

Business and society need to act in solidarity for inclusive growth

Issued by [Trialogue](#)

27 Oct 2020

The Covid-19 pandemic has had devastating consequences, but it has also revealed how society at large and business in particular can act in solidarity and collaborate to rebuild South Africa. The country is on the threshold of an important opportunity to "imaginatively reshape its economic landscape".



So says Martin Kingston, Executive Chairman of Rothschild & Co, and Vice-President of Business Unity South Africa. He was speaking at the Trialogue Business in Society Conference on 14 October in his capacity as chair of the steering committee of Business for South Africa - Covid-19.

Sponsored by Business Unity South Africa and the Black Business Council, Business for South Africa was established as a virtual platform shortly before the lockdown began. Harnessing skills and capabilities across all sectors and geographies, at its peak there were some 450 people on the platform acting pro bono, "leaving their egos and corporate identities behind" and working for the common good.

Business for South Africa created three principal work groups – healthcare with 10 underlying work streams, the labour market group, and an economic intervention group with eight work streams covering areas such as macro-economic impact, SMMEs in the township economy, critical infrastructure, supply chains, transportation and localisation of PPE where this was viable and practical.

"Our experience over the past six months has demonstrated that collaborative efforts, coupled with flexible and innovative approaches, can help to position the country optimally, in both dealing with the pandemic, and putting in place effective social compacting to maximise the contribution that the business community can make in responsible investment," said Kingston.

Discussing the economic recovery strategy, Kingston said Business for South Africa identified that budgetary requirements over the next three years had dramatically increased to approximately R3,4tn for both the public and private sector. This increased debt to GDP levels, the size of the fiscal deficit, and highlighted the need for creative and consistent approaches to the allocation of scarce capital.

Capital attraction

"It is apparent that conventional sources of capital and, in particular, domestic savings and investments, will be inadequate to fund this deficit," said Kingston. "We will have to work tirelessly and in partnership to attract capital from abroad and from new sources.

"We must acknowledge the growing importance and availability of capital either dedicated to, or orientated towards, environmental, social and governance (ESG) criteria. Special impact funding, green bonds, and other financial products geared towards socially responsible investing are all tools that need to be accessed to maximise capital that can be

mobilised on acceptable terms and conditions.”

At the same time, said Kingston, we must ensure that wherever practical and feasible, we balance the drive for localisation, commit to a just transition, and place learning and skills development, affordable and accessible healthcare, developing our agricultural potential, and sustainable and viable infrastructure, at the heart of our recovery plan.

Infrastructure needs to span the network industries of telecommunications, energy and transportation, as well as to ensure water supply, housing and social infrastructure. This needs to be achieved on terms that are affordable and reliable, and where the business community can play its role in driving and implementing projects and bring skills, experience and capital to the table.

“In all of these cases, utilising innovative and internationally proven financing mechanisms, including blended finance, demonstrating flexibility whilst adhering to behaviour which promotes both the ease of doing business and competitiveness, will be critical if we are to exploit opportunities in a responsible and efficient manner.”

Reshaping the economic landscape

Based on the Business for South Africa economic recovery strategy, the social partners have developed an action plan which sets out collective and individual commitments. These are expected to build investor, consumer and public confidence in the short term and turn the economy around in the medium to longer term, said Kingston.

A key focus area has been identifying immediate or short-term measures to build confidence, kick-start the economy, deepen industrialisation through localisation, deliver quick wins and continue to provide Covid-19 pandemic relief.

The social partners are all committed to simultaneously implementing medium and longer-term structural reforms and other programmes which will enable sustainable, inclusive and transformative economic growth with a focus on jobs.

These structural reforms include: modernising and reforming network industries and the associated state-owned enterprises so that lower costs and increased efficiency can improve business competitiveness; reorientating trade policies and pursuing greater regional integration to boost exports, employment and innovation; and lowering barriers to entry to make it easier for businesses to start, grow and compete.

They also include supporting labour-intensive sectors such as tourism and agriculture for more inclusive growth; addressing the weak job-creating capacity in the economy; boosting education and skills development; promoting greater beneficiation of raw materials; and addressing racial, gender, geographical and other inequalities which hamper deeper economic growth, inclusiveness and greater economic development.

“We must urgently and significantly implement those decisions by pooling expertise and resources across society. We can only achieve these goals if we work as social partners collaboratively and constructively and all of this must be done with a social conscience,” concluded Kingston.

“In so doing, working with all of our partners, we have the ability to steer South Africa onto an inclusive growth strategy where investors can and will commit to areas which are both socially responsible, cater for the most vulnerable in society by including them in a growing economy, and demonstrate an adherence to core values that are rewarded appropriately.”

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