

Information is limited, but at best it seems only around a quarter of the R500 billion has been spent!

R375
BILLION
UNSPENT



24 JUNE 2020





SOUTH AFRICA'S COVID-19 RESCUE PACKAGE SCORECARD

On 21 April 2020, President Ramaphosa announced a R500 billion COVID-19 rescue package to protect the jobs and wages of workers, support businesses, and provide greater social assistance. This built on previous programmes announced.

Funds for the package must be allocated from the National Treasury and implemented by a range of departments and agencies.

Two months later, is the package achieving its objectives?

SCORECARD SUMMARY

-  **Providing funds to pay wages**
– too little, too difficult to access – **FAIL**
-  **Supporting households and communities**
– too little, very weak implementation – **FAIL**
-  **Supporting businesses through tax deferrals and loans**
– poor uptake, bureaucratic, difficult to access – **FAIL**
-  **Providing additional health and municipal funding**
– unclear, patchy implementation – **?**

Government needs to increase the scale of support, and radically reduce onerous requirements, cumbersome application processes, and stringent eligibility criteria.





Wage Support (TERS)

R40
billion

THE WHY

To avoid retrenchments and income loss, governments around the world have accompanied measures to close parts of the economy with ensuring that businesses can continue to pay workers their wages.

THE WHAT

The Temporary Employer/Employee Relief Scheme (TERS) offers funds to businesses (or direct to employees) to pay wages. These are paid on a sliding scale of 38% of a worker's monthly wage (for high-wage earners) to 60% (for low-wage earners). The minimum pay-out is R3 500 per month, for a period of three months.

THE ASSESSMENT

- As of June 19 2020, 355 267 employers had been paid, with some being paid in more than one month. By contrast, the number of employers sits at approximately 2.4 million. Optimistically, only 8% of employers have been paid, a tiny fraction of businesses in need.
- TERS does not guarantee workers receive support at least equal to the national minimum wage of R4 045.
- The application and payment mechanism is cumbersome, bureaucratic and inefficient. Thousands of companies report failure to receive support.
- As of 19 June 2020, R24 billion had been disbursed to 3.7 million workers. As such, 60% of the available expenditure has benefitted only 23% of workers.
- The scheme is planned to be active for only three months per applicant.¹
- Legal action has been required to extend TERS to non-registered workers.

SOME SOLUTIONS

More funding, increase minimum level, increase payment to 80% of wages, move the administration to SARS, make payments automatic and systems very simple.

1. Department of Employment and Labour, 19 June 2020. *UIF pays close to R6-billion in May relief payments alone while claims for Compensation grow steadily.*

Social Assistance

R50
billion

THE WHY

Increasing social grants is a vital means to ensure that poor and low-income South Africa's survive the shutdown of the economy and keep businesses afloat through their spending.

THE WHAT

- A special COVID-19 Social Relief of Distress Grant was put in place to benefit 10 to 15 million unemployed people without other income, existing grants, or UIF payments, for a period of six months.
- The Child Support Grant (CSG) was increased by R300 per child in May 2020, and then by R500 per caregiver for the next five months.
- All other grants were topped up by R250 for six months.

THE ASSESSMENT

- It took around 6 weeks before any grants were paid. As of 18 June 2020, only 1.2 million applicants, out of 6.2 million received, have been paid. The implementation has been appalling, with the inefficiencies of SASSA and stringent qualifying criteria being contributing factors.
- Increases to other grants have been implemented but limited increases leave many behind. For example, limiting the CSG increase to each caregiver, not each child, means almost one-third less support to the poorest people, and an additional 2 million people below the food poverty line.²

SOME SOLUTIONS

A once-off universal basic income grant of a larger amount, simple administration and effective roll out of special COVID-19 grant, larger increases to the CSG per child.

2. Bassier, Budlender, Zizzamia, Liebbrandt, Ranchhod, 2020. *Locked down and locked out: Repurposing social assistance as emergency relief to informal workers.* Version 2. SALDRU, Working Paper Number 261.





Job Protection and Creation

R100 billion

There is no public information about what this is for, how it will be spent, and if it is being implemented.

Tax Relief

R70 billion

THE WHY

Defer the payment of taxes until a later date in order to free up cash-flow within businesses to ensure survival in the short term.

THE WHAT

- Four-month holiday from skills development levy contributions, fast-tracking VAT refunds, a three-month delay for filing and the first payment of carbon tax, increased range of businesses eligible for tax deferrals, and increase of PAYE deferral to 35%. These measures are available to businesses with a turnover of under R100 million per year.
- For larger companies (those with turnover greater than R100 million a year), these measures are available on a case-by-case basis, provided proof is given of material negative impact due to COVID-19.
- The Youth Wage Subsidy is paid monthly, not twice a year.

THE ASSESSMENT

- There are no recent estimates of uptake. However, Stats SA reports in an April survey that only 4.25% of business-owning respondents had made use of the various tax deferral programmes.³
- The mechanisms to use these measures are vague, and smaller businesses, precisely those needing the help, lack dedicated tax and finance departments and are struggling to apply.

SOME SOLUTIONS

Make relief more accessible and automatic for certain businesses, extend relief to households.

3. Bhorat, Kohler, Oosthuizen, Stanwix, Steenkamp, Thornton, 2020. *The Economics of Covid-19 in South Africa: Early Impressions*. DPRU Working Paper 202004.

Health Support

R20 billion

THE WHY

The healthcare sector requires large additional resources to respond to the pandemic.

THE WHAT

- Provide PPE to healthcare workers and increase beds in field hospitals.
- Rollout mass community screening and testing capacity.
- Increase ventilators, medicine, and healthcare workers.

THE ASSESSMENT

- 1 328 060 tests (2.3% of population) were completed as of 19 June 2020, with a 50/50 split between public and private sector.⁴ There are large backlogs of tests in laboratories.
- The extent to which screening has been deployed is unclear. Workplace screening and health procedures are not being widely adhered to, putting lives at risk.
- With the ICU bed capacity at 3 300 and anticipated deaths to top 48 000 by November,⁵ not enough has been done to increase capacity.
- To date, over 100 quarantine centres have been set up to assist where people are unable to isolate at home, or for those who have been internationally repatriated. The costs and efficiency of these centres is unclear.

SOME SOLUTIONS:

Increase testing and screening in high-density areas, increase expenditure to expand laboratory capacity and reduce turnaround times for results, increase bed capacity, provide proper PPE to those living in informal/low-income/rural/ill-equipped areas, improve track and tracing and isolation/quarantine facilities, make better use of private facilities.

4. Department of Health, 21 June 2020. *Update on Covid-19* (21st June 2020). Media Release. Available: sacoronavirus.co.za

5. South African COVID-19 Modelling Consortium, 19 May 2020. *Estimating cases for COVID-19 in South Africa*.





Municipal Assistance

R20
billion

THE WHY

Municipalities must provide access to water and proper sanitation. For those travelling to work, public transport must be safe to use. With increased food insecurity and precarity, municipalities need to assist the hungry and the homeless.

THE WHAT

- R2.4 billion to provide water and sanitation, mostly in under-serviced informal settlements, R1.5 billion to fund urgent maintenance to restore water infrastructure, R970 million to sanitise public transport facilities, and R306 million to provide water tanks to communities without reliable access to water services.⁶
- This comprises R5 billion of the initial R20 billion, there is no indication of how effective this has been or how the other R15 billion is to be spent.

THE ASSESSMENT

- Funds have been underspent and not been timeously utilised, highlighting the shameful under-servicing of rural, informal, and low-income areas.
- There is little indication of the efficiency, nor the amounts used thus far.

SOME SOLUTIONS

Infrastructure to provide safe and consistent access to water must be built quickly, sanitisation of public transport expanded, protection of the hungry and the homeless must be adequate to provide long-term support, the provision of PPE must be given to those in vulnerable areas especially in densely populated areas.

6. National Treasury, 12 May 2020. *Treasury on Coronavirus COVID-19 support for municipalities.*

Credit Guarantee Scheme

R200
billion

THE WHAT

Loans to businesses with decreased turnover will help them survive this period.

THE HOW

- Loans provided to cover fixed costs such as rent, utilities, payroll, and debt service costs.
- Loans are disbursed via the big banks in South Africa (FNB, Standard Bank, Absa, Nedbank, Investec, and Capitec) at low rates with conditionalities.
- Loans are almost fully guaranteed by the government, which can expect a 20% default risk rate.⁷
- The loan structure is such that little to no profit is made on them.

THE ASSESSMENT

- Extremely low uptake from businesses, with estimates of total loans of between R300 million and R6 billion extended.
- Three-week delay between announcement and finalisation saw businesses reduce wages, retrench workers, and make other arrangements over the period.

SOME SOLUTIONS

Remove some of the conditionalities from the loans, quickly rework the terms of repayment to be more appealing, reduce eligibility criteria to increase access to more businesses, set up a business rescue fund for businesses where loans are not appropriate.

7. As per Intellidex's Stuart Theobald, who warns of a default rate of 20%. Available: <https://www.moneyweb.co.za/news/south-africa/significant-increase-in-r200bn-covid-19-credit-guarantee-scheme-loans/>



Other Schemes

A number of other smaller schemes exist alongside the R500 billion rescue package.

TOURISM

The R230 million Tourism Relief Fund provides support to a sector hard hit by lockdown regulations with 740 000 jobs at risk. As of 30 May 2020, over 6 000 applications were received. A host of administrative issues have been reported to the Tourism Minister. There is no indication of what proportion of the funds have been spent. In an April survey,⁸ of the 60% of businesses who knew about the fund and thought they were eligible only 2% were successful. The fund should be reopened with greater expenditure for a recurring three-month period on monthly review with relaxed eligibility criteria and a streamline application and payment process.

SMME DEBT RELIEF FINANCE SCHEME

R200 million, increased to R500 million, to support small, micro, and medium businesses through loans to assist with payroll, rent and utilities, capped at R500 000 per SMME. The first funding window closed on 23 May 2020, with R513 million supporting 1 497 successful applications. An estimated additional R4.4 billion is needed to support the remaining 12 954 complete applications received.⁹ The breadth of the support is very narrow. The fund should be reopened, punitive terms removed, the maximum moratorium period increased, and closer coordination undertaken with TERS to support wages.

BUSINESS GROWTH/RESILIENCE FACILITY

Soft loans are available to businesses that locally manufacture or supply essential goods needed to combat COVID-19, offering working capital, and stock and trade financing to qualifying businesses. This is to support increased output, with funding based on the needs of each business. There is no indication of how much funding has been disbursed, or whether this falls into the same expenditure category as the SMME Debt Relief Finance Scheme.

SPAZA SUPPORT SCHEME

Locally-owned spaza shops operating in townships and villages are provided support through bulk buying opportunities, credit facilities and business skills support training. This requires legal compliance with SARS and the UIF. Reports indicate slow uptake, with only 88 out of at least 130 000 traders approved in late April 2020.¹⁰ Those businesses received R3 500 capital investment, with another R3 500 as revolving credit to stock their shelves. Stringent legal requirements and attempts to formalise these shops in the midst of the crisis has hamstrung the scheme. The exclusion of foreign-national owned shops is patently xenophobic and probably unconstitutional. Criteria should be relaxed and implementation accelerated.

AGRICULTURAL DISASTER SUPPORT FUND

R1.2 billion has been allocated to support smallholder and communal farmers to ensure sustainable food production. The application period ran from 8 to 22 April 2020, where 55 155 applications were received. Of that, 15 036 were approved, with 8 211 being either women, youth, or those living with disabilities.¹¹ A maximum allocation of R50 000 per application was in place, with the total expenditure coming to just over R500 million. However, successful applications were limited by a lack of relevant supporting documentation, and the scheme has fallen well short of its initial allocation.

8. Department of Tourism, April 2020. *Tourism Industry Survey of South Africa: COVID-19. Impact, Mitigation and the Future.*

9. Department of Small Business Development, 22 May 2020. *The Department of Small Business Development announces the closure of window-1 of the SMME Debt Relief Financing Scheme.*

10. Makhosandile Zulu, 28 April 2020. *Spaza shops to get R7k capital investment, revolving credit from Covid-19 relief funds.* The Citizen. Available: <https://citizen.co.za/news/covid-19/2275977/spaza-shops-to-get-r7k-capital-investment-revolving-credit-from-covid-19-relief-funds/>

11. Department of Agriculture, Land Reform & Rural Development, 17 May 2020. *Minister Didiza announces the outcome of the COVID-19 agricultural disaster fund application process.*

The government's support measures have failed. Urgent action is required to support livelihoods, advance rights, sustain businesses, and protect from economic and social collapse.