

## **SUSTAINABILITY and ESG for GROWTH**

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**by**

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### **Introduction**

In thinking about sustainability and ESG for growth, we need to quickly accept that this is a political-economy subject. Mistakes committed in the board room, are mistakes that quickly find their way into political instability. These variables are closely interlinked.

From where I come from, South Africa, this increasingly becoming an elusive subject. There are dominating reminders that are in currency, namely the Gupta saga, SOEs and relationships between government and business recently defined as state capture.

All these caused me to undergo a soul searching exercising, flying here. Forcing this soul searching exercise was an article in Business Day, Life “Kakadu recalls Biafra horror with xenophobia lesson”. One passage in there stood out for me, which reads “At the time, Nigeria was afflicted by regional and ethnic chauvinism, political intolerance, victimisation, lawlessness, government ineptitude, corruption and nepotism. The army swiftly and brutally quelled the insurrection, leaving corpses on the streets and the population, especially those belonging to the insurrectionist Igbo ethnic group, traumatised and cowed into submission.” BD p8.

I am not sure how far we are from this state? With this uncertainty and concern, the emphasis today, will be to increase our appreciation of sustainability and ESG.

This is to ensure that I address the leaders of business, who are in this room, from various parts of our region. Last time I was here, I directed my focus at government.

In the process, we will have to answer the question - ‘To what end?’

This subject also has to be considered within the context of the global adoption of the SDGs.

These were adopted with the deep appreciation of the need for sustainability - globally. It was also an acknowledgement that governments have failed – thus the shift in focus, to include private sector in the delivery of the new global challenge.

## Discussion

Sustainability is no longer just an obscure topic, but a deeper understanding of how livelihoods are impacted – not only now but over generations.

- We should not forget the extent to which the SDGs drew from the African experience and the work of global CEOs under the UNGC. On the continent a lot of imbalances have been observed, which compromise the ability to engender stability, factors such as
  - Low growth,
  - Deep poverty,
  - Rising social strife,
  - Debilitating disease,
  - Dysfunctional institutions and the list goes on.
- Context defining the design of the SDGs is important..
  - Over and above, strong acknowledgement that governments have failed
  - Focus is on the continent, Africa – led by Africans
  - Reliance is now placed on private sector, pension and SW funds, to deliver on SDGs
  - African professionals need to take the lead
- So, as we discuss these principles, we should not be doing so in an academic fashion. We should do so as custodians of the concept

The other context that will inform how we deal with these two concepts is the Marshall Plan for Africa. Like it or not, it is here.

- Europe is concerned about development, or lack thereof in Africa. Is it for Africa's sake or Europe's sake?

*"If Europe wants to tackle the root causes of the migration crisis, ... it must do more business in Africa."*

*"What is needed is not global social policy but down-to-earth investment. [Africa] has fantastic potential, but we need to mobilize the private sector. The idea of doing everything with grants is over." Werner Hoyer, President of the European Investment Bank*

What is emerging clearly from this, is that Europe is not prepared to inherit Africa's instability. This can be easily appreciated. The question is, 'What do we about it as the leaders of the African continent?'

- Here again reliance is placed on private capital, to deliver the Marshall Plan
  - But it took a migration **crisis** to jolt Europe
- However, we should be more concerned, as the continent than Europe. If we are not, there is something very wrong with us
- For both the SDGs and this latest offer from Europe, Africa needs to be in the forefront

Despite a growing global sense that ESG is not only an investment issue but a macroeconomic matter - there is an emerging set of challenges ...

- One of these, is the sense that it is still predominantly a nice to have? This, we cannot afford.

Who are the leading governments in sustainability?

1. Germany = 25%
2. Sweden = 21%
3. Denmark = 16%
4. Norway = 13%
5. UK = 11%

**Lesson:** Investing right. Strong positive correlation between social investing and quality of life. This takes me to the opening statement about touching livelihoods.

### **What are the sources of instability**

- Biblically, the sources are natural disasters, wars and people
- Poor growth
- Unemployment (Youth)
- Inequality
- Poor/bad governance (lack of transparency and accountability as well as poor professionalism)

The answer is trivial, as what business will choose between stability and instability. However, the answer as to why business defers the responsibility to bring about stability, to government, is quite unclear. This is a subject on its own. Business needs to take this responsibility into their own hands and make it a business case, which should dominate their boardroom discussions.

In the South African context, we call this responsibility sharing a 'Social Compact'. This has been the nation's post democracy dream, which unfortunately has been an elusive one. This is not because it is unrealisable. The Nordic states have shown that it works. They have also shown that it can engender positive behaviour amongst citizens. The answer lies in good leadership, right socialisation and confidence all which seem to be under threat today.

Business does not only have a role to play, in promoting growth and stability, but also embrace it as a business case

- Forster stability in the business environment;
- Increase economic productivity;
- Cultivate new and larger markets; and

- Preserve long term returns.

Your responsibility of carrying out the principles of ESG does not end within the four walls of your board rooms. Your responsibility is economy wide as well as global.

Governments have a growing responsibility to ensure the right investment stance.

- Education and skills;
- Health of the youth; and
- Involving youth in governance of communities, institutions and economy.

### **Conclusion**

Any failure to deliver on these ideals, will result in a more uncertainty, short-termism and gaping deviations from sustainability.

This can only lead to unwanted and unwarranted social instability.

This cannot be good for investment, stifling to good governance and a huge compromise to the credibility of political leadership.

In closing, I will do something that is never ever done in this industry. I will leave you with a verse from the Bible. If you are a believer that peace and stability is too important to be left to government alone, you will appreciate this gesture. I leave you with Romans 14:19.

I thank you.

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