering talent movement in the SADC and ESA (Eastern and Southern Africa) region	Manisha Dookhony, Lillka Cuttaree, University of Mauritius	SADRN	Yes
The 2007/8 food crisis: The case of maize and maize taxation in Southern Africa	Roman Grynberg, Masedi Motswapong, BIDPA	SADRN	Yes
The role of public investment in promoting economic growth: A case study of Mauritius	Pooloo Zainah, University of Mauritius	SADRN	Yes
The effects of the European Union (EU)-imposed livestock Identification and traceback system on Botswana's beef exports, revenue and rural poverty	Davis Marumo, Milly Monkhei, BIDPA	SADRN	Yes
South Africa's current and future trade agreements	TIPS researchers	Working paper	Yes
A review of industrial policy, instruments and support programmes: 1994-2008	TIPS researchers, Stephen Hanival, Z Rustomjee, consultant	Working paper	Yes
Review of agricultural policies and support instruments in South Africa 1994-2009	Norma Tregurtha, N Vink, J Kirsten, Commark and University of Pretoria	Working paper	Yes
Trade diversion and trade creation: An augmented gravity model study for South Africa	Patrick T. Kanda and Andre C. Jordaan, Affiliation: University of Pretoria	Small grant	Yes
The determination and analysis of trade potential for the South African pulp and paper industry using a gravity model approach	Adele Breytenbach and Andre C. Jordaan, Affiliation: University of Pretoria	Small grant	Yes
An empirical assessment of the impact of trade liberalisation on employment in South Africa	Evans Chinembiri, Affiliation: University of Pretoria	Small grant	Yes
Barriers to accessing water services in the Motherwell Township	Mfundo Mbashe and Deon Pretorius, Affiliation: Nelson Mandela Metropolitan University	Small grant	Available on request

## POLICY BRIEFS

Available on the TIPS website, [www.tips.org.za](http://www.tips.org.za)

TITLE	AUTHOR/S	PILLAR/PROJECT
Towards a right to work: The rationale for an employment guarantee in South Africa (CWP)	Kate Philip	Inequality and economic marginalisation
Southern African Development Community: Reaping the benefits of regional economic integration	TIPS researchers	Trade/SADRN
The impact of biofuels on food prices in the Southern African Customs Union	TIPS researchers	Trade/SADRN
Services sector development in Uganda: The role of financial services	TIPS researchers	Trade/SADRN
The effects of the European Union-imposed livestock identification and traceback system on Botswana's beef exports and rural poverty	TIPS researchers	Trade/SADRN
Export diversification in Zambia and Botswana: Little progress so far	TIPS researchers	Trade/SADRN
The trade effects of regional economic integration in the Southern African Development Community	TIPS researchers	Trade/SADRN
The 2007/2008 food crisis: The case of maize and maize taxation in Southern Africa	TIPS researchers	Trade/SADRN
Internationalising higher education in Southern Africa with South Africa as the major exporter	TIPS researchers	Trade/SADRN
Prospects for establishing an education hub: The case of Botswana	TIPS researchers	Trade/SADRN
Services sector development: A key to poverty alleviation in Mauritius	TIPS researchers	Trade/SADRN
Trade and poverty in Mauritius: Impact of European Union sugar reforms on the livelihood of sugar cane workers	TIPS researchers	Trade/SADRN



# DEVELOPMENT DIALOGUE SEMINARS

The TIPS Development Dialogue seminars facilitate discussion around key areas of policy priority. Presentations and additional material related to the talks are available on the TIPS website. [www.tips.org.za](http://www.tips.org.za).

TOPIC	PRESENTER	DATE
Experience of South-South regionalism – The case of East and Southeast Asia (held jointly with <b>the dti</b> )	Medhi Shafaeddin, Institute of Economic Research University of Neuchâtel, Switzerland	April 2010
Sustainable growth in South Africa	Johann Fedderke, Pennsylvania State University	April 2010
The SACU revenue sharing formula – Looking backwards and thinking forwards	Dr Matthew Stern and Prof Roman Grynberg, Botswana Institute of Development Policy Analysis	May 2010
Carbon tax – Its role in the macroeconomy and in climate negotiations	Brent Cloete, DNA Economics, and Peet du Plooy, TIPS	September 2010
Foreign direct investment links between South Africa and China (presentation around the release of a paper sponsored by the African Economic Research Consortium)	Steven Gelb, Edge Institute and University of Johannesburg	November 2010
East Asia's experience with industrial policy	Shahid Yusuf, World Bank	November 2010
International experiences of public sector reforms	Jennifer Widner, Princeton University	January 2011
How South Africa can boost support to small businesses: Lessons from Brazil and India	Stephen Timm, freelance journalist and Mike Herrington, UCT Graduate School of Business	March 2011
Does what you export matter? In search of empirical guidance of industrial policies	Daniel Lederman, Development Economics Research Group, World Bank	April 2011

## EVENTS ORGANISED

EVENT	PARTICIPANTS	DATE
Rural Transformation Conference, in Pretoria South Africa and Delhi, India	Pretoria – DBSA, government departments, municipalities, National Farmers Union and Business Trust Delhi – Delegations and Ministers from China, Brazil, India and South Africa	March – April 2010
High Level Policy Workshop, in Pretoria	Government departments, TIPS and academics	April 2010
SADRN Policymakers' Workshop: Reflections of Policy Research and Capacity Building Networks in Southern Africa, Pretoria	Policymakers	May 2010
Renewable Energy Workshop, Pretoria	Policymakers	June 2010
CWP Implementation Manual Workshop, Pretoria	TIPS, programme implementing agents, CoGTA and other stakeholders	September 2010
Consultative Workshops to Develop Impact Indicators for the Community Work Programme, Johannesburg	CoGTA, Department of Performance Monitoring and Evaluation, Department of Social Development, Teba Development, Sereti Institute, DBSA, Society Work and Development Institute (SWOP), Institute of Poverty Land and Agrarian Studies (PLAAS), Human Sciences Research Council (HSRC)	November 2010

## EVENTS SUPPORTED

EVENT	PARTICIPANTS	DATE
DPRU Annual Forum – The Global Economic Crisis and South Africa: Lessons for Long-Run Economic Growth and Development, Johannesburg (TIPS provided some funding and others support including vetting papers)	Local and international researchers, academics, policymakers	October 2010
World Bank – East Asia Industrial Policy, in Pretoria	Main speaker was Dr Shahid Yusuf, World Bank. Participants included selected policymakers.	November 2010

# PRESENTATIONS AND TALKS GIVEN

TIPS staff have made presentations and given talks at conferences and other events, as well as to organisations.

TOPIC	EVENT	PRESENTER	DATE
Energy options	Wits Investigative Journalism Conference, Johannesburg	Peet Du Plooy	November 2010
Energy planning	Cambridge Programme for Sustainable Leadership Business and Environment Programme, Johannesburg	Peet Du Plooy	November 2010
Implications of the draft National Climate Change Response Policy	Imbewu Legal Specialists Ltd, Johannesburg	Peet Du Plooy	December 2010
Implications of the draft National Climate Change Response Policy	DBSA Workshop, Midrand	Peet Du Plooy	January 2011
Implications for development finance institutions of the draft National Climate Change Response Policy	DBSA Workshop, Midrand	Peet Du Plooy	January 2011
Trade and climate change from a South African experience	BASIC Group meeting under the UNFCCC, Tianjin, China	Peet du Plooy	October 2010
South Africa's policy and strategic framework	Presentation to the South African parliament portfolio committee on trade and industry	M Kalaba, Ximena Gonzales-Nuñez	April 2010
Testing the convergence hypothesis in Sub-Saharan Africa	ERSA, East London	Bongani Motsa	February 2010
Unbundling industrial policies	ERSA, Trade and Industrial Organisation workshop, KwaZulu-Natal	Myriam Velia	February 2011
Labour relations and firm performance in South Africa	ERSA, Trade and Industrial Organisation workshop, KwaZulu-Natal	Dinga Fatman	February 2011

# CONFERENCES AND WORKSHOPS ATTENDED

EVENT	PARTICIPANTS	DATE
CoGTA Workshop (with EU support) through its Local Economic Development Unit to present findings of four studies for input into Local Government Turnaround Strategy, Johannesburg	Kate Philip	March 2010
Inequalities in Emerging Economies: What Role for Labour Market and Social Policies?, OECD Workshop, Paris, France	Kate Philip	May 2010
Energy-Water Nexus – three-week International Visitors Leadership Programme, Washington, DC, US	Peet du Plooy	August – September 2010
The political economy of regional integration in Southern Africa: What role for the EU and other partners – South African Institute of International Affairs (SAIIA) and European Centre for Development Policy Management (ECDPM)	Mupelwa Sichilima (chair)	February 2011
Carbon tax workshop – Development Bank of Southern Africa	Megan Jooste, Peet du Plooy	March 2011

# TIPS IN THE MEDIA

The findings of TIPS research continues to be highlighted in the media. This includes articles written by staff (listed first) and articles quoting staff or referencing TIPS research.

ARTICLE	PUBLICATION	WEB LINK	DATE
Job creation figures for green economy 'spot on' – Peet Du Plooy	Business Day		November 2010
Nukes to the rescue? – Peet Du Plooy	Mail & Guardian	<a href="http://www.mg.co.za/article/2010-11-26-nukes-to-the-rescue">http://www.mg.co.za/article/2010-11-26-nukes-to-the-rescue</a>	November 2010
Nuclear industry set to gain from increase in capacity – Peet Du Plooy	Financial Times	<a href="http://media.ft.com/cms/92327a24-fc19-11df-b675-00144feab49a.pdf">http://media.ft.com/cms/92327a24-fc19-11df-b675-00144feab49a.pdf</a>	December 2010
Neighbours eye the potential of DRC's Inga rapids – Peet Du Plooy	Financial Times	<a href="http://media.ft.com/cms/92327a24-fc19-11df-b675-00144feab49a.pdf">http://media.ft.com/cms/92327a24-fc19-11df-b675-00144feab49a.pdf</a>	December 2010
India's loan scheme for small business holds lessons for SA	Business Day	<a href="http://www.businessday.co.za/articles/Content.aspx?id=106674">http://www.businessday.co.za/articles/Content.aspx?id=106674</a>	April 2010
Clusters will help small business by creating economies of scale	Big News		May 2010
Brazil an object lesson to SA on bolstering entrepreneurs	Business Day		November 2010
Energy – Nuclear prospects	Business Day	<a href="http://www.businessday.co.za/Articles/Content.aspx?id=129524">http://www.businessday.co.za/Articles/Content.aspx?id=129524</a>	December 2010
SA construction firms starting to focus on green practices – Myriam Velia and Meagan Jooste	Engineering News	<a href="http://www.engineeringnews.co.za/article/sa-construction-firms-starting-to-focus-on-green-practices-2011-01-25">http://www.engineeringnews.co.za/article/sa-construction-firms-starting-to-focus-on-green-practices-2011-01-25</a>	January 2011
Take a leaf out of Brazil's book: back small business	Business Day	<a href="http://www.businessday.co.za/articles/Content.aspx?id=13288531">http://www.businessday.co.za/articles/Content.aspx?id=13288531</a>	January 2011
Job creation – R9bn jobs fund: Putting SA to work	Financial Mail	<a href="http://www.fm.co.za/Article.aspx?id=134662">http://www.fm.co.za/Article.aspx?id=134662</a>	February 2011

# FINANCIAL STATEMENTS

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Trade and Industrial Policy Strategies (TIPS) is a non-profit public-benefit organisation that is engaged in generating and sustaining a capacity for policy development and research in the sphere of economic policy, with particular emphasis on trade and industry, within and outside of government in South Africa. The company receives grants from international aid organisations and applies these funds against specific projects, administration of these projects and support infrastructure.
<b>Directors</b>	A Hirsch JHDC Maia X Gonzalez-Nuñez S Robinson N Zalk
<b>Registered office</b>	826 Government Avenue   Arcadia   Pretoria   0083
<b>Business address</b>	826 Government Avenue   Arcadia   Pretoria   0083
<b>Postal address</b>	PO Box 11214   Hatfield   Pretoria   0028
<b>Auditors</b>	Grant Thornton Chartered Accountants (S.A.) Registered Auditors Member of Grant Thornton International
<b>Company registration number</b>	2001/012247/08

## INDEX

The reports and statements set out below comprise the annual financial statements presented to the members:

Independent Auditors' Report	26
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Statement of Comprehensive Income	30
Statement of Changes in Equity	30
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The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income Statement	37
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# INDEPENDENT AUDITORS REPORT

## **To the members of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21)**

We have audited the annual financial statements of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on page 28 – 36.

## **Directors' Responsibility for the Annual Financial Statements**

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Trade and Industrial Policy Strategies (Association incorporated in terms of Section 21) as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa as amended.

## **Other Matter**

We draw attention to the fact that the supplementary information set out on page 37 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.



Grant Thornton  
**Chartered Accountants (SA)**  
Registered Auditors

Per: N C Kyriacou  
**Chartered Accountant (SA)**  
Registered Auditor

31 March 2011

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The board of directors are responsible for the financial affairs of the company.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 26.

The annual financial statements set out on pages 28 to 36, which have been prepared on the going concern basis, were approved by the board of directors on 31 March 2011 and were signed on their behalf by:



**Director**



**Director**

# DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 2010.

## 1. Review of activities

### Main business and operations

Trade and Industrial Policy Strategies (TIPS) is a non-profit public-benefit organisation that is engaged in generating and sustaining a capacity for policy development and research in the sphere of economic policy, with particular emphasis on trade and industry, within and outside of government in South Africa. The company receives grants from international aid organisations and applies these funds against specific projects, administration of these projects and support infrastructure. The company operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the company was R4 361 927 (2009: surplus R679 410).

## 2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

## 3. Directors

The directors of the company during the year and to the date of this report are as follows:

A Hirsch  
JHDC Maia  
X Gonzalez-Nuñez  
S Robinson  
N Zalk

## 4. Secretary

The secretary of the company is Mrs J Pardesi.

## 5. Auditors

Grant Thornton will continue in office in accordance with section 270(2) of the Companies Act.

# STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2010

	Notes	2010 R	2009 R
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	2	200 821	104 983
<b>Current assets</b>			
Trade and other receivables	3	1 428 263	327 090
Cash and cash equivalents	4	9 702 262	34 664 168
		<b>11 130 525</b>	34 991 258
<b>Total assets</b>		<b>11 331 346</b>	35 096 241
<b>Equity and liabilities</b>			
<b>Equity</b>			
Fixed asset fund		200 822	104 984
Accumulated funds		6 116 412	1 850 323
		<b>6 317 234</b>	1 955 307
<b>Liabilities</b>			
Current liabilities			
Operating lease liability		156 271	165 502
Trade and other payables	6	754 335	5 218 975
Deferred revenue	5	4 103 506	27 756 457
		<b>5 014 112</b>	33 140 934
<b>Total equity and liabilities</b>		<b>11 331 346</b>	35 096 241

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 R	2009 R
Grant Income	7	43 287 804	33 854 311
Contracts		1 309 040	284 212
Sundry income		771 548	738 342
Project expenditure		(39 730 897)	(32 516 605)
Administration expenditure		(2 639 330)	(2 679 665)
<b>Operating surplus (deficit)</b>	8	<b>2 998 165</b>	(319 405)
Investment revenue		1 369 381	998 815
Finance costs	9	(5 619)	
<b>Surplus (deficit) for the year</b>		<b>4 361 927</b>	679 410
Other comprehensive income		–	–
<b>Total comprehensive surplus (deficit) for the year</b>		<b>4 361 927</b>	679 410

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Fixed asset fund R	Accumulated funds R	Total equity R
<b>Balance at 1 January 2009</b>	<b>189 537</b>	<b>1 086 360</b>	<b>1 275 897</b>
Changes in equity			
Total comprehensive deficit for the year	–	679 410	679 410
Transfer from fixed asset fund	(84 553)	84 553	–
<b>Total changes</b>	<b>(84 553)</b>	<b>763 963</b>	<b>679 410</b>
<b>Balance at 1 January 2010</b>	<b>104 984</b>	<b>1 850 323</b>	<b>1 955 307</b>
Changes in equity			
Total comprehensive surplus for the year	–	4 361 927	4 361 927
Transfer from fixed asset fund	95 838	(95 838)	–
<b>Total changes</b>	<b>95 838</b>	<b>4 266 089</b>	<b>4 361 927</b>
<b>Balance at 31 December 2010</b>	<b>200 822</b>	<b>6 116 412</b>	<b>6 317 234</b>



# STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 R	2009 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		44 527 827	34 904 597
Cash paid to suppliers and employees		(70 675 432)	(7 071 212)
Cash (used in) generated from operations	11	(26 147 605)	27 833 385
Interest income		1 369 381	998 815
Finance costs		(5 619)	–
<b>Net cash from operating activities</b>		<b>(24 783 843)</b>	28 832 200
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(189 987)	(18 184)
Sale of property, plant and equipment	2	11 924	1 125
<b>Net cash from investing activities</b>		<b>(178 063)</b>	(17 059)
<b>Total cash movement for the year</b>		<b>(24 961 906)</b>	28 815 141
Cash at the beginning of the year		34 664 168	5 849 027
<b>Total cash at end of the year</b>	4	<b>9 702 262</b>	34 664 168

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2010

## Accounting Policies

### 1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa as amended. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straightline method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Furniture and fixtures	6 years
IT equipment	3 years
Computer software	2 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

#### 1.2 Financial instruments

##### Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

#### 1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

##### Operating leases – lessee

Operating lease payments are recognised as an expense on a straightline basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

#### 1.4 Employee benefits

##### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and nonmonetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

#### 1.5 Revenue

Revenue comprises mainly of grants, contract fees and course fees. Grants are recognised at fair value, excluding VAT, at the earlier of when funding is paid to the company or the right to receive payment is established within the financial period.

Contract and course fees comprise net invoiced fees excluding VAT.

Expenditure incurred directly by funders in pursuit of the activities of the company is not reflected as contributions to or expenditure by the company.

#### 1.6 Deferred revenue

Income received in advance is deferred and recognised over the period of the relevant project.

#### 1.7 Fixed asset fund

In order that unexpended funds reflect only the funds available to fund the future operations of projects, those funds that relate to the residual value of fixed assets are separated and reflected within a fixed asset fund. In order to give effect to this policy, an amount equal to the cost of fixed assets acquired, adjusted by depreciation and profits or losses on disposal, is transferred each year from unexpended funds to the fixed assets fund. Proceeds on the disposal of assets are transferred to the unexpended funds.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 2. Property, plant and equipment

	2010			2009		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Computer software	159 387	(158 521)	866	159 387	(153 753)	5 634
Furniture and fixtures	259 569	(131 075)	128 494	155 022	(91 905)	63 117
IT equipment	452 982	(381 521)	71 461	367 542	(331 310)	36 232
<b>Total</b>	<b>871 938</b>	<b>(671 117)</b>	<b>200 821</b>	<b>681 951</b>	<b>(576 968)</b>	<b>104 983</b>

### Reconciliation of property, plant and equipment 2010

	Opening balance R	Additions R	Depreciation R	Total R
Computer software	5 634	–	(4 768)	866
Furniture and fixtures	63 117	104 547	(39 170)	128 494
IT equipment	36 232	85 440	(50 211)	71 461
	<b>104 983</b>	<b>189 987</b>	<b>(97 149)</b>	<b>200 821</b>

### Reconciliation of property, plant and equipment 2009

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Computer software	18 284	3 466	–	(16 116)	5 634
Furniture and fixtures	88 172	–	–	(25 055)	63 117
IT equipment	83 081	14 718	(1 125)	(60 442)	36 232
	<b>189 537</b>	<b>18 184</b>	<b>(1 125)</b>	<b>(101 613)</b>	<b>104 983</b>

## 3. Trade and other receivables

	2010 R	2009 R
Other receivables	208 968	43 522
Prepayments	148 584	13 822
Trade receivables	867 246	269 746
VAT	203 465	–
	<b>1 428 263</b>	<b>327 090</b>

## 4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2010 R	2009 R
Bank balances	9 689 440	34 662 013
Cash on hand	12 822	2 155
	<b>9 702 262</b>	<b>34 664 168</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2010

<b>5. Deferred revenue</b>		
The deferred revenue is for the following projects:	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
The AusAID	–	58 802
The British High Commission	<b>37 518</b>	145 649
The IDRC Core Programme	–	8 509
The IDRC SADRN	<b>164 616</b>	1 511 527
The DFID Second Economy	–	30 920
The DFID EPP CWP	–	838 760
<b>The DTI Core Funding</b>	–	1 523 700
The IDT CWP	<b>1 041 356</b>	20 456 966
UCT EPP CWP	–	214 214
CoGTA	<b>884 772</b>	–
<b>The DTI Industrial development</b>	<b>773 801</b>	–
<b>The DTI IPAP</b>	<b>945 574</b>	2 967 409
Small projects	<b>255 869</b>	–
	<b>4 103 506</b>	27 756 457
<b>6. Trade and other payables</b>		
	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
SARS payable	<b>5 709</b>	–
Trade payables	<b>748 626</b>	1 212 501
VAT	–	4 006 474
	<b>754 335</b>	5 218 975
<b>7. Grant Income</b>		
	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>Grants Received</b>	<b>19 487 114</b>	58 631 814
<b>Deferred revenue</b>		
The AusAID: prior year	<b>58 802</b>	337 872
The AusAID: current year	–	(58 802)
The IDRC Core Programme: prior year	<b>8 509</b>	8 458
The IDRC Core Programme: current year	–	(8 509)
The IDRC SADRN: prior year	<b>1 511 527</b>	1 031 192
The IDRC SADRN: current year	<b>(164 616)</b>	(1 511 527)
The DFID Second Economy: prior year	<b>30 920</b>	1 422 258
The DFID Second Economy: current year	–	(30 920)
The DFID Right to Work: prior year	–	33 526
<b>The DTI Industrial development: current year</b>	<b>(773 801)</b>	–
The DFID EPP CWP: current year	–	(838 760)
The DFID EPP CWP: current year	<b>838 760</b>	–
<b>The DTI Core Funding: current year</b>	–	(1 523 700)
<b>The DTI Core Funding: prior year</b>	<b>1 523 700</b>	–
<b>The DTI IPAP: current year</b>	<b>(945 574)</b>	(2 967 409)
<b>The DTI IPAP: prior year</b>	<b>2 967 409</b>	–
The IDT CWP: current year	<b>(1 041 354)</b>	(20 456 966)
The IDT CWP: prior year	<b>20 456 966</b>	–
UCT EPP CWP: current year	–	(214 214)
UCT EPP CWP: prior year	<b>214 214</b>	–
CoGTA: current year	<b>(884 772)</b>	–
	<b>43 287 804</b>	33 854 311

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2010

<b>8. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>Operating lease charges</b>		
Premises – Contractual amounts	653 946	649 890
Equipment – Contractual amounts	77 943	63 988
	<b>731 889</b>	<b>713 878</b>
Profit on sale of property, plant and equipment	11 924	–
Depreciation on property, plant and equipment	94 150	101 613
Employee costs	5 809 008	3 122 881
<b>9. Finance costs</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
South African Revenue Services	5 619	–
<b>10. Auditors' remuneration</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Fees	74 520	72 000
Adjustment for previous year	8 584	–
Tax, secretarial and other services	8 261	3 000
	<b>91 365</b>	<b>75 000</b>
<b>11. Cash (used in) generated from operations</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Surplus (deficit) before taxation	4 361 927	679 410
<b>Adjustments for:</b>		
Depreciation and amortisation	94 150	101 613
Profit on sale of assets	(11 924)	–
Interest received	(1 369 381)	(998 815)
Finance costs	5 619	–
Movements in operating lease assets and accruals	(9 231)	44 890
<b>Changes in working capital:</b>		
Trade and other receivables	(1 101 173)	166 766
Trade and other payables	(4 464 640)	3 062 019
Deferred revenue	(23 652 952)	24 777 502
	<b>(26 147 605)</b>	<b>27 833 385</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2010

12. Commitments	2010 R	2009 R
<b>Operating leases – as lessee (expense)</b>		
Minimum lease payments due		
– within one year	726 880	670 455
– in second to fifth year inclusive	541 462	1 263 241
	<b>1 268 342</b>	<b>1 933 696</b>
Operating lease payments represent rentals payable by the company for certain of its office property as well as certain of its office equipment.		
<b>13. Contingencies</b>		
	2010 R	2009 R
Guarantee issued by the company's bankers to the company's landlord	40 000	40 000
<b>14. Related parties</b>		
Relationships		
Director	X Gonzalez-Nuñez	
<b>15. Directors' emoluments</b>		
	2010 R	2009 R
<b>Executive</b>		
Emoluments		
For services as director	732 093	320 957

# DETAILED INCOME STATEMENT

For the year ended 31 December 2010

	2010 R	2009 R
<b>Funding</b>	<b>46 737 773</b>	35 875 680
Contracts	1 309 040	284 212
Cost recoveries	226 232	625 588
Course fees	361 298	112 754
Grants	43 287 804	33 854 311
Interest received	1 369 381	998 815
Sundry income	184 018	–
<b>Expenditure</b>	<b>42 375 846</b>	35 196 270
Projects	39 730 897	32 516 605
Audit fees	–	6 000
Bank charges	7 987	6 898
Consulting fees	1 384 495	3 380 383
Data subscription and hosting	158 436	45 259
Employment costs	4 921 617	2 083 493
Equipment	31 365	10 482
Grants		
– Community Work Programme/SADRN	22 871 235	26 530 653
– Small Research	8 913 879	73 171
Insurance	–	2 788
Office rental & security	60 925	30 518
Office supplies and expenses	21 460	7 636
Printing and publication	70 609	88 235
Provision for doubtful debts	82 880	–
Seminars, meetings and conferences	380 878	46 589
Telephone	39 783	2 268
Travel	785 348	202 232
Administration	2 644 949	2 679 665
Audit fees	91 365	66 000
Bank charges	19 996	11 230
Computer maintenance	24 730	15 347
Consulting fees	169 118	222 535
Data communications	142 711	149 985
Depreciation	94 150	101 613
Employment costs	990 022	1 088 907
Equipment	55 094	59 568
Insurance	30 682	29 548
Interest and penalties	5 619	–
Office rental, security and maintenance	682 152	701 633
Office supplies and expenses	35 483	30 585
Periodicals and subscriptions	4 983	4 063
Printing and publications	123 413	63 204
Property maintenance	8 326	19 097
Seminar, meetings and conferences	10 920	–
Telephone	35 437	79 369
Training	103 890	700
Travel	16 858	36 281
<b>Surplus for the year</b>	<b>4 361 927</b>	679 410

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