

COVID-19 – PROTECTING LIVES AND LIVELIHOODS

GTAC Winter School 2021
Presenter: Mark Blecher



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



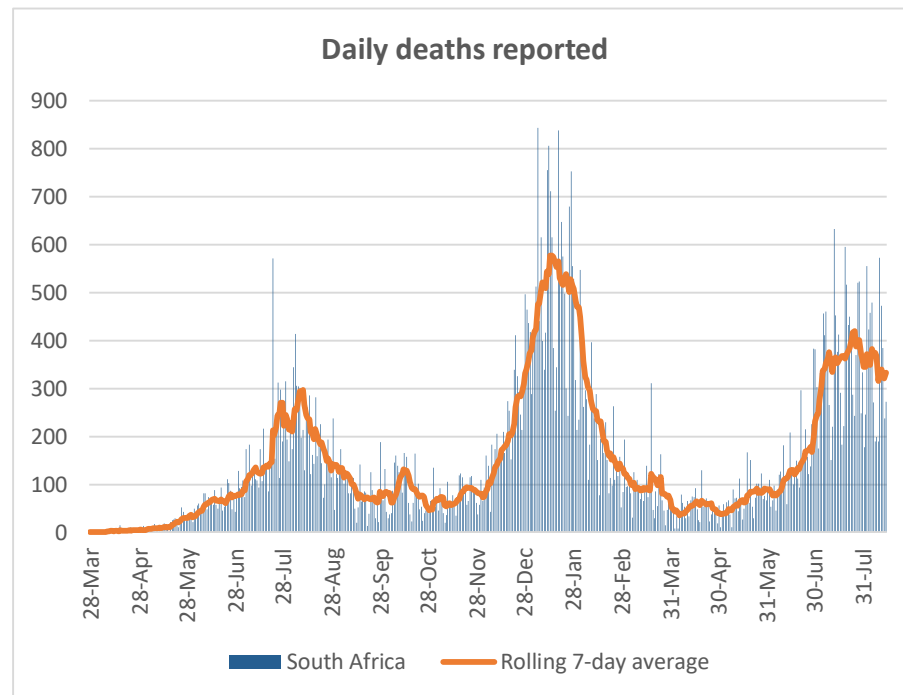
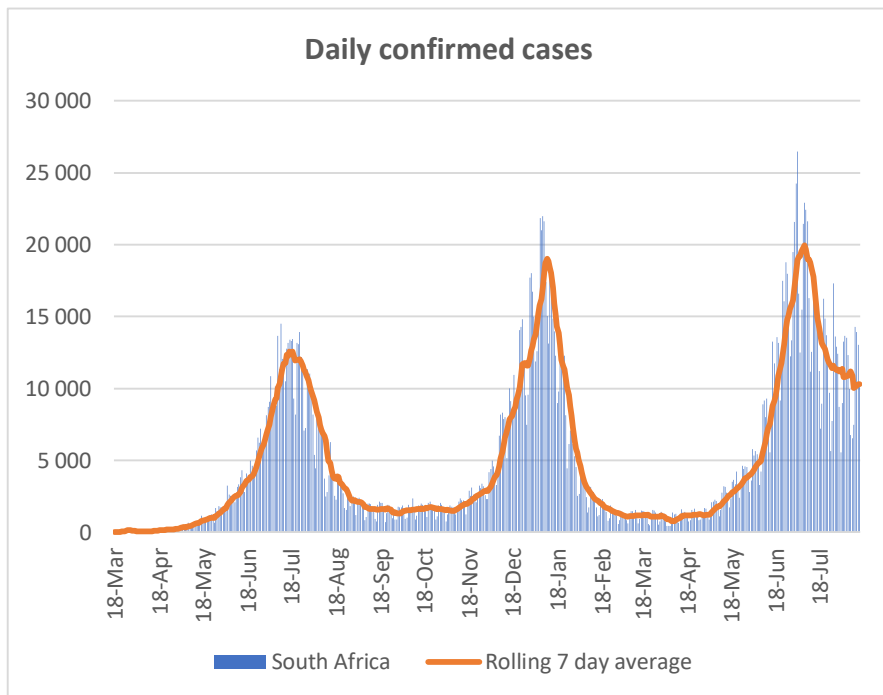
OVERVIEW

- Background
- Lives: Key COVID-19 statistics
- Lockdown measures
- Funding the health response (protecting lives)
- Livelihoods: Economic impact, tax, spending, jobs, hunger
- Protecting livelihoods
 - TERS
 - Social grants
- Conclusions

BACKGROUND

- SA had its first confirmed case on 5 March 2021 and state of national disaster declared on 15 March.
- Imposed early and very stringent lockdown measures in effort to contain community transmission and buy time prepare health system
- Lockdown caused massive economic damage, including large job losses, 2.2m before recovering to 1.4m
- Over time, response increasingly framed as “a marathon, rather than a sprint”, seeking a balance between protecting both lives and livelihood
- Presentation describes issues and trade-offs,
- Drawing on forthcoming chapter in the 2021 South African Health review (www.hst.org.za)

SUMMARY OF COVID-19 STATISTICS



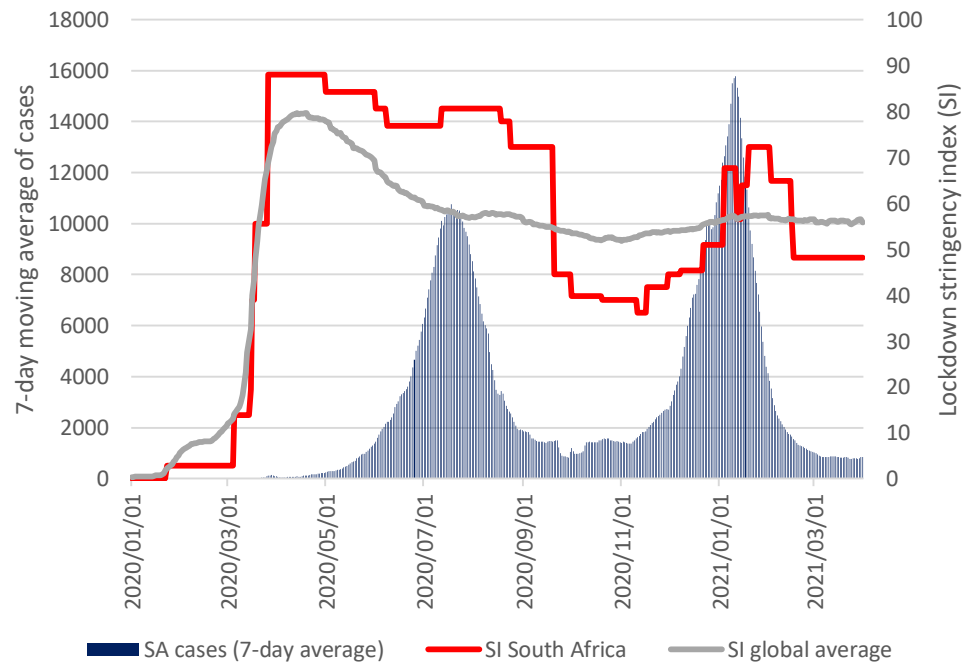
- SA experienced 3 large waves (3rd wave underway in most provinces), each wave increased in size measured by confirmed cases
- Measured by deaths, 3rd wave likely somewhat smaller than 2nd, possibly thanks to some degree of vaccine coverage
- NB timing and magnitude of each wave differed across provinces.

LIVES: COVID-19 STATISTICS

- As at 15 August 2021, South Africa had counted:
 - 2.6 million positive cases
 - 152,812 active cases
 - 77,141 confirmed COVID-19 deaths
 - 229,850 excess deaths (estimated by SAMRC)
 - 9.4 million vaccines administered
 - 7.4 million fully vaccinated individuals (18.6% of adult pop)

LOCKDOWN STRINGENCY

- Initial lockdown measures were more stringent and protracted compared to global average.
 - NB uncertainty at the time, response informed by worst-case scenarios of initial epi-models
 - Fear of experiences seen in e.g. Italy, and possible implications of SA's high HIV and TB prevalence
 - Limited understanding of how to maximise health benefits and minimise cost to employment and economy
- Response to second wave less stringent, later (too late?) and shorter. Economic harm much less severe



LIVELIHOODS

- Initially very little understanding of livelihoods issue with lockdown
- Food queues started growing, social unrest
- Millions of informal sector workers without savings
- Difficult to even engage in discussions of safe re-opening
- Social relief measures
- Was not early understanding on pressure on businesses, jobs
- Only by December 2020 WHO put out guidance on need to consider lives and livelihoods; huge setbacks in global poverty, difficulties of informal settlements, informal workers, millions of hungry people
- Limited quantitative planning tools to bring together epidemiological and economic modelling
- Limited ability of fiscus to support economy with many sectors partially closed
- 16 months of variable lockdown – level 3
- Mass looting KZN and Gauteng July 2021
- Widespread deepening of many poverty indicators (e.g NIDS-CRAM)

HEALTH BUDGETARY RESPONSE

- Given uncertainty of trajectory of the pandemic, the funding requirements were also uncertain
- Initial R466 was rapidly disbursed to PDOH to fund PPE needs
- Larger budget allocations, through special adjustments budget (SAB) in June, informed by cost modelling by academic institutions

Funding mechanism	COVID-19 allocation (ZAR '000')	Areas to be funded
New COVID-19 component of HIV grant	3,450,537	PPE, testing, Cuban medical brigade, contracting private hospitals
Health Facility Revitalisation Grant	1,065,786	Infrastructure requirements for COVID19, e.g additional bed space, field hospitals etc.
National Tertiary Services Grant	297,617	Tertiary hospital COVID-19 care, e.g. ventilators and other equipment and supplies
NHI Grant	22,706	Contracting health professionals to assist with COVID-19 response
Indirect Health Facility Revitalisation Grant	200,000	Various infrastructure needs for COVID-19
National Institute for Communicable Disease	96,700	Disease surveillance and control
NDOH core budget	411,029	NDOH's own PPE requirements, port health services, Cuban public health advisory team etc.
Provincial Equitable Share	15,955,625	Various areas of the COVID-19 response not covered or only partially covered by other allocations.
Total	21,500,000	

FUNDING THE VACCINE ROLLOUT

R million	2020/21	2021/22	2022/23	Total	
National Department of Health	1,100	6,692	2,100	9,892	Vaccine procurement and distribution, EVDS, private contracting
Provincial Departments of Health	0	1,500	900	2,400	Service delivery costs
Medical Research Council	150	100	0	250	Sisonke trial, vaccine research
Government Communication and Information System	0	50	0	50	Communication campaigns
Total allocated	1,250	8,342	3,000	12,592	
Additional potential funding		TBC		6,658	Contingency reserve and emergency allocations

- Vaccine programme critical to both protect lives and enable economic recovery. One of few areas receiving additional allocations in Budget 2021
- R12.6 billion allocated to date for vaccine rollout, including recently approved R2.3 billion to top-up 2021/22 allocation
- 73 million doses ordered, sufficient to fully vaccinate 52m people (i.e. more than 41m adults in SA). Actual uptake likely to be lower
- To date, R4m has been spent by NDOH and 9.4 million vaccines administered

ECONOMIC IMPACT

GDP

- GDP in 2020:Q2 (first lockdown) shrunk by -16.6% q-on-q and -51.7% annualised
- As restrictions eased, economy recovered and final GDP for 2020 registered a decline of -7%, not as bad as early estimates but still largest annual decline since WWII and worse than global decline of 3.3%

Employment

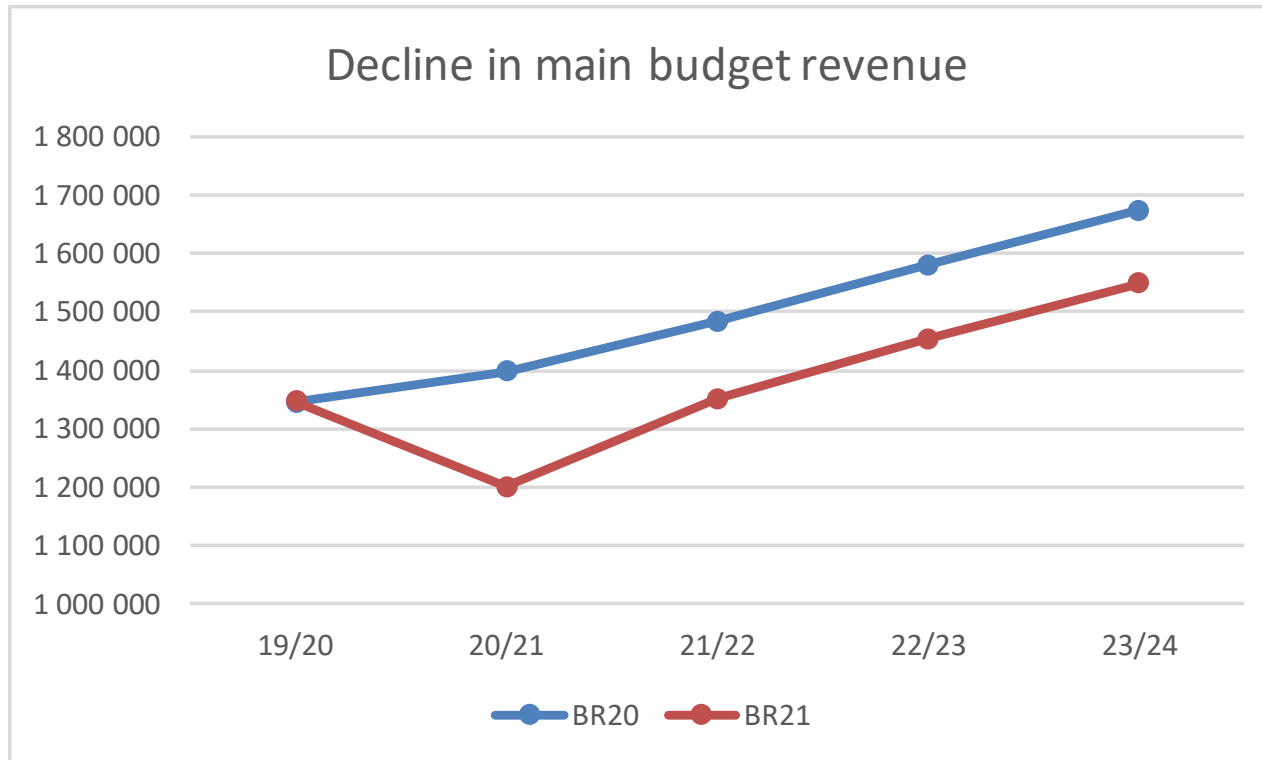
- 2.2 million jobs lost in 2020:Q2 during stringent lockdown
- As restriction eased 900k of these were recovered by year-end, indicating a net loss of 1.4 million jobs in the year

Government revenue

- Government revenue declined considerably, due to economic decline and tax relief measures.
- By time of special adjustments budget revenue was projected to decline by R300bn. Ultimate revenue shortfall was around half (just over R150million)

TAX REVENUE DECLINE

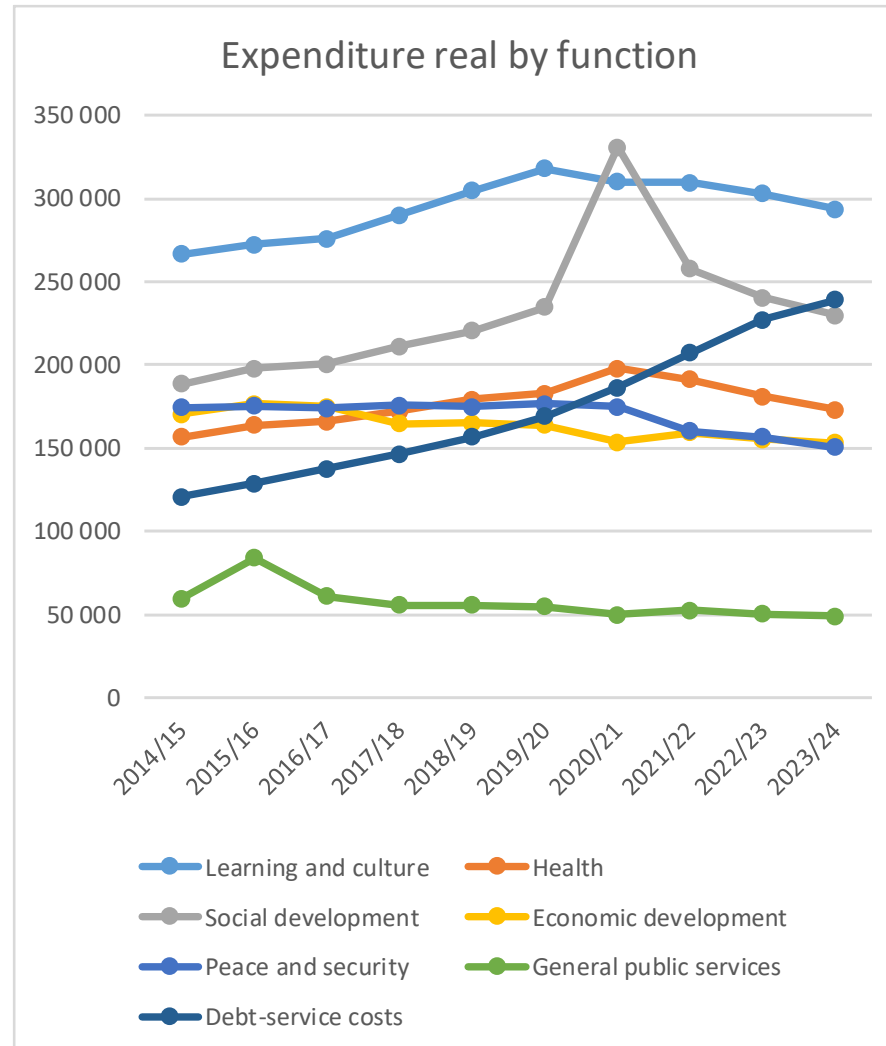
- Tax revenue declines around R125 billion pa



Main budget revenue					
	19/20	20/21	21/22	22/23	23/24
BR20	1 344 797	1 397 996	1 484 294	1 580 877	1 674 043
BR21	1 345 870	1 200 786	1 351 672	1 453 670	1 548 512
	1 073	-197 210	-132 622	-127 207	-125 531

EXPENDITURE BY FUNCTION REAL (RAND BIL)

- Massive rise in interest payments, huge once-off in grants, health and education decline



BUDGET 2021

- Perhaps most difficult budget in a century
- Largest economic drop since 1929
- Big drop in tax revenue along with much larger debt payments
- Debt crisis – interest payment >20% of revenue
- Large cuts in spending over MTEF including R76 billion health, >R100 billion education, wage freezes for 3-4 years, social grants cut, every sector cut
- OECD, WB, IMF advises countries not to discontinue stimulus too early, warns against effects of austerity on health
- Enter 3rd wave

PROTECTING LIVELIHOODS

TERS – support to formally employed

- Adaptation of existing scheme, which assists companies in distress to pay a portion of wages while employee remains in employment
- Scope was expanded to also support workers who were furloughed or worked reduced hours
- Initially planned for 3 months but extended several times, to ultimately be ended in March 2021
- By end of January, R59.3 billion had been paid in 13.9 million payments

PROTECTING LIVELIHOODS

Social grants

Adjustments to existing grants

	Baseline per month (Rand)	Number of beneficiaries	Top-up (Rand)	Top-up %
Child support ¹	445	12,811,209	300	67.4%
Old age	1,860	3,672,552	250	13.4%
Disability	1,860	1,045,388	250	13.4%
Foster care	1,040	339,959	250	24.0%
Care dependency	1,860	155,094	250	13.4%

New social assistance grants

	Amount per month (Rand)	Number of beneficiaries
Social relief of distress	350	6.1 million
Caregiver ¹	500	7,167,022

1. The Child Support Grant Reaches largest number of households. From second month, replaced with Caregiver Grant

- SA has established social grant system, reaching around 18m beneficiaries annually
- In response to pandemic, existing grants were topped up and two new grants were created:
 - Social relief of distress (SRD) grant: R350 per month reaching 6.1m beneficiaries
 - Caregiver grant: Replaced CSG top-up – R500 per month reaching 7.1m caregivers

SOCIAL GRANT COSTING EXERCISE

- R40 billion for initial 6 months, SRD then extended twice and reintroduced in August for 8 months

Social grant top-ups and new grants							
	May	June	July	Aug	Sept	Oct	Rand mil
Child support grant							
Beneficiary (child)/ caregiver	12 811 209	7 167 022	7 176 958	7 186 908	7 196 871	7 206 848	
Top-up	300.0	500.0	500.0	500.0	500.0	500.0	
Cost	3 843.4	3 583.5	3 588.5	3 593.5	3 598.4	3 603.4	21 810.7
Old age beneficiary inc Veter	3 672 552	3 681 962	3 691 398	3 700 862	3 710 353	3 719 871	
Top-up	250.0	250.0	250.0	250.0	250.0	250.0	
Cost	918.1	920.5	922.8	925.2	927.6	930.0	5 544.2
Disability beneficiary	1 045 388	1 044 814	1 044 241	1 070 170	1 069 610	1 069 052	
Top-up	250.0	250.0	250.0	250.0	250.0	250.0	
Cost	261.3	261.2	261.1	267.5	267.4	267.3	1 585.8
Foster care beneficiary	339 959	346 452	353 070	342 476	346 739	351 055	
Top-up	250.0	250.0	250.0	250.0	250.0	250.0	
Cost	85.0	86.6	88.3	85.6	86.7	87.8	519.9
Care dependency beneficiar	155 094	155 332	155 571	156 577	156 818	157 058	
Top-up	250.0	250.0	250.0	250.0	250.0	250.0	
Cost	38.8	38.8	38.9	39.1	39.2	39.3	234.1
SRD							
Recipient	2 500 000	4 009 000	5 005 000	5 505 000	6 305 000	6 705 000	
Value	350.0	350.0	350.0	350.0	350.0	350.0	
Cost	875.0	1 403.2	1 751.8	1 926.8	2 206.8	2 346.8	
Less baseline	33.9	33.9	33.9	33.9	33.9	33.9	
Cost	841.1	1 369.2	1 717.8	1 892.8	2 172.8	2 312.8	10 306.7
			16				
Total	5 987.7	6 259.9	6 617.4	6 803.8	7 092.1	7 240.5	40 001.4

CONCLUSIONS

- “Hindsight is the best insight to foresight” – many early decisions were made in context of huge uncertainty. Important to learn from past mistakes (and successes), when shaping future response
- Strict, early lockdown may have saved lives by delaying spread and enabling the health system to improve readiness
- However, complete lockdowns proved a blunt tool, having vast economic and socio-economic side-effects
- Less stringent lockdown measures implemented during 2nd wave had much less severe economic impact
- Implications of the initial strict lockdown are long-lasting, net 1.4m jobs lost and tax revenue declining resulted in large budget cuts across all sectors, including R76bn in health.
- **Illustrates the need for multi-criteria pandemic decision- and policy-making, considering both lives and livelihoods**
 - Requires technical work to bring together epidemiological and macro-economic models

CONCLUSIONS (2)

- South Africa's fiscal response 6% of GDP smaller compared to the stimulus packages in advanced economies but large compared to other emerging markets.
- Social security institutions need adaptable systems that enable rapid implementation of temporary income protection measures in the event of disasters, pandemics and other economic shocks – over R100billion spent and questions about way forward BIG/R350 SRD/EPWP/Brazilian Bolsa Familia.
- In the absence of costed implementable plans, cost models proved very useful in quantifying budget needs. However, implementation readiness does not always correspond to modelled need.
- Health budget declines of R76 billion of MTEF – associated with severe weakening of fiscus
- Inadequate early attention to livelihoods esp jobs will leave long-standing damage