

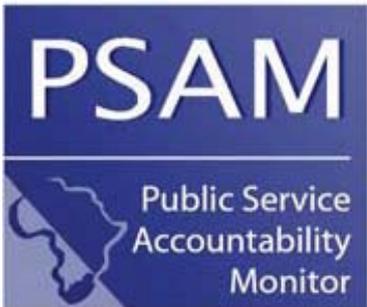


department of health

eastern cape , south africa



budget analysis 2010/2011



daygan eagar

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"We must promote democracy at every level of society. The best and most effective means of ensuring human rights and to promote the eradication of racism and sexism is to enable the full and unqualified participation of all races, sexes and classes in all aspects of society ... Democracy and human rights are inseparable. We cannot have the one without the other."

Nelson Mandela 1993

Eastern Cape Department of Health

Budget Analysis

2010/11

June 2010

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Monitoring and Research Programme, Public Service Accountability Monitor

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Key Findings and Recommendations

Finding: In an effort to meet rising employee costs due to underfunded mandates such as the OSD the budget for the compensation of employees has increased by R1.6 billion or 26% from the R6.27 billion allocation in 2009/10 to R7.92 billion in 2010/11. This means that the proportion of the budget which goes to the compensation of employees has increased from 54% in 2009/10 to 60% in 2010/11. This increase has, however, been at the expense of other critical allocations such as goods and services and buildings and fixed structures which have seen their allocations reduced to make up for shortfalls in this area. For example, the allocation for Goods and Services which includes medical supplies, medicines and laboratory services, will decrease by R312 million or 8% from the R3.8 billion revised estimate in 2009/10 to R 3.48 billion in 2010/11.

Recommendation: The rising cost of pharmaceuticals and other medical supplies in combination with a growing burden of disease in the province means that the Department cannot afford to cut allocations to the Goods and Services line item. The Department and Treasury, as a matter of urgency, need to find ways of managing budgetary pressures within human resource allocations, in ways that will not result in knock-on underfunding for other critical allocations. This will require additional allocations from Treasury and stricter controls over expenses not budgeted for.

Finding: While the Department has committed to the continued implementation of the OSD for other categories of health professionals as well as broadening the "interpretation and application" of the OSD for nurses during the 2010/11 financial year, if we compare the 2010/11 allocation for the compensation of employees against the revised estimate for 2009/10 we find that this allocation will actually decrease by 1.7% in real terms. Over the MTEF this allocation will only increase marginally by on average 0.1% in real terms between 2010/11 and 2012/13. These insignificant increases raise concerns regarding the Department's ability to retain and recruit staff going forward and with the Department having consistently overspent on this allocation for the past 3 financial years there is little reason to believe that the insignificant increases to this allocation between 2010/11 and 2012/13 will be sufficient to meet all contracted payments let alone any unbudgeted costs and accruals from previous years.

Recommendation: There needs to be an urgent review of the formulation and funding of the OSD if the Department is going to avoid overspending on its allocation for the compensation of employees in 2010/11. If the Department and Treasury fail to do this the health budget will once again be overdrawn, resulting in further debt and the possible reduction and/or suspension of critical services.

Finding: For the 2010/11 financial year the allocation for the Health Science and Training programme will increase by R10.6 million or 2% in nominal terms from the adjusted appropriation in 2009/10 to R566.52 million. When inflation is taken into account, this represents a real decrease of 4% and when compared to the revised estimate for 2009/10 this represents a real decrease of 29%.

Recommendation: The real decrease against the revised estimate for this programme once again reiterates the need for a review of the formulation and funding of the OSD and other HR related expenses as these were the main causes of over expenditure in 2009/10.

Finding: The allocation for Goods and Services for the District Health Services programme only increases by R60 million or 4% in nominal terms against the 2009/10 adjusted appropriation for this item and when inflation is taken into account this represents a real decrease of 1.6%. This decrease is especially troubling if we consider that the Department has incurred substantial debt for this budget item in 2009/10 which needs to be covered by the 2010/11 budget.

Recommendation: The effects of an insufficient budget for Goods and Services have already been seen at facilities throughout the province which continue to experience drug stock outs and a shortage of even the most basic medicines and equipment. These services face collapse if the Department and Treasury do not act to ensure that funds are available throughout the year for the purchase of necessary medical supplies. This will require the interventions of the National Department of Health and Treasury.

Finding: Despite expected substantial increases to the rates at which Fleet Africa will lease vehicles to the Department, the allocation for this purpose will actually decrease by R1 million or 6% in real terms from approximately R175 million in 2009/10 to approximately R174 million in 2010/11. This would mean that the Department will be able to lease substantially fewer EMS vehicles through the contract with Fleet Africa. Fortunately, the Department does plan to purchase its own additional ambulances to top-up its fleet.

Recommendation: While the Department does intend to top up its fleet by purchasing ambulances it remains to be seen to what extent this will resolve the critical shortage of EMS vehicles in the province. There needs to be a review of how the Department sources and services its EMS vehicles. The future procurement of services within this area must occur in an entirely transparent manner so as to ensure that the Department receives value for money.

Finding: For the 2010/11 financial year the Provincial Hospital Services programmes budget increases from the revised estimate of R3.36 billion for 2009/10 to R3.41 billion. While this represents a nominal increase of R58.12 million or 1.73%, it actually represents a real decrease of 4% against the revised estimate. While the real decrease in the total allocation for this programme is largely due to the budget for buildings and fixed structures being shifted to programme 8, there is still a substantial decrease of R168.36 million (22%) against the revised estimate for the Goods and Services budget item for this programme.

Recommendation: As with the Goods and Services allocation for the District Health Services programme, the Department must review allocations for this item and apply for substantial increases in the adjusted appropriations budget if its wishes to avoid ongoing drug and medical supply stock outs.

Finding: For the 2010/11 financial year the Department has received a Comprehensive HIV and AIDS conditional grant allocation of R690.94 million. This represents a substantial increase of R197.24 million, or 32% in real terms, on the R493.7 million adjusted appropriation for this grant for 2009/10. This increase has, however, not been matched by the Department's portion of funding for this programme from its equitable share allocation. For the 2010/11 financial year the Department's HIV and AIDS and STI sub-programme will receive a total allocation of R741.28 million. This is R167.68 million or 22% in real terms more than the adjusted appropriation for 2009/10. This means that R50.34 million or 6.8% of funding for this sub-programme will come from the Department's equitable share allocation which is significantly less than the R128 million allocation from the equitable share in 2008/09 and the R78 million in 2009/10.

Recommendation: Substantial increases to the Comprehensive HIV and AIDS conditional Grant show positive intent on the part of the National Department of Health and Treasury to step-up interventions aimed at managing the HIV and AIDS pandemic. These must however be met by concurrent increases to funding for HIV and AIDS services by provincial departments, especially for those services not covered by the conditional grant. If the provincial Department fails to ensure that those interventions not covered by the grant are adequately funded it runs the risk of hindering strides made in ensuring there is adequate funding for testing and the provision of ARVs.

Introduction

The South African Constitution commits government departments to the progressive realisation of socio-economic rights within available resources. These rights include the right to education, healthcare, housing and social welfare.¹ The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services. In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery systems. These include: planning and resource allocation systems; expenditure management systems; performance monitoring systems; integrity systems; and, oversight systems. The effectiveness of these systems can be established by monitoring their information outputs. To evaluate these systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

Government seeks to ensure that it addresses the most pressing social and economic needs of those that they serve through the prioritisation of public resources within the annual budget.

This report analyses the impact of policy priorities (national, provincial, sectoral and departmental) on the Eastern Cape Department of Health's 2010/11 budget and on its ability to implement effective and efficient service delivery and accountability systems in the up-coming financial year. In addition, assumptions informing both policy priorities and budget allocation trade-offs are analysed in terms of the Department's external and internal service delivery environment.

I. Policy Priorities

The South African Constitution (1996) determines that everyone has the right to have access to health care services. In addition, the Constitution declares that the state is responsible for taking "reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights".²

In an effort to realise this constitutional mandate the Eastern Cape Department of Health has identified the following broad strategic goals:

- To facilitate a functional quality driven Public Health System that provides an integrated and seamless package of health services and is responsive to customer needs.
- To combat and reduce the impact of TB and HIV/AIDS with special focus on preventing the emergence of drug-resistant strains.
- To improve and strengthen the mother and child health services.
- To combat and reduce non-communicable diseases and mental conditions.
- To enhance institutional capacity through effective leadership, governance, accountability and efficient and effective utilisation of resources.³

¹ Constitution of the Republic of South Africa, sections 26, 27 and 29.

² Constitution of the Republic of South Africa, Chapter 2, Section 27.

³ Eastern Cape Department of Health, *Annual Performance Plan 2010/11-2012/13*, p.72

It is with these imperatives, the Millennium Development Goals and the Provincial Growth and Development Plan⁴ in mind, that the Eastern Cape Department of Health will pursue the following priorities during the 2010/11 financial year⁵:

Human Resources

For 2010/11 the Department maintains that it will continue to prioritise programmes and strategies aimed at enhancing its Human Resources (HR) capacity. In this regard the MEC for Health has stated that in the 2010/11 financial year the Department will be “increasing human resource capacity by recruiting the required personnel and increasing production of our nursing personnel.”⁶ During the 2010/11 financial year the Department plans to achieve the following goals:

- Improve the ratio of doctors per 100 000 population from 18.98 in 2009/10 to 20.19 in 2010/11;
- Improve the ratio of nurses per 100 000 population from 127.86 in 2009/10 to 132.49 in 2010/11;
- Improve the ratio of pharmacists per 100 000 population from 6.25 in 2009/10 to 7.36 in 2010/11.⁷

In addition to increasing its staff compliment, the Department has also committed to increasing its training capacity for nursing personnel and other critical categories of staff.⁸

Primary Health Care (District Health Services)

For the upcoming financial year the Department has once again identified the strengthening of its primary health care programmes as its primary objective. According to the MEC this will be done by “emphasiz[ing] the centrality of the clinics and community health care centres as central pillars of our approach” and “increasing community health care worker capacity”.⁹ To do this the Department has prioritised the following:

- Increase access to comprehensive primary health care packages at district facilities;
- District Hospitals implementing the service delivery improvement plan;
- Enhance the provision of services related to maternal and child health with the aim of reducing maternal mortality from 198 deaths per 100 000 population in 2009/10 to 158 deaths per 100 000 population in 2010/11 and child mortality (under five) from 87.4 deaths per 100 000 population in 2009/10 to 85 deaths per 100 000 in 2010/11;

⁴ The PGDP highlights the development of Human Resources as one of its strategic focus areas which then needs to be supported by provincial human resource development strategies. According to the PGDP, “These strategies then need to be developed with the aim of ‘supplying the skills needed for growth and employment...and social development’”. The PGDP is available at <http://www.ecpg.gov.za/index.php?module=documents&category=6>.

⁵ The policy priorities discussed here are taken from the Eastern Cape Treasury’s *Budget Statement for 2010/11*, the MEC for Health’s *Policy and Budget Speech 2010/11* and the *Eastern Cape Department of Health’s Annual Performance Plan 2010/11-2012/13*

⁶ Eastern Cape Department of Health *Budget and Policy Speech 2010/11*

⁷ Eastern Cape Department of Health, *Annual Performance Plan 2010/11-2012/13*, p.72

⁸ Eastern Cape Department of Health, *Annual Performance Plan 2010/11-2012/13*

⁹ Eastern Cape Department of Health *Budget and Policy Speech 2010/11*.

- Enhance community based services through, amongst other things, increasing the number of community health care workers.¹⁰

Revamping Emergency Medical Services

In preparation for the 2010 FIFA World Cup, and in line with national priorities the Eastern Cape Department of Health Plans to continue with its efforts to improve its capacity to deliver Emergency Medical Services. According to the MEC for Health this will involve “securing additional fleet on top of those provided by the centralised fleet contract” and a full overhaul of the system of managing and coordinating its emergency response capacity with the aim of improving response times.¹¹ Strategically this will involve:

- The recruitment of 172 EMS personnel;
- The procurement of 80 ambulances;
- The procurement of 40 Patient Transport Vehicles;
- Review of EMS management systems.¹²

Infrastructure

The Department will continue to make Infrastructure Development and Maintenance a policy priority for the 2010/11 financial year. In this regard the MEC for Health has stated that particular attention will be paid to the implementation of an “effective maintenance programme” and the “revitalisation of Hospitals”.¹³ The Department has therefore committed to the following activities:

- The construction of new health facilities including the completion of 17 new clinics and beginning construction on 7 more;
- The upgrading of existing facilities including 4 clinics, 8 district hospitals, 4 EMS bases and 3 provincial hospitals
- Ensuring the maintenance at existing facilities.¹⁴

HIV and AIDS

Following the government’s commitment to stepping up the fight against HIV and AIDS through the revision of treatment guidelines and associated substantial increases to the comprehensive HIV and AIDS conditional grants allocated to provincial departments, the Eastern Cape Department of Health has identified the following activities and targets as priorities for the 2010/11 financial year:

- The intensification of campaigns relating to the counselling and testing of people in the province;

¹⁰ Eastern Cape Department of Health, *Annual Performance Plan 2010/11-2012/13*, pp.123-200

¹¹ Eastern Cape Department of Health *Budget and Policy Speech 2010/11*, p.4.

¹² Eastern Cape Department of Health, *Annual Performance Plan 2010/11-2012/13*, pp. 208-212

¹³ Eastern Cape Department of Health *Budget and Policy Speech 2010/11*, p.5.

¹⁴ Eastern Cape Department of Health, *Annual Performance Plan 2010/11-2012/13*, pp. 284-286

- Ensuring that pregnant women with a CD4 count of 350 or less receive ARVs;
- All HIV positive babies and MDR/XDR patients to be initiated on treatment regardless of their CD4 count;
- Access to Prevention of Mother to Child Transmission will be increased to 95%;
- Home based care to be provided to 60 000 patients in 2010/11.¹⁵

Tuberculosis

In recognising the link between HIV and TB as well as the increasing burden all strains of TB are placing on the health system, the Eastern Cape Department of Health has prioritised the following activities for the upcoming financial year:

- Ensure the full integration of its TB and HIV and AIDS programme with all patients who qualify receiving ARVs;
- Increase the number of beds available to patients with drug resistant strains of TB at health facilities in the province;
- Implement a community based MDR TB programme for patients who have come out of the acute phase of the disease.¹⁶

Having briefly outlined 6 of the key policy priorities of the Department, consideration will now be given to the manner in which the Department's 2009/10 budget has been allocated in order to ascertain whether it will give effect to these priorities and improve health care services

II. Budget Analysis

For the 2009/10 financial year, the Eastern Cape Department of Health has received a total budget allocation of R13.34 billion. This represents an increase of R1.57 billion or 13.31% from the 2009/10 adjusted appropriation and an increase of R192 000 or 0.001% as against the 2009/10 revised estimate.¹⁷ Once inflation¹⁸ is taken into account, this represents a moderate increase of 6.89% in real terms against the adjusted appropriation for 2009/10. If we compare the real increase for 2010/11 against the revised estimate for 2009/10, however, this actually represents a decrease of 5.66% from what the Department estimates it will spend by the end of the 2009/10 financial year (see Table 1 overleaf).

The bulk of the Department's budget will go to the Compensation of Employees which receives R7.92 billion or 60% of the total allocation for 2010/11. The remaining 40% of the budget will be divided between Goods and services (26%), Buildings and other fixed structures (7%), Machinery and equipment (3%), Departmental agencies

¹⁵ Eastern Cape Department of Health *Budget and Policy Speech 2010/11*, p.6.

¹⁶ Ibid

¹⁷ Due to significant budgetary pressures faced by the Eastern Cape Department of Health during the 2009/10 financial year, the PSAM will compare allocations for 2010/11 against both the adjusted appropriations and revised estimates from the 2009/10 financial year.

¹⁸ The PSAM has used a projected CPI inflation rate of 6% to calculate real increases/decreases for the 2010/11 financial year and based on National Treasury Projections 6.2% and 5.9% for the outer two years of the MTEF (See <http://www.treasury.gov.za/documents/national%20budget/2010/review/default.aspx>).

and accounts (3%), Provinces and municipalities (2%), Universities and Technikons (1%) and the remaining 1% between Departmental agencies and accounts and Households (see Graph 1 below and Table 1 overleaf).

Graph 1: Payments and Estimates by Economic Classification

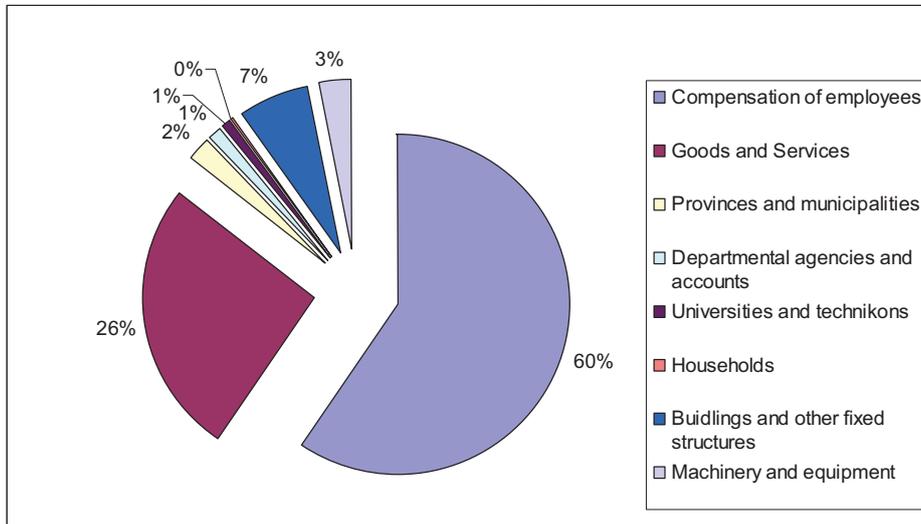


Table 1: Eastern Cape Department of Health by Economic Classification, 2010/11¹⁹

(R' 000)	Outcome			Main Appropriation 2009/10	Adjusted appropriation 2009/10	Revised estimate 2009/10	Medium-term estimate				Real Change between 2009/10 and 2010/11	Real Change against Revised Estimate 2009/10	Real Average Growth over MTEF
	Audited 2006/07	Audited 2007/08	Audited 2008/09				% change from						
							2010/11	2011/12	2012/13	2010/11			
Current payments	6,406,140	6,788,192	9,057,862	9,307,184	9,828,465	11,395,208	11,404,533	16,04	12,159,417	12,904,781	9,47	-5,58	2,23
Compensation of employees	3,860,060	4,562,518	6,083,841	6,066,040	6,267,262	7,598,284	7,919,339	26,36	8,112,638	8,416,709	19,21	-1,67	0,12
Goods and Services	2,546,080	2,225,674	2,959,462	3,241,144	3,561,203	3,796,924	3,485,194	-2,13	4,046,779	4,488,071	-7,67	-13,41	6,74
Interest and rent on land			14,559										
Financial transactions in assets and liabilities													
Unauthorised expenditure													
Transfers and Subsidies to	288,747	422,420	618,483	755,682	658,982	658,992	654,327	-0,71	699,627	743,624	-6,33	-6,33	2,38
Provinces and municipalities	240,748	202,883	234,284	286,851	307,851	307,851	299,763	-2,63	315,675	331,459	-8,14	-8,14	1,45
Departmental agencies and accounts	8,640	190,781	260,098	335,890	210,650	210,650	195,962	-6,97	221,327	239,227	-12,24	-12,24	4,85
Universities and technikons			101,847	104,451	104,451	104,451	108,291	3,68	134,097	142,984	-2,19	-2,19	7,63
Public corporations and private enterprises													
Foreign governments and international organisations													
Non-profit institutions													
Households	39,359	28,756	22,254	28,490	36,030	36,040	50,311	39,64	28,528	29,955	31,73	31,70	-17,47
Payments for capital assets	562,231	802,396	821,836	1,265,480	1,286,480	1,286,480	1,282,012	-0,35	1,468,950	1,564,338	-5,99	-5,99	4,84
Buildings and other fixed structures	444,483	694,793	703,461	863,001	918,867	868,239	877,247	-4,53	1,266,840	1,361,559	-9,93	-4,68	13,59
Machinery and equipment	116,194	107,121	117,875	402,479	367,613	418,241	404,765	10,11	202,110	202,779	3,87	-8,70	-22,08
Software and other intangible assets	1,554	482	500										
Total economic classification	7,257,118	8,013,008	10,498,181	11,328,346	11,773,927	13,340,680	13,340,872	13,31	14,327,994	15,212,743	6,89	-5,66	2,50

¹⁹ Eastern Cape Provincial Treasury Overview and Estimates of Provincial Expenditure 2010/11, p. 123

An examination of the budget by programme reveals that the District Health Services Programme receives the largest slice of the budget with an allocation of R6.03 billion or 46% of the total budget. The Provincial Hospital Services Programme follows with an allocation of R3.41 billion or 26% of the total budget. The remaining 28% of the total budget is split between the Health Facilities Development and Maintenance Programme (11%), the Health Administration Programme (4%), the Health Sciences and Training Programme (4%), the Central Hospital Services Programme (4%), the Emergency Medical Services Programme (4%) and the Health Care and Support Services Programme (1%) (see Table 2 overleaf and Graph 2 below).

Graph 2: Payments and Estimates by Programme

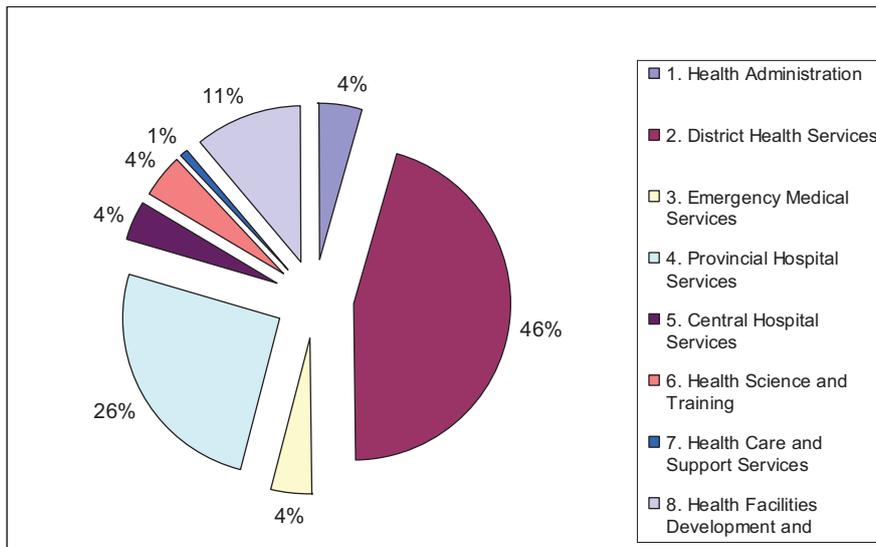


Table 2: Eastern Cape Department of Health by Programme, 2010/11²⁰

Programme (R '000)	Outcome				Main Appropriation 2009/10	Adjusted appropriation 2009/10	Revised estimate 2009/10	Medium-term estimate				Real Change between 2009/10 and 2010/11	Real Change against Revised Estimate	Real Average Growth over MTEF
	Audited 2006/07	Audited 2007/08	Audited 2008/09					% change from Adjusted Appropriation	2010/11	2011/12	2012/13			
	332,494	375,558	506,586	710,789				694,380	717,267	592,417	-14,68			
1. Health Administration	3,237,762	3,712,566	4,915,707	4,935,518	5,162,602	5,981,921	6,031,872	16.84	6,508,811	6,937,031	10,22	-4.87	2.79	
2. District Health Services	321,586	318,793	457,744	484,641	496,297	565,530	574,790	15.82	604,954	646,883	9,26	-4.12	2.05	
3. Emergency Medical Services	2,287,337	2,637,418	2,674,448	2,831,727	2,898,438	3,356,268	3,414,389	17.80	3,529,815	3,706,640	11,13	-4.03	0.83	
4. Provincial Hospital Services	364,582	375,126	547,955	509,429	603,329	613,387	557,137	-7.66	587,327	616,693	-12,88	-14.31	1.49	
5. Central Hospital Services	20,930	24,126	46,702	426,067	555,931	753,101	566,522	1.91	606,306	632,766	-3,86	-29.03	1.79	
6. Health Science and Training	692,427	569,421	934,265	1,241,016	1,288,132	1,288,132	1,473,303	14.38	1,640,648	1,726,425	7,90	7.90	1.33	
7. Health Care and Support Services	7,257,118	8,013,008	10,498,181	11,328,346	11,773,927	13,340,680	13,340,872	13.31	14,327,994	15,212,743	6,89	-5.66	2.50	
8. Health Facilities Development and Maintenance														
Total payments and estimates														

Table 3: Eastern Cape Department of Health, Conditional Grant allocations²¹

Conditional Grant Allocation (R '000)	Outcome				Main Appropriation 2009/10	Adjusted appropriation 2009/10	Revised estimate 2009/10	Medium-term estimate				Real Change between 2009/10 and 2010/11	Real Average Growth over MTEF
	Audited 2006/07	Audited 2007/08	Audited 2008/09					% change from Adjusted Appropriation	2010/11	2011/12	2012/13		
	232,021	233,204	300,522	401,727				493,702	493,702	690,940	39.95		
1. Comprehensive HIV and AIDS Grant	91,867	119,704	90,324	61,214	61,214	61,214	69,345	13.28	73,506	77,185	6,87	1.67	
2. Forensic Pathology Services Grant	133,392	110,150	140,641	151,362	151,362	151,362	160,444	6.00	170,071	178,730	0,00	1.70	
3. Health Professions Training and Development Grant	125,071	204,934	290,927	238,611	238,611	238,611	360,660	51.15	386,048	406,909	42,59	2.13	
4. Hospital Revitalisation Grant	374,203	428,912	472,542	509,429	509,429	509,429	557,137	9.36	587,327	616,693	3,17	1.49	
5. National Tertiary Services Grant	956,554	1,096,904	1,294,956	1,362,343	1,454,318	1,454,318	1,838,526	26.42	2,076,109	2,293,126	19,26	5.61	
Total payments and estimates													

²⁰

Eastern Cape Provincial Treasury Overview and Estimates of Provincial Expenditure 2010/11, p. 123

²¹ Eastern Cape Provincial Treasury Overview and Estimates of Provincial Expenditure 2010/11, p.28

In addition to its equitable share allocation,²² the Department receives six conditional grants (see Table 3 above). These grants are supplementary allocations transferred to the Department from the National Treasury to fund priority programmes aimed at addressing issues such as HIV and AIDS and the development and training of health professionals.²³ In this regard, conditional grants, unlike the equitable share, may only be spent in a way that is consistent with their intended use.²⁴

The Department's total conditional grant allocation has increased from R1.74 billion in 2009/10 to R2.21 billion in 2010/11. This represents a substantial increase of 26.42% in nominal terms and 19.26% in real terms. This increase is largely due to the substantial increases to the Hospital Revitalisation grant and the Comprehensive HIV and AIDS conditional grant. The Hospital Revitalisation grant increases by 42.59% in real terms from R252.93 million in 2009/10 to R360.66 million in 2010/11. The Comprehensive HIV and AIDS grant increases by R167.67 million or 32% in real terms from R493.7 million in 2009/10 to R690.94 million in 2010/11 (see Table 3).

Human Resources and the Compensation of Employees

According to the MEC for Finance in the Eastern Cape, for the 2009/10 financial year alone the Provincial Health Department will overspend on its budget by R1.6 billion mainly due to the 'higher than budgeted employee costs'.²⁵ The Department estimates that these higher than budget employee costs will result in the Department overspending on its R6.23 billion Adjusted Appropriation for the compensation of employees by R1.33 billion or 21%. This overspending is largely as a result of "steep increase[s] in expenditure" which can be attributed to the implementation of the OSD, EMS personnel, payment of HROPT and the "intensification of the fight against HIV/AIDS, MDR and XDR TB".²⁶ Of particular concern in this regard is expenditure related to underfunded and unbudgeted mandates associated with the Occupational Specific Dispensation and Human Resource Operational Project Team (HROPT) payments.²⁷

This overspending on underfunded and unbudgeted mandates relating to the compensation of employees has had a significant impact on the Provincial Health Department's ability to deliver services in other areas. By the end of the third quarter of 2009/10 the Provincial Department was forced to suspend payments to several contractors and suppliers resulting in some contractors and suppliers suspending

²² Funds distributed to provinces by the National Treasury are known as the equitable share allocations. These funds are allocated to enable provinces to provide basic services and perform the functions for which they are responsible. Equitable share allocations are unconditional and it is up to provinces to determine how their equitable share is distributed to particular departments and programmes in line with national policies and priorities.

²³ See the Division of Revenue Act 2009, for more information.

²⁴ See the Division of Revenue Act 2009, especially Chapter 3, for more information.

²⁵ Eastern Cape Provincial Budget Speech 2008/09. Delivered on 29 February 2008. Available at www.info.gov.za/speeches/2008/08031214151001.htm

²⁶ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 123.

²⁷ See 'MEC admits Bhisho is cash-strapped', Algoa FM, available at <http://www.algoafm.co.za/newsarticle.asp?newsid=179124>

services until payments have been made.²⁸ This has resulted in the Department having to carry through costs incurred in 2009/10 into 2010/11. This means that a significant portion of the Department's budget for 2010/11 will be used towards servicing debts incurred in previous years rather than on meeting current service delivery demands.

The impact of accruals and carry through costs can clearly be seen in the structure of the Department's budget for 2010/11. In an effort to address these underfunded and unbudgeted mandates the budget for the compensation of employees has increased by R1.6 billion or 26% from the R6.27 billion allocation in 2009/10 to R7.92 billion in 2010/11. This means that the proportion of the budget which goes to the compensation of employees has increased from 54% in 2009/10 to 60% in 2010/11 (see Graph 1 and Table 1 above). This increase has, however, been at the expense of other critical allocations such as goods and services and buildings and fixed structures which have seen their allocations sliced to make up for shortfalls in this area. For example, the allocation for Goods and Services which includes medical supplies, medicines and laboratory services, will decrease by R312 million or 8% from the R3.8 billion revised estimate in 2009/10 to R 3.48 billion in 2010/11. When inflation is taken into account this represents a real decrease of 13% against the revised estimate (Table 1).

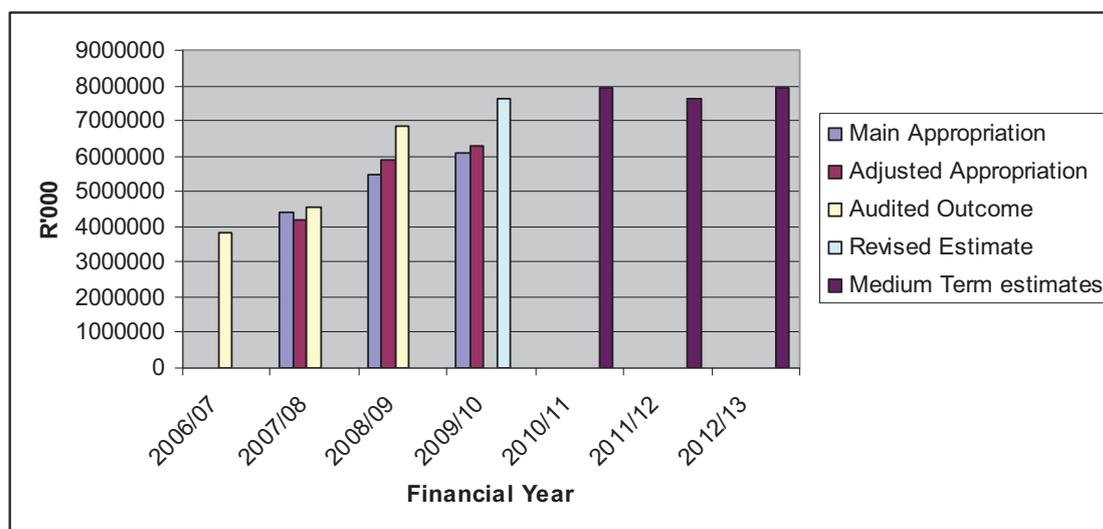
While prioritising the recruitment and retention of human resources during the current financial year is understandable and will hopefully result in an improved ability to provide healthcare services to communities, this necessarily requires that the Department ensures that it has sufficient Goods and Services with which to enable its staff to render an adequate level of healthcare. The insufficient allocation of funding towards the Goods and Services line item during the current financial year and MTEF is going to have a detrimental impact upon the Department's ability to render an adequate level of service.

To make matters worse, concerns exist whether the allocation for the compensation of employees will in fact be sufficient to meet all payments in 2010/11. While the Department has committed to the continued implementation of the OSD for other categories of health professionals as well as broadening the "interpretation and application" of the OSD for nurses during the 2010/11 financial year,²⁹ if we compare the 2010/11 allocation for the compensation of employees against the revised estimate for 2009/10 we find that this allocation will actually decrease by 1.7% in real terms. Over the MTEF this allocation will only increase marginally by on average 0.1% in real terms between 2010/11 and 2012/13. These insignificant increases raise concerns regarding the Department's ability to retain and recruit staff going forward and with the Department having consistently overspent on this allocation for the past 3 financial years (see Graph 3 below) there is little reason to believe that the increases to this allocation between 2010/11 and 2012/13 will be sufficient to meet all contracted payments, let alone any unbudgeted costs and accruals from previous years.

²⁸ See for example 'Eastern Cape public health 'on verge of collapse' in Business Day, 20 May 2010; 'Not even an aspirin' in Dispatch, 27 May 2010.

²⁹ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 117.

Graph 3: Expenditure and Estimates for the Compensation of Employees 2006/07-2012/13



The recruitment and retention of suitably qualified staff remains one of the Department's most pressing concerns with high vacancy rates in critical health related posts such as Doctors (60%), Pharmacists (70%), Nurses (20%) and Emergency Medical Services personnel (58%) reported at the end of the 2008/09 financial year.³⁰

Expenditure on human resources does not only involve the payment of salaries and other benefits to employees but the Department also commits a moderate proportion of its budget to the training, development and academic support to current and potential health professionals. The Health Sciences and Training programme is primarily responsible for this function and aims "to provide sustainable healthcare service delivery by creating opportunities for recruiting, developing and retaining competent, highly skilled health workers that are able to meet the needs of all people in the Eastern Cape Province".³¹

For the 2010/11 financial year the allocation for this programme will increase by R10.6 million or 2% in nominal terms from the adjusted appropriation in 2009/10 to R566.52 million. When inflation is taken into account, this represents a real decrease of 4% and when compared to the revised estimate for 2009/10 this represents a real decrease of 29%.

The Department suggests that the significant decline in the allocation for 2010/11 against the revised estimate is largely due to the fact that the Department incurred once off personnel costs (OSD and HROPT) in 2009/10 which should not reoccur in 2010/11. A review of payments and estimates by economic classification for this programme reveals the significant impact these underfunded and unbudgeted mandates had on this programmes budget. For 2009/10 the Department estimates that it will overspend against the adjusted appropriation for this budget item by R197 million or 75%. It is therefore necessary to once again reiterate the need for the Department and Treasury at

³⁰ Eastern Cape Department of Health. Annual Report 2008/09. pp. 335-340

³¹ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 120.

both provincial and National levels to take steps to ensure that this budget item is adequately funded and that there are no further unbudgeted costs in 2010/11.

That said, even if the Department resolves the issues with OSD payments and there are no further HROPT payments which need to be made in 2010/11, the allocation for the compensation of employees for this programme may still be insufficient to meet costs. For the 2010/11 the Department has allocated R273 million to the compensation of employees for this programme which is an increase of R12 million or 4.6% in nominal terms on the adjusted appropriation for 2009/10. If inflation is taken to account, however, this represents a real decrease of 1.4%. This means that the current allocation may well be insufficient to meet all employee payments, even if this programme does not expand its personnel base.

One positive aspect of the budget for this programme is that the allocation for Goods and Services, which includes payments for bursaries for employees as well as outsourced training services, has increased beyond inflation from an adjusted appropriation of R160.81 million in 2009/10 to R173.12 million in 2010/11.³²

If the Department is going to make any gains in the recruitment and retention of staff in 2010/11 it needs to address persistent funding shortfalls which result from the poorly formulated OSD as well as unbudgeted employee costs. These remain budget, planning and administrative issues which need careful consideration and oversight going forward.

District Health Services

Receiving 46% of the Department's total budget for 2010/11 the District Health Services programme continues to be the Department's priority programme. Against the 2009/10 adjusted appropriation the allocation for this programme increases by R869 million or 10% in nominal terms and 6.9% in real terms (See Table 2 above).

As with the Department's total allocation the moderate increase in allocation for this programme is largely due to the impact of underfunded (OSD) and unbudgeted (HROPT) mandates relating to the compensation of employees. The main appropriation for the compensation of employees for this programme in 2009/10 was R3.1 billion. Due to spending pressures caused by the OSD, this allocation was increased by R135 million to R3.23 billion during the mid-term budget review. Despite this increase, the Department estimates that it will spend R3.84 billion which is R742 million or 19% more than it was allocated at the beginning of the 2009/10 financial year (see Table 4 below).

³² Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 134.

Table 4: District Health Services Programme Payments and Estimates by Economic Classification³³

(R' 000)	Outcome			Main Appropriation 2009/10	Adjusted Appropriation 2009/10	Revised estimate 2009/10	Medium-term estimate			Real Change between 2009/10 and 2010/11	Real change against revised estimate	
	Audited 2006/07	Audited 2007/08	Audited 2008/09				% change from Adjusted Appropriation 2009/20	2010/11	2011/12			2012/13
Current payments	2,968,687	3,302,534	4,344,633	4,309,008	4,594,290	5,411,764	5,485,199	19.39	5,930,634	6,320,930	12.63	-4.38
Compensation of employees	1,904,400	2,266,555	3,146,050	3,097,625	3,232,691	3,839,644	4,033,157	24.76	4,094,762	4,286,696	17.70	-0.91
Goods and Services	1,064,287	1,035,979	1,187,491	1,211,383	1,391,599	1,572,120	1,452,042	4.34	1,835,872	2,034,234	-1.56	-12.87
Transfers and Subsidies to	258,785	315,281	509,277	601,547	544,649	544,649	520,721	-4.39	566,656	604,003	-9.80	-9.80
Provinces and municipalities	238,445	202,883	234,302	286,851	307,851	307,851	299,763	-2.63	315,675	331,459	-8.14	-8.14
Departmental agencies and accounts	1,602	100,875	260,098	288,548	210,650	210,650	192,962	-8.40	221,327	239,227	-13.58	-13.58
Public corporations and private enterprises				11,518	11,518	11,518	12,708	10.33	13,678	16,543	4.09	4.09
Households	18,738	11,523	14,877	14,630	14,630	14,630	15,288	4.50	15,976	16,775	-1.42	-1.42
Payments for capital assets	10,290	94,751	61,797	24,963	23,663	25,508	25,952	9.67	11,521	12,097	3.47	-4.02
Buildings and other fixed structures	3,392	68,517	44,456	11,324	14,061	12,151	8,000	-43.11			-46.33	-37.89
Machinery and equipment	5,493	25,779	16,841	13,639	9,602	13,357	17,952	86.96	11,521	12,097	76.38	26.79
Software and other intangible assets	1,405	455	500									
Total economic classification	6,475,524	7,425,132	9,820,322	9,871,036	10,355,204	11,963,842	12,063,744	16.50	13,017,622	13,874,061	9.91	-4.87

The budget for the compensation of employees for this programme will increase substantially by 25% against the adjusted appropriation for 2009/10 to R4.03 billion in 2010/11. While this represents a real increase against the adjusted appropriation of approximately 18%, it represents a real decrease of approximately 1% against the Department's revised estimate for 2009/10.

It could be argued that the real increase of 18% against the adjusted appropriation would be sufficient to meet Departmental commitments for the compensation of employees because some of the budgetary pressures experienced during 2009/10 were due to "once-off and carrying costs of the HROPT and OSD" which will not reoccur in 2010/11. The problem here, however, is that there is no way of telling the extent to which these underfunded and unbudgeted mandates have impacted on the 2010/11 budget. Based on available budgetary documentation, there is no way of determining how much of the 2010/11 allocation for the compensation of employees for this programme will be used for costs carried through from previous years and how much will be used for costs incurred during 2010/11. Based on the impact over expenditure on this item had on the budget for 2009/10, however, there is little reason to believe that accruals and carry through costs will not once again constitute a substantial portion of the 2010/11 allocation.

Regardless of whether or not the Department will be able to cover the compensation of employees with its allocation for 2010/11, the increase to this budget item has come at the expense of other critical allocations for this programme. Of most concern in this regard is the allocation for Goods and Services³⁴ which only increases by R60 million or 4% in nominal terms against the 2009/10 adjusted appropriation for this item. When inflation is taken into account this represents a real decrease of 1.6% (see Table 4 above). If this allocation is compared to the revised estimate, it is R120 million, or approximately 13% in real terms, less than the Department estimates it will have spent in 2009/10.

This real decrease against the revised estimate is particularly troubling as this allocation is used primarily for the purchase of laboratory services, medical supplies and other consumables used at clinics and community health centres. With the growing demand for primary health services and the central role this programme plays in providing basic

³³ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*

³⁴ The allocation for goods and services is used for...

healthcare to people of this province, the Department cannot afford to prioritise its remuneration of staff without ensuring that this is aligned to a Goods and Services line item which is properly funded to compliment the services that staff are there to render. Said differently, the Department must ensure that over and above ensuring that its staff are remunerated adequately, it must also ensure that they have the necessary tools with which to provide services. While the Department appears to recognise this in stating that: “By the very nature of its core functions, the department is extremely labour intensive with a resultant high demand for Goods and Services”, it’s current resource allocation is skewed so as to prejudice the latter line item and it will have detrimental consequences for the end user who requires medical supplies for their proper treatment.

This state of affairs has already been experienced in the closing months of the 2009/10 financial year, with reports of extensive drug stock-outs at facilities across the country caused by overspending on Goods and Services budgets. These reports showed that essential medicines such as ARVs, hypertension medications, and basic pain killers were often unavailable to patients, particularly those in largely rural districts.³⁵ Past experience has shown that critical shortages of basic medical supplies such as medicines, drips, oxygen and other consumables have had dire consequences for people of this province.³⁶

On a positive note, the Department does plan to invest substantially more in machinery and equipment for district health services in 2010/11. The allocation for this budget item will increase by R8.4 million against the adjusted appropriation for 2009/10 and R5 million against the revised estimate for that year to R18 million for the 2010/11 financial year. This represents a real increase of 76% against the adjusted appropriation and 27% against the revised estimate.

This will nonetheless depend on whether the Department manages to resolve issues around its tender process and use funds set aside for the purchase of machinery and equipment within the financial year. A clear example of where this has been a problem is with the procurement and maintenance of emergency generators at facilities throughout the province. In the 2008/09 budget speech, the then MEC for Finance, announced an additional R50 million for the replacement, upgrade and maintenance of backup generators at health facilities in order to mitigate the impact of continued power outages.³⁷ This was done primarily in response to several high profile incidents where generators failed to come online during a power outage which resulted in the deaths of several patients.³⁸ Despite the fact that this was purported to be an emergency intervention, there is evidence that by the end of the 2008/09 financial year this money had not been spent due to problems with tenders.³⁹

³⁵ See for example ‘Provinces face drug stock outs due to overspending’ (Health-e news, available at <http://www.health-e.org.za/news/article.php?uid=20032729>).

³⁶ For example: In the first three months of 2008 nearly 140 babies died in the UKhahlamba District as a result of the poor quality of drinking water. Independent investigations showed that had health facilities been adequately stocked with basic medications such as rehydration packs and drips many, if not most of the deaths could have been avoided.

³⁷ Eastern Cape Provincial Budget Speech 2008/09. Delivered on 29 February 2008. Available at www.info.gov.za/speeches/2008/08031214151001.htm

³⁸ See for example “Power cut hits Frere’s critical care: battle to keep patients alive after generators fail” (Daily Dispatch 15 January 2008)

³⁹ See Public Service Accountability Monitor, Expenditure Tracking Report 2008/09

Emergency Medical Services

For the 2010/11 financial year the allocation for the Emergency Medical Services Programme increases by R78.5 million from an adjusted appropriation of R496.3 million in 2009/10 to R574.8 million in 2010/11. This represents an overall increase for this programme of 15.8% in nominal terms and 9.3% in real terms (see Table 2).

When the allocation for 2010/11 is compared with the revised estimate for 2009/10 a different picture emerges. Against the revised estimate this allocation actually only represents an increase of 1.6% in nominal terms and a decrease of 4.1% in real terms. While this decrease is in part explained by the fact that the allocation for infrastructure for this programme now falls under the Health Facilities Development and Maintenance Programme (Programme 8), the allocations for other items remains a concern.

In its analysis of the Eastern Cape Department of Health's budget for both 2008/09 and 2009/10 the PSAM raised concerns around the adequacy of the Department's allocation for Goods and Services for this programme, arguing that the allocations for those financial years would not be sufficient to meet growing budgetary pressures due to increasing employee costs.⁴⁰ In both instances the PSAM's predictions were correct with the Department overspending on its adjusted appropriation for 2008/09 by R23.74 million or 5.5%⁴¹ and against the adjusted appropriation for 2009/10 by an estimated R69 million or 14% (see Table). Based on an assessment of this programme's budget for 2010/11 there is little reason to believe that this trend will not continue.

The budget of the compensation of employees for this programme will only increase by R11.64 million or 4.1% against the adjusted appropriation and R2.21 million or 0.74% percent against the revised estimate for 2009/10. When inflation is taken into account this actually represents a real decrease of 5% percent against the revised estimate for 2009/10. Considering that this programme will continue to experience budgetary pressures due to the OSD and that it intends to continue to increase its staff compliment, there is a strong possibility that the budget for the compensation of employees will not be sufficient to cover costs for 2010/11.

In addition to cost pressures associated with the compensation of employees, the burden of rising costs associated with its fleet contract with Fleet Africa⁴² will continue to place strain on this programmes already stretched budget. Despite expected substantial increases to the rates at which Fleet Africa will lease vehicles to the Department, the allocation for this purpose will actually decrease by R1 million or 6% in real terms from approximately R175 million in 2009/10 to approximately R174 million in 2010/11.⁴³ This would mean that the Department will be able to lease substantially fewer EMS vehicles through the contract with Fleet Africa. Fortunately, the Department does plan to purchase its own additional ambulances to "top-up" its fleet.⁴⁴

⁴⁰ Public Service Accountability Monitor, Budget Analysis 2008/09 and 2009/10.

⁴¹ Eastern Cape Department of Health, *Annual Report 2008/09*, p.254

⁴² See for example <http://www.dispatch.co.za/article.aspx?id=391368> and Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*. p. 130

⁴³ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 144

⁴⁴ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*. p. 130

While there is no clear indication of exactly how much the Department will be allocating for the purchase of ambulances, the allocation for machinery and equipment will increase from the 2009/10 adjusted appropriation of R18.5 million by R37 million or 200% in nominal terms to R55.6 million in 2010/11.⁴⁵ The bulk of this increase should go towards the purchase of ambulances.

Efforts to shift the ownership and management of the EMS fleet from Fleet Africa to the Department should be encouraged. From the inception of the contract in 2003 there have been a number of concerns raised by the Department and other interested parties that the outsourcing of the fleet was not cost effective and did not provide for substantial gains in efficiency.⁴⁶ This has most recently been highlighted by costs associated with the controversial extension of the Fleet Africa contract⁴⁷ which is reported to be significantly more expensive than if the Department were to provide its fleet services in-house.⁴⁸

Provincial Hospital Services

For the 2010/11 financial year the Provincial Hospital Services programmes budget increases from the revised estimate of R3.36 billion for 2009/10 to R3.41 billion. While this represents a nominal increase of R58.12 million or 1.73%, it represents a real decrease of 4% against the revised estimate (Table 2).

The real decrease in the total allocation for this programme is largely due to the budget for buildings and fixed structures for this programme being shifted to programme 8⁴⁹ and a substantial decrease of R168.36 million (22%) against the revised estimate for the goods and services item for this programme.⁵⁰

The significant decrease in the allocation for Goods and Services for this programme is particularly troubling. In the budget documentation the Department explains that "Expenditure on goods and services increased to R745.9 million in [2009/10], in line with

⁴⁵ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 130

⁴⁶ The Public Service Accountability Monitor.2004. *The Crisis of Public Health Care in the Eastern Cape*.

⁴⁷ Fleet Africa was awarded a two year extension to its fleet services contract in February 2010 after the Department of Roads and Transport withdrew the awarding of the tender to Phakisa Fleet Services after it was discovered that they did not have the experience or technical capacity to provide required services. The extension of the Fleet Africa contract is, however, being contested in the High Court by Makhubu Logistics who lost the bid for the contract which was awarded to Phakisa when it was originally put out to tender in April 2009. Makhubu Logistics are arguing that the Eastern Cape Department of Roads and Transport did not follow the appropriate legal and competitive requirements in awarding an extension to Fleet Africa and that the contract should be set aside until proper procedures have been followed. (see <http://www.dispatch.co.za/article.aspx?id=393210>)

⁴⁸ See for example 'Fleet Africa quietly gets new contract', Daily Dispatch, 26 February 2010.

⁴⁹ Buildings and other fixed structures for this programme will be discussed as part of programme 8 or the Health Facilities Development and maintenance Programme.

⁵⁰ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 131

the effects of increased burden of disease and extra allocations to cover accruals”.⁵¹ This statement is, however, not followed by a justification as to why the allocation for this item then decreases in 2010/11. There is no reason to believe that the burden of disease has decreased substantially in the last year and there is evidence which suggests that the Department will once again incur substantial accruals for this item which would need to be covered by the budget for 2010/11.⁵² It could therefore reasonably be argued that this budget would need to increase in real terms against revised estimate for 2009/10 if the Department wishes to, at the very least, maintain current levels of service delivery at its provincial hospitals.

A review of the budget for this programme by economic classification suggests that the reason the allocation for Goods and Services decreases in 2010/11 is due to the effects of higher than expected employee costs in 2009/10⁵³ and associated carry through costs and accruals in 2010/11. This argument is substantiated by the fact that the allocation for the compensation of employees will increase well beyond inflation against the revised estimate 2009/10. For 2010/11 the allocation for the compensation of employees for this programme increases by R276 million which is a real increase of 5% against the revised estimate.

Over the MTEF period the allocation for Goods and Services is projected to increase by on average 7% in real terms each year. This, however, will once again depend on the Department's and Treasury's ability to rectify persistent shortfalls in funding for the compensation of employees.

Health Facilities Development and Maintenance

The Department has progressively shifted the management and funding for its buildings and other fixed structures to the Health Facilities Development and Maintenance programme.⁵⁴ This has been done to rationalise the management of provincial health facilities in an effort to “improve access to Health care services by providing new health facilities, upgrading and maintaining existing facilities”.⁵⁵ It is primarily for this reason that the budget for this programme will increase in 2010/11 by R185 million or 14.4% in nominal terms and 7.9% in real terms against the adjusted appropriation for 2009/10 (see Table 2). The budget for this programme will then continue to increase by on average 3.43% in real terms over the MTEF period.

The Provincial Hospital services sub-programme will receive the bulk of this increase receiving an additional R111 million or 18.5% more than the revised estimate for 2009/10.⁵⁶ This increase is due to a comparable increase to the Hospital Revitalisation grant of R108 million for 2010/11 (see Table 3). This increase does initially suggest that

⁵¹ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 132.

⁵² Algoa article

⁵³ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 131.

⁵⁴ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 131.

⁵⁵ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 136 and 137.

⁵⁶ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 136.

the revitalisation of provincial hospitals is a national priority as increases to this grant are determined at a national level. If we consider the growth in funding for this sub-programme over the entire MTEF period, however, we find that that this prioritisation is isolated to 2010/11. Over the MTEF period the allocation for this sub-programme will decrease substantially by on average 5%. The Department alludes to the reason for this trend when it states that that the increase for buildings and other fixed structures is “in response to demands coming from preparedness for the 2010 FIFA World Cup”.⁵⁷

The increase for Provincial Hospital Services infrastructure in preparation for the FIFA World Cup will come at the expense of other allocations however. For the 2010/11 financial year the allocation for Community Health Facilities will only increase by R1.8 million or 1% in nominal terms which represents a real decrease of 5% against the revised estimate for 2009/10.⁵⁸ Over the remainder of the MTEF however this trend is reversed and the allocation for this sub-programme is projected to increase by on average 1%.

A similar trend emerges for the District Hospitals sub-programme with its allocation decreasing nominally by R7 million (1.4%) against the revised estimate and R44 million (8.2%) against the adjusted appropriation for 2009/10. As is the case with the Community Health Facilities sub-programme this decrease is reversed by an average real increase to this allocation of 21% over the MTEF period.⁵⁹

While the unfortunate consequence of preparing infrastructure at hospitals for the FIFA World Cup has been the shifting of funds from key district health projects for 2010/11, this should hopefully result in an improvement to hospital infrastructure which will benefit those who utilise the public system over the long term. District health services however remain the primary point of access for the majority of the provinces population and should therefore be the primary focus of the Department of Health. In this regard it is troubling that over the MTEF the allocation for the construction and upgrading of community health facilities will decrease. This could play a role in patients increasingly seeking care at both District and provincial hospitals for services which should be provided at CHCs.

HIV and AIDS and Tuberculosis

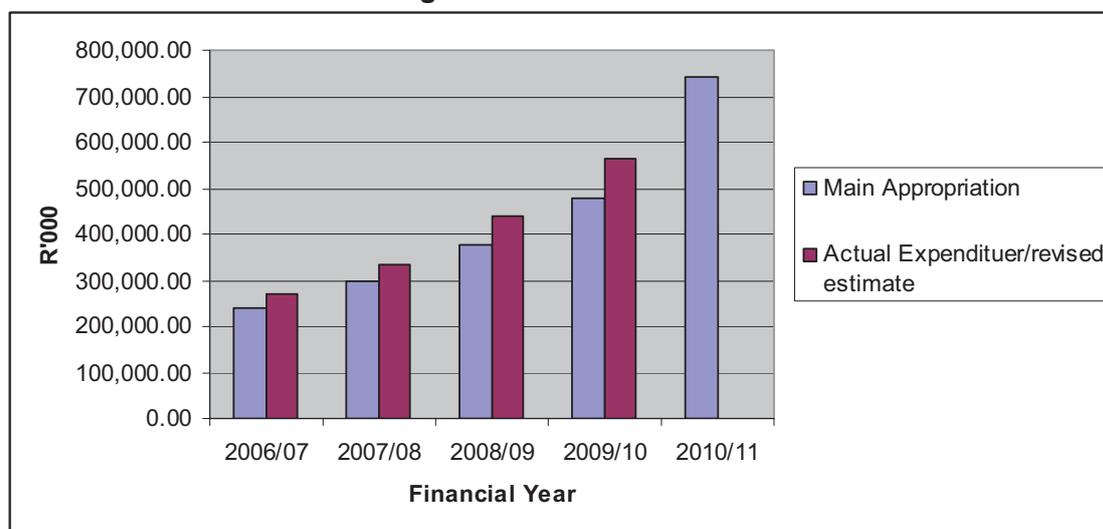
For the 2010/11 financial year the Department has received a Comprehensive HIV and AIDS conditional grant allocation of R690.94 million. This represents a substantial increase of R197.24 million, or 32% in real terms, on the R493.7 million adjusted appropriation for this grant for 2009/10. This increase is sustained throughout the MTEF period with an average real increase of 11.5% (see Table 3).

⁵⁷ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 137.

⁵⁸ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 136.

⁵⁹ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 136.

Graph 4: Main Appropriation Vs. Actual Expenditure for the HIV and AIDS Programme 2006/07-2010/11



This increase follows a trend over the last two financial years where substantial increases have been made to the Department's comprehensive HIV and AIDS conditional grant in response to rapidly increasing demand for services which has tended to exceed main appropriations for the Department's HIV and AIDS programme (see graph 4).⁶⁰ For 2010/11 this increase is especially necessary as demand for services, particularly ARVs, should increase dramatically with the introduction of new treatment guidelines which will, amongst other things: provide for the treatment of pregnant women at a CD4 count of 350 or less; provision of ART to people co-infected with HIV and TB at a CD4 count of 350 or less; and increase the number of infants receiving treatment for HIV and AIDS.⁶¹

The revision of the National HIV and AIDS Treatment Guidelines and the associated significant increase to this conditional grant is an important step towards improving the Department's ability to improve the quality and reach of its HIV and AIDS treatment. This grant is used not only for the provision of Antiretroviral medications (ARVS) and Voluntary counselling and testing, but also for the Prevention of Mother to Child Transmission (PMTCT), Post Exposure Prophylaxis (PEP) and a range of social and community based interventions.⁶² This means that with the significant real increase to this grant, the Department will be better placed to expand and improve its HIV and AIDS interventions in the province.

One concern which does remain, however, is that while funding for the Department's HIV and AIDS and STI sub-programme has received a considerable increase in funding through the conditional grant, this increase have not been matched by the Department's portion of funding for this programme from its equitable share allocation. For the 2010/11

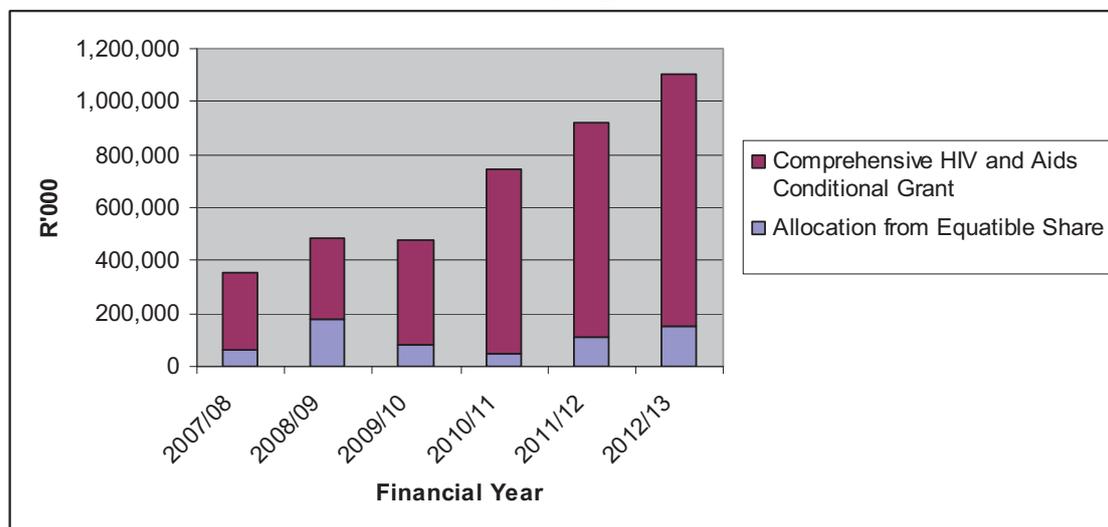
⁶⁰ See for example Public Service Accountability Monitor, Budget Analysis 2007/08, 2008/09, 2009/10.

⁶¹ National Health Budget speech for 2010/11. 13 April 2010. Available at <http://www.info.gov.za/speeches/2010/10041315551001.htm>

⁶² Eastern Cape Department of Health *Comprehensive HIV and AIDS and STIs Programme Integrated Business Plan 2009/10*, p. 202-203

financial year the Department's HIV and AIDS and STI sub-programme will receive a total allocation of R741.28 million. This is R167.68 million or 22% in real terms more than the adjusted appropriation for 2009/10. This means that R50.34 million or 6.8% of funding for this sub-programme will come from the Department's equitable share allocation. As graph 5 illustrates, this marks a worrying trend in funding for this sub-programme and HIV and AIDS and STI services in the province more generally. In 2008/09 the Department's funding of this sub-programme from its equitable share (also known as its discretionary allocation) was R121.61 million or 26.33% of the total allocation for this sub-programme. The proportion of funding from the discretionary allocation then decreased substantially in 2009/10 amounting to only R78.43 million or 16.3% of funding for this sub-programme. For 2011/12 and 2012/13 the proportion of discretionary funding for this sub-programme only increases marginally to 12% and 14% of the total allocation respectively.⁶³

Graph 5: Conditional Grant allocations Vs. Equitable share allocations for the HIV and AIDS programme



The substantial decrease in the Department's discretionary allocation for this programme is of concern as this portion of the budget is used to fund programmes not covered by the grant but which are nonetheless critical aspects of this programme and any meaningful interventions. These programmes include those which relate to Sexually Transmitted Infections (STI), the provision of barrier methods of contraception (male and female condoms), the integration of TB and HIV services at facilities, and the training and payment of community health care workers⁶⁴. Without the effective management of STIs and TB, the Department's ability to manage the pandemic will undoubtedly be constrained as both STIs and TB not only fuel the spread and progression of the disease but also render treatment less effective. The same holds true for the training and deployment of community health workers who perform a key role in the treatment and

⁶³ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 128.

⁶⁴ Eastern Cape Department of Health *Comprehensive HIV and AIDS and STIs Programme Integrated Business Plan 2009/10*, p. 202-203

management of the disease beyond health facilities as these workers are components of the Departments interventions aimed at education and prevention.

The treatment of Tuberculosis has been identified as one of the Department of Health's priorities for the upcoming financial year.⁶⁵ Initial assessments of allocations set aside specifically for TB show that the Department will commit additional resources for TB treatment. For the 2010/11 financial year the allocation for the TB Hospitals sub-programme will increase by R47.5 million or 16% in nominal terms and 10% in real terms against the adjusted appropriation for 2009/10. If we consider that most of the infrastructure costs have been shifted to the Health Facilities Development and Maintenance Programme (programme 8) then this amount is a substantial increase for the provision of services at TB hospitals.

While there is little doubt that improving conditions and access to treatment at TB hospitals are important steps in improving the level of care the province can provide to TB patients, the fact of the matter remains that at most only about a third of TB patients can be accommodated in these hospitals each year.⁶⁶ Most TB patients are treated within the district health services programme at PHC facilities or at home through the DOTS programme. Yet, as has already been shown, the 2010/11 budget for District Health Services programme may not be sufficient to meet the growing demand for PHC services, of which TB treatment is one of the most critical.

Potential budgetary pressures relating to staffing, infrastructure and medical supplies (especially medicines) could result in the Department being unable to provide adequate treatment, support and follow-up for thousands of TB patients accessing treatment through district health services. Inadequate case detection, treatment, and support at this level inevitably results in patients accessing treatment later and/or defaulting on treatment. Receiving treatment later and/or defaulting on treatment then increases the chances that patients will require hospitalisation, develop drug resistant strains, and possibly die from TB. It is therefore imperative that the Department's TB programme at district level is adequately funded to ensure that patients enter the system earlier and receive continuous support both during and after treatment. This will not only improve cure rates, it will also ensure fewer patients are hospitalised and fewer patients experience reoccurrence and re-infection of the disease, which will ultimately place less of a burden upon the Department.

Health Care Support Services

The budget for the Health Care Support Services has doubled to R130 million for the 2010/11 financial year from the 2009/10 revised estimate of R65 million. This increase is largely due to an increase of R64 million or 183% to the Department's Medicines Trading account.⁶⁷ The increase to this sub-programme, which is responsible for the

⁶⁵ National Health Budget speech for 2010/11. 13 April 2010. Available at <http://www.info.gov.za/speeches/2010/10041315551001.htm> and Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 121

⁶⁶ In 2007, for example, the Department could only accommodate approximately 3 000 patients in TB hospitals at any one time and the average length of stay at these facilities was two months per patient[□]. This means that, at most, the Department could accommodate 18 000 of the 54 343 reported cases of TB in the province that year in its TB hospitals.

⁶⁷ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 135.

management of the Department's pharmaceutical depots, is mainly due to an additional allocation of R42 million for the implementation of a pharmaceutical Public Private Partnership (PPP) in the province.⁶⁸

In general PPPs have become an increasingly popular solution to the issues of improving reliability and efficiency in the delivery of services. Over the last few years the Department has been involved in a number of PPPs with private service providers at several of its provincial hospitals.⁶⁹ While these projects have been lauded for improvements to hospital infrastructure, equipment, and efficiency they are not without their own problems.

In terms of the Pharmaceutical PPP it is not clear from the budget documentation exactly how much of the R99 million allocated to this project will go directly to the provision of pharmaceuticals and how much will go to administrative costs and profits for the private service provider. It is therefore difficult to determine if the efficiency and reliability gains of this partnership, if any, are cost effective. It may very well be the case that monies allocated to this partnership could be better spent on improving the Department's own pharmaceutical supply chain.

There have also been a number of questions concerning the awarding of the tender for the PPP. In August of 2009 the Eastern Cape MEC for Health, Mr. Phumulo Masualle, wrote to National Treasury asking it to hold off the approval of the PPP with the Daily Dispatch reporting that there may be a conflict of interest between the Finance MEC and members of the PPP who were his business partners.⁷⁰ Despite attempts by Mr. Masualle to suspend the awarding of the tender, based on budgetary allocations, it appears as if the PPP will go-ahead in the 2010/11 financial year.⁷¹ What is not clear is how this issue was resolved and if there is indeed a conflict of interest.

While there is no clear indication of whether or not this tender was awarded in contravention of the Public Finance Management Act, it does highlight problems associated with outsourcing Departmental functions to private partners and the possibility of collusion and the inappropriate awarding of contracts. There is a clear need for the tender process to be made transparent and open to public scrutiny if Department's are to ensure that funds are not wasted through unnecessary or costly contracts, fraud and corruption. Fortunately the new SG for Health, Dr. Siva Pillay, has made some commitment to rectifying these issues within the provincial Department of Health. It remains to be seen whether or not his efforts will bring about necessary change.

⁶⁸ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 135.

⁶⁹ National Health Budget speech for 2010/11. 13 April 2010. Available at <http://www.info.gov.za/speeches/2010/10041315551001.htm>

⁷⁰ MSN News. 'ANC supports health tender freeze'. Available at <http://news.za.msn.com/local/article.aspx?cp-documentid=150157664> (accessed 12 April 2010)

⁷¹ Eastern Cape Provincial Treasury *Overview and Estimates of Provincial Expenditure 2010/11*, p. 135.



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