

Review of South Africa's 2009 HIV and AIDS Budget: A Quick Update

Budget Policy Brief 1

21 December 2009

By Nhlanhla Ndlovu^{1,2}

Centre for Economic Governance and AIDS in Africa (CEGAA)

Email: nhlanhla@cega.org Telephone: +27731987219 Web: www.cega.org

1. Introduction

HIV and AIDS are increasingly demanding new financial resources for the South African government to respond to the needs of people living with and affected by the epidemic. However scarcity of government resources continues to pose challenges in the allocation of financial resources for social services in the near future, including HIV and AIDS. For example, the Free State Province's moratorium imposed on the HIV and AIDS treatment programme in 2008/9 best illustrates this challenge. Commendably the South African government progressively allocated new resources to fund the response to HIV and AIDS in the 2009/10 – 2011/12 medium term period through conditional grants and equitable share allocations. The recent (October 2009) presentation of the Medium Term Budget Policy Statement for 2009 revealed that the national government has allocated an additional R900 000 for the AIDS treatment programme to fund the budget shortfall expected in 2009/10. The South African President also gave more commendable news on World AIDS Day when he announced a new AIDS treatment policy. The policy stipulates that all pregnant HIV positive women with a CD4 count of less than 350 or with symptoms regardless of CD4 count will have access to AIDS treatment. In addition, all patients co-infected with HIV and TB and with a CD4 count of less than 350 will receive AIDS treatment. Currently only HIV positive people with a CD4 count of less than 200 are eligible for AIDS treatment. The president further noted that all HIV positive babies under the age of one year will get AIDS treatment. These are all positive developments that need to be commended.

With regard to public funding of the HIV and AIDS response, only two social sector departments, namely Health and Education, receive the HIV and AIDS conditional grants to be spent at provincial level. The Department of Social Development is the third social sector department that explicitly allocates HIV and AIDS funds and provides comprehensive HIV and AIDS services at provincial level. Its HIV and AIDS conditional grant for Home and Community Based Care (HCBC) programmes was phased out in 2005, and was replaced with allocations from provincial equitable share budgets. Other departments outside the social sector, such as Correctional Services, Defense, and Public Service and Administration spend some resources on Employee Wellness Programmes from the equitable

¹ The author would like to thank Teresa Guthrie, CEGAA for commenting on and editing this brief.

² The author would also like to acknowledge the International Budget Partnership (IBP) for financial and technical support for this project.

share allocations as well. Unfortunately these resources are not labeled with HIV and AIDS which makes it difficult to track in the government budget documents.

The 2009/10 – 2011/12 budget estimates show a positive trend in the allocation of financial resources for HIV and AIDS in South Africa. However, we do not know if these allocations will meet the future needs of the South African response because of lack of updated cost estimates, since the NSP was costed in 2007. But we also do not know how much in total is spent in South Africa on HIV and AIDS, including external sources, as the available budget and expenditure information is limited only to the three social sector departments outlined above. Commendably the South African government has commissioned a few studies to unpack the costs of providing HIV and AIDS services, the results from which will assist in understanding the real financial costs of a comprehensive response, now and in the future, with implications for future financing strategies.

In addition, the South African National Treasury and National Department of Health, in partnership with the UNAIDS and other stakeholders, are planning to undertake a national HIV and AIDS spending assessment (NASA), using the UNAIDS' NASA tool, to understand the total spending (from public, external and private sources) in South Africa on HIV and AIDS. This assessment would expand beyond the three social sector departments working with HIV and AIDS, but will also assess other government departments and the private sector on what they are spending to mitigate the impact of HIV and AIDS. Admirably the KwaZulu-Natal Provincial Treasury and the provincial Department of Health have gone ahead to launch the NASA exercise in the province.

On the other side, donors, government and civil society have been interested to know how much donor aid is available in South Africa to fund HIV and AIDS services. Donors in a consortium referred to as the EU-plus, have discussed this issue and commissioned KPMG to conduct a donor mapping exercise with the hope of gathering updated HIV and AIDS donor funding information. This exercise is due to be complete by February 2010 which will be timely to complement the analysis of the upcoming national budget presentation in February 2010.

2. Overview of social sector allocations for HIV and AIDS

Since 2000/01 the social sector response to HIV and AIDS at provincial level has been funded through conditional grant funding from the national government. Most of the Education and Social Development Departments depended entirely on the conditional grants for HIV and AIDS funding and very few of them provided additional funding for HIV and AIDS activities from their own budgets. The provincial health departments received conditional grants for HIV and AIDS, but also allocated directly and indirectly some resources for HIV and AIDS from their own provincial budgets, mainly from the equitable share budgets.

As mentioned above, the three social sector departments responsible for key HIV and AIDS interventions are education, health and social development. Other departments have HIV and AIDS wellness programmes, and the Departments of Correctional Services and Defense also deliver HIV and AIDS services. The HIV and AIDS spending of these other departments are not clearly delineated within the budget documents, thus only the allocations of the Education, Health and Social Development Departments are presented here. A full assessment of all HIV and AIDS spending would be necessary to determine the HIV and AIDS spending in all the departments and sectors.

Total social sector HIV and AIDS related allocations, including TB allocations and provincial health equitable share (discretionary) AIDS allocations, have increased nominally from R2.4 billion in 2005/6

to R5.7 billion in 2009/10. This increases to R6.7 billion in 2009/10 when including a recently announced adjustment estimate of R900 million for ARVs in the 2009/10 financial year. This is increasing over the medium term to R20.9 billion for 2009/10 to 2011/12. See Table 1 below for details.

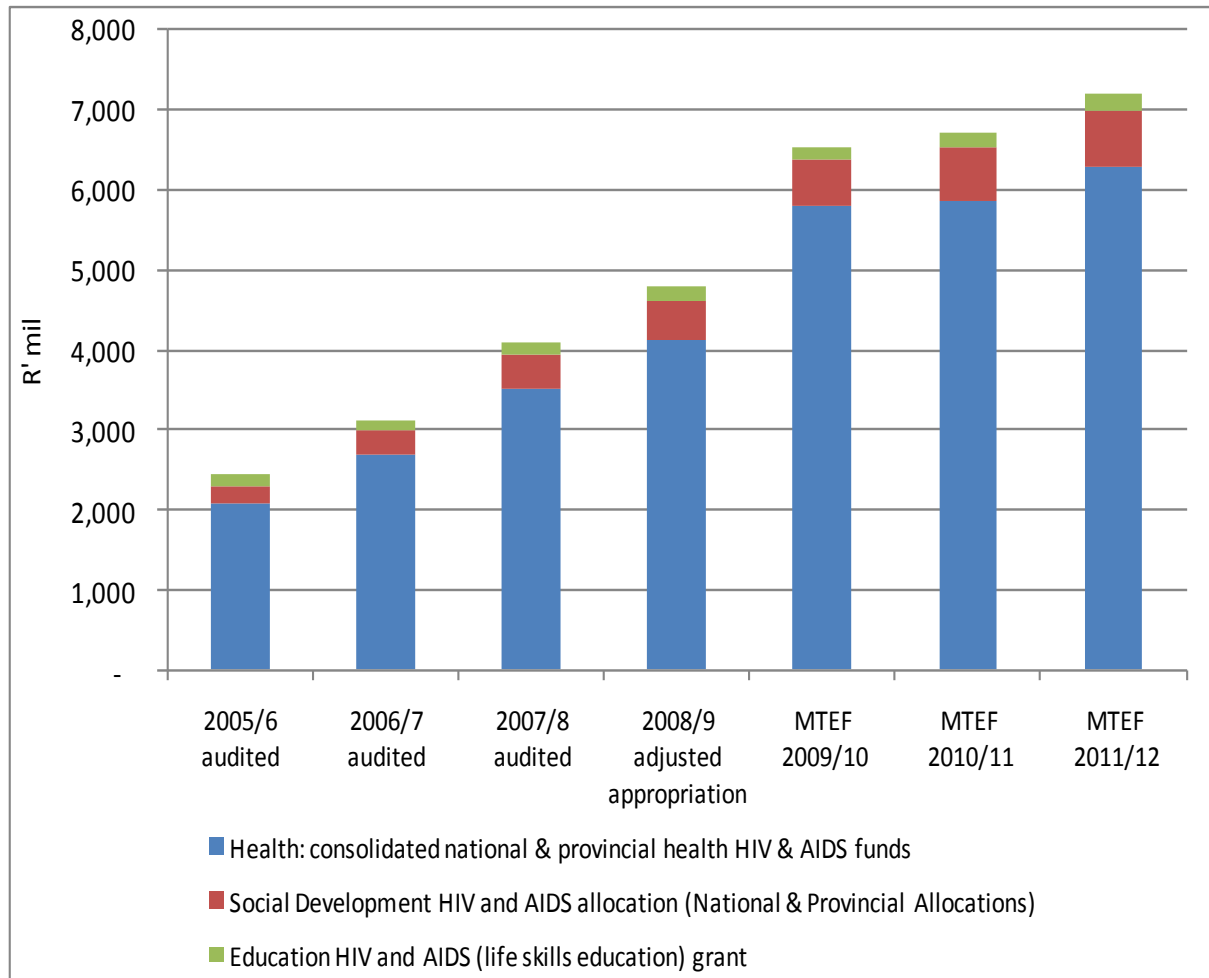
Table 1: NOMINAL allocations for HIV and AIDS interventions in the social sector, 2005/6 – 2011/12 (R'000s).

R'000	2005/6 audited	2006/7 audited	2007/8 audited	2008/9 adjusted appropriation	MTEF 2009/10	MTEF 2010/11	MTEF 2011/12	MTEF Total	MTEF per cent share
Education HIV and AIDS (life skills education) grants	136,300	144,500	157,600	171,100	177,400	188,000	199,300	564,700	3%
Social Development HIV and AIDS allocations (National & Provincial Allocations)	233,337	280,547	409,016	478,891	564,986	669,152	709,298	1,943,436	9%
**Health HIV and AIDS allocations (National, Conditional Grants & Provincial Discretionary)	2,076,041	2,681,623	3,537,471	4,304,436	5,929,599	5,997,856	6,472,633	18,400,088	88%
Total national HIV and AIDS related social sector budgets	2,445,678	3,106,670	4,104,087	4,954,427	6,671,985	6,855,008	7,381,231	20,908,224	100%

Sources: Estimates of National Expenditure, 2009; Division of Revenue, 2009; Provincial Budget Estimates, 2009. Medium Term Budget Policy Statement 2009. Own calculations.

**The 2009/10 allocation includes R900 million adjustment estimate announced in October 2009 to cater for shortage of funds for the ARV treatment programme.

Figure 1: Significant increase in the social sector nominal allocations and expenditures for HIV and AIDS in the 2005/6 – 2011/12 period.

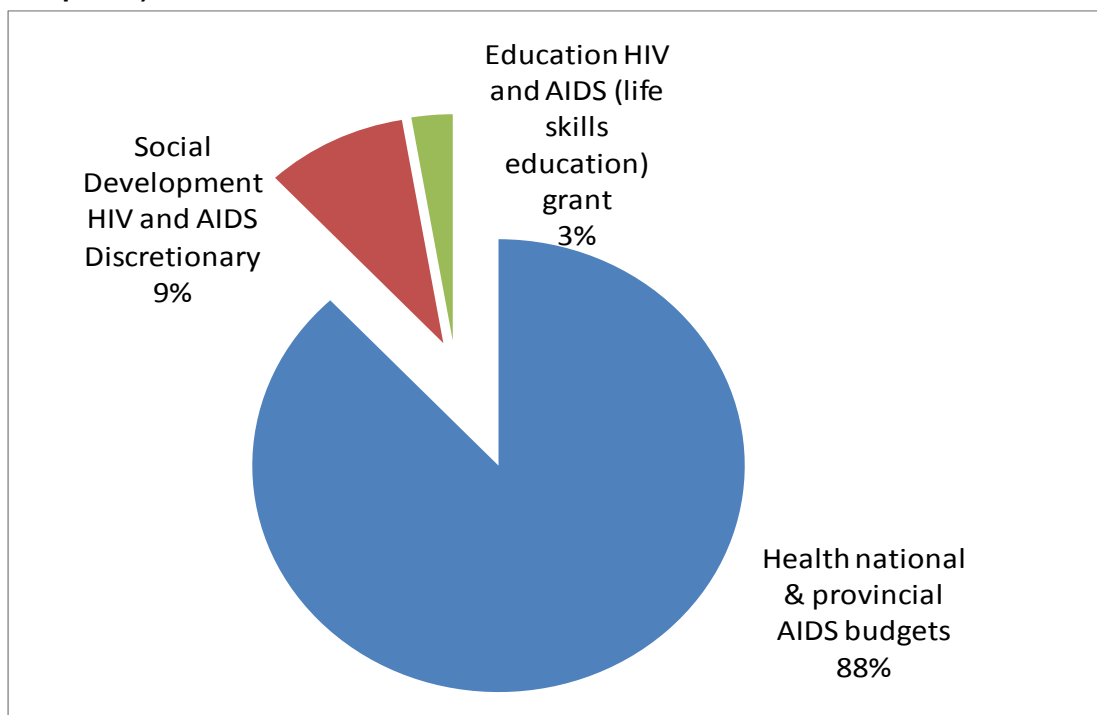


Sources: Estimates of National Expenditure, 2009; Division of Revenue, 2009; Provincial Budget Estimates, 2009. Medium Term Budget Policy Statement 2009. Own calculations.

Figure 1 above and Figure 2 below show allocations and per cent shares respectively of the HIV and AIDS budgets of the Departments of Education, Social Development and Health in the 2005/6 to 2011/12 period. The health sector still dominates the HIV and AIDS response with a large nominal allocation of R18.4 billion for the medium term, which represents 88 per cent of the total integrated HIV and AIDS allocations for the social sector. This includes the recently announced additional allocation of R900 million for AIDS treatment in the 2009/10 financial year.³ The education sector receives 3 per cent of the HIV and AIDS funds whereas the social development sector receives 9 per cent.

³ Finance Minister Pravin Gordham, Medium Term Budget Policy Speech – 2009. 27 October 2009.

Figure 2: Social Sector HIV and AIDS nominal allocations 2009/10 - 2011/12 MTEF - REAL (R19 billion in 2009 prices)



Sources: Estimates of National Expenditure, 2009; Division of Revenue, 2009; Provincial Budget Estimates, 2009. Medium Term Budget Policy Statement 2009. Own calculations.

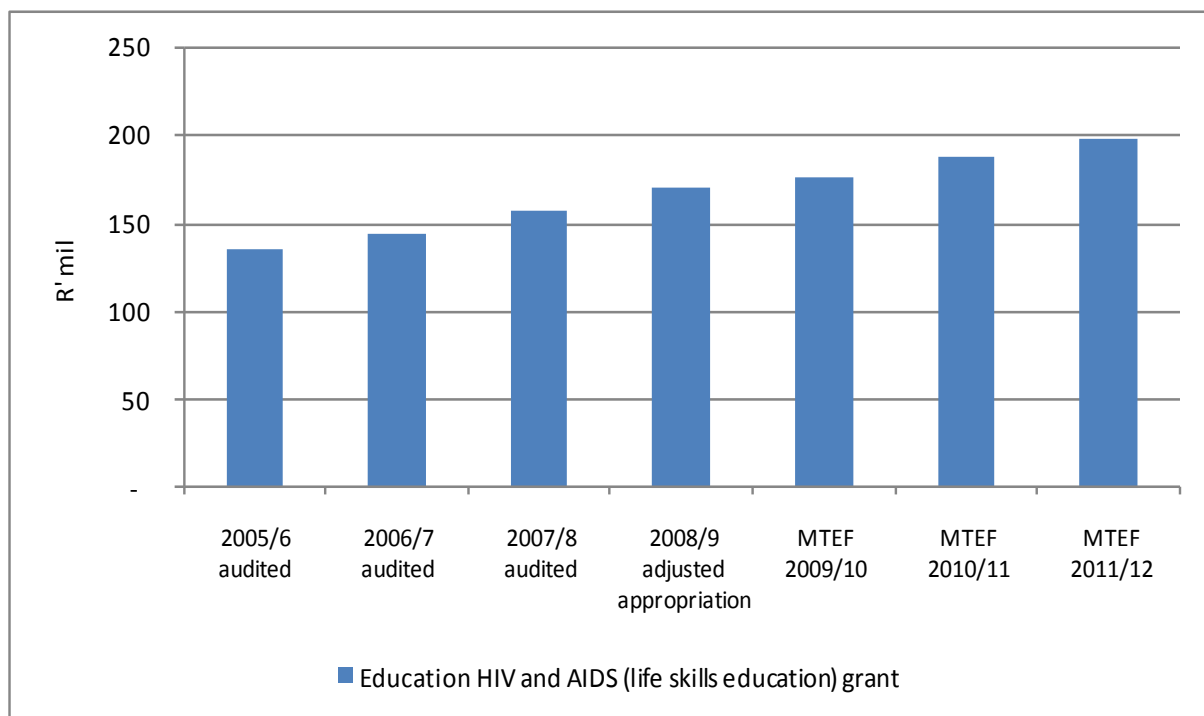
It would be interesting to learn from the costing exercise how much would cost the South African government to deliver HIV and AIDS interventions in the medium term, given the already allocated R20.9 billion in nominal terms. After accounting for inflation the MTEF allocation amounts to R19.87 billion. The total integrated social sector HIV and AIDS budget, including the adjustment estimate of R900 million for ARVs in the 2009/10 year, has grown by 54% from 2008/9 to 2009/10 in real terms, showing that the government has budgeted larger resources far above estimated inflation levels. However a question remains if such large increases provide sufficient resources to cater for all necessary HIV and AIDS services. A pending costing report (Guthrie, 2009) will provide some answers to this question.

Below is a breakdown of the social sector HIV and AIDS allocations to show the trends in allocations for HIV and AIDS in the Departments of Education, Social Development and Health.

3. Education HIV and AIDS Lifeskills Prevention Programme Allocations

The Department of Education continues to implement its Lifeskills HIV and AIDS Education conditional grant programme. This is aimed at improving prevention and support and care at school level, thereby giving learners and teachers HIV and AIDS education and general lifeskills. Figure 3 below shows a positive trend in HIV and AIDS allocations for the education sector. However these allocations are not growing as fast as the health and social development budgets. Unfortunately there are no updated costing reports to indicate if such allocations are sufficient or not.

Figure 3: Education HIV and AIDS Lifeskills Grant, nominal allocations, 2005/6 - 2011/12.



Sources: Estimates of National Expenditure, 2009; Division of Revenue, 2009; Provincial Budget Estimates, 2009. Own calculations.

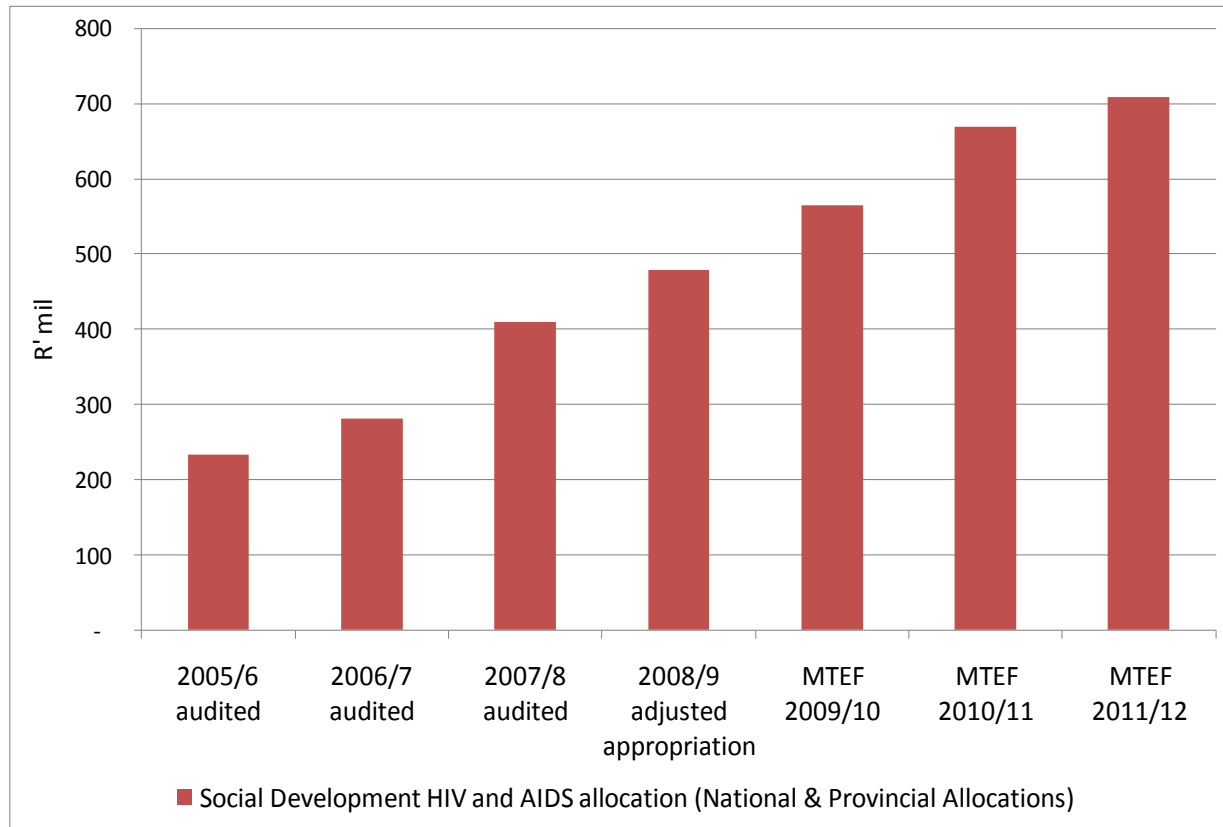
The education sector is allocated with R565 million for the 2009/10 – 2011/12 MTEF period through the HIV and AIDS lifeskills conditional grant, which represents 3 per cent of the total integrated HIV and AIDS allocations in the social sector.

4. Social Development’s HIV and AIDS Programme Allocations

The social development HIV and AIDS conditional grant came to an end in 2005/6, and provinces were expected to source HIV and AIDS funds for home based care and support activities from the provincial equitable share. Recent budgets indicate that provinces prioritized social development HIV and AIDS interventions in their budgets and allocated financial resources progressively, building on the trends set by the conditional grant funding system. The total provincial social development discretionary allocations for HIV and AIDS have increased nominally from R237 million in 2006/7 to R521 million in 2009/10, with a real annual average rate of increase of 23 per cent.⁴ The social development sector has allocated R1.9 billion for the 2009/10 – 2011/12 MTEF from its equitable share which represents 9 per cent of the social sector integrated HIV and AIDS budgets. This is commendable because the social development HIV and AIDS conditional grant was phased-out in 2005/6 but provinces were proactive to preserve HIV and AIDS funds in their equitable share budgets.

⁴ Provincial Budget Statements, 2009.

Figure 4: Social Development HIV and AIDS nominal allocations (National & Provincial Allocations), 2005/6 – 2011/12.



Sources: Estimates of National Expenditure, 2009; Division of Revenue, 2009; Provincial Budget Estimates, 2009. Own calculations.

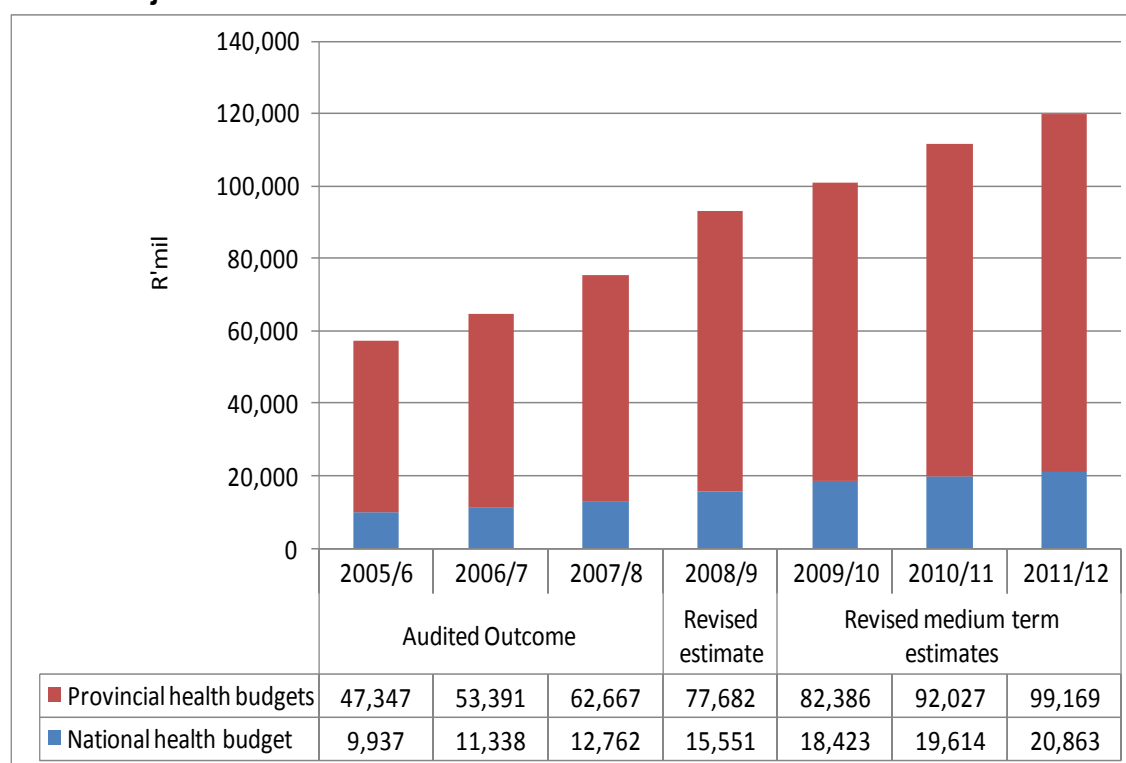
The Community Development Programme of the National Department of Social Development houses the HIV and AIDS strategy which “develops, supports and monitors the implementation of policies, programmes and guidelines to prevent and mitigate the impact of HIV and AIDS in line with the 2007 to 2011 national strategic plan for HIV and AIDS and sexually transmitted infections” (Estimates of National Expenditure, 2009, page 359). The department seeks to “reduce vulnerability to HIV infection and mitigate the impact by developing guidelines to promote behaviour change by 2009/10; monitoring the implementation of loveLife during 2009/10, and; strengthening the capacity of home community based care organisations and developing systems and processes for monitoring their compliance with norms and standards by 2011/12” (Estimates of National Expenditure, 2009, page 360).

5. An overview of the national health budget and health HIV and AIDS allocations

In South Africa, 2008/9 proved to be a difficult year for the health sector as escalating costs affected overall health spending at provincial level. However there have been positive results in some areas, including the recent progress in the health personnel development that includes filling of 37 059 posts in the health service over the past three years.⁵ To help retain health personnel, doctors, dentists, pharmacists and emergency medical personnel will receive improved remuneration [through the strengthening of the occupation specific dispensation initiative] in 2009/10 (Estimates of National Expenditure, 2009, page 274).

The consolidated (provincial and national) health budget has grown dramatically from R57.3 billion in 2005/6 to R101 billion in 2009/10. The budget further increases to R120 billion in 2011/12. The major growth in the consolidated health budget is due to provincial health allocations (both conditional grants and equitable share), which have grown from R47.3 billion in 2005/6 to R82.3 billion in 2009/10. The provincial budget grows to R99 billion in 2011/12.

Figure 5: Consolidated provincial and national health expenditure and budget estimates, incl. 2009/10 Adjustment Estimate.



Sources: Estimates of National Expenditure, 2009; Division of Revenue, 2009; Provincial Budget Estimates, 2009. Medium Term Budget Policy Statement 2009. Own calculations.

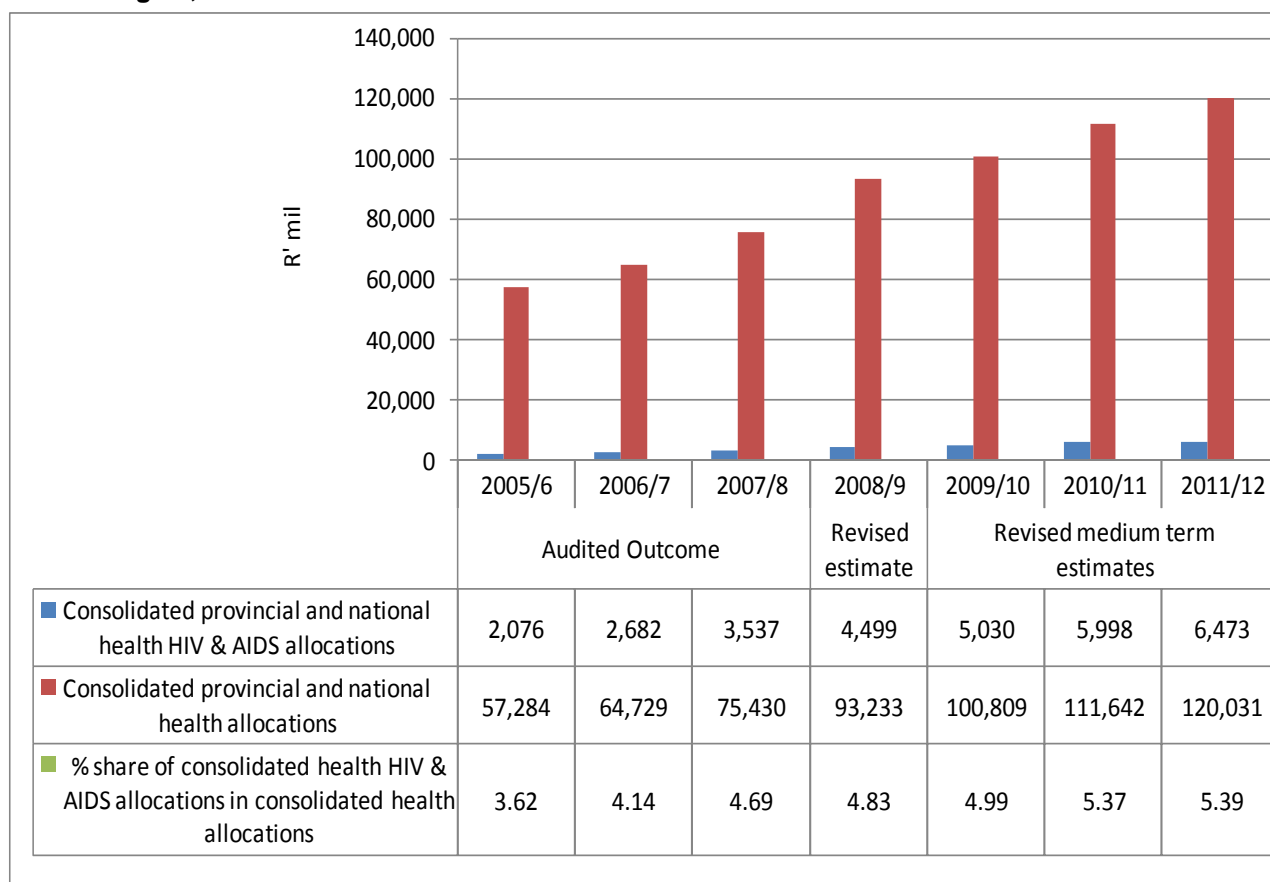
National departmental health spending alone has grown at an average annual rate of 16.8 per cent, from R9.9 billion in 2005/06 to R15.9 billion in 2008/09. The budget grows by 7.6 per cent in 2009/10 to R17.1 billion and by an average annual rate of 9.6 per cent over the MTEF period to reach R20.9 billion by 2011/12. This amounts to real growth of R5.3 billion over six years. Between 2005/06 and 2011/12 the major areas of growth are in the HIV and AIDS and STIs sub-programme (in the Strategic

⁵ Estimates of National Expenditure, 2009, page 274

Health Programmes), which has grown by R2.7 billion in real terms and the Hospitals and Health Facilities Management sub-programme (in the Health Services Programme and which contains the Hospital Revitalisation Grant), which has grown by R2.8 billion in real terms (Estimates of National Expenditure, 2009, page 277).

The health sector is responsible for the implementation of various programmes to reduce new HIV infections and to treat and support those already infected with HIV. Programmes range from prevention, research, care and support, and treatment for HIV and AIDS (ART) and sexually transmitted illnesses (STIs). The bulk of the resources are utilised on ART which has proved to be costly and demanding on the scarce public resources. However current efforts by the national and provincial governments to estimate the costs of increasing the CD4 count criteria to 350 (Meyer-Rath, 2009, forthcoming) and the actual spending on providing all HIV and AIDS interventions in the national response (NASA forthcoming, 2010), will provide valuable information on affordability and funding gaps.

Figure 6: Dramatic increases in health HIV and AIDS budgets in the consolidated provincial and national health budgets, 2005/6 – 2011/12.



Source: Estimates of National Expenditure, 2009; Division of Revenue, 2009; Provincial Budget Estimates, 2009. Medium Term Budget Policy Statement 2009. Own calculations.

Spending on HIV and AIDS in the health sector has been increasing, with a 3.62 per cent share of the consolidated provincial and national health budget in 2005/6 which has increased to a share of 5 per cent in 2009/10. The priority given to HIV and AIDS as a share of the consolidated health budget further increases to 5.39 per cent by 2011/12. Such increases in the health HIV and AIDS budget are

due primarily to the increasing numbers of patients receiving anti-retroviral therapy (ART). However, caution needs to be made around the budget envelope available for the Department of Health to ensure that the increasing HIV and AIDS spending does not crowd out other areas of health spending at the provincial and national levels.

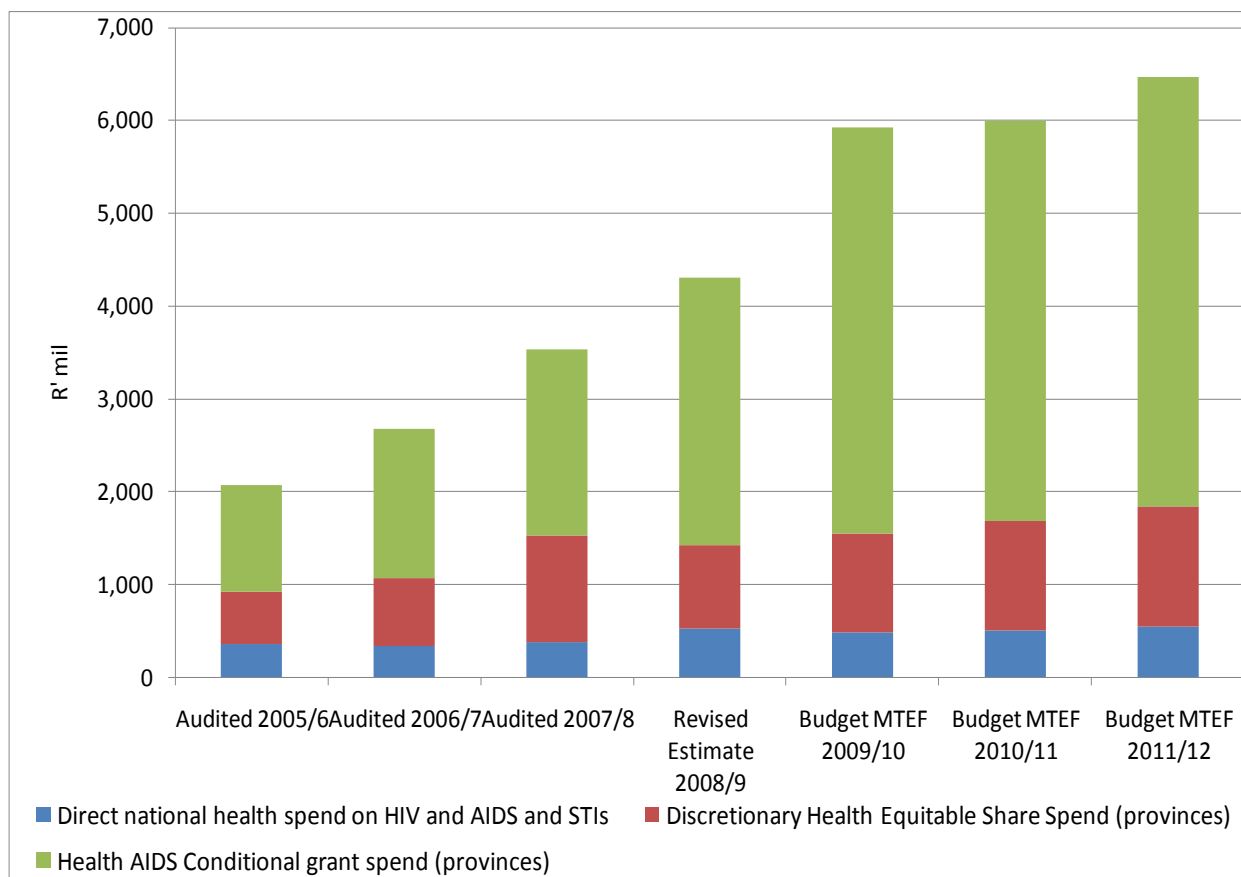
Nevertheless, the ART patient numbers enrolled on treatment are increasing from year to year, but there is lack of information on drop-out and loss-to-follow up cases. Thus, the health department's ARV patient numbers are cumulative and therefore may be an overestimation. Meyer-Rath (2009) estimates that there is 7 per cent annual average mortality and loss to follow-up, and ASSA⁶ estimated that there are about 730,000 adults currently on ART. The 2009 Budget Review cites two contrasting numbers of people receiving ARVs without any explanation: 560 000 (page 98) and 630 775 (page 105). Finance Minister's speech in February 2009 cited the latter. This indicates the need for a scientific and robust data monitoring system to be linked to the AIDS treatment programme and other interventions.

R3.5 billion (20 per cent) of the health HIV and AIDS allocations comes from provincial health departments' own discretionary budgets⁷, with KwaZulu-Natal and Gauteng progressively supplementing the national conditional grants (CGs) with their own funds. However provincial discretionary allocations are not growing as fast as the conditional grants. This possibly emanates from the fact that provincial treasuries and departments may decide to allocate equitable share resources to areas that are underfunded, or programmes of provincial priority, i.e. programmes not already funded through the national conditional grants.

⁶ Actuarial Society of South Africa, 2009 (courtesy of Leigh Dorrington).

⁷ Discretionary budgets include equitable share allocations from the national government and funds raised from provinces' own sources (i.e. taxes, user fees, etc).

Figure 7: Overall increase in nominal health HIV and AIDS aggregated amounts - CGs dominate & some commitment from provinces' own (discretionary) budgets, 2005/6 –2011/12



Sources: Estimates of National Expenditure 2009, pages 281 – 282; DOR 2009, page 119. Provincial Budget Estimates, 2009. Medium Term Budget Policy Statement 2009. Own calculations.

The health HIV and AIDS conditional grant has increased by 302 percent from R1.2 billion in 2005/6 to R4.6 billion in 2011/12. This is boosting the consolidated national and provincial HIV and AIDS related social sector spending. The additional allocations including the 2009/10 adjustment estimate of R900 million bring total funding for the health HIV and AIDS conditional grant alone to R13.2 billion over the MTEF period. This is a commendable increase of earmarked funding from the National Treasury but a point of caution must be raised with regard to available resources to achieve ART patient targets. The national strategic plan for HIV and AIDS planned to have 1.8 million people, or 80% of those in need, on ART by 2011/12. Recently (1 December 2009), the government announced its intention to give ART to pregnant women and TB patients with a CD4 count below 350 (previously 200) – which will also put greater demand on the resources for treatment. There is no guarantee that the medium term budget estimates will be sufficient to reach the target. Only the pending costing of the new treatment regime and criteria will be able to provide an indication of the resources required (Meyer-Rather et al, 2009, pending. Guthrie, 2009, pending). The health department needs to be strategic in its budget planning to ensure that there are no drug shortages or waiting lists for access to the ARV treatment in the medium term.

6. Conclusion

In conclusion, the South African government has overall increased allocations for HIV and AIDS in the health, education and social development sectors dramatically since 2006/07, and recently again to cover the new ART guidelines. However the increase should be weighed against needs to ensure that allocated funds are adequate to fund the response to the epidemic. Current costing exercises commissioned by the government should supply good information to better understand the question of adequacy of resources and the funding gap. The recent announcement of the additional R900 million for ARVs in this year's MTBPS speech by the Finance Minister also indicates that the AIDS treatment component of the budget had not allocated sufficient resources to treat current numbers of patients on ART, but also to absorb new patients who join the AIDS treatment programme.

This analysis does not provide information on donor funding for HIV and AIDS in South Africa as the donor mapping exercise coordinated by KPMG has not been finalized, and the planned National AIDS Spending Assessment (NASA) is only likely to be completed mid-2010. However the analysis has shown that the government's health sector still dominates the response to HIV and AIDS and that provinces such as KwaZulu-Natal and Gauteng are boosting the response by allocating additional resources from the provinces' own equitable share. The education sector is consistently dependent on the national allocation for HIV and AIDS which comes to provinces through the Lifeskills HIV and AIDS Education Grant. The provincial social development departments are no longer receiving conditional grant funding for HIV and AIDS and are now funding their home based care HIV and AIDS programme through the equitable share from the provincial treasuries.

It is hoped that the next year's budget (Budget 2010) will take into account the costs of the new treatment policy and the eligibility criteria of CD4 count below 350, as well as the other budget adequacy issues brought about by the Free State moratorium problem and the OSD implementation. In addition, costing exercises should provide new information so that budgeting is informed by need as well as any gaps in current levels of funding. This should also take into account the role played by donors in funding the South African response and to show a true picture of how much funding is received by the government through its bilateral agreements on the HIV and AIDS response.

7. List of references

- i. Anso Thom and Lungu Langa, Health-e news, 11.02.2009.
- ii. National Treasury. Budget Review 2009
- iii. National Treasury. Division of Revenue, 2009.
- iv. National Treasury. Estimates of National Expenditure, 2009.
- v. National Treasury. Provincial Budget Statements, 2009.
- vi. National Treasury. Finance Minister Pravin Gordham, Medium Term Budget Policy Speech – 2009. 27 October 2009.
- vii. National Treasury. Medium Term Budget Policy Statement (MTBPS).
- viii. Meyer-Rather, G. et al. 2009. Costing the National ART Programme in South Africa. Boston University & Hero, WITS University. Pending.
- ix. Guthrie, T. 2009. Estimating the Long-Term Costs of the HIV/AIDS Response in South Africa to 2031. CEGAA & Results for Development. Pending.