

R1 trillion public spending in South Africa in 2012/13: What's in there for health and HIV/AIDS?

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by

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1. Introduction

South Africa's Minister of Finance Pravin Gordhan opened his 2012 Budget Speech on 22 February 2012 by acknowledging that the 2012 Budget had been “crafted at a challenging but hopeful time”; the budget was devised during a period of “economic uncertainty”, whilst the government is working on a “programme of economic change to roll back unemployment, poverty and inequality”¹. Gordhan estimated a budget deficit of 4.6 per cent of GDP for 2012/13, with plans to reduce the deficit to 3 per cent of GDP in 2014/15. Simultaneously, the government seeks to expand its investments on infrastructure and strengthen financial management in the public sector, which is important for cost-effective policy implementation – thereby pursuing “value for money with the greatest possible vigour and ensuring that taxpayers' money is well-used” (Gordhan, 2012, page 3-4).

For the first time in South Africa's history, total public spending will reach R1.1 trillion in 2012/13, representing some 32 per cent of GDP. Most of this is attributed to increased infrastructural investments and allocations for social and economic development spending.

The budget also promised new funds for health beyond the baseline allocations estimated last year, amounting to an additional R12.3 billion over the next three years. Some of these funds will be allocated as follows:

- R1 billion for National Health Insurance pilot projects and increasing primary health care visits.
- R450 million to upgrade about 30 nursing colleges as part of infrastructural development.
- R426 million for the initial work on rebuilding five major tertiary hospitals.
- R968 million made available over the medium term to accommodate provision of antiretroviral treatment at the CD4 threshold of 350.

¹ Gordhan, P. 2012 Budget Speech. National Treasury. www.treasury.gov.za

2. Overview of health and HIV and AIDS related allocations in Budget 2012

Table 1: Overall increase in health and HIV and AIDS related expenditure, Budget 2012

R'000	Audited 2008/2009	Audited 2009/10	Audited 2010/11	Adjusted Appropriation 2011/12	MTEF 2012/13	MTEF 2013/14	MTEF 2014/15
Consolidated National Government Expenditure	721 052 000	834 336 000	897 376 000	972 547 000	1 058 321 000	1 149 125 000	1 239 699 000
Total National Health Budget	16 424 453	19 168 612	22 520 332	25 622 139	27 557 018	30 713 599	33 858 582
National Health HIV/AIDS Budget	3 359 780	4 851 645	6 415 939	7 960 151	9 233 905	11 020 123	12 752 864
Hospitals, Tertiary Health Services and Human Resource Development	12 179 025	13 143 437	15 069 261	16 686 329	16 927 870	18 016 512	19 232 174
TB Allocations	11 113	16 378	15 822	17 954	25 710	26 495	27 257
HIV/AIDS Health Conditional Grant alone	2 885 423	4 376 105	6 051 757	7 492 962	8 762 848	10 533 886	12 211 322
HIV/AIDS NGO Funding	58 141	193 842	57 765	69 038	72 490	76 115	79 921
Social Development HIV/AIDS Funding	61 042	58 193	60 943	67 425	72 725	76 451	80 996
Education HIV and AIDS (Life skills)	165 003	180 875	188 045	199 328	208 665	220 110	232 697
Human Resources for Health	1 702 465	1 790 503	1 880 530	2 018 720	2 108 854	2 224 629	2 348 774
Nursing Services - development of required nursing skills and capacity					1 550	2 100	2 350

Sources: Estimates of National Expenditure 2012, 2011 and 2010.²

On health specifically, the budget has grown by around R2 billion, from R25.6 billion in 2011/12 to R27.5 billion in 2012/13. It is estimated to grow further to R33,8 billion in 2014/15. There is also a marginal increase in the Human Resources for Health budget line-item, growing from R2 billion in 2011/12 to R2.1 billion in 2012/12. This growth is positive, but does not factor in the costs of inflation: the inflation rate could reduce the growth rates of all the allocations presented in nominal terms.

Increased human resources are required to address the staffing crisis at health facility level, and we urge the government to use the allocated resources efficiently to cover the personnel gaps reported at clinics and hospitals. Staff shortages at these facilities are the cause of long patient queues and crowded space. There is a dire need for specialist health workers, especially pharmacists, and this service failure results in many patients going home without treatment and adequate care. A survey done by CEGAA and TAC in two districts in Lusikisiki (EC) and Umgungundlovu (KZN) showed that health workers struggle to meet demand as more patients were coming in for services, but the staffing base was not adequately boosted. This study revealed an interesting finding: HIV/AIDS patients were generally happier with the final package of AIDS medicines they received from their clinics, despite the long waiting in queues, whereas

² National Treasury. 2012, 2011 and 2010 Estimates of National Expenditure. www.treasury.gov.za

health workers were mostly unhappy, due to their strained working conditions (CEGAA & TAC, May 2011)³.

3. Key health and HIV and AIDS related priorities in the Budget

3.1 National Health Insurance (NHI)

The Health Financing and NHI Sub-Programme of the national Department of Health (DoH) is responsible for the development and implementation of policies, legislation and other necessary frameworks for extending health insurance to the broader population. It is also tasked with overseeing the co-ordination of research into alternative healthcare financing mechanisms for achieving universal health coverage. In 2011/12, this Sub-Programme had a staff complement of 27 and a total budget of R42.9 million, of which 30.3 per cent was used for compensation of employees. Over the medium term, R1 billion will be transferred to all provinces through the National Health Insurance grant (National Treasury, ENE Health Vote, pp 10–11). The NHI grant will be spent by provinces as follows: R150 million in 2012/13, R350 million in 2013/14 and R500 million in 2014/15, to cover the cost of National Health Insurance pilot sites.

It is noted that the NHI will be phased in over a 14-year period beginning in 2012/13. The government has been honest in indicating that this will require vast amounts of money, beyond its estimates for the next medium term. The Treasury's suggested funding options include increasing the VAT rate, a payroll tax on employers, and increasing the taxable income of individuals, or a combination of these. However, these will still require a debate for real sustainability of the NHI, as citizens are already funding large government expenditure through taxes.

3.2 National Health Laboratory Services (NHLS)

The Estimates of National Expenditure (National Treasury, Health Vote, pp 25-26) explains the key strategic objectives for the National Health Laboratory Service over the next five years, and also acknowledges the institution's funding challenges. The reported growth in expenditure was largely attributable to salary increases of between 6 per cent and 7 per cent which were effective from 01 July 2011. Other significant increases related to the cost of utilities and software development expenses for the planned implementation of a new Oracle release.

The 2012 Budget statement reports a surplus of R264 million in 2010/11, which did not materialise into cash due to the poor payment pattern by certain provinces, and which has increased the level of debtors by R340 million. This has had a severe impact on NHLS's operations: less than a month's cash cover has been available to meet its current and future obligations. In 2011/12, provincial health departments owed the entity R2.1 billion. The Gauteng provincial health department had R646 million outstanding, while KwaZulu-Natal owed R997 million, leading to a

³ Ndlovu, N. 2012. CEGAA & TAC *Report on the Umgungundlovu and Lusikisiki Community and Health Facility Survey on Service Provision For HIV/AIDS and TB - Incorporating Feedback from Public Hearings and Initial Meetings of the Action Teams*. http://www.tac.org.za/userfiles/CEGAA-TAC_District_Health_HIV_AIDS_TB_SurveyReport_15May2011.pdf

delay in supplier payments. The entity owed R410.3 million to its service providers, which was an increase of R47.5 million since March 2011. Many suppliers halted or delayed their services, creating logjams in the National Health Laboratory Service's supply chain.

Provincial expenditures for 2011/12 need to be reviewed to determine the causes of delays relating to NHLS payments, as there are no clear answers on the matter. Provincial budget statements for 2012/13 should shed some light on these problems.

The NHLS entity had a total budget of R3.6 billion in 2011/12, of which 92 per cent was used for laboratory tests. The budget drops to R3.5 billion in 2012/13, and increases slightly again in 2013/14 and 2014/15, to R3.8 billion and R4 billion respectively. The decline of R100 million in 2012/13 is concerning, as provinces already faced serious shortages of funds during the outgoing year to pay the NHLS for testing costs. The National Treasury (*ibid*) assures us that the NHLS issue is "being addressed with the Minister of Health and National Treasury", without clarifying any specific intervention points. We urge the NDoH and National Treasury to resolve the financial management of the NHLS with deliberate speed, as laboratory services are crucial to even adequate levels of healthcare.

3.3 Health HIV/AIDS Programme

The HIV and AIDS programme continues to receive substantial resources in the 2012/13 health budget: 33.5 per cent of the total national health budget in 2012/13, increasing to 35.9 per cent in 2013/14, and to 37.6 per cent in 2014/15. This is the second-highest allocation in the health sector. The Hospitals, Tertiary Health Services and Human Resource Development Programme receives 61.4 per cent of the total health budget in 2012/13, but interestingly, the budget proportion for this programme decreases in the medium term (59 per cent in 2013/14 and 57 per cent in 2014/15) as the proportion for HIV and AIDS escalates. We should assess more closely whether HIV and AIDS is crowding out other health expenditures, as this affects the overall mobilisation and utilisation of funding for health in general.

Of the health HIV and AIDS Conditional Grant transferred to provinces, Minister Gordhan reported that 70 per cent was for the antiretroviral treatment programme, 17 per cent for HIV prevention, 7 per cent for programme management and 6 per cent for community-based programmes. This statement clearly indicates that South Africa – justifiably – spends heavily on ART provision, but unfortunately we spend little on prevention. The increasing HIV infection rates demand that resourcing of prevention campaigns be boosted, as the millions of HIV-negative people need to remain so, if we are to avoid overwhelming levels of ART and other social welfare support needed in the future.

The Minister also reported the promising news that "in 2010/11, mother-to-child transmission rates decreased nationally from 8.5 per cent to 3 per cent, and ... male condom distribution increased by 60 per cent from 308.5 million in 2007 to 495 million in 2010" (National Treasury, ENE Health Vote 2012; p 13).

The health budget allows for scaling up a combination of interventions to reduce new HIV infections by:

- expanding the provision of medical male circumcision services to reach 500 000 eligible males per year;
- intensifying provider-initiated HIV counselling and testing to reach 10 million people per year;
- providing an appropriate package of care, treatment and support services to at least 80 per cent of people living with HIV and AIDS and their families by 2014;
- targeting 650 000 new patients to be initiated on standard antiretroviral therapy by March 2013; (As of June 2011, 1.57 million people were on antiretroviral treatment.)
- decreasing the rate of transmission of HIV to infants from 3.5 per cent in 2011/12 to less than 2 per cent by 2015/16;
- increasing the percentage of tuberculosis cases with known HIV status from 70 per cent in 2011 to 95 per cent by 2012/13, which includes the provision of rapid molecular diagnostic technology for TB, GeneXpert, aimed at drastically improving TB diagnostic services by achieving many TB tests in a shortest time.;
- increasing the percentage of HIV-tuberculosis co-infected patients who are on antiretrovirals from 40 per cent in 2011 to 90 per cent in 2012/13.

To achieve these promises, the South Africa government has increased the budget for health HIV/AIDS interventions – in nominal terms – from R7.9 billion in 2011/12 to R9.2 billion in 2012/13. The budget will see a resource boost of R33 billion over the 2012/13 – 2014/15 period, excluding allocations to the education and social development sectors (which also explicitly fund HIV/AIDS in their budgets), and excluding discretionary funds from the provinces' own coffers. Provinces receive about 95 per cent of the nationally allocated funds for HIV/AIDS in the health sector through the Conditional Grant channel, to ensure that the funds are used for pre-determined priorities.

Overall, we commend the increase in the HIV/AIDS allocations, and the government's commitment to extend ART to more patients. However, these require that data management systems should be enhanced to improve the general monitoring and evaluation systems of the health sector.

4. Other priority areas

4.1 The Hospital Revitalisation and Health Infrastructure Grants

These grants are important for improving our healthcare facilities, especially hospitals. The hospital revitalisation grant is allocated R12.9 billion over the medium term to allow provinces to plan and manage the modernisation, rationalisation and transformation of our health infrastructure, health technology, and monitoring and evaluation of the health facilities, in line with national policy objectives.

The health infrastructure grant is allocated R5.1 billion over the MTEF period, and will focus on maintaining institutions and smaller upgrading projects in primary healthcare institutions and

hospitals. A new grant has been allocated to fund upgrades of provincial nursing colleges, amounting to R450 million over the MTEF period (National Treasury, ENE Health Vote 2012; page 6). It is imperative that these grants be utilised efficiently, both in terms of cost-effectiveness and timeliness, because delays in spending either halt or hinder health service delivery to those who need it.

4.2 Social Development HIV/AIDS interventions

The National Department of Social Development⁴ seeks to reduce the incidence and minimise the burden and psychosocial impact of HIV and AIDS and TB by facilitating a programme of social and behavioural change interventions; its aim is to reduce new HIV and AIDS infections by at least 50 per cent by March 2016. Specific activities planned for the period include:

- reaching 27 wards interventions by conducting dialogues in communities by March 2013;
- training 500 young people as facilitators to render social behaviour programmes by March 2013;
- facilitating 18 community conversations on HIV and AIDS by March 2013;
- ensuring that 408 funded home- and community-based care organisations implement social and behaviour programmes by March 2013;
- mitigating the impact of HIV and AIDS, tuberculosis and other chronic illnesses by providing:
 - psychosocial support services to 442,112 targeted households and 980,000 orphaned and vulnerable children by March 2013;
 - psychosocial support services to 49,226 child-headed households by March 2013;
 - psychosocial support services to 13,850 youth-headed (age 18 to 25 years) households by March 2013.

4.3 Education HIV/AIDS (Lifeskills) Education

The education sector contributes in the national response to HIV/AIDS by preventing HIV infection among learners, and provides HIV and AIDS-related care and support to infected and affected learners. The Lifeskills programme is designed to monitor the number of educators trained in 2012 to implement sexual and reproductive health programmes for learners, and the number of learning and teaching materials on sexual and reproductive health delivered to schools.

The Department of Education's Lifeskills budget grows nominally from R199 million in 2011/12 to R208 million in 2012/13, and grows further to R232 million in 2014/15.

⁴ National Treasury. 2012 Estimates of National Expenditure, Vote 19: Social Development, page 16.

5. Conclusion

Increased funding for health should translate into increased human resources, strengthened service delivery systems, improved financial, programme management and monitoring capacity and systems, and ultimately, improved health outcomes.

The national budget estimates do indicate progress in general financing overall; however, provincial budget statements will shed more light on how these national allocations will be distributed and utilised by the provincial structures tasked with implementation of most public programmes. Scarcity of financial resources remains the biggest problem in delivering in line with public policy, and therefore both national and provincial governments must spend the allocated funds efficiently and effectively.

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