

Summary of the 7th meeting of the Budget and Expenditure Monitoring Forum

The 7th meeting of the Budget and Expenditure Monitoring Forum was held on 21 and 22 November 2011 in Johannesburg. The purpose of the meeting was to develop a clear picture of where South Africa is at in terms of its financing, budgeting and expenditure for the response to HIV/AIDS. The key points of discussion and findings of the meeting were:

- The findings of the National AIDS Spending Assessment (NASA), which amongst other things showed that South Africa spent more than R13 billion on the response to HIV/AIDS and TB in 2009/10. The meeting heard that while expenditure was on the increase this was inequitably spread between provinces with those provinces with the highest incidence rates often spending the least per person living with HIV.
- Provincial departments of health have consistently underspent on allocations for HIV/AIDS programmes over the last three years. Poor financial management, which results in unauthorized and irregular expenditure are then compounding this poor spending performance.
- Even though the costing of the NSP 2012-2016 has been the most complete to-date, full funding of the response to HIV/AIDS, TB and STIs will require detailed costings of provincial strategic and/or operational plans. These costings must then be integrated into provincial budget processes in order to ensure that allocations are based on achieving the targets outlined in the plans and are not made on an incremental basis.
- Funding for all social sector services, including health, are going to be severely constrained over the next three years due to the impact of the global economic crisis. Provision is being made, however, to ensure that sufficient resources are being made available for the response to HIV/AIDS. However, with the Global Fund cancelling round 11 this will not be the case for the rest of the region and many countries face the possibility of having their programmes collapse
- Overcoming the funding crisis will require a shift in the way in which we invest in health generally and HIV/AIDS more specifically. One possible mechanism would be to implement the New Investment Framework put forward by UNAIDS. Another would be

the implementation of a Financial Transaction Tax (FTT) which could raise between 200 and 300 billion US\$ for global development efforts.

Current expenditure on the response to HIV/AIDS

Henry Damisoni presented on the outcomes of the National AIDS Spending Assessment (NASA) that was recently completed by CEGAA. The NASA is a full and detailed assessment of:

- Who pays and who purchases HIV/AIDS services;
- Who provides services;
- What has been provided; and
- Who benefits.

The NASA found that funding for the response to HIV/AIDS and TB in South Africa (including all public, private and external sources) increased from R8 billion in 2007/08 to R13 billion in 2009/10. Of the R13 billion available in 2009/10, more than 75% had been allocated by government, 17% external sources (such as the Global fund and PEPFAR) and only 8% in the private sector (through private medical aid schemes, the business sector and employers).

The NASA reveals that more than 88% of all available funding was allocated at the provincial level in 2009/10. It then showed that per capita provincial spending was highest in KwaZulu-Natal (approximately R350 per person) and lowest in Mpumalanga (approximately R175 per person).

What is of concern is that expenditure on HIV/AIDS and TB appears to be highly inequitable between provinces when compared to incidence rates. When compared to provincial HIV incidence, per capita spending in 2009/10 on People Living With HIV/AIDS (PLWHA) was highest in the Western Cape (R3900 per person), Northern Cape (R3500 per person) and Limpopo (R2600 per person). While provinces with the highest incidence rates, such as KwaZulu-Natal (R2250 per person), Eastern Cape (R1900 per person), Free State (R1800 per person) and Mpumalanga (R1400 per person) spent far less on PLWHA.

One of the most troubling findings of the NASA was that funding from the private sector only totaled R1.07 billion in 2009/10. Of this, R 983 million was allocated by private medical aid schemes, R52 million by not-for-profit institutions and only R35 million by for-profit businesses.

In terms of actual expenditure of available resources the NASA found that in 2009/10 63% of all spending was on treatment, 13% on social protection, 10% on prevention and 4.8% on research. The remaining

9.2% was spread between programme management (4.2%), human development (2.8%), OVC care and support (1.8%) and human rights and advocacy (0.6%).

Participants highlighted two issues as being of particular concern. The first was that while expenditure on treatment had shown strong growth over the period 2007/08-2009/10, expenditure on prevention was steadily on the decline. The second issue was that despite ongoing stigma and human rights abuses based on HIV status interventions aimed at combating these issues and raising awareness received less than 1% of all available funds

Even though the NASA is arguably the most accurate assessments of HIV/AIDS and TB allocations and expenditure to date it does not provide an indication of how effective and efficient these allocations and expenditures are at combatting the pandemic.

A presentation by Daygan Eagar, attempted to unpack some of these issues by showing that over the last three years provincial department's of health have not been able to spend what has been allocated to them despite continued commitments to the scaling-up programmes and revised treatment thresholds.

In addition to this under-spending on allocations, Daygan showed how continued financial mismanagement has resulted in unauthorized and irregular expenditure in many provincial departments, amounting to billions of Rands, brings into question provincial health departments' capacity to ensure that financial resources are used fro their intended purposes. While this does not mean that these funds were lost through fraud and corruption it does highlight the failure of departments to use resources made available to them efficiently and effectively.

The costing of National Strategic Plan and the provincial strategic and/or operational plans

The National Strategic Plan for HIV/AIDS, TB and STIs for 2012-2016 (NSP) has been approved and will be launched on World AIDS Day on 1 December 2011. An important component of this plan, one that is essential to ensuring that all interventions outlined within it are adequately funded, was its costing.

Teresa Guthie, who was part of the task team responsible for the costing, outlined the assumptions and outcomes of the costing process. The costing of the NSP included the following assumptions:

- Only those interventions with clear definitions and targets were included.
- Existing South African costing models were used and aligned to draft 2 of the NSP;
- It was a policy-level costing and not a detailed costing for budgeting process; and

- More detailed costing of provincial strategic and/or implementation plans will be costed.

The costing reveals that the annual costs of the plan start at R18.73 billion in 2012/13 and increase to R32.25 billion by 2016/17. As is the case with South Africa's current response the key cost driver will be ART, which was costed at R11.68 billion in 2012/13 and increasing to R19.74 billion or 61% of the total cost of the NSP.

The meeting heard that while this was the most complete costing of an NSP to-date, there were a number of concerns with its final outcome. Even though the process was technically sound the costing task team believed that many important interventions were not included in the NSP and therefore could not be costed. These included:

- Palliative care;
- Home-based-care;
- Research;
- Community mobilization; and
- Social protection.

In addition to these missing interventions, participants at the meeting raised the concern that the human rights and access to justice components of the plan would once again go under-funded due to the fact that many of the interventions associated with this aspect of the plan could only be partially costed within the NSP. Several key aspects of the human rights and access to justice interventions, such as the funding of NGO's responsible for undertaking much of the work in this area, would need a more detailed costing at the provincial level. It was stressed that these interventions are to be fully implemented they would need to be highlighted and prioritized when the provincial costings take place.

Steven Cohen, who will be responsible for coordinating and providing support for the costing of the provincial strategic and/or operational plans, outlined what would be needed to ensure that the provincial costings are not only complete but are also used to inform that allocation of resources and provincial budget processes.

He showed how resource allocation processes at the provincial level, which involved simply increasing allocations incrementally rather than the targets and activities outlined in strategic and operational plans, could result in significant funding gaps between policy promises, service delivery and actual allocations.

He argued that what is needed is activity-based costing model that should be adapted to the budget process. This model should be simple enough for provincial officials to use and should be integrated into existing government processes. This would nonetheless still require buy-in from senior officials, intensive training and ongoing support to provinces throughout the life of the NSP.

The funding crisis

The implementation of the NSP 2012-2016 will be situated in the context of South Africa struggling to overcome the impact of the global recession and an economy struggling to balance economic growth with social and economic development priorities.

Dr Mark Blecher, Social Services Director at the National Treasury, provided a candid presentation on the government's position in terms of funding for health generally and HIV more specifically.

His presentation revealed that while expenditure on health care in the public sector had consistently increased well beyond inflation over the last decade and was starting to surpass spending in the private sector the effect of the global financial crisis would result in a slow-down in public health expenditure over the next few years. The health budget will only increase on average by 6.9% between 2011/12 and 2014/15 compared to the average growth of 13.5% between 2008/09 and 2011/12.

He showed how even though the government was increasing its borrowing which would result in a growing budget deficit (where revenue is less than expenditure) to sustain social sector spending, there was a need for reprioritisation, savings in non-critical areas and improvements in efficiency.

He did, however, assure the meeting that many aspects of the response to HIV and AIDS were identified as being non-discretionary. He said that the potential that CD4 threshold would be generalized to 350 would mean that provision would need to be made for at least an additional 400 000 patients on ART per year.

Data provided by Dr Blecher suggested that the increases to the baseline of R1.7 billion for the HIV/AIDS programme over the next three years should be sufficient to meet this goal.

He said that the sustainability of other health programmes were less certain and would require improvements in efficiency, improved infrastructure spending, and in particular controls on personnel expenditure.

Possible solutions to funding shortages

Overcoming the impact of a constrained funding environment will require a number of important interventions. Even though many of these are described above, argument was made for fundamental shifts in the way in which the response to HIV/AIDS and TB are financed and the ways in which resources for health are raised.

Henry Damisoni from UNAIDS presented the New Investment Framework as a key strategy in ensuring sustainable funding in the drive towards ending AIDS. The framework is based on the premise that in an increasingly constrained funding environment demonstrating a need for a program is no longer enough and funding decisions must be made based on strong evidence. In this regard requested financing must generate sustainable and concrete gains.

In terms of the suggested framework, most resources will be directed towards a limited number of high-impact basic programme activities that will offer good value for money.

The presentation showed that even though the investment framework is more expensive than current programmes, it is significantly cheaper than previous projections for the cost of bringing the number of new infections globally to below 1 million by 2020. The figures provided suggest that the total additional investment over the next 10 years, in terms of the framework, to achieve this goal is US\$46.5 billion.

Participants at the meeting did, however, raise concerns that framing the response in terms of cost-effective investment may result in ideological principals underpinning both the global and local response to HIV from a basic human rights perspective to one that is based on what makes most fiscal sense.

Sharon Ekambaram's presentations on the recent Global Fund meeting revealed that this is already happening with many donors significantly reducing contributions for round 11 or not making any resources available at all. This effectively means that this round will have to be cancelled.

This will not only have dire consequences for many developing countries HIV/AIDS and Malaria programmes and those who depend on them, it will push many health systems which are dependent on this funding for much of their financing towards collapse. This will have catastrophic consequences for developing nations.

It is clear that sustainable solutions to this crisis must be found. One solution put forward was the implementation of a global Financial Transaction Tax (FTT). Simonia Mashangoane from the TAC presented on the proposed FTT and showed how a tax of 0.05% on all financial transactions could raise between 200 and 300 billion US\$ annually. She showed how a portion of this could not only be used to

fund the fight against AIDS but could also be used to fund the achievement of all Millennium Development Goals (MDGs).

Based on the arguments put forward it is clear that the only barrier to the FTT is political will in the global north and the power of financial institutions to prevent the implementation of sustainable and progressive mechanisms to redistribute global wealth.