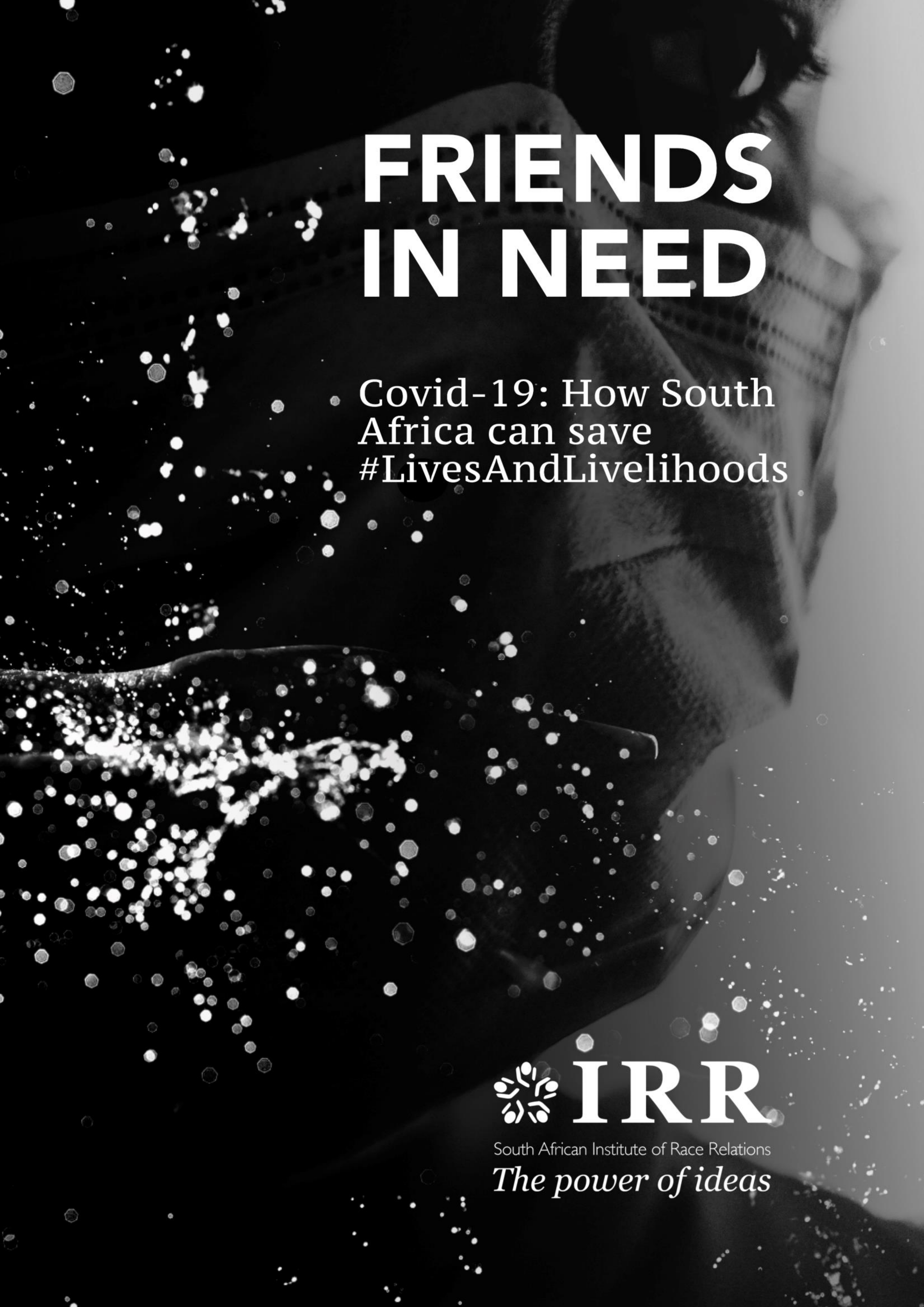


FRIENDS IN NEED

Covid-19: How South Africa can save #LivesAndLivelihoods

IRR

South African Institute of Race Relations

The power of ideas

IRR

South African Institute of Race Relations

The power of ideas

Published by the South African Institute of Race Relations
2 Clamart Road, Richmond
Johannesburg, 2092 South Africa
P O Box 291722, Melville, Johannesburg, 2109 South Africa
Telephone: (011) 482–7221

March 2020

Editors
Michael Morris, Marius Roodt, Hermann Pretorius

Contributors
Anthea Jeffery
John Kane-Berman
Gabriel Crouse
Terence Corrigan
Sara Gon
Bheki Mahlobo
Nicholas Babaya
Nicholas Lorimer
Simpe Jonas
Gerbrandt van Heerden

Cover design by Alex Weiß

Contents

1. Introduction

> The Institute of Race Relations (IRR) is in full agreement with President Cyril Ramaphosa that 'we are facing a grave emergency', but that if we 'act together', immediately and decisively, 'we will overcome it'.

The IRR has therefore decided to place its full research and analytical capacity at the disposal of the urgent search for policy solutions and proposals to guide South Africa through a time of near-unparalleled crisis. The impact of the Covid-19 pandemic will be felt by many South Africans and will affect many aspects of South African life. While the medical response to this pandemic is the immediate priority, the broader socio-economic consequences require urgent and solution-orientated attention. It is in this latter arena that the IRR will seek to play a leading role.

Drawing on the considerable and unequalled research and policy expertise it has built up over more than 90 years, the IRR has been devoting its attention to crafting executable policy proposals in the six key areas laid out in this document. These are:

1. Healthcare;
2. Income security;
3. Social stability;
4. Financial stability;
5. Economic stability; and
6. The balance between state power and civil liberties.

Policy proposals in these areas will focus on mitigating the pandemic's vast socio-economic consequences for South Africans. In line with the approach of the IRR, a longer-term view on the post-crisis period must also be considered.

The IRR will produce a range of reports and proposals under each heading, offering practicable solutions to the complex crisis we now face as a country. All proposals will be considered in terms of their practicality, necessity, logistics, and consequences, and the details published in reports we believe stand to make a positive contribution to the collective effort President Ramaphosa described as being vital in South Africa's response to the coronavirus crisis.

The president was correct when he told the nation on 15 March: 'We have never been defeated by anything when we were united; united, we are strong, but divided, we are weak and can be defeated.'

In this spirit, the IRR is determined to contribute to the vital search for effective solutions to the difficulties the country now faces, in express acknowledgement of President Ramaphosa's challenge that 'it is up to us to determine how long [the epidemic] will last, how damaging it will be, and how long it will take our economy and our country to recover'.

In this document, each of the six focal areas listed above is introduced with a description of the current situation, followed by an analysis of relevant challenges, and proposed policy solutions. It must be made clear that the IRR will adjust this document over time as more information on Covid-19 and its consequences becomes available. The purpose of the document is to create a framework of response as a point of departure for research, detailed policy formulation and consideration throughout the duration of the Covid-19 pandemic, and mitigatory measures.

It will focus predominantly on socio-economic measures – as, at this time, it is vital that medical decisions on diagnostic, care, and treatment matters be left to those most qualified to do so within the medical profession. It would be appropriate at this point to both congratulate those medical practitioners who have responded to the pandemic with professionalism and an unmistakable devotion to the care of all South Africans, and to wish them well. The IRR is sure it echoes the views of all of society in thanking all practitioners who are already part of the vast medical response to Covid-19, and those who will participate in it in the difficult times ahead. The thoughts, prayers, and best wishes of a nation are with these men and women.

It is as well to note at this point that South Africa is facing this crisis in already difficult circumstances. For over a decade, the country has wrestled with a declining economic and fiscal position. South Africa has been hit by the Covid-19 pandemic as it is in recession. Unemployment sits at 29%, poverty remains extensive and widespread, and poor living conditions remain a point of much frustration. At the same time, failings in governance have compromised the state services that many of the most vulnerable among our population depend on, and which would be needed to meet this threat.

South Africa, in other words, will have to face this threat with extremely limited state resources, and uncertain capacity.

Thus far, President Ramaphosa and Health Minister Zweli Mkhize deserve credit for their handling of the government's response thus far. While mistakes are surely inevitable, the government must be credited for its response to the pandemic. Minister Mkhize in particular must be acknowledged for his willingness to engage constructively with many outside government. In facing the challenges posed by Covid-19, it is absolutely vital that all spheres of South African society work together to save lives, and livelihoods, and preserve the constitutional democracy and civil liberties countless South Africans fought bravely for and all hold dear.

To put it bluntly: now is not the time for the private sector to dwell on gain, or for the state to seek power. Just as the state must be willing to cede a measure of its political power, decision-making and freedom to pursue ideological objectives in order to ensure help is given when and where most needed, so too the private sector must be willing to adjust its own interests to match the national interest. When this crisis ends, South Africans, with their decency and common sense, will not forget how the state and the private sector behaved in these trying times when the lives of loved ones were on the line.

The country will need to proceed prudently, with full recognition of the limitations it faces. Moreover, the work that is done to meet the immediate challenges will need to take into account the outlook and need beyond the pandemic. This will come, and the need for adjustment (perhaps rehabilitation would be a more apt word) will be unavoidable.

For this reason, it is not only what South Africa does now to deal with the pandemic, but how it does this and what possibilities this will open in the near future. As the crisis has developed, there has been an escalation of demands from various quarters for policy responses that will be counterproductive: ramping up the deficit, nationalisation, dipping into private savings. It is just these ideas that have done so much to breed mistrust and to dissuade investment; they have undermined the resilience of the economy and South Africa's collective ability to rise to this challenge. It would be a profound tragedy if, weakened by recession and hit by the pandemic, South Africa wilfully compounded the damage by proceeding with policies and politics that compromised its future prospects.

Only if state and society, public sector and private sector, rise to the occasion in placing the people's lives and livelihoods first, can South Africa hope to weather the storm and emerge a more caring, harmonious, trusting, and united country. The IRR is committed to developing and promoting practical and reasonable proposals on how this can be done.

2. Healthcare

2.1. Introduction

> A crucial part of South Africa's response to the Covid-19 pandemic will be ensuring that people have access to healthcare.

In this, the country faces significant challenges, especially in view of the nature and current understanding of Covid-19.

The foremost consideration must be those who are most vulnerable to Covid-19. As stated earlier, the IRR will not offer policy recommendations on the medical response to Covid-19. It must therefore be left to medical professionals to establish which South Africans are or may be most vulnerable to the disease. While much is still to be understood about the SARS-CoV-2 virus and the Covid-19 disease it causes, global medical consensus seems to be that elderly people and those with compromised immune systems are especially vulnerable. While the IRR does not have the expertise to verify this perceived consensus medically, it assumes its validity for the purposes of formulating a socio-economic policy response that must take vulnerability into account. Should the perceived medical consensus on vulnerability change, the proposed policies in this document must be adapted accordingly, which should be possible without fundamental alteration.

2.1.1. Challenges to preventative measures through lessening of person-to-person contact

A primary healthcare challenge is the dense social integration that substantially typifies South Africa's living and workplace arrangements, thus diminishing the scope for the medically recommended practice of lessening person-to-person contact as a means of preventing the spread of SARS-CoV-2 and Covid-19.

Where much is made of the internationally adopted practice of 'social distancing', the cruel reality is that too few South Africans can practise this basic preventative measure to the extent that other nations might. Approximately 5.5 million people live in informal settlements predominantly in situations of close proximity. Moreover, the number of people per household averages around 3.4. A further complication in current circumstances is the number of multi-generational homes. In terms of multi-generation households, the distribution of people aged 60 or more is 34.2%. These factors also play into the living conditions of the approximately 8 million South Africans who suffer from medical conditions and illnesses such as HIV/AIDS and tuberculosis (TB), as they are mothers and fathers, sisters and brothers, aunts and uncles, grandparents, and friends who share living and social spaces.

Given the working conditions of many South Africans, the practicability of 'social distancing' is further compromised. We estimate that 49% of employed South Africans work in economic sectors that cannot realistically be reorganised, restructured, or approached in ways that would significantly minimize person-to-person contact. While some South Africans can continue their work remotely, this is not an option for others. Many will therefore be left in the terrible position of having to choose between 'social distancing' to protect the health of their household on the one hand, and a source of income and their ability to provide on the other. This grim dilemma, along with proposed policy responses to it, is considered in greater detail in the section on 'Income security'.

In view of the circumstances under which many South Africans work, it is clear the potential effectiveness of preventative measures such as 'social distancing' is limited. Another problem arises from the means by which millions of people travel to and from work, schools, health and other services, shops and places of leisure – even under lockdown conditions, with movement restricted.

In ordinary circumstances, 5 395 000 South Africans use taxis, and public transport such as trains and buses, and approximately 1 705 000 school pupils use such methods of transport to travel to and from educational facilities. The closure of schools, and other limits on movement, mean these numbers are much reduced, but the scale of most South Africans' reliance on commuter transport modes points to a critical challenge in preventing person-to-person.

Taking the density of living and working arrangements into consideration, it is therefore clear that the practicability of 'social distancing' as a means of impeding the viral spread is limited. Many of South Africa's most vulnerable, whether they are elderly or people with compromised immune systems, cannot easily be distanced from – or within – their homes, their means of generating income, their means of participating in the buying and selling of goods and services, and their means of transport.

2.1.2. Shortcomings of public healthcare sector in responding to Covid-19

A second consideration in assessing South Africa's ability to provide healthcare to those in need of it is the significant shortcomings of the public health sector and the impact this will necessarily have on a co-ordinated, nationwide response to the Covid-19 pandemic. While the aim, here, is not to apportion blame for these shortcomings, it would be dangerously naïve to not call attention to the uncomfortable and worrying facts of South Africa's public healthcare system as a basis for recommending urgent remedial policy.

South Africa has close on 3 427 public clinics, many of them built since 1994. It also has almost 331 public hospitals, providing 87 429 beds. There are some 19 828 general practitioners (GPs) and specialists working in the public sector, amounting to 43.6% of all such health professionals registered in the country. Some 69 881 professional nurses (49.1% of the total) work in the public sector, as do a similar number of nurses with only a year or two's training. The number of public sector GPs has gone up from some 7 500 in 2000 to more than 15 000 in 2018, an increase of roughly 100%. The number of public sector specialists has gone up, too (from some 3 900 in 2000 to close on 5 000 in 2018), but this increase, at 24%, is less marked. The overall people-to-doctor ratio in the public sector, including both GPs and specialists, stood at some 2 911 to 1 in 2018. The people-to-nurse ratio, by contrast, was 420 to 1 in 2018, a small improvement on the 2000 ratio of 482 to 1.

Furthermore, South Africa has a shortage of critical-care beds, which will be necessary for at least some patients. Latest figures indicate that there are about 7 000 beds available, with just over 2 000 being in the public sector and the remaining beds in the private sector. However, the occupancy rate of critical-case beds in the public sector is about 80%. In the private sector the occupancy rate is about 50%. This means that there are about 3 000 beds available at any one time, most of them in the private sector.

South Africa allocates around 12% of budgeted government spending to public healthcare, amounting at present to some 4% of GDP. In nominal terms, the health budget has gone up from R15.6bn in 1994/95 to R234.2bn in 2020/21, an increase of 1 401%. In real terms it has gone up by an average of 7.8% a year over the last five years or so. However, South Africa gets little bang for its public healthcare buck.

2.1.3. Poor standards in public healthcare

Though many dedicated health professionals serve in the public sector, standards of care are often poor. This would place those most vulnerable to Covid-19 at avoidable risk. Reasons range from a shortage of doctors and nurses to bad management of public hospitals, persistent shortages of medicines and other consumables, and a widespread failure to comply with basic norms and standards in public hospitals and clinics.

2.1.4. Acute shortage of doctors, specialists, and nurses

Factors pushing healthcare professionals out of the public system date back to the late 1990s, when the government announced a (supposedly) new focus on primary healthcare. This was in keeping with the Declaration of Alma Ata adopted by the World Health Organisation (WHO) in 1978, which had emphasised the importance of providing easy access to a relatively low level of healthcare, while also preventing the spread of disease through improved sanitation, access to clean water, and immunisation. Resources were thus re-allocated from the tertiary to the primary sector, to increase the number of new clinics in under-serviced areas. By 2017/18 the number of clinics had risen to 3 427, while headcount visits had increased from some 67 million in 1996/97 to almost 102 million in 2006/07. However, the benefit to the poor was questionable, for a large proportion of the new clinics had no properly trained nurses and few had adequate medicines in stock.

In 2017, 16% of medical facilities that participated in a quantitative study on medicine stock reported that they had experienced shortages of antiretrovirals and TB medication in the preceding three months. The same study found that 25% of stockouts lasted longer than one month. In considering available data on co-morbidity risks associated with Covid-19, such stockouts are of great concern.

At the same time, increased revenue for primary healthcare came at the expense of the country's top teaching hospitals. The government severely cut the budgets of the best state hospitals, while criticising them for their supposed preoccupation with heart transplants and other 'diseases of the rich'. In many instances, state hospitals (such as Groote Schuur in Cape Town, famed for the world's first heart transplant) were instructed not to carry out such operations anymore. This ignored the extent to which Groote Schuur and other tertiary hospitals had long been engaged in helping the poor. It also encouraged an exodus among doctors concerned that the government had little regard, as R.W. Johnson writes in his book *South Africa's Brave New World*, 'for the things which had made South African medicine so distinguished in the past'. Some health professionals spoke of the need for 'a more careful balancing act' between primary and tertiary health, but Professor Solly Benatar, a scholar of South Africa's health services, was blunter. Professor Benatar warned that the attrition of tertiary services in favour of primary services which were often dysfunctional meant 'greater losses than gains in healthcare in the short term and adverse implications for the future'.

The Mbeki government's irrational response to the growing HIV/AIDS pandemic and reluctance to allow the use of ARVs further damaged the public healthcare sector. It hugely compounded the burden of disease and generated among many doctors in state hospitals a 'feeling of hopelessness, major hopelessness' as to how to cope with these new challenges. It also fuelled a major exodus of doctors and nurses from public to private healthcare, opportunities abroad. This added to the pressure on remaining health personnel while demoralising them even further. Avoiding a repeat of such mistakes by government is paramount. In its response to the Covid-19 pandemic, it is reassuring that the current government has not erred similarly.

2.2. The public healthcare system is low on crucial resources needed for an effective response to Covid-19

2.2.1. Basic preventative support

2.2.1.1. IRR policy recommendation: Provision of sanitisation equipment in transport infrastructure and public spaces

Sanitisation resources and equipment should be supplied at major public transport centres, including taxi ranks, train stations, and bus stops. Any public space which daily receives high volumes of people should have sufficient soap and/or hand sanitiser to distribute to passengers prior to their boarding any vehicle. Crucial to the success of this measure is the need for businesses not requiring staff to work on-site to instruct or enable them to work from home. Only by effectively lowering the numbers of people using transport infrastructure can the benefit of this policy proposal be maximised.

2.2.2. Medical personnel capacity

2.2.2.1. IRR policy recommendation: Fast-track medical studies

Medical students in their final year of university should be fast-tracked by a rapid shift to online coursework and alternative means of assessment. Additionally, where possible, students studying in fields of medicine should, in exchange for credits towards graduation, be deployed as volunteers to increase the capacity of the public health sector.

2.2.2.2. IRR policy recommendation: Remove regulatory barriers to the expansion of medical personnel capacity

Unnecessary and cumbersome regulatory barriers in the healthcare, manufacturing, and pharmaceutical industries should be urgently removed. Removing regulatory constraints on foreign medical practitioners awaiting authorisation to practise in South Africa would rapidly enlarge the country's healthcare capacity. Where applications of this nature are in progress, these should be fast-tracked. This urgent revision of occupational regulatory constraints should include allowing retired medical practitioners to suspend their retirement should they be willing to do so.

To achieve greater sustainable expansion of medical personnel capacity in South Africa, private sector tertiary education institutions should be incentivised through subsidies and regulatory adjustment to train medical practitioners. These institutions should also be offered incentives to initiate short-term courses on basic medical skills to equip people to serve as auxiliary medical support personnel (AMSP). Medical facilities should then employ such auxiliary staff – on a temporary contractual basis, with 50% of AMSP salaries being paid via reallocated state funds – to free up medical capacity where possible.

Minister of Trade and Industry, Ebrahim Patel has exempted the healthcare sector from some aspects of the Competition Act. This has opened the way for private hospitals to collaborate with one another and with the state in order to make the best use of hospital beds, intensive care units, and isolation facilities. The exemption will also allow increased co-ordination in procuring pharmaceuticals and consumables, transferring equipment and supplies, and securing the optimum use of staff.

Many small changes are needed – for example, regulations requiring government approval for the construction of new clinics or the purchase of sophisticated medical equipment – should be lifted immediately, so as to make it easier for the private sector to expand as it sees fit in countering the pandemic. Equally, current rules on the 'single exit price' for medicines prohibit discounts for bulk orders, even though these could help reduce prices at a crucial juncture. This too should go, as should the levying of VAT on medicines and all other health products.

2.2.3. Testing and treatment infrastructure and equipment

2.2.3.1. IRR policy recommendation: Fast-track development of technological aids to diagnostic interaction between patient and medical practitioner

Efforts should be made to incentivise the development of software applications (apps) for diagnostic and testing procedures. Language technology applications, as currently being developed and applied by institutions such as the Council for Scientific and Industrial Research (CSIR), should be given support to accelerate development and testing. By removing communication barriers between medical practitioners and patients, diagnostic efforts can be accelerated to ensure that those most in need will be tested and receive care.

2.2.3.2. IRR policy recommendation: Launch information campaigns on symptoms and testing

Information campaigns on Covid-19 symptoms and testing should be launched in all eleven official languages and sign-language, as well as through non-linguistic visual communication methods such as illustrated information displays.

2.2.3.3. IRR policy recommendation: Ease import regulatory barriers in the purchasing of testing and other medical or complementary equipment

It is anticipated to become vital that South African medical facilities can provide treatment for severe and critical cases of Covid-19. In this regard, the medical consensus currently seems to be that successful treatment of the respiratory effects of Covid-19 would require extensive infrastructure and equipment for assisted breathing. In this regard, specific pharmaceutical substances and treatment infrastructure and equipment, as identified as necessary by qualified medical practitioners, should be immediately exempted from all import duties and costs as such products would most likely be purchased outside of South Africa and would need to be made available to medical facilities as cheaply and quickly as possible.

In this regard, restrictions on drone usage and flight should be urgently reviewed to allow pharmacies to use drone technology to deliver medicine where feasible within the least limitations. With the anticipated pressures on all manner of healthcare infrastructure, even incremental lessening of obstacles to getting medication to people must be pursued.

2.2.3.4. IRR policy recommendation: Incentivise private sector development of testing and treatment equipment

It is vital that skills and ingenuity directed at developing technology that can assist in the medical efforts to counter the spread of SARS-CoV-2 and the effects of Covid-19 can be brought to bear without cumbersome regulatory restriction. While some regulatory measures should be maintained or implemented, technological development should be encouraged and incentivised. This will not only make available resources to medical efforts and facilities, but also stimulate much-needed economic activity.

2.2.3.5. IRR policy recommendation: Create isolated care facilities using available public sector, private sector, and temporary infrastructure

Existing government-owned infrastructure should be converted to serve as isolation facilities – with some being exclusively designated for those who are especially vulnerable to Covid-19. This could be any space owned by government, which has the infrastructural capacity – such as water and power supply – and space for permanent or temporary structures to support a large number of people. Examples of this in other countries include public halls in cities and towns, and stadiums. In South Africa, this strategy should specifically be extended to such infrastructure as national parks, which are by nature isolated, are under economic pressure due to the large-scale pull-back in the tourism industry and have all basic and necessary infrastructure. Under measures discussed in the 'Economic stability' section of this report, it is proposed that these entities could be compensated through funding mechanisms such as vouchers, where applicable.

Temporary structures should also be set up as isolation facilities. Such structures can by constructed with speed and on land owned by national or provincial government. Such a policy, also discussed further in 'Economic stability', could provide life-saving support to particular economic sectors through the rapid drafting of tenders of varying sizes to enable broad and necessary economic stimulus. Catering, manufacturing and construction are prime examples of sectors that stand to benefit.

2.3. People can't afford private healthcare

2.3.1. IRR policy recommendation: Emergency Covid-19 Treatment and Isolated Care Vouchers

While laudable steps have already been taken by both the private and public sectors to make private care facilities available, it is vitally important to protect the viability of the private sector, as its role in the broad response to Covid-19 will likely prove to be a life-saving and sustained one. In order to care for poorer South Africans who cannot afford private healthcare, and to sustain the structural viability of this care, Emergency Covid-19 Treatment Vouchers should be issued in cases where a person both tests positive and is either a) 70 or older; or b) has a chronic condition affecting the respiratory or immune system; or c) whose life-saving treatment is likely to incur substantial costs to the medical facility in question, complicating its ability to maintain care to others.

Additionally, Emergency Covid-19 Isolated Care Vouchers should be made available. In order to provide isolated care to poorer South Africans who cannot afford the costs associated with drastic measures of 'social distancing' or more stringent forms of isolation from possible carriers of Covid-19, private sector hospitality facilities should be able partner with the state to help relocate poor and vulnerable South Africans to safer living conditions. To ensure the sustained structural viability of this form of largely non-medical care, the Emergency Covid-19 Isolated Care Vouchers should be issued to anyone who is 70 or older, is unable to afford the costs of isolation, and either a) lives within a specific proximity to known areas or incidents of Covid-19 infection; or b) has a chronic condition affecting the respiratory or immune system. Isolated Care Vouchers would help prevent more dangerous cases of Covid-19, while simultaneously enabling the practicable and constructive use of hospitality and tourism-industry infrastructure at a time when this sector is facing significant economic difficulty.

These vouchers can be issued directly to the relevant facilities to fund the admission and treatment of poor people who qualify, based on the above criteria. The voucher would simply act as a direct remuneratory link to the Department of Health – or a different government agency or entity – which would provide compensation of the appropriate amount. The object here is to ensure that vulnerable people can receive quality healthcare in the event of the public health system being overwhelmed, and also to mitigate the risk of such an outcome by placing those most at risk in safer living conditions. While these vouchers should provide relief both in expanding access to care and in stimulating economic activity among affected businesses, stringent steps should be taken to ensure the vouchers are not exploited as a stream of profit, and that they cover only costs and expenditures regarded as reasonable by industry standards.

3. Income security

3.1. Introduction

> Economist Dawie Roodt has noted of the Covid-19 pandemic: "This is a crisis, but you must understand one thing properly ...it is a crisis on top of a crisis."

At the end of 2019, the number of unemployed South Africans was 16 420 000. Even when the global economy was growing, it was an uphill battle to find a job. In the global recovery period from 2010 to 2019, the world's GDP grew by over 25% in inflation-adjusted terms. The International Labour Organization (ILO) estimated that by the end of the decade there were 3.3 billion workers at record low global unemployment rates. Even in Sub-Saharan Africa, unemployment was estimated to average 4.5% by the ILO. By contrast, in SA GDP did not grow in the decade (in terms of current US$) and unemployment climbed. At the end of 2019, SA's official unemployment rate was 29.1%, rising to 36.8% on the expanded definition (which includes those who would work if offered a job but have given up looking for employment). The percentage of youth between the ages of 15 and 34 not in education, employment or training (NEET) climbed to 40.1%.

This section focuses on those who did have an income going into the Covid-19 pandemic, but have now, will soon, or might lose their jobs through no fault of their own. At its fullest, these are the roughly 16.5 million who contribute, and have contributed, to making our country work. This group has added the value that all South Africans depend upon for stability and development. But now is their hour of need.

How great is that need? This will partly be determined by factors beyond domestic control, including the performance of foreign markets and foreign governments. But to get a sense of the high risks faced by SA's newly unemployed, consider the following.

The International Labour Organization (ILO) estimates a "low" impact scenario cutting 5.3 million jobs worldwide; rising on a "medium" scenario to 13 million; and on a "high" impact scenario to 24.7 million jobs in the coming months. For comparison, the ILO notes, the Global Financial Crisis of 2008 cost 22 million jobs. Worse, while systemic shocks typically cause a decrease in formal employment, that shock is typically ameliorated by an increase in informal employment. But the pandemic imposes "limitations on the movement of people and goods" that "may restrict this type of coping mechanism", according to the ILO.

Migrant labour is another concern. According to the ILO, "(migrant) workers are particularly vulnerable to the impact of the Covid-19 crisis, which will constrain both their ability to access their places of work…and return to their families".

Furthermore, domestic and international shifts towards "social distancing" put extreme pressure on all jobs related to face-to-face gatherings. Corporate, government and private events have already been cancelled under the government's prohibition of gatherings of more than 100 people at a time in South Africa (in Germany gatherings of more than 2 persons at a time have been prohibited). This affects travel-related businesses, airlines, road and rail transport companies, events managers, performers, accommodation suppliers, and caterers to name just a few. It also effects those in the “gig” economy, including Bolt and Uber drivers and those who derive income through AirBnB. In 2019, the tourism industry accounted for roughly 3% of GDP, with an indirect contribution of over 8.2% of GDP, according to the Department of Tourism. Furthermore, in 2019 there were an estimated 709 000 jobs directly dependent on tourism, while tourism’s indirect contribution to total employment stood at 9.2% in 2018.

Covid-19 will cause job-losses as a result of “social distancing” which is needed to “flatten the curve”, slowing the virus’s spread. But, even more directly, Covid-19 will infect people, making them too ill to work. For those who require ventilation or suffer organ failure, recovery can mean being months away from work or with having limited ability to work. Some will die, we do not yet know how many. Beyond the tragic loss of life and loved ones, there will be the loss of income, too.

There are less direct challenges to SA incomes posed by the pandemic that could, if you follow the logic, also ultimately lead to loss of life. Small, micro, and medium enterprises (SMMEs) typically face some of the greatest liquidity constraints in any economy, since those companies, like many individuals, survive from payment to payment with little reserves. According to the Small Business Institute of South Africa, SBI, 98.5% of SA businesses are SMMEs, formally employing nearly 3.9 million South Africans (as of 2016). To protect SMMEs from collapsing due to liquidity crises and sudden demand-drops resulting from the Covid-19 pandemic, the Department of Small Business Development has established a debt-relief fund, and the SARB has reduced the repo rate by 100 basis points.

The largest companies are under heavy strain, too, due to pre-existing conditions, Covid-19 and the oil price war which puts that commodity's price at roughly $30 per barrel at the time of writing. As an FNB portfolio manager put it: "The market panic around the global coronavirus outbreak first hit the JSE around 17 February. The overall [JSE] Alsi was valued at around R7.3 trillion back then (though, by 16 March) the total plunge (amounted to) more than R2.3 trillion." Reduced market capitalization results in reduced borrowing ability and can force companies to sell off assets to avoid foreclosure or breaking debt covenants, such as at Sasol. Moreover, the loss of value on the JSE affects all invested there, including workers and pensioners. The latter see a further loss of income due to the reduction in the repo rate, needed to maintain liquidity in the rest of the market.

Here, it is important to note that for every income earner there are many dependants. According to Stats SA's most recent General Household Survey (conducted in 2018), Salaries, Pensions and Remittances were the main source of income for 70.2% of SA households (salaries 58.6%, remittances 9.4%, and pensions 2.2%). For the remainder, government grants and other sources provided main income, though those too are ultimately derived from value added by workers.

It is further worth noting that most South African workers do not earn very high levels of income. According to Stats SA, median incomes increased from R3 115 in 2012 to R3 500 in 2017. That means that, in 2017, half of South Africa's workers earned R3 500 or less per month, a number not expected to have risen much, if at all, since. Moreover, 25% of workers earned less than R2 000 a month. The median income for employees in "Sales", another area likely to be heavily affected by Covid-19, was also

R3 500 per month, while construction workers had a median income of R3 400 per month and have already suffered serious job-shedding in recent years. The median income for domestic workers and low-skilled workers was R1 733 and R2 200 respectively.

These humble incomes are the lifeblood of many. At the end of 2019 there were an estimated 1 013 000 domestic workers and 3 726 000 “elementary” workers with low skills. As already noted, half of South Africa’s workers earn an estimated R3 500 or less a month.

South African savings rates have been particularly low over the last decade partly due to depressed economic growth, over-dependence on credit, and poor service delivery ramping up supplementary costs (after tax) for safety, health, and education. A 2018 survey conducted by Old Mutual found that the majority of South Africans earning less than R6 000 per month would, if retrenched, not be able to make their savings last more than a month. This challenge is not unique to the lowest earners. For example, a majority earning between R14 000 and R20 000 per month have insufficient savings to last them more than two months. Since the vast majority of South Africans (of all races) earn R20 000 per month or less, the possibility of large-scale job-shedding would have dire consequences across the board. In addition, an estimated 44% of South Africans earning less than R50 000 already regularly run out of money before the end of the month, according to a survey commissioned by TymeBank. And that was before the pandemic.

To look at the problem from another angle, consider that in 2017, before Covid-19 and the mass capital flight driven partly by moves to curtail property rights, Stats SA found that 6.8 million South Africans endured prolonged periods of hunger. According to the UN, SA has the highest percentage of overweight children below the age of 5 and of adolescents between 10 and 19 (often a result of poor diet), while also having 1.7 million children suffering stunted growth due to malnutrition and 3.7 million children suffering from anaemia. Let incomes fall far enough and the fatality rates of children and the elderly will far outweigh fatalities directly caused by Covid-19 in this country.

At this point it is worth noting that Covid-19 is not the only force that grows or shrinks on an exponential curve. Widescale loss of income would result in a) a decrease in demand, b) a depreciation of (some) property prices as assets (cars, electronics, equities, capital investments and in some cases immovable property) are liquidated to meet immediate needs and, c) a decrease in tax revenue upon which the grants system depends. These three negative consequences would themselves induce more job losses, producing a vicious cycle of economic contraction. Add to this the potential erosion of law and order as South Africa (which already had a record of almost ten violent protests per day pre-pandemic) and you have the perfect storm. If government, corporates and individuals are not careful, joblessness could spread exponentially, just like a viral epidemic.

A key institution to consider at this point is the Unemployment Insurance Fund (UIF), which provides unemployment benefits, illness benefits, maternity and death benefits. Currently the UIF provides benefits to individuals for up to one year after work termination, though the period is shortened for those who have been in employment (and contributed to the UIF) for less than four years. Benefits are paid out on a sliding scale so that those who earned the least get a higher percentage of their former salary paid out as a monthly benefit, with the lowest earners getting 60% of former earnings for the first eight months, sliding down to 38% for higher earners.

The UIF's assets are managed by the Public Investment Corporation (PIC), making up 7.8% of assets under PIC management. The true (net) value of the UIF's assets is currently unknown, but recent estimates range from R110 billion to R170 billion. The PIC has been under attack pre-Covid-19, with calls from both unions and government to use its funds, over R2.1 trillion (though this may have depreciated considerably since the last report), to bail out failing SOEs like Eskom and SAA. The UIF in particular was targeted to "save" SAA. It is a small mercy that this did not happen, preserving the UIF for its proper function: to sustain incomes during a time of crisis to maintain demand and capital stock while workers find new work. The UIF was intended to "bailout" the recently unemployed, not inept state employers. The UIF is here to buy time for individuals, and the time to do that is now.

It is imperative that the Covid-19 pandemic is not confused with that other, far more long-standing, enemy of the ordinary South African worker: mismanagement. Air stewards can do their best to provide satisfactory service on SAA flights, pilots can apply total focus to deliver their passengers safely, and chefs can produce meals for travellers to the best of their ability over a period of years or decades – if the SOE they work for is mismanaged the enterprise as a whole does not add value. Instead it acts as a sink into which precious resources are drained. This is what has happened over the last decade. Between 1994 and 2019, the government gave SAA more than R57 billion in bailouts (not properly accounting for the inflation of earlier bailouts).

With the fiscus overstrained, the UIF and pensioners would have been next, had the unions had their way. It should now be crystal clear that this is not an option.

We will get into this in more detail in our proposals, but the gist is this. South African workers need two things: I) to have their incomes maintained to the maximum sustainable degree over a limited period in order to allow them the time necessary to find new ways to contribute to society effectively through work and II) to be liberated from the brutal, corrupt and brazenly mismanaged enterprises that have twisted millions of man-hours of toil into drains rather than gains within SOEs and the civil service. Both things can be done at once by freeing capital from SOEs through liquidation, privatization and retrenchment on the one hand, coupled with the extension of UIF benefits at renegotiated emergency levels that extend the scope, extent and duration of pay-out, albeit with necessary sunset clauses. If the UIF needs more money to do this, now is the time for the fiscus to step in and fill that gap by letting go of its long-accumulated dead weight. Combine that proposal with a package of relief for SMMEs and macro-efforts to boost equities and we have the formula to endure the pandemic and come out stronger, leaner, and better-prepared to deal with the next inevitable crisis.

There will be a powerful temptation to seek to maintain income through asset seizures instead. The SACP, for example, has described this as the time to trigger both prescribed assets and expropriation without compensation. One problem is that this will further devalue all assets, including reserves at the UIF. It will also severely depress the ability of employers to maintain income security in the best possible way – by paying people to continue working in going concerns.

Resisting the temptation to legalise looting in the time of crisis will be difficult, and, in some quarters, unpopular. And yet it is every bit as imperative as social distancing, supplementing incomes for the recently unemployed, and boosting hospital care. To return to the quote that opens this section, South Africa can hardly survive the crisis we are now in on top of the recessionary crisis we were already in. To traduce property rights now would make a Russian doll (matryoshka) of crises, one inside another, inside yet another. Such a property rights crisis on top of the pandemic crisis on top of the recessionary crisis would bring South Africa into the realm of existential threat.

3.2. People will be unable to earn an income

3.2.1. IRR policy recommendation: Enable payment of insurance-based income relief

Insurers should be incentivised to pay out to clients, who wish to receive it, a percentage of their death coverage. Coupled with reasonable steps taken by banks to secure debt relief, as set out below, this would ensure an income source equivalent to a substantial percentage of what a middle-class client of such insurers would have earned through usual income.

As total death coverage is in general equal to four or five years of income, IRR calculations show that a pay-out of 6.25% of a client's total death coverage should ensure significant income relief of 50% for six months, or alternatively, 100% for three months.

To cushion the financial impact of this sudden expenditure on small and medium-sized insurers, government should lower regulatory capital reserve levels temporarily.

The attraction of this proposal is in securing income stability for many South Africans who have behaved sensibly and responsibly in managing their personal finances, and securing that stability without any significant financial burden being incurred by the state.

Income protection policies that pay out in the case of temporary or permanent disability or inability to work should be paid similarly and should be factored into cases of early pay-outs of death coverage to lessen strain on this novel and temporary income-relief mechanism. In addition to these measures, insurers should be incentivised to create new policies to cover extended periods of unpaid leave or retrenchment in case of a national emergency. The private sector can, through mechanisms such as these, demonstrate in a most tangible and impactful fashion its dedication to the lives and livelihoods of South Africans.

3.2.2. IRR policy recommendation: Enable payment of UIF-based income relief

Income protection schemes should be extended to cover the duration of unpaid leave. Schemes such as UIF should come into effect for this purpose. Income protection schemes should be extended to cover the duration of unpaid leave. Schemes such as UIF should come into effect for this purpose. The UIF had net assets in excess of R130 billion in 2017, which could theoretically be used to inject much-needed cash into the hands of those who lose income as a result of the "shut-down". Ordinarily, UIF benefits would go all those who, together with their employers, had already contributed to the fund. This would not usually include independent contractors. In addition, the recently unemployed are usually only entitled to claim if they have been unemployed for more than 14 days, the same 14-day period applying to those who cannot work due to illness. The maximum pay-out is 60% of the former wage for the lowest earners ratcheting down to 38% for those who had been earning more.

In this time of crisis the regulations might be shifted. The 14-day period could be waived. The pay-out ratios could be temporarily raised. Moreover, it is worth considering making a special allowance for those earners who were not signed up with the UIF because they were independent contractors or workers in the informal economy without written contracts (including the portion of domestic workers not already covered). This would place an extra cost on the UIF, but the argument is that if the UIF can afford to pay that cost it is a natural first line of defence against the exponential growth of joblessness explained in this section's introduction.

One question that is difficult to answer is what the UIF really can afford? Its asset value seems impressive until one considers its investment portfolio. According to the PIC's 2019 annual report, 53.84% of UIF assets were bonds. If a significant portion of these were US bonds, all would be well, as the US bond price has risen to historic highs during the Covid-19 panic. SA bonds, on the other hand, are now the cheapest they have been in 18 years. 20.51% of the UIF's assets were local equities, but with the JSE having lost trillions of rands in value during the pandemic, those assets will have depreciated considerably too. Only 3.57% of its assets were foreign equities, the remainder sitting in listed property and cash and money markets.

The UIF's capacity is, therefore, not clear at this moment. It behoves the UIF to publicise its current asset position to better inform the country of what exactly is possible, by way of supplementing lost income. There is no time to lose.

3.2.3. IRR policy recommendation: Early access to pensions

As Bloomberg reports, the Australian government is moving to give people early access to their retirement savings to cushion financial hardship. Those in financial distress will be allowed to access up to A$10 000 of their pension savings in the current fiscal year (ending 30th June) and another A$10 000 in the following fiscal year. This will effectively allow them to withdraw A$20 000 over a period of four months. According to Treasurer Josh Frydenberg, this will put as much as A$27bn back into the pockets of hard-pressed working Australians. Pension funds would be able to handle the withdrawals, he says, as they amount to less than 1% of industry assets.

A similar scheme could be implemented in South Africa, where pension funds (before the recent sell-off of stocks and bonds) were valued at some R4.4 trillion. Assuming pension fund investments have declined by some 25% in this market rout, their remaining value is roughly R3.3 trillion. If 1% were allowed to be withdrawn, this would amount to R33bn. This sum could provide an important boost to working pension fund members needing additional or replacement income.

The government should also change the tax code to exempt people from having to pay tax on pension monies they access early in this way. It should also retain the tax benefits usually granted to employees for their pension contributions, even if people with incomes reduced by the pandemic cut back on what they normally pay in. The PAYE deducted from their salaries would then remain the same for a specified period of, say, six months. This would make little difference to the fiscus, but would greatly help those unable to sustain their normal pension contributions. Their monthly PAYE payments would remain the same for six months, but they would have more income available for other needs.

3.2.4. IRR policy recommendation: Debt relief mechanisms should be created within the necessary fiscal parameters

Deadlines on debt repayments should be extended where sudden unpaid leave or sources of income compromised by Covid-19 lead to negatively impacted personal liquidity. A similar grace period should be allowed for individuals and firms facing potential bankruptcy – especially industries vulnerable to travel restrictions, such as civil aviation, tourism, hospitality, and manufacturing.

3.2.4.1. Employed individuals

Individuals that are employed and still earning an income during the nationwide lockdown would still need to repay their debt so that it does not create default risk in the financial sector. Finances would need to be prioritise to medical aid, groceries as well as savings during the crises. As such banks are encouraged to make loan repayment agreements between the loan benefactor and the bank. The loan repayment agreement may include a 4-month period in which the loan benefactor may pay an amount below the normal monthly payment. The decrease in the repo rate by the SARB has led to a decrease in interest payments for certain individuals based on associated risk (credit score). This will make it easier to repay debt during the crises.

3.2.4.2. Unemployed individuals

There should be a 5-month loan repayment freeze on individuals that may have lost their jobs due to the coronavirus. The nationwide lockdown is for 21 days and once it has ended, these individuals should seek employment which will allow them to earn an income. Businesses should be exempt from the National Minimum Wage Act; this will fast track the employment of young individuals and the ones that may have lost their jobs. Once the 5-month loan period has ended these individuals should repay their debt obligations and restructuring of loan contracts may be made.

3.2.5. IRR policy recommendation: Abandon the National Minimum Wage

According to Stats SA's 2017 data, the median wage of SA earners at the time was R3 500 per month. Roughly 20% of South Africans were earning less than R2 000 per month.

As deputy president, Ramaphosa had for years led a charge to introduce a National Minimum Wage (NWM) in order to boost the incomes of low earners. The panels he convened claimed to take inspiration from "positive" experiences of national minimum wage legislation abroad, particularly in the UK.

Yet every country that has made the NMW work (by also raising GDP, raising employment levels and raising incomes for the working poor) has done so by making the NMW rate a fraction of the median wage. In the UK, this ranged from the NMW being 40% to 60% of the median wage, though the ratio was even lower in countries like Estonia and Russia. Heedless of this "detail", the NMW instituted by President Ramaphosa put the minimum equal to the median wage, with limited exemptions.

With the country entering lockdown, employers and employees have extremely difficult choices to make. Reducing working ours as demand goes down in certain sectors can only go so far. Millions of workers will simply be less productive than they were before, through no fault of their own, because of enforced "social distancing", but the fundamental logic of value-add remains – if a worker is being paid more than the value they produce, the business will go bust sooner or later. Given the further forces of reduced demand, contracting asset values and potential financial instability sooner might come first.

So, for many, the choice will be to accept a wage cut or be forced to accept retrenchment. The wage cut would surely be preferable, but it will be impossible for nearly half the workforce due to the fact that the NMW now roughly equals the median wage.

Exemptions can be granted through special application, but it is our current assumption that processing paperwork (a drain on resources at the best of times) will now be an extreme stress both on businesses and on the state's bureaucracy.

Putting a moratorium on the NMW now is perhaps the easiest trigger to pull to stabilize incomes in this time of crisis, since it reduces the demands on the state rather than increasing them, while allowing workers and businesses to get along more readily in the face of the minimum necessary.

3.3. Dangerous policy alternatives

It is trite that doctors around the world swear to "do no harm". This concept is fundamental to the profession and is the guiding principle of doctors' and nurses' most difficult function: triage. Do no harm means it is imperative not to hurt a patient, or others, in the attempts to save a life or cure the sick. Maximizing limited resources and time means it is imperative to select the best candidates for protection. Triage is, in its way, a subset of the instruction to do no harm because expending precious resources that do not save lives deprives those who could be saved of the chance, a serious form of harm.

In the pursuit of protecting income security, the government must adhere to these fundamentals. During the pandemic the media has become rife with calls to deprive some income earners to benefit others. It is with utmost distress that the IRR notes calls to mete out income supplementation on the basis of race. Furthermore, calls to simply take pensioners' money must be met with deep concern.

Part of the problem here is that property prices in the broadest sense, including equities, bonds, and immovable property, are currently heavily undervalued. Undermine property rights by outright taking some of that private property and the undervaluation will worsen. Without capital to mix with, labour becomes less productive and when property rights are attacked capital that can leave will, while capital that cannot leave will become less effective. This shrinks not only productivity in the medium term, but immediately reduces the buying power of those assets sitting in the state's hands at the UIF, and the Public Investment Corporation more broadly. Put another way, we can envisage a scenario where some assets are taken for the purpose of redistribution only to find that the state's assets that have been mandated for the very purpose further lose their capacity to fit their purpose. Or, in even more basic terms, if you steal some of the stuff the rest tends to become worthless.

Hard choices must be made, countless lives and livelihoods are at stake. It is our current position that the best source of additional resources must first be mismanaged assets in state hands (starting with SOEs) that can and must be liberated so that immediate needs can be met. Moreover, if such reforms were taken at this juncture it would send a significant signal to private investors domestically and globally that SA will not compound the pandemic by inflicting maximum long-term damage, but is instead prepared to restrict itself with great discipline to core functions (policing shut-downs, providing healthcare and food supplies to the needy) while allowing market-tested experts to pick up the slack at SOEs that serve little strategic function, like SAA. This in itself would identify SA as having a high potential for resurgence, affording investors (making their own triage decisions) the confidence to double down in supporting the country during these trying times and, spurred by the high growth potential, to come into a more liberalised market after the crisis.

But this point cannot be stressed too clearly: in a state of panic, opportunists will try to put down the last remaining misgivings about further bailouts of moribund SOEs by arguing that more and more assets must be placed directly in the state's hands now to "save lives". The opposite is true, though it will take courage to say so.

4. Social stability

4.1. Introduction

> The reality is that our communities and societies will soon face severe challenges to everyday elements of South African life.

The dramatic disruption of the routines of ordinary life – the school or working day, trips to the shops, and the social activities that fill the hours of leisure, from sport and religious activities to socialising in public places and family and community gatherings – is placing great strain on families and individuals, but also on the essential structures of orderly existence.

It follows that South Africa's success in confronting the healthcare and economic impacts of the coronavirus outbreak will be considerably influenced by the effectiveness of measures capable of sustaining social stability.

This section deals with the stresses already being felt by South Africans and which will likely grow. It offers proposals aimed ameliorating the impact, and the potential consequences, of the disruption created by the closure of schools and universities, the downscaling of business activity and loss of jobs, and the potential disruption posed by the risk of civil unrest, and threats to the food supply chain.

In the context of the importance both of social distancing and of preserving social order, measures to occupy young South Africans productively and ensure their interrupted schooling is not compromised are vital. Young people (18 and younger), who will have a critical role in the post-crisis period, require particular attention.

Of South Africa's population of 58.7 million, 19.7 million are people under 18 (16.8 million of them black), with the highest proportions living in Eastern Cape (38.8%) and Limpopo (38.7%), the country's poorest provinces. These South Africans represent the learners of society – school pupils (12.8 million in pre-primary, primary and secondary schooling) and students (just over 1 million) – whose future depends on their education.

The closure of the country's 23 289 public schools and 1 865 independent schools is a challenge to South Africa to design alternative means to sustain learning. Online learning is one option that should be exploited. The potential is evident in the numbers: 54% of South Africans are internet users, just over 60% of them using mobile devices. But there are limits, too. Only 10.4% use internet at home, with 16.4% using (and perhaps relying on) internet access at work.

Tellingly, of the country's more than 23 200 public schools, only 4 675 have internet connectivity for learning and teaching. Nevertheless, expanding e-learning should be a key strategy for education departments.

A more readily accessible technology that lends itself to teaching and learning applications is broadcasting. A considerable 34.8 million South African adults (88%) have access to the radio, and an appreciably larger 37.3 million (95%) have access to television. South Africa's 16.6 million households (13.4 million black households) have 13.6 million television sets between them. In this context, the scope for the national broadcaster to step into the learning vacuum, reoriented as a national teaching aid capable of reaching millions of young South Africans, must be explored as a matter of urgency.

A significant advantage of broadcasting is its reach beyond the metropolitan centres, which is significant, given the high number – 6.2 million or 74.1% – of children who live in extended households in rural areas.

In higher education, creative adjustments could also yield positive outcomes. Among the proposals dealt with in more detail in this section is, in the longer term, to create opportunities for students in health sciences whose studies have been interrupted to be channelled into apprenticeship programmes in the interim that would equip them to be deployed in the field in the front line of any virus outbreak.

The potential scale of such a programme is borne out by the significant numbers of students in the medical and broader health sphere. In 2017, for instance, degrees, diplomas and certificates awarded by South African universities in the health professions was 14 419, and in life sciences, 7 088.

The risk of unrest arising from mounting frustration or the shortage of essential resources is one policy makers must bear in mind – not least in the context of steadily rising 'incidents of unrest' in recent years over too-long-ignored governmental deficiencies in communities already bearing the brunt of South Africa's more than 29% unemployment.

This is amply reflected in the 339.1% increase in service delivery protests, industrial action, and conflict between factions within political parties between 2004/05 and 2018/19.

Proposals in this regard focus on ensuring police are fully trained and equipped to respond should societal unrest flare up from mounting frustration over the economic and social pressures that come with the coronavirus crisis.

Police capacity could be significantly freed up through innovative partnerships with the private security sector. Notably, the number of active private security officers (498 435) far exceeds the number of sworn police officials (150 855). Private security personnel could, for instance, be deployed to protect food sources in the primary and secondary sectors, which – should unrest of any kind emerge as a risk – would be essential in helping to guarantee South Africa's food supply chain.

Another proposal suggests collaborative measures between the military and private concerns in ensuring that children denied school meals because of school closures, and the elderly and vulnerable, receive food deliveries in their communities.

Such initiatives would be especially important in the country's 1 185 informal settlements, home to just over 2 million households (15.4% of black households). Almost 29% of South Africa's population are under 14 – the bulk of whom, 14.4 million (30.5%) are black – with the highest concentrations of children living in the country's poorest provinces, Eastern Cape and Limpopo (33% in both).

There are some 5.3 million elderly South Africans, aged between 60 and 80-plus, with the largest provincial proportions living in Gauteng (23.9%) and the Western Cape (13%).

With the likelihood of job losses or loss of wages, feeding the vulnerable will be essential, given the already high rate of dependency on people with jobs. At present, 260 South Africans (287 for black people) depend on every 100 who have jobs.

Social stability will be a critical feature of South Africa's battle with the consequences of the coronavirus pandemic. Anticipating threats to stability and crafting practical immediate and longer-term measures to address them is essential and must form part of the overall national Covid-19 strategy.

4.2. The essential lockdown of most societal and communal activities will impact various elements of life

4.2.1. Many educational activities will cease

4.2.1.1. IRR policy recommendation: Creation of e-learning capacity on large scale

Schools should be equipped to continue teaching lessons online to minimise the time needed to catch up on the syllabus once classes resume when the pandemic ends. If necessary, an online platform should be set up by the education departments to upload content for easy access.

4.2.1.2. IRR policy recommendation: Reorientation of SABC and public broadcasting infrastructure towards educational programming

The SABC should broadcast educational programming on its three channels during normal school hours for children compelled to be at home because of school closures. Programming on either SABC 1, 2 or 3 can be temporarily suspended to allow for this. Special attention can be given to subjects like maths and science, which yield particularly poor results from South African learners.

4.2.1.3. IRR policy recommendation: Creation of post-crisis apprenticeship schemes to make up for interrupted training

In the long term, apprenticeship programmes in fields such as medicine should be established so that students who would ordinarily be continuing their studies at university can learn hands-on work in their respective fields and even participate as workers in the front line of any virus outbreak. These schemes can operate independently from university degree programmes, but at the same time can be supplementary to those programmes, in case students can no longer attend class.

4.2.2. Societal unrest is likely to increase due to shortages of vital resources

4.2.2.1. People are likely to get involved in violent protests

4.2.2.1.1. IRR policy recommendation: Freeing up police capacity through sharing policing functions with the private security sector – with public law enforcement focusing on social order, and private security, with the state as a client, focusing on protecting vital assets

The government should partner with private security companies to augment policing capacity, particularly if there is a shortage of police officers. Private security companies can be 'outsourced' by government to enforce regulations within a designated area and thus allow the South African Police Service (SAPS) to be deployed elsewhere.

4.2.2.1.2. IRR policy recommendation: Rapid training of all police in riot-response measures

Police officials should be trained to counter any threat of public violence in times of crisis. Police should be on high alert for potential civil unrest arising from citizens being required to stay indoors for long periods of time.

4.2.2.1.3. IRR policy recommendation: Making riot-response equipment available

The SAPS should be well-equipped with riot gear and other necessary equipment to deal with civil unrest. Effective apparel and equipment should be procured well in advance so that, should civil unrest occur, the police are ready and well-equipped to deal with it.

4.2.2.2. People are going to be unhappy because of food shortages

4.2.2.2.1. IRR policy recommendation: Deployment of private security to secure food sources in primary and secondary sectors

If any industry in the supply chain of foodstuffs is threatened by violence and/or looting, private security should be deployed to protect the premises of those businesses that require it. Ensuring staff can work as normal without the threat of violence is paramount in ensuring food security during times of crisis.

4.2.2.2.2. Ensuring food deliveries to children now denied school meals, and to the elderly and vulnerable

4.2.2.2.2.1. IRR policy recommendation: Creation of partnership arrangements between military and private commercial actors to deliver sanitised food to specific areas and people

Where school-feeding schemes existed, measures must be taken to ensure that children who have been sent home are fed. Resources used by feeding schemes should be moved to a central location in townships, with military and private security vehicles being used for distribution if necessary.

4.2.2.3. Steps must be taken to protect water and power supply infrastructure

4.2.2.3.1. IRR policy recommendation: Safeguarding, maintenance and independent management of water and power supplies through the state becoming a client of private sector actors

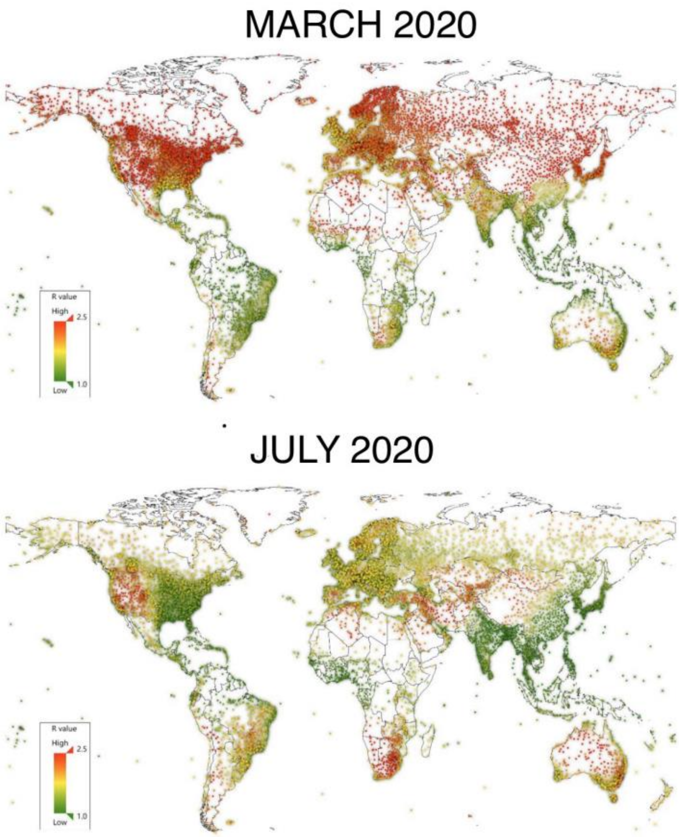
Where municipalities are failing at wastewater management and efficient distribution, delivery should be taken over by local businesses, to which all municipal water payments should be redirected. This should help secure supplies and contain community anger over shortages, but private security firms should also be called in throughout the Covid-19 crisis to help guard and protect all water infrastructure. In the longer term, we need an independent water agency – an autonomous government agency staffed by technocrats and safeguarded from corruption – to manage and meet requirements. This will help mobilise private capital for essential infrastructure, while independent water producers could help 'manufacture' water through desalination and wastewater treatment. Collapsing municipal wastewater plants should be sold off to these producers, while public/private partnerships should be used to secure the use of world-class technologies. All contracts should be concluded through open and competitive tender processes, shorn of costly BEE requirements.

To secure electricity, experienced engineers and managers, including financial ones, should be seconded to Eskom to help resolve immediate generation and other challenges. Infrastructure should be protected against theft, vandalism, or violent demonstrations by the police, helped by the private security industry. As soon as is feasible, all Eskom power stations should be sold off to the private sector through a competitive tendering process that prevents preferential sales to the politically connected and limits the number of stations that any one business can buy (so as to guard against new private monopolies). In time, the national grid should be vested in a new public entity, managed by the private sector, which would buy electricity from a wide range of private generators (using coal, nuclear, wind, or solar) at the cheapest available price. This would promote competition and help keep costs down.

4.3. Necessary calls for international aid

Key epidemiological aspects of Covid-19 remain unresolved at this point. The possibility that Covid-19 is highly seasonal and that its spread is heavily impacted by climate conditions must be considered, because of its potential domestic and global impact.

At the time of writing, a statistical analysis of 100 Chinese cities conducted by three academics based in local universities (Jingyuan Wang, Kai Feng, and Weifeng Lv from the School of Computer Science and Engineering at Beihang University, and Ke Tang from the School of Social Sciences at Tsinghua University) represents the best available macro-view on the seasonal factor. The headline finding of that study is that “High Temperature and High Humidity Reduce the Transmission of Covid-19”.



This is good news for much of the northern hemisphere, which will see temperature and humidity rise as spring kicks in, followed by summer, drastically reducing new infection rates. In the southern hemisphere the prospects are bleak, but particularly so for the most densely populated regions of South Africa.

So far, Covid-19 seasonal effects seem to track that of other Corona viruses and influenza viruses. The following graphic is derived from the 100 City statistical analysis, after controlling for GDP per capita of cities.

If this study is serious enough to draw the attention of and be disseminated by prominent medical experts like Professor David A. Sinclair, who runs the Sinclair Laboratory at Harvard Medical School, we think it is serious enough to consider the possibility that South Africa will become, even without state incapacity and a pre-pandemic recession, the world's Covid-19 global hotspot in our winter. Truly, this might be the winter of our discontent.

All of the social stability risk factors mentioned up to this point will be worse, much worse, the more readily the virus spreads for environmental reasons beyond our control. At the same time that our social stability is most threatened, wealthy countries in the northern hemisphere are likely to experiencing dramatic declines in infection rates. The "fall", or autumn, will, however, come again to the north and the more that is done to contain and mitigate the virus during our winter, the better the north's chances will be to manage the next wave in their own hemisphere.

In addition, South Africa is the most sophisticated economy in Africa, the home of millions of refugees and regional leader in many measures of liberal democracy. South Africa is the regional primary power. For social stability to collapse here would not just pose a domestic risk or a regional one. Because of Covid-19's seasonal potential of returning to the north, it poses a global risk, too, if the country is not to be quarantined from the world for months.

Connect the two points and the prudential argument is clear – social stability must be maintained in South Africa to maintain social stability and health in the region and in the world.

Leading EU states like Germany and France, global leaders like the US, UK and Japan, among many others should take heed – South Africa might need foreign aid in maintaining social stability. The UN Peacekeepers are one potential source of such aid. Germany's Zivildienst (Civil Service) might also be a potential source of support. There are others.

The role of our government must be to assess risk, assess its own capacity to manage that risk and to be frank in calling for help if risk exceeds capacity. The needs of ordinary South Africans must come above considerations of reputational damage.

South Africa was not too proud to be helped into its transition into an all-race democracy. If the fabric of society threatens to rip through once again we must be humble, humane and genuinely committed to South African individuals to invite whatever altruism is available. We must also be reasoned and apply the prudential argument, for the fate of this country and of others are deeply connected. These arguments might be needed together, just as domestic interventions and international support might be needed together to protect the lives and livelihoods of fellow citizens and residents of South Africa.

5. Economic stability

5.1. Introduction

> The economic damage from the Covid-19 pandemic is already enormous and unprecedented.

Some R4 trillion has been wiped off the JSE (25% of its value) in a massive blow, not only to corporate investors, but also to the millions of South Africans with savings in pension funds and unit trusts. The bond market has also witnessed a huge sell-off, with 10-year bond yields rising from 8.5% a fortnight ago to 11.8% last week. As Business Day contributing editor Hilary Joffe writes, 'The JSE's bond market saw foreign outflows of more than R37bn in a single day [last week] as the international investors who hold almost 40% of our bonds fled into their dollar safe havens'. Since bond values drop when yields go up, 'the value of the bonds that investors still hold has crashed, while the cost of government borrowing has spiked'.

Despite the carnage on the markets, the broader economic damage from Covid-19 is still limited. In fact, some retail companies have done well out of the panic buying of the last week. Supermarkets and pharmaceutical retailers, in particular, have seen their share prices soar: Pick n Pay's by 25% and Dischem's by 22%. However, much greater economic hardship lies yet ahead.

5.1.1. Reduced supply and diminished demand

Two factors will prove decisive in unleashing an unprecedented economic crisis. The first is a reduced supply of goods and services, as businesses shorten working hours or close their doors to comply with current containment and (probable) future lockdown requirements. In time, many firms may find increasing numbers of their staff too ill to work or having to stay home to care for sick relatives. Supply chains will also be disrupted, with essential inputs often no longer available and transport logistics frequently interrupted.

The second key factor, often overlooked, is a reduced demand for goods and services. Many firms will have less capacity and less need to buy from other businesses. Individual consumers will also have far less buying power as they find their working hours and income curtailed or, in many instances, that they cannot earn at all.

However, this diminution in demand, especially among individuals, is not simply a matter of money. Even if significant levels of debt relief and income substitution can be achieved, people will still be reluctant to spend. This will be partly out of fear that the help they receive will end before the crisis does. But many will also be fearful of going out to buy, while lockdowns will increasingly bar individuals from anything but food and pharmacy shops, healthcare facilities, banks, petrol stations, and social grant collection points.

If sufficient debt relief and income substitution can be achieved, on-line suppliers of important items (including home entertainment) are likely to do very well. But many companies run operations that cannot easily sell and deliver via the internet. For them, the dual whammy from shrinking supply and diminishing demand is likely to be huge.

5.1.2. How bad will it be?

How bad will the damage be? Economic estimates of the likely global impact vary dramatically. Some Bloomberg analysts guesstimate $2.7 trillion in lost output. The Asian Development Bank puts likely losses at somewhere between roughly $80bn and $350bn. A recent OECD report speaks of a halving of global economic growth.

However, Goldman Sachs has recently estimated that global growth will decline to 1.25%, with the US contracting by -3.8% over the year, the EU shrinking by -1.7%, and China growing by a relatively meagre 3%. But whether China will grow at all remains unclear, with some economists predicting that its economy will contract by 2% of GDP. Should this transpire, it will have major consequences for all of China's many trading partners, including South Africa. A global depression (multi-year recession) is now also a plausible long-term consequence of the pandemic.

What of the prospects for South Africa? The South African Reserve Bank (SARB) estimated last week that the economy would shrink by -0.2% of GDP. However, Intellidex puts the likely contraction at -2.3% of GDP and Goldman Sachs estimates it at -2.6%.

This Goldman Sachs prediction, against the 0.9% growth the Treasury forecast in the February 2020 budget, 'represents a 3.5% negative swing to South Africa's R5.4 trillion GDP', notes Colin Coleman, a senior fellow at the Jackson Institute for Global Affairs at Yale university and a former CEO of Goldman Sachs Sub-Saharan Africa. This figure, he adds, 'foretells a likely revenue shortfall, relative to the February 2020 budget, of up to R70bn'.

The government is now also planning to spend an extra (unbudgeted) R30bn on the healthcare system to counter the pandemic, as health minister Zweli Mkhize has recently announced. On this basis, the budget deficit for the current financial year – which the February 2020 budget projected at 6.8% – is likely to rise to 10%. However, since many other demands will inevitably be placed on the public purse, the actual budget deficit for the year is sure to be still greater.

Limiting the economic damage – both in South Africa and elsewhere in the world – critically depends on least the following factors:

- having a credible and well implemented strategy to contain, slow, and ultimately beat the virus;
- introducing effective monetary and fiscal stimulus measures to help cushion companies and individuals against the devastating losses likely to lie ahead;
- keeping essential supply chains operative, especially for food, pharmaceuticals and other health equipment needed to treat the sick;
- helping producers switch to items in high demand (for example, alcohol distillers could shift to producing hand sanitisers, while Tesla factories are planning to shift from electric cars to ventilators);
- helping service providers to shift to services in high demand (for example, restaurants could provide subsidised meals for school-children, the elderly, and those in self-isolation, while taxis could help deliver these items and retrenched domestic workers could provide cleaning services in

isolation centres, while Carnival Cruise Lines, the world's largest cruise ship company, is planning to turn some of its ships into hospitals for those afflicted by the virus);

- gathering the best possible data on the evolution of the pandemic and the impact of interventions, so that necessary shifts and adjustments can be made as needed.

In South Africa, however, many other shifts are also urgently required. Among other things, the ruling party must abandon its ideological hostility to the private sector and acknowledge the vital contribution that business makes. It must stop hobbling the private sector by swiftly withdrawing a host of harmful regulations that undermine efficiency and push up costs – BEE being prime among these. It must also refrain from introducing further damaging state controls, such as the nationalisation of hospitals or the stepping up of exchange controls.

The government must terminate costly bail-outs to SOEs and liquidate bankrupt and non-essential entities such as SAA and SA Express. In the longer term, it must privatise SOEs through a competitive tendering process that limits the number of entities any one business can buy (to prevent the creation of a new private monopolies) and prevents sales to political cronies. In the interim, pervasive wastage and corruption must rapidly be weeded out. This can best be achieved by ending cadre deployment, clamping down harshly on fraud, and entering into effective public/private partnerships – in which the state's role is primarily to fund delivery out of tax revenues, while the private sector's role is to ensure cost-effective and efficient operation.

Tax revenues diverted from bail-outs, along with the savings achieved by cutting out wastage and corruption and any proceeds from privatisation, should then be used to help fund essential support measures. Decades of financial mismanagement have impoverished the country and saddled it with so much public debt that comprehensive fiscal measures of the kind being implemented in other countries are simply beyond our reach. But such support as is feasible should be provided, as outlined below.

5.1.3. A differing impact in primary, secondary, and tertiary spheres

Different challenges will confront different sectors of the economy. In the primary sector, agriculture should not be too adversely affected, given sparse or on-site resident workforces and the fact that the country produces much of its own food. In addition, production of field crops, for example, is well up after two seasons much hampered by drought and a maize crop of more than 15-million tons is expected. Supermarket chains, moreover, are confident of their capacity to maintain adequate food supplies in stores around the country. However, delivery could become difficult if, for example, many drivers fall ill or have to move into self-isolation.

At the same time, the farming sector is heavily in debt, with total farm debt at a record R168bn. These loans could become difficult to service if global agricultural commodity prices continue their current decline and if demand diminishes in South Africa's key export markets.

Imported foods, especially wheat, could also become more difficult to secure. According to a recent Bloomberg report, 'global warehouses are stuffed with frozen cuts of pork, wheels of cheese, and bags of rice'. However, the key question is: 'How does all that food actually get to people?' One major constraint is a dearth of shipping containers – often the result of delays from having to meet quarantine requirements in ports – but labour shortages could also develop from social distancing, self-isolation, and lockdown requirements. A long-drawn out Covid-19 crisis could thus result in significant food shortages across the globe. These would begin with fruit and vegetables and shift in time to staples. Food prices would then go up, posing further hardships to consumers.

The biggest challenge in this context is to ensure that people have the money to keep buying the food they need. That requires income support of various kinds, as more fully described elsewhere. Supermarkets will also need to step up online ordering and delivery, which will help provide incomes to at least some of the people no longer able to work in the usual way.

The mining sector may also be badly affected, while the Minerals Council is as yet unable to quantify the likely economic effects of the pandemic. However, significant production will be lost during the pending three-week lockdown recently announced by President Ramaphosa, when mines will have to be placed on care-and-maintenance. Thereafter, mining companies will have to assess whether sufficient social distancing can be maintained when underground operations resume, how many mineworkers are likely to become ill or may need to self-isolate, and whether essential maintenance can be sustained. How badly supply chains may be affected is important too, as is Eskom's capacity to keep up its current levels of electricity generation. Much will also depend on the extent of the demand from China, in particular, to which the mining sector exported iron and other ores valued at some R100bn in 2019. Commodity prices have generally also fallen, while operating costs are likely to increase because of the crisis. This will put further pressure on the sustainability of the industry.

The secondary sector, which largely comprises manufacturing in ten key spheres, is too diverse to analyse in any depth. It will, however, be affected by many of the same factors as the mining industry, as outlined above. In the motor industry, for example, BMW has already closed down its South African plant because an adequate level of social distancing could not be maintained on its production line. In addition, local and global demand for vehicles is falling rapidly in China, Europe, and other important export markets. At the same time, China's reduced capacity to manufacture car components could have a negative effect on supply chains to South Africa, along with other countries.

At the same time, some manufacturers may have the capacity to shift to items in high demand, as earlier outlined. But even if a producer succeeds in switching to new items (for example, from distilling alcohol to making hand sanitisers), it will still need to get these to consumers. Hence, much will again depend, as in the agricultural sphere, on the efficacy of transport logistics in distributing products.

The tertiary sector is also diverse, ranging from trade and tourism to construction, financial services, and the IT sector. Again, the complexity of this sector makes it difficult to assess the likely impact on it of the Covid-19 pandemic. However, the key challenges of reduced supply and diminished demand will again apply.

Firms supplying goods or services in high demand (food, healthcare items, IT services, and home entertainment) will do well, whereas retail companies in clothing and durable goods, for instance, will suffer as demand falls away. Firms in the IT sector are likely to prosper, as there is already enormous demand for video conferencing, the uploading of large work files, the expansion of e-learning at school and university levels, and the streaming of videos and other entertainment. To take full advantage of this burgeoning demand, IT infrastructure will have to be expanded, with an emphasis on faster and more reliable upload as well as download options.

The construction sector is likely to struggle enormously as the state, the private sector, and individuals cut back on spending on infrastructure, business premises, and homes. The tourism industry has already been hard hit, with some hotel chains having to close down 40% of their room stock as demand evaporates. But Capital Hotels has offered to make its hotel chain available for isolation facilities, which will help it weather the storm. Banks, pension funds, and other asset managers may also need to provide relief of various kinds to struggling firms and individuals, as described elsewhere and briefly outlined below.

5.1.4. What's being done in other countries?

Across the globe, governments are recognising that the looming economic crisis from the Covid-19 pandemic 'cannot be resolved with the usual macroeconomic tools', as Sanlam chief economist Arthur Kamp has recently warned.

In many other countries, governments have already begun providing significant monetary and fiscal support to struggling businesses and individuals. Already, states have pledged or are considering more than $3 trillion in fiscal support, of which the

US alone is planning some $2 trillion. Overall relief measures in the US and the UK are expected to total 12% and 15% of GDP, respectively. No one knows how much may be needed in the end, but some economists have suggested that 'the fiscal stimulus should be as big as the drop in GDP'.

The measures commonly being introduced include:

- lowering interest rates, reducing capital requirements for banks, and helping to maintain liquidity in financial markets, often through central bank purchases of government and corporate bonds (Australia, Canada, China, Czech Republic, Indonesia, Lithuania, Russia, Sweden);
- making state funds available to lend to firms (sometimes interest-free), or providing loan guarantees for businesses (Czech Republic, Germany, Portugal, Romania, Russia, Saudi Arabia, Spain, Sweden, Switzerland, UK);
- deferring payments on mortgages and other loan agreements, with governments undertaking to guarantee future loan payments or, in the case of Canada, to buy up home mortgages (Austria, Canada, UK);
- deferring tax payments (income, corporate, and VAT) and municipal rates, as well as contributions to UIF, social security, and statutory compensation funds (Belgium, Latvia, UK);
- lowering tax rates (China, Cyprus);
- making direct payments to individuals (Argentina, to 4 million retirees, Brazil to the poor and elderly, the UK to employees laid off because of the

virus, up to £2 500 a month, the US a $1 200 cash transfer to every American);

- allowing pension funds to provide early access, without tax penalties, to the pension savings that individuals have already built up, subject to certain annual limits (Australia);
- providing paid leave for employees caring for young children (Luxembourg, Portugal); and
- spending more on infrastructure to help stimulate demand (China).

The support being provided by the UK is particularly extensive, while the US is preparing wide-ranging interventions too. 'This is what economic warfare against the economic impact of the virus looks like,' writes Stuart Theobold of Intellidex, a consultancy. 'But warfare is hard when South Africa's arsenal is empty. After years of low growth, government debt levels are already at record highs,…[while] the crisis has already forced government bond yields higher and risks are rising that the country's already higher-than-usual fundraising requirements will not be met by the market.'

S&P Global Ratings, the largest international credit rating agency, has also warned that the economic fall-out from the virus will result in South Africa's being unable to tap capital markets to meet borrowing needs that will now be much larger than earlier anticipated.

What then is to be done? The crux of the matter is that decades of economic mismanagement have robbed South Africa of the capacity it would otherwise have had to implement the comprehensive measures being introduced elsewhere. This makes it all the more important to stop costly bail-outs to failing SOEs, cut out waste and corruption, ensure real ‘bang’ for every ‘buck’ of tax revenue, and privatise all SOEs as soon as is feasible. Such steps will make it possible for the country to afford at least some of the support measures being implemented by other states. Crucially, it will also pave the way for a rapid economic resurgence once the pandemic has passed.

5.1.5. What measures has South Africa introduced to date?

On 15th March 2020 President Ramaphosa announced that the outbreak of Covid-19 in the country had been declared a national disaster. This opened the way for the minister of cooperative governance and traditional affairs, Dr Nkosazana Dlamini-Zuma, to declare a state of national disaster under the Disaster Management Act.

Now that this declaration has been made, the Act empowers the minister to make regulations aimed at protecting the public, safeguarding property, providing relief, combating disruption, and otherwise dealing with the destructive effects of the disaster. To these ends, the minister may release any of the available resources of the government, including stores, equipment, and vehicles. She may also instruct state personnel to deliver emergency services. Normal procurement rules can also be suspended by regulation to speed up the tendering process.

Already, the regulations introduced have restricted international travel, prohibited gatherings of more than 100 people, closed schools and other educational institutions and barred the sale of alcohol after 6pm.

Some monetary and fiscal support measures have also been implemented. The Reserve Bank has cut the repo rate by 100 basis points and introduced measures to improve liquidity. The need for increased liquidity became very evident last week, when there were not enough buyers for the large number of bonds being sold and yields 'moved massively on a few trades', as Ms Joffe reports.

In response, the Reserve Bank has taken steps to increase the amount of cash available in the money market. It aims to do so by increasing the number of daily auctions for banks and penalising them for returning cash at the end of the day. These measures are designed to keep sufficient cash in circulation and prevent the bond market, in particular, from 'freezing'.

Last week the minister of small business development, Khumbudzo Ntshavheni, announced that the department would donate support packages worth R1bn to help small and medium enterprises (SMEs) produce more of the critical consumer goods needed to control the spread of Covid-19. Part of the support package will thus be used to help produce face masks, tissues, and sanitisers. The department is also introducing a debt relief fund and a business growth facility. The debt relief fund is aimed at providing relief for existing debts to assist small firms, but applicants must be able to show 'a direct link to the impact or potential impact of the Covid-19 pandemic on their businesses'. The underlying aim, says the minister, is to 'keep small traders afloat and give them a fighting chance of coming back' into normal business operation when the crisis has passed.

In addition, employment and labour minister Thulas Nxesi has announced that distressed companies will receive a period of reprieve from UIF contributions to help both these employers and their staff. Such companies will also be encouraged to avoid lay-offs through the Temporary Employer/Employee Relief Scheme, which suspends the employment relationship and pays workers 75% of their salaries to receive training for up to six months. Employees of companies that have closed for a short period as a precautionary measure will be able to access a short-term UIF benefit, which is usually used to fund additional sick leave when employees have exhausted their statutory allowance. In addition, 'if an employee has to be self-quarantined for 14 days, such leave will be recognised as special leave,' says the minister.

Also last week, the minister of social development, Lindiwe Zulu, activated the National Disaster Relief Fund and set aside R96m to provide immediate assistance to individuals and families affected by the virus.

Various regulatory interventions have also been made. As earlier noted, the minister of trade and industry, Ebrahim Patel, has exempted the healthcare sector from some aspects of the Competition Act in order to allow greater collaboration in meeting urgent healthcare needs.

Mr Patel has also gazetted regulations on the pricing of key goods and services during the Covid-19 disaster. Items covered include medical and hygiene products, such as toilet paper, hand sanitisers, facial masks, and surgical gloves. Various food items are covered too, including baby formula, rice, sugar, long-life milk, wheat flour, and canned vegetables. The regulations, published on 19th March, state that a supplier 'may not offer [or agree] to supply any good and service at a price that is unfair, unreasonable, or unjust'. Retailers must prominently display notices to this effect in their stores. Offenders could face fines of up to R1m, forfeit 10% of company turnover, and/or be imprisoned for up to 12 months. (The regulations are open for public comment within 14 days of their date of publication.)

On 23rd March the government went further, announcing a 21-day lockdown which will start at midnight on Thursday 26th March and continue until 16th April 2020. During this period, South Africans will be allowed to leave their homes only under strict conditions: for example, to seek medical care, buy food, medicine and other essential supplies, draw money from banks, and collect social grants. By limiting travelling to this extent, the lockdown may help prevent transmission of the virus in crowded taxis, buses, and trains. However, it will do little to safeguard people living cheek-by-jowl in dense informal settlements, where the scope for social distancing and self-isolation is largely non-existent. The government says that 'sites are being identified for quarantine and self-isolation for people who cannot self-isolate at home', but the state is unlikely to have the capacity to move the millions living in such conditions.

Additional measures are also being introduced. A Solidarity Fund is being established, to which the government will provide seed capital of R150m, while others will be urged to contribute as well. This fund will help 'combat the spread of the virus, care for those who are ill, and support those whose lives are disrupted'. In addition, the Rupert and Oppenheimer families have pledged R1bn each to assist small businesses and their employees affected by the pandemic. A safety net is also being developed to help people in the informal sector, though the details of this have yet to be worked out.

Employees who fall ill at work will be paid through the Compensation Fund. Many larger companies obliged to close their doors have undertaken to pay affected employees. UIF reserves might in time be used to support the employees of SMEs unable to help in this way. The government will also use the tax system to provide a tax subsidy of up to R500 a month for the next four months for some 4 million private sector employees earning less than R6 500 a month. In addition, tax compliant businesses with annual turnover below R50m will be allowed to delay 20% of their PAYE obligations over the next four months, along with a portion of their corporate income tax payments. This is expected to assist more than 75 000 SMEs.

The Industrial Development Corporation and the Department of Trade and Industry are to make more than R3bn available for industrial funding for vulnerable firms, while the Department of Tourism has made more than R200m available to help SMEs in the tourism sector.

As a Treasury memorandum, entitled 'Economic Response Package', earlier foreshadowed, the government implicitly recognises that South Africa cannot afford to embark on the massive stimulus plans that other countries are introducing. Hence, many of these interventions are largely confined to the 'critical' next few weeks and months. This approach reflects a realistic assessment of how badly the economy is already struggling and how greatly the state is over-indebted. However, it also underscores how much more would have been feasible at this vital juncture if the economy had not been so mismanaged for so long.

5.2. What else needs to be done?

The measures required to stabilise the economy go far beyond the limited support measures the government has now announced. Far more important are the many policy shifts needed to remove the regulatory leg-irons on the private sector. Some of this unshackling can be implemented quickly, with the necessary political will. Other steps will inevitably take longer to achieve. All these reforms are vital, however, if the country is to limit the economic damage from the virus and position itself for an upsurge in growth in due course.

5.2.1. IRR policy recommendation: End ideological hostility to business and seek cooperation instead

The ruling party must no longer see business as its ideological enemy. Instead, public/private partnerships are urgently required to buttress the state's failing capacity and ensure the best use of scarce resources. In general, the government should continue to fund the provision of health, water, sanitation, education, social security, and other key needs. But delivery must increasingly be entrusted to the private sector, with its far greater capacity for efficient and cost-effective operation. These partnership agreements must be concluded without BEE constraints (see below), and on the basis of open, transparent, and competitive tender processes.

5.2.2. IRR policy recommendation: Stop bailouts, plus wastage and corruption in state spending

The government must stop costly bailouts SOES and liquidate non-essential entities, such as SAA, that are already bankrupt. In time, all these state entities should be sold off, for nominal amounts if needs be, to the private sector. In the interim, the government must stand fast in refusing unaffordable public service wage increases. It must also clamp down hard on irregular, wasteful, and corrupt expenditure, hold wrongdoers to account, terminate cadre deployment, and embark on public/private partnerships of the kind outlined above.

As Mr Coleman writes: 'The government will have to examine state spending and get bang for its buck or cut back. Corruption and wasted expenditure will have to be rooted out. Wage freezes will have to be negotiated until the economy normalises. Expensive experiments to save failing SOEs will have to end. Nice-to-have projects such as a sovereign wealth fund will have to shelved.'

5.2.3. IRR policy recommendation: Use the savings achieved to finance support measures

South Africa cannot afford the 'economic warfare' being waged against the virus in the UK and elsewhere. It can, however, use the savings achieved by eliminating waste and corruption (and, in time, the proceeds of privatisation) to help fund the support measures that will apply during the lockdown but may in fact be needed for a longer period. Among other things, the state should use these savings to compensate businesses for the income replacement and debt and rental holidays they may be called upon to provide to employees, firms, and households. The government could also provide temporary relief from municipal rates for struggling companies and households, further defer personal and corporate income tax payments, lower tax rates, and double the VAT threshold (from R1m to R2m) to bring immediate relief to many small firms.

5.2.4. IRR policy recommendation: Prioritise necessary regulatory reforms

As earlier noted, Mr Patel has already eased competition regulations in the healthcare sector, so as to allow private hospitals to cooperate with one another and with the government in confronting the pandemic. The same is now being done for banks so that they can develop common approaches to debt relief and other necessary measures, without falling foul of collusion prohibitions. Measures to increase liquidity have also been introduced.

However, these steps are not nearly enough. If the pending economic contraction is to be limited as much as possible, the overall regulatory burden must be reduced. Surveys show, for example, that 40% of the barriers to the growth of small business from excessive government regulation. Cutting red tape, allowing more wage flexibility, and generally facilitating business operation are thus key priorities.

Still larger regulatory reforms are also critically required. BEE requirements, in particular, must simply be suspended with immediate effect and, in time, removed. BEE, in all its many different elements, adds significantly to business costs while doing very little to help the truly disadvantaged. BEE preferential procurement in the public sector is perhaps the worst of all in making for inflated pricing, undermining efficiency, and contributing to corruption. At this time of crisis, the public sector can no longer afford these high costs, for all its resources must be directed at cushioning

Covid-19 blows to the economy. In addition, business needs to be able to operate with maximum efficiency at this vital juncture. For a decade or more, the government itself has been well aware that BEE helps only the few while greatly harming the many. BEE rules must now be placed on hold and in time repealed. As the crisis tapers off, they should be replaced by a new system of empowerment geared towards providing meaning support to the great majority.

As author RW Johnson writes: 'Each healthy industry or essential economic activity is being undermined – sometimes to the point of extinction – by the sheer weight of parasitic elements attempting to extract rents from it.' That extraction – which BEE has done so much to facilitate – has to end if South Africa is to limit the economic fall-out from Covid-19 and open the way to rapid growth in the post-pandemic period.

5.2.5. IRR policy recommendation: Refrain from harmful regulation and other interventions

The government must simultaneously avoid the additional harmful regulations and interventions being mooted in other countries and by some domestic commentators. The price controls already introduced by Mr Patel are an example of unnecessary over-reach. The nationalisation of hospitals and other healthcare facilities must be avoided. Far more will be achieved through the government's working together with the private sector to counter the virus. By contrast, given the massive inefficiency within the state, nationalisation would diminish, rather than increase, the country's capacity to treat the sick. At the same time, this destruction of property rights would bring about a further collapse in business confidence and prevent the economic resurgence the country will need as the pandemic fades.

Also to be avoided is the introduction of stricter exchange controls. Lumkile Mondi, a senior lecturer at the School of Economics and Finance at Wits University, for instance, sees the crisis as an 'huge opportunity to introduce capital controls to discourage capital outflows and redirect investment away from the JSE directly to productive firms, thereby strengthening...the production of domestic goods to satisfy domestic demand and create jobs'. However, these interventions are most unlikely to strengthen manufacturing capacity or generate more jobs. Instead, they will encourage a further flight of scarce capital and make it still more difficult to attract essential investment.

Also highly damaging would be the introduction of prescribed assets for pension funds. Pension funds should be encouraged, as Australia is doing, to make advance payments, from the accumulated savings of individuals, to those who have lost income and need to be tided over. But the government should not be empowered to direct pension monies into failing SOEs or other 'developmental' projects unlikely to provide adequate returns. Any such intervention will erode the country's already very limited savings. It will also place a large and unfair burden on millions of South Africans, many of whom have only recently been able to start saving for their retirement.

6. Financial stability

6.1. Introduction

> One of the remarkable things about South Africa is that despite the "lost decade", its financial sector remains the strongest on the continent and robust even by international standards.

By contrast, however, the fiscus is in dire straits. Before the pandemic, the fiscal deficit was expected to be 6.8%; it has subsequently been revised closer to 10%. Debt as a portion of GDP doubled in the last decade and long gone are the ANC's halcyon days when it both expanded public services and generated budget surpluses. This puts the country in a paradoxical financial situation – on the private, side financial stability is relatively sound, not so on the public side.

This matters because of the special nature of money and credit. It falls under the auspices of the state to generate money and to set the fundamental lending rate through the South African Reserve Bank (SARB). The SARB's current governor, Lesetja Kganyago, was one of the true South African heroes in 2018 and 2019. He faced attacks from the ultra-left, both in government and the media, who called for a nationalization of the bank to pave the wave for a monetary policy sure to produce hyperinflation. Unshaken, Kganyago held the line, protecting the SARB's mandate not to debase the currency, despite even the president's conciliation with SARB critics in noting the Reserve Bank should be restructured just "not now".

If you close your eyes and consider the state we would be in now had we entered the pandemic under a different SARB, one that had already elected to plug deficits by “monetizing” the fiscus, you might open them to look on this country with a glimmer of hope. Bad as things are, they could have been substantially worse.

And yet we are undoubtedly in desperate times. With assets and jobs contracting, trade in lockdown and free movement impossible for most, there is a clear need for action. The question is what kind of action would help, and what can we actually afford?

This will be covered in more detail, but the gist is as follows. We must depend on that part of the financial sector that enters the crisis best prepared to weather a rainy day – the private sector, starting with the biggest banks. The IRR welcomes, for now, calls to shift regulations on both capital reserve requirements and on bad loan definitions to allow big banks to extend loan holidays to those customers who elect to take them.

Based on its former prudence, the SARB has also generated some room for manoeuvre. Dropping the repo rate by 100 basis points is a significant push that, despite the costs, particularly to pensioners in the form of reduced interest rates, strikes a good balance of trade-offs geared towards stimulating the economy at minimum cost. Other attempts to increase the money supply must be evaluated on a case-by-case basis, while remaining mindful of the fact that at this stage contractionary factors are strong enough to ward off the immediate risk of dramatic consumer price inflation.

6.2. The financial system will come under strain due to the consequences of Covid-19 for the economy and people's ability to earn incomes

6.2.1. Phase 1 of consequences on financial stability

By the third week of March, 2020, this phase was already well underway. This begins by the cut in the repo rate of 100 basis points as well as reducing inter-bank lending regulations. In addition allowances have and will continue to be made for "loan holidays". In simple terms this means allowing the banks to let their debtors fail to make repayments for longer periods before they are forced to reclassify the loans as bad loans, which is important because banks are obliged to keep bad loans within limits before foreclosing the collateralized assets or reporting dead losses. Reclassifying debt obligations is one side of the coin, the other is a potential reduction in capital reserve requirements more broadly. South African banks are, by global standards, constrained by relatively conservative capital reserve requirements precisely to make a "cushion" against which such blows as the current economic shock can be absorbed. Part of the mechanism of the absorption is to reduce the required ration between safely held capital on hand and the extent of loans extended. Allowing banks the room to extend new loans or enhance current loans injects cash directly into the economy when it is needed most. Notice also that banks are, due to their existing client relationships and extensive data-bases, also well placed and well incentivized to know where the need is most efficient to be met. Unlike the fiscus banks are primed to extend credit to those businesses that show the best chance of maintaining, or returning to, sustainable net value-add positions necessary to repay their debts. When the body politic is sick it is these previously functioning organs that need life support most clearly to keep the nation's economy alive.

In conjunction reduced interest rates, loan holidays, and capital reserve relaxations should inject credit where and when it is badly needed. This, however, might not be enough.

6.2.2. Phase 2 of consequences on financial stability: bank bailouts

There are already early reports that one of the major banks is suffering heavy losses in the corporate rental section of its portfolio. As businesses and trade shut-down across the country, or are relocated to home-based activity, corporate rentals under some contracts will become defunct. As rents cease to be collected by banks directly holding these immovable properties, or by property managing intermediaries, they are put under a liquidity stress where incomes drop. If the bank fails to make outgoing interest payments, or payments of any kind, its own creditors (read depositors and investors) might consider it prudent to withdraw funds, hampering the bank's ability to meet its obligations even further, which then prompts more withdrawals and transfers. This potential is called a bank run.

If the phase one mechanisms of maintaining liquidity are not sufficient the SARB can directly staunch the run in at least three ways. It could buy toxic debts directly from the relevant banks and absorb the loss on the SARB's books. Apart from buying part of the bank's "book" the SARB could buy part of the bank, by buying "shares" or equity in the bank. The third option would be for the SARB to offer itself as underwriter of high-risk debts so that the private bank maintains ownership unless the debts default in which case the SARB pledges to absorb the loss as in the first option.

Beyond that the SARB can elect to by South Africa and even SOE bonds directly, injecting liquidity in the market. This should also increase the price of South African bonds (currently trading at 20-yaer lows) which form a significant part of the banks' assets. That appreciation would then help banks absorb whatever losses they incur in other parts of their portfolio. This is one of the primary mechanisms of what is known as “Quantitative Easing”.

The next question is how the SARB finances such moves. The SARB holds roughly $44 billion in foreign reserves some of which is necessary to keep in order to cover the balance of payments deficit whereby South Africa imports more than it exports requiring an excess (typically of dollars) to meet the foreign exchange differential. Alternatively, or conjunctively, the SARB could purchase these bands by creating “assets” on its balance sheet that are nominally equivalent to its new liabilities but are in fact worthless. This is typically discussed of through the issuance of zero-coupon perpetual bonds that have no market value. In short, the SARB could “invent money” to try to pay for bailouts.

The problem here is that it would send a long-term negative signal about the South African economy to investors domestic and international. Countries with strong economies, relatively constrained budgets, and huge geopolitical strength can consider leveraging these competitive advantages to suppose that even if their reserve banks debase the currency global demand will maintain prices and financial stability. Because South Africa has a failing fiscus and entered the pandemic with an already recessionary real economy (despite the global economy peaking) it will lack these mitigating forces.

As the crisis evolves so too will this analysis but for now it seems important to note that the SARB must try so far as it can to pay for rather than “invent” away the problem.

6.2.3. Phase 3 of consequences on financial stability: international bailouts.

While the SARB has three levers to pull in its immediate grasp, capital reserve relaxation, debt holidays and reduced interest rates, beyond which it has the option to bailout banks through traditional forms of QE the prospects remain grim. The greater the SARB’s activity the more downward pressure will be applied to the ZAR as against foreign currencies, despite the fact that our need to import significant quantities of goods remains. One temptation will be to exert price controls, which is already on hand under the guise of preventing price-gouging by retailers. But even before the pandemic price controls were put in place on data. As the pandemic worsens currency exchange controls might be exerted more broadly.

This would put is on the wrong side of the International Monetary Fund’s advice, but there is a flip-side to this coin. Due to the fact that the private banking sector and the SARB have traditionally acted well, if not always perfectly, in the build-up to the crisis they have some ability to absorb the current economic shock. If the shock is too great, however, partly due to the crisis and partly due to the government’s inability to inject genuine fiscal stimulus due to high existing debt conjoined with a refusal or inability to free mismanaged assets in the emergency, the equation could eventually change.

At this stage the IRR would warn against turning to the IMF for one simple reason. Any bailout offered by the IMF, even if it is offered on a 0% interest basis, as has been put on offer to emerging economies, will be dollar denominated. Borrowing $1 to buy R17 means that if the rand sinks further the debt will still need to be paid back in dollars. If the rand were to drop to R23 to the dollar and remain there for the coming years then the "0%" interest would be an effective 35% interest rate. This would turn a temporary crisis into a long-term depressive force on South Africa's financial sector.

Even so. The pandemic is ongoing and the effects of the total lock-down of South Africa remain unclear. The silver lining to an IMF loan is that it comes with strings attached – requirements of clean and limited administration that in the long term line up neatly with what South Africa already needs.

For now we seriously hope that it does not have to come to that. If it does, we hope that South Africa enters any relationship with the IMF with open eyes, and does what is necessary to embrace rather than merely submit to IMF reforms to avoid the precedent of the IMF offering a bailout only for another bailout required a few years later.

South Africa's competitive advantage in the region has been its financial stability. At this point some compromises will be needed to leverage that advantage to survive the crisis. Push it too far, however, and South Africa is likely to down-rank not just for years, but potentially for generations.

7. Civil liberties

7.1. Introduction

> Amidst the crisis of Covid-19, it is imperative that South Africans heed the consequences these circumstances might have for the civil liberties of our constitutional democracy.

The democratic era was firmly ushered in with the adoption of our Constitution. The Constitution of the Republic of South Africa Act, 1996 became the supreme law, meaning that all laws must comply with the Constitution and all law must by applied in terms of the Constitution's prescripts.

The Constitution was the result of compromise between the political parties engaged in the constitutional negotiations of the 1990s. It has become the established frame of reference for understanding the obligations of the state towards the citizenry. It has afforded us the key protections that were absent under the apartheid system: equality before the law, protection from unfair discrimination, the right to dignity, freedom of security, religion, belief, opinion, expression, assembly, demonstration and movement. Civil society has repeatedly used the space provided by the Constitution to ensure that the government meets its obligations to its citizens.

Constitutional rights, however, can be limited, even in a democracy. Section 36 of the Constitution provides for that limitation of rights:

“1. The rights in the Bill of Rights may be limited only in terms of law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant factors, including ¬

a. the nature of the right;

b. the importance of the purpose of the limitation;

c. the nature and extent of the limitation;

d. the relation between the limitation and its purpose; and

e. less restrictive means to achieve the purpose.”

In the current circumstance, the government legitimately exercised its prerogative to limit constitutional rights by declaring a ‘state of disaster’ in terms of the Disaster Management Act, 2002 (Act). The Act facilitates co-ordination, mitigation and recovery following a disaster, defined as a ‘natural or human-caused occurrence that causes disease, damage to property infrastructure or the environment or disruption of the life of a community’. While it does indeed limit some civil liberties, the declaration of a ‘state of disaster’ has been above board and in a broader spirit of the national interest, as evidenced by the response of opposition parties to actions taken by the Ramaphosa government.

As a means to fight the spread of the Covid-19 virus, such limitations would largely be acceptable also to the citizenry. South Africans recognise that the government will take the lead in managing the response to the current crisis by reducing the medical risk of viral infections - this is, provided the measures are rationally connected to dealing with the emergency and are strictly temporary in nature. To achieve this, the state has to have a degree of control over lives in order for preventative measures to be effective. Section 26 of the Act makes the national executive ‘primarily responsible’ for co-ordinating measures for the mitigation, prevention, and recovery and rehabilitation from disaster.

Cabinet ministers may use existing legislation to deal with the disaster; health, immigration, transportation and other legislation allows ministerial directives.

On 15 March, Co-operative Governance Minister Nkosazana Dlamini Zuma declared a national State of Disaster in Government Gazette 43096, citing the ‘magnitude and severity of the Covid-19 outbreak which has been declared a global pandemic…’ and ‘the need to augment the existing measures undertaken by organs of state to deal with the pandemic’.

‘This will enable us to have an integrated and co-ordinated disaster management mechanism that will focus on preventing and reducing the outbreak of this virus.’

On 16 March, several Cabinet ministers ordered the limitation of meetings to 100, travel restrictions, port of entry closures and the cancellation of government events.

On 17 March, the structure to co-ordinate action under the State of Disaster met. It was briefed by the National Joint Operational and Intelligence Structure on enhancing border security and control, enforcing public health containment measures and minimising local transmission.

On 18 March, President Ramaphosa met leaders of political parties represented at Parliament. All agreed to the government's plans and pledged their support for government's measures and appealed to everyone to comply.

Section 37 allows the state to declare a state of emergency when the country is threatened by a 'natural disaster' or 'public emergency' and the declaration is 'necessary to restore peace and order.'

It is through regulations allowed by the Act that the government can provide for a range of more detailed measures.

The Disaster Management Act, 2002: Regulations issued in terms of Section 27(2) of the Act GG 431073 allows relief to affected persons, the control in the affected areas of the movement of people and goods, the provision, use or control of emergency accommodation and the sale of alcohol. The ban on the sale of alcohol after 18h00 is probably the most well-known of such recently announced restrictions.

In terms of the empowering legislative instruments, a national "state of disaster" lasts three months. However, the co-operative governance minister may cut it short at any time or extend it by one month at a time. The government may move from a 'state of disaster' to declaring a state of emergency in terms of Section 37.

Section 37(2) of the Constitution provides that a State of Emergency may last 21 days – unless Parliament extends it, to a maximum of three months. A first extension requires a simple majority. A further extension requires a majority of 60%. In this event, all civil rights including freedom of expression, but excluding rights like dignity and life, may be suspended for anything from 21 days to three months, and possibly longer.

Taking into account that the state is seeking to counter the effects of the Covid-19 pandemic, vigilance as to what might follow the sudden increase in state control over the citizenry is needed from the outset. The current crisis is not an occurrence in isolation from the political landscape, trajectories, and trends. That several legislative steps have been taken over recent years in the direction of an expansion of state power at the expense of the civil liberties of South Africans cannot be ignored. Truth and consequence cannot be casualties in crisis.

The prolonged legislative antagonism towards private medicine by the state and the efforts to gain further political control of the medical system under the guise of projects such as the National Health Insurance (NHI) goes some distance in creating unease when taking into account the centrality of government's role in responding to the Covid-19 crisis. A government Twitter account, from which Covid-19 measures are communicated, is labelled as "National Health Insurance-NHI". However, the NHI doesn't exist yet, so to pretend that life-saving medical advice is being issued by "the NHI", is deliberately misleading. Not only is this in and of itself worrying, it also reeks of untoward opportunism on the part of some in government.

The understandable and necessary diminution of rights to take necessary, drastic action to save lives and livelihoods is a valid public concern, as it undoubtedly risks being a very attractive way of governing for any person or entity seeking to capitalise on crisis. Some within the governing party will be tempted to continue to exert full control once South Africa comes out on the other side of this pandemic. We would be remiss in not addressing this issue candidly. We must guard against the abandoning of our rights and the abilities to keep a check on government. There are many undemocratic measures in play and the mistake should not be made of thinking a lasting trade-off must be made between the health of South Africans and their civil liberties.

7.2. The minimum necessary intervention

At all times, government interventions limiting the personal freedoms of South Africans should be kept to a bare minimum. Any interventions should have clear and defined limits and should be explicitly temporary. South Africans today are fortunate to live in a constitutional democracy in which they do not have to fear that the government will be abuse its power in the manner that pre-1994 administrations did, with limitations on freedom of speech and freedom of movement. At all times, seek to protect the rights of South Africans, as that is the government's most important purpose. We want to implore government to trust the advantages and positive effects of guaranteeing the freedom to share and distribute information regarding the pandemic.

7.3. Checks from non-state actors

Whenever the power of the government is increased – whether by empowering State-Owned Enterprises or by limiting the rights of citizens – the powers of the private sector should be increased as a check on this power. Examples of this are the numerous suggestions in this document to deregulate industries in order to foster easier production of goods and services of high demand in times of crisis. Any potential government abuse of power should be offset by citizens and organisations empowering themselves in other ways. This will serve as an important check on power during times of crisis when government requires more authority. The private sector must lead hand-in-hand with government

The solutions sought by government must always aim at empowering industry rather than investing more money into SOEs, which are notoriously inefficient. Where the government takes greater control as a strategy of efficiency, more control must also be given to the private sector to enable it to become more efficient. Together, state and people must be united in saving the country.

8. Conclusion

> Globally, the Covid-19 pandemic could well be the defining challenge of this generation.

The spectre of formerly vibrant societies in lockdown is a reality that a mere few months ago might better have belonged to apocalyptic science fiction. For South Africa, it could be the moment at which the aspirations of the post-apartheid society founder. We dare not allow this to happen.

The threat is multi-faceted and must be faced as such. South Africa's response must – as President Ramaphosa has said – unite the country's stakeholders, drawing on the contribution of each. Its response must take account of the resources available.

And its response needs not only to deal with the immediate epidemiological threat, but with the socio-economic dislocation that this stands to cause, as well as preparing for a post-pandemic future.

The IRR's response is intended to provide practical policy suggestions to assist in this.

At this writing, South Africa's count of confirmed cases is measured in the hundreds. The actions taken by South Africa's government, by business and by civil society have for the most part been praiseworthy. By the time this publication is under the eyes of the reader, it is quite possible that the country's caseload will be very much higher.

South Africa has followed international best practice in meeting this threat. As this report has shown, South Africa's circumstances – its high disease burden, multigenerational households, poverty and poor living conditions – mean that if the disease should take hold, these may not all be effective. Put differently, strategies such as social distancing may be appropriate for the country's middle class, but are likely to be very challenging for its poorer communities. The need to continue earning a living places many of South Africa's most vulnerable in an impossible position when called upon to stay home. And a reliance on public transport, essential to navigate South Africa's large urban centres, creates major risks of transmission.

In addition, weaknesses in the South African state stand as a serious obstacle to the implementation of even the most well-considered strategy.

The IRR's plan calls for a comprehensive raft of interventions, some of which can be brought into being immediately, some which will take some preparation, and others whose impact will be felt in the future.

South Africa must push measures to combat the spread as aggressively as possible, even if their efficacy is uneven. Self-isolation and social distancing measures, and providing sanitising products and monitoring equipment at transport hubs, for example, are already being done to some degree. These measures should be maintained and expanded.

The deployment of technologies (especially those able to be accessed by mobile telephones) will be critical for assisting with communication and diagnosis. Where private sector developers and manufacturers are able to switch production to items that are in dire need now – medical equipment, cleansing products – they should be able to do so without undue regulatory hurdles.

For those unable to afford medical care, but meeting certain criteria, vouchers will be made available.

This must be accompanied by measures to contain and treat the pandemic in the short to intermediate term. It is crucial that whatever skills and resources are available be brought to bear, whatever their provenance. This would include despatching final-year medical students to work, seeking retired medical personnel to assist temporarily and opening up isolation centres – particularly those away from population centres – in publicly and privately owned facilities.

We further foresee a crisis logistics system being established, particularly in poorer communities, to distribute supplies. This would partner the state (and particularly the armed forces) with the private sector. Similar arrangements can be concluded with South Africa's extensive private security industry, which could be deployed to assist in protecting important infrastructure, freeing up the police for dealing with the possibility of protest and riot action as society comes under increased strain.

All of this needs to take place to counter the spread of the virus while work continues on finding decisive medical interventions – as we write this, some encouraging news exists about work on a possible vaccine.

A key question will be how South Africa's response assists its people to get through this period. Income support will be critical as the pandemic bites into the economy – which is already in recession. This is to be coupled with moratoriums on the payment of rent, utilities and debts. These will of course be limited in nature, but will be a clear contribution by both the state and private sector to ameliorating the impact of the crisis on the population.

On an individual level, income protections schemes – public, notably the UIF, and private – should pay out to those unable to work under these circumstances and hence deprived of an income. On a broader economic level, we have as a society every interest in maintaining our business community as a going concern.

Arguably the most immediate question facing South Africa is how this plan is to be paid for. The country is at a crisis point, its funds have been badly depleted, and the resources that would make for a robust and reassuring response are not available.

Misdirected policies and governance pathologies for many years and the failure to seize the opportunity for reform in the recent past have created a dire fiscal situation. Clear choices will be required as to how available resources are deployed. This will entail being willing to finally concede that the bailouts offered to some of the country's State-Owned Enterprises cannot be justified. This will, for many people, be a bitter pill to swallow, but it will be necessary for the overall cure.

Equally importantly, South Africa must prime itself for post-pandemic reorientation. Great damage will have been done by the time it is over. This will not be irrecoverable, provided appropriate policies are put in place to encourage the type of wealth-generating, job-creating growth that South Africa requires. The need to rethink B-BBEE, to reject expropriation without compensation and to ensure that the civil service is depoliticised and properly skilled and motivated will be essential.

The IRR's plan recognises that, as this is a crisis faced by the country as a whole, the costs and burdens must be so shared.

There is no question that the pandemic represents a monumental threat to the country. As such it justifies exceptional measures. We caution, however, against rash extreme actions, whether in personal or policy terms. Crises can create the temptation for authorities to expand their powers – restrictions on who may impart information on the crisis or jail sentences for purveying 'fake news' (a horrible phenomenon to be sure) set concerning precedents that may outlast the disease. The same could be said for an attempt to source funds through introducing a prescribed assets regime. Crises can also prompt – as we have seen – panic buying and hoarding, and price gouging, none of which makes a productive contribution to managing the pandemic.

We must also keep our planning oriented to the future. The pandemic is showing that strong, competent institutions, the availability of appropriate skills, the judicious application of technology, hardy infrastructure and the transparent exercise of power can enable a society to get through it.

We must take this to heart in future as we consider the state of the country, and that phrase that is so much a part of political discourse: 'What is to be done?'

We must act today, anticipate tomorrow and safeguard the future. In a globalised world, this crisis will not be the last.

IRR

South African Institute of Race Relations

The power of ideas

(011) 482 722 7690

info@irr.org.za