Covid-19 note

Thursday 16 April 2020

The SA's lockdown continues, but some small phased opening up of the economy has been approved by government, particularly in the mining sector, ports and logistics, hardware stores and some informal food traders.
Many countries around the world are considering plans to lift restrictions on the operation of their economies (imposed to limit the spread of Covid-19), and are already outlining early phases of reopening parts of their economies, while at the same time (most are) considering the measures needed to avoid restarting a second round of Covid-19 infections.

Chancellor Merkel has appealed for "extreme caution", allowing the gradual reopening of some of smaller shops from next week and schools next month, but adding "(w)e have made some progress. But I do have to stress that this progress is fragile", "(t)his is a situation in which caution is the order of the day, not foolhardiness."

German exports are expected to fall by a reported 15% this year (DIHK), with 80% of companies reporting sharp falls in turnovers and pessimistic views on the future, as the pandemic continues to negatively impact global supply chains, and delayed or cancelled capital investment adding to the malaise in Europe’s largest economy.

New Zealand may begin easing its lockdown next week, although Prime Minister Ardern warned it would not be back to normal. The country is looking at moving from a stage four lockdown, which has seen only food stores and pharmacys remain open, to stage three which includes restaurants reopening for take-aways, along with some other retailers.

President Trump has promised plans today on reopening the US economy, stating that the U.S. had "passed the peak" of the Covid-19 crisis and that his "aggressive strategy" against Covid-19 was effective, vowing immediate "guidelines" on ventilating parts of the economy, with areas/states evidencing lower infections easing restrictions by 1st May.

The US is reporting a record daily death toll from Covid-19. WHO data shows that for 15th April the US had 578 268 confirmed cases, with 23 476 fatalities so far, and daily 24 446 new cases and 1 504 new deaths. The CDC says the US is "nearing the peak right now". The US has reported the most fatalities from Covid-19 versus any other nation.

The US has also lost 22 million jobs during its lockdown, eliminating the employment created in its past ten years of growth since its last recession of 2009, with Bloomberg also reporting that a US jobless rate of 15% or higher is implied by the recent jobless claims, a high since the Great Depression.

South Africa has amended its lockdown regulations to start reopening a few economic areas, notably mining (which can now operate at 50% capacity) under very strict health regulations. Miners which supply Eskom can operate at full capacity, as well as smelters, plants and furnaces, and refineries to prevent fuel shortages, all under very strict health regulations.
Furthermore, essential items can be sold from hardwares and suppliers of vehicle components under register, logistics and ports can operate for export to decongest ports, bring in cargos currently at ports, and the transportation of cargos from ports and general transportation of essential goods. A further gradual phased opening of SA’s economy is likely.
1. Schools and partial care facilities must be closed by 18 March 2020 until 30 April 2020, which period may be extended by way of directions by the Cabinet member responsible.

2. Suspension of visits by members of the public to:
   a. Correctional Centres;
   b. Remand Detention Facilities;
   c. Holding Cells;
   d. Military Detention Facilities; and
   e. Department of Social Development facilities, including Child and Youth Care Centres, shelters, One Stop Centres and Treatment Centers, are suspended for the period of lockdown from the date of publication of this Notice, which period may be extended for any period, but not beyond the duration of the national state of disaster, by the cabinet member responsible.

3. The transportation of liquor is prohibited, except where alcohol is required for industries producing hand sanitizers, disinfectants, soap, alcohol for industrial use and household cleaning products.

4. All directions issued in terms of these Regulations shall continue to apply unless, varied, amended or withdrawn by the Cabinet member responsible for such directions.

5. "Lockdown" means the restriction of movement of persons during the period, namely from 23h59 on 26 March 2020, until 23h59 on 30 April 2020.

6. Transportation of essential goods; transportation of cargo from ports of entry to their intended destination; and cargo currently at ports of entry, for export of goods to decongest the ports of entry.

7. Stores selling hardware products and vehicle components must maintain a register of persons buying essential goods listed in and must keep a record of a signed declaration which corresponds substantially by the buyer of goods attesting that the goods are essential goods.

8. The Cabinet members responsible for health and social services and trade, industry and competition, by directions, designate services which are necessary to provide or maintain essential health and social services and international trade or industrial activities.

9. Movement of children between co-holders of parental responsibilities and rights or a caregiver, as defined in section 1 (1) of the Children's Act, 2005 (Act no. 38 of 2005), during the lockdown period, is prohibited, except where arrangements are in place for a child to move from one parent to another, in terms of:
   - a court order, where a parental responsibilities and rights agreement or parenting plan, registered with the family advocate, is in existence, or the co-holder of parental responsibilities and rights is in possession of a birth certificate or certified copy of a birth certificate of the child or children to prove a legitimate relationship between the co-holders of parental responsibilities and rights;

10. Provided that in the household to which the child has to move there is no person who is known to have come into contact with any other person known to have contracted, or is reasonably suspected to have come into contact with any other person known to have contracted COVID-19 in the household which the child has to move to.

   The parent or caregiver transporting the child concerned must have in his or her possession, the court order or the parental responsibilities and rights agreement or parenting plan or the birth certificate of the child or children, as required.

   All forms must be completed in full, including full names, identification or passport numbers and full contact details as required in the form and failure to do so will result in the form being rejected as invalid.

Source: SA Government website
11. No person may be evicted from their place of residence regardless of where it is a formal or informal residence or a farm dwelling for the duration of the lockdown.

12. Any person who contravenes regulation 11B(1)(a), (b), (c), (d), (e) or 11B(4); or regulations 11C(1) and 11CA, commits an offence and is, on conviction, liable to a fine or to imprisonment for a period not exceeding six months or to both such fine and imprisonment.

13. The Cabinet member responsible for justice and correctional services shall, request a judge or a Constitutional Court Judge who has been discharged from active service to perform service as a COVID-19 Designated Judge as provided for in the Regulations.

14. To ensure the continuous supply of energy and petroleum products to society:
   a) collieries that supply Eskom must continue to operate at full capacity; and
   b) refineries must operate at full capacity to avoid shortage of fuel, and such operations must include smelters, plants and furnaces.

15. Mining operations must be conducted at a reduced capacity of not more than 50% during the period of lockdown, and thereafter at increasing capacity as determined by direction issued by the Cabinet members responsible for mineral resources and energy.
   The following conditions apply to the starting and increasing of capacity:
   a) A rigorous screening and testing program must be implemented as employees return to work;
   b) The mining industry must provide quarantine facilities for employees who have tested positive for the COVID-19;
   c) data collected during the screening and testing programme must be submitted to the relevant authority;
   d) mining companies must make arrangements to transport their South African employees from their homes to their respective areas of operations;
   e) workers from neighbouring Southern African Development Community countries must be recalled to their place of employment at the end of lockdown in their respective countries.

The monitoring and impact assessment of seismicity through the Council for Geoscience must be intensified with immediate effect.

16. Hardware, components and supplies required by any qualified tradesperson solely for the purpose of emergency repairs at residential homes; Hardware, components and supplies required by any entity engaged in the provision of essential services for any project related to the provision of water, electricity or other essential services; Components for vehicles under-going emergency repairs where such vehicle is used by a person engaged in essential services work.

17. Grocery stores and wholesale produce markets, spaza shops, informal fruit and vegetable sellers and langanas, with written permission from a municipal authority to operate being required in respect of spaza shops and informal fruit and vegetable traders; Provided that all valid permits for spaza shops and informal fruit and vegetable traders issues before or during the declared national state of disaster and which fall due during the said period, will remain valid for a period of one month after the end of the national state of disaster.

Source: SA Government website
While some rising Covid-19 cases may occur from SA’s initial (first phase) opening up of its economy, this is likely to be closely watched and further opening up of the economy is only likely as new cases moderate after stabilising. South Africa has 2 506 confirmed cases of Covid-19, with 34 reported fatalities. Africa has 11 367 cases, 523 fatalities.

The WHO has identified the need for an additional US$300bn in the next six months to help African countries fight Covid-19. This comes at the time of Trump’s decision to withdraw funding to the WHO - leading the world’s health organisation to warn of the negative health impacts on Africa, including the failure to eradicate polio.

G20 nations have agreed to suspend debt payments for the world’s poorest countries, with over US$20bn likely to be released to fight Covid-19, with Reuters also reporting that hundreds of private creditors to these countries have rapidly followed suit. The G20 has evinced criticism of Trumps decision to halt funding to the WHO.

The debt relief measures from the G20 were hailed by German Finance Minister Scholz as “an act of international solidarity with a historical dimension,” and that the G20 decision on debt relief would allow the world’s poorest countries to fund healthcare “immediately and without time-consuming case-by-case examination”.

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**South Africa: Summary of amendments to Regulations – 16th April 2020**

18. Call centres necessary to provide health, safety, social support, government and financial services, debt restructuring for consumers of retailers, and access to short-term insurance policies as a result of reduced income or loss of income;

19. Trades necessary for the rendering of emergency repair work, including plumbers, electricians, locksmiths, glaziers, roof repair work; trades necessary for emergency automobile repairs for persons rendering essential services; Information and Communication Technology services rendered to entities and institutions engaged in delivery essential services.

Source: SA Government website
The IMF has welcomed the move, highlighting that debt relief is in the interest of all "as the global community is as strong as its weakest member in a global pandemic." The IMF has said that it is "deploying all its resources and was looking to triple its concessional financing for the poorest countries to over $18bn."

The IMF adds that it has the "full support of the membership to go on the offensive to raise more capacity for concessional funding from the IMF. Our target is to triple what we do for those countries" and so is "urgently seeking $18b in new loan resources for the Poverty Reduction and Growth Trust, and will also likely need at least $1.8b in subsidy resources."

Indeed, Africa needs as much aid, support from wealthy countries and relief from debt payments as possible in this unprecedented time. Africa is facing an extreme humanitarian crisis and will only cope with maximum support and real meaningful aid from wealthy countries and individuals (and from the multilaterals wealthy countries support).

Part of this does need to be relief from debt payments so these monies can be used instead to save actual lives and livelihoods. "The IMF is set to provide $11b to 32 countries in sub-Saharan Africa to help fight the coronavirus pandemic. These steps will support domestic measures including transfers to vulnerable households, monetary and fiscal policy".

"Restrictions to limit the movement of people and real per-capita income that is projected to fall by 3.9% on average across the region will worsen existing vulnerabilities and jeopardize livelihoods at a time when policy makers have limited fiscal scope to respond."
Phase 1: Economic policy response
1. Immediate release of funds to where they were needed
2. An Instruction Note 8 of 2019/20 applicable to Public Finance Management Act (PFMA) institutions and a Municipal Finance Management Act (MFMA) Circular 100 for municipalities and municipal entities, to speed up the procurement of goods/commodities required to reduce and control the spread of the virus.
3. A first set of exceptional tax measures as part of the fiscal package. These measures are over and above the tax proposals made in the 2020 Budget on 26 February 2020. The tax adjustments are made in light of the National State of Disaster and due to the significant and potentially lasting negative impacts on the economy from the spreading of the COVID-19 virus.
4. The Office of the Auditor General announced a conditional Exemption Notice in order to ensure effective and efficient service delivery and to minimise any potential delay in decision making. The conditional Exemption Notice will also facilitate and enable legislative processes during the period of the national state of disaster.

Banking and finance market interventions
1. In line with its Constitutional mandate, the South African Reserve Bank cut the repo rate initially by 100 basis points and an additional 100 bps a short while ago. This will put money straight back into the economy.
2. The Bank has also proactively provided additional liquidity to the financial system. This includes purchasing of government bonds in the secondary market to ensure that there is sufficient liquidity in the government bond market.
3. Regulatory requirements are expected to release lending of up to R550 billion into the economy, including a reduction in capital requirements of R30.7 billion in capital and a reduction in liquidity requirements. In addition, up to R3 trillion in total exposures will benefit from changes to rules around restructuring.
4. Guidance to reduce dividends and bonuses will ensure that banks use capital wisely.

Banking
In the spirit of working together with Government, the largest banks have announced a number of measures to help their customers, including instalment reductions, interest and fee deferrals, extension of loan terms, processes to help qualifying customers access debt relief packages like the South African Future Trust and government SME relief schemes, fee waivers and other relief efforts.

Insurance
- Premium holidays and premium deferrals on a case by case basis
- Paying suppliers in shorter periods to assist with improved cash flow in the system.
- Business interruption claims due to COVID-19 to be considered on a case by case basis, and working on clear guidance on how pandemic exemptions will work
- Reduced excesses; and
- Leniencies on missed debits

Source: National Treasury, 14th April 2020
Phase 2: Economic policy response

Government to implement structural reforms to:
- Restructure the network industries;
- Liberating SMMEs to be the engines of growth and employment;
- And broad-based measures to lower the cost of doing business.

The effect of COVID-19 on the fiscus. There are a number of elements to our fiscal response:
1. Putting forward clear estimates of the additional health care costs that will be needed
2. Reprioritising unnecessary expenditure towards these health care costs
3. The impact of slowdown on our projections for revenue
4. It should be costed as much as possible (how much is needed?)
5. It should be temporary (clear timeline of 1 year)
6. It must be crafted as a 3rd line of defence for the vulnerable
7. A clear timetable or plan to stabilise debt over the current forecast period
8. Supported by an economic recovery plan (structural reforms) and a set of reforms within the fiscal system e.g. passing the RABS (road accident benefit scheme), consolidation of public entities and closure of SAA and SAX

Amongst the measures we are looking is expanded support for SMME lending through the banking system, similar to in other countries.

Government, through National Treasury, is exploring all funding avenues to finance all Covid-19 related programmes and measures aimed at addressing the pandemic. The funding avenues will not be limited locally but will include exploring all global partners and international finance institutions. Funding transactions will be announced officially once concluded.

Going back to opportunities emerging from this crisis, we as government have reiterated, the commitment to implement structural economic reforms to address the weak economic growth, constrained fiscus and ailing state-owned companies.

Source: National Treasury, 14th April 2020
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