



Dealing with the crisis before the crisis requires economic reconstruction

The foundations for an inclusive and equitable post-COVID economic recovery plan exists across key sectors as well as in various stimulus initiatives but harnessing their full potential requires political will, partnerships as well as ensuring a strong and capable state. Given the extent of the economic and social impact of COVID-19 more however needs to be done.

This emerged as a central theme from the two day conference on rethinking inclusive industrialisation in response to COVID held by the Trade and Industrial Policy Strategies (TIPS) in partnership with the South African Research Chair in Industrial Development (SARChI) at the University of Johannesburg, and in association with the Department of Trade, Industry and Competition (the dtic).

Robust and intense discussions emerged between participants and speakers (across a range of stakeholders and constituencies) who sought to highlight what initiatives are happening or not to address attempts to ensure economic recovery. TIPS executive director Saul Levin stated at the outset: “If ever there was a time to be more forthright in our approach to economic development, it is now. Various approaches are being implemented to improve the business environment and stave off the worst of poverty; these are important and significant measures, they create jobs and save lives. But given the extent of our unemployment, poverty and inequality which have been exacerbated by COVID-19, more robust measures are clearly needed.”

Before exploring some of these initiatives and interventions, a crucial distinction emerged around the concepts “reconstruction” and “recovery”. For example, Kate Philip, Programme Lead on the Presidential Employment Stimulus, supporting the Project Management Office in the Presidency pointed out that the social transfer interventions introduced in response to COVID were in fact responding to pre-existing levels of poverty and inequality.

TIPS senior economist Neva Makgetla concurred with this and indicated that such were short term measures to deal with pre-existing conditions which had been exacerbated by the pandemic. However, they would not, in the long term address poverty and inequality, which required deeper changes to take place in the economy. Philip and other presenters agreed that “Plan A” was getting the economic fundamentals right which required a broader structural transformation of the economy so that society does not have to deal with problems of inequality, poverty and unemployment to the point that currently 11m people are unemployed.

Makgetla highlighted in her presentation that to move South Africa to a more equitable economy it would require amongst others, increasing employment, ensuring more equitable



ownership and access to assets, improvement in human capital (education) and more equitable infrastructure and spatial allocation.

Presenters highlighted various opportunities, which if ramped up, could support post-COVID economic recovery. For example, this emerged when exploring appropriate stimulus measures to support recovery in the automotive sector. A similar process was conducted in terms of analysing the countries localisation policy which could have positive impacts if done smarter. Potential benefits could be, for example, increased investment through setting up assembly and manufacturing plants, as well as complementary investment upstream.

The localisation theme ran through a number of presentations whilst at the start of the conference SARChI head Professor Fiona Tregenna pointed out that the pandemic underscored that it cannot be business as usual and the current policy trajectory needed to be revisited. The pandemic, she stated, had implications for industrial policy and industrialisation whilst also drawing attention to the country's manufacturing productive capacity.

In dealing with the pandemic and industrialisation, Professor David R Walwyn Graduate School of Technology Management University of Pretoria explored the need for increased public sector support in relation to research and development. He highlighted a number of areas where public-funded research and development should be directed such as in relation to the green economy such as hydrogen; energy storage; photovoltaics and wind and in areas around public health such as vaccines and active pharmaceutical ingredients. Arguing that such investments had been shown to generate an improvement to GDP and therefore an important area for fiscal stimulus.

In terms of SMME support – a critical area for post COVID-19 reconstruction, Masibulele Zonyana, Head: Public Employment & Skills Development, City of Cape Town showcased how the City had implemented the EPWP as a key facilitator of sustainable support and development of SMMEs. This was achieved by “linking the City's EPWP programme to the work of the Enterprise and Investment department of the City – which is the custodian of the City's Business Support Policy.”

Presentations were also made around the lessons learnt from the pandemic and how this applied to the climate crisis in the country. Julia Taylor and Katrina Lehmann-Grube from the Institute for Economic Justice (IEJ) drew parallels in terms of the impact of the pandemic and climate change and concluded that climate change will continue to worsen poverty and inequality and hence argued for “a coordinated and holistic, economy-wide response”.



Finally, various speakers highlighted the role of the state and that the pandemic showed that in a crisis, the state responded but it also highlighted the limitations as highlighted by Philip in her review of the introduction of the COVID special grant. It also highlighted that if the political will existed, change could happen.

Issued by: TIPS

For more information contact Baba on Gqubule on baba@tips.org.za or 071-8500459.

The presentations and recordings are on the TIPS Forum website <http://forum.tips.org.za/>.

The page link is <http://forum.tips.org.za/forum-2021>).



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

