



ANNUAL REPORT

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ANNUAL REPORT

2002



# C O N T E N T S

Executive Director's Overview	2
Structure and Strategic Direction	4
Research	6
Website and Data	8
Activities	
Annual Forum 2002	9
Seminars	10
Workshops	11
Presentations	11
Training and Capacity Building	12
SATRN	13
Publications 2002	
Forum Papers	14
Working Papers	18
Occasional Papers	19
Briefing Papers	19
Other Papers	19
Trade and Industry Monitor	19
Southern African Update	20
Annual Financial Statements	21
Income Statement by Source	32

*TIPS is an independent donor- and contract-funded research institute, established in 1996, that undertakes and manages policy-relevant economic research in trade, industrial strategy, competition, economic regulation and other microeconomic spheres. Committed to assist government and civil society make informed policy choices, the work of TIPS is based on an extensive researcher network.*

## EXECUTIVE DIRECTOR'S OVERVIEW

When TIPS was established in 1996, its research focus was primarily on the implications for South Africa (SA) of increased openness to trade, and on improving its global competitiveness in terms of exports and foreign direct investment. Some success has been achieved in these arenas, with progress in trade reform, macroeconomic discipline and some deregulation in the economy. However many formidable challenges such as unemployment, poverty and income inequality persist alongside social problems like crime and HIV/Aids. And despite trade reform, the domestic economy is still dogged by many inefficiencies.

In response, TIPS' brief has evolved to include stimulating and aggregating policy-relevant applied economics research on labour market issues, determinants of investment and regulatory problems such as competition policy and utilities reform. Telecommunications, energy, transportation, banking and information technology services are paid special attention because of their vital role in enhancing the efficiency of SA's economy.

Having met its set-up requirements of developing a forum for the exchange of needs, views and information between policymakers and researchers, TIPS is continuously repositioning itself in the context of SA's changing policy landscape.

The initial time and effort spent on hosting workshops and seminars have evolved towards the organisation becoming more research-intensive, with TIPS' research output growing in depth and scope over the last few years. One of the organisation's foremost achievements is the growing recognition of high-quality, TIPS-funded research by the broader research community, policymakers and academics.

As an independent policy think-tank, TIPS increasingly focuses on providing frontier academic research in economic policy that is packaged in a format more appropriate, relevant and palatable for policymakers, enhancing government's absorptive capacity and its ability to address real-world problems. Having built up a pool of experts, TIPS has become particularly effective in acting as an intermediary between policy and research.

Further, TIPS has been successful in shifting the frontiers of debate – especially in trade and industrial policy in SA – and so influencing policy deliberations. TIPS' Annual Forum is particularly useful in highlighting the experience of other countries and what is happening in the broader global economy to identify and attempt to fill gaps in local knowledge.

TIPS continues to play an important role in determining and influencing the direction of research in academic institutions. Many post-graduate students working in the area of trade and industrial policy rely on TIPS for policy-relevant research topics.

The organisation's mandate to build long-term capacity in economics training and augment the supply and quality of SA trade and industrial economists is reflected in its provision of university research grants and convening of conferences, which create a high demand for well-researched papers.

Feedback on the TIPS website indicates that it has become a major resource for researchers and analysts. TIPS Online hosts several economic and trade databases from leading global statistical and research institutions to provide comprehensive analytical frameworks for policy analysis.

Increasingly, donors to developing countries aim to invest in a range of research programmes that have a visible influence of positive changes in society. A major challenge for TIPS has been to broaden its client base and expand its role as an essential resource in the SA sphere of micro-economic policy and regulation.

But TIPS' mandate is not limited to SA; it also has a wider responsibility at the Southern African regional level.

In this regard, TIPS is actively involved in programme management for the Southern African Trade Research Network (SATRN) – TIPS' joint venture with the Botswana Institute for Development Policy Analysis. Funded by the International Development Research Centre (IDRC) in Canada, SATRN is well on its way to enabling southern African countries to participate more effectively in the global trading system, and in particular, the World Trade Organisation (WTO).

For 2002, TIPS again extends sincere acknowledgement to three of its major funders – the IDRC, the US Agency for International Development (USAID) and German Technical Co-operation (GTZ) – for their continued financial commitment and interest towards TIPS.



**Rashad Cassim**

Executive Director  
22 May 2003



## STRUCTURE AND STRATEGIC DIRECTION

### Organisational Structure

TIPS was incorporated as a Section 21 company in July 2001 (registration no. 2001/012247/08).

### Main Functions

- Serves as a clearing-house for policymakers by assisting to harness all relevant trade and industrial research for policy considerations to enhance the capacity for policy analysis in South and Southern Africa.
- Strengthens the capacity outside government to construct research on trade and industrial policy in an effort to enlarge the researcher pool.
- Engages in research capacity building projects in Southern Africa.

### TIPS Board

Alan Hirsch (Director)  
 Faizel Ismail  
 Lael Bethlehem  
 Lesetja Kganyago  
 Leslie Maasdorp  
 Marc van Ameringen  
 Merle Holden (Director)  
 Moss Ngoasheng  
 Rashad Cassim (Director)  
 Rudolf Gouws  
 Stephen Yeo  
 Thembinkosi Mhlongo  
 Tshediso Matona (Director)

Office of the Presidency  
 Permanent Mission of South Africa  
 City of Johannesburg  
 National Treasury  
 Goldman Sachs International  
 International Development Research Centre  
 University of Natal  
 Safika Holdings  
 Trade and Industrial Policy Strategies  
 Rand Merchant Bank  
 Bannock Consulting Ltd (UK)  
 Southern African Development Community  
 Department of Trade and Industry (DTI)

### TIPS Advisory Board

Al Berry  
 Bernard Hoekman  
 Helmut Orbon  
 Marc Ivaldi

Rohinton Medora

University of Toronto, Canada  
 The World Bank  
 German Technical Co-operation (GTZ)  
 Université des sciences sociales, Toulouse, France  
 International Development Research Centre, Ottawa, Canada

### TIPS Staff

Rashad Cassim  
 Marcalthea Probert  
 Dirk van Seventer  
 Ian Juskiewicz  
 Donald Onyango  
 Katherine Gibson  
 Matthew de Gale  
 Lucille Gavera  
 Vanidha Pulliah  
 Carol Molate  
 Joanine de Figueredo

Executive Director  
 Executive Personal Assistant  
 Senior Economist  
 Financial Manager  
 Economist  
 Economist  
 Web and Data Manager  
 Publications Manager  
 Accountant  
 Trade Data Analyst / Research Intern  
 Project Secretary





### Key Research Areas – 2002

- The State of Trade Policy in South Africa
- South Africa and the World Trade Organisation
- Trade Analysis Within a Regional and Bilateral Context
- Sector Review of the Economy
- Regulation and Universal Access
- Industry Analysis
- Trade and Sustainable Development
- The Economics of SMMEs

### TIPS Research Output

#### Research Papers

TIPS commissions research that responds to the information needs of trade, industry and broader microeconomic policymakers. It further influences the evolution of the policy environment by introducing longer-term research engagement with emerging policy questions and broader trends in trade and industrial policy.

TIPS' research grants and its active involvement in universities' research agendas enable continuous improvement in research quality. During the year, a wide range of authors and institutions contributed an extensive set of published reports, articles and working papers.

All research outputs are available on the TIPS website.  
For more details, please visit <http://www.tips.org.za/research>

#### Online Periodicals

- The quarterly **Trade and Industry Monitor**, produced jointly by TIPS and the Development Policy Research Unit (DPRU) at the University of Cape Town's (UCT's) School of Economics, contains non-technical research articles on trade, industrial and technology policy, and information on events, seminars and scholarships in these fields.
- The **Southern African Update**, funded by USAID and aimed at building capacity in economic policy analysis, provides the latest developments in trade issues in South and southern Africa.



### Online Restricted Data

TIPS Online hosts several economic and trade databases from leading global statistical and research institutions:

- **The SA TradeMap:** facilitates market research for international trade by providing trade by value and quantity, growth trends, market shares and ranking according to selected criteria. The database was developed by the International Trade Centre, with TIPS and the Department of Trade and Industry.
- **SA Standard Industry Data:** concise, descriptive analyses based on key ratios and historical trends of selected SA socio-economic variables, providing descriptive analyses of an industry's behaviour or variations across industries.
- **SA and International Economic Databases:** annual time-series databases updated regularly to provide SA and global economic overviews:
  - ABSA Housing Price Review
  - Mineral Production and Sales Statistics
  - Quantec Key SA Market Indicators
  - SA Reserve Bank Quarterly Bulletin
  - Customs and Excise Monthly Trade Statistics
  - Statistics SA Indicators
  - McGregor BFA Financial Data
  - JSE Prices
  - IMF International Financial Statistics
  - IMF World Economic Outlook
  - UN Yearbook
  - World Bank African Development Indicators
  - World Bank Global Development Indicators
  - OECD STAN Database for Industrial Analysis
  - Various sector-specific databases

### Online Open Data

Some data is available to non-registered users:

- **SADC Profiles:** comprehensive economic profiles on Southern African Development Community (SADC) countries; compiled by TIPS.
- **Focus on Data:** a concise highlight of some of the data available at TIPS Online.



## WEBSITE AND DATA

TIPS Online began 2002 with major changes. The move of the website to the TIPS office was completed successfully, as was the implementation of the new site design.

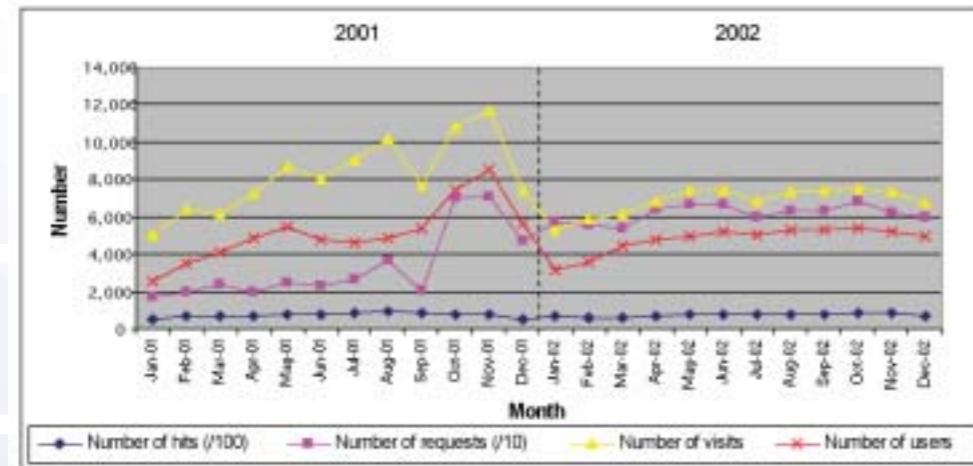
The TIPS website is being developed into a key online resource centre around issues of trade, industrial and regulation policy.

With a stable community of over 5,000 website users, 700 registered database users and 800 newsletter recipients, the site acts as a focal point for trade and industry research. The current resources include over 400 research papers and reports, as well as access to over 30 online databases.

Apart from the research output described in the section above, TIPS Online features the proceedings from the organisation's annual forums, regional symposia and various TIPS workshops. The website also carries the TIPS online newsletter and hosts discussion groups.

A key addition to the site in 2002 was the Southern African Trade Research Network (SATRN) website. This site offers a range of material focused on trade and development in SADC and is used to strengthen the links between southern African researchers and the regional policy community.

TIPS Website Client Monitoring



## ACTIVITIES

As part of its capacity-building activities, TIPS each year hosts several seminars, workshops and summer schools, as well as an annual forum on issues related to southern African trade and industrial policy.

### Annual Forum 2002

The Annual Forum is TIPS' largest event and serves as a platform for researchers, policymakers and other stakeholders to discuss ongoing research and to enter into dialogue on policy-relevant issues resulting from research.

TIPS' sixth Annual Forum – *Global Integration, Sustainable Development and the Southern African Economy* – was co-funded by the GTZ and held from 9-11 September 2002.

The aim of this Forum was to focus on major economic problems in the region and evaluate the role of global integration.

Some of the issues covered by the Forum include:

- Agricultural trade
- Standards and the environment
- Trade and the environment
- Industrial tariffs and market access
- Financial architecture and the exchange rate
- Liberalisation and poverty
- Services and GATS negotiations
- Regional concerns

These matters were particularly relevant since trade and finance figured prominently at the World Summit on Sustainable Development, concluded in Johannesburg a week before the Forum.

Over 200 economists, policymakers and academics from SA and abroad attended TIPS' Annual Forum. Although the event focussed primarily on the SA economy, experts from the greater southern African region were also involved.





Various prominent international speakers participated in the Forum, including:

- **Kym Anderson**, Professor of Economics, University of Adelaide, Australia – *Doha Agricultural Reform: What's in it for Sub-Saharan Africa?*
- **Veena Jha**, UN Conference on Trade and Development (Unctad) – *Environment, Standards and Trade*
- **Joseph Francois**, Professor of Economics, University of Erasmus, Rotterdam, the Netherlands – *The Economic Effects of a Next Round? Formulas for Success? Some Options for Market Access Negotiations*
- **Bijit Bora**, WTO – *Industrial Tariff Liberalisation and the Doha Development Agenda*
- **Frank Flatters**, Queen's University, Canada – *SADC Rules of Origin: Undermining Regional Free Trade*
- **Bernard Hoekman**, World Bank – *Developing Countries and the Political Economy of the Trading System*

Prominent local policymakers that presented at the Forum include:

- **Faizel Ismail**, Permanent Mission of SA – *The WTO and SA: Perspectives from a Trade Negotiator*
- **Alistair Ruiters**, DTI Director General – *Challenges Facing the DTI and the Role of Research*

### Seminars

- **Globalisation: The WTO and Sustainable Development**  
11 February 2002

TIPS' interactive session with WTO Director General Mike Moore was well attended by the private sector, Members of Parliament (MPs) and the media.



### Workshops

- **The Changing Sectoral Composition of the SA Economy**  
8 February 2002

The workshop and the research was initiated by then-DTI deputy Director-General Bahle Sibisi to obtain feedback on a preliminary analysis of changing trends in the SA economy. The workshop was also used to develop a framework for further research in this area.

- **Globalisation, Production and Poverty in SA**  
24 June 2002

The end of sanctions, trade liberalisation and increased inflows of foreign direct investment have effected increased integration of SA with the global economy. A major concern is to what extent such liberalisation results in improvements in or worsening of poverty. Various papers on these issues were presented at this GTZ-funded workshop.

- **Measurement of the International Competitiveness of the SA Industry**  
16-17 October 2002

A critical issue for the SA economy is the extent to which increasing exports accompany trade liberalisation. But exports are not only dependent on tariff-rate reductions – a successful trade liberalisation programme depends heavily on economic sectors' international competitiveness. This workshop quantitatively explored some measures of competitiveness, so policy analysts can devise how best to track a particular industry's performance.

### Presentations

In addition to events organised by TIPS, our staff participated in several high-level workshops and conferences during 2002:

- The executive director Rashad Cassim made a high-level presentation to the German Ministry of Development Co-operation on *Market Access and Nepad*, as well as a presentation on *Trade and Governance* at a conference co-hosted by the National Treasury and TIPS.
- TIPS senior economist Dirk Ernst van Seventer carried out a series of high-level presentations at the DTI and international conferences.



## Training and Capacity Building

TIPS attempts to build capacity for policy analysis through its MA scholarship programme for economics students and an annual summer school programme, which trains researchers and government officials to deal with issues such as competition and trade policy analysis.

During 2002, TIPS introduced **one- and three-day short courses** in addition to the standard summer school. We also responded to training requests from MPs, government officials and other parties. The 2002 short courses listed below indicate a high demand for basic economic literacy programmes.

- **Introduction to Economy-Wide Policy Impact Analysis**  
18-22 March 2002

While most economic coursework focuses on macroeconomic relationships or their micro foundations, public-sector policy analysts and policymakers pay considerable attention to the meso level of economic analysis. Input-output analysis is an often-used tool to conduct meso-level economic enquiry, usually extended through social accounting matrices. The use of economic modelling techniques that capture economy-wide impacts of policy changes is growing in the SA academic, consulting and research circles. To cater for this increased demand, TIPS and the School of Economics at UCT held an introductory course in economy-wide policy impact analysis.

- **Introductory Course: Computable General Equilibrium Modelling**  
1-12 July 2002

UCT's School of Economics and TIPS held an intensive computable general equilibrium (CGE) modelling course in Cape Town, with Professor Rob Davies from the Zimbabwe University presenting. The course, built on material developed and presented in 2001 by the IFPRI, combined theory, data and application, with emphasis on hands-on computer training. The course lead students from a simple Social Accounting Matrices – which provide a practical framework for organising economic data for a wide variety of models – to more complex CGE models. Other issues addressed include government finance, regulation and environmental economics.

- **Trade Policy Course for Parliamentarians**  
*[in collaboration with the National Institute for Economic Policy and funded by the GTZ]*  
5-6 August 2002

Three trade modules were presented: theoretical issues in international trade, a detailed review of trade in SA and the role of trade institutions, specifically the WTO.



## The Southern African Trade Research Network

TIPS – in collaboration with the Botswana Institute for Development Policy Analysis – manages a Southern African trade research network that provides policy support and capacity building in terms of the WTO negotiations.

SATRn primarily provides analytical and technical inputs to the negotiating objectives of SADC member countries to address the frequently voiced complaint that these countries lack ownership of the WTO process.

Some activities organised under SATRN in 2002 are as follows:

- **SATRn Technical Workshop**  
24-25 February 2002, Johannesburg, SA

The objective of the workshop was to identify proposals for thematic studies, short papers and policy briefs. Further aims were to provide guidelines on how to conduct research, and to look at data and methodological issues. The workshop drew on the experience of the World Bank's integrated programme, the WTO 2000 Capacity Building Project.

- **Trade Bargaining Course**  
1-10 July 2002, Cape Town, SA

This workshop was aimed at researchers and policymakers to assist countries in preparing for the next round of trade negotiations.

- **SATRn Symposium: Integrating the SADC Countries into the Global Trading System**  
17-21 November 2002, Kasane, Botswana

For the first SATRN symposium, the main objectives were to identify:

- Ways in which SADC countries can integrate into the Global Trading System.
- Key issues of interest to the SADC countries in the WTO review of special and differential treatment.

The Symposium brought together researchers from the SADC region, SADC's Geneva and capital-based negotiators, regional trade experts and international trade experts from the American Enterprise Institute, the World Bank, Unctad, the WTO and the UN Food and Agricultural Organisation.





## PUBLICATIONS 2002

## Forum Papers

- **Kym Anderson**, Professor of Economics, University of Adelaide, Australia – *Doha Agricultural Reform: What's in it for Sub-Saharan Africa?*
- **Veena Jha**, Unctad – *Environment, Standards and Trade*
- **Joseph Francois**, Professor of Economics, University of Erasmus, Rotterdam, the Netherlands – *The Economic Effects of a Next Round? Formulas for Success? Some Options for Market Access Negotiations*
- **Bijit Bora** and **Marc Bacchetta**, Development and Economic Research Division, WTO – *Industrial Tariff Liberalisation and the Doha Development Agenda*
- **Bijit Bora**, WTO – *Developing Country Issues and the Doha Agenda*
- **Simon Roberts**, University of the Witwatersrand (WITS) – *Manufacturing Competitiveness and Industrial Policy*
- **Michiel van Dijk**, Eindhoven Centre for Innovation Studies, the Netherlands – *SA Manufacturing Performance in International Perspective: 1970-1999*
- **Newman Kwadwo Kusi**, KwaZulu-Natal Treasury – *Trade Liberalisation and SA's Export Performance*
- **Anthony Black**, UCT – *The Export 'Success' of the Motor Industry Development Programme and the Implications for Trade and Industrial Policy*
- **Anthony Black**, UCT and **Shannon Mitchell**, Virginia Commonwealth University – *Policy in the SA Motor Industry: Goals, Incentives and Outcomes*
- **Pieter Laubscher**, Bureau for Economic Research, University of Stellenbosch (US) – *The SA Business Cycle over the 1990s: What Can We Learn?*
- **Anmar Pretorius**, University of the Free State and **Jesse de Beer**, Vista University – *Can Some of the Recent Exchange Rate Volatility in SA be Attributed to Contagion?*
- **Anmar Pretorius**, University of the Free State – *How does Globalisation Affect Income Distribution in SA?*

- **Jesse de Beer**, Vista University – *The New Financial Architecture: SA Supervisors, Banks and the New Basel Accord*
- **Elsabé Loots**, Rand Afrikaans University (RAU) – *Globalisation and Economic Growth in SA: Do We Benefit from Trade and Financial Liberalisation?*
- **Adelaide Matlanyane**, University of Pretoria (UP) – *The Need for Policy Coherence for Financial Liberalisation in Southern Africa: Lessons from a Small Developing Economy*
- **Swapna Mukhopadhyay**, Institute of Social Studies Trust – *Consumer Demand in SA*
- **James Hodge**, UCT – *Extending Telecoms Ownership in SA: Policy, Performance and Future Options*
- **Andrew Myburgh**, Genesis Analytics – *Globalisation, Labour Mobility and the Economics of Emigration: The Case of SA*
- **Linda de Vries**, University of the Western Cape (UWC) – *The Challenge of Transformation Within the Regulatory Environment of the Gambling Industry: The Role within the Southern African Environment*
- **Grace Mohamed** and **Daniel Motinga**, Namibian Economic Policy Research Unit (NEPRU) – *The Impact of Globalisation on the Labour Market: The Case of Namibia*
- **Lawrence Edwards**, UCT – *A Firm Level Analysis of Trade, Technology and Employment in SA*
- **Alvin Birdi**, Sussex University and UCT, **Paul Dunne**, Middlesex University and UCT and **Duncan Watson**, Manchester Metropolitan University – *Labour Demand and Trade in SA: A Dynamic Panel Analysis*
- **Roland Mirrilees**, Nathan Associates and **Max Dockel**, University of SA (Unisa) – *Trade and the Environment*
- **O.A. Akinboade**, Unisa, **E.W. Niedermeier** and **F. Sibanda**, Competition Commission – *The Impact of Electricity Trade on the Environment in SA*
- **James Blignault**, UP and **Tshenge Demana**, DTI – *Does it Profit SMMEs to Care About the Environment?*
- **Nicholas Vink** and **Norma Tregurtha**, University of Stellenbosch, and **Johann Kirsten**, UP – *SA's Changing Agricultural Trade Regime*



## PUBLICATIONS 2002

## Forum Papers (continued)

- **Neo Chabane**, WITS – *An Evaluation of the Influences on Price and Production in the Maize Market Following Liberalisation*
- **Charles Mather**, WITS – *Regulating SA's Citrus Export Commodity*
- **Trudi Hartzenberg**, DPRU, School of Economics, UCT – *Competition Policy in SADC*
- **Trudi Hartzenberg**, DPRU, School of Economics, UCT and **Rosanna Achterberg**, Independent Consultant – *Trade in Distribution Services in SA*
- **Matthew Stern**, National Treasury – *Predicting SA Trade in Services*
- **Nnzemi Netshitomboni**, National Treasury – *Identifying SA's Interests in WTO Services Negotiations*
- **Mihalis G. Chasomeris**, University of Natal – *SA's Seaborne Commerce: Trade Flows, Transport Costs and the Maritime Transport Policy Environment*
- **Anton Eberhard**, Graduate School of Business, UCT – *Energy Services, WTO, GATS Negotiations and Energy Market Regulation and Liberalisation in SA*
- **Ethèl Teljeur**, Independent Consultant and **Matthew Stern**, National Treasury – *Understanding the SA Construction Services Industry: Towards a GATS Negotiation Strategy*
- **Robert Kirk**, SADC – *The Impact of Trade Liberalisation in SADC: Evidence from Preliminary Region Wide Firm Level*
- **Frank Flatters**, Queen's University, Canada – *SADC Rules of Origin: Undermining Regional Free Trade*
- **Albert Mafusire**, University of Zimbabwe – *SADC Trade: Challenges and Opportunities to the Regional Countries*
- **Sophie Chauvin** and **Guillaume Gaulier**, Centre for International Prospective Studies (CEPII) – *Prospects for Increasing Trade Among SADC Countries*
- **Nicholas Mudungwe**, Competition and Tariff Commission, Zimbabwe – *The Level and Variation of Tariff Rates: A Comparative Analysis of Zimbabwe and SA Tariff Regimes*
- **Daniel B. Ndlela**, Zimconsult – *Determinants of Exports from SADC and the Role of Market Access*
- **Daniel B. Ndlela**, Zimconsult and **Thandinkosi Ndlela**, Zimbabwe Reserve Bank – *Exchange Rate Policy and Trade Facilitation in Regional Integration Agreements: The Case of Southern African Economies*
- **Simon Hess**, Rhodes University – *Economic Geography and the Implications of a Free Trade Area within SADC*
- **Susanna Wolf**, Centre for Development Research (ZEF Bonn), Bonn University – *On the Determinants of Domestic and Foreign Investment to Sub-Saharan Africa: What Role for Regional Integration?*
- **Paul Robertson**, UCT – *The Impact of Trade Liberalisation on the SA Tourism Industry*
- **Stephen Thomas** and **Susan Cleary**, Health Economics Unit – *Mapping Health Services Trade in SA*
- **Samuel G. Asfaha** and **S.N. Huda**, UWC – *Exchange Rate Misalignment and International Trade Competitiveness: A Cointegration Analysis for SA*
- **Neil Rankin**, Centre for the Study of African Economies, University of Oxford – *How do SA Exports Respond to Price and Exchange Rate Changes? An Econometric Analysis of the Manufacturing Sector*
- **Bernard Hoekman**, World Bank and Centre for Economic and Policy Research (CEPR) – *Developing Countries and the Political Economy of the Trading System*
- **Simon Evenett**, Director of Economic Research, World Trade Institute, Switzerland – *SADC Competition Policy, Development and the Doha Agenda*
- **Kennedy Mbekeani**, SATRN – *The Case for SADC*
- **Faizel Ismail**, Permanent Mission of SA – *The WTO and SA : Perspectives from a Trade Negotiator*





## PUBLICATIONS 2002

## Working Papers

- WP1-2002: **Dirk Ernst van Seventer**, TIPS – *The Level and Variation of Tariff Rates: An Analysis of Normal and Effective Tariff Rates in SA for the Years 2000 and 2001*
- WP2-2002: **Anton Eberhard**, UCT – *Competition and Regulation in the SA Electricity Supply Industry*
- WP3-2002: **Paul Dunne**, Middlesex University and **Richard Haines**, University of Port Elizabeth – *Defence Industrial Restructuring and Economic Growth in SA*
- WP4-2002: **Gertrude Makhaya**, WITS – *The Determinants of Regulatory Effectiveness in Liberalised Markets: Developing Country Experiences*
- WP5-2002: **Neil Rankin**, Centre for the Study of African Economies, University of Oxford – *The Export Behaviour of SA Manufacturing Firms*
- WP6-2002: **Reza Daniels**, DPRU, School of Economics, UCT – *Financial Intermediation and the Micro-Finance Sector*
- WP7-2002: **Charles C. Okeahalam**, WITS – *Structure and Conduct in the Commercial Banking Sector of SA*
- WP8-2002: **Dirk Ernst van Seventer**, TIPS and **Lawrence Edwards**, UCT – *Notes on Welfare Losses of Tariffs and Tariff Protection: A Partial Equilibrium Application to SA Data*
- WP9-2002: **Melvin D. Ayogu**, UCT – *Debating 'Privatisation' of Network Utilities in SA: Theories, Fables, Facts, Other*
- WP10-2002: **Gigi Fenster**, Independent Consultant – *The WTO and Government Procurement*
- WP11-2002: **Dirk Ernst van Seventer**, TIPS and **Thembi Mlangeni**, DTI – *A Free Trade Area Between SA and India: Which Commodities Matter?*
- WP12-2002: **Johannes Fedderke**, ERSA, WITS – *Towards an Understanding of the Growth Absence: Reviewing the Evidence that can Account for the Poor Growth Performance of the SA Economy*
- WP13-2002: **Michael Samson**, **Kenneth MacQuene** and **Ingrid van Niekerk**, Economic Policy Research Institute – *Capital/Skills Intensity and Job Creation: An Analysis of Policy Options*
- WP14-2002: **Trudi Hartzenberg**, DPRU, School of Economics, UCT – *Select Competition Issues Arising from Changes in the Distribution of Pharmaceutical Products in SA*



## Occasional Papers

- **Matthew Stern** and **Nnzeni Netshitomboni**, National Treasury – *Africa Growth and Opportunity Act: Hot Air or Hot Stuff?*
- **Penelope Hawkins**, *Feasibility – Liberalisation, Regulation and Provision: The Implications of Compliance with International Norms for the SA Financial Sector*

## Briefing Papers

- **Tina James**, Tina James Consulting, and **Philip Esselaar** and **Jonathan Miller**, Miller, Esselaar and Associates – *Towards A Better Understanding of the ICT Sector in SA: Problems and Opportunities for Strengthening the Existing Knowledge Base*

## Other Papers

- **Rashad Cassim**, **Donald Onyango** and **Dirk Ernst van Seventer**, TIPS – *The State of Trade Policy in SA*
- **Al Berry**, **Magali von Blottnitz**, **Rashad Cassim**, **Anna Kesper**, **Bala Rajaratnam** and **Dirk Ernst van Seventer**, TIPS – *The Economics of SMMEs in SA*

## Trade and Industry Monitor

## Volume 21

- Constraints to Growth in SA's Manufactured Exports Sector
- SA's Formal Employment Problem
- SMME Dynamics and Slow Take-Off of Firms
- Constraints to Black Empowerment

## Volume 22

- Investment in Southern Africa
- Trade Integration in Southern Africa
- Towards Regional Industrialisation and Policy





PUBLICATIONS 2002

**Volume 23**

- Intellectual Property Rights in SA
- The African Growth and Opportunity Act (AGOA): Between the Tariff Lines
- Trade, Technology and Employment in SA
- Price Effects and the Poor: The Case of the Maize Industry

**Volume 24** (Special Edition – TIPS Annual Forum 2002)

- Doha and Developing Countries: Proceedings of the 2002 TIPS Forum
- The New Financial Architecture: SA Supervisors, Banks and the New Basel Accord
- The Automotive Industry in SA: Overview and Prospects

**Southern African Update**

**Volume 13:** Poverty Reduction: A Top Priority in SADC's Integration Agenda

**Volume 14:** The Impact of the European Union-SA Free Trade Agreement on Comesa

**Volume 15:** SADC Rules of Origin: Impediments to Regional Integration and Global Competitiveness

**Volume 16:** The Doha Agenda – Challenges for SADC Countries



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

The annual financial statements for the year ended 31 December 2002 as set out on pages 23 to 31 were approved by the board of directors on 22 May 2003 and are signed on its behalf by:

Rashad Cassim (Executive Director)

Alan Hirsch (Director)

CONTENTS

Report of the Independent Auditors	22
Directors' Report	23
Balance Sheet	24
Income Statement	25
Statement of Changes in Equity	26
Cash Flow Statement	27
Detailed Income Statement	28
Notes to the Financial Statements	29

## REPORT OF THE INDEPENDENT AUDITORS

To the members of Trade and Industrial Policy Strategies (TIPS)

We have audited the annual financial statements of Trade and Industrial Policy Strategies (TIPS) set out on pages 23 to 31 for the year ended 31 December 2002. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

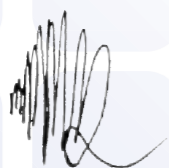
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### Audit opinion

In our opinion, these financial statements fairly present, in all material respects, the financial position of the company at 31 December 2002, and the results of its operations and cash flows for the period then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

**KPMG Inc.**  
Registered Accountants and Auditors



Per MCA Hoffman  
Partner  
22 May 2003

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their annual report, which forms part of the audited annual financial statements of the company for the year ended 31 December 2002.

### Business activities

Trade and Industrial Policy Strategies 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, the administration of these projects and support infrastructure.

### Directors' responsibilities

We accept responsibility for the preparation of the financial statements and the company's auditors are responsible for reporting thereon.

In our opinion adequate accounting records are maintained and an effective system of internal control is in operation. Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used.

The company has adhered to the requirements of Generally Accepted Accounting Practices and we subscribe to the principles of the Code of Corporate Practices and Conduct.

### Review of operations

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require any further comment. We have no reason to believe that the business will not be a going concern in the year ahead and no material event or circumstance has occurred between the balance sheet date and the date of this report.

### Directors

The members of the board of directors in office at the date of this report are :

A Hirsch	(appointed 5 June 2001)
R Cassim	(appointed 5 September 2002)
M Holden	(appointed 5 September 2002)
T Matona	(appointed 5 September 2002)

### Secretary

Ian Juszkievicz

### Business address

Ground Floor  
Broll Place  
Sunnyside Drive  
Sunnyside Park  
Parktown  
2193

### Postal address

P O Box 87643  
Houghton  
2041

## BALANCE SHEET

AT 31 DECEMBER 2002

	Note	2002 R	2001 R
<b>Assets</b>			
<b>Non-current assets</b>			
Furniture and equipment	2	52,780	38,709
<b>Current assets</b>			
Accounts receivable	3	1,565,078	557,424
Bank and cash balances		5,434,766	2,797,047
<b>Total assets</b>		<b>7,052,624</b>	<b>3,393,180</b>
<b>Funds and liabilities</b>			
<b>Accumulated funds</b>			
Project funding	4	6,464,736	2,623,492
Fixed asset funding	1.6	52,780	38,709
<b>Current liabilities</b>			
Accounts payable		535,108	730,979
<b>Total equity and liabilities</b>		<b>7,052,624</b>	<b>3,393,180</b>

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Year ended 31 December 2002 R	7 months ended 31 December 2001 R
<b>Funds received</b>		
Grants received	12,334,678	5,575,341
Interest received	61,750	24,429
Consultancy fees	266,326	-
Sundry income	-	1,500
<b>Funds received</b>	<b>12,662,754</b>	<b>5,601,270</b>
<b>Expenditure</b>		
Projects	6,796,686	2,442,655
Administration	2,010,753	496,414
<b>Expenditure</b>	<b>8,807,439</b>	<b>2,939,069</b>
<b>Unexpended project funding for the period</b>	<b>3,855,315</b>	<b>2,662,201</b>



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2002

	Project Funding	Fixed Assets	Total
	R	R	R
Balance at 5 June 2001	-	-	-
Unexpended project funding	2,662,201	-	2,662,201
Transfer to fixed assets	(38,709)	38,709	-
<b>Balance at 31 December 2001</b>	<b>2,623,492</b>	<b>38,709</b>	<b>2,662,201</b>
Unexpended project funding	3,855,315	-	3,855,315
Transfer to fixed assets	(14,071)	14,071	-
<b>Balance at 31 December 2002</b>	<b>6,464,736</b>	<b>52,780</b>	<b>6,517,516</b>

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	Year ended 31 December 2002	7 months ended 31 December 2001
		R	R
<b>Cash generated by operations</b>	7	<b>2,608,596</b>	<b>2,814,987</b>
Interest received		61,750	24,429
<b>Net cash inflow from operating activities</b>		<b>2,670,346</b>	<b>2,839,416</b>
<b>Cash flows from investing activities</b>			
Acquisition of furniture and equipment		(32,627)	(42,369)
<b>Increase in cash and cash equivalents</b>		<b>2,637,719</b>	<b>2,797,047</b>
Cash and cash equivalents at beginning of the year		2,797,047	-
<b>Cash and cash equivalents at end of the year</b>		<b>5,434,766</b>	<b>2,797,047</b>

## DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	Year ended 31 December 2002	7 months ended 31 December 2001
		R	R
<b>Funding</b>		<b>12,662,754</b>	<b>5,601,270</b>
Grants received		12,334,678	5,575,341
Interest received		61,750	24,429
Consultancy fees		266,326	-
Sundry income		-	1,500
<b>Expenditure</b>		<b>8,807,439</b>	<b>2,939,069</b>
<b>Projects</b>		<b>6,796,686</b>	<b>2,442,655</b>
Bank charges		14,055	1,547
Consulting fees		3,881,413	752,382
Employment costs		1,020,678	513,473
Equipment		63,871	47,728
Office supplies and expenses		31,170	2,862
Periodicals and subscriptions		-	1,054
Printing and publications		548,493	61,955
Seminars, meetings and conferences		414,851	463,086
Small grants and scholarships		20,150	202,056
Telephone		24,240	-
Training		184,210	7,964
Travel		593,555	388,548
<b>Administration</b>		<b>2,010,753</b>	<b>496,414</b>
Audit fees		71,000	60,000
Bank charges		21,497	6,638
Consulting fees		269,996	91,201
Data communications		51,254	27,958
Depreciation	2	18,556	3,660
Employment costs		734,064	65,177
Equipment		79,909	5,902
Insurance		62,477	22,338
Office rental and security		199,337	74,189
Office supplies		77,415	16,714
Periodicals and subscriptions		10,279	1,518
Printing and publications		31,149	674
Seminars, meetings and conferences		8,687	(3,447)
Telephone		69,304	20,820
Training		11,841	45,000
Travel		270,856	58,072
Vehicle operations and maintenance		23,132	-
<b>Unexpended project funding for the period</b>		<b>3,855,315</b>	<b>2,662,201</b>

## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

**1. Accounting policies**

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

**1.1 Basis of preparation**

The annual financial statements are prepared on the historical cost basis, except where otherwise stated.

**1.2 Furniture and equipment**

Furniture and equipment are stated at historical cost less accumulated depreciation and are depreciated on the straight line basis on the cost of the assets over their estimated useful lives.

Surpluses (deficits) of the disposal of furniture and equipment are credited (charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

**1.3 Impairment**

The carrying amount of assets is reviewed at balance sheet date to determine whether there is any indication of impairment. If there is any indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

**1.4 Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, and deposits held on call with banks, all of which are available for use by the project unless otherwise stated.

**1.5 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate of the amount of the obligation can be made.

**1.6 Fixed assets 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 fixed assets are transferred to unexpended funds.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

## 2. Furniture and equipment

	Depreciation rate	Cost	Accumulated depreciation	Net book value
<b>2002</b>	%	R	R	R
Furniture	16.7	13,173	988	12,185
Computer equipment	33.3	61,823	21,228	40,595
		<u>74,996</u>	<u>22,216</u>	<u>52,780</u>
<b>2001</b>				
Furniture	16.7	1,269	71	1,198
Computer equipment	33.3	41,100	3,589	37,511
		<u>42,369</u>	<u>3,660</u>	<u>38,709</u>

Fixed assets can be reconciled as follows:

	Furniture and fittings R	Computer equipment R	Total R
<b>2002</b>			
Carrying amount at beginning of year	1,198	37,511	38,709
Additions	11,905	20,722	32,627
Depreciation	918	17,638	18,556
Carrying amount at end of year	<u>12,185</u>	<u>40,595</u>	<u>52,780</u>
<b>2001</b>			
Carrying amount at beginning of year	-	-	-
Additions	1,269	41,100	42,369
Depreciation	71	3,589	3,660
Carrying amount at end of year	<u>1,198</u>	<u>37,511</u>	<u>38,709</u>

## 3. Accounts receivable

	2002 R	2001 R
Donors	1,462,612	418,965
Staff loans	603	3,137
South African Revenue Service	101,863	133,612
Other	-	1,710
	<u>1,565,078</u>	<u>557,424</u>

## 4. Project funding

Project funding comprises the unexpended project funding at the end of the year that is to be used against future project expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

## 5. Directors' emoluments

For executive services to the company whilst in office as director 211,989 -

## 6. Taxation

No provision has been made for South African normal tax because Trade and Industrial Policy Strategies (TIPS) applies Section 24C of the Income Tax Act to the total unexpended project funding at the end of the year. The unexpended project funding balance will be used for future project expenditure as contractually agreed with the international aid agencies that have granted the project funding. TIPS is not unconditionally entitled to the project funding.

	Year ended 31 December 2002	7 month ended 31 December 2001
	R	R

## 7. Notes to cash flow statement

## Cash generated by operations

Net income for the year	3,855,315	2,662,201
Adjustments for		
- depreciation	18,556	3,660
- interest received	(61,750)	(24,429)
Surplus funding before working capital changes	3,812,121	2,641,432
Increase in accounts receivable	(1,007,654)	730,979
Decrease in accounts payable	(195,871)	(557,424)
	<u>2,608,596</u>	<u>2,814,987</u>



## INCOME STATEMENT BY SOURCE

FOR THE YEAR ENDED 31 DECEMBER 2002

	USAID	GTZ	AGORA	Ford Foundation	IDRC	IISD	Working Capital	Totals
<b>Funders</b>								
<b>Projects</b>								
<b>Funding</b>								
Grants	2,187,579	3,615,581	820,770	(7,080)	3,417,753	105,000	328,076	12,662,754
Consultancy fees	2,187,579	3,615,581	820,770	(7,080)	3,417,753	105,000	266,326	12,334,678
Interest							61,750	266,326
<b>Expenditure</b>								
Expenditure – direct	1,737,515	2,082,356	551,169	200,547	2,020,754	124,581	(1,009,033)	8,807,439
Expenditure – allocated	1,574,968	1,959,470	1,755	270,079	2,020,754	124,581	41,187	8,807,439
	162,547	122,886	549,414	(69,532)	284,905	–	(1,050,220)	–
<b>Fixed Assets</b>								
Capital Equipment	21,679	–	–	–	(7,608)	–	–	14,071
Depreciation – added back	21,679	–	–	10,948	–	–	–	32,627
				(18,556)	–	–	–	(18,556)
<b>Unexpended Funding</b>								
For the period	101,368	1,550,523	(4,713)	(77,861)	2,507,202	(19,581)	1,363,038	6,464,736
At beginning of year	428,385	1,533,225	269,601	(207,627)	1,404,607	(19,581)	1,337,109	3,841,244
	(327,017)	17,298	(274,314)	129,766	1,102,595	–	25,929	2,623,492

USAID: US Agency for International Development

GTZ: Deutsche Gesellschaft für Technische Zusammenarbeit GmbH

IDRC: International Development Research Centre

IISD: International Institute for Sustainable Development

### Auditors:

KPMG Inc.  
Registered Accountants and Auditors

### Bankers:

Nedbank

### Postal Address:

P.O. Box 87643  
Houghton  
2041  
Johannesburg  
South Africa

### Registered Office:

Ground Floor, Broll Place  
Sunnyside Drive  
Sunnyside Park  
Parktown  
2193

### Legal Status:

TIPS is incorporated in South Africa as a  
Section 21 Company  
(Registration no. 2001/012247/08)

### Contact Details:

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### Donor Support:



Deutsche Gesellschaft für  
Technische Zusammenarbeit (GTZ) GmbH

IDRC



CRDI