

BRIEFING TO THE GPL FINANCE PORTFOLIO COMMITTEE ON THE FINANCIAL IMPLICATIONS FOR GPG DEPARTMENTS OF THE COVID-19 PANDEMIC

GAUTENG PROVINCIAL TREASURY
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GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

PURPOSE

- To brief the Finance Portfolio Committee on the financial implications for the Gauteng Provincial Government (GPG) in response to the COVID-19 pandemic.

CONTENTS

- Background
- Disaster Funding
- Procurement Related Activities during Lockdown Period
- Financial Implications on GPG Departments of COVID-19
- Health Scenarios
- Further Reprioritisation
- Provincial Budget Process

BACKGROUND

- As of 15 March 2020, the COVID-19 has been classified as a Disaster in terms of section 23 of the Disaster Management Act, 2002 (Act No. 57 of 2002) (“the DMA”). New regulations under the DMA were introduced to slow the spread of Covid-19 transmission.
- The social and financial costs of the pandemic are now being laid bare; not only does the lockdown impose immediate economic costs, but there are also certain to be significant human and economic costs well into the future.
- The scale of finances required to resource a credible response to the pandemic are of such magnitude that it requires a fundamental rethink of the Budget tabled on 5 March 2020.
- This will necessitate large-scale reprioritisation across departments, with a view to funding the Gauteng Department of Health (GDoH) that is at the frontline of the response to the pandemic.

DISASTER FUNDING

- In response to the COVID-19 pandemic, a total of R116m was allocated to GPG from the National Disaster Fund; this money been wholly allocated to Health, for all public health services provided in the province.
- The allocation will be used for **Personal protective equipment (PPE)**: Given the highly infectious nature of COVID-19, it is critical that health workers are using the necessary protective gear to ensure that they do not contract the virus and spread it within health facilities. These include:
 - o Gloves (sterile)
 - o Goggles/face-shields/visors
 - o Particulate respirator, grade N95
 - o Surgical masks
 - o Aprons
 - o Gowns
 - o Heavy duty gloves
 - o Boot covers
 - o Coveralls
 - o Sanitiser
 - o Biohazard bags

SCM REFORMS ISSUED TO DEPTS & ENTITIES FOR COVID-19

- **National Treasury Instruction Note 8 of 2019/2020**, which deals with the emergency procurement process and provides for a list of existing National Treasury contracts that may be utilised in procuring the COVID-19 related items
- **National Treasury Correspondence dated 25 March 2020** which further enhances emergency procurement process during COVID-19 lockdown
- **Gauteng Treasury Circular 3 of 2019/2020**, providing the interim arrangement pertaining to deviations, open tender procedures and reporting requirements on the SCM operations during the COVID-19 lockdown
- **National Treasury Instruction Note 3 of 2020/2021**, repeals IN8 above. This instruction note centralises procurement of PPE requirements for COVID-19 under NT and NDoH

NATIONAL TREASURY INSTRUCTION NOTE 3 OF 2020/2021

- NT and NDoH has joined forces with the private sector and established a National Operational and Intelligence Structure (NATJOINTS)
- NATJOINTS has obtained voluntary support from Imperial Health Sciences (IHS) as the central implementing agent for the public and private sectors to utilise its logistical expertise and capabilities to undertake a county approach for orders of PPE requirements from local and global suppliers
- Seven (7) principles are outlined in the instruction note that details how procurement from individual institutions must be undertaken from IHS including the process for placing of orders, receiving of goods and payment to IHS.

SOCIAL AND ECONOMIC STIMULUS FUNDING

- The R500bn social relief and economic support package announced by the State President is the second phase of the concerted interventions to stabilise the economy.
- National Government is expected to provide specific details on announcement by the President in preparation for the Adjustment Budget.
- Part of this amount is envisaged to come from the reprioritisation of R130bn within the current budget and might result in reduction of conditional grants allocation in the 2020/21 financial year
- Of this amount, it is expected that provinces will contribute R30bn, proportional to their share of the Provincial Equitable Share (PES); for Gauteng, this might mean that R6.4bn might have to be cut from the existing allocation to the province.
- Lockdown: effect on own revenue which constitute 5% of the allocated budget
- This requires that the recently-tabled budget be revisited with a view to aggressive reprioritisation to free up resources to fight the pandemic.

SOME OF DEPARTMENTAL ACTIVITIES RELATING TO COVID-19

DEVIATION REQUESTS: 26 MARCH 2020 TO 16 APRIL 2020

Depts	Procurement requirements
GDID	Johannesburg Expo Centre to establish health facility for treatment of COVID-19 patients
GDARD	Deployment of the Gauteng Sanitisation and Decontamination Programme to dense townships, hostels and transport hubs
GDHS	Temporary residential units, sanitation services and cleaning services
GDSD	Security services for various sites
GDE	Supply and delivery of meals to learners in Gauteng province
DHS	<ul style="list-style-type: none"> • Procurement of goggles, medical hand sanitisers and surgical masks • Supply and delivery of overalls, gum boots and non-sterile gloves
COGTA	Supply deliver and erect tents for homeless shelters and medical testing facilities in response to COVID-19 Pandemic to support various municipal health facilities

2020/21 GPG DEPARTMENT BUDGET AND EXPENDITURE YTD

Department	Original Budget	Expenditure	Percentage	Balance
R'000				
Health	55 659 461	2 063 852	4%	53 595 609
Education	53 593 334	377 040	1%	53 216 294
Social Development	5 776 372	214 607	4%	5 561 765
Office of the Premier	859 415	32 633	4%	826 782
Economic Development	1 839 676	14 308	1%	1 825 368
CoGTA	592 423	20 556	3%	571 867
Human Settlements	5 739 452	29 822	1%	5 709 630
Roads and Transport	8 866 600	238 945	3%	8 627 655
Community Safety	930 726	45 064	5%	885 662
GDARD	1 021 748	43 674	4%	978 074
SACR	1 058 073	16 449	2%	1 041 624
e-Gov	1 422 111	29 083	2%	1 393 028
GPT	807 778	32 064	4%	775 714
DID	3 291 681	75 090	2%	3 216 591
Grand Total	141 458 850	3 233 187	2%	138 225 663

Source: Vulindlela

Note: Gauteng Provincial Legislature numbers not included, as they do not report on BAS

2020/21 GPG DEPARTMENT BUDGET AND EXPENDITURE YTD

Department	Original Budget	Expenditure	Percentage	Available
PAYMENTS	113 297 715	2 833 087	3%	110 464 628
COMPENSATION OF EMPLOYEES	82 162 348	2 077 507	3%	80 084 841
GOODS AND SERVICES	31 134 300	755 580	2%	30 378 720
P/P:CONTRCTD MAINT PROP	1 315 946	134 318	10%	1 181 628
INV MED:BLOOD-PRODUCT&PLA	691 031	83 008	12%	608 023
MEDICAL LAB NHLS	2 659 539	63 158	2%	2 596 381
P/P:SAFEGUARD&SECURITY	980 899	49 468	5%	931 431
INV MED:SURGICAL CONSUMABLES	449 498	46 154	10%	403 344
INV MED:SURGICAL/MEDICAL SUPPLS	423 759	32 256	8%	391 503
P/P:WATER	479 485	16 817	4%	462 667
INV MED:GLOVES,DIS. SUNDRIES	145 974	16 612	11%	129 362
INV MED:BANDAGES&DRESSING	501 238	13 909	3%	487 328
CONS SUPP:MEDICAL SUPPLIES	19 372	12 868	66%	6 504
INV MED:IMPLANTABLE SETS	70 431	12 676	18%	57 755
CONS HOUS SUP:WASH/CLEAN DETE	106 013	12 431	12%	93 582
TRANSFERS AND SUBSIDIES	22 486 114	312 839	1%	22 173 275
PUR/CONST CAPITAL ASSETS	5 743 248	87 261	2%	5 655 987
BUILDINGS & OTHER FIX STRUCT	3 771 205	36 939	1%	3 734 266
CONTRCTR:REFU&REH BUILDINGS	808 792	20 974	3%	787 818
CONTRCTR:NEW BUILDINGS	868 676	7 102	1%	861 574
PURCHASE:NEW BUILDINGS	232 376	6 488	3%	225 888
CONTRCTR:UPGR&ADD BUL	597 694	2 376	0%	595 318
MACHINERY AND EQUIPMENT	1 941 750	50 322	3%	1 891 428
ASSISTIVE DEVICE,MED&ALLIED EQU	1 079 351	29 128	3%	1 050 223
FINANCE LEASES TRNSP EQP	103 214	6 283	6%	96 931
EMERGENCY VEHICLES	203 799	4 390	2%	199 409
MOTOR VEHICLE	18 087	2 604	14%	15 483

FINANCIAL IMPLICATIONS FOR GPG OF COVID-19

R '000	Cost per Month	Cost per 3 Months	Cost of 6 Months	Per Annum
OoP	720	2 160	4 320	8 640
Economic Development	2 602	7 807	15 614	31 228
Education	26 674	80 021	160 043	320 086
Social Development	16 237	48 710	97 420	194 839
Human Settlements	368	1 105	2 209	4 418
Community Safety	29 964	89 893	179 787	359 573
GPT	5 427	16 282	32 564	65 128
DID	26 797	80 392	160 783	321 567
	-			
Total Cost for 9 Depts	108 790	326 370	652 739	1 305 479

- This table highlights the resource requirements that GPG depts have indicated are required to respond to the pandemic, both inward and outward looking
- Health will bear the brunt of COVID-19 in the short-, medium- and long-term and is discussed in detail in the next slides

HEALTH SCENARIOS ON FIGHTING COVID-19

Item	Scenario I (Low road)	Scenario II (Middle road)	Scenario III (High road)	Scenario IV (Catastrophic)
Estimated number of people who need beds during 6 months				
No. of COVID-19 active and confirmed cases (AM1:30%)	1 359 000	2 038 500	2 718 000	3 624 000
No. of COVID-19 active and confirmed cases (AM2:80%)	3 624 000	5 436 000	7 248 000	9 664 000

- **Alternative Model 1: 30% of the Gauteng population infected with COVID-19 over 6 months.** This is consistent with estimates modelled by the South African Centre for Epidemiological Modelling and Analysis (SACEMA) and existing data showing 20% of the population in South Africa get influenza every year – supported by the fact that COVID-19 is more transmissible than the flu.
- **Alternative Model 2: 80% of the Gauteng population infected with COVID-19 over 6 months.** This number was added to reflect the worst case situation that could happen should no pandemic control measures in place or are ineffective.

HEALTH SCENARIOS ON FIGHTING COVID-19

Scenario 1 (low road): 30% of the infected people will be active cases during 6 months

Assumptions:

- In this scenario, the infected cases would occur over a longer time, with an estimate that only 30 per cent of them would be active cases in the six-month period.
- This is because lockdown and interventions such as population level social distancing would be in place, with some beneficial effect. Contact tracing and isolation would be in place and have some effect in slowing transmission.
- Active cases are people who will be sick and therefore need to be managed by self-isolation or hospitalised care.

Scenario 2 (middle road): 45% of the infected people will be active cases during 6 months

- In this scenario, more people will be active cases in the six-months than in scenario 1.
- An estimated 45 per cent would be active cases in the six-month period.
- This is because interventions such as population level social distancing are not as effective as in scenario 1 and limitations in contact tracing and containment mean less impact on slowing community transmission.

Scenario 3 (high road): 60 per cent of the infected people would be active cases during 6 months

Assumptions:

- This scenario estimates that 60 per cent of the infected people would be active cases during the six-month period.
- This is because social distancing and containment measures are not implemented widely enough to reduce transmission of the virus. Therefore, the impact on slowing community transmission is less than in scenario 2.

Scenario 4 (catastrophic): 80 per cent of the infected people will be active cases during 6 months

Assumptions:

- In this (very unlikely) scenario, it is estimated 80% of the infected people would be active cases during the six-month period.
- This would happen if no lockdown / public social distancing interventions would be in place. The impact would be

HEALTH SCENARIOS - RESOURCES REQUIRED (6 MONTHS)



- The costs estimated for Scenario 1 is R5.4bn over 6 months, while for Scenario 4 it is R15.9bn over 6 months.
- These exclude the financial implications of a separate facility secured at Nasrec to be used to provide healthcare, quarantine and isolation, comparable to that available at public health institutions, at an estimated cost of R76m

A FURTHER/DEEPER REPRIORITISATION

- GPT will prepare a circular to guide a further reprioritisation exercise to be done by departments
- The aim is to increase the allocative efficiency & to identify additional funds to reprioritise towards the COVID-19 initiatives
- The reprioritisation focus will be on:
 - Compensation of Employees where there are vacant posts and concurrence of structures by DPSA is awaited
 - Goods and Services where there is delay in implementation or cancellation of events during April to June
 - Transfers and Subsidies, as a result of delays in transfers to NPI e.g. funds for early childhood development
 - Capital expenditure for new projects where SCM processes are yet to start
- To maintain fiscal sustainability, the reprioritisation exercise will be guided by the following principles:
 - Considering the legislative and statutory requirements
 - Maintaining earmarked allocations and only reprioritising these allocation towards COVID-19 expenditure if the expenditure is line with the original purpose of the earmarked budgets
 - Maintaining the conditional grants allocations unless approval is received from the relevant National Department
 - Safeguarding the implementation of the 2019-2024 GGT priorities but adjusting the approach given COVID-19 interventions

PROVINCIAL BUDGET PROCESS

- GPT has issued communication in relation to expenditure in line with Section 29 of the PFMA, whilst the budget tabled in March is still to be adopted by the Legislature.
- The province will have to table an adjustment budget that takes into account COVID. This is subject to a clear dates when National will be tabling their national adjustments.
- The date for the adjustment will be communicated by National Treasury within the next 2 weeks.

RECOMMENDATION

- It is recommended that the Finance Portfolio Committee notes:
 - The content of this presentation and work done thus far to develop a short- to medium-term budget response or approach for navigating the pandemic, which will attempt to address both the health dimensions of containment and their economic fallout.

THANK YOU