

Health budgeting and HIV

A Budget and Expenditure Monitoring Forum fact sheet

Free State moratorium and what it taught us about budgeting

In November 2008, the Free State Department of Health (FSDoH) ordered that nurses and doctors in public hospitals stop starting new patients on HIV treatment. The reason given for the order was that the department had run out of money for the year and would not be able to buy enough drugs for those already on antiretrovirals (ARVs). This decision has been called a *moratorium* by the Treatment Action Campaign (TAC) and its partners.

Despite many attempts by the AIDS Law Project (ALP) and the Free State Health Coalition to have the moratorium lifted, the government kept the moratorium in place until April 2009, almost 5 months from when it began. The Southern African HIV Clinician's Society estimated that 30 people died daily on average in the Free State as a result of the moratorium. Many more people have probably died even after the moratorium was lifted because of having to wait so long for treatment.

The Free State gave several reasons why money had run out for buying medications for people living with HIV. First, they said that the department had started more people on treatment than they thought they would, and so hadn't budgeted enough money to buy ARVs. Second, they said that the Occupation Specific Dispensation for Nurses (OSD) cost the department more money than they had budgeted because nurses salaries became much more expensive. Lastly, they said that the global economic crisis caused the cost of medications and other medical supplies purchased from foreign companies to become more expensive.

This experience taught us that the way money is allocated and spent by government can have life and death consequences for people living with HIV. With that concern in mind, we became more concerned when research was done that suggested that the Free State and other provinces were going to face the same situation again in late 2009.

While TAC and other organisations do not believe that these reasons tell the whole story behind why the moratorium was started, they do tell us why it is important for us to know a lot more about how the government allocates money to pay for health care. It is important for us as activists and as citizens to demand that government spend money appropriately, efficiently and in ways that prioritise providing services that will save people's lives. To do so, we must understand how the budgeting process works and how we can participate in it.

Responsibilities for health

Our public health care system is divided into several different levels. Each level has particular responsibilities to ensure people get access to health care services. These are the National Department of Health (NDoH), the Provincial Departments of Health (PDoH), and district or municipal health departments.

National Department of Health (NDoH)

The NDoH must create the national government's policies for the health care system. The NDoH does not provide health care to people directly. Instead, it tries to regulate how health care services

are provided to the public by passing legislation, regulations and guidelines which determine the levels of care a person is entitled to receive when he or she goes to a hospital or clinic. The NDoH must also monitor the programmes that have been put in place by provinces to see that they are providing quality services.

Provincial departments of health (PDoH)

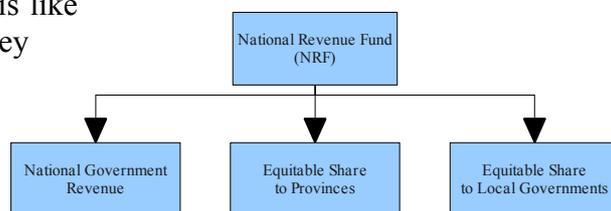
The PDoHs are primarily responsible for providing health care services to people. They structure the health care system for the province and the placement of hospitals and clinics. PDoHs spend most of the health budget. For example, KZN alone spends more money on health than the NDoH. This is because the PDoHs have to maintain hospitals, pay doctors, nurses and other health care workers, and buy all the supplies, such as medications, that people will use when accessing public hospitals or clinics.

District or municipal health departments

The job of providing health care services is often also the responsibility of a local district or municipal health department. In many locations, the provinces have turned over the responsibility to manage certain clinics and hospitals to a district or municipal government because the province thinks that the local government will be able to manage the facilities better than the province. This also allows the community to raise their concerns with the local government and to demand action from them rather than approaching the provincial department of health, which may be far away from where people are.

Budgeting process

Almost all money spent by government comes from the National Revenue Fund (NRF). The NRF is like a bank account into which all the money collected by the national government is put before it can be spent. At the beginning of a financial year, all of the money in the NRF is allocated for spending in two acts passed by Parliament: the **Division of Revenue Act (DORA)** and the **Appropriations Act**.



What is done in DORA?

DORA first divides the NRF into three large pots: the **National Government Revenue**; the **Equitable Share for Provinces**; and the **Equitable Share for Local Governments**. These three pots of money are used to fund the three different spheres of government.

Of the money that was allocated via DORA in the 2010/11 financial year, the national government got R359 billion (44%), followed by the provinces with R323 billion (39%) then R71 billion for the state debt, R59 billion for local government and R1 billion contingency. Local governments are expected to raise most of their own money in the form of fees and taxes from the services they provide, which is why they get little from the national

government.

For provinces, the Equitable Share Formula is used to determine how much each province will receive from the Equitable Share. This money is not simply divided according to the size of the population in each province because not all provinces are in the same position. The Equitable Share is divided based on six factors:

- Education (51 percent);
- Health (26 percent);
- Percentage of Population (14 percent);
- Administration (5 percent);
- Level of Poverty (3 percent); and
- Level of Economic Output (1 percent).

Importantly, despite the Equitable Share Formula breaking the money up according to these factors, there's no obligation that the provinces spend according to this formula. Money given out through the equitable shares to provinces and local governments is called "unconditional allocations". This is because the money can be used in any way the provinces or local government determine is best.

Conditional grants

DORA also creates *Conditional grants*. Conditional grants are allocated by the national government to the provinces, but the provinces must spend them according to conditions set down by the national government. There are many conditional grants. The one that funds the antiretroviral and other AIDS programmes is called the *Comprehensive HIV and AIDS Grant*.

Conditional grants are designed around a single programme that the national government recognises requires a significant amount of money and is of national importance. Importantly, conditional grants are only meant to supplement funding for a programme by the province. They are not the total amount that a province spends on that programme.

Health-related conditional grants

<i>Health Professions and Training Development Grant</i>	Intended to help fund costs for training and recruiting health professionals.
<i>National Tertiary Services Grant</i>	Intended to help pay for costs of running tertiary hospitals. Tertiary hospitals provide high level health services that are expensive and they often provide services to people from other provinces.
<i>Comprehensive HIV and Aids Grant</i>	Intended to help pay for each province's HIV/AIDS programme.
<i>Forensic Pathology Services Grant</i>	Intended to help pay for adequate mortuary services in all provinces.
<i>Health Disaster Response (Cholera) Grant</i>	This grant was created to help Limpopo cover the costs of the recent cholera outbreak in the province.
<i>Hospital Revitalisation Grant</i>	Intended to help provinces maintain and develop their hospital and clinic infrastructure.

When a conditional grant is allocated to a provincial department, that department must submit a business plan on how it will spend the money. In the case of health related conditional grants this means the provincial departments of health submit their business plans to the NDoH who must approve the plan as strategically and financially reasonable. If the NDoH does not agree with the plan, it can reject it and force the provincial department to develop a new plan that is more reasonable according to the NdoH.

What is done in the Appropriations Act?

While DORA makes very large decisions about how to divide money between national, provincial and local governments, the Appropriation Act makes detailed decisions about how each sphere of government will spend money across different departments through a series of "Votes".

Each of these votes sets out a budget for a single department. So, for example, there will be one vote for the National Department of Health, one vote for the National Department of Social Development, one vote for the National Department of Home Affairs, etc. Parliament passes an appropriation act for national departments and each provincial legislature passes an appropriation act for its province's departments.

Timeframes for budgeting process

The South African government's financial year runs from 1 April to 31 March. Budgets for all departments are negotiated between the National Treasury and provincial treasuries, national departments and local governments. These negotiations start almost as soon as the

previous year's budget begins. This means, to get involved and have an influence on budget decisions, as civil society, we need to act early and be proactive. As an example of a typical budget timeframe, here is the one for the financial year that runs from April 2010 to March 2011 (the 2010/2011 financial year):

Departments receive MTEC guidelines, database templates and indicative allocations	End May 2009
Information sessions on expenditure estimate guidelines	Mid-June
Submission and approval of amendments to programme structures	3 July 2009
Submission of capital/infrastructure funding requests	3 July 2009
Cabinet Lekgotla to discuss policy priorities and MTSF	22 July 2009
Departments submit expenditure estimates and database	24 July 2009
MTEC starts	17 August 2009
Departments' final date for distribution of Treasury Committee memoranda for unforeseeable and unavoidable expenditure	7 September 2009
Departments submit Adjusted Estimate chapters, database and Adjustments Appropriation Bill	11 September 2009
MTEC ends	23 September 2009
Treasury Committee as scheduled on parliamentary programme	6 October 2009
Departments submit final adjustments estimate inputs (database and chapter including expenditure until end of September and additional funds allocated, as well as Adjustments Appropriation Bill)	9 October 2009
Adjusted Estimate tabled in Parliament	27 October 2009
<i>ENE</i> guidelines to departments and entities	6 November 2009
Appropriation Bill format to departments and <i>ENE</i> database to departments and entities	6 November 2009
Inputs from departments for revised drawings after Adjusted Estimate	6 November 2009
Allocation letter to departments	November 2009
Departments submit first draft of <i>ENE</i> chapter, database and Appropriation Bill	3 December 2009
Departments submit revised (2nd draft) <i>ENE</i> chapters, databases and Appropriation Bill	8 January 2010
Departments submit estimated under/overspending for 2009/10 financial year	14 January 2010
Budget Day – Budget tabled in Parliament	17 February 2010

How Are budgets developed?

Part of the budgeting process also includes planning for more than one financial year through the Medium Term Expenditure Framework (MTEF). The MTEF guides spending over three years so that departments can have a longer term vision of how much money they will be getting each year.

The budgets include targets so that the government can both estimate how much it will cost to achieve those targets and so departments can be held accountable if they do not meet them. As an example, a target in every provincial health budget is the number of patients who will be on ARV treatment by the end of the financial year.

Usually the MTEF, with the exception of new programmes, is **incremental**. This means that the targets and budgets just get increased every year to account for inflation and achievement of the previous year's targets. They are **not** estimated using a thorough review of the targets themselves.

How should budgets be developed?

To set the targets accurately requires more information and analysis than is currently performed. At the moment, for instance, the NDoH and PDoHs do not have accurate information on how many people are currently receiving treatment in each province or how many people actually need treatment but are not able to access it. Without this information, it is impossible to set accurate targets and allocate money properly.

For instance, when the Free State PDoH said it ran out of money because it had put more people on ARV treatment than it had targeted, they claimed that this meant they were “over-performing”. In reality, it meant that the Free State PDoH had not properly estimated the number of people that would need treatment and so hadn't asked for or been provided with enough money to treat all those in need.

Ideally every health facility should develop a budget based on government policy and the needs of the community the facility is serving. These clinic budgets should then be consolidated into district budgets. District budgets should be used to construct the provincial health budgets. The national government should then try to ensure that there is enough money in conditional grants and the equitable share to cover these budgets. At every stage budgets should be negotiated, discussed and verified. If there is not enough money to cover the budgets, the most important areas of need should be determined through a consultation process. Unfortunately South Africa is a long way from implementing this system.

What is the Budget and Expenditure Monitoring Forum (BEMF)?

The BEMF is a coalition of organisations that have come together to monitor how government budgets and spends money on health. Many of these organisations have been working in health for many years and have realised that when budgets are done improperly by government, it threatens people's lives.

Importantly, while the member organisations of BEMF will continue to advocate for more money for health in the coming years, this will not be sufficient. More money will not solve all the problems in the health system. We also need government to spend money efficiently.

The BEMF argues that the money that is spent on health at the moment could be spent much more intelligently and efficiently if government put more emphasis on monitoring and evaluation of health care programmes and implementing good management practices at every level of government from the national department of health down to clinic level. If there is insufficient oversight, monitoring and evaluation, putting more money into the health system will not be sufficient to implement good health services.

This is why BEMF, along with calling for more money to be spent on health, is also calling on government, particularly the National Treasury and the NDoH, to monitor provincial budgets better so that money is spent effectively and efficiently.

What can communities do?

BEMF needs help! Here are four things that communities and individuals can do to assist the work of the BEMF.

1: Identify issues in your area and inform the BEMF

It is extremely important that the BEMF has information to act on. Whenever there are problems in your area, such as hospitals or clinics not having enough medications for people or turning individuals away because they don't have the resources to treat that person, we need to know about it. The BEMF can be contacted in multiple ways:

- By Phone (via SECTION27): 011 356 4100
- By Fax: 011 339 4311
- By E-mail: info@section27.org.za

2. Raise these issues in SANAC or with your SANAC or PAC representative

The South African National AIDS Council (SANAC) and your provincial AIDS council (PAC) should always be kept informed when there are problems in your area. In addition to contacting BEMF you can also contact your SANAC or PAC representative to inform them of the problems you are facing in your area.

The SANAC telephone number is 011 655 7000. The email address is info@sanac.org.za.

3. Demand district health and human resource plans

Every health district in the country is required by law to develop annual district health and district human resource plans that explain how they intend to provide health services to the people in that district. These plans are extremely important as districts and municipal governments are directly responsible for providing services to people. Without these plans, accurate budgets cannot be developed. These plans should be developed with community involvement and be scrutinised by community members. As far as we can tell very few, if any, districts are actually doing this.

4. Sit on clinic committees and district health councils

Every district is required to have a **District Health Council** and all clinics are required to have a **Clinic Committee** in terms of the **National Health Act**. Many of these councils and committees do not yet exist, but community members should demand that they be established! Clinic committees are required to have representatives from the community. District health councils can have community representation, but are not obligated to at the moment. Nevertheless, communities should demand community representation on district health councils.

Key Terms to Know when Discussing Budgets

Adjustment Appropriation Act: Act that is generally passed in November that adjusts the appropriations from the *Appropriations Act* to take into account new information about the amount of money available.

Appropriation Act: Act that allocates money to different departments for spending. The Appropriations Act is essentially the national budget. Parliament and every provincial legislature passes an appropriation act.

Conditional Grants: Money given to provinces from the national government that has conditions on how it must be spent. It is monitored by national departments.

Division of Revenue Act (DORA): Act that divides money between the national, provincial and local governments and provides *conditional grants*.

Equitable Share (ES): The ES is a constitutionally required distribution of money from the national government to the provinces, district and municipal governments. The money is allocated according to the *Equitable Share Formula*.

Equitable Share Formula: The equitable share formula determines how much money from the ES each province and district or municipal government should get.

Financial Year: The year on which the budget is set. It runs from 1 April through 31 March every year.

Medium Term Expenditure Framework (MTEF): The MTEF is a preliminary budget plan that covers three financial years. It is usually presented in October or November.

National Revenue Fund (NRF): The NRF is the main fund where almost all money collected by the National Government must be placed before being spent according to a budget.