

Press Release

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South African Institute of Race Relations

The power of ideas

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Steps needed now to prevent Covid-19 humanitarian catastrophe in SA – IRR

Preventing a humanitarian catastrophe in South Africa will require simultaneously maintaining the greatest possible degree of economic activity within the limitations imposed by sensible isolation policy.

Institute of Race Relations (IRR) CEO Frans Cronje warned that failure to balance isolation with preserving economic activity could ‘trigger a devastating economic contraction’, with massive business failures and job losses, leading to ‘economic desperation’ among the population and ‘raising the spectre of the very health catastrophe that isolation efforts are intended to prevent’.

In this event, ‘South Africa could face an apocalyptic socio-economic reversal amidst rapidly deteriorating internal policy stability and we would go as far as to say that the consequences may trigger a domestic political realignment on a scale last seen in South Africa in the 1980s and 1990s’.

The very real risk facing the country was not only short-term but the prospect of ‘a long era of ever-deepening impoverishment’.

Cronje was speaking after an online briefing today on the IRR’s Covid-19 scenarios, crafted to identify how the pandemic is likely to evolve in South Africa and what the healthcare and economic consequences will be, and on the IRR’s policy proposals, contained in the report, [Friends In Need](#), aimed at saving #LivesAndLivelihoods.

He warned: ‘South Africa faces a near unique degree of Covid-19 vulnerability should its economy buckle early under shutdown pressure.’

The IRR's Covid-19 scenarios and its Friends in Need report (links below) 'starkly revealed ... the very weak economic state in which South Africa has entered the Covid-19 crisis'.

'Put plainly, South Africa's government has wasted so much money and chased so much investment out of the country over the past several years that its fiscal cupboard is virtually bare when it comes to helping those people and communities who now face losing their assets and livelihoods to the pandemic.'

Cronje said: 'Our scenario model demonstrates that if the right policy decisions are taken now then it is perfectly feasible that South Africa might weather the Covid-19 storm relatively well – the term 'relative' being all important – from both an economic and healthcare perspective and that the number of jobs, businesses and lives lost can be greatly minimised.'

However, he added: 'For this to occur, sensible isolation protocols are essential, but should be implemented in a manner that enables the greatest possible extent of economic activity to occur within the limitations posed by those sensible isolation efforts.'

'Our model demonstrates that should this not occur, and should isolation and shutdown efforts trigger a devastating economic contraction together with millions of job losses and the closure of tens of thousands of businesses, then the ensuing economic desperation of South Africa's people will see those important isolation protocols themselves failing, raising the spectre of the very health catastrophe that isolation efforts are intended to prevent.'

Cronje said the condition in which the country entered the Covid-19 crisis was one in which 'corruption and state capture efforts of the past decade, coupled with the populist nature of policy in areas from mining, to healthcare, education, labour and most prominently expropriation without compensation, has decimated the economy'.

Thus, the health crisis comes amidst 'rising rates of unemployment, already a multiple of emerging market norms, and worsening living standards indicators', a forecast deficit of -6.8% against an economic growth rate of just 0.9%, government debt levels that have more than doubled since 2009, and the continued squandering of 'scarce financial resources on bailing out failing state-owned companies and sustaining cadre deployment networks – often via effectively corrupt empowerment schemes'.

South Africa's 'unique degree of Covid-19 vulnerability' arose from the fact that the country 'does not possess the fiscal and financial-rescue resources of more successfully and pragmatically governed emerging markets and developed economies alike' at the very time when 'such resources will be essential in mitigating the harm caused by shutdown efforts and long-term isolation protocols'.

For these reasons, urgent policy interventions were needed now.

These must include:

- Doing away with the distinction between essential and other economic activity to allow any business to operate should it be able to do so without posing a serious danger to public health;
- Removing as a matter of great urgency every policy threat to South Africa's standing as a competitive investment destination (including repealing all race-based policy and legislation and focusing on genuinely empowering the disadvantaged, permanently abandoning threats to property rights posed by the drive towards expropriation without compensation, deepening democracy by giving communities more say over schools, police stations and clinics, and dramatically altering labour legislation to price poor people into jobs); and
- Applying practical measures as spelled out in the Friends in Need report, to reduce health risks to society's most vulnerable.

Cronje said: 'If that is not done forthwith then literally millions of people now stand to lose their livelihoods not just for the duration of the Covid-19 pandemic but for many years after it has abated. What is quite clear from our analysis is that South Africa will not have the resources to withstand with present pandemic, let alone rebuild society thereafter, if it does not now do everything in its power to ensure that the country is positioned as one of the world's most attractive investment destinations.

The full briefing, with all supporting documents, can be accessed here:

Audio: <https://iono.fm/e/840238>

Friends in Need report: <https://bit.ly/IRR-Covid19-policy>

The scenario set from today's briefing: attached.

Ends