THE MINISTER OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY, DR BLADE NZIMANDE, MP, ON THE OCCASION OF THE VIRTUAL DEBATE ON THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING ADJUSTMENT BUDGET - NCOP

21 July 2020

Honourable Chairperson
Honourable Members of Parliament
Cabinet Colleagues present
Deputy Minister of Higher Education, Science and Technology, Honourable Bhuti Manamela
Members of the Portfolio Committee on Higher Education, Science and Technology, led by Honourable Chairperson, Mr Philly Mapulane
Director-General of the Department, Mr. Gwebinkundla Qonde
Officials of the Department of Higher Education and Training
Chairpersons and CEOs of the entities
Ladies and Gentlemen

We are meeting here today 4 days after the commemoration of the 2020 Mandela Day on the 18th July 2020. The essence of the Mandela Day commemoration is to – take action, inspire change, and make every day a Mandela Day.

This day this time, gave us an opportunity to share the successes we have notched and the lessons we have learnt as we battle the Covid 19 pandemic, and its effect on the poor.

I therefore wish to take this opportunity to pass my condolences to all those who have succumbed to this disease, both inside and outside our post-school education and training, and wish a speedy recovery to those infected.

Honourable Members

The Minister of Finance tabled a Special Adjustments Budget in Parliament on 24 June 2020, as a response to what can be regarded as the immediate triple challenges of Covid 19, deepening economic crisis, and the struggles in many of our households to make ends meet. These triple challenges have also worsened the scourge of gender-based violence.

Our reprioritised budget also takes its cue from the direction provided by the President Cyril Ramaphosa in April this year to the effect that we must just aim return our economy to where it was before the coronavirus, but to forge and build a new economy in a new global reality. Skills development and innovation are central in the task of building an inclusive post Covid economy.

We now know that COVID-19 has turned the global economy upside down and brought about the broadest collapse in per capita incomes since 1870.
Throughout the world, tens of millions of workers have lost their jobs and in South African unemployment increased by one percentage point, reaching 30.1 per cent in the first three months of this year.

The South African economy is now expected to contract by 7.2 per cent in 2020. This is the largest contraction in nearly 90 years. Inflation will likely register 3 per cent in 2020.

In response to these challenges in our sector, we have sought to work together with other government departments, our entities, our universities and colleges, student leadership, with close collaboration with the private sector and labour to ensure that stand united in the fight against coronavirus and its impact to the sector.

I would like to thank everyone who has been serving in the Ministerial Task Team that I have set up on COVID-19, chaired by our Deputy Minister, to ensure that we thoroughly discuss issues openly and seek to find solutions together.

We have adopted and guided by our theme of #Save the Academic Year #Save Lives.

The final Special Adjustments Budget cut for the Department for 2020/21 amounts to R9.857 billion.

The total suspension of funds amounts to R6.734 billion of which R4.999 billion is re-allocated for reprioritising expenditure towards COVID-19 activities.

The net suspension amounts to R1.734 billion for normal voted funds.

The adjustments Budget also provides for the reduced collection of skills levies to the amount of R8.122 billion.

Based on the above, the Department’s original allocation for 2020/21 reduces from R116.857 billion to R107.000 billion that represents a reduction of 8%.

The biggest single reduction is on the declined estimates for the skills levy collections from R19.413 billion to R11.291 billion, a reduction of R8.122 billion (42%).

Honourable Members

The purpose of our re-allocation of funds is to cater for reprioritised expenditure towards addressing COVID-19 related activities, including student support.

In addition, the budget provides for the shifting of R1.510 million within the Department’s operational expenditure for COVID-19 expenditure.

The key impact of the adjustments are as follows:

Departmental Operations
The operational budget of the Department is limited. The restrictions on operations over the period April to June 2020 provides an opportunity to effect cuts where expenditure slowed down.

Cuts are mainly effected on items such as travel, accommodation, venues and related services.

The Department is in process to amend the 2020/21 Annual performance Plan as well as the Strategic Plan for 2020-2025 to accommodate the impact of the adjustments.

University Sector

There is a substantial impact on the University sector due to the COVID-19 Pandemic in relation to protecting lives AND saving the academic year. The re-allocation of a portion of the suspended funds is supporting key initiatives in the sector. The following areas are highlighted:

Teaching, learning and assessment:

All universities have submitted multimodal teaching, learning and assessment plans to enable them to complete the 2020 academic year, taking into account the additional costs as a result of COVID-19.

Funds were reprioritised by institutions from their block grants and earmarked grants to develop teaching and learning platforms to accommodate new ways of teaching and learning remotely.

Universities will be stalling some current approved projects due to the reprioritisation and cuts to the value of about R3.851 billion.

Campus readiness:

All universities developed campus readiness plans to ensure all the regulations for health and safety are in place when students and staff return. We are also being ably assisted in the whole sector by Higher Health.

The proposed costs are substantial and had to be accommodated within existing resources with an estimated cost of R1.879 billion.

Infrastructure Grant:

The cut on the infrastructure and efficiency grant will result in postponement of certain projects and a general slowing down of the infrastructure programme this year. I am however working with the DBSA as part of restructuring management of infrastructure in my department, as part of raising new money both from the fiscus and the private sector especially for student accommodation.
TVET Sector

Teaching and Learning:

The impact of the subsidy cut on the 2020 student enrolment relating is calculated at approximately 6,200 lower headcount enrolments, but due to the extensive impact of the lockdown, these students would not have been able to register during this period, thus making the impact on the TVET system minimal.

The main impact of the cut will be on the 2021 new student intake for the Centres of Specialisation, as the funding that was due in January 2021, has been reprioritised for COVID 19 related expenditure.

New Campus Operations:

The net cut is based on unallocated resources to colleges due to delays in the finalisation of projects and will therefore not have a negative impact on operations.

Infrastructure Grant:

There is sufficient infrastructure funding for maintenance at college level to continue with existing projects and the cut will not affect the system immediately.

CET Sector

In as far as the Community Education and Training, we do not have any adjustments on allocation.

Public Entities

The operational cost cuts on public entities are linked to information declared by entities for funded vacancies that could not yet be filled. The cuts on the entities should therefore not have a substantial impact on the operations of the entities.

The National Student Financial Aid Scheme (NSFAS)

The National Student Financial Aid Scheme (NSFAS) adjustments include the suspension of R2.5 billion and re-allocation thereof and earmarked for student devices.

Through NSFAS, we raised an objection regarding the suspension and re-allocation of funds for student devices. The matter is currently with National Treasury.

The reduced Administration grant to the value of about R5.523 million has been incorporated in Compensation of Employees.
NSFAS expects a decrease in the collection of recoveries due to the impact of COVID-19 on the economy. All KPIs are currently being reviewed for COVID-19 impact and details will be provided when available.

The Administration budget has been reprioritised and an amount of R4.9 million has been earmarked to address the impact of COVID-19.

Honourable members I must indicate that NSFAS will require additional funding for the extension of the 2020 academic year. This will be addressed by the Department during the Adjusted Estimates process.

The South African Qualifications Authority (SAQA)

The South African Qualifications Authority (SAQA) reduction stands at R1.218 million.

The Covid-19 lockdown has severely affected SAQA’s ability to generate revenue from its income generating services, including the evaluation of foreign qualifications, verification of national qualifications and to professional bodies. This constitutes 56% of its projected annual income.

SAQA experiences difficulties to balance its budget and the reduction escalates these challenges. The Department is in the process of assisting SAQA to manage its financial challenges.

Having said that, SAQA has earmarked R1.2 million to deal with COVID-19.

Council on Higher Education (CHE)

Council on Higher Education (CHE) reductions stands at R1.424 million.

CHE reconfigured ways of working, and greater productivity, reach, and cost-effectiveness through remote working modalities. Investment in the necessary ICT architecture is therefore essential through budget reprioritisation so the impetus can be maintained.

A further reprioritisation of the budget was to equip all staff with computer and data devices as well as airtime in order to be equipped to work remotely, seamlessly.

Quality Council for Trades and Occupation (QCTO)

Quality Council for Trades and Occupation (QCTO) reduction stands at R1.928 million.

The QCTO will be able to absorb the cut with a minimal impact on operations as it is mainly the administration budget that has been affected viz. funded vacant posts.
linked to phased in implementation of the QCTO organogram to provide additional resources.

QCTO earmarked R2.680 million for COVID-19 actions (PPEs, laptops and data). All QCTO staff have been enabled to work remotely and the QCTO calendar has not been affected by the lockdown as the entity moved swiftly to its on-line platform.

Honourable Members

Impact of skills levy 4 months holiday

The Sector Education and Training Authorities’ (SETAs) four (4) months exemption in the skills development levy from 1 May 2020 to August 2020 in response to the Covid-19 tax relief measures will negatively impact on various learning programmes such as apprenticeships, learnerships, work integrated learning and internships.

Learnerships and Apprenticeships, in particular have high level of absorption in the labour market, whilst work integrated learning ensures that learners are afforded an opportunity to complete their qualifications timeously, where work integrated learning is embedded in the curriculum.

This will also impact on the SETAs’ Administration Budget. In terms of section 14(3)(b) as read with sections 14(3A) (a) and 14(3B) of the Skills Development Act (Act No.97 of 1998), a SETA may not use more than 10.5% of the total levies paid by the employer as allocated in the Act received in any year to pay for its administration costs in respect of that financial year.

We are however doing all we can, working with the SETAs and the NSF to mitigate the negative impact of less collection of levies.

Honourable Members

In conclusion, let me pay tribute to the South Africans who through their actions have protected the health and lives of their fellow citizens.

I remain gratified by the support and the exemplary leadership provided by President Ramaphosa and my colleagues at the National Command Council (NCC) in guiding our work at this difficult time.

I also remain humbled by the cooperation and commitment of all members of the Ministerial Task Team, led by Deputy Minister Buti Manamela comprising of SACPO, USAf, Trade Unions, SAUS, SAFETSA and Quality Councils.

Gratitude also goes to my wife, my staff in the Ministry and to the Director General, Mr Gwebinkundla Qonde and the entire Executive Management Committee and Staff of the Department, the Boards and Executives of our Entities, and everybody who contributed toward the achievement of our mandate as the department.

Be Safe and keep to all COVID-19 Regulations and Protocol

Thank you