

An overview by Professor Marcus Ramogale, Acting Vice-Chancellor & Principal

The COVID-19 crisis has severely disrupted the global economy, with growth expectations of 3.3% in 2020 being revised to a global contraction of 5.2%. In South Africa, the pandemic has significantly worsened an already declining economy. Economists and our government have warned that the country will experience its biggest decline in Gross Domestic Product (GDP) in 90 years, with the GDP growth forecast being revised to -7.3%.

Disruptions to economic activities worldwide have led to a sharp decline in per capita income as tens of millions of workers have lost their jobs. In South Africa, the unemployment rate increased to 30.1% in the first three months of the year.

The Reserve Bank has cut interest rates again in order to stabilise the economy and contain inflation over the medium term, and the Minister of Finance presented an emergency budget to Parliament on 24 June 2020.

The direct impact of the recession, worsened by the arrival of the COVID-19 pandemic, has not left the public higher education sector unscathed. The DHET has cautioned public higher education institutions to tread carefully with regard to financial matters and has announced the following measures:

- ◆ Block Grant funding and Infrastructure and Efficiency (I&E) Grant funding for the 2020 academic year is being reduced due to reprioritising funds as a result of the COVID-19 crisis.
- ◆ The Block Grant for next year is not expected to increase significantly (if at all) and universities must apply a zero-based budget for the 2021 financial year.
- ◆ Efforts must be made to restrict the additional costs of the extended academic year, including spreading out the academic year costs over the extended period.
- ◆ 2021 fee increments have not been confirmed and will be advised later in the year, although any increases are not likely to be more than current inflation (2.2% in June 2020).
- ◆ Student accommodation guidelines are being prepared for approval and will be gazetted in August.

The Finance Executives' Forum of Universities South Africa (USAf) has also raised several matters impacting the finances and financial sustainability of universities. These matters include:

- ◆ Going concern risk – the ability of the institution

to continue to operate into the foreseeable future without any special funding being made available to it.

- ◆ Deferral of state subsidy payments – in July, the Department of Higher Education and Training (DHET) did not pay institutions the block grants and fee gap grants, and the National Student Financial Aid Scheme (NSFAS) also paid a reduced amount to institutions.
- ◆ State subsidy reductions – these have already been announced by the DHET with respect to the Block Grant and the I&E grant.
- ◆ Reprioritisation of earmarked grants (no new money) – unspent grants, together with interest earned on such funds, have been reprioritised as no additional funds are available from Treasury to fund the COVID-19 crisis.
- ◆ Steep decline in student debt collection, resulting in an increase in student debt – a reality for universities nationwide, putting major strain on their cash flow as students struggle to settle their fees.
- ◆ Investment in health and safety – a critical aspect which requires more funds to be directed towards protecting staff and students.
- ◆ Investment in ICT, connectivity and related costs – a vital resource to enable online and multi-modal teaching and learning, which also requires significant financial resources.
- ◆ Revenue reduction from donors, state entities and third stream income – this is due to organisations and institutions not having excess cash available to donate or to put towards funding projects.
- ◆ Staff salary increments – the historical practices of greater-than-inflation salary increments have distorted pay scales and created unreasonable expectations among management and staff. These levels of increases are not sustainable and salary costs and increments will have to be curbed and be brought in line with inflation.

The financial impact of the above for MUT is obvious. MUT is not self-sustainable and depends largely on NSFAS and DHET for funding. The cohort of privately-funded students (approximately 33%) poses a high financial risk to the University, worsened by the COVID-19 pandemic.

Our country, our economy and the higher education sector are in crisis. We need to be very mindful of the implications this has for MUT and to consider all decisions very carefully. It is certainly not business as usual.