



CENTRE FOR
DEVELOPMENT
AND ENTERPRISE

Annual Report

2017/2018

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 extensive 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;
- A supportive, smart government which enables private enterprise and markets as the key drivers of economic growth;
- Opportunity in the form of jobs, growth, quality education and training as the route to individual empowerment
- A labour-intensive economy and better quality education and training to address poverty and inequality.

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Message from the Chairman

Laurie Dippenaar

The past year has been an exceptionally difficult one for all South Africans. The realities and consequences of many years of corruption, state capture and a divided ruling party should become more apparent in so many areas of our society. The result in 2017 was to stall the economy, challenge democracy and destabilise society, culminating in a sense of deep national crisis centred on the ruling party's elective conference in December 2017. Since the change in the country's leadership in February 2018 a sense of optimism has largely replaced acute anxiety, but significant political divisions remain in a fractured ruling group. It is clear that turning the country around will involve a long, hard road ahead back to fiscal stability and a much faster growing more inclusive economy.

One source of optimism is that the resources of South Africa's democracy asserted themselves in the face of threats to undermine the foundations of governance. What undoubtedly stands out during this period is the valiant efforts of the opposition, civil society, the media and the judiciary to expose wrongdoing and defend the Constitution against subversion at the highest levels of the South African state.

Amid this turmoil, the Centre for Development and Enterprise has remained committed to striving for a better performing economy as the basis for a much fairer society. Millions of South Africans still, tragically, face very limited prospects of finding employment and moving out of poverty.

CDE has focused its energy and resources on the complex challenge posed by unemployment. The only sustainable solution is to dramatically accelerate economic growth, which requires some hard policy choices, fundamental changes in our approach to skills development and a relationship between government and the private sector that encourages growth. CDE's research also points to the importance of building on South Africa's strong system of cities as a focal point in this growth strategy.

CDE is a unique national resource in devising and promoting new ways of dealing with these challenges: independent, innovative and ready to tackle the tough issues facing South Africans across a range of traditional political and social divides. At a critical time when there is a chance that reform and optimism may replace the political and economic instability that have been threatening to undermine many of the country's strengths, CDE believes that bold, well informed proposals are critical to the national debate.

I commend the Executive Director and her team for another year of excellent work. As with all non-profit organisations, CDE depends for its existence on the generous contributions of a range of organisations and individuals. To continue to attract this funding at the levels CDE has managed, requires work of a consistently high quality and demonstrable relevance and impact.

Lastly, I would like to extend my appreciation to the board, whose members have generously given the organisation time and expertise amongst their many competing priorities.

I am very pleased with what has been achieved over the past year. Now that South Africa has a reforming president, the work of CDE in putting forward alternative and constructive proposals to consolidate our democracy and help make sure that reforms deliver, is more important than ever.



Report from the Executive Director

Ann Bernstein

This has been an extremely difficult year for the country, but the increased attention on the fundamental challenges facing most South Africans has opened up a number of interesting opportunities for CDE. As a result, we've had a busy year, with activity focused mainly on our work on growth and jobs.

Some of the highlights have been:

- The public release of our work on youth unemployment after two-years' research and engagement with stakeholders in 20 cities, towns and townships around the country. Through the project, CDE has started a very different conversation with numerous stakeholders in politics, media and business and, importantly, our many contacts in the 20 youth unemployment "hotspot" municipalities. The very successful launch of our publications, many briefings to leaders, op eds on youth unemployment in SA's leading newspapers, radio, TV and other media coverage have reached large numbers of influential South Africans. Overall, the project has been a success and should lead to a number of important follow-on opportunities for CDE (see more on page 7).
- CDE was commissioned by Business Leadership South Africa (BLSA) to develop an emergency recovery plan for South Africa. During an intensive three-month period of research and consultation we produced a report that identifies the crucial actions that need to be taken to turn the country around (see more on page 5). This report has been used by business leaders since December 2017 to influence government and has had an impact on government action with respect to state capture, the fiscal situation and the SOEs.
- The release of CDE's report on poverty and inequality in middle income countries like South Africa, which has strengthened CDE's influence on these topics. This work built on specially commissioned contributions by the world's leading and most influential development experts and economists and helped consolidate and expand CDE's network of leading thinkers in the United States as well as India and elsewhere in the developing world (see more on page 8). The report argues that instead of programmes that ameliorate poverty, we should focus more attention on eradicating it; focus less on inequality and far more on how to expand dramatically the opportunities available to poor people.
- Hosting Ricardo Hausmann, professor of the Practice of Economic Development at Harvard's Kennedy School of Government and head of its Center for International Development (CID). One of the world's leading development experts with enormous knowledge of South Africa, Professor Hausmann's visit resulted in a widely-read CDE report and extensive public engagement. He shared his insights and experience, noting that South Africa's greatest strength is its capacity to resist those who will make it fail. His insights on inclusive growth proved particularly pertinent given current political and economic developments, and CDE was able to arrange for him to meet with senior people in the National Treasury, senior officials across many government departments, politicians and business leaders (see more on page 10).
- The publication of our tenth report on teachers and teaching in the past five years. We made a valuable contribution to the critical topic of improving the performance of our schooling system with the release of a report on professional standards for teachers (see more on page 12).

CDE has managed to attract larger and more diverse audiences through all of these activities. Our work continues to be seen and heard at the most senior levels in business and government, but increasingly also by politicians and officials in the metros and members of a younger generation who engage with the same issues from different perspectives. CDE has worked hard to build relationships across traditional political and ideological divides.

In this sense, 2017/2018 has been a memorable year for extending our partnerships and networks. An organisation with limited capacity and resources relies on these relationships to extend its impact and reach and enhance the quality of our work; as well as for advice and support. The relationships we have cemented with friends and supporters around the world allow CDE continuing access to the most influential and innovative thinkers on the topics with which we are engaged. CDE brings these important perspectives to South African discussions and debates through events, engagements with government leaders and through our publications.

These contacts have facilitated participation in high level international meetings and engagements, including the World Economic Forum's Network for Future Global Councils and the Global Empowerment Meeting of the Center for International Development at Harvard University. The first is a good venue to connect with leading thinkers and institutions outside the country; the second event is a useful opportunity for connecting with leading donors as well as the world's foremost development thinkers and practitioners.

Considerable effort went into communicating CDE research findings and policy recommendations throughout the year. I wrote 16 op eds in Business Day and other leading publications covering a range of important topics (see page 19 for full list of op eds). We also experimented with serialising our major report on poverty and inequality through a series of op eds in the Daily Maverick.

CDE has now built a database of almost 14 000 people based in a range of companies and organisations, government departments and academic institutions in South African and around the world. The database is carefully managed and maintained to offer CDE an excellent tool for communicating effectively to a large audience.

Within the organisation we have focused in the past year on building a stronger and revitalised CDE in the context of both political and economic instability and limited capacity and resources. In particular, we have focused on identifying new sources of income, building a stronger social media presence and ensuring that we have the necessary skills and capacity to maintain the quality and quantity of our outputs. In spite of a tough economic climate, we have managed to secure new funders, and maintain our relationship with existing ones.

We would like to thank our supporters who continue to appreciate the significant role of independent research, policy analysis and advocacy in addressing the complex challenges we face as a country. CDE is very fortunate to have an exceptional Board, led by Laurie Dippenaar. It provides strategic insights, ongoing advice and members regularly participate in many of our activities. All of this is an important part of CDE's success and especially valuable in a time of change and uncertainty.

What people are saying about CDE

I think as Ann's presentation has illustrated there are very many questions that South Africans need to reflect on. Many of them are quite controversial and so I often avoid [them]... I hope you will not be surprised when I say that I agree with her. *Joel Netshitenzhe: Executive Director MISTRA, 29 March 2017*

This is the first venture between MISTRA and the CDE and it's an historical encounter...I think potentially and hopefully a very important start to another field of dialogue that we need so badly in the country as we face our imponderable challenges. *Rick Menell, Chairman of Credit Suisse Securities, 29 March 2017*

I have read the papers from CDE on youth unemployment (**No country for young people** and **Business growth and inclusion**). The papers in broad terms hit a number of nails on the head. *Mcebisi Jonas, Former Deputy Minister of Finance, 16 August 2017*

I am honoured to be present at this historic dialogue on professional teaching in South Africa hosted by CDE and NECT. *Angie Motshekga, Minister of Basic Education, 31 July 2017*

As SADTU we appreciate well done research by CDE and we really concur with the findings of this report (**Teacher Professional Standards for South Africa**). *David Malau Matsepe, National Research Officer SADTU, 31 July 2017*

I would like to congratulate you for the work that you have done [on youth unemployment]. Through collaboration we want to put our hands up as the Nelson Mandela Foundation to say we would like to see how we can also contribute to being part of the solution. *Sello Hatang, CEO Nelson Mandela Foundation, 16 August 2017*

I am a member of the CDE board and we plan to make our contribution as part of the citizenry. We as the CDE for the past two years have been running a major project on youth unemployment. We are very delighted that you responded in such great numbers when CDE invited you to this launch of a ground-breaking series of reports on tackling youth unemployment. *Reul Khoza, Chairman, AKA Capital, 16 August 2017*

We have used the CDE research as a spring board for the work that we are doing. The teams are currently busy and we are happy with the progress thus far - in terms of the work that is coming from the teams. *Theo Toolo, CPTD Coordinator, SA Council of Educators, 31 July 2017*

Programme Update

The Growth Agenda

CDE's work on developing practical proposals for enabling long term and inclusive economic growth, **The Growth Agenda: Priorities for mass employment and inclusion** has proved to be a solid foundation for a number of related projects and initiatives. This research identified the catalytic priorities which form the essential building blocks for a fundamentally new approach to accelerating growth and employment in South Africa. The seven reports in the series each offer a diagnosis of what is going wrong and focused recommendations for getting the country back on track. The reports are:

- Insights and key recommendations
- Accelerating inclusive growth
- Jobs
- Cities
- Skills
- Business and government
- An export processing zone for the Nelson Mandela Bay Metro

During the year under review, CDE continued to share the insights and recommendations from this research on a variety of platforms. **The Growth Agenda** received continuing and extensive media coverage. Many of our issues, ways of phrasing questions and priorities have entered public discussion and debate, thus influencing the narrative in the country on some vital issues that require attention and reform.



Presentations on the Growth Agenda were given to a number of organisations and companies including the board of Remgro; UCT's Graduate School of Business where Ann Bernstein spoke on a platform with Vusi Gumede, chief policy analyst in former president Thabo Mbeki's administration and current director of the Thabo Mbeki African Leadership Institute at the University of South Africa, and Neil Cole, former senior manager in National Treasury; Deloitte's Risk Performance executive conference on growth issues, which reached an audience of senior business leaders looking to expand their businesses in South Africa and the region; the executive management of Mpact; and the Center for Strategic and International Studies in Washington, DC.

An Economic Recovery Plan for South Africa

CDE's work on developing practical solutions for enabling long term and inclusive economic growth, **The Growth Agenda: Priorities for mass employment and inclusion**, attracted great interest among business leaders. On the strength of this work, CDE was commissioned in October 2017 by Business Leadership SA (BLSA) to develop an "emergency recovery plan" (ERP) for South Africa, to be completed by February 2018.

At the time of the commission, South African politics was convulsed by the contest between Cyril Ramaphosa and Nkosazana Dlamini-Zuma for the presidency of the ANC, accompanied by great concern that a victory for the latter might lead to a continuation of the looting of public resources and the dire economic performance the country experienced during the presidency of Jacob Zuma. BLSA's brief to CDE was for a programme of economic and institutional reforms that business could support irrespective of who won the ANC's election.

The research and drafting of the ERP required extensive consultation covering a wide range of issues from fiscal policy challenges to the performance and fiscal implications for the country of the SOEs to combatting state capture. CDE met with business leaders and high level experts in the course of numerous engagements. In all, we hosted six important and informative discussions: three dinners with business leaders to seek advice and provoke new ideas; and three discussions with expert groups on different topics: what to do in response to the South African fiscal crisis, how to combat corruption and state capture, and the signals and first actions which would be required to restart the country's growth engine.

The final report, **Reclaiming South Africa's Future: An emergency recovery plan**, identifies the multiple crises that interact with and reinforce each other in South Africa today. While the vast social crisis of poverty, unemployment and inequality is the most profound of these, the state capture project and the fiscal crises are the most urgent. These have already set back the quest for a more inclusive, prosperous SA; any further delay in responding to them could deal a fatal blow to a generation's hope of a better life.

The report lays responsibility for these crises on the hollowing out of critical institutions leading to a collapse of governance in many areas combined with inappropriate spending choices (especially in relation to public servants' remuneration and SOEs). The effect has been not only to raise government expenditure to unsustainable levels but also to slow economic growth and reduce tax revenues. In addition it has eroded confidence in South Africa's future.

It warns that the consequences of failing to address these interlocking crises will be severe. On the basis of this analysis the CDE report presents a range of recommendations relating to fiscal policy, stimulating growth, building a new relationship between business and government as well as combatting state capture. The final report and presentation were handed to BLSA in mid-February. The feedback from BLSA and individual business leaders has been overwhelmingly positive. While the report has not been publicly released by BLSA for strategic reasons, the recommendations have found their way into government's deliberations at the highest levels.

The project also served to strengthen the relationship between CDE and the new leadership and executive management of BLSA as the organisation carves a new and more energetic and public role for business leaders in South Africa.

The Parliamentary High Level Panel Project

At the end of 2016, CDE was appointed to write one of the background papers for the High Level Panel, set up by Parliament to investigate the impact of legislation passed in the democratic era. CDE's brief was to focus on what the HLP labelled the triple challenge: Poverty, Unemployment and Inequality. Our report surveyed the most important recent work on these three issues in South Africa, and outlined the different perspectives that constitute debates on how to analyse and address the triple challenge. CDE drew on our extensive work in the three areas of poverty, unemployment and inequality in order to outline the reforms required to tackle them more effectively.

In a relatively short space of time, we drew up a comprehensive report and presented our recommendations to the HLP. The encouraging result was that many of CDE's arguments and recommendations

ended up in the final HLP report, which was released by the leader of the panel, former president Kgalema Motlanthe in November 2017.

At the beginning of 2018, CDE noted that the report had received little public engagement, apart from isolated responses to very specific proposals. At the same time, President Cyril Ramaphosa had called for a “new deal through we can build an economy that benefits all.” Since key elements of such a deal may already be available in the recommendations put forward by Parliament’s High Level Panel, CDE began work on a short document which aims to highlight some of the key recommendations of the HLP in areas of CDE expertise. This will be widely distributed to decision makers across the country to try and promote more debate on this important document.

Youth Unemployment: An agenda for action



CDE’s two-year research and advocacy project focusing on the 20 South African municipalities with the highest levels of youth unemployment came to an end in August 2017. Over the course of the project, CDE achieved the following:

- Convened and facilitated forums on youth unemployment in the 20 “hotspots”: these were attended by 502 participants from local government, NGOs operating in the youth development/ unemployment fields, as well as local business and business management organisations and of course young people themselves;
- Facilitated six workshops exclusively with young people attended by a further 91 young people;
- Held numerous meetings with national stakeholders and other interested and relevant parties (including the National Youth Development Agency, the South African Cities Network and the South African Local Government Association);
- Developed a project website containing details of the municipal engagements, products and publication, and an interactive map of the 20 “hotspots”;
- Published two policy-focused reports on the key facts, policy issues and our recommendations for action concerning the national crisis of youth unemployment as well as an electronic guide for local stakeholders in smaller cities and towns on how to think differently about youth unemployment. The publication titles are:

- o **No country for young people:** The crisis of youth unemployment and what to do about it;
- o **Business, growth and inclusion:** Tackling youth unemployment in cities, towns and townships; and
- o **Citizens in action:** How to build constructive business-government relationships in urban areas.

CDE has developed a powerful presentation summarising this work on youth unemployment which puts forward an agenda for action in South Africa. This was first presented at the public launch of the reports which took place on 16 August 2017 and was attended by over 200 people (see more about this event on page 13). Since then, presentations have been made to a number of companies and organisations including the Allan Gray Orbis Foundation Fellows; a forum hosted by the CEO of Anglo American, and including, among others, the CEOs of Khumba Iron Ore, Anglo Platinum, De Beers and Anglo American Coal,

as well as the deputy chairman of Anglo American South Africa; a delegation hosted by the US Consulate in Johannesburg and the South African Sugar Association.

The key recommendation of the project is that the massive scale of youth unemployment in the country must shape an appropriately bold, new agenda for action. Most of the current projects, initiatives and approaches are useful but they only make a small contribution relative to the scale of the challenge. South Africa needs millions of new jobs for the workforce we actually have, not the skilled workforce we wish we had. If we are to make substantial progress in reducing youth unemployment, the country needs system-wide reforms that produce accelerated inclusive growth that is urban-led, private sector driven, enabled by a smart state, and targeted at mass employment. This requires strong national leadership by politicians, business and civic leaders and a recognition that more of the same will not result in change for the better.

CDE hopes to find funding to take the work we have done and make 'Youth unemployment, and what to do about it', a key issue leading up to the 2019 elections, pushing voters and political parties to respond to the scale of the crisis with action-oriented policies that go beyond just slogans.

Inequality and Opportunity

In August 2017 CDE released **Opportunities First: A new lens to shape priorities for action in middle income countries**. This was based on commissioned research by the world's leading development thinkers as well as engagement with high level groups in India, South Africa, New York and Washington, DC.



The report explores the notion of expanding opportunities for the poor in developing countries like South Africa and argues that instead of programmes that ameliorate poverty, we should focus more attention on eradicating it; focus less on inequality and far more on how to expand dramatically the opportunities available to poor people. 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.

In the past few decades, levels of global poverty have fallen in an ever-expanding population. The key cause of this stunning advance was economic growth and expansion of employment. The most significant advances in generating the opportunities for the poor which have enabled this have been in dynamic, inclusive cities.

The report was serialised in the Daily Maverick over six weeks from the middle of August until the end of September. The titles of the opeds (chosen by Daily Maverick) were:

- CDE's Opportunities First: Don't compensate the poor for their exclusion, focus on inclusion, *Daily Maverick*, 14 August 2017
- CDE's Opportunities First: How to achieve social justice through equality? *Daily Maverick*, 28 August 2017
- CDE's Opportunities First: Jobs are the vehicle for prosperity, *Daily Maverick*, 04 September 2017

- CDE's Opportunities First: The key to urban growth is creating cities of hope for the poor, *Daily Maverick*, 11 September 2017
- CDE's Opportunities First: Creating an enabling environment for all entrepreneurs, *Daily Maverick*, 19 September 2017
- CDE's Opportunities First: Governments court failure by not improving the lives and opportunities for the poor, *Daily Maverick*, 26 September 2017

Education and Skills

On 31 July 2017, CDE published **Teacher Professional Standards for South Africa: The road to better performance, development and accountability?** This report, CDE's tenth on teachers in the last five years, builds on previous CDE research looking at teacher supply and demand, teacher evaluation and initial teacher education.

CDE's research findings provide insights into the conditions under which Teacher Professional Standards might serve to raise school performance and address three key deficiencies in the South African education system:

- Many teachers are ill-prepared for teaching,
- They are not accountable, and
- They do not receive enough support and training to equip them as competent educators.



From its analysis of the South African education system and its research on the development of TPS in six other countries, CDE identifies lessons for South Africa and priorities for government action. The practical nature of the report and its recommendations enabled it to quickly become a useful resource for the national process of developing standards, being driven by the South African Council of Educators (SACE). This was acknowledged with appreciation by the Minister of Basic Education, Angie Motshekga when she spoke at the launch of the report on 31 July 2017.

The launch event was hosted in partnership with the National Education Collaboration Trust (NECT) which also has a strong focus on teacher accountability and professionalisation. NECT encourages open and honest engagement on subjects which need resolution and action for educational reform to be successful in South Africa. This topic enabled a strong partnership between the two organisations. The report and the launch event received extensive media coverage (see page 12).

Events

How South Africa can achieve faster growth – 1 March 2017

At a public event hosted by CDE, Ricardo Hausmann, professor of the Practice of Economic Development at Harvard's Kennedy School of Government and head of its Center for International Development (CID), gave a fascinating presentation on South Africa's economic progress. Between 2004 and 2008, he led a group of 28 local and international economists advising President Thabo Mbeki on the economic policies needed to unlock the "binding constraints" on faster economic growth. The resulting reports are among the most rigorous and compelling analyses of South African economic challenges, though most of their recommendations have not been implemented.

Speaking to an audience that included senior academics, politicians, government officials and representatives of civil society organisations, Professor Hausmann spoke about how development happens and highlighted concerns about the deep historic mistakes South Africa could be making by setting up existing firms with their know-how and capabilities as enemies of progress and empowerment.



CDE's Global Advisory Council (GAC) – 2 & 3 March 2017

The GAC is an annual two-day event where chairmen and CEOs of leading South Africa's companies, donors, potential donors, and business people come together to engage with an issue of national importance, listen to an expert's perspective on the issue and engage with CDE on its proposed strategy for addressing this and related issues. Over 30 people attended the 2017 event, where Professor Ricardo Hausmann spoke about **The Secret of Shared Prosperity: Implications for South Africa** and then reflected on the economic progress South Africa has made over the last decade. (See CDE website for multi media coverage of his presentation and CDE's publication, **Is South Africa about to make an historic mistake?**)

The meeting engaged with the role of business in South Africa today, given the need for leadership on critical policy issues in light of government paralysis and the role of partnerships and leadership. Siphso Pityana, Chairman, AngloGold Ashanti and the Save South Africa movement; Cas Coovadia, Managing Director, The Banking Association of South Africa and Ann Bernstein gave presentations which enabled a discussion of the role of business and also CDE's strategy over the next period.

How can capitalism deliver for everyone in South Africa? – 29 March 2017

CDE partnered with the Mapungubwe Institute for Strategic Reflection (MISTRA) in a discussion on how capitalism can deliver for everyone in South Africa. Ann Bernstein presented the work CDE has done on **The Growth Agenda: Priorities for mass employment and inclusion**. MISTRA's executive director Joel Netshitenzhe responded to the CDE presentation and gave his insights and perspectives on growth and capitalism in SA. Chairman of CDE's board Laurie Dippenaar and Wits economics lecturer Dr Nicolas Pons-Vignon provided closing remarks. This frank discussion on how to deal with poverty, unemployment and inequality was attended by over 100 people at a public event, with the audience including many well known South Africans including our new First Lady, Tshepo Motsepe. This is the first jointly hosted event by MISTRA and CDE and the engagement was encouraging.



The Youth Dialogue – 25 March 2017

After meeting the 100+ movement, a youth organisation from Atteridgeville, at a TV debate, CDE proposed a joint public event. This youth dialogue on the topic *The role of business in a tough economic climate* took place on 25 March 2017. Ann Bernstein presented CDE's Growth Agenda presentation and then participated in a panel discussion on entrepreneurship in the townships.

Low Fee Private Schools – 24 May 2017

Parth Shah, president of India's Centre for Civil Society and an advocate of low fee independent schools, gave a presentation on the evolution of India's low fee private schooling sector and its impact on addressing severe challenges relating to quality of and access to schooling for poor people in India. The presentation elicited a lively engagement with the audience comprising school leaders, academics and civil society organisations. Shortly after the event, Mbulelo Nguta who leads an NGO in the Eastern Cape focusing on low fee private schools published an op ed in Business Day covering key issues from the discussion.



Professionalising teaching in South Africa – 31 July 2017

In collaboration with the National Education Collaboration Trust (NECT), CDE hosted a discussion on strengthening teacher professionalisation. This event attended by over 150 people was used to publicly launch CDE's report, **Teacher Professional Standards for South Africa: The road to better performance, development and accountability?** The dialogue was chaired by Chairman of NECT Sizwe Nxasana. The Minister of Basic Education, Angie Motshekga, gave the keynote address and indicated that her department was already being influenced by CDE's work for the report. Ann Bernstein challenged those present to take seriously the issues of accountability, professionalisation and performance management if we are to see a genuine improvement in our education system. Dr Nick Taylor, former head of JET Education Services and Dr Jane Hofmeyr presented CDE's report and a panel comprising Anthea Cereseto, former president of Naptosa, David Matsepe, head of research at SADTU and Trevor Toolo from the SA Council on Educators shared perspectives on the topic as part of a panel discussion. Mr Toolo also indicated that the work and processes of engagement leading up to the report had already started to influence SACE activities. Around 150 people attended the event.





Youth unemployment: An agenda for action - 16 August 2017

CDE launched a series of three reports focussed on tackling youth unemployment. At the public event we attracted a diverse and important range of new leaders and organisations. The event was chaired by Chairman of Aka Capital Reuel Khoza, while former deputy minister of Finance Mcebisi Jonas was the key respondent to Ann Bernstein's presentation on the key findings of our work and our recommendations for action. The panel of speakers asked to talk briefly in response to the CDE work included CEO of the Nelson Mandela foundation Sello Hatang, former head of the NYDA Malose Kekana, President of the South African Council of Churches Bishop Ziphozihle Siwa, a representative from Activate Leadership Action Setaka and representing the funder of the CDE project, Head of Cooperation of the European Union delegation, Dr Arno Schaefer. Over 200 people attended the launch.



Manufacturing, the fourth industrial revolution and inclusive growth in South Africa – 27 February 2018

CDE hosted a joint event with Wesgro in Cape Town on manufacturing, the fourth industrial revolution. A well-renowned expert on these issues, Robert Lawrence from Harvard University's Kennedy School of Government, led the discussion on whether manufacturing can still produce the inclusive growth South Africa desperately needs. Ann Bernstein shared insights on CDE's recent work on economic growth with a focus on the proposal for an export processing zone in the Nelson Mandela Bay. The chairman of Wesgro, Brian Figaji, chaired the event which was attended by over 50 people.



Publications



Is South Africa about to make an historic mistake?

A presentation by Professor Ricardo Hausmann



Ricardo Hausmann is one of the world's leading experts on what drives economic growth, especially in developing countries. A former minister of national planning in Venezuela, he is now director of the Center for International Development, which is a university-wide centre housed at Harvard University's Kennedy School of Government. Between 2004 and 2008, Professor Hausmann led a group of 28 local and international economists advising President Thabo Mbeki on the economic policies needed to unlock the "binding constraints" on faster economic growth. The resulting reports (all available [here](#)) are among the most rigorous and compelling analyses of South African economic challenges, though most of their recommendations have not been implemented.

Professor Hausmann was in South Africa in February/March 2017 at the invitation of the Centre for Development and Enterprise, giving a series of lectures to various audiences both in government and out. This report distils some of the key insights offered in these lectures. The first few entries set out how Professor Hausmann thinks development happens; the last set out his concerns about the deep, historical mistakes South Africa could be making.

June 2017



Rebuilding Cities: Reflections on my experiences

Anthony Williams: Former Mayor of Washington DC



Anthony Williams took over as Mayor of Washington in 1996, at a time when the city was in serious decline, facing bankruptcy and with a reputation as crime ridden and dangerous. Through sound financial management, strong leadership and by working closely with local business leaders he turned the city around in his two terms at the helm. In the first quarter of 2017 the Centre for Development and Enterprise (CDE) invited Mayor Williams to speak about his experiences as Mayor of Washington DC, and his subsequent experiences as Chief Executive Officer and Executive Director of the Federal City Council. The organisation is a non-profit, non-partisan organization comprised of the Washington DC area's top business, professional, education and civic leaders and dedicated to working with the city to develop and implement solutions to important community problems.

June 2017



TEACHER PROFESSIONAL STANDARDS FOR SOUTH AFRICA

The road to better performance, development and accountability?



The Centre for Development and Enterprise (CDE) has produced this report against the backdrop of a South African education system in crisis, characterised by severe inequality, high drop-out rates, very low learner outcomes and ill-equipped teachers. It is widely recognised that improving the quality of teaching and learning is essential to address this education crisis and several initiatives are being undertaken to develop Teacher Professional Standards (TPS). As a contribution to these initiatives CDE commissioned research on the development of TPS in a range of developed and developing countries. Set within the theoretical framework of the South African schooling cycle, the research findings provide insights into the conditions under which TPS in South Africa might serve to raise school performance. Additionally, the experience of six countries in developing and implementing TPS offers valuable lessons for these processes in South Africa. The countries are the USA, England, Australia, Jamaica, Namibia and Chile.

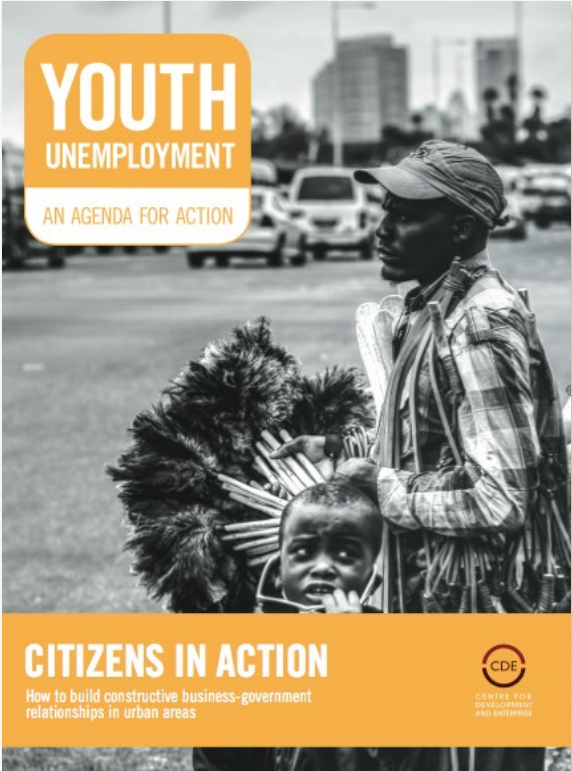
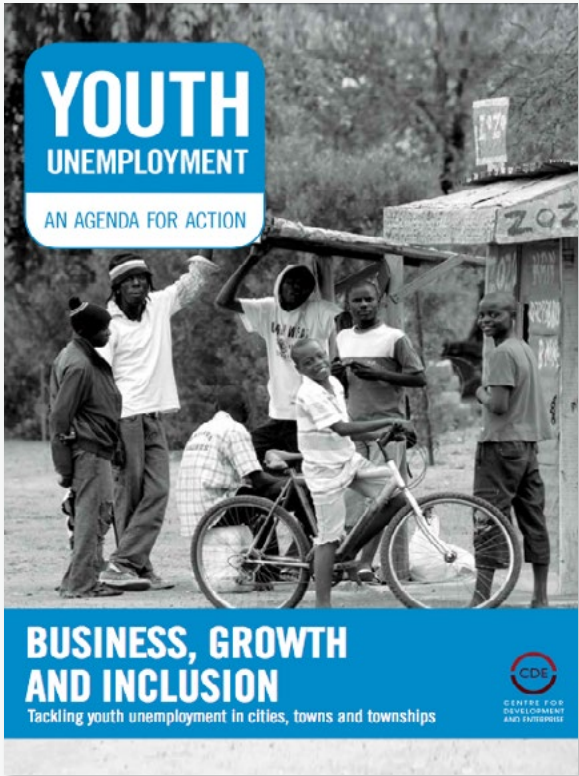
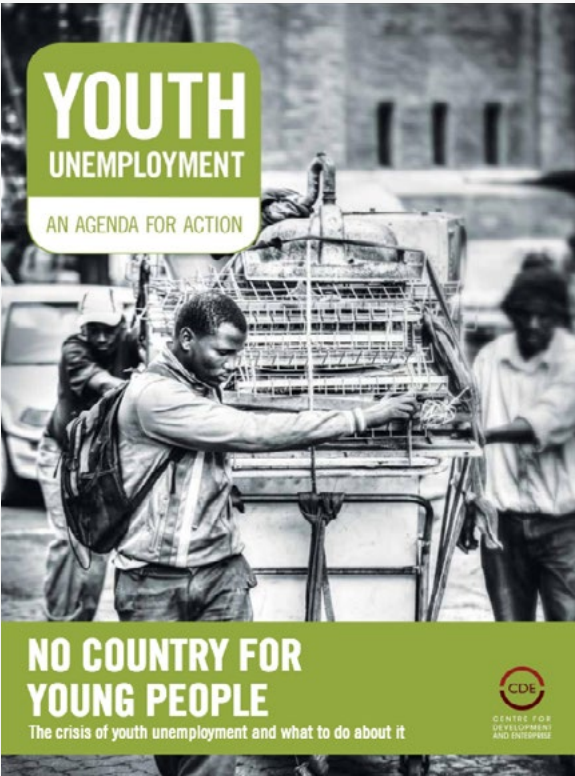
August 2017



Opportunities First

A New Lens to Shape Priorities for Action in Middle-Income Countries





Media and Advocacy

CDE has spent considerable time strengthening its outreach and engagement through a communications and advocacy strategy. This has resulted in coverage in a broader and more diverse range of media platforms, and evidence that the organisation is reaching new audiences. CDE's work was covered 484 times in various media platforms. The top featured outlets include Business Day and Business Live, Daily Maverick, Politics Web and Netwerk 24. Ann Bernstein made four television appearances and gave five radio interviews (see page 20 for a list of op-eds and radio and television interviews).

The series of youth unemployment reports and their launch, as well as CDE's report on teacher professionalisation and its launch, attracted extensive media attention. Professor Ricardo Hausmann's visit to South Africa and the report that followed also received extensive coverage.

Ann Bernstein contributed 16 op eds on a range of topics in leading national newspapers and online publications. These are designed to advance the debate on important topics of current interest, sharing perspectives that are the product of CDE's research and engagement process. For the release of our report on inequality and opportunities, **Opportunities First: A new lens to shape priorities for action in middle income countries**, CDE experimented with serialising key parts of the report in op eds in the Daily Maverick. This extended the reach of the publication considerably.

CDE also repackaged and circulated some of the many previously published op eds which contain relevant perspectives on current debates. This approach of sharing complex and detailed analyses in an accessible way contributes greatly to public debate and understanding on important issues. The three collections are:

- **Radical Economic Transformation** (collection of CDE op eds)
- **Inclusive Economic Growth** (collection of CDE op eds)
- **Cities and Inclusive Growth** (collection of CDE op eds)

Social Media

CDE continued to make use of social media (Twitter, Facebook and LinkedIn) to update our followers on all our activities, as well post links to all our latest op-eds, television appearances and radio interviews. We also live tweet during our events. We continue to see substantial growth in the number of followers and an increase in engagement on our social media pages.

CDE social media pages:

Twitter: @CDEsouthafrica

Facebook: Centre for Development and Enterprise

LinkedIn: Centre for Development and Enterprise

Website

The website plays an integral part in CDE's communication strategy. We see a growing number of new visitors on our website and visitors staying longer to use more of our pages. The website is currently being redesigned to optimise its role in our communications strategy going forward.

CDE Website:

www.cde.org.za

A perspective on youth unemployment

Almost 6 million young South Africans were unemployed at the end of 2016, but 7.5 million were not in employment, education or training. Youngsters like these are doing nothing and going nowhere, writes **Ann Bernstein**

At a time when there is much competition for the title, youth unemployment is the country's most challenging crisis. It is a window on the many failures of our society and the ways in which a generation of policymakers has sought to address it.

The extent of the crisis is enormous. Almost 6 million young people were unemployed at the end of 2016, but 7.5 million were so-called NEETs – not in employment, education or training. They are doing nothing and going nowhere.

To put these numbers in perspective, the figure is about 50% larger than the total number of people who have jobs in Gauteng. It is also twice as large as the largest sector in the economy (community and social services), three times the size of the financial services sector, and six times the size of mining and agriculture combined.

In the face of a crisis this large, you would expect the country's political, economic and youth leadership to see it as their priority and implement deep structural reforms that would fundamentally transform young work seekers' prospects. Instead, a strange collective complacency has set in, one in which the chief response has been to double down on the existing model that has failed the youth so catastrophically.



GRASPING THE NETTLE Skills training and faster economic growth that uses more labour would reduce the catastrophically high levels of youth unemployment in SA

PHOTO: EMILE HENDRICKS

opportunities more efficiently by giving them more information, but that does not increase the number of jobs available.

Programmes that train unemployed, inexperienced young people to become entrepreneurs tend to ignore the fact that the best way for an entrepreneur to acquire the knowledge needed to succeed is by being employed by an experienced entrepreneur, rather than by courses or soft money. Most entrepreneurs fail and chances of success are greater with work experience and at least matric or more education.

Public sector employment can grow only as quickly as taxes, so more public employment cannot be created while the economy stagnates. Productivity growth is slower in the public service than elsewhere, so the greater the share of employment it accounts for, the slower the economy will grow.

If these initiatives, however well implemented, are inadequate to the task of resolving our catastrophically high levels of unemployment, what will? The short answer is that we need much faster economic growth that uses much more labour, especially unskilled young people. Economic growth is essential for accelerated employment growth. Firms are the best, most sustainable, expandable employment-creating "projects".

Continued on page 18

Smart growth and jobs for the army of unemployed youth must be 2019 priorities

In South Africa 7.5 million people between the ages of 15 and 34 are NEETs – not in employment, education or training. The significance of this crisis and such enormous numbers is hard to grasp without comparisons. The number of people in this category is twice the number employed in the economy's largest sector (community and social services), and nearly six times as large as the number employed in mining and agriculture combined.

South Africa's economy as presently structured cannot generate the needed jobs without profound structural transformation. Yet few people grasp the crucial challenge of scale.

The Centre for Development and Enterprise recently completed a project that took us to 20 youth unemployment hotspots, from Mamelodi to Alexandria to test knowledge.

In workshops with politicians, officials, business, NGOs and



ANN BERNSTEIN

be eligible for university or college.

We also heard proposals for increased public sector employment. South Africa is already heavily invested in this approach and we cannot expect much more from it, between 2000 and 2016,

resolving youth unemployment.

The first set of proposals argues for dramatically increasing the number of young people in higher education.

Obviously, the CDE supports this. However, some facts may inject some realism. Between 1995 and 2011 South Africa doubled the number of adults with a degree or diploma. But given the challenges of quality, throughput and affordability, trying significantly to increase the size of the higher education system rapidly is likely to yield diminished returns.

The school system is still failing most learners: of the 11 million children in grade 2 in 2006, only 3.5 million passed matric with marks high enough to

have desperately low levels of entrepreneurship, so creating a more entrepreneurial economy is vitally important.

However, most young unemployed people have had very poor education, come from homes where few work, and have no experience of work. Therefore, very few young unemployed people are likely to start new firms successfully. The best training to be an entrepreneur is to work for one and the idea that special courses or subsidised finance can substitute for the latter, how is that plausible?

The last category of recommendations involves helping unemployed people to find jobs, and employers to find the right recruits. However, helping more people find work more efficiently is not an approach that will expand employment significantly. Moving some people to the front of the queue does not shorten it.

A serious strategy for dealing with youth unemployment begins with a realistic growth strategy that addresses the ways in which bad leadership and poor policy choices prevent growth.

Policy-makers have failed to appreciate that economic growth is driven by a dynamic private sector. An effective growth and employment strategy has to be built on a crucial principle:

increasingly onerous regulations, failing state institutions and political uncertainty stifle growth.

We need investment that creates jobs for the workforce we have and the highly skilled one we wish we had. This requires labour market reforms. We have to expand labour intensive sectors and attract the factories that Ethiopia is showing will come to Africa. Millions of low skill jobs are leaving China as wages rise. South Africa should position itself for some of these jobs.

Large cities have better growth and job prospects than elsewhere in the country. The government should support urbanisation and more urban investment. Managing the bid process for faster growth jobs and the inclusion of young workers requires a new mind set and bold policy reform.

We need a new kind of economy that is fast-growing, more labour intensive, more open to new firms and innovation. Growth has to be urban job, private sector driven, enabled by a smart, competent state and targeted at mass employment. We should all work to make youth unemployment a top issue for the 2019 elections. Growth and jobs need to trump all other priorities.

UNEMPLOYMENT

Jobs plan should make large cities opportunity centres for more people

Economic-development strategy needed to provide for young people in rural areas, small towns and townships

Ann Bernstein

The country's highest rates of unemployment are frequently in places where the spatial legacies of apartheid continue to fester: large rural towns in remote parts of the country, townships in and around big cities. With nearly 40% of SA's 20-million young people

(aged 15-34) not in employment, education or training, it is imperative that bold, countrywide reforms are implemented to generate millions of new jobs for the labour force we have, not the skilled one we wish we had. SA needs a new development strategy based on a firm economic rationale that deals with the young people left behind in rural areas, small towns, townships, as well as secondary cities where future prospects are difficult to determine.

There are too many densely settled old homeland areas that are far from urban centres and provide almost no hope for the unemployed. The youth unemployment rate in Bushbuckridge, Mpumalanga, is 73% (78,113 young people) and almost 80% of households depend on grants as their main source of income. The municipality's strategy for creating growth and jobs in the region is to turn family farms into commercial enterprises, but only 5% of those who are employed work in agriculture.

Another place where few opportunities are likely to emerge is Majubaeng: the municipal

Radical economic transformation is a flawed Robin Hoodesque fairytale

Assuming assets and incomes will simply be transferred from rich to poor, from white to black, is delusional

Ann Bernstein

It is far from clear what anyone who talks about radical economic transformation (RET) means by the term. President Jacob Zuma will say it is mostly about the uncompensated expropriation of land. The new adviser to the finance minister, Prof Chris Malane, will say it means nationalising the commanding heights of the economy. Deputy President Cyril Ramaphosa uses the term mostly to rebrand existing policies and to insist on their urgency even in the face of slowing growth.

As these are quite different ideas about economic transformation and radicalism, a key question to ask about any of them is who will pay for the radical version of RET. One answer to this question is simple, seductive and catastrophically wrong. This is that RET will be paid for by those who benefited from apartheid.

Advocates expropriation think that it should be implemented either without compensation or at prices lower than current market values.

However, if expropriation without compensation (or with limited compensation) solves one problem for its proponents, it creates a new one: it greatly weakens the confidence of all asset-owners – including the beneficiaries of expropriated assets – that they will obtain the full benefits of their ownership.

To whom can they sell their newly acquired assets? Who would buy it? And at what price? There are no clear answers to these questions. Because those who have already been expropriated once would be understandably nervous about acquiring assets again, there is unlikely to be as much demand for these assets. Reduced demand implies reduced prices.

RET is self-defeating and those who are its supposed beneficiaries stand to lose out as asset values fall. What are the losses in value

option but to follow suit if tax revenues collapse? The government will do its best to avoid this by sharing as much as it can out of the nonwage portion of the budget. If some parts of the infrastructure programme are treated as sacrosanct or expanded for projects such as the nuclear build programme, that means having to cut spending in programmes that transfer resources to poor people: Social grants, RDP housing and higher education funding may be easier to cut than public servants' salaries.

Public servants and the beneficiaries of the government's other spending programmes are therefore likely to suffer the consequences of RET. What about taxpayers? Hurt by collapsing asset prices, galloping capital flight and a rapidly slowing economy, salary-curling, VAT-paying citizens will have to help fund the costly consequences of RET. However, any newly raised taxes will not fund new public services or expanded infrastructure.

hopelessness and disaffection. This, surely, is the least critical point about RET, even if it is true there is a minority of people who will benefit from it: the effect on SA's prospects of reducing mass poverty will be catastrophic.

Why, then, is anyone interested in promoting RET? Part of the answer, surely, is the obvious one: that the rhetoric is intended to distract voters from the looting of the country's resources and, at the same time, to shore up the populist credentials of an increasingly unpopular political leadership.

The reason the language of RET resonates and why its populist promise may have emotional and political traction, is that SA's economic policies have failed to generate the jobs and inclusion it needs if it is to overcome apartheid's malign legacies.

While effective redistribution to poor and disadvantaged people is clearly a critical component of the policies that will achieve this, growth is more critical still. It is critical that

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- Smart growth and jobs for the army of unemployed youth must be 2019 priorities, *Sunday Times*, 17 October 2017
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- What South Africa can do about youth unemployment, *Metro FM*, 22 August 2017
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