

Director's Remarks

DIRECTOR'S REMARKS

Now in its 6th year of existence, TIPS has graduated from being a secretariat within the International Development Research Centre (IDRC) to a Section 21 non-profit company in South Africa. We are specifically indebted to the IDRC for both the resources it has devoted to assist TIPS in its transition, as well as its continued commitment to provide core funding to TIPS.

A major goal for TIPS in 2001 was to continue its task of building long-term capacity in economics training in South Africa. A series of important capacity building programmes were organised in the year, including a high-powered course in the economics of regulation led by Jean-Jacques Laffont, a leading regulation theorist based at the University of Toulouse in France.

Another important objective for the year was to put more effort into ensuring that research is more appropriate and within the reach of policy-makers. The Annual Forum this year strove specifically to both improve the quality of research and ensure that presentations were well within the reach of policy-makers.

TIPS has also been expanding the depth and breadth of our research programme. Particularly notable is the publication of series of research outputs on trade policy, the economics of SMMES and services regulation in South Africa.

TIPS would like to extend sincere acknowledgement to three of its major funders, the International Development Research Center (IDRC), United States Agency for International Development (USAID) and German Technical Cooperation (GTZ).

About

Description of TIPS – 2001

ORGANISATIONAL STRUCTURE

Trade and Industrial Policy Strategies (TIPS), as the organisation is now called, was incorporated as a Section 21 company in July 2001 (registration No. 2001/012247/08).

THE MAIN FUNCTIONS OF TIPS ARE:

- Serve as a clearing house for the South African Department of Trade and Industry (DTI) by effectively assisting in harnessing all relevant trade and industrial policy research for the DTI's policy consideration, in order to strengthen and enhance the capacity for policy analysis in the DTI
- Strengthen the capacity outside of government to construct research on trade and industrial policy so as to enlarge the pool of researchers
- Play an increasingly important role in research capacity building in Southern Africa

ORGANISATIONAL STRUCTURE

TIPS BOARD

- Alan Hirsch (Director) - Department of Trade and Industry
- Faizel Ismail (Director) - Department of Trade and Industry
- Marc Van Ameringen - International Development Research Centre
- Lael Bethlehem - Department of Water Affairs and Forestry
- Merle Holden - University of Natal
- Stephen Yeo - Centre for Economic Policy Research (UK)
- Lesetja Kganyago - National Treasury
- Rudolf Gouws - Rand Merchant Bank
- Leselie Maasdorp - Department of Public Enterprise
- Moss Ngoasheng - SAFIKA Holdings

TIPS ADVISORY BOARD MEMBERS (IN ADDITION TO BOARD MEMBERS)

- Helmut Orbon - GTZ
- Marc Ivaldi - Université des sciences sociales, Toulouse (France)
- Rohinton Medhora - International Development Research Centre (Canada)
- Al Berry - University of Toronto (Canada)
- Bernard Hoekman - World Bank (USA)

TIPS STAFF

- Rashad Cassim: Chief Executive Officer
- Dirk van Severen: Senior Economist
- Ximena Gonzalez-Nuñez: Economist
- Donald Onyango: Economist
- Amanda Ryland: Events/Office Administrator
- Marcalthea Probert: Executive Personal Assistant
- Arjen van Zwieten: Data Unit Manager
- Carol Molate: Analyst
- Vanidah Pulliah: Accountant
- Wendy Jackson: Environmental Specialist/Publications Manager

TIPS RESEARCH

Various research projects were carried out in 2001. Listed below are the various issues. For a more detailed description of these projects, refer to the TIPS website <http://www.tips.org.za/research/>

- The State of Trade Policy in South Africa
- Regional/Bilateral Free Trade Areas
- Global Economic Strategy for South Africa
- The Economics of Services and Regulation in South Africa
- Competition and Regulation in South Africa's Telecommunications Sector
- Financial Sector Competition and the Nature of Financial Intermediation in South Africa
- Transport Regulation
- The New Economy
- Industry Analysis of the South African Economy
- Economics of SMMEs in South Africa
- Southern African Trade and the WTO

FOR THE FULL REPORT REFER TO THE TIPS WEBSITE AT: <http://www.tips.org.za/profile/>

Workshops

WORKSHOPS

28 FEBRUARY - SMME'S IN THE SOUTH AFRICAN ECONOMY

The purpose of the seminar was to develop a rigorous economic framework to evaluate the SMME sector in South Africa. Synergies between the mainstream economy and the SMME sector have been rather weak and the aim of the workshop was to contextualise the SMME sector in the larger economic debate in the country. A varied team of both local and international people made presentations.

4 - 5 MAY - TRADE POLICY WORKSHOP

The Trade Policy Training Workshop was a follow up of a TIPS-hosted summer school by Alan Winters held during November 1999 that focused on Trade Policy Tools. One of the aims of the Winter's course was to expose researchers to various applied techniques to stimulate research in this area with a view to preparing an ongoing trade policy review of South Africa under the auspices of TIPS.

The workshop brought together a team of researchers working on complementary areas of trade policy. Through peer review and the presence of resource persons, the Workshop provided an opportunity to both identify areas of need and consolidate current research. The Workshop presented research in progress and also provided an opportunity to initiate new research based on our assessment of major gaps.

5 - 6 JULY - SOUTHERN AFRICAN TRADE RESEARCH NETWORK (SATRN) WORKSHOP

Senior SADC trade negotiators, researchers and academics met in Gaborone, Botswana for the launching of SATRN. SATRN is a joint initiative between TIPS and the Botswana Institute for Development Policy Analysis (BIDPA). BIDPA is designed to provide the necessary technical output to allow SADC member countries to participate more effectively in the WTO process.

7 - 8 AUGUST - THE MULTILATERAL TRADING SYSTEM AND THE ROAD TO DOHA: CHALLENGES FOR SOUTH AFRICA

This workshop was organized by the DTI, the Institute for Global Dialogue (IGD) and TIPS. The workshop brought together members of civil society to discuss the future of the WTO and what it means for South Africa. The main aim of the workshop was to create a constructive dialogue amongst policy-makers and broader civil society as to the implications of South Africa's participation in the WTO for economic growth, equity and poverty in the economy. What was clear from the workshop is that more effort needs to be put into informing civil society about how South Africa's active participation in the economy could benefit the country.

8 NOVEMBER - TRADE AND POVERTY BRAINSTORMING

TIPS has an ongoing research programme on trade policy. Work on trade policy, to date, has focused primarily on traditional issues such as changing nominal and effective tariff rates, linkages between exports and liberalisation and some work on trade and labour demand. In view of the persistence of poverty and ever-growing disparity in income distribution in South Africa, TIPS cannot avoid the critical issues of how economic reform aimed at inducing more efficiency in the economy impacts on distribution and poverty. One important facet of South Africa's reform package is that of trade reform.

In view of this, TIPS brought together various individuals in the country who have made some investment in thinking through these issues to map out how exactly we may move ahead in initiating research that would be of relevance to policy-makers. It was clear that the relationship between trade and poverty is complex from two points of view. First, various factors influence poverty outcomes and separating trade policy relative to others is difficult. Secondly, serious data and measurement problems make it difficult to conclude what the actual relationship between trade and poverty is.

17 DECEMBER - REGULATION AND COMPETITION WORKSHOP

Jean-Jacques Laffont, Director of Institut D'Economie Industrielle (Toulouse), and Professor of Economics at Université de Toulouse and University of Southern California, Los Angeles, gave a lecture on the "Political Economy of Competition and Regulation of Network Industries." He addressed specific issues such as universal service policy and access pricing mechanisms in an open discussion with participants. The workshop was very important in giving policy-makers an appreciation of how the theory of incentives play a critical role in influencing outcomes in the economy as we embark on a path of utility deregulation.

EVALUATION - 2001

For the first time since its establishment in 1996, TIPS was subject to a major evaluation by two independent experts. Some of the key findings of these evaluations include :

- TIPS has developed a good reputation for quality and relevance of its policy research.
- The proactive approach taken by TIPS in identifying emerging issues, surveying existing knowledge on them, and commencing exploratory work has been important to policy debates.
- TIPS has mounted short training courses to impart essential skills to those conducting policy research or to increase the absorptive capacity of their intended audience.
- TIPS's Annual Forum has emerged as a key event in the calendar of those engaged in producing or using research bearing on trade and industrial policy.
- TIPS has also been quick to exploit advances in information technology. Papers presented at its September 2000 Forum were rapidly distributed to participants on CD-ROM. Its website now incorporates an expanding database on the South African economy, as well as publications and information on various events.
- Factors cited by these evaluations as central to TIPS's successful performance overall include excellent leadership; an engaged Board; an audience of policy-makers valuing high quality, independent but relevant research; an ability to discern upcoming issues; and a close but not overly intimate relationship with government.

SEMINARS

28 NOVEMBER - GLOBAL ECONOMIC PROSPECTS AND DEVELOPING COUNTRIES

Ataman Aksoy from the World Bank gave a seminar on a report that the World Bank releases on an annual basis called "Global Economic Prospects and Developing Countries." An important message that came out of the seminar was that two important factors act as a deterrent to Africa's export potential: trade facilitation and exchange rate mismanagement.

FORUM

10 - 12 SEPTEMBER - FORUM 2001 - NEW DIRECTIONS IN THE SOUTH AFRICAN ECONOMY

TIPS hosted its 5th Annual Forum in September 2001. An estimated 200 policy-makers and researchers attended the Forum, which focused on the changing nature of regulation in the South African economy. Regulatory issues have gained increasing prominence in policy discussions in South Africa. The Forum addressed various aspects of regulation, and presentations were made in the area of telecommunications, the new economy, financial services and others.

Some notable speakers were:

Jacques Cremer - (Université des sciences sociales - Toulouse) *The Regulation of the Internet and Economic Development*

Danny Quah - (London School of Economics) *The New Economy and Productivity*

Aaditya Mattoo - Senior Economist (World Bank) *Services, Productivity and Growth*

Dave Lewis - Chairperson (The Competition Tribunal) *The Political Economy of Competition Policy*

For a full list of papers - see Appendix

TRAINING AND SUMMER/WINTER SCHOOLS

9 - 13 JULY - TIPS/INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE (IFPRI) INPUT SAM MULTIPLIER ANALYSIS COURSE

While most economic course work focuses either on macroeconomic relationships or on their micro foundations, at the practical level of public sector policy

analysts and policy-makers, considerable attention is paid to the intermediate or meso-level of economic analysis. Key sector analysis, sectoral impact studies, partial and general equilibrium trade and industry analyses are frequently conducted both in the public as well as the private sector.

An often-used tool to conduct meso-level economic enquiry is input-output analysis, usually extended by means of social accounting matrices. Although it is likely that only a few public sector policy analysts will actually employ on a full-time basis such analysis, there are currently only a handful of input-output and social accounting matrix practitioners in South Africa, and many will come across reports and applications, in which results of such analyses are presented.

In the light of the above and as part of the USAID capacity-building programme, TIPS, in association with UCT's School of Economics and the International Food Policy Research Institute (IFPRI), organised a week-long course on input-output/social accounting matrix multiplier analysis during the second week of July 2001. Although it was part of the Masters programme at UCT's School of Economics, the course was stand alone and covered topics such as: building the underlying database from disparate data sources; national accounts consistency; descriptive analysis and snapshot pictures of the economy at hand; multipliers and their interpretation; simple policy applications with a social accounting matrix; the price model; and short comings of simple multiplier analysis.

18 - 20 DECEMBER - REGULATION AND COMPETITION IN NETWORK INDUSTRIES

The course was intended to build capacity and stimulate research in the area of the economics of regulation. Economist Jean-Jacques Laffont, from the Université de Toulouse, presented a series of lectures on incentive theory. In addition, Marc Ivaldi and Claude Crampes, also from the Université de Toulouse, conducted lectures in applied competition policy analysis and the economics of network industries, respectively.

Participants came out of the course with exposure to: frontier techniques in the theory of regulation and incentives; applied economic analysis of how to think about the economics of utility sectors; and ways in which we can econometrically measure the economic and welfare outcomes of specific market structure arrangements.

OTHER CAPACITY BUILDING ACTIVITIES SPECIFICALLY FOR DTI STAFF

1. Training on how to use the Trade Map (June 2001)
2. Training on the Global Economic Strategy System (June 2001)
3. Training on how to use the South Africa Standardised Industry Data Base (August and December 2001)

Conveners: Dirk van Seventer and Arjen van Zweiten

Publications 2001

Publications

TRADE AND INDUSTRY MONITOR

VOLUME 18

FEATURE ARTICLES :

- **Reza Daniels** *The Impact of Income Transfers on Poverty Levels in the Subsistence Fisheries Sector*
- **James Hodge and Nicolas Theopold** *Third Generation Mobile Licencing*
- **Melvin Ayogu and James Hodge** *An Assessment of the New Direction of Telecommunications in South Africa*
- **Ibrahim Bah** *The Essential Facilities Doctrine: Relevance to South Africa*

VOLUME 19

FEATURE ARTICLES :

- **Rashad Cassim and Donald Onyango** *South Africa's Trade Reform and the WTO: Background and Progress*
- **Dirk Ernest van Seventer** *The Level and Variation of Tariff Rates: An Analysis of Tariff Rates in South Africa*
- **Donald Onyango and Dirk Ernest van Seventer** *South Africa's Export Performance: A Bird's Eye View*
- **Anthony Black** *Trade Liberalisation and the Global Integration of the South African Automotive Industry*

VOLUME 20

Special Issue – Forum 2001

FEATURE ARTICLES:

- **Jacques Cremer** *Public Policy Towards the Internet and Development*
- **Hildegunn Kyvik Nordås** *Information Technology and Producer Services: A Source of Economic Development*
- **Andrea Goldstein and José Claudio Linhares Pires** *The Design and Performance of Regulatory Agencies: What Can South Africa Learn from the Brazilian Experience?*
- **Reza Daniels** *Financial Intermediation and the Micro-Finance Sector*

SOUTHERN AFRICA UPDATE

VOLUME 10

- *The SADC Trade Protocol: Which Way Ahead*

VOLUME 11

- **Kennedy Mbekeani and Stephen Yeo** *The Southern Africa Trade Research Network (SATRN)*

VOLUME 12

- **Jeffrey Lewis** *Sectoral Linkages and Employment in South Africa*

Presented Papers

PAPERS PRESENTED AT THE FORUM 2001

Jacques Cremer (Université des sciences sociales - Toulouse) *Public Policy Towards the Internet and Economic Development* *

Danny Quah (London School of Economics) *Technology Dissemination and Economic Growth: Some Lessons for the New Economy*

Aaditya Mattoo (World Bank) *Services, Productivity and Growth*

(Presentation)

Haroon Borhat and Paul Lundall (Development Policy Research Unit) *Employment, Wages and Skills Development: Firm-Specific Effects: Evidence from Two Firm Surveys in South Africa*

Michael Samson and Kenneth Macquene (Economic Policy Research Institute) *Capital / Skills-Intensity and Job Creation: An Analysis of Policy Options**

Al Berry and Anna Kesper *SMMEs and Growth in South Africa*

Lael Bethlehem (Department of Water Affairs and Forestry) *Overview of the State of Trade Policy In South Africa*

(Presentation)

Lawrence Edwards (University of Cape Town) *The Structure and Competitiveness of South African Trade**

Dirk van Seventer (Trade & Industrial Policy Strategies) *The Level and Variation of Tariffs Rates: An Analysis of Nominal and Effective Tariff Rates in South Africa for the Years 2000 and 2001**

Neil Rankin (Oxford University) *The Export Behaviour of South African Manufacturing Firms**

Paul Jordan (Mintek) *Defence Industrial Restructuring and Economic Growth in South Africa*

Milton Taka (University of the Witwatersrand) *The Internationalisation of the Telecommunication Industry in South Africa**

Susanna Wolf (ZEF, Germany) *Determinants and Impact of ICT Use for African SMEs: Implications for Rural South Africa**

Tina James (Tina James Consulting) *Towards a Better Understanding of the ICT Sector in South Africa: Problems and Opportunities for Strengthening the Existing Knowledge Base**

Mike Morris (University of Natal, Durban) *Unlocking Value in the "New Economy": The Implications of B2B E-Commerce for South African Apparel and Automotive Component Firms**

Martine Mariotti (University of the Witwatersrand) *An Examination of the Impact of Economic Policy on Long-Run Economic Growth: An Application of a VECM Structure to a Middle-Income Context*

Trevor Bell and Nkosi Madula (NIEP) *Where has all the Growth Gone? South African Manufacturing 1970-2000*

Johannes Fedderke (University of the Witwatersrand) *Technology, Human Capital and Growth: Evidence from a Middle Income Country Case Study Applying Dynamic Heterogeneous Panel Analysis**

Hildegunn Kyvik Nordås (SNF) *Information Technology and Producer Services - A Source of Economic Development: The South African Case**

Stephan Malherbe and Nick Segal (Genesis) *Corporate Governance in South Africa*

Kevin Nell (NIEP) *Explaining Long-Run Growth in South Africa and OECD Countries: Implications for the rest of SADC Countries*

Jeff Lewis (World Bank) *The WTO, GATS and Financial Services Agenda*

Peter Vesterdorf (Danish Federation of SMMEs) *Competition Law and SMEs: The Case of Denmark Within the European Union*

Marc Ivaldi (Université des sciences sociales, Toulouse) *Price and Concentration Relationships in the Banking Industry*

Reza Daniels (Development Policy Research Unit) *Financial Intermediation and the Micro-Finance Sector**

Chandana Kularatne (University of the Witwatersrand) *An Examination of the Impact of Financial Deepening on Long-Run Economic Growth: An Application of a VECM Structure to a Middle-Income Context*

James Hodge (University of Cape Town) *Promoting Competitive Outcomes in the Fixed Line Telecommunications Sector in South Africa**

Anton Eberhard (University of Cape Town) *Competition and Regulation in the Electricity Supply Industry in South Africa**

Dave Lewis (Competition Tribunal) *The Political Economy of Competition Policy in South Africa*

Simon Cowan (Oxford University) *Regulatory Reform: Lessons from the UK**

Wendy Carlin (University of London) *Finance, Investment and Growth*

WORKING PAPERS /

Working Papers

WORKING PAPER 1 - 2001

Taryn Dinkelman and Farah Pirouz *Individual, Household and Regional Determinants of Labour Force Attachment in South Africa: Evidence from the 1997 October Household Survey*

WORKING PAPER 2 - 2001

Chris Malikane and Simon Roberts *Production And Technology Changes, Restructuring, and Employment in the Plastic Sector*

WORKING PAPER 3 - 2001

Peter Delius and Stefan Schirmer *Towards A Workable Rural Development Strategy*

WORKING PAPER 4 - 2001

Samuel Bowles *A Future for Labour in the Global Economy*

WORKING PAPER 5 - 2001

Al Berry *The Role of the Small and Medium Enterprise Sector in Latin America: Implications for South Africa*

WORKING PAPER 6 - 2001

James Hodge *Promoting Competitive Outcomes in the Fixed Line Telecommunications Sector in South Africa*

WORKING PAPER 7 - 2001

Hildegunn Kyvik Nordås *Information Technology and Producer Services - A Source of Economic Development: The South African Case*

OCCASIONAL PAPERS

Rosalind Mowatt *Prospects for Financial Sector Reform in the Context of Regional Integration in SADC*

Tina James *Towards a Better Understanding of the ICT Sector in South Africa: Problems and Opportunities for Strengthening the Existing Knowledge Base*

OTHER COMPLETED UNPUBLISHED RESEARCH PAPERS

Dirk van Seventer *Global Economic Strategy System (June 2001, Document / Interactive System, EU-funded project)*

Dirk van Seventer and Thembi Mlangeni, May 2001, TIPS Trade Policy Research Workshop *A Free Trade Area Between South Africa and India: Which Commodities Matter?*

Lawrence Edwards and Dirk van Seventer, May 2001, TIPS Trade Policy Research Workshop *Notes on Welfare Losses of Tariffs and Tariff Protection: A Partial Equilibrium Application to South African Data*

Dirk van Seventer and Dipak Mazumdar *Decomposition of Real Wage Growth in South Africa*

SPECIAL REPORTS

Rashad Cassim, Dirk van Seventer and Donald Onyango *State of Trade Policy in South Africa*

Anna Kesper, Rashad Cassim, Dirk van Seventer, Bala Rajaratnam, and Al Berry *The Economics of SMMEs in South Africa*

Jeffrey Fine and Dirck Strycker *An Evaluation of TIPS*

OTHER ACTIVITIES

■ Recruitment of consultants to participate in DTI policy management

■ Joint venture with DTI on its quarterly publication - *Sisebenza Sonke*

DATA MANAGEMENT/TIPS WEBSITE



TIPS Online website continued to grow during 2001, both in terms of download activity (by website users) and upload activity (website development by TIPS). This growth is testament to the value of the service TIPS offers by disseminating data and research reports via the website to policy-makers and the research community.

At the end of 2001, the TIPS Online website had undergone a change in terms of design and data delivery and now boasts over 30 databases and over 200 research reports, working papers and publications. The number of website users continued to grow steadily during 2001, topping 200 individual registered users, while more than 8,000 users were recorded using the site.

Data Management

Financial Report

UNAUDITED FINANCIAL STATEMENTS FOR THE FIVE MONTHS ENDED 31 DECEMBER 2001

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INCOME & EXPENDITURE STATEMENT FOR THE FIVE MONTHS ENDED 31 DECEMBER 2001

BY ACTIVITY

INCOME	3,801,853
Grants	3,796,382
Interest	3,971
Other Income	1,500
EXPENDITURE	3,047,003
Projects	3,202,406
Research Expenses	1,230,685
Audit	95,000
Training	167,844
Dialogue	512,779
Equipment	47,066
Management & Technical Assistance	1,149,032
CORE	810,290
Employment	418,387
Professional Services	136,202
Travel	70,547
Office Rent & Utilities	73,268
Communication	48,779
Insurance	22,338
Office & Support Services	37,110
Depreciation	3,659
Cost recoveries charged to projects	(965,693)
TRANSFER TO FIXED ASSETS FUND	(38,710)
UNEXPENDED FUND BALANCES AT 31 DECEMBER 2001	716,140

Financial Report

INCOME & EXPENDITURE STATEMENT FOR THE FIVE MONTHS ENDED 31 DECEMBER 2001

BY SOURCE

	Income			Expenditure	Fund balances		
	Grants		Other		Restricted	Unrestricted (Working Capitals)	Totals
	Assigned IDRC	Direct from Funder					
Operating Funds	855,927	2,940,455	5,471	3,085,713	2,130	714,010	716,140
IDRC - CORE		879,264		879,264		-	-
Research Network		-			-		-
IDRC - Senior Fellowship							
Expenses		73,634		73,634	-		-
GTZ	126,613	1,263,967		1,390,580	-		-
USAID	291,607	317,306		608,913			-
Ford Foundation	437,707			437,707	-		-
AGORA		406,284		406,284			-
Cost recoveries from projects				(965,693)		965,693	965,693
Exchange losses ex IDRC assignments				255,024		(255,024)	(255,024)
Interest			3,971		2,130	1,841	3,971
Other			1,500			1,500	1,500

Financial Report

BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	
TOTAL ASSETS		3,980,661
Current Assets		3,941,951
Cash		2,797,092
Accounts Receivable	1	553,239
Accrued Income	2	591,620
Fixed Assets		38,710
Property & Equipment at cost		42,369
Less Accumulated Depreciation		3,659
TOTAL LIABILITIES & FUND BALANCES		3,980,661
Liabilities	3	3,227,941
Accruals & Provisions		834,772
Deferred Income	4	2,393,169
Fund balances		752,720
Working Capital		714,010
Capital invested in Fixed Assets		38,710

Notes

1 Accounts Receivable	553,239
<i>Donors</i>	418,965
<i>SARS - VAT claim</i>	129,701
<i>Other</i>	4,573
2 Accrued Income	591,620
<i>AGORA</i>	274,314
<i>USAID</i>	317,306
3 Accruals & Provisions	834,772
<i>Project related</i>	635,876
<i>Payroll liabilities</i>	100,093
<i>Leave pay</i>	37,751
<i>PAYE</i>	36,895
<i>Providend Fund contributions</i>	11,982
<i>Medical Aid contributions</i>	10,802
<i>Skills Development Levy</i>	1,199
<i>Regional Services Council Levies</i>	1,464
<i>Other liabilities & provisions</i>	98,803
<i>Shared costs SNSA</i>	16,018
<i>Consultants</i>	22,785
<i>Audit fees</i>	60,000
4 Deferred Income	2,393,169
<i>IDRC - CORE</i>	421,824
<i>IDRC - Southern Africa Trade Research Network</i>	1,781,964
<i>IDRC - Senior Fellowship Expenses</i>	176,418
<i>GTZ</i>	9,876
<i>Ford Foundation</i>	3,087

CASH FLOW STATEMENT FOR THE FIVE MONTHS ENDED 31 DECEMBER 2001

	Notes	
Net cash inflow from operating activities		2,839,461
Cash flows from operations	A	2,835,490
Interest		3,971
Net cash outflow from investing activities	B	-42,369
Additions to office furniture and equipment		
Net increase in cash at end of the period		2,797,092

Notes to the Cash Flow Statement

A Cash flows from operations	2,835,490
Operating income before working capital changes	754,538
Surplus for the year	754,850
Adjustments for	
Depreciation	3,659
Interest received	(3,971)
Adjustments for working capital changes	2,080,952
Increase in Accruals and Provisions	834,772
Decrease in Accounts Receivable	(553,239)
Increase in Accrued Income	(591,620)
Increase in Deferred Income	2,391,039
B Additions to office furniture and equipment	42,369
Office furniture	1,269
Computer equipment	41,100

FINANCIAL STATEMENT FOR THE FIVE MONTHS ENDED 31 DECEMBER 2001

ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies.

Office furniture and equipment

Office furniture and equipment are stated at cost less provision for depreciation. Depreciation is calculated at rates appropriate to reduce book values to estimated residual values over the estimated useful lives of the assets. The following rates are applied:

Office furniture	16.67%
Computer equipment	33.33%

Fixed assets fund

In order that operating reserves reflect only the reserves available to fund the future operations of the company, those reserves 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 operating reserves to the fixed assets fund. Proceeds on the disposal of fixed assets are transferred to operating reserves.

Income recognition - grants

Where donor agreements stipulate grant expenditures, funding is matched to the specific expenditures incurred. Cash surpluses and shortages at the end of the year are recorded as either deferred or accrued income. Unconditional grants and other income are recorded in the periods to which they relate.

Notes

NOTES TO THE FINANCIAL STATEMENTS

1 Office Furniture and Equipment

	Office Furniture	Computer Equipment	Total
Cost			
Additions	1,269	41,100	42,369
Accumulated depreciation			
Current year	71	3,588	3,659
Carrying value	<u>1,198</u>	<u>37,512</u>	<u>38,710</u>

2 Comparative figures

As this is the first financial year -end of the company, no comparatives are shown.

The company was registered as a Section 21 Company in June 2001 and commenced operations with effect from 1 August 2001.

Prior to 1 August 2001 the activities of the company were administered by the Canadian International Development Research Centre "IDRC". The previous financial statements were reported in Canadian Dollars for the year ended 31 December 2001 and reflect only project costs and administration overheads recovered by the IDRC

The cost and effort of obtaining and calculating comparative figures is not considered worthwhile as the presentation thereof would add little value to the figures presented in these financial statements.

3 Taxation

No provision has been made for taxation on income as the company does not have taxable income.

SCHEDULE OF GRANT FUNDING

Funders	Grant Periods	Grants Pledged	Grants Pledged **	Grants Received (IDRC)	Grants Income (TIPS)	Income Income Available
			R's	R's	R's	R's
GTZ - 2001	01/01/2001 - 31/12/2001		5,759,591	4,359,135	1,390,580	9,876
GTZ - 2002	01/01/2002 - 31/12/2004	DM 1,560,000	6,477,000	-	6,477,000	
USAID	01/07/1998 - 31/07/2002	US\$ 868,839	4,431,080	2,863,585	608,913	958,582
AGORA 1	01/02/2000 - 30/06/2001	EURO 158,780	1,243,847	869,720	406,284	(32,157)
AGORA 2	01/12/2000 - 30/06/2001	EURO 60,623	606,230		-	606,230
Ford Foundation	01/09/2000 - 31/12/2001		556,121	118,414	437,707	-
IDRC - Senior Fellowship expenses	01/11/2000 - 30/11/2002	CAD 48,910	250,052		73,634	176,418
IDRC - Current grant	01/04/1996 - 31/03/2001	CAD 2,306,000	9,454,600	6,678,251		2,776,349
IDRC - CORE - Year one	01/08/2001 - 31/07/2002	CAD 333,000	1,869,899		879,264	990,635
IDRC - CORE - Year two	01/08/2002 - 31/07/2003	CAD 333,000	2,602,154			2,602,154
IDRC - CORE - Year three	01/08/2003 - 31/07/2004	CAD 333,000	2,862,378			2,862,378
IDRC - SATRN	01/11/2001 - 31/10/2004	CAD 952,200	6,267,514		-	6,267,514
			36,620,875	10,529,970	3,796,382	23,685,103

BUDGETS BY ACTIVITY

FOR THE YEAR ENDED 31 DECEMBER

		2002		2003		2004
		R's		R's		R's
FUNDING		8,513,476		7,896,435		4,605,822
Grants		8,424,596		7,833,728		4,570,732
Interest		88,880		62,707		35,090
EXPENDITURE	100%	8,618,545	100%	8,247,507	100%	7,165,191
Project Expenditure	69%	5,957,014	59%	4,883,728	47%	3,353,328
Research	36%	3,088,853	30%	2,481,736	20%	1,414,004
Air fares & Travelling Expenses	5%	391,216	2%	164,162	1%	80,000
Small Grants	4%	335,316	1%	113,432	1%	62,388
Accommodation	0%	30,000	0%	35,000	1%	40,000
Data Communication	0%	3,300	0%	0%	-	0
Publications	0%	10,000	0%	0%	-	0
Policy Research Grants	27%	2,319,021	26%	2,169,142	17%	1,231,616
Seminars Meetings & Conferences	0%	0%	0%	-	0	0
Audit	1%	50,000	0%	0%	-	0
Training	12%	1,022,880	14%	1,127,168	12%	845,000
Scholarships	0%	25,000	0%	-	0	0%
Printing & Reproduction	0%	0%	-	0	0%	-
Seminars Meetings & Conferences	9%	797,880	11%	902,168	8%	595,000
Air fares & Travelling Expenses	2%	200,000	3%	225,000	3%	250,000
Periodicals & Subscriptions	0%	0%	-	0	0%	-
In Service Training	0%	0%	0%	-	0	-
Dialogue	5%	434,500	4%	355,500	5%	370,000
Workshops	1%	120,000	0%	0%	-	0
Air Fares & Travelling Expenses	0%	-	0%	-	0%	-
Workshop Costs	1%	120,000	0%	0%	-	-
Annual Forum	4%	314,500	4%	355,500	5%	370,000
Air fares & Travelling Expenses	1%	100,000	1%	110,000	2%	120,000
Office Supplies & Expenses	0%	2,500	0%	4,500	0%	7,500
Printing & Reproduction	0%	12,000	0%	16,000	0%	17,500
Venue etc.	2%	200,000	3%	225,000	3%	225,000
Dissemination	3%	293,000	4%	315,000	5%	335,000
Printing & Reproduction	0%	0%	-	0	0%	-
Website	0%	-	0	0%	0%	-
Publications	3%	293,000	4%	315,000	5%	335,000
0%	0%	0%	0%	0%	-	0
Equipment	0%	30,000	0%	0%	-	0
Management & Technical Assistance	12%	1,037,781	7%	604,324	5%	389,324
CORE EXPENDITURE	31%	2,661,531	41%	3,363,779	53%	3,811,863
Employment	16%	1,359,810	24%	1,939,020	30%	2,132,922
Professional Services	5%	417,918	6%	458,885	9%	612,760
Travel	2%	162,500	2%	178,750	3%	246,462
Office Rent & Utilities	2%	179,575	2%	201,124	3%	225,259
Communication	2%	178,688	2%	196,556	3%	216,212
Insurance	1%	62,500	1%	68,750	1%	75,625
Office & Support Services	3%	300,540	4%	320,694	4%	302,623
COST RECOVERIES FROM PROJECTS		-908,931		-467,593		-314,123
UNEXPENDED SURPLUS/(-DEFICIT)		803,862		116,521		-2,245,246
UNEXPENDED SURPLUS/(-DEFICIT) - B.O.Y.		1,770,345		2,574,207		2,690,728
UNEXPENDED SURPLUS/(-DEFICIT) - E.O.Y.		2,574,207		2,690,728		445,482

Financial Report

INCOME & EXPENDITURE BUDGETS BY SOURCE

FOR THE YEAR ENDED 31 DECEMBER 2002

	Income		Expenditure	Fund Balances			
	Grants	Interest		Opening Balances (Budget)	Restricted	Unrestricted	Totals
	8,424,596	88,880	7,709,614	1,770,345	438,756	2,135,451	2,574,207
IDRC	5,220,208	23,382	5,619,749	814,915	438,756		438,756
GTZ	1,928,500	1,928,500					-
USAID	1,275,888	1,070,296	(205,592)				-
Cost recoveries from projects		65,498	(908,931)	1,161,022		2,135,451	2,135,451

FOR THE YEAR ENDED 31 DECEMBER 2003

	Income		Expenditure	Fund Balances			
	Grants	Interest		Opening Balances (Budget)	Restricted	Unrestricted	Totals
	7,833,728	62,707	7,779,914	2,574,207	409,506	2,281,222	2,690,728
IDRC	5,662,228	14,529	5,706,007	438,756	409,506		409,506
GTZ	2,171,500		2,171,500				
from projects		48,178	(97,593)	2,135,451		2,281,222	2,281,222

FOR THE YEAR ENDED 31 DECEMBER 2004

	Income		Expenditure	Fund Balances			
	Grants	Interest		Opening Balances (Budget)	Restricted	Unrestricted	Totals
	4,570,732	35,090	6,851,068	2,690,728	16,777	428,705	445,482
IDRC	2,193,732	7,730	2,594,191	409,506	16,777	16,777	
GTZ	2,377,000		2,377,000				
Cost recoveries from projects		27,360	1,879,877	2,281,222		428,705	428,705