

Over 75 economists say government can do more to mitigate the economic harm of COVID-19

Open letter to President Ramaphosa and the Cabinet from South African economists, economic and business analysts and economic justice advocates

Dear President Cyril Ramaphosa,

We commend you and your government for the bold and decisive public health measures that you have taken in response to the crisis precipitated by the COVID-19 pandemic. We welcome measures to stem the spread of the virus.

We are writing to you to suggest other measures that are urgently required to support and stabilise the economy and assist those hardest hit by the crisis. As you have noted, these public-health interventions will have significant adverse economic effects, compounding the persistence of inequalities in living conditions, wealth, income, and access to health and other services.

It is widely predicted that the virus will trigger a global recession, due to collapsing demand and the supply shocks this crisis will entail. It is estimated that South Africa's GDP could contract by between 1.8 and 7%, with devastating impacts on jobs and livelihoods. This looming crisis requires large-scale economic interventions. For example, the United Kingdom, France and the United States have injected resources totalling 18.9%, 13.6% and 10.7% of GDP into their economies respectively. To date, the measures announced by the South African government, although welcome, do not match the scale of the challenge.

In the face of this looming crisis we believe more significant action is required. These interventions must protect the most vulnerable.

This response is different from previous attempts to resuscitate ailing economies. We must both acknowledge that physical distancing and a lockdown will slow economic activity, and that extraordinary measures are needed to cushion the resultant hardship and avoid long-term social and economic harm.

There is a significant risk that millions in poverty will fall into destitution; millions more, currently in work, will be driven into poverty and become unable to meet their basic needs; and thousands of businesses will be forced to close due to falling demand as a result of the lockdown, falling incomes and a contraction of economic activity. The self-employed, atypically employed, informal workers, and small businesses, are particularly vulnerable, but none will be exempt from its effects. Traditional social support networks will be disrupted. The long-term impact on business capacity, and physical, financial, and human capital, could be devastating to our already ailing economy. In any already deeply unequal society, we know that the hardship will fall hardest on black people, and especially black women and children.

Economic interventions must therefore aim to: 1. support households and communities, 2. protect workers, 3. sustain businesses, 4. strengthen public health interventions; and 5. strengthen the economy.

While we appreciate efforts already undertaken in each of these areas, we are concerned that they are not comprehensive enough, and are not being implemented sufficiently rapidly or on a large enough scale to prevent real hardship for millions of South Africans. While we recognise that the stringent social isolation measures are unavoidable, we need to commit as a society to ensuring they do not cause unnecessary hardship to our people, and especially to the working poor and other vulnerable groups.

The following measures indicate the kinds of opportunities that are available.

Support households and communities:

1. **Income transfers to lower-income and affected households**, in the form of a special COVID-19 grant, a top-up to existing grants, and/or a universal basic income grant. Creativity is needed to speed up delivery, including income transfers via digital payment mechanisms. We appreciate the practical difficulties involved.
2. **Targeted, temporary and compulsory payment holidays** from municipal taxes, rent and mortgages, and other debts owed, and a ban on evictions from houses, including on farms.
3. **Undertake measures to relieve women of the burden of care**, in and outside the home, for example, by the provision of childcare for essential workers and additional income support.
4. **Ensure food security** and food sovereignty through a coordinated and safe roll-out of food packages in food-stressed neighbourhoods, working with community groups to build collective action and solidarity. Children require special attention.

Protect workers:

5. **Guarantee wage payments** so that monthly wages of all workers are secured for the full duration of the lockdown. The expansion in UIF payments is both welcome and critical. , but this should be a fallback, not a default.
6. **Rigorous implementation of leave requirements** so that workers are not forced to use annual leave during the furlough period, and ensuring temporary workers as sufficiently accommodated.
7. **Extend unemployment benefits to casual and informal-economy workers**, including the provision of temporary unemployment payouts for lost income during periods of lockdown.
8. **Ensure additional health and safety provisions** are in place for essential workers and for when workers return to work.

Sustain businesses:

9. **Significantly expand access to low-rate emergency loans**, including through low-cost liquidity provision by the South African Reserve Bank. The current amount of funds available, and the voluntary nature of the “solidarity fund”, fall well short of the expected need. Moreover, there is some evidence that the solidarity fund has diverted donors from other charities that play a vital role in supporting the most vulnerable.
10. **Targeted, temporary and compulsory payment holidays** from municipal taxes, rent and mortgages, and other debts owed.
11. **Other forms of targeted and temporary tax relief** if low-cost loans and payment holidays are insufficient.

Strengthen public health interventions:

12. **Increase the additional resources that are being directed to the health system**, including for testing, treatment, medicines, community health care, and COVID-19 scientific research.
13. **Strengthen the requirement for resources to be pooled between private and public healthcare providers**, particularly for free testing and treatment of COVID affected patients.
14. **Rapidly scale up government's attempts at the local production of critically needed health products, medicine and equipment.**
15. **Scale up efforts to ensure greater access to water and sanitation**, through the provision of water access points, safe ablution facilities, and removing restrictions on homes with water metres. The provision of soap and/or sanitiser is important.
16. **Ensure free mobile data and public internet access**, to keep the public informed and curb the spread of fake news.

Strengthen the economy:

17. **Monetary policy measures** to guard against capital flight and manage the exchange rate, ensure access to affordable credit, and ensure sustainable government bond rates. A "helicopter drop" of funds to households - for example, R1000 for each individual for a period of four months - could complement the grants discussed above.
18. **Reviewing the current Medium-Term Expenditure Framework** which requires considerable budget cuts, including in wages and healthcare.

We appreciate the Temporary Employment Relief Scheme, which aims to prevent retrenchments while maintaining standards. In the past, however, ensuring rapid and effective scaling up of the scheme has proven difficult. It is crucial that implementation be prioritised in the current crisis.

These measures will require additional government financing. We appreciate the effort to mobilise funds outside the fiscus - such as the Industrial Development Corporation (IDC), Public Investment Corporation (PIC), Unemployment Insurance Fund (UIF). However, the scale of interventions required will necessitate additional fiscal and monetary expansion by the Treasury and SARB respectively, as has been the case worldwide. A concrete plan for responsibly managing this must be tabled, a number of signatories are working on proposals in this regard. In addition, we support your call for global transfers and action on the international level.

Commitment, implementation and responsiveness remain a major challenge. While swift action has been taken on health responses, economic interventions have been subject to delay, confusion and incoherence. We need to accept that as with health policy, some risks will need to be taken in this unprecedented situation.

While the Presidency must direct interventions, as far as possible the economic interventions should seek to empower communities, promote their mobilisation, and build social solidarity, as has been noted by a wide number of civil society organisations.

The Presidency must reassure the most vulnerable people and businesses that they will be protected.

This moment calls for all South Africans to contribute. We are willing to support in advancing these shared objectives. We would welcome the opportunity to put these proposals before yourself and the appropriate forums and provide additional technical support as needed.

Yours sincerely,

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