



CENTRE FOR DEVELOPMENT AND ENTERPRISE

ANNUAL REPORT

1 MARCH 2016 - 28 FEBRUARY 2017

City economies

To grow, SA must put cities at the heart of the economy

ECONOMISTS and many policy makers think about how things are done, but they do not think much about where things are done. Where economic activities

erated drastically. National priorities need resetting; we need to focus on the key challenges cities face, embrace urbanisation and harness the productivity gains that could be obtained from larger, better-run cities. This

Critical decisions – how to expand Durban's ports, how to implement road tolling – are made without the relevant cities' input to planning.

In addition, SOEs own significant land holdings in the cities, the use and disposal of which are decided without reference to what is in the best interests of the city.

Cities themselves need to place growth and jobs at the heart of urban strategies.

This requires a focus on making cities more attractive places for business start-ups, investment, innovation and employment. World Bank research demonstrates South African cities lag dramatically behind India, China, Brazil, Mexico, Kenya, Chile, Malaysia and many others in the number of days it takes to start a business. City

cial property markets to function efficiently rather than municipal bureaucrats building and managing housing stock themselves.

Governments need to have compelling reasons for entering these markets as landlords or developers before committing scarce public resources and managerial talent to them. Many other opportunities exist to involve the private sector in delivering public goods and services including in refuse removal, schooling, training and public transport.

Interaction between senior members of the city's government, the leaders of key firms and organised business is also essential if cities are to get a clear idea of what business needs to grow and thrive.

Attendance to the needs of business, rather than those of bureaucrats, will create better returns for the country's urban our main political city government as than national and does not match the uly urban economy. politicians, therefore, careers to local or

ment" to run larger gvern prosperity. old embrace the ability of large cities' growth. As growth peaked the drastic hances for millions of nies grow, the spatial could be eliminated ore opportunities for erge.

1. Policies, power and

Export processing zone

We can open portal for jobs if we just try something new

SA COMMERCE, deep social and economic challenges. Unemployment is at the level of more than 25 million people for jobs in the first quarter of 2016.

Export processing zones (EPZs) are a special economic zone (SEZ) that is established to attract foreign investment and to promote exports.

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national subgroups on working conditions and safety. The world's most developed economies have a long history of EPZs. They would be a good idea for South Africa. They would be a good idea for South Africa. They would be a good idea for South Africa.

However, it also has a number of risks. It could be a good idea for South Africa. It could be a good idea for South Africa. It could be a good idea for South Africa.

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comparison with other countries. It is a good idea for South Africa. It is a good idea for South Africa. It is a good idea for South Africa.

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affected the opportunity to decide whether a wage is better than no wage at all.

Low wages better than no wages

We have to prioritise jobs for the unemployed in South Africa

REPRESENTATIVES of organised labour and their political allies often accuse market forces of getting nothing less than the return of slave

erty to slough them. This might sound like a fair claim, but it is not. For the unemployed, it is worse. For the unemployed, it is worse. For the unemployed, it is worse.



Ann Bernstein

WE NEED TO ADOPT ONE GROWTH STRATEGY, NOT THREE

economy is to grow millions of work-seekers in city econ

of high-skilled employment in the equivalent of slavery: then the worst offenders in the country are those employers who refuse to employ people for less than three months at a time, pay 82% a day – or about \$2.30 a month – and who are very proud of

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report in the CDE available from

Immigration and private sector training vital to growth, stability

South Africa must recruit skills as fast as possible, writes **Ann Bernstein**

However, our skills pool remains quite shallow for a country with aspirations to a high-skilled growth path: the average for OECD countries is 10% and for some it is as high as 20%.



official suspicion and even hostility. China's remarkably rapid and varied economic growth is an inspiration. Provision for skills training in China is a vibrant mix of provision by government (state-owned enterprises and SOEs), industry associations (OEs) and state-owned enterprises (SOEs). Improving the public sector and opening the system to diversity and private sector resources will require more assertive, better-resourced institutions from organised business. Educational reform takes time and in this landscape, skilled immigration promises more immediate and cost-effective dividends. The government's recent green paper on managing international migration shows welcome openness to criticisms of past policy. However, instead of moving on to persons held returns it tends to pro-

Growth

Harsh choices await if we continue down the low road

SA 10-year low in the rate of economic growth, high unemployment and weak investment. In an atmosphere of policy paralysis and gridlock, strong social unrest and uncertainty about the future, South Africa's leadership and institutions are weak and falling. Our "good story" of democratic and growth returns is with a cause for grief, but one which increasingly follows on the unemployed and poor, who remain excluded from what is much but always seen as a better story.



relationships between, poverty, unemployment and inequality. Depending on how one calculates poverty rates, between 10 million and 27 million South Africans, 34%–50% of the population, are poor. Even at the lower end of the range, the number of people who are poor is around 10 million.

A key to understanding the nature of the crisis of unemployment is the link between education and employment. Only 54% of the 22 million adults who have not completed high school have jobs. Only 17% of adults with tertiary education have found a job since 2008.

Individual and national growth prospects. Nonetheless, redistribution is significant for engineering that major employment and is necessarily unresolvable. This is not the only area in which the larger have to be acknowledged. SA's weak growth performance can also be attributed to a lack of coherent economic policy. I present two alternative economic growth paths and show the real GDPs. I have adapted and abbreviated three new Policy uncertainty over such investment fundamentals as property rights is growth factor. A third is a more aggressive that has been put at the centre of growth plans. It fails to build some of its most basic functions. From above to below, such as services

ABOUT CDE

The Centre For Development and Enterprise (CDE), an independent policy research and advocacy organisation, is South Africa's leading development think tank. Since its establishment in 1995, CDE has been consulting widely, gathering evidence and generating innovative policy recommendations on issues critical to economic growth and democratic consolidation. By examining South African and international experience, CDE formulates practical policy proposals outlining ways in which South Africa can tackle major social and economic challenges. CDE has a special focus on the role of business and markets in development.

CDE disseminates its research and proposals to a national audience of policy-makers, opinion formers and the wider public through printed and digital publications, which receive wide media coverage. Our track record of successful engagement enables CDE to bring together experts and stakeholders to debate the policy implications of research findings.

CDE'S VISION FOR SOUTH AFRICA

- A high growth, high employment, constitutional democracy;
- A competitive economy with opportunities for new entrants;
- An effective, clean state (and business community);
- Where private enterprise and markets are the key drivers of economic growth enabled by a supportive, smart government;
- Individuals are empowered through opportunity (jobs, growth, quality education and training);
and
- Poverty and inequality are addressed by fostering a labour-intensive economy and better quality education and training.

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MESSAGE FROM THE CHAIRMAN

Laurie Dippenaar



This has been a difficult year for the country, marked by political and economic volatility and grave concerns about the words and actions of its leaders. We find ourselves in a precarious position, with important choices to be made if we are to change the course of our future.

There have been several hopeful signs in this overall gloomy picture. The most important of these has been the emerging power and influence of civil society organisations and leaders, who are standing firmly against the corruption, the abuse of power, and lack of delivery that are driven by greedy self-interest. Organised business has come out strongly against these developments as well and the demand for greater accountability and inclusivity is growing. The municipal elections in August entrusted governance in four of the country's largest metros to parties other than the ruling party in national government. This showed that the general population is becoming disillusioned with the status quo and parties, previously thought of only or mainly as opposition parties, can make the step up to government.

In this worrying climate, CDE has been able to make a substantial and positive contribution to national debate about an alternative future. **The Growth Agenda: Priorities for mass employment and inclusion**, a pack of seven reports identifying five priority areas for action, has been a unique and important milestone for CDE, raising our influence and position across the country and among many new and important audiences for the organisation. This set of reports and CDE's work in other areas such as youth unemployment and how to expand opportunities for the poor, as well as our focus on teacher education, offer many new perspectives, insights and recommendations based on extensive research and consultations with experts and stakeholders. These have generated substantial interest and discussion, and have provided evidence and arguments for those looking for and working towards a more stable, inclusive and prosperous future.



Producing work of this quality is in itself no small feat for an organisation the size of CDE. However, ideas do not sell themselves and it is CDE's work through the media and interactions both public and private that achieve impact and make it probably unique in South African civil society. The executive director has driven the development and dissemination of these important ideas across a range of leadership groupings in society.

The Board has continued to play a role in guiding the direction of the organisation in an extremely unpredictable climate. I am grateful to our board members for the time and advice they have given over the past year. We welcomed three new members to the board in this period (Reuel Khoza, Mike Teke and Songezo Zibi) which has strengthened an already impressive group. The finance committee has, as always, played an important role in the organisation.

South Africa is a resilient country but it is being pushed to extremes. The role of organisations such as CDE is more vital than ever.

REPORT FROM THE EXECUTIVE DIRECTOR

Ann Bernstein



In a heated and difficult political climate with economic prospects becoming ever more uncertain, it is necessary to focus not only on the development of bold new ideas and recommendations, but also on how to share them more effectively. With this in mind, CDE set itself the task of producing with clarity, economy and force of evidence and argument, the comprehensive case for accelerated and inclusive economic growth as the country's most important priority.

In this respect, this was a defining year for CDE. We achieved new levels in the quantity and quality of our policy reports, and with them reached an expanding, more diverse and receptive audience with our recommendations on how to achieve growth, jobs, skills and more opportunities for the majority of South Africans.

The Growth Agenda: Priorities for mass employment and inclusion focuses on the choices South Africa needs to make by identifying key priorities for achieving a more labour-intensive and faster-growing economy. It encourages policy makers to build on the country's considerable strengths to change the structure of opportunity and wealth for the majority of the population. Seven reports focusing on five core priority areas make up the Growth Agenda series, which was released in several cities around the country in April and May 2016.

A second major study, supported by the Bill and Melinda Gates Foundation, focused on the need for new policy perspectives as South Africa and other middle-income developing countries grapple with the challenges of poverty. Sceptical of measures aimed at merely alleviating rather than eradicating poverty, CDE commissioned the world's leading experts in development economics to examine issues arising from these basic differences of approach. Based on their research findings and recommendations, CDE proposes a fundamental change in approach to entrenched poverty.

The final report, **Opportunities First: A New Lens to Shape Priorities for Action in Middle-Income Countries**, emphasises the importance of expanding opportunities available to poor people by moving jobs, cities and skills to centre stage on the policy agenda. This report will be released in our next financial year.

A two-year project, funded by the Delegation of the European Union, focused on youth unemployment in South Africa. Through some 50 workshops in the country's 20 'hotspots' (i.e places where youth unemployment is at its worst) CDE has learnt more about the impact of unemployment in cities, townships and towns across the country and has built a network of people interested in what can be done. By August 2017 CDE will have produced a series of short, policy-focused reports on youth unemployment and a guide for municipal stakeholders on how to think about tackling the crisis at the scale it requires.



We have continued our research and advocacy work focused on improving the quality of teaching in South African schools, with important research on issues relating to the professionalisation of teaching. CDE has also built on its impressive track record of researching the role that low fee private schools can play in addressing the many challenges in basic education that the country continues to face. This work has been made possible by the support of the Epoch & Optima Trusts and the First Rand Empowerment Foundation.

We have continued to build a network of CDE supporters through our Global Advisory Council. The Council brings together the chairmen and CEOs of leading South African companies with friends, donors and potential donors, including senior business people in the South African diaspora in New York, Washington D.C. and London. At the annual meeting in March 2016 we focused as always on business and policy reform. Our keynote speaker was internationally known author and businessman, Gurcharan Das, one of India's leading public commentators. His talk and the discussion that followed form the basis of a CDE report, **Reforming India: Successes and challenges in a high-growth country**. The GAC provided an extremely useful testing ground for some of the key CDE reports in the Growth Agenda which was launched a month later.

CDE's Board has continued to provide strategic leadership in a complex and challenging environment. The members' voluntary participation, accessibility and hard work in strengthening CDE is one of its great assets. The members' voluntary participation, accessibility and hard work in strengthening CDE is one of its great assets. We are extremely fortunate to have a chairman who is committed to our mission and a board that supports him in helping to steer the organisation.

CDE has had an unprecedented number of responses, both written and verbal, to our work this year, some of which are captured below. Our many generous donors have made possible all the work that you will read about in the following pages. We greatly appreciate the support of both core and project donors. The economic climate has made fundraising increasingly difficult and we are grateful for the support and commitment of our funders.



CDE USA, Inc which was established in 2014 was granted 501(c)3 status in January 2017, making it more attractive for US donors to support us via CDE USA, as they will be able to claim tax exemption. We are grateful to Christine Downton who is chairman and Janice Barnard, both New York residents who together with me comprise the US Board.

I would like to thank the staff of CDE who have risen to the challenge in what has proved to be a highly successful and demanding year. We normally set ourselves high expectations and we have exceeded them.

Looking ahead, we remain optimistic about the country's ability to come out of the national crisis. If we make the right choices, South Africa can make extraordinary progress and change the future of millions of poorer South Africans in a generation. CDE looks forward to contributing to this future.

WHAT PEOPLE ARE SAYING ABOUT CDE...

“I think it’s our poverty as a people that we have not embraced many of the recommendations that have come from the CDE.”

SAKI MACOZOMA

Then president of Business Leadership South Africa,
18 May 2016

“CDE’s Growth Agenda adds something pretty fundamental to our thinking about how we can take the country forward and something that we need to fight for and debate.”

FANI TITI

Chairman of Investec, 6 April 2016

“We hope you will read these reports and take them into your organisation, your company, your networks of influence. We are looking for assistance in making the distribution and impact of these documents as powerful as possible.”

LAURIE DIPPENAAR

Chairman CDE Board, 6 April 2016

“CDE’s Growth Agenda documents are extremely important, thought provoking proposals which invite interrogation and debate on how they can be taken forward.”

MAVUSO MSIMANG

Former CEO, Oliver and Adelaide Tambo Foundation
6 April 2016

“CDE’s Growth Agenda brings to our attention pertinent issues about South Africa’s current trajectory and future prospects that we have long needed to pay attention to.”

NJONGO NDUNGANE

Archbishop emeritus of Cape Town,
Chairman UCT Council, 14 April 2016

A Business Day editorial in support of CDE’s Growth Agenda said it was “a really good one” and supported CDE’s call for catalytic priorities: switching attention to SA’s cities; a more rigorous focus on growth, incorporating transformation but not being dominated by it; and playing to SA’s strengths including its corporate sector.

BUSINESS DAY

6 April 2016

PROGRAMME UPDATE

THE GROWTH AGENDA: Priorities for mass employment and inclusion

The Growth Agenda is a major CDE initiative designed to focus national attention more sharply on the need to prioritise jobs and growth. South Africa will only achieve its ambitious poverty-reduction and development goals by accelerating economic growth and ensuring that the economy absorbs more labour. The Growth Agenda engages with the policy choices South Africa faces by analysing existing policies and their outcomes, assessing future policy directions and offering practical, market-oriented alternatives.

The Growth Agenda highlights five priority areas for action: mass employment; accelerating inclusive growth; cities; skills; and the business-government relationship, and also offers a practical proposal to develop an Export Processing Zone in Nelson Mandela Bay. The CDE Growth Agenda series of seven reports is available on our website www.cde.org.za

In the months since the public launch of the documents, CDE has focused on selected priority areas covered in the reports, in presentations, speeches, events, broadcasts and op eds. This intensive advocacy initiative has ensured that as many influential audiences as possible have been exposed to findings and recommendations on the key priorities to achieve faster growth and many more jobs. CDE has had considerable impact in traditional areas of engagement and influence (business, government and the media) as well as direct engagement with grassroots civil society and political organisations, across all political persuasions and beyond the largest metropolitan centres. Highlighted below are some examples of the range of occasions when the Growth Agenda's priorities have featured.

Key insights can briefly be summarised as follows:

- SA needs rapid inclusive growth which is urban-led, private-sector driven, enabled by a smart state and targeted at mass employment.
- SA will not achieve growth and jobs if its policy makers are anti-business.
- The country needs jobs for the workforce we have, not the one we wish we had.
- The government's plans to expand technical and vocational education and training (TVET) will flounder unless private sector training provision and strategic involvement by business to influence the national skills strategy takes place.
- The increasing emphasis on approaches to inclusion that enrich only a small elite is a key reason why overall inequality and poverty rates have not declined. This is happening despite the reduction in the gap between average incomes of white and black South Africans.



GOVERNMENT

- The National Treasury hosted a seminar at which CDE's executive director presented the Cities Report to over 80 senior civil servants from many departments. Respondents to the CDE presentation were the (then) Deputy Minister of Finance, Mcebisi Jonas, the Deputy Minister of Co-operative Governance and Traditional Affairs, Andries Nel and CDE Board member and chairman of Capitec, Michiel le Roux.
- CDE's executive director met with Yunus Carrim, chair of parliament's tanding committee on finance as prelude to an opportunity to brief parliament's joint committees in the economic cluster
- A presentation was made to the deputy mayor, councillors and the most senior officials in the City of Cape Town which enabled a strong engagement on the specific recommendations in CDE's Cities report and other reports.
- CDE plans to engage the premiers of some of the provinces. The Premier of the Western Cape attended the launch of the Growth Agenda in Cape Town, and the Premier of Gauteng has expressed an interest in a briefing.
- As part of its work on the Export Processing Zone for the Nelson Mandela Bay Metro, CDE met with the senior management of Coega twice, who were supportive of CDE's work and the EPZ initiative.

- At the request of the head of the Public Investment Corporation (PIC), CDE presented the Growth Agenda at two workshops with senior PIC staff members. The first workshop focused on the Cities and Export Processing Zone reports, and the second covered CDE's work on low-fee independent schooling.
- The Growth Agenda was presented to the Municipal Demarcation Board's annual conference attended by over 200 senior officials from around the country.
- The Growth Agenda was presented at the release of the State of the Cities Report 2016 by the SA Cities Network, comprising nine of South Africa's largest and most urbanised municipalities, the SA Local Government Association (SALGA) and key national departments responsible for urban issues.

BUSINESS

The Growth Agenda has been presented to and discussed in some detail with:

- The boards and senior management teams of many of the country's largest companies in Johannesburg and Cape Town.
- The CEO Initiative, a group of business leaders who came together in early 2016 to work more proactively with government to promote investor confidence in South Africa, on two occasions.
- Business Leadership South Africa (BLSA) at meetings with senior people in the organisation. This engagement culminated in a presentation to the BLSA council in late 2016.
- The heads of national business organisations (including the SA Chamber of Commerce and Industry, Nafcoc and BUSA), who attended a lunch hosted by CDE. A separate meeting was held with Nafcoc in Port Elizabeth to

specifically discuss CDE's proposal for an export processing zone in the area as a vehicle for low skill manufacturing jobs.

- Industry bodies and networks (including the Manufacturing Circle and SAPOA)
- Conferences hosted by large companies and organisations, including Merrill Lynch and the Bank of America, the Johannesburg Chamber of Commerce and Industry and IQ Business (the Smart Growth Conference which took place in Johannesburg and Cape Town)
- CEOs and chairmen of companies, many of whom attended a series of dinners hosted by CDE's Chairman, Laurie Dippenaar in Cape Town or Johannesburg.

POLITICAL PARTIES

- Before the public release of the reports, CDE engaged with the ANC's Economic Transformation Committee. Present at the meeting were Enoch Godongwana (chairman of the ANC Economic Transformation Committee), Gwede Mantashe (ANC Secretary General), Ibrahim Patel (Minister of Economic Development), Rob Davies (Minister of Trade and Industry) and Gugile Nkwinti (Minister of Land Affairs and Rural Development). Not far into the meeting, Gwede Mantashe asked for a longer and fuller briefing on all the reports prior to their public release. Unfortunately, political developments have made it impossible to secure a date for the meeting.
- At the public launch of the Growth Agenda in Johannesburg, Cape Town and Nelson Mandela Bay, senior political figures were present. These included the leaders of the IFP, Cope, Premier of the Western Cape, and individual members of the ANC, DA, IFP parliamentary and provincial caucuses.

- Preparatory meetings with the head of the parliamentary portfolio committee on finance and others were held to lead to a fuller briefing for key members of the ANC caucus. Political developments have made it impossible to secure a date for this briefing.
- The Growth Agenda was presented to the DA Caucus in parliament: almost the entire caucus of 89 members of parliament attended.
- A special dinner was organised by the leader of the DA for Ann Bernstein to brief the mayors of the Johannesburg, Cape Town, Tshwane and Nelson Mandela Bay metros. We are currently looking at how to work with all metro mayors to take CDE recommendations further.
- The South African National NGO Coalition, SANGOCO, in Port Elizabeth who then participated in large numbers in the PE launch of the Growth Agenda.

DIPLOMATS & INTERNATIONAL

- A full briefing on the Growth Agenda was given to the US Ambassador to South Africa, Patrick Gaspard and key staff.
- A briefing subsequently hosted by the US Ambassador was attended by more than 15 ambassadors and senior diplomats.
- The US Ambassador's meeting led to an expanded discussion on the Growth Agenda at an event hosted by the Japanese Ambassador, Shigeyuki Hiroki, to South Africa.

UNIONS

- The executive director presented the proposals for the Export Processing Zone and the main recommendations for employment and growth at a meeting with Irvin Jim, General Secretary of the National Union of Metalworkers of SA.

CIVIL SOCIETY

The Growth Agenda was presented to:

- Ikusasa le Afrika Foundation's Future Afrika Forum in Durban, hosted by ILAF chairman Dr Zweli Mkhize (treasurer-general of the ANC) and attended by around 150 young black professionals.
- The Accelerating Inclusive Youth Employment conference, hosted by the National Planning Commission, Harambee (a youth employment accelerator) and Mapungubwe Institute for Strategic Reflection (MISTRA).
- A large grouping of Mandela Rhodes scholars, convened by the Mandela Rhodes Foundation
- The Growth Agenda was presented to the US Department of State (South Africa Desk) in Washington, DC.



PARLIAMENTARY PANEL

In 2016, Parliament appointed the High Level Panel (HLP) on the Assessment of Key Legislation and the Acceleration of Fundamental Change, comprising 16 political, business and civic leaders and chaired by former president Kgalema Motlanthe. The panel's mandate is to assess the effectiveness of key legislation passed by Parliament since 1994. It will do this through public consultations across the country, calls for submissions from the public, public hearings and other research processes.

In the second half of 2016, the HLP commissioned CDE to produce an analytical, evidence-based report for the working group focusing on issues of poverty, inequality and unemployment. A draft report with recommendations on the legal and regulatory changes required to accelerate employment creation and the reduction of poverty and inequality in South Africa was submitted to the HLP in March 2017.

NATIONAL MINIMUM WAGE

The issue of the proposed national minimum wage was addressed with the release of a short CDE report, titled **A dozen questions about the National Minimum Wage** and an Op Ed in Business Day on 10 February 2017. The report seeks to frame the relevant points and provide clarity on a number of issues of fact and interpretation relating to the proposed NMW.

GREEN PAPER ON INTERNATIONAL MIGRATION

Providing quality education to sustain the human resource needs of a developing country remains one of South Africa's greatest challenges. CDE submitted a comprehensive response to Government's Green Paper on International Migration on 20 October 2016. In it we support the proposed substantial reform of current policy but stress the need for strong political leadership to drive these changes. Central to CDE's submission is the call for skilled immigration to be placed at the core of the new migration management regime. Foreign skills can make a substantial contribution to re-igniting growth. The confusions, timidity and ambiguities inherent in the draft Green Paper must be resolved.

YOUTH UNEMPLOYMENT

This two-year project funded by the Delegation of the European Union seeks to make a significant contribution to addressing the national crisis of unemployed youth in South Africa. The 20 South African municipalities with the highest numbers of unemployed young people (aged 15 to 34) were identified for this CDE initiative.

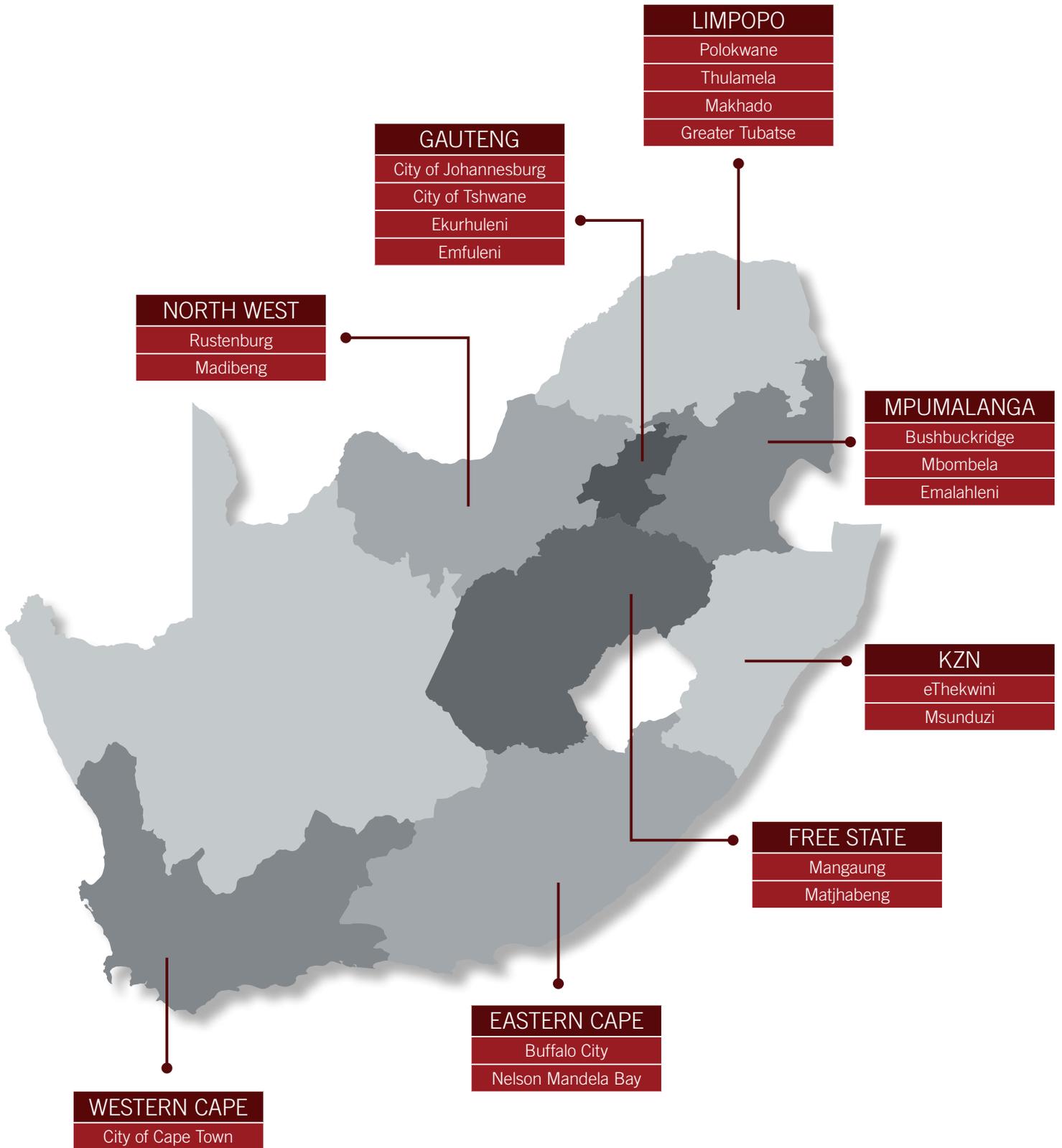
In the targeted municipalities, CDE brought local stakeholders together to discuss the challenge of youth unemployment and to identify possible solutions. Stakeholders included municipal authorities, businesses, civil society organisations, educational institutions and young people themselves. CDE spent time identifying and consulting with relevant people prior to these engagements. Apart from generating data and insights, this initiative established a network of over 660 people around the country, which provides an important foundation for ongoing engagement at the local level.

Six workshops, exclusively for young people, took place in different locations around the country: Sharpeville (Emfuleni), Cape Town, eThekweni, Buffalo City, Polokwane and Johannesburg. Nearly 100 young people participated in these events.

The project has enabled CDE to develop stronger relationships with several national organisations including the National Youth Development Agency (NYDA), the South African Cities Network (SACN) and the South African Local Government Association (SALGA). The project has enabled CDE to commission some new research.

The project has six phases:

- Municipal workshops and engagements
- Discussions with young people around the country
- Commissioned research on the national and local policy implications of youth unemployment and what should be done
- Development of a series of policy reports on youth unemployment
- Development of a guide for stakeholders tackling youth unemployment in smaller cities and towns
- Development of a website, regular newsletters and podcasts.



Map of South Africa showing the 20 municipal hotspots visited by CDE during the engagement phase of the youth unemployment project.

This includes the following papers:

- A study of Active Labour Market Policies (ALMPs) in developed and developing countries;
- A preliminary analysis of the effectiveness of the Department of Labour's labour centres;
- A review of policies and actions to encourage greater entrepreneurship (including international experience and analysis of South African experience);
- Practical recommendations for accelerating local, private-sector-led growth in four municipalities;
- Recommendations for strengthening the role of public employment services; and
- An analysis of public sector budgets for interventions that address youth unemployment.

The key outputs from the project will be a series of policy reports on youth unemployment and what can be done about it at scale, a practical guide for local actors on how to think about the challenge of youth unemployment in their areas, and a comprehensive and interactive website. All of these products will be launched by mid-August 2017.

PROJECT ADVISORY TEAM - Youth unemployment:

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EXPANDING OPPORTUNITIES FOR THE POOR

Through in-depth research and engagement with leading global development experts over two years, CDE explored whether the notion of ‘expanding opportunities for the poor’ provides a useful lens for developing countries to formulate a more effective approach to combatting poverty.

We commissioned eight new research papers and think pieces on a range of topics and were able to secure the participation of some of the world’s leading thinkers and academics on the subject, including William Easterly from New York University (NYU), Tyler Cowen from George Mason University, Bruce Dickson from George Washington University and Charles Kenny from the Center for Global Development.

The papers were pulled together into a draft report, which was presented at a number of workshops and forums in India, the United States and South Africa in order to test and refine the arguments and ideas.

In India in March 2016, CDE participated in discussions hosted by leading think tanks, including the Centre for Policy Research, The Liberty Foundation, Pahle India Foundation, the Janaagraha Foundation and The University of Pennsylvania Institute for the Advanced Study of India. In these forums helpful and robust discussions took place, involving leading Indian economists, members of the Indian parliament, ministers in both the central government and the Delhi government, directors general, and a range of other experts.

Engagements with Indian journalists, members of the ruling Bharatiya Janata Party and with Arvind Panagariya, Vice Chairman of Niti Aayog of India, were also helpful. Niti Aayog, also known as The National Institution for Transforming India, is a Government of India policy think tank established and chaired by Prime Minister Modi.

In July 2016, the project team tested the core arguments with senior advisors, leading experts and a range of audiences from the global development community in New York and Washington DC. At the Marron Institute at NYU, Paul Romer, recently appointed chief economist of the World Bank, was the lead discussant. Alain Bertaud, one of the world’s leading experts on urban issues was another participant, as were two of the project’s contributors and advisors: Brandon Fuller, deputy director of the Marron Institute and William Easterly, Professor of Economics, NYU.

Engagements with Indian journalists, members of the ruling Bharatiya Janata Party and with Arvind Panagariya, Vice Chairman of Niti Aayog of India, were also helpful. Niti Aayog, also known as The National Institution for Transforming India, is a Government of India policy think tank established and chaired by Prime Minister Modi.

In July 2016, the project team tested the core arguments with senior advisors, leading experts and a range of audiences from the global development community in New York and Washington DC. At the Marron Institute at NYU, Paul Romer, recently appointed chief economist of the World Bank, was the lead discussant. Alain Bertaud, one of the world's leading experts on urban issues was another participant, as were two of the project's contributors and advisors: Brandon Fuller, deputy director of the Marron Institute and William Easterly, Professor of Economics, NYU.

In Washington DC, CDE presented findings to a small group of senior experts, including two from Latin America. Sir Paul Collier of Oxford University, a leading development economist, led the discussion. Other participants were Juan Pardinás, Director General, Mexican Institute for Competitiveness (IMCO); Marcus Melo, Professor, Federal University of Pernambuco, Brazil; John Sullivan, Founding Executive Director, Center for International Private Enterprise (CIPE); Danny Leipziger, Managing Director, Growth Dialogue; and Alan Gelb, Senior Fellow and Director of Studies at the Center for Global Development.



The Center for Global Development hosted another discussion led by Charles Kenny, one of its senior fellows. The chief discussant on CDE's findings was Tyler Cowen, professor of economics at George Mason University. The final discussion in the US took place at the Woodrow Wilson International Center for Scholars, hosted by Paulo Sotero, director of the Center's Brazil Institute. The lead discussant was Sergei Soares, currently a visiting fellow at the Center for Global Development, and a number of other senior Latin America experts attended. These meetings played a valuable role in sharpening the arguments and generating ideas for the Expanding Opportunities report.

The final report summarises the findings from the commissioned research and incorporates the products of the extensive discussions described above. It defines a new anti-poverty approach for middle-income democracies based on an expanding opportunities framework, setting out the policy priorities and interventions derived from it. It puts forward a number of practical proposals to take this agenda forward over the next three to five years and raises the importance of addressing the legacies of historical injustices which result in calls for populist redistribution. The report concludes with an urgent call to move cities and jobs to centre stage as the major policy priorities of middle-income countries.

The full report provides the basis for a shorter public document that will be released in mid-2017, along with a number of op-eds.



OPPORTUNITIES FIRST:

A new lens to shape priorities for action in middle-income countries

This report advocates a fundamental change in approach to entrenched poverty in middle-income developing countries by emphasising the ‘O’ rather than the ‘E’ of an equal opportunity ideal. Aspirations to social mobility and justice are more effectively addressed by multiplying poor people’s access to income generating activities that can provide routes out of poverty and into the middle class. The best way of implementing an opportunities-first approach is to move cities and jobs centre stage in the global and national discourse of how to combat large-scale poverty in the 21st century. Within this framework the focus should be on young people and women in policies and programmes that build on job-rich economic growth strategies and increasingly formal jobs. Promoting well-managed and effective urbanisation will create cities of hope that offer opportunity escalators towards increased social mobility and steadily growing prosperity. An opportunities-first approach cannot afford to ignore the challenges thrown up by politics and history, which motivate demands for redress and redistribution across many middle-income developing countries. The key to this is for effective states, partnered with competitive markets, to expand new opportunities for the poor, rather than redistribute a finite number of existing ones.

COMMISSIONED RESEARCH

Expanding opportunities for the poor: what is the right framework?

By Tyler Cowen, Professor of Economics,
George Mason University, Fairfax, Virginia

Expanding opportunities for the urban poor

By Brandon Fuller, Deputy Director, Marron
Institute of Urban Management, New York University

The informal economy as a path to expanding opportunities

By Colin Williams, Professor of public policy,
Management School, Sheffield University

Expanding opportunities for the poor in Brazil

By Simon Schwartzman, President, Institute for
the Study of Work and Society, Rio de Janeiro

Expanding opportunities: Malaysia case study

By Graham Brown, Professor of international
development, University of Western Australia

Expanding and measuring opportunity

By Charles Kenny, Senior fellow, Center for Global
Development, Washington DC

Citizenship, opportunity, and redistribution

By Dipankar Gupta, Distinguished Professor
and Director, Centre for Public Affairs and
Critical Theory, Shiv Nadar University, India

The silent march of freedom: How the reality of political and economic freedom differs from rhetoric and how it is expanding opportunities worldwide

By William Easterly, Professor of Economics and
Co-director of the Development Research Institute,
New York University

EDUCATION AND SKILLS

CDE's education and skills work continued to focus on the topics of teachers and teaching in South Africa and low-fee independent schools. A Balancing Act: Assuring the quality and financial viability of low-fee independent schools in South Africa was released in August 2016. The report is a new and important contribution to CDE's extensive body of work on low-fee independent schools. It explores the relationship between quality, fee level and financial viability in low-fee schools. The report provides guidelines for an appropriate, effective and simple assessment instrument for use in South Africa to appraise the quality and viability of low-fee independent schools that potential donors or investors might be interested in supporting.

The findings discussed in this report are also of value to school founders and leaders, edupreneurs, parents, government and the general public. They provide important insights into the elements of quality provision in LFIS, and the financial challenges faced by these schools in trying to achieve sustainability while serving poor communities. A seven-part assessment instrument was developed as part of the research project and is available from CDE on request (admin@cde.org.za).

CDE has also added to its substantial volume of work on teachers and teaching. Written in close discussion with the departments of higher education and training and basic education, the report **From Newly Qualified Teachers to Competent Professionals: A summary of the research, strategies and practices in teacher induction**, proposes a costed model for teacher induction in South African schools. The intention is that this model will accelerate the implementation of current policy commitments that are focused on improving the quality of teaching through an expanded and more in depth induction process for new teachers. The report identifies the vital role that induction can play in addressing the retention of new teachers and the quality of teaching.

In a related initiative during the reporting period, CDE finalised research on professional standards for teachers. This extensive review of professional knowledge and practice standards for South African teachers has proved an enormously valuable and well-timed piece of research. It extends a discussion that was initiated during the successful visit to South Africa by American educationalist Professor Linda Darling-Hammond which was arranged by CDE in September 2015.

The report will be released publicly at an event in the second half of 2017, focusing on the professionalisation of teaching. Research points clearly to the range of substantial effects teachers have on the quality of schooling, and indicates that strategies for reform of the schooling system depend considerably on the overall improvement in the quality of teaching itself.

A strategy for CDE's future work on education and skills is being developed, shaped by the Growth Agenda's research and recommendations on skills.

EVENTS



GLOBAL ADVISORY COUNCIL

The GAC brings together the chairmen and CEOs of leading South African companies with friends, donors and potential donors of CDE including senior business people in the South African diaspora in New York, Washington DC and London.

The second meeting of the Global Advisory Council took place on 3 and 4 March 2016. Our guest was Gurcharan Das, one of India's leading public commentators and columnists who, after a successful career in business, has gone on to write compellingly and influentially about 'India Unbound' in books and columns. Over dinner he gave his perspective on the new aspiring Indian middle class and a balanced assessment of Indian Prime Minister Narendra Modi. (See CDE's publication, **Reforming India: Successes and challenges in a high growth country**)

GROWTH AGENDA LAUNCH (JOHANNESBURG)

The first launch event, attended by over 140 people, took place on 6 April 2016 at Constitution Hill. Laurie Dippenaar, chair of CDE's board, chaired the event; Ann Bernstein presented the key findings and recommendations and Fani Titi (chairman of Investec) and Mavuso Msimang (CEO of the Oliver and Adelaide Tambo Foundation, and chairman of the Tourism Business Council of South Africa) gave closing comments. (See video, Business Day endorsement and editorial on www.cde.org.za)

GROWTH AGENDA LAUNCH (CAPE TOWN)

Brian Figaji (CDE board member) chaired the event which took place on 14 April 2016 at the Taj Hotel. Ann Bernstein once again presented the highlights from the Growth Agenda series and Archbishop Njongo Ndungane (archbishop emeritus of Cape Town and chairman of UCT Council) gave closing comments. The audience of over 70 people included senior academics and politicians from a broad range of political parties.



GROWTH AGENDA LAUNCH (NELSON MANDELA BAY/PORT ELIZABETH)

In the months leading up to the launch in Nelson Mandela Bay/Port Elizabeth on 18 May 2016, several meetings and engagements with local business and community leaders and organisations took place in PE. This enabled CDE to host the event in partnership with the Exporters Club, the Nelson Mandela Bay Business Chamber



and The Herald newspaper. Saki Macozoma, President of Business Leadership South Africa and businessman, who has extensive ties to Port Elizabeth, chaired the event and Kevin Hustler, CEO of the Business Chamber, gave opening remarks. David Kaplan, Professor of Business Government Relations at the University of Cape Town presented CDE's work on the EPZ proposal and Alexander Johnston, CDE's senior consultant, presented the Growth Agenda highlights. Brett Horner, The Herald's editor initiated discussion before opening the meeting to the floor. The event was attended by around 140 people, and local observers noted that the racial diversity of the audience is rarely achieved at other events in the city.



TREASURY EVENT

On 26 June 2016, the Executive Director presented the Cities report in the Growth Agenda series at an event co-hosted with the National Treasury, which was attended by around 70 senior officials from several government departments and the leading metros. Deputy Minister of Finance, Mcebisi Jonas and Deputy Minister of COGTA, Andries Nel, responded to Ann Bernstein's presentation. Michiel le Roux, chairman of Capitec and CDE Board member gave a business perspective on the CDE Cities report.

THE GROWTH AGENDA

A joint CDE and Wesgro event took place on 2 November 2016, hosted by legal firm Bowmans. Tim Harris, CEO of Wesgro, chaired the event and Ann Bernstein presented the Growth Agenda. Crispin Sonn, director of Gamiro and local civic activist, and Robert Legh, chairman and senior partner of Bowmans, gave the closing remarks.

CAN SA'S CITIES DRIVE GROWTH?

On 16 November 2016 CDE hosted the mayor of Tshwane, Solly Msimanga, and the former mayor of Johannesburg, Parks Tau, in a discussion on South Africa's cities as drivers of economic growth. CDE board member Cas Coovadia chaired the event and Alan Mukoki, CEO of the SA Chamber of Commerce and Industry, gave the closing remarks. This was a very lively event. CDE is attracting more and more younger black South Africans who see our events and forums as 'safe' places in which to ask questions and learn from national experts.

POLITICS, PROTESTS AND YOUNG PEOPLE IN BRAZIL

Simon Schwartzman, leading social scientist from Brazil and a long-time associate of CDE was in South Africa in early December 2016. We took advantage of this to organise a public discussion with him on 2 December 2016. It was a small event because of the time of year, but useful in terms of insights into the political, economic and youth issues in Brazil.



CITIES AND BUSINESS GOVERNMENT RELATIONS

On 12 February 2017, CDE hosted former mayor of Washington DC, Anthony Williams, at an event entitled **Cities and Growth: What role for business and government?** Williams' experience and insights were valuable and provoked extensive discussion on some of the challenges and opportunities facing South Africa's cities. (A published version of Anthony Williams' talk available on www.cde.org.za).

MEDIA AND ADVOCACY

Over the year and especially around the Growth Agenda launches, we enjoyed excellent media coverage, developing partnerships with Business Day and Soweto TV. CDE placed twenty one op eds in leading national newspapers and print and broadcast coverage was the highest ever achieved by the organisation. Ann Bernstein made six television appearances and gave nine radio interviews.

PUBLISHED OP EDS

- **Harsh choices await if we continue down the low road,** Business Day, 7 April 2016
- **We need to adopt one growth strategy, not three,** City Press, 10 April 2016
- **Implementation of reforms will ensure growth and jobs,** Business Day, 12 April 2016
- **Groei is al uitkoms vir SA,** Die Burger, 14 April 2016
- **'Decent work' puts jobs out of reach for millions forever,** The Sowetan, 15 April 2016
- **Vinnige groei wat werk skep beste hefboom vir transformasie,** Volkskrant Recorder, 22 April 2016
- **Time to accept that a low wage is better than no wage,** The Sowetan, 3 May 2016
- **Rapid, job-rich growth, a prerequisite for South Africa,** South African Jewish Report, 6 May 2016
- **We can open portal for jobs if we just try something new,** Business Day, 19 May 2016
- **Export processing zone could be big boost for Bay economy,** The Herald, 19 May 2016
- **Why low wages are better than no wages,** Sunday Times (Business Times), 23 May 2016
- **Country's first goal should be fast, labour-intensive growth,** Business Day, 31 May 2016

At the same time, we were innovative and diversified in our media strategy. In this respect we:



Actively implemented a social media strategy, making particularly good use of Twitter.



Continued to improve our website: www.cde.org.za



Focused on building deeper relationships with the editors and journalists in South Africa's main news outlets, print, TV and radio.

- **To grow, SA must put cities at the heart of the economy**, Business Day, 20 June 2016
- **Setting a minimum wage will lead to more unemployment**, Business Day, 7 September 2016
- **Cities, not agriculture, will drive growth and job creation**, Business Day, 28 September 2016
- **Kudos for green paper on building skills pool, but red tape strangles proposals**, Business Day, 20 October 2016
- **Colleges must bolster 'missing middle' of SA's technical and vocational skills**, Business Day, 31 October 2016
- **Cities are vehicles of growth but policy makers take foot off the accelerator**, Business Day, 17 November 2016
- **A level playing field is vital**, City Press, 27 Nov 2016
- **Immigration and private sector training vital to growth, stability**, Sunday Times 23 January 2017
- **Dramatic change to pay structure will set off dangerous chain reaction**, Business Day, 10 February 2017

TELEVISION

- **Growth Agenda: Policy Reform**, ENCA, 12 April 2016
- **Youth unemployment crisis**, Tim Modise Show, 3 May 2016
- **Youth Dialogue**, Tim Modise Show, 14 July 2016
- **South Africa: Jobs, growth and the future of democracy**, Hudson Institute YouTube channel, 5 August 2016
- **Challenges facing South Africa's leading metros**, ENCA, 10 August 2016
- **Driving growth and avoiding a credit downgrade**, ENCA, 22 November 2016

RADIO

- **Big Five things to get SA growing**, Radio Talk 702, 7 April 2016
- **Unpacking the Growth Agenda**, Power FM, 12 April 2016
- **Growth Panel discussion**, Classic FM, 19 April 2016
- **Science of growth**, Radio Talk 702, 22 April 2016
- **Unemployment on the rise**, Radio Talk 702, 10 May 2016
- **South Africa is in deep trouble**, SA FM, 13 May 2016
- **Can South Africa afford a national minimum wage?**, SAFM, 12 September 2016
- **Can South Africa's cities drive growth?**, Hot 91.9 FM, 12 September 2016
- **Panel discussion: Cities of growth**, Classic FM, 09 December 2016.

CDE'S DONORS 2016/17

This year, the following made contributions to the organisation for which we are extremely grateful:

CORE DONORS

- Anglo American Chairman's Fund
- Aspen Pharmacare Holdings Limited
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- Donald Gordon Foundation
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- Liberty Group Limited
- Millennium Trust
- Oppenheimer Memorial Trust
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- FirstRand Empowerment Foundation

INDIVIDUAL DONORS

- Christine Downton
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CDE'S BOARD 2016/17

CDE's Board provides the organisation with strategy and policy advice and oversees its governance functions. The members of the Board are:

Laurie Dippenaar

Chairman of CDE board, co-founder and non-executive chairman, FirstRand Group

Ann Bernstein

Executive director of CDE

Antony Ball

Co-founder and former CEO, Brait SE

Elisabeth Bradley*

Chair, Wesco Investments Ltd

Cas Coovadia

Managing director, Banking Association of South Africa

Brian Figaji

Chairman, Wesgro and chairman, I&J Fishing

Reuel Khoza

Chairman, Aka Capital and former chairman, Nedbank

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Co-founder and chairman, Capitec

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CEO, Telkom SA Ltd

Ishmael Mkhabela

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Mike Teke

CEO, Seriti Resources Holdings

Songezo Zibi

Head of communication, Barclays Africa Group

*Resigned during the period



CENTRE FOR
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AND ENTERPRISE

Published in July 2017 by The Centre for Development and Enterprise
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I Mkhabela, S Nkosi, W Nkuhlu, S Ridley, A Sangqu, M Teke, S Zibi

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