Budget Analysis

Eastern Cape Department of Health

2011/12

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Key Findings

- The Eastern Cape Department of Health's budget total budget for 2011/12 will be R14.24 billion. This represents an increase of R494 million or 3% from the 2010/11 adjusted appropriation. When inflation is taken into account, however, this actually represents a decrease of 1.77%.

- The Department estimates that it will have overspent on its adjusted appropriation for 2010/11 by R1.26 billion or 9.11%. Due to this overspending, the Department's budget decrease by R868 million or 6% from it estimates it will have spent in the previous year.

- In the past the Department has managed its deficit by limiting service delivery and withholding payments to employees and for goods and services until the next financial year (accruals). This year, and for the remainder of the MTEF, the Department will top slice its budget to pay for its debt. This is, however, simply a process of 'robbing Peter to pay Paul' and the Department will have to cut back on services in order to cater for this top slicing. The top slices are also not sufficient to cover all accruals and the Department will need to pay off debt from the 2011/12 budget.

- The allocation for the compensation of employees will increase by R 547 million from the 2010/11 adjusted appropriation to R 8.75 billion in 2011/12. When compared to the R8.66 billion the Department estimates it will have spent on the compensation of employees by the end of 2010/11, this is only a nominal increase of 1% and actually represents a real decrease of 3.51%. This means that it is unlikely that the Department will have sufficient funding to cover increases employee costs in 2011/12 let alone fill unfunded vacancies.

- For the 2011/12 financial year the Department has allocated R4.25 billion for the purchase of goods and services from departmental suppliers. While this is a real increase of 9.02% against the adjusted appropriation, when the estimated overspending of approximately R699 million is taken into account, this actually represents a significant decrease of 8.19% in real terms against the revised estimate. This means that there will probably be a dire shortage of funding for goods and services in 2011/12 and the Department is likely to once again overspend on this budget item. In the past the Department has been forced to ration services towards the end of the financial year due to suppliers cutting back on services or refusing to continue delivering services without payment.

- For the 2011/12 financial year the allocation for capital assets will be R998 million. This is a decrease of R346 million against both the adjusted appropriation for 2010/11. When inflation is taken into account, this represents a real decrease of 25.72%. When disaggregated into its component allocations, we find that the allocation for buildings and fixed structures will decrease by 31.12% in real terms against the revised estimate, while the allocation for machinery and equipment will decrease by 23.56% also against the revised estimates from 2010/11. The cut in this allocation is largely due to the top slicing.

- For 2011/12 the allocation for the District Health Services Programme is R6.75 billion, which is an increase of R380 million or 1.21% in real terms against the adjusted appropriation for 2010/11. When compared to the revised estimate, however, this allocation is R475 million or 10.77% less than the department estimates it will have spent by the end of the 2010/11 financial year. The allocation for goods and services for this R102 million less than the revised estimate for 2010/11. If we take inflation into account this is 4.71% less than the Department estimates it will have spent by the end of that year.

- The budget for the HIV and AIDS sub-programme will be R1.9 billion in 2011/12. This is a significant real increase of 7.03% against the revised estimate and is largely driven by a real increase of 20% to the HIV and AIDS conditional grant. While this clearly shows the governments commitment to funding the improvement and expansion of HIV and AIDS related services, funding shortages and weaknesses in other areas will undoubtedly limit the impact this increased funding will have.

- The allocation for the Provincial Hospitals Services Programme—which responsible for all regional, Tuburculosis (TB) and psychiatric hospitals in the province—will decrease by R12 million or 0.31% in real terms against the revised estimate for 2010/11. This decrease is largely due to significant real decreases in the allocations for the compensation of employees, goods and services and capital assets of 3.24%, 7.28% and 35.8% respectively. One positive and important aspect of the Provincial Hospital Services Programme budget for 2011/12 is that the allocation for the Psychiatric Hospitals sub-programme is set to increase by R42 million or 9.62% in real terms against the revised estimate.

- The allocation for the Emergency Services will be R678 million for 2011/12. This is an increase of R97 million or 11.49% in real terms against the adjusted appropriation of R581 million for 2010/11. When compared to the revised estimate of R683 million for 2010/11, however, this is a decrease of 5.15% in real terms. Unlike other programmes, the overspending in this programme is not primarily due to higher than budgeted employee costs or the costs of medicines and medical supplies but is largely due to increased costs associated with the Fleet Africa contract for leasing of EMS vehicles. The Department estimates it will have overspent on the adjusted appropriation for this contract by R91 million or 50%.

Introduction

The South African Constitution commits government departments to the progressive realization of socio-economic rights. In terms of health care, section 27 of the Constitution guarantees that everyone has the right to have access to "health care services, including reproductive health care" and that "no one may be refused emergency medical treatment".[1]

In terms of the Constitution the state must take "reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights".[2] This responsibility includes the efficient, effective and equitable management of public resources for health care. The state must ensure that it develops budgets and strategic plans at all levels of government that best serve to achieve these objectives and ultimately the right to health care.

This report analyses the Eastern Cape Department of Health's 2011/12 budget and the extent to which it provides sufficient resources for the effective delivery of critical health services as outlined in the department's policy documentation.

Policy Priorities[3]

For the 2011/12 financial year the Eastern Cape Department of Health ('the Department') has committed to focusing on "re-engineering the health system to one that is based on the primary healthcare (PHC) approach with more emphasis on promotive and preventive healthcare".[4] To do this the Department has committed itself to the following broad priorities in line with the Millennium Development Goals, the National Health System (NHS) 10-point plan, as well as the Provincial Growth and Development Plan:

- Maternal, neo-natal, child and Women's health;
- Comprehensive Management of HIV and AIDS, STIs and TB
- Management of non-communicable diseases such as heart disease and diabetes;
- Improvement in the management of injuries and trauma;
- Maintenance and revitalization of infrastructure;
- Improvement of management and administration; and
- Strengthening of forensic pathology services.

In order to achieve these broad objectives the Department must develop a budget that adequately reflects the need for services, the demand for services and the appropriate allocation of available resources to achieve its objectives.

In order to achieve these broad goals the Department must develop a budget that allocates sufficient resources to programmes and interventions that contribute to their achievement. What

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[1] Constitution of the Republic of South Africa (Act 106 of 1996), section 27, ss. 1(a) and 3

[2] Constitution of the Republic of South Africa (Act 106 of 1996), section 27, ss. 2

[3] The priorities outlined here are limited and do not reflect the specific targets for each priority or service delivery area. This is because, at the time of writing, the Department had not yet tabled its strategic and operational plans for 2011/12

[4] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

follows is an assessment of the Department's resource allocation based on its priorities as well as its past spending performance against these priorities.

Budget Analysis

For the 2011/12 financial year the Eastern Cape Department of Health will receive R12.54 billion in equitable share funding,[5] R2.5 billion in conditional grant funding[6] and R78 million of its own income (largely from the sale of goods and services). This means that the Department's total available budget for 2011/12 will be R14.24 billion (see Table 1).

Table 1: Budget by Economic Classification[7]

(R' 000)	Outcome			Main Appro-priation 2010/11	Adjusted appro-priation 2010/11	Revised estimate 2010/11	Medium-term estimate				%Real Change between 2010/11 and 2011/12	%Real Change against Revised Estimate 2009/10	%Real Average Growth over MTEF
	Audited 2007/08	Audited 2008/09	Audited 2009/10				2011/12	% change from Adjusted Appropriation 2010/11	2012/13	2013/14			
Current payments	**6 789 033**	**9 058 764**	**10 644 582**	**11 405 527**	**11 933 089**	**13 093 651**	**13 008 316**	**9,01**	**13 940 772**	**14 886 706**	**4,12**	**-5,11**	**2,85**
Compensation of employees	4 563 325	6 084 889	7 398 367	7 920 273	8 205 259	8 663 359	8 752 597	**6,67**	9 245 791	9 788 652	1,88	-3,51	2,06
Goods and Services	2 225 708	2 959 516	3 235 190	3 485 254	3 727 830	4 426 538	4 255 030	**14,14**	4 613 145	5 058 852	9,02	-8,19	4,16
Interest and rent on land		14 559	11 025			3 754	689		81 836	41 202			
Financial transactions in assets and liabilities													
Unauthorised expenditure													
Transfers and Subsidies to	**422 420**	**618 483**	**518 892**	**654 327**	**565 169**	**669 869**	**230 146**	**-59,28**	**227 267**	**239 768**	**-61,11**	**-67,19**	**-0,32**
Provinces and municipalities	202 883	234 316	201 570	299 763	280 311	385 011		**-100,00**			-100,00	-100,00	
Departmental agencies and accounts	103 815	260 098	210 058	195 962	104 738	104 738	45 234	**-56,81**	54 329	57 317	-58,75	-58,75	6,40
Universities and technikons	86 966	101 847	82 293	108 291	130 449	130 449	130 383	**-0,05**	142 984	150 848	-4,54	-4,54	3,22
Public corporations and private enterprises													
Foreign governments and international organisations													
Non-profit institutions													
Households	28 756	22 222	24 971	50 311	49 671	49 671	54 529	**9,78**	29 954	31 602	4,85	4,85	-18,02
Universities and technikons													
Payments for Capital Assets	**802 396**	**821 836**	**926 544**	**1 282 012**	**1 344 587**	**1 344 587**	**998 787**	**-25,72**	**955 880**	**1 017 915**	**-29,05**	**-29,05**	**-1,05**
Buidlings and other fixed structures	694 793	703 461	712317	877 247	977 141	977 141	704 710	**-27,88**	695 006	754 228	-31,12	-31,12	0,58
Machinery and equipment	107 121	117 875	214 227	404 765	367 446	367 446	294 077	**-19,97**	260 874	263 687	-23,56	-23,56	-5,19
Software and other intangible assets	482	500											
Total economic classification	**8 013 849**	**10 484 724**	**12 078 993**	**13 341 866**	**13 842 845**	**15 104 353**	**14 236 560**	**3**	**15 042 083**	**16 105 186**	**-1,77**	**-9,98**	**2,45**

This represents an increase of R494 million or 3% from the 2010/11 adjusted appropriation. When inflation is taken into account, however, this actually represents a decrease of 1.77%. This is due to real decreases in both equitable share and conditional grant funding of 1% and 8% in real terms respectively. This decrease is troubling since the Departments commitment to expanding and improving services requires budgetary increases that exceed inflation.

The situation is even more troubling if we consider that the Department estimates that it will have overspent on its adjusted appropriation for 2010/11 by R1.26 billion or 9.11%. Due to this deficit, the Department's budget will in effect decrease by R868 million or 6% from the approximately R15.10 billion it estimates it will have spent in the previous year (see Table 1).

This repeats a trend that has seen the Departments budget deficit spiral out-of-control for the last four financial years. By the end of 2006/07 the Department had a budget surplus of R250 million. By the end of the 2007/08 financial year, however, the Department had managed to generate a deficit of R506 million.[8] This deficit then increased dramatically in 2009/10 with the Department ending that year with a deficit of R1.6 billion. While the deficit for 2010/11 is estimated to be

[5] Funds distributed to provinces and departments by the 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 and departments to determine how they will be used.

[6] Unlike the equitable share, conditional grants are allocations made by national departments to their respective provincial departments for specific priority programmes. These funds are ring-fenced and can only be used for their intended purpose

[7] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[8] Eastern Cape Department of Health, *Report of the Integrated Support Team,* p. 145

marginally less than it was in 2009/10, it is still unacceptably high and will have implications for the available funding for the year under review.

The causes of this overspending are well known and will be discussed in more detail below. Broadly speaking however, overspending has largely been as a result of underfunded and unfunded mandates relating to the compensation of employees, higher than inflation increases to goods and services and inadequate systems to monitor and control expenditure.[9] Despite the Department being well aware of these issues for a number of years, there have been few coherent strategies and interventions put in place which have meaningfully started to address these challenges.

In the past the Department has managed its deficit by limiting service delivery and withholding payments to employees and for goods and services until the next financial year (accruals).[10] The practice of withholding payments until the following year was not adequately managed and budgeted for and resulted in the Department incurring great debt during the following financial year. This has meant that some suppliers were forced to stop delivering services due to the non-payment of accounts. This then resulted in shortages of medicines and medical supplies at facilities, which in turn resulted in the rationing of services.[11]

Going forward the Department will have to continue to manage the growing burden of debt out of funds received through its equitable share and conditional grant allocations. In a response to a question on the growing burden of debit within provincial health departments in October 2010, the Minister of Finance openly stated that Treasury would not bail out provincial health departments who had overspent on their budgets. He argued that this would reward those who did not comply with the Public Finance Management Act (PFMA) and departments that are not prudent with their budgets. He argued that those provincial departments that have overspent on their budgets would need to implement cost-containment measures in an effort to reduce the deficit.[12]

According to the Budget Statement, the Department's approach to eradicating its deficit will be to top-slice its budget by R444 million, R665 million and R628 million in the 2011/12, 2012/13 and 2013/14 financial years respectively.[13] With the exception of the HIV and AIDS conditional grant, these top slices will be taken from all sources of funding.[14] This will mean that allocations for key line items such as goods and services and infrastructure will decrease substantially over the Medium Term Expenditure Framework (MTEF) (see Table 1). This will then result in the Department having to cut back on services and it will once again not be able to adequately

[9] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[10] Eastern Cape Department of Health, *Report of the Integrated Support Team*

[11] See for example 'Eastern Cape asks for R1.7 billion', Health-E, 30 July 2010. Available at http://www.health-e.org.za/news/article.php?uid=20032880

[12] National Assembly. Response to Question for Written Reply, Question No. 2829, 22 October 2010. Available at http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71654/page71656?oid=215194&sn=Detail&pid=71656

[13] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[14] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

respond to higher than inflation increases to salaries and growing pressures on the goods and services budgets used for the purchase of medical supplies and the outsourcing of services.

The Budget by Economic classification

With R 8.75 billion or 61% of the Department's budget allocated to the payment of salaries and benefits, the largest portion of the Department's budget will be used for the compensation of employees. This is followed by the goods and services allocation that receives R2.26 billion or 30% of the budget and will be used for the outsourcing of departmental functions and the purchase of medicines and medical supplies. The allocation for buildings and fixed structures will total R705 million and constitute 5% of the budget. Machinery and equipment will receive R94 million or just over 2% of the budget. The remaining 2% of the budget will be divided between Universities and Technikons (1%), Households (0.5%) and Departmental Agencies and Accounts (1%) (see Table 1).

I. The compensation of employees

The allocation for the compensation of employees will increase by R 547 million from the 2010/11 adjusted appropriation[15] to R 8.75 billion in 2011/12. This is an increase of 6.57% in nominal terms and 1.88% in real terms. When compared to what the Department estimates it will have spent on the compensation of employees by the end of 2010/11 a different picture emerges. Against the revised estimate[16] of R8.66 billion, this is only a nominal increase of 1% and actually represents a real decrease of 3.51% (see Table 1).

Much of the Department's overspending over the last few years has been as a direct result of higher than budgeted employee costs. These higher than budgeted costs are largely due public sector wage agreements that continue to exceed inflation, the impact of underfunding for the implementation of the Occupational Specific Dispensation (OSD), and unfunded payments associated with the Human Resource Operational Project Team process (HROPT).[17]

While the Department is responsible for much of the overspending on the compensation of employees, many of the causes of the budgetary pressures are beyond their control. Both the OSD and HROPT are processes that emerge from resolutions that are not made by the provincial department but must be implemented by them. In the past these additional mandates have then not received the additional funding from the Provincial Treasury required to sustain their implementation. In this regard the IST report states that:

> "The expected deficit stems from the misalignment between the budget request of the ECDOH based on past (and future expected) activity and the top-down amount allocated by the Provincial Treasury. The ECDOH"s solution to managing the expected deficit is to effectively budget the allocated funding up to the adjustment budget, and hope for

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[15] The adjusted appropriation is the budget allocation after the budget has been adjusted up or down during medium term budget review. It may be adjusted up because of unforeseen or higher than expected expenditure during the year or it may be adjusted down if a department is underspending on an allocation.

[16] The revised estimate indicates how much the Department estimates it will have spent on any given budget item by the end of the financial year. The revised estimate is an un-audited allocation so it is subject to change in later budget documentation. It is however used by departments when determining how much they need to allocate for each budget item the following year.

[17] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

additional funding for the remainder of the financial year. Operational levels are therefore not aligned with available funding"[18]

This is not to say that the Department is without blame. The IST report also notes that the Department's Personnel and Salaries system (PERSAL) does not accurately reflect the actual organizational establishment that has resulted in a misalignment between the budget and actual employee costs. Similarly, the Auditor Generals (AG) reports on the Department's financial statements perennially highlight weaknesses within PERSAL as a major cause of overspending and the loss of funds through fraudulent staff claims.

There is little indication that any of these issues have been resolved or will be in the near future. The Department has attempted to recover payments made in error to employees during the HROPT process, but this looks unlikely to happen. In 2011/12, the Department will also be required to extend OSD benefits to doctors, therapists and specialists.[19] There is also no indication that the Department will be able to resolve weakness in PERSAL in the near future.

Although not stated in any budget or policy documentation, this real decrease against the revised estimate and the ever looming potential of higher than budgeted employee costs will mean that it is unlikely that the Department will be able to increase the size of its organizational establishment in 2011/12. While this is not necessarily a problem within its administration, there is desperate need to deal with high vacancy rates in posts for health professionals. Currently the Department is operating with a vacancy rate of 35% for professional nurses, 40% for doctors and more than 50% for medical specialists.[20] Continued shortages of these critical personnel will undoubtedly continue to hinder the Department's ability to deliver even the most basic services.

II. Goods and Services

For the 2011/12 financial year the Department has allocated R4.25 billion for the purchase of goods and services from departmental suppliers. This is a substantial increase of R527 million or 9.02% in real terms against the adjusted appropriation for 2010/11. However, due to estimated overspending of approximately R699 million on this budget item in 2010/11, this actually represents a significant decrease of 8.19% in real terms against the revised estimate (see Table 1).

As with the compensation of employees, the overspending on goods and services in 2010/11 continues a trend of increasing overspending on this item over the last few years. In 2006/07 overspending on this allocation amounted to just over R35 million[21], by 2010/11 this had increased to R235 million and by 2010/11[22] had more than doubled to the R699.

[18] Eastern Cape Department of Health, *Report of the Integrated Support Team*, p. 33

[19] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[20] Ibid

[21] Eastern Cape Department of Health, *Report of the Integrated Support Team*, p. 146

[22] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2010/11*, p. 123

One of causes of this overspending is that the cost of medicines, medical supplies and outsourced departmental functions continues to increase beyond inflation.[23] These increases in cost have not been met with adequate increases to this allocation that has resulted in this item being materially underfunded over the last few financial years.[24] This underfunding, coupled with an increase in the demand for services, has contributed to the Department overspending on this allocation.

The Department has tended to manage this overspending by withholding payment to suppliers (accruals) until the next financial year.[25] The problem with rolling-over payments until the following year is that these payments are then made out of the following years budget. This means that before the Department has even initiated spending for services delivered in the current year it has already spent a portion of its budget on services delivered in previous years. This, in combination with higher than inflation increases in costs and the ever-increasing demand for services, has resulted in the Department's deficit ballooning over the last few years.

The only way in which the department would be able to reduce this deficit would be if it received additional funding from the Provincial Treasury, implemented austerity measures, improved efficiency in its supply chain management system or cut back on expenditure and started to ration services. As was shown earlier, the first option is unlikely, since the Minister of Finance has openly stated departments would not receive bailouts. The Department is implementing austerity measures on essential items such as travel and catering, but the amounts saved are nowhere near enough to manage the deficit in other areas. The Department is also in the process of dealing with inefficiencies in its supply chain management system,[26] but again, this will not generate sufficient savings to deal with the deficit in the short-term. The final option, although the least desirable, seems to be the likely course of action.

In the past the Department has been forced to ration services towards the end of the financial year due to suppliers cutting back on services or refusing to continue delivering services without payment.[27] There is little reason to believe that this practice will not continue into the current MTEF. Even if the entire R444 million top-sliced from the Department's allocation for 2011/12 were to be used to reduce the deficit in the allocation for goods and services, a deficit of R255 million would remain. In addition to the fact that this top slicing is simply a process of 'robbing Peter to pay Paul', it is unlikely that this entire amount will be used to reduce the deficit in this allocation. In all probability, the Department will once again be forced to payoff debt incurred in previous years from the allocation for 2011/12. This will mean that the Department will have significantly less to spend on service delivery in 2011/12 than indicated by the budget documentation and will be forced to once again ration services.

This situation is untenable in a time where the government has publically committed to the expansion of services in response to the extremely high burden of both non-communicable and communicable diseases within the country. In few provinces is the need to expand services as

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[23] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[24] Eastern Cape Department of Health, *Report of the Integrated Support Team*, p. 10

[25] Eastern Cape Department of Health, *Report of the Integrated Support Team*, p. 10

[26] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[27] See See for example 'Eastern Cape asks for R1.7 billion', Health-E, 30 July 2010. Available at http://www.health-e.org.za/news/article.php?uid=20032880

urgent as it is in the Eastern Cape and there is a need for clear strategy by government to ensure that services are not rationed.

III. Capital Assets

For the 2011/12 financial year the allocation for capital assets will be R998 million. This is a decrease of R346 million against both the adjusted appropriation for 2010/11. When inflation is taken into account, this represents a real decrease of 25.72%. When disaggregated into its component allocations, we find that the allocation for buildings and fixed structures will decrease by 31.12% in real terms against the revised estimate, while the allocation for machinery and equipment will decrease by 23.56% also against the revised estimates from 2010/11 (see Table 1).

According to the Budget Statement, these decreases are largely due to a 13% reduction in the Provincial Infrastructure and Hospital Revitalization conditional grant allocations as well as additional top slicing from the equitable share for the Health Facilities Development and Maintenance Programme.[28] The only explanation this documentation provides for this reduction is that they have been made in an effort make provision for the top slicing of the Department's budget.[29]

Old and poorly maintained infrastructure has always been one of the major constraints the Department has had to contend with over the 16 years and the province continues to suffer from a growing infrastructure backlog.[30] Buildings that inadequately meet the growing demand for services and machinery and equipment in disrepair have often been directly implicated as the cause of a number of tragedies at facilities in the province. In 2006, for example, four babies died in the neonatal ward of Cecilia Makiwane Hospital following the failure of emergency generators to kick in during a power failure. In this instance the poor maintenance of equipment due to budget shortages was cited as the cause of the generator failure.[31] More recently, overcrowding and a shortage of critical equipment such as incubators has been cited as one of the causes of the high infant mortality rate (estimated at 45 per 1000 live births) at Mthatha's Nelson Mandela Academic Hospital.[32]

Budget by Programme

An examination of the budget by progarmme reveals that the District Health Services Programme receives the largest slice of the budget with an allocation of R6.75 Billion or 48% of the total allocation. The Provincial Hospital Services Programme follows with an allocation of R3.76 billion or 26% of available funding. The Health Facilities Development and Maintenance Programme will receive R1.11 billion or 8% of the total. Emergency Medical Services (EMS) will receive R678 million or 5% of the budget. The Health Sciences and Training Programme (R609 million), the Central

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[28] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[29] Ibid

[30] Eastern Cape Department of Health, *Report of the Integrated Support Team*, p.96

[31] See 'Manto slammed on baby deaths', News24, 25 May 2006. Available at http://www.news24.com/SouthAfrica/News/Manto-slammed-on-baby-deaths-20060525

[32] See 'Baby deaths unacceptable', News24, 25 May 2010. Available at http://www.google.co.za/search?hl=en&client=firefox-a&hs=nTt&rls=org.mozilla%3Aen-US%3Aofficial&q=baby+death+mthatha+reprot&aq=f&aqi=&aql=&oq=

Hospital Services Programme (R609 million) and Administration prgramme (R590 million) all receive approximately 4%. The remaining 1% goes to Health Care and Support Services (see Table 2).

Table 2: Budget by Programme

Programme (R ' 000)	Outcome			Main Appro-priation 2010/11	Adjusted appropriation 2010/11	Revised estimate 2010/11	Medium-term estimate				% Real Change between 2010/11 and	% Real Change against Revised Estimate	% Real Average Growth over MTEF
	Audited 2007/08	Audited 2008/09	Audited 2009/10				2011/12	% Change from Adjusted Appropriation 2010/11	2012/13	2013/14			
1. Administration	376 417	507 488	624 512	593 411	573 989	573 989	**590 416**	2,86	778 165	776 008	-1,76	-1,76	5,97
2. District Health Services	3 712 566	4 915 707	5 581 901	6 031 872	6 372 343	7 227 646	**6 752 589**	5,97	7 200 691	7 813 985	1,21	-10,77	1,56
3. Emergency Medical Services	318 784	457 744	485 836	574 790	580 703	682 580	**677 875**	16,73	718 707	765 839	11,49	-5,15	0,75
4. Provincial Hospital Services	2 637 418	2 674 448	3 353 416	3 414 389	3 609 343	3 773 184	**3 761 539**	4,22	3 868 521	4 104 215	-0,46	-4,78	-0,41
5. Central Hospital Services		414 774	528 251	557 137	632 231	632 231	**609 327**	-3,62	660 693	698 110	-7,95	-7,95	1,23
6. Health Science and Training	375 117	547 955	522 692	566 522	625 941	669 037	**609 672**	-2,60	627 725	662 184	-6,97	-12,96	-0,56
7. Health Care and Support Services	24 125	46 702	57 019	130 442	93 572	94 717	**97 339**	4,03	103 736	109 441	-0,64	-1,85	0,59
8. Health Facilities Development and Maintenance	569 421	934 265	936 391	1 473 303	1 145 723	1 454 723	**1 113 492**	-2,81	1 165 682	1 214 607	-7,18	-26,89	-0,42
Total payments and estimates	8 013 849	10 499 083	12 090 018	13 341 866	13 842 845	15 108 107	**14 237 249**	2,85	15 123 920	16 144 389	-1,77	-9,99	0,88

As Table 2 clearly shows all of the Department's programmes will experience negative growth in their allocations for 2011/12 against their respective revised estimates for 2010/11.

I. District Health Services

For 2011/12 the allocation for the District Health Services Programme is R6.75 billion, which is increase of R380 million or 1.21% in real terms against the adjusted appropriation for 2010/11. When compared to the revised estimate, however, this allocation is R475 million or 10.77% less than the department estimates it will have spent by the end of the 2010/11 financial year. That said, this allocation is estimated to increase by, on average, 1.57% in real terms over the MTEF (see Table 2).

As with the Department's expenditure more generally, the overspending on this allocation over the last year is largely due to budgetary pressures caused by unfunded and underfunded human resource expenditure relating to the implementation of the OSD and HROPT processes as well as higher than inflation increases to the cost of goods and services.[33] The impact of these unfunded and underfunded mandates is particularly severe since expenditure on the compensation of employees and goods and services constitutes 98% of this programmes total expenditure.[34]

The allocation for the compensation of employees for this programme will increase marginally from a revised estimate R4.50 billion in 2010/11 to R4.56 billion in 2011/12. While this is a nominal increase of 1.33%, when inflation is taken into account this represents a decrease of 3.22%.[35] Based on this real decrease against the revised estimate, it is unclear how the Department will sustain current staffing levels and still increase salaries in line with wage agreements without incurring further over expenditure.

The allocation for goods and services for this programme is even more troubling. The allocation of R2.07 billion for the purchase of things like medicines, medical supplies and laboratory services is R102 million less than the revised estimate for 2010/11. If we take inflation into account this is 4.71% less than the Department estimates it will have spent by the end of that year.[36] The main

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[33] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[34] Ibid

[35] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[36] Ibid

concern here is that it is unclear how the Department will continue to strengthen and expend the delivery of primary health care if its budget for goods and services is less than it required the previous year. Once again the underfunding of this budget item is likely to result in the rationing of services at primary health care facilities across the province.

Table 3: District Health Services Sub-programmes

Sub-Programme (R ' 000)	Outcome						Medium-term estimate				% Real Change between 2010/11 and 2011/12	% Real Change Against Revised Estimate	% Real Average Growth over MTEF
	Audited 2007/08	Audited 2008/09	Audited 2009/10	Main Appropriation 2010/11	Adjusted Appropriation 2010/11	Revised estimate 2010/11	2011/12	% Change from Adjusted Appropriation 2010/11	2012/13	2013/14			
1. District Management	289 046	366 864	439 552	404 559	422 280	504 367	**529 343**	25,35	561 426	593 234	19,73	0,24	0,48
2. Community Health Clinics	796 830	1 179 062	1 208 032	1 258 256	1 291 341	1 590 885	**1 366 643**	5,83	1 398 694	1 481 446	1,08	-17,95	-0,63
3. Community Health Centres	297 622	451 098	547 561	569 424	592 285	688 783	**610 266**	3,04	630 347	664 143	-1,59	-15,38	-0,49
4. Community Based Services	241 451	280 424	324 982	432 840	453 044	470 235	**457 181**	0,91	490 889	561 485	-3,62	-7,14	3,60
5. HIV/AIDS	356 913	396 384	478 952	741 283	789 196	789 196	**884 376**	12,06	1 112 383	1 314 386	7,03	7,03	10,40
6. Nutrition	23 146	62 369	51 263	93 960	92 280	66 573	**96 513**	4,59	110 542	116 622	-0,11	38,47	3,04
7. Coroner Services	120 276	96 688	57 684	69 345	76 582	76 582	**73 506**	-4,02	77 185	81 431	-8,33	-8,33	0,10
8. District Hospitals	1 587 282	2 082 828	2 473 875	2 462 205	2 655 335	3 041 025	**2 734 771**	2,99	2 819 234	3 001 239	-1,63	-14,11	-0,22
Total Payments and Estimates	3 712 566	4 915 717	5 581 901	6 031 872	6 372 343	7 227 646	**6 752 599**	5,97	7 200 700	7 813 986	1,21	-10,77	1,56

As Table 3 Shows, all District Health Services sub-programmes with the exception of District Management, HIV and AIDS, and Nutrition will experience significant real decreases in their allocations against both the adjusted appropriation and the revised estimate for 2010/11.

The increase to the HIV and AIDS and Nutrition Programmes is largely driven by significant increases to the Comprehensive HIV and AIDS conditional grant and the prioritization of programmes relating to the continued expansion of HIV and Aids related interventions. For the 2011/2 financial year the allocations for these sub-programmes will increase against the revised by 7.03% (R95 million) and 38.4% (R29 million) in real terms respectively.[37]

Unfortunately this prioritization does not extend to this programme's other sub-programmes which all play a crucial role in ensuring all people who require primary health care, including services necessary to support the treatment of HIV and AIDS but not funded through the grant.

The DHS programme as the Department's priority programme plays a central role in the delivery of primary health care. Insufficient funding for services at this level will result in an inadequate level of care being delivered. Not only will this result in deteriorating health outcomes of those who access health care at this level, it will also result in patients circumventing the district health system and seeking treatment at the secondary and tertiary levels. This will put additional strain on provincial and tertiary hospitals that are already unable to cope with the demand for services.

Provincial Hospital Services

The allocation for the Provincial Hospitals Services Programme—which responsible for all regional, Tuburculosis (TB) and psychiatric hospitals in the province—will decrease by R12 million or 0.31% in real terms against the revised estimate for 2010/11 (see Table 4 overleaf).

[37] Ibid

Table 5: Provincial Hospital Services[38]

Sub-Programme (R ' 000)	Outcome						Medium-term estimate				% Real Change between 2010/11 and 2011/12	% Real Change Against Revised Estimate 2010/11	% Real Average Growth over MTEF
	Audited 2007/08	Audited 2008/09	Audited 2009/10	Main Appropriation 2010/11	Adjusted Appropriation 2010/11	Revised estimate 2010/11	2011/12	% Change from Adjusted Appropriation 2010/11	2012/13	2013/14			
1. General Hospitals	2 253 136	2 093 112	2 671 747	2 661 428	2 739 218	2 982 672	**2 914 216**	6,39	3 036 496	3 220 750	1,61	-2,30	0,02
2. Tuberculosis Hospitals	146 482	234 894	287 482	342 237	347 491	346 136	**360 214**	3,66	373 691	398 462	-0,99	4,07	0,05
3. Psychiatric Hospitals	237 800	346 442	394 187	410 724	422 634	444 376	**487 109**	15,26	458 334	485 003	10,08	9,62	-3,40
Total Payments and Estimates	2 637 418	2 674 448	3 353 416	3 414 389	3 509 343	3 773 184	**3 761 539**	7,19	3 868 521	4 104 215	2,37	-0,31	-0,41

As with all other programmes, this decrease is largely due to significant real decreases in the allocations for the compensation of employees, goods and services and capital assets of 3.24%, 7.28% and 35.8% respectively. This will once again jeopardize the Department's ability to, at the very least, sustain current levels of service delivery into 2011/12. There is a strong probability that the underfunding of goods and services will result in the shortages of essential medicines and medical supplies. The Department itself puts it succinctly in the Budget Statement when it argues that the decrease in the goods and services budget "contradicts the increased burden of disease".[39]

The underfunding of capital assets on the other hand will jeopardize the department's ability purchase and maintain equipment, such as generators and x-ray machines, essential for the delivery of a comprehensive package of care.

One positive and important aspect of the Provincial Hospital Services Programme budget for 2011/12 is that the allocation for the Psychiatric Hospitals sub-programme is set to increase by R42 million or 9.62% in real terms against the revised estimate. (see Table 5) This is important because for too long has the funding of mental health institutions and services suffered from a lack of funding. Unfortunately it does not appear that these increases will be sustained into the MTEF and the allocation for this sub-programme is set to decrease by on average 3.40% in real terms over the outer two years of the framework.

Emergency Medical Services

The allocation for the Emergency Services will be R678 million for 2011/12. This is an increase of R97 million or 11.49% in real terms against the adjusted appropriation of R581 million for 2010/11. When compared to the revised estimate of R683 million for 2010/11, however, this is a decrease of 5.15% in real terms (see Table 4).

Unlike other programmes, the overspending in this programme is not primarily due to higher than budgeted employee costs or the costs of medicines and medical supplies increasing beyond inflation—although these remain problems. The overspending on this programme is largely due to increased costs associated with the Fleet Africa contract for leasing of EMS vehicles.[40] The Department estimates it will have overspent on the adjusted appropriation for this contract by R91 million or 50%.[41]

[38] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[39] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[40] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

[41] Eastern Cape Provincial Treasury, *Estimates of Provincial Revenue and Expenditure 2011/12,* n.p.

These overspending does not indicate that Fleet Africa has managed to deliver more EMS vehicles than initially anticipated but rather highlights the impact of a poorly managed outsourcing process. Fleet Africa was awarded a two year extension to its fleet management contract in February 2010 after the Department of Roads and Transport withdrew the tender initially awarded to Phakisa Fleet Services after it emerged that Phakisa did not have the technical capacity or experience to deliver the necessary levels of service.[42] The urgent need for a service provider to continue the management of its EMS fleet resulted in the Department being forced to accept the terms of contract provided by Fleet Africa in the extension of the contract.

The Department's contract with Fleet Africa finishes at the end of 2011/12. The Department should, as a matter of urgency either start identifying new contractors who will be able to provide the best possible service at the best possible price and continue in earnest to redirect funds to purchase its own vehicles.

Conclusion

The impact of negative growth in the Department's budget and every economic classification will result in the continued deterioration of service delivery in the province unless there is an urgent intervention by Treasury and the National Department of Health. This does not necessarily mean that these departments should take over the functions of the Department but rather that they should provided the technical and finacial support to overcome its many challenges. A failure to do so will result in a growing burden of debt that will ultimately result in the Department being unable to progressively realize the rights outlined in the constitution.

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