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Insight
Opinion

# Covid-19 is unprecedented, as is the need to help

## The Solidarity Fund is a way for all of us to support the most impoverished

By **GLORIA SEROBE**


**The virus and lockdown will affect all South Africans, but will be hardest for the millions at the bottom of the economic ladder.** Picture: Werner Hills

● South Africans are set to confront one of the toughest moments of our history. Fortunately, all indications are that we will do so united. It is a country defined by various struggles, and I do not make this comment lightly.

Our nation and the world face an unprecedented threat, one that is oblivious to identity and demographics and is enabled by the hyper-connectedness of our modern world.

That menace is the Covid-19 coronavirus, a highly contagious respiratory illness that spreads from person to person; mainly between people who are in close proximity to one another (within about 2m), but it can also be contracted by touching surfaces that have been touched by infected people.

In SA, Covid-19 represents a grave and pressing danger to an economy and society already under strain. Furthermore, it threatens to deepen the impact of inequality in our country, a side effect we can ill afford.

As The New York Times recently pointed out: "In societies where the virus hits, it is deepening the consequences of inequality, pushing many of the burdens onto the losers of today's polarised economies and labour markets. Research suggests that those in lower economic strata are likelier to catch the disease."

It is within this context that President Cyril Ramaphosa announced the formation of the Solidarity Fund as one of the measures to combat the anticipated impact of Covid-19.

The fund has been set up to create a platform for all South Africans, from the public and private sectors, as well as the general public at large, to contribute to one consolidated effort to assist those least able to weather the financial consequences of the pandemic.

The fund will be a rapid response vehicle through which pooled contributions can be deployed to fund four key initiatives:

- Preventative and supporting measures to "flatten the curve" by lowering infection rates;
- Detecting and understanding the magnitude of the infection problem;
- Assisting with the management of those people in hospital or medical care; and
- Supporting those people whose lives are disrupted by the virus.

Covid-19 infects people regardless of wealth or colour, threatening the livelihoods of everyone, but particularly the livelihoods of the poor and the working classes.

In SA, a significant number of the poor live with chronic, underlying conditions, such as tuberculosis and diabetes, and the coronavirus threatens to compound these pre-existing health challenges. These are people likely to be at higher risk of severe symptoms, complications, and potentially death if infected by the coronavirus.

They live in environments where social distancing is difficult, if not impossible. For them, the extra vigilance we all must take in terms of hygiene comes with difficult trade-offs.

The most vulnerable members of our society also face the increased prospect of lost income, deepening poverty and hunger, as a consequence of measures we are initiating to fight the virus.

They will pay a higher price for the steps we need to take to protect us all.

There are 3-million people who earn a living in our informal sector. They do not have savings and have limited security of income. They include domestic workers, street vendors and waste pickers.

The families of these people will already be running out of money as we enter the early stages of the lockdown that is necessary to protect all of us.

It is clear that the situation of these people means they cannot effectively protect themselves, and this is where we hope that the fund can play a role, not just with financial aid but by harnessing collaboration, collective action and innovation.

The response from South Africans to the announcement of the fund has been extraordinary. The scale of the challenge is enormous, but we have already begun receiving contributions and offers of assistance.

As the pandemic continues to evolve at a rapid rate, we are moving with urgency to establish the systems needed to ensure efficient and transparent allocation of resources to cushion the impact of the Covid-19 pandemic on the most vulnerable members of society.

While it will work closely with the government and Business Unity SA's response teams, the fund is separate from both.

It will, however, provide a nimble and agile platform to augment government and business interventions.

The private sector has responded positively, with donations of over R250m so far, alongside government's initial contribution of R150m. There are more companies indicating interest in making donations. What is really encouraging is that we are seeing a steady drum beat of small but significantly symbolic contributions from ordinary South Africans.

Covid-19 is a reminder that we all have the same biology, that we are all connected beyond identity and class. We are all human beings who ultimately share the same planet and all that it throws at us, be it the coronavirus, climate change or the degradation of our habitat.

The virus is already disrupting the way our societies and economies are organised, and there is a real chance that some of these changes could be permanent in a world defined by new models of work.

In this enormous threat lies an opportunity to redefine our present and our future, to build a genuinely inclusive society and a political economy defined by social solidarity and co-operation, not simply a Darwinian winner-takes-all survivalism.

In the long run, this may be an opportunity for us to think more creatively about the different types of institutions that could enable us to allocate and distribute public resources and goods more effectively.

For the time being, as demonstrated by our president, this is a time for collaboration and consolidation.

We hope that all South Africans will unite with us in this fight against the Covid-19 virus.

The Solidarity Fund is a vehicle through which we can all contribute to a single effort that will enable our country to quickly and comprehensively deal with the challenges we are currently facing. *Simunye.*

* Serobe is chair of the Solidarity Fund

# Invest in knowledge to address the pandemic's impact

**MDUDUZI MBADA**

There have been many questions and fewer answers about the impact of the global coronavirus pandemic on health, the economy and society. The world was already undergoing multiple transitions as a result of mega trends such as globalisation, demographic shifts, climate change, rapid urbanisation and technological change. But those who have made predictions based on modelling about globalisation and population growth could not have predicted the world would face Covid-19.

Pandemics are like volcanoes and earthquakes; you know that they will happen, but you don't know when, where, and how bad they will be. They are part of human history, but not part of the relatively better understood laws of economic systems.

There might have been voices that made predictions about the virus, but their voices were not audible. One of those was Bill Gates, who in 2015 said the greatest risk of global catastrophe was not from nuclear war but from a highly infectious virus.

Be that as it may, the world is now on rest mode as a result of the pandemic. It has come to a standstill. Humanity must press the reset button. This is because humanity is being challenged to, among other things, change its behaviour and socialise differently. This includes a return to basic hygiene, like washing hands and taking care of nature.

The need to press the reset button is also because the impact of Covid-19 on the economy is seemingly catastrophic. As Harvard University economist Carmen Reinhart said, the global economy "hasn't looked this fragile since the Great Depression of the 1930s".

The World Bank Group and the International Monetary Fund have called on official bilateral creditors to suspend debt payments from International Development Association (IDA) countries that request forbearance. The bank says this will help with IDA countries' immediate liquidity needs and allow time for an assessment of the crisis impact and financing needs for each country. The International Labour Organisation has estimated that 25-million people could lose their jobs due to the pandemic. This is indeed a catastrophe. The question, therefore, is what policy proposals are being put forward to mitigate this?

Do those who are in leadership today, especially in the US and China, have the leadership capability to steer the world to sustainable development? Do they invest in knowledge and consider knowledge a strategic resource, to ensure evidence-based decision-making as we seek to build a better world?

The events that have been occurring as a result of Covid-19 require a return to the question, what is knowledge? This we must ask because despite investments made in research and development in response to the demands of the knowledge and digital economy, it seems that the world has no answers to the impact of Covid-19 on society and the economy.

This is a challenge across the globe, in the developed and developing world. It is also a challenge across ideologies, whether neoliberalism or a state-led policy approach.

It might therefore be prudent for humanity to take a few steps back and ask simple yet difficult questions: how could we not have seen this coming? Are we investing in the right knowledge? Are we investing in sustainable policy programmes?

These questions are important because knowledge is the sum of human-centred assets, intellectual property assets and market assets.

Knowledge is a critical resource in the success of economies and institutions. For economies and institutions to succeed and become globally competitive they must invest in knowledge, both tacit and explicit.

The answer to the global impact of the Covid-19 pandemic lies in investment in knowledge as a strategic resource. The world must continue to embrace knowledge by investing in research and development to fight this outbreak and find lasting solutions.

* Mbada is head of the policy research and advisory services unit in the office of the premier of Gauteng

# Food supply secure, but exporting farmers in for tougher time

## This was shaping up to be a recovery year before Covid-19 hit

By **WANDILE SIHLOBO**

● The Covid-19 pandemic is fast changing the way we live our lives. The virus has affected every facet of life — health and safety, travel, school and work, and access to basic provisions such as food. Many supermarkets were in a frenzy ahead of the 21-day lockdown as people scrambled to secure basic needs. This scramble was mainly by those fearing the worst — food shortages.

Should South Africans be afraid?

From a national perspective, I doubt that SA will experience food shortages, at least for most food products, over the next 12 months. SA is an agriculturally endowed country, generally a net exporter of agricultural and food products. There are high prospects for an abundant harvest of staple grains and fruit this year, which will increase local supplies.

Nonetheless, there are essential imported food products that SA is dependent on, such as; rice (100% dependent on imports), wheat (50% dependent on imports) and palm oil (100% dependent on imports). Key palm oil suppliers are Indonesia and Malaysia. The typical suppliers of rice are Asia and the Far East, namely Thailand, India, Pakistan, China and Vietnam, some of which are hard-hit by the pandemic. In the case of wheat, the suppliers are usually Germany, Russia, Lithuania, the US and the Czech Republic, some of which are also hard-hit by the pandemic.

But some of the countries that have reported cases of Covid-19 have not taken drastic measures to limit business activity to reduce the spread of the virus. This means the importation of some agricultural products mentioned above into SA could continue unabated, barring any unforeseen eventuality.

Aside from the major products, SA also imports poultry products and sunflower oil, but these are products that can be replaced by local suppliers should there be disruptions in global supply.

In the unlikely event of potential shortages, they will be due to glitches in the logistics of shipping imports rather than a decline in global essential supplies.

The 2019/20 global wheat production could amount to 764Mt, up 5% year on year, according to data from the US department of agriculture.

Moreover, the estimated 2019/20 global rice production is 499Mt, which is roughly unchanged from the previous season. The global palm oil market is also well supplied, with about 8Mt, according to data from Sunseedman.

It is the domestic food supply chains that will perhaps be tested in the coming weeks and months.

The implications for Covid-19 on food price inflation are unclear in the near term. Suffice to say, SA has ample food supplies for 2020.

At the Agricultural Business Chamber of SA, we forecast food price inflation this year at about 4% year on year compared with 3.1% in 2019. The uptick in food price inflation compared with the previous year is associated with a potential increase in meat prices rather than the Covid-19 pandemic.

Where negative pressures of the virus are likely to hit are on farmers and agribusinesses, through the potential slowdown of export demand, and a likely subsequent decline in agricultural commodity prices. SA's agricultural sector is export-orientated and heavily reliant on global markets. Nearly half of the value of what the country produces is exported. Asia and Europe, which accounted for half of the $10bn (R176bn at current rates) of SA's agricultural exports in 2019, are the areas hardest hit by Covid-19 thus far. There are likely to be disruptions in supply chains in these regions as governments strive to limit the spread of the virus.

**Cattle in feeding pens before being loaded onto trucks. SA's beef farmers could take a hit with the closure of steakhouses and other restaurants.** Picture: Russell Roberts

This is at a time when SA's agricultural sector is heavily in debt. As at 2018, the total farm debt was at a record R168bn. About 60% of the debt is with commercial banks, with 29%with the Land Bank and the rest spread between agricultural co-operatives, private persons and other institutions. The escalation of debt, particularly in more recent years, was because of the expansion in area farmed, specifically in horticulture, and to some extent the financial pressure brought by frequent droughts, which have limited agricultural output in the recent past.

Also worth noting is that some agricultural industries' performance is interlinked with some sectors that are hard-hit by Covid-19. A case in point is the wine industry, whose performance is somewhat influenced by tourism. The decline in tourism will hurt this sector.

Essentially, the financial impact of Covid-19 will vary across agricultural subsectors, depending on the debt overhang from the previous seasons and also the stage of production. For example, deciduous fruit and table grape exports might not be badly hit as most exports have already been processed by this time of the year.

Meanwhile, in the case of citrus, the harvest and exports have recently started. While so far there haven't been glitches, a lot depends on the measures the European countries adopt in terms of commerce amid Covid-19 intensification in that region.

The wool industry has just returned to the market following a ban placed by China, where 70% of wool is exported in a normal season, because of foot-and-mouth disease. This year was set to be a recovery phase from this event, and from the drought that hit parts of the Northern Cape, Western Cape and Eastern Cape.

Any major disruptions in trade and suspension of auctions in the domestic market could negatively affect this industry and thereby farmers' financial positions. Already, wool prices have declined notably over the past week, in part due to fears of potential slowing global demand.

The red-meat industry is in a somewhat similar situation, the foot-and-mouth disease outbreak towards the end of 2019 having led to a ban on exports, which negatively affected the financial conditions of farmers.

With limitations in restaurants, we can see a decline in demand for beef, which people tend to consume away from home and which is more expensive than other protein foods. This will negatively affect beef farmers' finances.

Overall, while lower agricultural commodity prices, which we anticipate, are favourable for consumers, the opposite is true for farmers. Under such a scenario, the question is whether farmers will be able to generate sufficient revenue to service their debts.

Admittedly, there are still a lot of unknowns about how the Covid-19 pandemic will play out and the various levels of indebtedness among farmers, but a proactive policy response could help prevent financial ruin for farmers, particularly those of a small to medium scale. So far, the recent 100 basis points cut in the interest rate by the South African Reserve Bank has helped to reduce the cost of debt.

In the UK, financial institutions have set mortgage payment holidays of up to three months. However, the unpaid interest will still be recovered later.

It is unclear if such a policy response would be plausible for SA, but in these extraordinary times it might be something worth considering and drawing lessons from.

Perhaps the measures taken to support small and medium enterprises should be extended to the farming sector, given its significance to food security.

* Sihlobo is chief economist of the Agricultural Business Chamber of SA (Agbiz) and author of 'Finding Common Ground: Land, Equity and Agriculture'