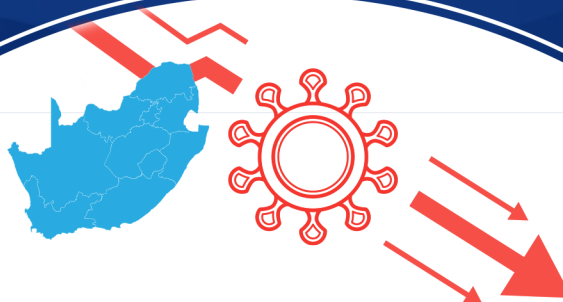




BUSINESS FOR SA | COVID-19

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A New Inclusive Economic Future for South Africa: Delivering an Accelerated Economic Recovery Strategy



South Africa entered a technical recession last year and with the arrival of Covid-19 at the beginning of 2020, it is clearly evident that the associated economic and social ramifications for South Africa are more severe than previously anticipated.

BUSINESS FOR SOUTH AFRICA (B4SA), ESTABLISHED AS BUSINESS' RESPONSE TO THE COVID-19 PANDEMIC, EXPECTS:



GDP to decline by between 8% and 10% in 2020

Government debt to exceed 100% of GDP in 2023, without structural reforms
(vs. 26% in 2008)

Budget deficit of 13.3% for this fiscal year

"The devastating impact of Covid-19 presents an opportunity to reimagine South Africa's future, one which we have to grasp. B4SA has adopted a multi-disciplinary approach for an accelerated economic recovery strategy, which harnesses South Africa's potential in the shortest possible time by leveraging all resources – across government, business, and civil society – to address the economic and social challenges which we face."

South Africa at a fork in the road

The Low Road - Giving up the gains made since 1994:

Government's ability to fund the deficit will be further curtailed and the attendant consequences of increasing poverty, rising crime rates, and declining health and education levels could lead to widespread societal instability.

The High Road - Committing to unavoidable, though difficult, decisions in the interest of the nation:

Decisive leadership and bold action, based on a data-driven, empirical and rational approach, could see South Africa capable of delivering economic growth in the order of 5% per annum, doubling GDP over the next 10 years and materially reducing unemployment and inequality in the process.

▶ OPPORTUNITIES FOR JOINT ACTION TO KICK-START ECONOMIC GROWTH ◀

South Africa will only be able to materially improve the lives of all South Africans, if we are able to kick-start, and sustain, high levels of inclusive economic growth.

The objectives are restoring confidence, attracting investment, and implementing projects leading to near-term employment gains.

To formulate these proposals and recommendations, each sector has been analysed with respect to its immediate and near term economic and employment contribution, as well as its future growth potential, resulting in a ranking of the top high impact sectors, which comprise 49 subsections. The sector deep dives cover:

SMME's, Townships & Rural Economy
Energy & Water Mining Construction
Manufacturing Transport Agriculture
Wholesale & Retail Financial Services
Telecommunications Tourism & Leisure

For each of these high impact areas, we have considered the critical enablers and success factors which are prerequisites for activating employment and reducing poverty and inequality. These typically span multiple sectors and are thus highly interdependent.

The following themes have been identified as priorities:

- Policy consistency
- Regulatory reform
- Addressing crime, corruption and undoing state capture
- Infrastructure investment
- SOE restructuring, optimisation or exit
- Energy industrialisation strategy
- Economic transformation and B-BBEE
- Addressing skills shortages
- Investing for modernisation

We distilled and prioritised the initiatives identified in each sector into a list of 12 priority initiatives.

Addressing these top 12 actionable initiatives across the 10 high impact industrial focus areas, together with key policy interventions, represents an opportunity to:

Increase GDP by R1 trillion ...

... create up to 1.5 million jobs ...

... and increase tax revenues by R100 billion per annum.

▶ **B4SA's 12 priority initiatives* are:**

- Secure and affordable electricity supply
- Fast-track Green economy
- Implement Transnet's road to rail strategy
- Ports expansion
- Road infrastructure
- Full Spectrum utilisation
- E-learning and digital health platforms
- E-commerce acceleration
- Water infrastructure
- Maximise commercial agricultural focus
- Import replacement focus
- Increased financial inclusion and lower cost of capital

*Strategic Integrated Projects (SIPs) that are the focus of the Presidential Infrastructure Coordinating Committee (PICC)

A recurring conclusion across nearly all sectors is that **infrastructure is a key enabler** which must be addressed with urgency if businesses are to deliver growth.

POLICY CHOICE AND IMPLEMENTATION

South Africa must focus on the ease of doing business, education, sustainable economic transformation, and innovation and entrepreneurship to improve the nations' overall competitiveness

"currently ranked 60th out of 141 globally by the WEF"

The main drivers of this low ranking are:

security (135th position),

rigid labour markets (111th 134th, and 123rd in terms of flexibility, wage determination, hiring of foreign experts),

transparency and government adaptability to change (62nd and 100th),

inhibitors to business dynamism (60th),

education outcomes (126th),

and a dearth of highly-skilled employees.

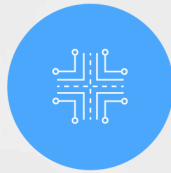
THE 12 KEY POLICY FOCUS AREAS:



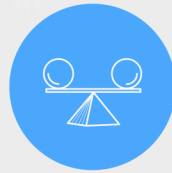
Tackle crime and corruption



Improve ease of doing business



Mobilise large-scale infrastructure projects



SOE reform and rationalisation



Clarity on land reform



Education and skills development



Review trade policies



Labour law reform



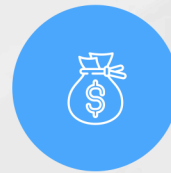
Simplify mining investment regulation



Align national energy strategy across sectors



Telecomms: maximise connectivity



Financial inclusion and fiscal support

B4SA is encouraged by government's recent efforts in some of these areas, such as the increased focus on African trade in the context of the African Continental Free Trade Area (AfCFTA), and the establishment of the SOE advisory council.

FUNDING THE ECONOMIC RECOVERY PLAN

B4SA's work indicates a baseline total funding requirement of

approximately R3.4 trillion over the next three years

This estimate does not account for potential rescue funds for large corporates or an unforeseen worsening financial situation at SOEs.

B4SA therefore believes that public sector debt could increase from R4 trillion to more than R6.4 trillion over three years.

This funding need cannot be met by domestic sources, nor is it possible for the South African Reserve Bank (SARB) to address the shortfall in a responsible and sustainable manner through monetary measures.



Public and private cooperation:

The private sector can fund, develop and operate economic infrastructure in a regulated competitive environment. This would result in faster and more sustainable economic growth, resulting in the public sector funding requirement shrinking to R1.9 trillion over three years and the budget deficit normalising at 3.5% in 2025.

South Africa must compete globally for investment:

More than \$10 trillion of capital is theoretically available in international markets from Sovereign Wealth Funds (SWFs), Development Finance Institutions (DFIs) and alternative asset managers, outside traditional Global Emerging Market (GEM) debt and equity investors.

Government and business must work together to address the key concerns of foreign investors holistically.

WORKING TOGETHER TO ENSURE AN ACCELERATED ECONOMIC RECOVERY AND SOCIAL DEVELOPMENT

The Covid-19 crisis represents an opportunity for all stakeholders to consider what is required for the country to move ahead successfully and with conviction.

These B4SA inputs are a basis for an intensive process of engagement which we hope will lead to increased trust between societal stakeholders, and to a new form of partnership between government and business in pursuit of shared challenges.