AIDC
Alternative Information & Development Centre
Strengthening Alliances for a Wage-led, Low-Carbon, Sustainable and Equitable Development Path for Southern Africa

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South Africa's Response to COVID-19 Compared

South Africa's response to the COVID-19 outbreak has been both lauded and condemned; while some have praised the speed and intensity of the response, others have rightfully pointed out the catastrophic impact it has had on the working class and the economy. Unfortunately, the debate has largely been framed in terms of a single dichotomy: lockdown versus open up. This dichotomy asks us to choose between the lesser of two known evils: the overflowing hospitals of the United States and Italy, or the starvation and police brutality of lockdown South Africa.

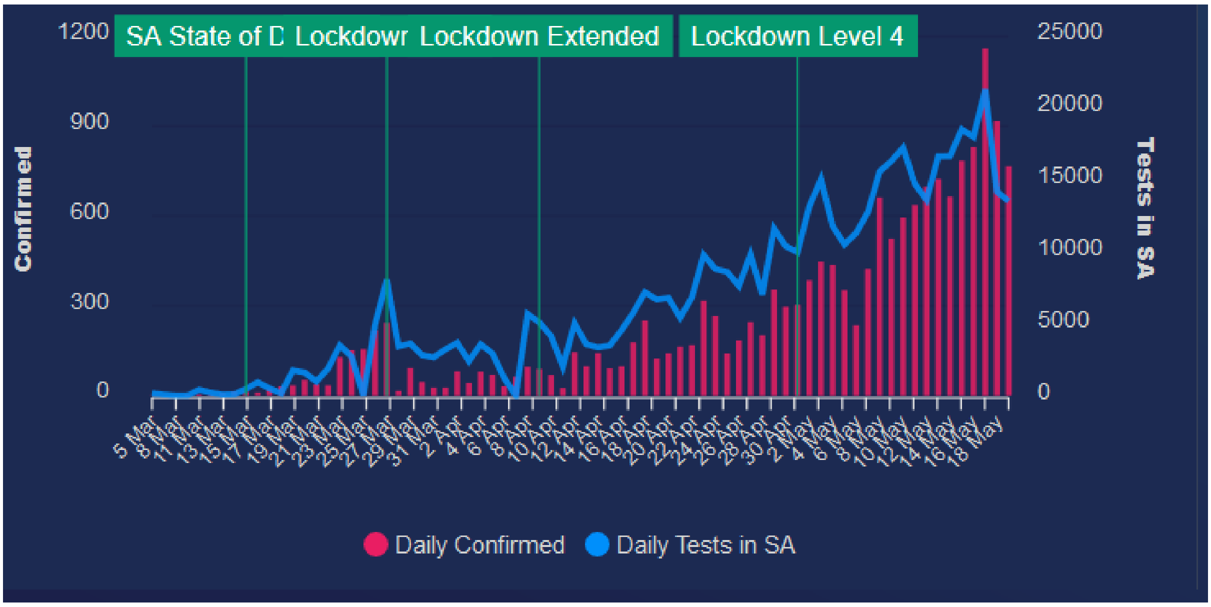
It is not only the lockdown's many failures that have led to the popularity of re-opening the country; but also the inability to imagine a successful lockdown, one that can avoid these failures. The government's stimulus and relief package, amounting to 10% of GDP when including budget reallocations and debt restructuring, seems to have had little impact beyond serving as the final nail in the coffin of the "lockdown camp". Those who are eager to reopen the economy can now point at the R500bn stimulus and say "We could barely afford this and it still has not helped us, let's open up."

However, by looking at the response and relief measures taken by other countries, we can see that the problem with South Africa's COVID-19 response is not that there isn't enough money or resources to make it work. It is instead a problem of priorities, one betraying a deep-seated unwillingness to stray from its script even in a time of crisis. This brief study will discuss South Africa's COVID-19 response in relation to similarly-resourced countries, with a specific focus on ways in which the stimulus package and emergency measures have fallen short of those instituted by other countries.

§1 - South Africa's COVID-19 Response:

Context:

Epidemiological Timeline:



Source: https://health.hydra.africa/

South Africa received its first case on March 3rd. On March 15th, the first local transmissions were announced and a state of disaster declared. On March 23rd, President Cyril Ramaphosa announced a national lockdown beginning at midnight on March 27th, ending April 16th. On April 9th, St. Augustine's hospital in Durban was closed due to an extensive outbreak on the premises, and the national lockdown was extended to the end of the month. A stimulus package was announced on April 21st, and lockdown moved to level four on May 1st. The final week of April saw the beginning of a significant upward swing in the number of confirmed cases, and there is reason to believe that the outbreak is now about to begin in full, especially in the Western Cape.

General Restrictions: The initial state of disaster regulations, implemented on March 15th and expanded on March 18th, was an attempt to contain the spread of the virus. Many points of entry to the nation were closed, travel to and from high risk countries was suspended, schools were closed, and many universities either closed or suspended classes. Limitations were put in place on gatherings, and bars or other places selling liquor were to be closed at 6pm.

Of course, these initial regulations proved insufficient, and a national lockdown began on March 27th in acknowledgment of the fact that containment had failed. All gatherings except for funerals have been prohibited, and movement for non-essential personnel has been restricted to accessing health services, buying essential goods and services (EGS), collecting grants, attending funerals, and activities in support of essential services. All national points of entry have been closed for non-essential purposes. The lockdown is militarised and strictly enforced, with the state committing to deploying a total number of over 70,000 soldiers at a cost of R4.5bn.

As of lockdown, all businesses and entities are to cease "physical" operation, except for those involved in the manufacturing, supply, or provision of an essential good or service. EGS include:

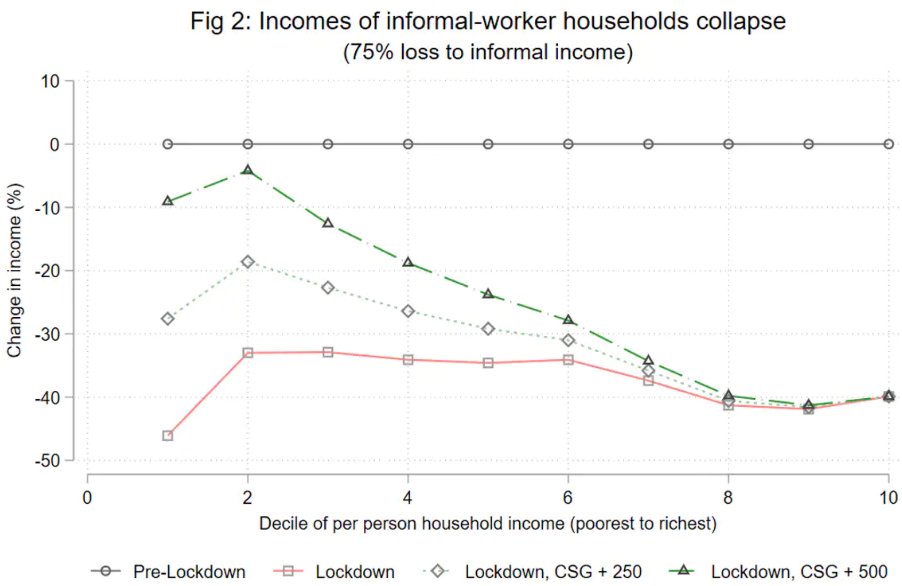
- Food, both human and animal

- Healthcare
- Hygiene products
- Fuel, including wood and gas
- Basic goods, including airtime and electricity
- Hardware and components required by essential tradespeople for emergency repairs or those involved in the production and provision of essential services.
- Retail stores, spaza shops and informal traders providing EGS, given that a permit has been acquired.
- Gold and Coal mining and refining.
- Other miscellaneous services, including many municipal and state functions and services.

The EGS supply chains are generally formalized and monitored, with each link in the chain requiring various degrees of formal approval and accounting measures, such as permits and lists of customers requiring essential services. In other words, each link in EGS chains needs to have the capacity to be entered into the bureaucracy of the state. One consequence of this is that the informal economy has disintegrated overnight, as most in the informal sector are obviously unable to obtain permits even if they do provide EGS. As up to 20% of all employment is in the informal sector, and most in this sector do not have savings, serious relief is required in order to avoid a looming economic and humanitarian disaster. The other upshot of this bureaucratization is that existing community care and aid networks are threatened, with many operating in a legal gray area.

On May 1st, the lockdown was lowered to a level four state. A few new economic sectors and retail items were added to the exemptions, and public transport was allowed to resume to a limited degree. In addition, a time slot was set aside for exercise, and one or two exceptions were added to the interprovincial movement restrictions.

The COVID-19 crisis and ensuing lockdown have predictably resulted in a catastrophic impact on the working class and unemployed. The various predictions of job losses from the crisis range from a best case 1.6 million (estimated by Nedbank), and a worst case 7 million (estimated by the Treasury). While exact numbers are difficult to obtain, it is safe to say that without adequate intervention, millions *more* South Africans will be unable to access basics like food and shelter in the coming months. This is especially true for those in the informal sector who do not have the UIF to appeal to; the below graph estimates decreases in income by up to 45% for informal worker households.



Calculated using NIDS 2017 by Bassier, Budlender, Leibbrandt, Ranchhod and Zizzamia.

Response and Relief Measures:

Healthcare: In the stabilisation package unveiled on 21 April, the state committed to allocating R20bn in support of the public health system's response to the outbreak. So far the bulk of the concrete measures taken have been in expanding and implementing contact tracing and testing capacity. The implementation of this has been done largely through the use of over 28 000 existing community health workers, who are decentralized and fall under the primary care system. The state-owned enterprise Denel has begun retooling to produce ventilators and ambulance-conversions of its armoured vehicles.

Other support for healthcare workers has been obtained through private sector intervention, largely via the Solidarity Fund initiative, or through state support for private businesses supplying the health sector. Finally, a variety of exemptions have been applied to the competition act, for the purposes of legalizing the transfer of staff, equipment, and patients between all private and public hospitals.

Income Relief: The stabilisation package outlined a set of grant increases to the tune of R50bn. These include an extra R300 for Child Support beneficiaries in May, and an extra R500 from June to October. Other grant beneficiaries are to receive an additional R250 per month, while a special COVID-19 grant of R350 per month will be paid to those who are unemployed and not receiving any other grant.

The remaining income relief measures have been indirect. Workers earning under R6500 receive a tax subsidy of up to R500 and employee contributions to the UIF have been reduced. Some form of wage relief has been provided in that employers who need to stop operations can claim some degree of salary costs from the Temporary Employer/Employee Relief Scheme ran by the UIF - but this too is indirect insofar as it has to be applied for by a UIF-registered employer, not the employee. This amount is determined according to an income replacement sliding scale, with the maximum salary replacement benefit topping R17 712. The total funds allocated to this scheme is R40bn. Employees who need to enter a two week quarantine due to COVID-19 may also receive an income benefit.

Labour Policy: No changes have been made to domestic labour law as a result of COVID-19. Government has asked employers to consider paying employees who have been forced to stay home, but this is a request and not a law. The Basic Conditions of Employment Act legislation still applies.

Direct Relief: A halt on evictions has ostensibly been put in place for the duration of the lockdown period. Food parcel distribution is also underway; however, this comes with various caveats which require expanding. The food parcel scheme is undertaken by provincial departments of social development in cooperation with SASSA, utilizing the existing "Social Relief of Distress" scheme which is meant to provide for those falling through the cracks of the grant infrastructure. It is thus heavily means tested with a lengthy list of disqualifications, including being the recipient of an existing SASSA grant or social assistance from any other organisation, and intensely bureaucratic. Additional allocations to this scheme have to be made available from provincial allocations. Municipalities are also due to receive R20bn for emergency water and food supplies, public transport, and shelter for the homeless.

Commercial/Industrial Relief: The bulk of South Africa's COVID-19 relief measures are those provided to businesses and industries for the sake of keeping them afloat, i.e "supply-side" relief. The 21 April stabilisation package announced loan guarantees totalling R200bn intended for companies with a turnover of less than R300m per year, for the paying of suppliers and employees. It also included R100bn in support of "job protection and creation" at SMMEs, the details of which are yet to appear.

The IDC has put forward R3bn towards various measures, including: R500 million for trade finance to support essential medical products, R700 million for working capital, equipment and machinery, and the remainder towards agricultural and food value chain support, working capital for the tourism sector, bridging finance to support supply chain interruptions, working capital for suppliers of primary energy, and working capital and bridging finance to SMMEs providing components to car makers.

SMMEs receive support through three facilities: The Business Growth and Resilience Facility, SMME Relief Finance Scheme and Sefa-Debt Restructuring Facility. The Business Growth and Resilience Facility targets businesses producing products related to combatting COVID-19, namely medical and hygiene supplies, and provides these with working capital, stock, bridging finance, order finance and equipment finance depending on the needs of the business. State communication states that this scheme is targeted to SMMEs "geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or shortage of goods in the local market". The SMME Relief Finance Scheme provides soft-loan funding for existing businesses in distress due to the COVID-19 pandemic, with separate facilities for regular businesses, informal, self-employed, and spaza shops. The final facility provides a payment moratorium for those businesses who have already received loans from the Small Enterprise Finance Agency.

The Department of Agriculture has set aside R1.2bn to support food production, and R100m to the Land Bank to support farmers in distress.

Finally, the National Empowerment Fund has made R200m in loans (at 0% interest for the first year, and 2.5% for the following years) available for black entrepreneurs to manufacture medical products in support of the healthcare sector.

Monetary Policy: The South African Reserve Bank reduced the policy rate by 100 bps to 5.25% on March 19 and then another 100 bps to 4.25% on April 14. SARB has also acted to reduce liquidity concerns, primarily through buying R11.4bn in government securities on the secondary market. It also instituted regulatory relief measures for commercial banks in three areas, namely capital relief on restructured loans that were in good standing before the COVID-19 crisis, a lower liquidity coverage ratio, and lower capital requirements. Additionally, for the duration of the crisis, loans restructured as a result of the impact of COVID-19 will not attract a higher capital charge.

§2 - South Africa Compared:

Healthcare: Compared to other countries, South Africa's healthcare response has been varied. On the one hand, the existing community healthcare worker and clinic infrastructure has allowed for rapid implementation of decentralized testing, tracing, and monitoring, for which the state has attracted some praise. However, the measures put in place to support the healthcare system have been lacking. Even after the month of lockdown which was supposed to allow for PPE shortages to be met, many clinics and community health centres have reported shortages, in some cases resulting in strikes.

Argentina has started the construction of 8 emergency hospitals, purchased large supplies of testing reagents, and cooperated with domestic businesses to increase the supply of necessary medical goods. In addition, the export of medical goods now require authorisation, while the imports thereof are exempt from duties. Even Greece, whose coronavirus response has generally come under fire, has begun expanding ICU capacity, hiring extra doctors and nurses, and requisitioning hospital beds from the private sector. In addition, Egypt, Argentina, and Greece have all offered healthcare workers bonuses, while in South Africa no such bonus has been offered; community healthcare workers still rely on an insufficient stipend.

Income Relief: Many similarly-resourced countries have given direct relief in the form of either grant increases or once off bonuses. Egypt is providing a once-off payment equivalent to roughly R600 for those in the informal sector, while 60,000 families are due to be added to existing social security schemes. Argentina is providing a once-of payment of roughly R2813 to those in the informal sector, and existing grants to poor families are boosted by R937. Greece is also offering around R16 329 (800 Euros) to those who have been suspended as a result of the pandemic, while also covering all social insurance, pension and health rights of workers as well as their social insurance contributions based on their nominal wages. The Greek government has also set up an employee registration scheme, where employees register on an online platform and provide their banking details, and will from then on receive income relief and other measures. Namibia, a country with a GDP around 4% of South Africa's, is providing a once-off emergency income grant of R944 (750N$). India is also providing direct cash transfers (emergency grants) and wage subsidies from both national and local government. Finally, Brazil is now offering a R$600 (R1884) emergency basic income grant to those over 18, limited to two per family. South Africa's grant increases, and R350 emergency grant, are clearly at the bottom end of the spectrum in terms of direct income relief measures.

In addition, South Africa's indirect income relief measures have also been very moderate in comparison. Greece has offered four months of tax relief for retrenched workers, and the majority of countries have extended deadlines for individual tax payments by at least a month. South Africa has also only enacted laws against price gouging (which has continued nonetheless) whereas some countries like Argentina have enacted direct price freezes.

Labour Policy: As South Africa has not made any changes to labour law, it is not really possible to conduct a comparison. Some of the changes made by other countries include: Greece has provided special leave for parents whose children's' schools are closed. Malaysia has provided a 50% of minimum-wage wage subsidy for workers who have experienced wage reductions, and employers are then not allowed to dismiss these workers. Italy has suspended all firing processes begun after January. In Thailand, SMEs can deduct three times the cost incurred by salary payment from April to July 2020 for the employees who are members of the Social Security Office and receive a salary of up to 15,000 baht per month (R8760) - these SMEs have to maintain the same level of employment during that period as to the number insured in December 2019.

Argentina has provided special leave for all who have returned abroad, and employers are not allowed to fire workers during a period of 60 days (as of 31 March) if the reason is related to the confinement measures or an unfair cause. Argentinian employers are also required to pay part of the salaries of confined private sector workers. People aged 60 and above, pregnant women and people in risk groups are dispensed from working and cannot face any negative consequences as a result. Unemployment insurance protection has been reinforced for workers dismissed without a fair cause during the lockdown.

Direct Relief: Many countries have adopted food parcel schemes, including Algeria, Argentina, and Chile. Most notable is that while some countries have relied on existing mechanisms in the same way that South Africa has, others have created direct distribution schemes. Chile is distributing food packages out of special buses, at schools or from alternative distribution sites, where baskets are delivered containing food for three meals per day for ten days. This is expected to provide for 1,600,000 children and dependents. Algeria has identified vulnerable or isolated communities and is also directly distributing parcels to these. Other countries have also gone further than a moratorium on evictions: Argentina has guaranteed the continued provision of utilities to households in arrears.

Commercial/Industrial Relief: One of the most common forms of business relief that has been implemented is financial support for businesses directly involved in the supply of medical, chemical, or hygiene products required for combating the spread of COVID-19, as well as businesses who are links in the value chain of "essential goods". This support is ubiquitous, and most often in the same form as South Africa's: low or zero interest loans to qualifying businesses from state finance institutions, debt moratoriums for loans from state finance institutions, business guidance, and very minor wage relief. Another near-ubiquitous measure is indirect relief in the form of reductions in tax or social security/unemployment fund contributions from employers. Again, we see few significant differences between South Africa and the rest of the world in this area. Some countries like Indonesia have enacted broad corporate tax cuts, a measure fortunately not adopted here, in addition to the postponement of the implementation for new taxes.

While almost all countries are providing lifeline-loans to keep the supply side of the economy going, one measure that seems to be nearly universally lacking is the state taking up the role of demand replacement. Argentina is one of the few exceptions, taking this chance to embark on a $1.58bn public works programme investment, thereby injecting some money directly into the economy and restoring some demand.

Monetary Policy: Much like in business relief measures, there is a great deal of coherence among different countries' the monetary policy responses to COVID-19. Policy rates have been cut by almost every country's central bank, generally around 10 - 100 basis points, and liquidity ratios have been similarly adjusted. The SA Reserve Bank has been on the upper end of this, reducing the policy rate by 200bps, although the South African interest rate was unusually high to begin with. The SARB has also engaged in a limited form of quantitative easing (buying bonds on the secondary market) - a practice other Reserve Banks like the Fed have engaged in. In Canada and Indonesia however, the Reserve Bank has gone a step further and actually bought zero-interest bonds directly from the government.

§3 - Conclusions:

From the outset, one of the clearest conclusions we can draw is that the South African government has missed the mark in providing the *scale* of direct and indirect relief required for individuals, communities, and the economy to truly weather the storm. While we have followed the measures taken by most of the world in terms of business relief, the forms of direct relief (both income and basic goods) have been shockingly lacking in comparison to the rest of the world. Judging by the paucity of these lifelines, it seems as if the state has seemingly forgotten about the conditions of extreme precarity experienced by most of the population.

We can see that the state's direct relief strategy is to bolster existing safety net mechanisms like the UIF and Social Relief of Distress grants in order to meet the needs of people. This strategy might work in countries with more capable states and less precarious populations, where the existing safety net is sufficient. However, it is clearly not working - both the UIF and SRD call centres are completely overwhelmed, and only a small fraction of those who need assistance are receiving it. The existing South African safety net was ragged, complex, and overburdened even before the crisis; to expect it to cope with a ten, hundred, or even thousand times increase in demand is wishful thinking. The state thus needs to pivot to more direct forms of relief with less bureaucracy: mass direct food distribution schemes, non-means-tested emergency grants, higher grant increases, simpler implementations of wage replacement or, even better, a basic income grant.

It cannot be said that we do not have the money for this if similarly, resourced countries have managed to implement these measures. In fact, while South Africa has officially committed around 10% of its GDP, much of this is merely a reallocation from the existing budget or in the form of a loan guarantee scheme which does not constitute direct stimulus. The proportion of *actual* stimulus, i.e. new money pumped into the economy, to GDP is much lower, considering the fact that the loan guarantee and budget reprioritization account for over half of the R500bn package. Large sources of funding for actual direct stimulus *are* available. These include vast surpluses within the GEPF and UIF, as well as tapping into non-state sources by instituting 'solidarity' wealth taxes, prescribing funds held by private asset managers, or through claiming back the colossal tax revenue lost through profit shifting.

Instead, the government, and especially the treasury, seems to lack the political will to address the needs of the poor, unemployed, and working class during an unprecedented international disaster. The fact that they have followed the lead of the rest of the world in implementing large business relief measures, while wringing their hands about even the most tokenistic grant increases, only confirms what we already know: This is a government that will always look out for the interests of capital over people; one which remains stubbornly committed to a near-austerity agenda in the face of an overwhelming national crisis. In the absence of a mass-based social formation that can steer us away from this path, it is likely that this government will leave us stuck between a rock and a hard place.

Author's Note: For the sake of readability, sources have been omitted from the sections detailing COVID-19 response and stimulus measures. If you require these, please email jaco@aidc.org.za.