

MAKING BUDGETING WORK: REFLECTIONS FROM THE FINANCIAL CAPACITY BUILDING FOR PROVINCES (FINCAP) PROJECT IN SOUTH AFRICA

Background

The Financial Capacity Building for Provinces (FINCAP) project, run in partnership by the Centre for Economic Governance and Accountability in Africa (CEGAA) and the Health Economics and Epidemiology Research Office (HE²RO), focuses on providing capacity building and technical support to HIV, STI and TB (HAST) programme and finance managers in provincial departments of health in South Africa. The intervention was designed to improve budget planning, costing, expenditure tracking and reporting on HIV and TB in the health sector. It was intended as a five-year project (2013-2017) focussing on the provincial level; however, due to increasing interest from national government and district health offices specifically, the project was extended to 2018 and to the district level. The FINCAP project thus covered all 9 provinces and was extended to 27 PEPFAR priority districts. The project also provided some support to Provincial Councils on AIDS.

Prior activities conducted on financing of HIV and TB in South Africa by CEGAA in cooperation with Strategic Development Consultants identified several challenges faced by provinces in developing and implementing their business plans for requesting funds from the Comprehensive HIV and AIDS Conditional Grant held by the National Department of Health (NDOH). Challenges related mainly to the use of lump-sum cost data instead of updated, disaggregated, province-specific unit costs for several interventions, as well as an inability to define suitable interventions with realistic targets. The lack of costing and budgeting skills within provincial HAST teams further hampered efforts to estimate realistic resource requirements and the financing gap, which therefore undermined the provinces' ability to negotiate budget allocations and funding commitments with provincial treasuries, National Department of Health and development partners. Thus, this project sought to build the capacity of, and provide on-going technical support to, provincial HIV and TB programme and finance managers, to plan, budget and monitor implementation. It also sought to generate disaggregated cost data that would ensure adequate budget allocations, as well as appropriate interventions to achieve the objectives of the 2011-2016 HIV, TB and STI strategic plan at national and provincial levels. Finally, this project also sought to assist provinces with expenditure monitoring and reporting, to be able to

identify spending challenges and to promote efficient spending in line with programme targets on a quarterly and annual basis.

Provincial and district capacity development and technical support

The FINCAP project provided capacity needs assessments, capacity building plans, theoretical and practical trainings and technical support to provincial and district HIV and TB programme and finance managers. The managers were trained and provided with technical support on business planning, costing, budgeting and expenditure monitoring. Because of the heterogeneous nature of government, ongoing capacity building and technical support were needed to ensure that staff turnover and rotation of staff between portfolios and departments did not inhibit programme performance. Thus, skills transfer and support needed to be intensified to ensure that government delivered according to its promises to the public, despite its changing workforce. This was important to ensure that all provinces were supported across at least three budget cycles, to impart budgeting skills during budget preparation phase, support implementation of budgets, and track expenditure against budgets during reviews to identify spending challenges and address them timeously.

The costing effort

Costing is an important aspect of an effective government programme given increasing public demands for services and the shrinking fiscal space. Costing assists in determining issues of priority, affordability, and value-for-money. Given government's competing demands and insufficient capacity to cost policies or programmes, the FINCAP project played an important role in providing technical support to provincial health departments to cost their HIV conditional grant business plans. The inclusion of the input cost sheet in the health department's HIV Conditional Grant Business Planning (BP) tool was a good initiative to prompt provinces to take costing seriously, that is, to identify and quantify the exact ingredients required for all their programme activities according to their targets. This enabled them to justify their targets and budget requests within the available budget ceilings.

One of the key observations in costing was that provinces had varying implementation dynamics which affected the costs of interventions. For example, health facilities were spread widely apart in mainly rural provinces and districts as compared to urban areas. This resulted in varying costs of programmes due to varying unit costs used.

Provinces also need to closely monitor new policy developments that have impact on costs. For example, in 2017 NDOH reported that the introduction of the Test and Treat policy in 2016/17, together with an increase in medical inflation, resulted in over-expenditure. Provinces need to be alert to such developments and incorporate these into their costing.

Nevertheless, FINCAP through the HIV CG business planning, budgeting and costing processes of the Department of Health contributed in defining and standardising HIV unit costs used at district and provincial levels. This was also supported by the expenditure monitoring activities of the project. This effort has yielded great achievements such as significantly reducing the use of lump-sum costs in budgets that made it difficult to understand the specific ingredients making up total costs of programmes.

The government budget process

Working within the budget process requires a concerted effort to understand government structures, systems, processes and people. This is important to know where service delivery is lacking, where systems need strengthening, and where processes should be improved for impactful budgeting and implementation. The South African Constitution provides the legal framework for the provision of public services in response to public needs. There are various public budget policies and guidelines developed by the government to ensure sound financial controls and efficient management of public funds. The budget process is used to identify priorities, set targets and allocate resources accordingly, following a three-year budget cycle, the so-called Medium-Term Expenditure Framework (MTEF). We have learnt that there are various role-players in different phases of the budget process, and that each stage has multifaceted levels requiring a lot of information and engagement. This requires that budget makers generate and use evidence on resource needs before they can bargain for a slice of the pie in the public resource allocation process. Practically, FINCAP has assisted provincial HIV managers to budget accurately using costing data. The project has also assisted provinces to align their provincial indicators with the Division of Revenue Act (DORA) indicators for the HIV CG through the business

planning process, making implementation, monitoring and reporting much easier.

Mitigation of challenges and factors for success

The beginning of the project was difficult as the project needed serious promotion by the CEGAA team and favourable consideration by government stakeholders for it to be successful. Project promotion and inception took almost one-and-a-half years, due to issues of buy-in, project ownership and unavailability of key decision-makers to commit to the project, which delayed the delivery of project objectives. However, once every stakeholder was on board and the national and provincial governments had given their full support, the project went from success to success. Because of buy-in from the national and provincial departments of health as well as SANAC, CEGAA found it easy to work with both national and provincial managers. Initially, we learnt that government managers did not have enough time to engage in the project; however, it was necessary that managers availed themselves for full engagement, from senior management to junior staff, to help reduce some of the challenges faced by the managers in achieving their work goals. Full buy-in and ownership led to an open and friendly working environment that enhanced efficient project operations and the resultant project achievements. This element of project development is very important because budget work involves handling vast amounts of sensitive data for which trust must be built before the data can be shared and analysed for positive budgetary impacts.

Through our engagement with the provinces we learnt that provincial needs are not the same. Some provinces needed more help than others, and some could have been graduated out of the project early on so that resources could be concentrated on the provinces with more needs. However, project entry and exit in provinces should be negotiated carefully to avoid misunderstandings and immature graduation of provinces from interventions they still need.

Notably, open engagement with project stakeholders ensured effective communication and understanding before any project decisions could be made. Thus, a self-assessment process by provinces was important for them to understand their needs, realise their capacities and welcome assistance from FINCAP partners. All interventions meant to support provinces should be negotiated, as imposed projects would not yield the desired outcomes. The inclusiveness factor in the FINCAP process allowed for government leadership and management buy-in and support, ensuring that the project was owned from the inside, instead of being seen as an outsider intervention.