

Eastern Cape Department of Health**Budget Analysis****2008/09****April 2008
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Monitoring and Research Programme, Public Service Accountability Monitor

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Tel: (046) 603 8358, Fax: (046) 622 7215****Key Findings and Recommendations**

While the budget allocations for the Department's various programmes have generally increased for 2008/09, systemic issues limiting the Department's ability to manage financial resources and spend allocations appropriately are likely to persist. Poor financial management and a lack of accountability on the part of administrators and managers is likely to detract from the Department's attempts to address its historically poor levels of service delivery and may result in instances of unauthorised, fruitless and wasteful expenditure recurring as has happened in previous financial years.

The Department needs to ensure that plans, such as the Audit Intervention Plan, aimed at improving budget management, ensuring better compliance with the PFMA and Treasury regulations, and tightening monitoring of expenditure, are prioritised. The Department's internal audit must fulfil its vital function diligently and effectively throughout the financial year and the senior management must be held to account by the MEC, Provincial Treasury, Scopa and appropriate Portfolio Committee.

While the budget allocations for Human Resource (HR) related programmes have generally increased substantially for the 2008/09 financial year, most of these allocations actually decrease over the Medium Term Expenditure Framework (MTEF). It is therefore unclear how, in the long term, the Department will fund not only newly filled posts but also the increases in the salaries to critical personnel such as nurses, doctors and pharmacists. If the Department does not prioritise their HR programmes aimed at recruiting and retaining critical staff over the long term, and budget for them appropriately, then staff shortages will continue to negatively impact on service delivery.

National and Provincial Treasury need to ensure that they plan to increase budget allocations in line with the Department's HR plans over the MTEF period if the Department is to recruit and retain personnel necessary to fill critical vacancies.

Despite the fact that the Department has made the detection, treatment and cure of all strains of tuberculosis (TB) a policy priority for the 2008/09 financial year, it has decreased its budget allocation for TB hospitals substantially from R247.32 million in 2007/08 to R201.64 million, representing a decrease of 23.23 percent in real terms. It is therefore unclear how the Department will manage increasingly high rates of infection and treatment default in the province if it does not budget appropriately for this policy priority.

If the Department intends to manage the increasing rate of infection and treatment default, then it needs to ensure that it budgets adequately for its TB programmes. It needs to ensure that it channels funds and resources to the treatment and cure of TB, if it intends to reduce the burden of this disease on the health system. The Department must account adequately for the reduction in the funding of TB hospitals.

Despite the fact that the Department intends to continue and strengthen its Emergency Medical Services (EMS) turnaround plan, it has failed to budget appropriately for two of the most critical aspects of this programme. The Department has only increased its budget for the compensation of employees for this programme by 6.98 percent in real terms despite operating with a vacancy rate of 48.28 percent for Emergency Medical Officer Posts. It is unlikely that this relatively small increase in allocation will be sufficient to meaningfully address staffing shortages in this programme. Of most concern, however, is the fact that the Department has decreased its allocation for goods and services, used primarily to pay for the leases on EMS vehicles. The Department operates with a shortage of vehicles. It is therefore unclear how the Department intends to pay for the additional 80 ambulances and five rescue vehicles it plans to procure during 2008/09.

The Department, as a matter of urgency, needs to prioritise its EMS programme, and ensure that it channels funds to priority areas such as the compensation of EMS staff and the procurement of EMS vehicles. If it does not do this then it runs the risk of being unable to provide basic EMS services in the province.

Introduction

The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services. The South African Constitution commits government departments to the progressive realisation of socio-economic rights within available resources. These rights include the right to education, healthcare, housing and social welfare.¹ In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery systems. These include: planning and resource allocation systems; expenditure management systems; performance monitoring systems; integrity systems; and oversight systems. The effectiveness of these systems can be established by monitoring their information outputs. To evaluate these systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

Government seeks to ensure that it addresses the most pressing social and economic needs of those that they serve through the prioritisation of public resources within the annual budget. This report analyses the impact of policy priorities (national, provincial, sectoral and departmental) on the Eastern Cape Department of Health's 2008/09 budget and on its ability to implement effective and efficient service delivery and accountability systems in the up-coming financial year. In addition, assumptions informing both policy priorities and budget allocation trade-offs are analysed in terms of the Department's external and internal service delivery environment.

I. Policy Priorities

The South African Constitution (1996) states that everyone has the right to have access to health care services. In addition, the Constitution declares that the state is responsible for taking "reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights".²

In accordance with the precepts of the Constitution the Eastern Cape Department of Health declares that its mission is: "To provide and ensure accessible comprehensive integrated services in the Eastern Cape emphasising the Primary Health Care approach utilising and developing all resources to enable all its present and future generations to enjoy health and quality of life."³

The strategic imperatives identified by the Department are to:

- Strengthen the functionality of the provincial public health system by building its capacity to deliver;

¹ Constitution of the Republic of South Africa, Act 108 of 1996, Chapter 2, Sections 26, 27 and 29.

² Constitution of the Republic of South Africa, Act 108 of 1996, Chapter 2, Section 27.

³ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 56.

- Promote and strengthen campaigns for healthy lifestyles, the prevention of diseases, and fighting poverty through health promotion, community participation and intersectoral collaboration;
- Make health services accessible;
- Improve the quality of care in all institutions and facilities;
- Improve governance and compliance by strengthening systems of planning, budgeting, financial control and management and human resource management; and
- Restoring the credibility of the public health system through effective communication of real progress, success and challenges still to be overcome.⁴

It is with these imperatives, the APEX targets set by the President, the Millennium Development Goals and the Provincial Growth and Development Plan⁵ in mind, that the Eastern Cape Department of Health will pursue the following priorities during the 2008/09 financial year:

- Strengthening Primary Health Care to become the first point of call for patients;
- Intensifying the campaign on communicable and non communicable diseases, to reduce the burden of diseases;
- Preventing the spread of TB, and containing the MDR TB and treat the XDR TB;
- Intensifying campaigns on HIV prevention, including the rapid implementation of the guidelines on Prevention of Mother to Child Transmission (PMTCT);
- Accelerating the promotion of healthy lifestyles and health promotion;
- Reducing maternal deaths, infant and neo-natal mortality;
- Building the capacity of the Department to implement its mandate, and to improve service delivery and accountability;
- Implementing hospital improvement plans;
- Building an effective Emergency Medical Services;
- Strengthening drugs supply, distribution and management; and
- Readiness for the 2010 Fifa Soccer World Cup.⁶

In tackling these priorities the Department will pay particular attention to the following aspects of the Public Healthcare System:

⁴ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 56

⁵ The PGDP highlights the development of Human Resources as one of its strategic focus areas which then needs to be supported by provincial human resource development strategies. According to the PGDP, "These strategies then need to be developed with the aim of 'supplying the skills needed for growth and employment...and social development'. The PGDP is available at <http://www.ecpg.gov.za/index.php?module=documents&category=6>.

⁶ Eastern Cape Provincial Treasury *Budget Statement 1 2008/09*, p. 62.

1. Human Resources

In line with the National Department of Health's Service Transformation Project as well as the Provincial Growth and Development Plan (PGDP), the Eastern Cape Department of Health has identified Human Resources as one of its policy priorities for 2008/09.⁷ Recognising that the strengthening of its human resource capacity is of utmost importance to the Department's capacity to provide quality healthcare, the Department has put in place various strategies aimed at the recruitment and retention of staff, with particular attention paid to those in critical posts (e.g. nurses, doctors and pharmacists).

The Department aims to address critical staff shortages through the continued implementation of Project 5000 which aims to recruit 5 000 health professionals, especially professional nurses, doctors, pharmacists, and finance and HR specialists over the 2007/08 MTEF period (2007/08-2009/10).⁸ In line with Project 5000 the Department also intends to continue the implementation of its Foreign Force Recruitment Programme which aims to improve the Department's HR capacity through the recruitment of Health Professionals from Tunisia and Cuba.⁹

In addition the Department has made Health Professional Training and Development a policy priority for 2008/09. This priority will be pursued through the continued training of existing health professionals; increasing the Bursary Fund allocation; targeting scarce skills; and the provision of learnerships and internships to the youth of the province.¹⁰

Finally, in an effort to retain existing personnel the Department intends to continue the phased implementation of the Occupational Specific Dispensation (OSD) for the remainder of the 2007/08 MTEF period.¹¹ The OSD was announced in the 2007/08 policy speech as a [salary] package improvement process aimed at retaining critical staff through improving remuneration.¹² According to the Department the first phase of this process has been finalised with an increase to nurses' made at a cost of R173 million.¹³ During the 2008/09 financial year the Department intends to implement the second phase of the OSD and they will target doctors, pharmacists, EMRS practitioners and other health professionals.¹⁴

⁷ Eastern Cape Department of Health Policy Speech 2008/09.

⁸ *ibid.*

⁹ *ibid.*

¹⁰ *ibid.*

¹¹ Eastern Cape Provincial Treasury *Budget Statement I 2008/09*, p. 62

¹² Eastern Cape Department of Health Policy Speech 2008/09

¹³ *ibid*

¹⁴ *ibid*

2. Infrastructure Development and Maintenance

The Department regards Infrastructure Development and Maintenance as a policy priority for the 2008/09 financial year. The Department intends to implement “an infrastructure and maintenance plan informed by the Service Transformation Plan [which] will be the guiding framework for the Department to develop and maintain all health facilities within the province”.¹⁵ The Department plans to prioritise finishing existing infrastructure projects and “and *not* start new projects”.¹⁶

The Department has prioritised strategies which will “face-lift”, rehabilitate and upgrade primary health care facilities like clinics and community health centres¹⁷. This will be done with the aim of making clinics “Centres of Excellence to ensure that primary health services are accessible to communities”.¹⁸ These projects include:

- Commencing with the upgrading of seven clinics to become fully fledged 24-hour community health centres;
- Commencing with the rehabilitation of six clinics to become proper clinic structures with wellness and counselling rooms;
- Face-lift and beautification process at Andries Vosloo Hospital;
- Major renovations at KwaZakhele and Motherwell Community Health Centres;
- Rehabilitation of Korsten Clinic; and
- Building of staff accommodation at Joubertina Hospital.

The Department also plans to implement and complete a number of projects which will upgrade, refurbish and rearrange a number of Hospitals in the province. The Department intends to use the nationally funded Hospital Revitalisation Grant to continue with the modernisation of hospital infrastructure and equipment at the Frontier, Madwaleni, St Elizabeth, St Lucy's and St Patrick's Hospitals.¹⁹ In addition, the Department plans to continue with a number of projects started in the 2007/08 financial year which fall within the provincially funded Hospital Upgrading Plan, including:

- Construction work at Cecilia Makiwane;
- Upgrading of Trauma and Oncology Unit at Livingstone Hospital for a budget amount of R38m;
- Provision of residential accommodation at various hospitals to the tune [sic] of R22m;
- Upgrading of Bedford Orthopedic Hospital at a budget amount of R7m;
- The upgrading of Siphethu Hospital has been allocated funding of R15m for 2008/09 financial year including the Tayler Bequest Hospital at Mt Fletcher for a budget amount of R2m; and
- An initial amount of R6m has been allocated to secure the site for the development of the Mt Ayliff Psychiatric Hospital.²⁰

¹⁵ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 62

¹⁶ *Ibid*, emphasis added

¹⁷ Eastern Cape Department of Health Policy Speech 2008/09.

¹⁸ *ibid*

¹⁹ *ibid*

²⁰ *ibid*

In an effort to ensure the adequate provision of healthcare services during expected and unexpected power outages, the Department has pledged to provide additional alternative power sources for health facilities.²¹ To do this the Department has received an additional budget allocation of R50 million for the 2008/09 financial year. This allocation will be used for:

- The procurement and installation of Un-interrupted Power Supply (UPS) Mechanism in all health facilities;
- The replacement and procurement of generators; and
- The upgrading and maintenance of reticulation and electrical systems in health facilities.²²

The importance the Department places on infrastructure is in line with the PGDP which regards infrastructure development as a "foundational objective in the Eastern Cape due to its key role in social development, especially the eradication of social backlogs".²³

3. HIV and AIDS

The Department has made testing and treatment of HIV and AIDS a policy priority of the 2008/09 financial year and has prioritised the implementation of the HIV and AIDS Strategic Plan 2007-2011.²⁴ In terms of this plan, the Department aims to achieve the following targets for the financial year:

- Ensure that all 768 Primary Health Care facilities will be providing access to Voluntary Counseling & Testing (VCT) and Prevention of Mother to Child Transmission of HIV & AIDS (PMTCT) services;
- Implementation of the 'Dual Therapy' PMTCT guidelines and treatment of pregnant women;
- Increase number of clients on ART from 42 280 to 60 000;
- Increase the number of children on ART programmes from 2 296 to 3 600;
- 50 PHC facilities will be offering the comprehensive package of sexual assault care in accordance with the National Policy on Sexual Assault Care; and
- 8 000 community caregivers to receive nationally determined stipends and to be trained according to the Community Care Worker National Qualifications Framework levels.²⁵

These targets should be pursued with the PGDP and Millennium Development Goal of halting and reversing the spread of HIV and AIDS by 2014 in mind.²⁶ According to the PGDP, HIV and AIDS programmes in the province should prioritise the following key areas of focus if this target is to be achieved:

- The mobilisation of civil society against the spread of HIV and AIDS;

²¹ Eastern Cape Department of Health Policy Speech 2008/09.

²² *ibid*

²³ The Provincial Growth and Development Plan 2004-2014.

²⁴ Eastern Cape Department of Health Policy Speech 2008/09.

²⁵ *ibid*

²⁶ The Provincial Growth and Development Plan 2004-2014.

- The improvement of prevention and awareness through education and Voluntary Counselling and Testing (VCT);
- Increase access to treatment
- Increase care and support for people living with HIV and AIDS through enhanced community home-based care programmes and Step Down and TB management programmes.²⁷

Clearly, the Department of Health has committed itself to intensifying the fight against HIV and AIDS by improving awareness, prevention, treatment and care to more people in the province.

4. Tuberculosis

Due to an increase in the number of reported cases of TB (MDR and XDR strains in particular), as well as the high rate of treatment default, the Department has made the detection, treatment and cure of all forms of TB a policy priority for 2008/09²⁸. The Department has established a “Provincial War Room in order to engage senior clinicians, health experts, traditional leaders, traditional healers, religious leaders and other key stakeholders in seeking multiple solutions to address the MDR and XDR TB problem in the province”.²⁹

For the 2008/09 financial year the Department has set out to achieve the following objectives for its TB programmes:

- To detect at least 70 percent of new smear positive cases;
- To cure at least 80 percent of TB patients;
- To reduce treatment defaulters;
- To identify and treat 100 percent of MDR TB cases;
- To identify and treat 100 percent of XDR cases;
- To ensure the expansion of beds in the MDR/XDR centres;
- To ensure the filling of identified critical posts; and
- To ensure the provision of MDR/XDR medicines.³⁰

The Department has consequently included the following strategies to combat all strains of TB for the next financial year:

- Hospitalising MDR and XDR patients (separately) for the first six months of treatment;³¹
- Increasing the awareness and advocacy campaigns about TB and Multi and Extreme Drug resistant TB to all the communities of the province;
- Improving and strengthening management of specimen transportation to improve sputum turnaround time so that results of patients’ sputum are made available within 48 hours instead of 72 hours;

²⁷ *Ibid.*

²⁸ Eastern Cape Provincial Treasury *Budget Statement I 2008/09*, p. 63

²⁹ Eastern Cape Department of Health Policy Speech 2008/09

³⁰ Eastern Cape Provincial Treasury *Budget Statement I 2008/09*, p. 64

³¹ *ibid*

- Increasing the number of TB patients counselled and tested for HIV from 17 000 to 18 000;
- Providing recreational facilities at TB hospitals so patients will not experience boredom and homesickness;
- Strengthening public-private collaboration in TB management as the majority of clients consult private practitioners; and
- Increasing the TB cure rate from 57 percent to 70 percent by the end of the 2008/09 financial year.³²

The Department's apparent commitment to the detection and treatment of all strains of TB is in line with the Government's pledge to intensify campaigns against communicable diseases. This priority is also in line with the President's APEX priority to "reduce the burden" of these diseases as well as the PGDP goal of halting the spread of TB by 2014.

5. Financial Management

The Department has made financial management and improving audit outcomes a policy priority as it has received eight disclaimers and one adverse audit opinion from the Auditor-General in the last ten years. In this regard the Department aims to improve budget management, ensure better compliance with the PFMA and Treasury regulations, and tighten monitoring of expenditure.³³ In order to do this the Department plans to implement the Audit Improvement Project which aims:

- To improve the audit outcome of the 2006/07 ;
- To develop and implement interventions designed to resolve and eliminate the Auditor-General's issues and ensure the Department obtains an unqualified audit report in 2008/09; and
- To ensure the Department is fully capacitated in financial management by 2009/10 (increase human resources with necessary competence and skills).³⁴

To achieve these goals, "Greater emphasis and resources will be channelled towards the resolution of the audit outcomes, improvement of internal control weaknesses, putting in place systems and procedures".³⁵

³² Eastern Cape Department of Health Policy Speech 2008/09

³³ Eastern Cape Department of Health Policy Speech 2008/09

³⁴ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 63

³⁵ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 63

6. Emergency Medical Services (EMS)

The Department has prioritised EMS and fulfilling its commitment to saving the lives of patients by transporting them to nearby health facilities through Emergency Medical and Patient and Transport Services.³⁶ The Department plans to do this by continuing with projects started in 2006/07, including:

- The completion of new EMS bases at Mt Ayliff, Mthata and Queenstown;
- The planning of an EMS station in Port Elizabeth with an anticipated completion date of December 2009 in preparation for the 2010 FIFA Soccer World Cup; and
- The procurement of an additional 80 Emergency Medical Services vehicles (ambulances) and five rescue vehicles in 2008/09.³⁷

The strengthening of EMS is a national policy priority and the expectation is, therefore, that these improvements will increase the capacity in the social services sector in preparation for the 2010 FIFA Soccer World Cup.³⁸

II. Budget Analysis

The Eastern Cape Department of Health receives the second largest departmental budget allocation in the province - a total of R9.75 billion for the 2008/09 financial year. The Department's budget allocation has increased by R1.7 billion, or 20.8% in nominal terms from what it had received in the 2007/08 financial year. Once inflation is taken into account, this amounts to an increase of 12.78% in real terms (see Table 1).

The bulk of the Department's budget allocation for 2008/09 will go towards the compensation of employees, totalling R5.48 billion, or 56%, of the entire budget. The remaining 44% will be split between goods and services (26%), buildings and other fixed structures (8%), departmental agencies and accounts (4%), machinery and equipment (3%), and provinces and municipalities (3%) (See Table 1 and Diagram 1)

³⁶ Eastern Cape Department of Health Policy Speech 2008/09

³⁷ *ibid*

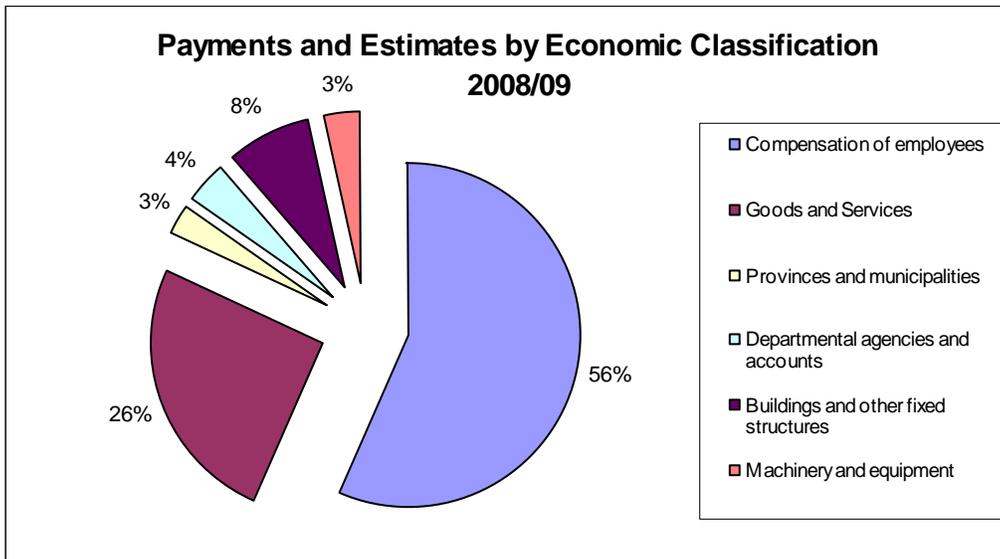
³⁸ *ibid.*

**Table 1: Eastern Cape Department of Health by Economic Classification,
2004/05 – 2010/11³⁹**

(R' 000)	Outcome			Main Appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimate			Real Change between 2007/08 and 2008/09	Real Average Growth over MTEF	
	Audited 2004/05	Audited 2005/06	Audited 2006/07				% change from addjusted appropriation 2007/08	2008/09	2009/10			2010/11
Current payments	4,362,474	5,028,652	6,405,292	7,114,313	6,694,767	7,121,233	7,973,551	19.10	8,309,772	9,173,272	11.21	4.78
Compensation of employees	3,230,694	3,444,788	3,859,210	4,404,596	4,171,711	4,478,765	5,480,717	31.38	5,764,345	6,264,237	22.67	4.55
Goods and Services	1,131,780	1,583,864	2,546,082	2,709,717	2,523,056	2,642,460	2,492,834	-1.20	2,545,427	2,909,035	-7.75	5.28
Interest and rent on land												
Financial transactions in assets and liabilities												
Unauthorised expenditure						8						
Transfers and Subsidies to	447,074	733,308	288,743	121,566	535,402	101,942	678,281	26.69	675,766	706,173	18.29	1.35
Provinces and municipalities	216,129	246,724	240,745	70,000	232,086	70,447	274,500	18.28	286,853	299,761	10.43	2.98
Departmental agencies and accounts	195,272	429,203	8,639		251,720	-60	378,781	50.48	362,788	379,112	40.50	0.03
Universities and technikons												
Public corporations and private enterprises	11,258	10,102										
Foreign governments and international organisations												
Non-profit institutions	4											
Households	24,411	47,279	39,359	51,566	51,596	31,555	25,000	-51.55	26,125	27,300	-54.76	2.98
Payments for capital assets	370,669	358,224	562,232	906,864	838,528	859,932	1,094,183	30.49	996,005	1,042,782	21.84	-1.59
Buildings and other fixed structures	343,887	266,609	444,485	632,247	654,095	669,886	767,067	17.27	735,282	769,230	9.50	0.09
Machinery and equipment	26,781	91,615	116,193	274,617	184,433	189,564	327,116	77.36	260,723	273,552	65.61	-5.79
Cultivated assets	1											
Software and other intangible assets			1,554			482						
Land and subsoil assets												
Total economic classification	5,180,217	6,120,184	7,256,267	8,142,743	8,068,697	8,083,107	9,746,015	20.79	9,981,543	10,922,227	12.78	3.87

³⁹ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 65

Diagram 1: Payments and Estimates by Economic Classification



An examination of the budget allocations by programme reveals that the District Health Services Programme receives the largest allocation - R4.24 billion, or 43 percent of the total budget. The Provincial Hospital Services Programme follows with an allocation of R2.30 billion, or 24 percent of the total budget. The remaining 33 percent of the total budget is split between the Health Facilities Development and Maintenance Programme (12 percent), the Health Sciences and Training Programme (6 percent), the Health Administration Programme (5 percent), the District Health Services Programme (5 percent), the Emergency Medical Services Programme (4 percent), and the Health Care Support Services Programme (1 percent) (see Diagram 2 and Table 2).

Diagram 2: Payments and Estimates by Programme 2008/09

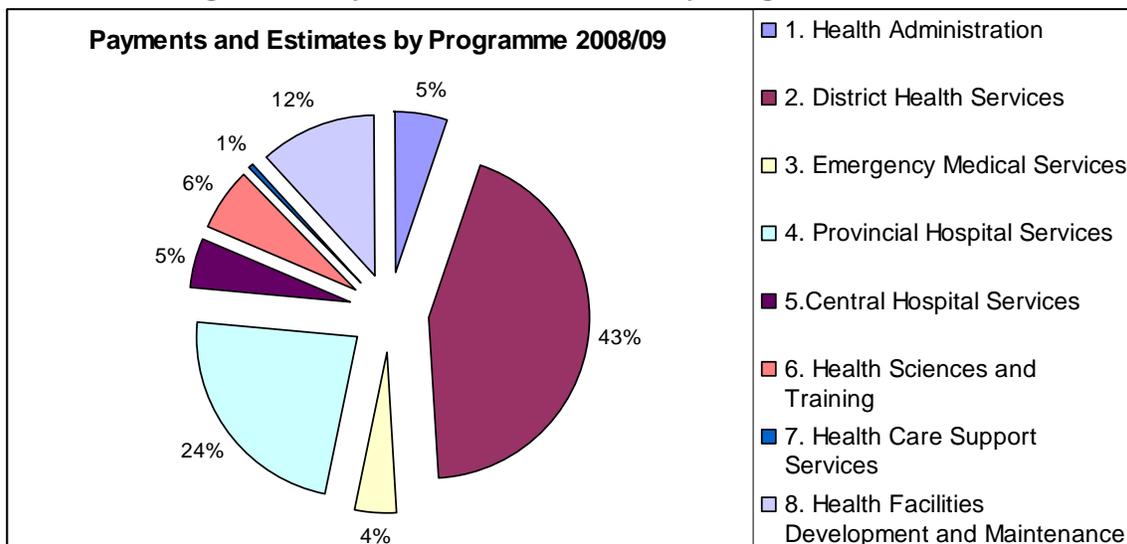


Table 2: Eastern Cape Department of Health by Programme, 2004/05 – 2010/11⁴⁰

Programme (R ' 000)	Outcome			Main Appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimate				Real Change between 2007/08 and 2008/09	Real Average Growth over MTEF
	Audited 2004/05	Audited 2005/06	Audited 2006/07				% change from revised estimate 2007/08	2008/09	2009/10	2010/11		
1. Health Administration	245,207	248,398	331,643	369,065	351,361	378,572	523,821	49.08	468,742	491,561	40.38	-5.08
2. District Health Services	2,558,483	2,812,011	3,237,762	3,555,512	3,627,219	3,559,295	4,237,898	16.84	4,438,227	4,932,618	10.02	1.99
3. Emergency Medical Services	125,234	219,052	321,586	380,734	333,912	360,579	395,756	18.52	397,547	516,960	11.60	5.98
4. Provincial Hospital Services	1,708,351	2,043,109	2,287,337	2,759,089	2,773,393	2,664,424	2,298,463	-17.12	2,519,642	2,700,809	-21.96	2.31
5. Central Hospital Services							468,088		507,595	550,750		2.35
6. Health Sciences and Training	159,948	327,406	364,582	417,915	355,687	429,495	619,994	74.31	477,691	503,373	64.13	-9.55
7. Health Care Support Services	10,440	36,049	20,930	30,701	23,977	27,200	72,729	203.33	29,027	30,385	185.62	-27.52
8. Health Facilities Development and Maintenance	372,554	434,159	692,427	629,727	603,148	663,542	1,129,266	87.23	1,143,072	1,195,771	76.30	-1.18
Total payments and estimates	5,180,217	6,120,184	7,256,267	8,142,743	8,068,697	8,083,107	9,746,015	20.79	9,981,543	10,922,227	13.74	0.71

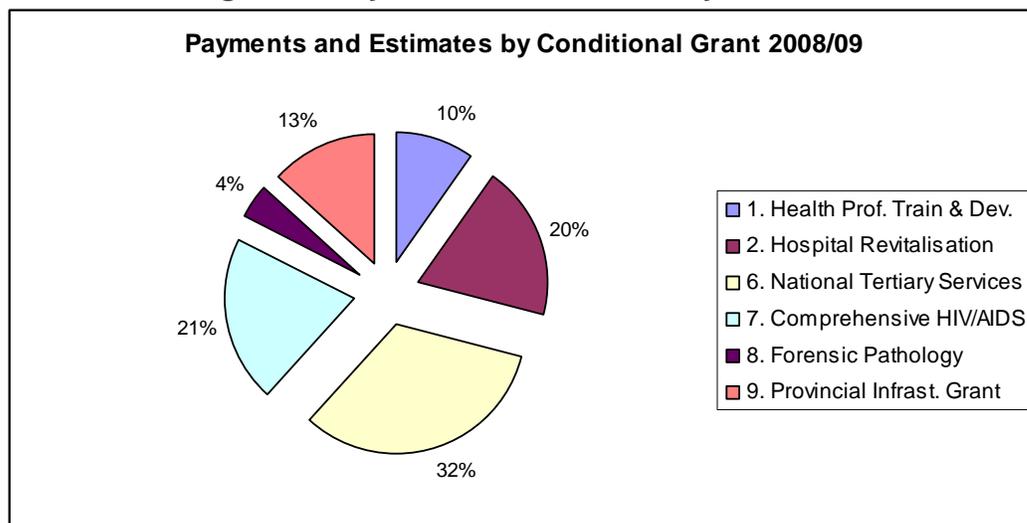
⁴⁰ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 66

In addition to its equitable share allocation⁴¹, the Department receives several conditional grants (see Diagram 3 and Table 3). Conditional grants are supplementary allocations transferred to provincial departments from national departments to "fund national priority programmes aimed at speeding up the realisation of basic social rights".⁴² Unlike the equitable share allocation, however, conditional grants may only be spent in a way that is consistent with their intended use.⁴³

The Department's total conditional grant allocation has increased from R 1.26 billion in 2007/08 to R 1.4 billion in 2008/09. This represents an increase of 15.62 percent in nominal terms and an increase of 6.93 percent in real terms (see Table 3).

An examination of the conditional grant allocations by grant reveals that the National Tertiary Services Grant receives the largest allocation of R 468 million or 32 percent of the total sum for conditional grant allocations. The Comprehensive HIV and AIDS Grant follows with an allocation of R 301 million or 21 percent of the total sum. Receiving marginally less than the Comprehensive HIV and AIDS Grant, the Hospital Revitalisation Grant receives R282 million or 20 percent of the total sum. The remaining 27 percent of the total sum is split between the Provincial Infrastructure Grant (13%), the Health Professionals Training and Development Grant (10%) and the Forensic Pathology Grant (4%) (See Table 3 and Diagram 3⁴⁴).

Diagram 3: Payments and Estimates by Conditional Grant



⁴¹ Funds distributed to provinces by the National 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-provinces determine how their equitable share is distributed to particular departments and programmes in line with national policies and priorities.

⁴² Budget Review 2008, p. 126

⁴³ See the Division of Revenue Act 2008, especially Chapter 3, for more information, available at <http://www.treasury.gov.za/legislation/acts/2008/Division%20of%20Revenue%20Act%20of%202008.pdf>.

⁴⁴ Diagram 3 only compares six of the nine conditional grants indicated in Table 3 as the remaining three, the Malaria and Cholera Prevention Grant, the Hospital Management Grant, and the Integrated Nutrition Grant, have not received allocations for the 2008/09 financial year.

Table 3: Eastern Cape Department of Health Conditional Grant Allocations⁴⁵

Conditional Grant Allocation (R ' 000)	Outcome			Main appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimate				Real Change between 2007/08 and 2008/09	Real Average Growth over MTEF
	Audited 2004/05	Audited 2005/06	Audited 2006/07				% change from adjusted appropriation 2007/08	2008/09	2009/10	2010/11		
1. Health Prof. Train & Dev.	76,962	131,957	134,744	133,944	133,944	133,944	140,641	5.00	151,362	160,444	-1.96	1.27
2. Hospital Revitalisation	98,870	127,612	135,174	246,750	246,750	246,750	282,288	14.40	226,276	325,810	6.82	1.67
3. Malaria & Cholera Prevention	1,254											
4. Hospital Management	13,705	22,986										
5. Integrated Nutrition	22,815	24,622										
6. National Tertiary Services	236,170	384,970	345,172	428,912	428,912	428,912	468,088	9.13	507,595	550,750	1.90	2.32
7. Comprehensive HIV/AIDS	90,539	162,361	280,810	233,204	233,204	233,204	300,522	28.87	380,897	463,750	20.32	12.00
8. Forensic Pathology		605	38,677	38,135	68,135	68,135	58,129	-14.69	61,214	69,345	-20.34	2.79
9. Provincial Infrast. Grant				150,000	150,000	138,000	194,370		194,370	194,370	20.99	-3.08
Total payments and estimates	540,315	855,113	934,577	1,230,945	1,260,945	1,248,945	1,444,038	15.62	1,521,714	1,764,469	6.93	3.62

⁴⁵ Eastern Cape Treasury Provincial Treasury, *Budget Statement 2008/09*, p. 65

Financial Management

The Eastern Cape Department of Health is required to maintain effective, efficient and transparent systems of financial management to ensure that its facilities, programmes and projects are appropriately funded and deliver quality health services. Over the last decade, however, the Department has repeatedly shown that it is incapable of managing its financial resources efficiently and effectively. The Auditor-General has repeatedly highlighted inadequate financial management, ineffective internal controls and poor in-year monitoring by the provincial Department of Health. The Auditor-General has also noted that the activities of the Department are not adequately, continuously and effectively monitored and supervised by management, which has impacted on the extent to which the Department is able to ensure financial and related systems operate efficiently. Poor financial management has resulted in the Auditor-General issuing the Department with eight audit disclaimers and one adverse opinion in the last ten years.

It is encouraging to see that the Department has made financial management a priority for 2008/09.⁴⁶ What is even more encouraging is that they plan to implement the Treasury's audit intervention plans through the Audit Intervention Project (AIP). A budget of R48,8 million has been set aside for this project which aims to improve the audit outcome for 2008/09⁴⁷.

If the AIP is going to be successful in improving the 2008/09 audit outcome, the Department needs to ensure that funds are directed toward improving capacity among existing staff and recruiting additional staff to fill vacant financial management posts, especially in the Health Administration Programme. The average vacancy rate for "finance and economic related" (71 percent), "financial and related professional" (76.6 percent) and "financial clerks and credit controller posts" (54.6 percent) was 67.4 percent, with only 475 of the 1 214 posts filled at the beginning of the 2008/09 financial year.⁴⁸

The substantial increase in the budget allocation for the Health Administration programme, which is responsible for ensuring sound financial management in the Department, should help to improve human resources in this programme and, in turn, financial management in the Department. The decrease of 5.08 percent in real terms in this programme over the MTEF, however, does raise the question of whether or not the Department's long term planning for this programme is adequate. If the Department does not ensure that this programme is adequately funded over the long term then the success of AIP may be limited.

Human Resources:

This year the Department has shown that it intends to make significant strides in tackling the HR crisis in the province. Most of the Department's allocations relating to human resources have increased substantially for the 2008/09 financial year: The allocation for the Health Administration Programme has increased from R351.36 million in 2007/08 to R523.82 million in 2008/09, or 49.08 percent in nominal terms (see Table 2). This represents an increase of 40.38 percent in real terms. The allocation for the

⁴⁶ Eastern Cape Department of Health Policy Speech 2008/09.

⁴⁷ *ibid*

⁴⁸ Eastern Cape Department of Health Annual Performance Plan 2008/09-2010/11, p.24

compensation of employees has increased from R4.17 billion in 2007/08 to R5.48 billion in 2008/09, or 31.38 percent (R1.31 billion) in nominal terms` (see Table 2). This represents an increase of 22.67 percent in real terms. The allocation for the Health Sciences and Training programme has increased from R 355.69 million in 2007/08 to R619.99 million in 2008/09, or 74.31 percent (R264.31 million) in nominal terms (see Table 2). This represents an increase of 64.13 percent in real terms.

In the 2007/08 Budget Analysis (BA), the PSAM raised the concern that the substantial decrease in the Health Administration Programme's budget allocation for that year would impact negatively on the Department's ability to manage its financial and human resources. It was argued that:

The decrease for this critical programme is of concern given the fact that the Department regards human resources as a policy priority. In order for the Department to address its alarming vacancy rates and capacity constraints, it needs its budget for this vital programme to increase rather than decrease by 20.80 percent⁴⁹.

Indeed, past experience has shown that poor management of its Health Administration Programme has had a direct impact on the Department's ability to recruit and retain staff. The Department itself has said as much:

The exodus of skilled personnel out of the province and the country in general is well known. As a result thereof *and also owing to the gross system [sic] and deficiencies in the management of human resources in the Eastern Cape Department of Health, issues especially relating to payment of service benefits...[in this regard] inadequate budget has militated against the filling of critical vacancies in the Department.*⁵⁰

Therefore, the substantial increase in allocation for this programme is of critical importance if the Department is to efficiently and effectively manage its HR programmes although it remains to be seen whether or not this increase is enough to overcome the impact of the decrease in allocation for this programme in 2007/08.

If the Department does not use this allocation optimally and ensure that it hires sufficient personnel to manage the financial and human resources in the Department, it runs the risk of under spending the budget allocations for HR programmes, all of which have received substantial increases for 2008/09. This would then, in turn, result in the Department being unable to fill critical vacancies.

The main focus of the Department's HR strategy for the 2008/09 financial year will be the continued implementation of projects aimed at recruiting skilled personnel.⁵¹ The Department plans to do this through the continued implementation of Project 5000 which aims to recruit 5 000 health professionals, especially professional nurses, doctors, pharmacists, and finance and HR specialists over the 2007/08 MTEF period (2007/08-

⁴⁹ The Public Service Accountability Monitor, Eastern Cape Department of Health Budget Analysis 2007/08, p.11

⁵⁰ Eastern Cape Department of Health Annual Performance Plan 2007/08-2009/10, p.30. Emphasis added.

⁵¹ Eastern Cape Provincial Treasury *Budget Statement 2* 2008/09, p.60

2009/10).⁵² To do this the Department has set aside a budget amount of R600 million, of which R500 million will go towards funding of vacant posts to be filled and R100 million to the management of the project.⁵³

The retention of staff is another HR priority for the 2008/09 financial year. Over the past five years the Department has consistently experienced a turnover rate in some critical positions (doctors, specialists and pharmacists) in excess of 30 percent.⁵⁴ In 2003/04, for example, the Department had a turnover rate for medical practitioners (59 percent), medical specialists (38.5 percent) and pharmacists (41 percent) of well over a third.⁵⁵ By 2006/07 the situation had not improved; in that year the turnover rate for doctors (39.3 percent) and Pharmacists (44.5 percent) remained above a third with only the turnover rate for Medical specialists improving to 18.1 percent.⁵⁶ In an attempt to retain staff and reduce the turnover rate, the Department plans to continue to implement the Occupation Specific Dispensation (OSD) which aims to increase the remuneration for staff in these posts⁵⁷. Last year the Department finalised the first phase of this programme with an increase to nurses' salaries at a cost of R173 million.⁵⁸ This year it plans to extend this programme to personnel in other critical posts.⁵⁹

Over and above seeking to retain staff by increasing their remuneration, the Department needs to take steps to create a healthy and secure working environment for staff. This involves ensuring that facilities are adequately resourced, maintained and secure and that staff are adequately accommodated.⁶⁰ Simply offering additional remuneration to staff will not ensure that their services will be retained in the long-term.

The Department does not only intend to improve its HR capacity through the recruitment and retention of personnel, it also plans to improve the quality of existing and potential personnel through training and development. Two allocations are of importance in this regard: The Health Sciences and Training programme, which has the objective of "provid[ing] training, development and academic support to all health professionals and employees",⁶¹; and the nationally funded Health Professionals Training and Development Conditional Grant, which also has the objective of developing, training and recruiting critical health professionals.⁶² On first inspection of the allocations for these programmes it is worrying to see that the allocation to Health Professionals Training and Development Conditional Grant will actually decrease by 1.96 percent in real terms for the 2008/09 financial year (see Table 3). This, however, should be mitigated by the substantial increase of 64.13 percent in the allocation to the Health Sciences and Training programme for the same year (see Table 2). If the two allocations are combined we find that the Department will receive a total of R760.64 million for Training and Development in 2008/09. This represents an increase of R271.01 million, or 55.4 percent in nominal terms from the 2007/08 financial year. Once inflation is taken into

⁵² Eastern Cape Department of Health Policy Speech 2008/09

⁵³ *ibid.*

⁵⁴ See Eastern Cape Department of Health Annual Reports 2001/02-2006/07

⁵⁵ Eastern Cape Department of Health Annual Report 2003/04 p. 116-123

⁵⁶ Eastern Cape Department of Health Annual Report 2006/07, p. 218-223

⁵⁷ Eastern Cape Department of Health Policy Speech 2008/09

⁵⁸ *ibid*

⁵⁹ Eastern Cape Department of Health Policy Speech 2008/09

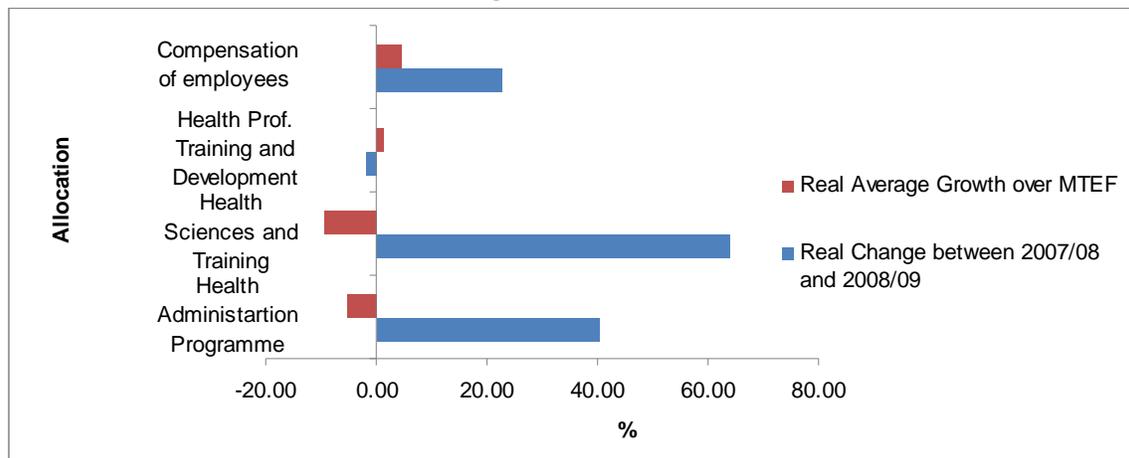
⁶⁰ Eastern Cape Department of Health, Draft Human Resources Plan, 2007/08-2010/11, p. 14-16

⁶¹ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p.78-79

⁶² Eastern Cape Department of Health Annual Report 2006/07, p. 37

account, this is an increase of 31.64 percent in real terms. But, without adequate management and monitoring of Training and Development programmes, the increases could go unspent and/or misspent.

Diagram 4: HR Allocation: Real Change 2007/08 and 2008/09 vs. Average Growth over MTEF



One particularly worrying aspect of the 2008/09 HR budget is that despite the fact that most allocations have increased substantially for the 2008/09 financial year the same cannot be said for the estimated allocations over the MTEF (see Diagram 4 above). The Health Administration Programme expects an average decrease of 5.08 percent in real terms over this period. The Health Sciences and Training programme expects a decrease in its allocation of, on average, 9.55 percent in real terms, while the Health Professionals Training and Development Grant only expects an increase of 1.27 percent in real terms. Most troubling, however, is the fact that the Department only expects to increase the allocation for compensation of employees by 4.78 percent in real terms over the MTEF. Now consider that in 2006/07, despite having an overall vacancy rate of 34 percent, the Department still managed to spend 99.50 percent of its budget for the compensation of employees.⁶³ This means that unless the Department spends its HR budget more efficiently, it is unlikely that this increase will be enough to fund posts to be filled over this period.⁶⁴ But even if it manages to spend its personnel budget more efficiently, an average increase of less than 5 percent in real terms over the MTEF is unlikely to fund the posts of the additional 5000 personnel⁶⁵ the Department intends recruiting over the next two years, especially taking the OSD into account.

All the projects aimed at recruiting, retaining, developing and training personnel, especially for critical posts, are long term projects. The Department cannot and does not intend to fill all vacancies this year. Therefore, it needs to ensure that over the MTEF its budgets appropriately for the continued recruitment, training and payment of personnel.

⁶³ Eastern Cape Department of Health Annual Report 2006/07

⁶⁴ Eastern Cape Department of Health Annual Report 2006/07

⁶⁵ Using the 2005/06 figures, this represents an increase in the Departments personnel compliment of more than 10 percent

While the increases in many of these allocations are welcomed, past experience has shown that simply throwing money at the problem is not sufficient. If a significant improvement in HR is to be made, then the Department needs to heed recommendations made by other role-players such as the Auditor-General and the PSAM. The Department needs to ensure that the planning for and monitoring of their programmes is sufficient.

Over the past five years the Department has consistently been unable to achieve an overall vacancy rate of less than 34 percent and a vacancy rate of less than 45 percent in critical posts⁶⁶ not only because it does not have the funds to do so⁶⁷, but also because of poor planning and financial management. For instance, between 2000 and 2006 the Department's strategic plans have failed to include a detailed recruitment and retention strategy. What little planning there was failed to specify clear activities, targets, and time-frames to monitor the Department's performance in filling vacant posts. Moreover, these plans have failed to take into account how staff shortages affect service delivery and there is evidence to suggest that these shortages are not taken into account when setting targets. For example, according to the Department's own Draft Human Resources Plan 2007/08- 2010/11:

The personnel budget is determined on the basis of the provincial treasury model, where the personnel budget is allocated in respect to filled posts while vacancies becomes unfunded if it is not filled within a specific period...this means that vacancies are not being taken into account when budgeting thus preventing the department from filling such vacancies due to lack of funds which resulted in an increase in the vacancy rate.

There is reason to believe that HR planning may not have improved much for the 2008/09 financial year. At the time of writing, the Department was still using a HR plan which has been in draft format since 2005. According to the Auditor-General, poor planning has been a major barrier to service delivery in the province:

There is no formalised HR plan in place. This plan is still in draft format, dates back to 2004/05 and has not been implemented. The tasks required to accomplish particular jobs and fill various positions have not been identified and defined and no adequate analysis has been done on the knowledge, skills and abilities needed to perform jobs appropriately.⁶⁸

If the Department does not address its problems with planning and monitoring there will be little chance that projects aimed at improving the human resources crisis could be successful, even with improved funding.

Infrastructure Development and Maintenance

The Department's allocation for buildings and other fixed structures has increased from R654.1 million in 2007/08 to R767.07 million in 2008/09. This represents an increase of 17.27 percent in nominal terms, or 9.5 percent in real terms. The Department has also received an increase in allocation for machinery and equipment from R184.43 million in

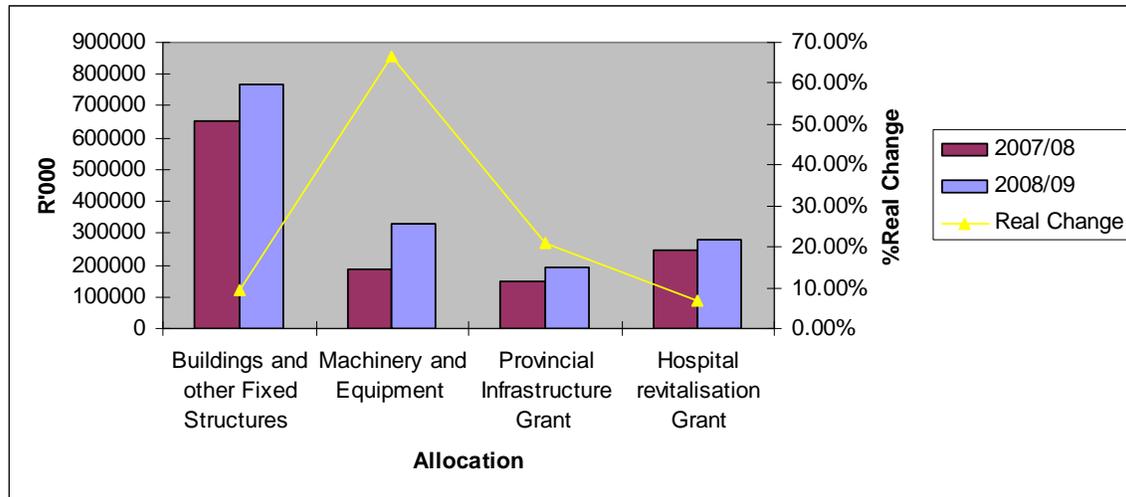
⁶⁶ Eastern Cape Department of Health Annual Report 2002/03-2006/07

⁶⁷ Eastern Cape Department of Health Annual Performance Plan 2007/08-2009/10 p.14

⁶⁸ Eastern Cape Department of Health Annual Report 2006/07, p. 204

2007/08 to R327.12 million in 2008/09. This represents a substantial increase of 77.36 percent in nominal terms, or an increase of 65.61 percent in real terms (see Table 1). The Department has also received an increase in its provincial Infrastructure Grant from R159.3 million in 2007/08 to R194.37 million in 2008/09. This represents an increase of 22.02 percent in nominal terms, or 20.99 percent in real terms. The Department's Hospital Revitalisation Grant has increased from R246.75 million in 2007/08 to R282.29 million in 2008/09, or 6.82 percent in real terms (see Table 3 and Diagram 5).

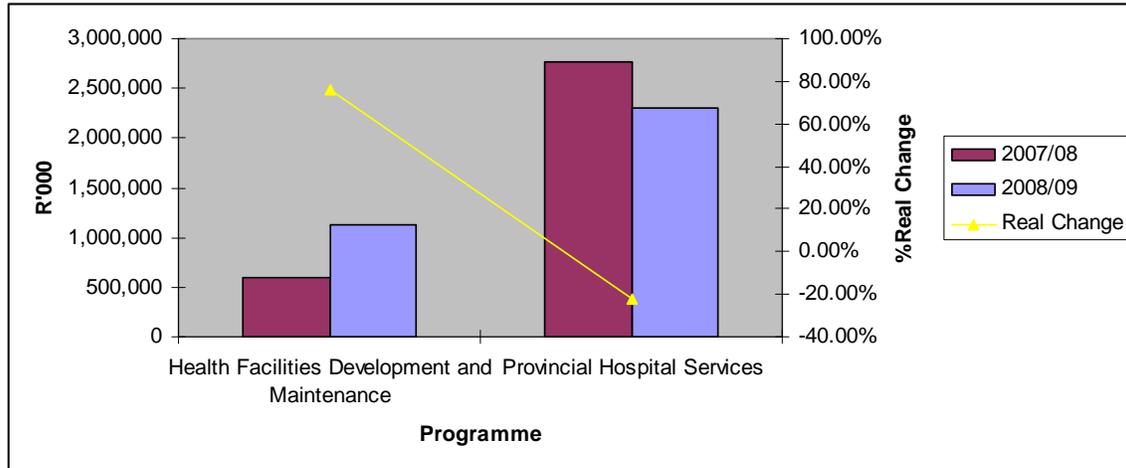
Diagram 5: Allocations for Infrastructure



For 2008/09 the Department has received a total of R1.57 billion for infrastructure development and management from its equitable share and conditional grants. Of this amount R1.13 billion goes directly to the Health Facilities Development and Maintenance programme which has the objective of improving access to healthcare services by providing new health facilities and upgrading and maintaining existing facilities.⁶⁹ The total allocation for this programme has increased considerably from R603.15 million in 2007/08 to R1.13 billion in 2008/09. This represents an increase of R526.12 million in nominal terms, or 76.3 percent in real terms (see Diagram 6).

⁶⁹ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p.82

Diagram 6: Infrastructure Related Programmes



The Department's allocation for the Provincial Hospital Services Programme, which incorporates the Hospital Revitalisation Grant, on the other hand, has decreased significantly from R2.66 billion in 2007/08 to R2.30 billion in 2008/09. This is a decrease of 17.12 percent in nominal terms but actually represents a significant decrease of 21.96 percent in real terms (see Diagram 6 and Table 4 below). The purpose of this Programme "is to provide cost effective, good quality, effective and efficient secondary hospital services"⁷⁰, through implementation of the following priorities:

- Establishment of step down facilities;
- Rationalisation of services;
- Revitalisation of hospitals; and
- Hospital Improvement Programme and the implementation of Hospital Improvement Plan⁷¹

Even though the decrease in the allocation for this Programme should be mitigated by the substantial increase in the allocation for the Health Facilities Development and Maintenance Programme — although the Department has not said as much — the Department needs to ensure that the policy priorities which fall within the scope of this Programme are not neglected. Regrettably, the Department and Provincial Treasury both fail to provide an adequate explanation for the significant reduction in the Provincial Hospital Services Programme. It appears from the information which has been provided that the budgets intended for General (Regional) Hospitals and Goods and Services will carry the significant reduction in the Programmes' allocation given that their respective budgets decrease respectively from R2.22 billion and R1.1 billion in 2007/08 to R1.75 billion and R482 million in 2008/09.⁷²

⁷⁰ Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p.76

⁷¹ Eastern Cape Department of Health Annual Report 2006/07, p. 129

⁷² Eastern Cape Provincial Treasury *Budget Statement 2 2008/09*, p. 76-77.

Table 4: Summary of payments and estimates - Programme 4: Provincial Hospital services

Sub-programme R'000	Outcome			Main Appropriation 2007/08	Adjusted appropriation 2007/08	Revised estimate 2007/08	Medium-term estimate				Real Change between 2007 and 2008	Real Average Growth over MTEF
	Audited 2004/05	Audited 2005/06	Audited 2006/07				% change from adjusted appropriation on 2007/08	2008/09	2009/10	2010/11		
1. General (Regional) Hospitals	1,494,938	1,683,050	192,470	2,289,044	2,222,685	2,244,360	1,755,207	-21.03	1,928,421	2,081,502	-25.64	0.03
2. TB Hospitals	24,507	112,528	89,975	149,367	247,320	130,313	201,643	-18.47	222,136	232,505	-23.23	0.02
3. Psychiatric Mental Hospitals	188,906	247,531	276,901	320,678	303,388	289,751	341,613	12.60	369,085	386,802	6.03	0.01
4. Chronic Hospitals			-9									
5. Dental Training Hospital												
6. Other Specialised Hospitals												
Total payments and estimates	1,708,351	2,043,109	559,337	2,759,089	2,773,393	2,664,424	2,298,463	-17.12	2,519,642	2,700,809	-21.96	0.02

A decision by the Provincial Executive has resulted in R50 million being allocated to the Department for the purchase of generators in order to minimise the impact of planned power outages over the next few years. These planned power outages will undoubtedly put a strain on the Department's capacity to deliver critical health care services such as life support. To limit the impact these outages will have on service delivery, the Department needs to ensure that it spends this allocation timeously and efficiently. Past experience, however, has shown that the Department has been unable to maintain existing generators due to issues with management and the tendering for maintenance and repair contracts. In 2006, for example, four babies died at the Cecilia Makiwane Hospital's paediatric Intensive Care Unit as a direct result of generators failing to kick in because of a lack of maintenance.⁷³

While the overall increase in the allocations for infrastructure maintenance and development is welcomed, and corresponds to the Department's policy priorities of addressing infrastructure problems in the province, the Department needs to ensure these allocations are managed and spent effectively. Performance in previous financial years has shown that the Department has been unable to properly spend its allocations for infrastructure. For example, the Department spent only 78.28 percent of its R454.51 million allocation for capital assets in 2005/06.⁷⁴ In the same year the Department underspent its Hospital Revitalisation Conditional Grant by R30.01 million, or 19.09 percent.⁷⁵ More recent spending results have, however, shown a marked improvement in the Department's spending performance. In 2006/07, the Department managed to overspend on its allocation for capital assets by R24.66 million or 4.2 percent and its Hospital Revitalisation Conditional Grant by 7 percent, or R8.80 million.

Despite these improvements in spending, it remains unclear if the Department has spent these allocations appropriately. As the Auditor-General's reports over the past decade have shown, the Department's financial management and accounting is in such a bad state that it is impossible to say, with any certainty, whether or not these allocations have been used for their intended purpose. In 2004/05, for example, the Auditor-General noted the following problems with the monitoring of expenditure relating directly to infrastructure:

Adequate control is not exercised over assets and asset records are not always properly maintained. Audit work revealed that only limited fixed asset register monitoring by management is taking place, with the result that numerous fixed assets could not be physically verified...It was therefore not possible to verify the existence of assets to the value of R370 668 000.⁷⁶

In the Auditor-General's 2005/06 report it was clear that the situation had not improved:

Uncertainty exists as to which of the provincial departments of the Eastern Cape own the various buildings and other fixed structures that are reflected in the financial statements of these departments...As no specific policy in this regard currently exists, it was not possible to confirm ownership of all buildings and

⁷³ Saturday Dispatch, Saturday, 3 March 2008, p. 1.

⁷⁴ The Public Service Accountability Monitor, Eastern Cape Department of Health Budget Analysis 2007/08, p.13

⁷⁵ Eastern Cape Department of Health Annual Report 2005/06, p255

⁷⁶ Eastern Cape Department of Health Annual Report 2004/05, p.214

structures of R610.5 million that are disclosed in the annual financial statements and that this amount is complete.⁷⁷

If the Department is going to use the substantial increases in its allocations for infrastructure development and maintenance efficiently and effectively then it needs to overcome weaknesses in its financial management and monitoring. A failure to do so may result in the Department being unable to ensure that increased allocations will be used on improving infrastructure which in turn could impact negatively on service delivery.

Emergency Medical Services (EMS)

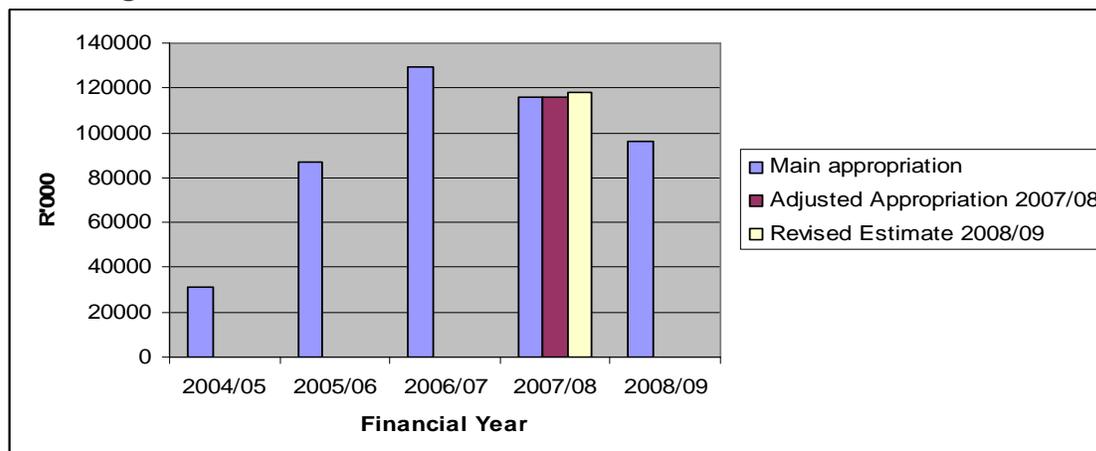
The budget allocation for the EMS Programme has increased by 18.52 percent in nominal terms, or 11.60 percent in real terms, from R333.91 million to R395.76 for the 2008/09 financial year. The growth in this allocation is expected to increase by 5.98 percent in real terms over the MTEF.

On the surface it is encouraging to see that the Department continues to increase its allocation to the EMS programme in line with its three-year turnaround strategy. Most of the additional allocation for this programme will go towards the payment for capital assets which has increased from R23.56 million in 2007/08 to R76.4 million in 2008/09, or an increase of 224.70 percent in nominal terms. This means that the Department will have substantially more capital to build and equip planned and existing EMS stations throughout the province.

A close examination of the budget for the EMS programme, however, shows that the allocation for goods and services (see Diagram 7 below), which is used to pay for the lease of ambulances and emergency vehicles, has actually decreased quite substantially. In 2007/08 the EMS programme had a budget of R115.61 million for goods and services, for 2008/09 this has decreased to R96.43 million which represents a decrease of 18.43 percent in nominal terms or 21.46 percent in real terms. This budget reduction raises questions as to how the Department will continue to sustain the leasing of existing vehicles alongside the procurement of an additional 80 leased ambulances and five rescue vehicles in 2008/09. This is especially worrying if we consider that, according to the 2007/08 revised estimate for goods and services, the Department expects to overspend on its 2007/08 allocation for goods and services in the EMS programme. If the Department has to spend more than it was allocated in 2007/08 then it is unlikely that a substantially smaller allocation will be adequate to pay for an increased fleet in 2008/09.

⁷⁷ Eastern Cape Department of Health Annual Report 2005/06, p. 193

Diagram 7: Allocations for Goods and Services for EMS 2004/05-2008/09



Another area of concern is the budget allocation for the compensation of employees. This allocation has only increased marginally from R194.46 million in 2007/08 to R220.93 million in 2008/09, or 13.61 percent in nominal terms. When inflation is taken into account, this represents an increase of 6.98 percent in real terms. With a vacancy rate of 48.23 percent in Emergency Medical Officer posts in 2007, this increase is likely to be insufficient to recruit the additional staff needed to work as paramedics or staff the new EMS stations. It is therefore unlikely that the Department will be able to achieve its goal of reducing the number of "1 man ambulance crews" by 60 percent this financial year.⁷⁸ If the EMS turnaround plan is to be successful in improving EMS in the province, then the Department needs to act urgently to ensure that it has sufficient funding to fill these vacant posts.

Tuberculosis (TB)

Despite the fact that the Department intends making the detection, treatment and cure of all strains of TB a priority for the 2008/09 financial year, its budget allocation for this priority has actually decreased. The budget allocation for TB hospitals, which fall within the ambit of the Provincial Hospital Services Programme, has decreased from R247.32 million in 2007/08 to R201.64 million in 2008/09. This represents a decrease of 23.23 percent in real terms (see Table 4). More worrying is the fact that the Department predicts that it will only spend R130.31 million (Revised Estimate⁷⁹) of its R247.32 million adjusted appropriation⁸⁰ for TB hospitals in 2007/08 (see Table 4 and Diagram 8 below).

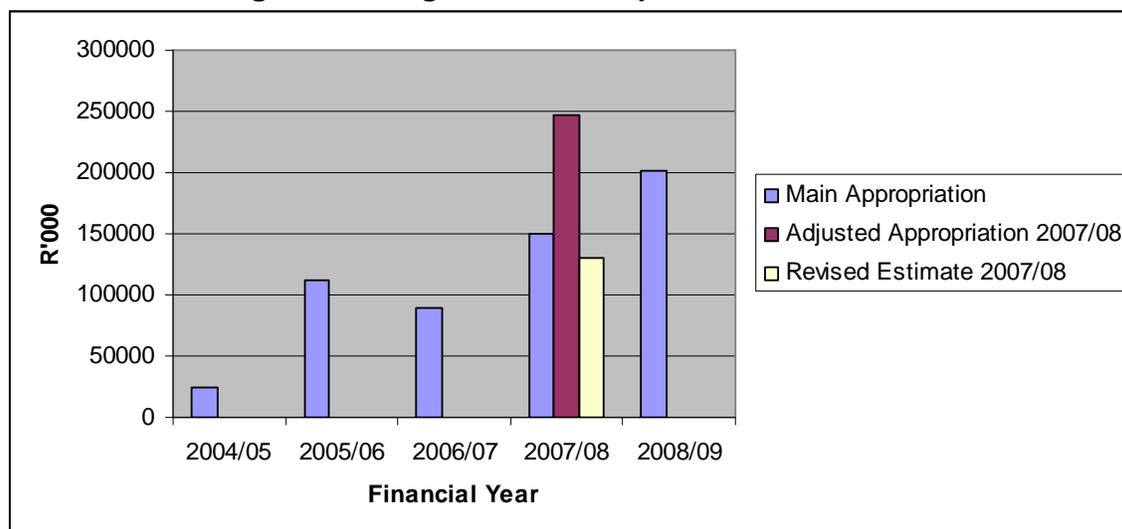
⁷⁸ Eastern Cape Department of Health Budget Statement 2 2008/09, p.74

⁷⁹ According to the National Treasury, the Revised Estimate is the Treasury's estimate, in consultation with the Department, of estimated expenditure outcomes. In other words, the Revised Estimate is what the Department estimates it will spend on any given allocation for that financial year.

⁸⁰ The Adjusted Appropriation is the allocation available to the Department for any given programme or line item once necessary adjustments have been made based on assessed budgetary need. If it is found that the main appropriation given at the beginning of the financial year is insufficient to meet the needs of a particular programme then the allocation may be increased (adjusted up). This also works in reverse, if it is found that a programme may not spend

This means that the Department predicts that it will underspend the budget available to it in 2007/08 by 44.77 percent in nominal terms.

Diagram 8: Budgets for TB Hospitals 2004/05-2008/09



With an expected decrease in this budget and predicted poor spending results for 2007/08, it is highly unlikely that the Department will be able to achieve the goals it has set regarding TB for 2008/09. It is unclear how the Department intends to achieve the following goals with a lesser budget than 2007/08: detect at least 70 percent of all new cases; cure at least 80 percent of patients; identify and treat 100 percent of MDR and XDR cases; expand MDR/XDR treatment centres; hospitalise MDR and XDR patients for the first six months of treatment. It is incomprehensible how the Department intends to manage the ever-increasing demand for the treatment of all strains of TB if it reduces this budget allocation.

This trend is especially worrying if we consider that TB is one of the most prevalent opportunistic infections among people with HIV and AIDS. By not ensuring that they have sufficient resources to treat and cure TB, the Department is simply placing additional strain on an already overburdened health system struggling to manage these epidemics.⁸¹

HIV and AIDS

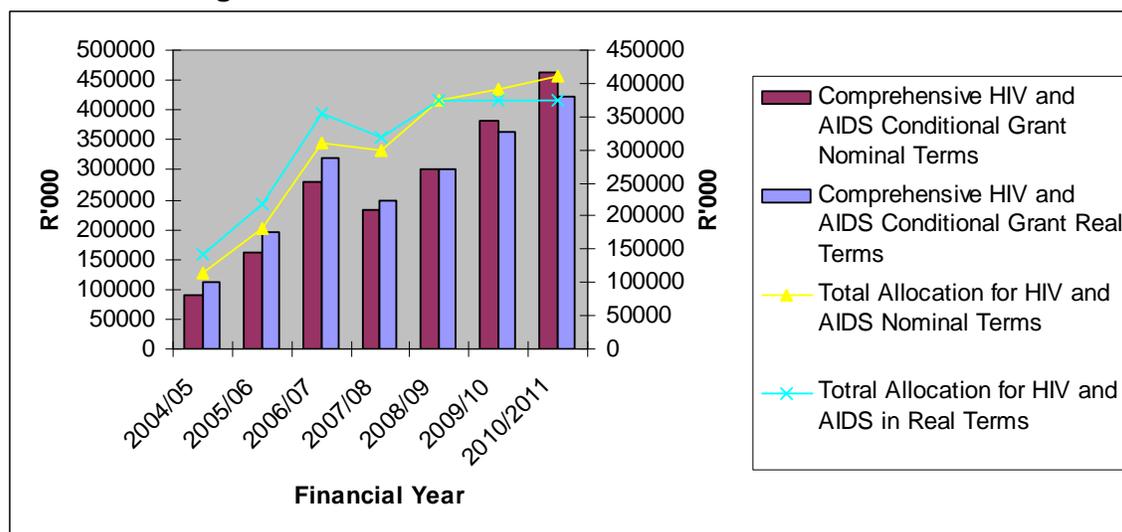
The comprehensive HIV and AIDS Conditional Grant has increased from R247.66 million in 2007/08 to R300.52 million in 2008/09, or 20.32 percent in real terms (see table 3). This amount is, however, still 6.58 percent less in real terms than the Department received in 2006/07 (see Diagram 5). The HIV and AIDS sub-programme, including the Comprehensive HIV and AIDS Conditional Grant, has received an increase in allocation from R299.82 million in 2007/08 to R374.64 million in 2008/09, or an increase of 17.66 percent in real terms. This is a marked improvement on the change between 2006/07 and 2007/08, which saw this allocation decrease from R310.03 million in 2006/07 to

its entire budget then the budget allocation may be decreased (adjusted down) - the difference would then be used to increase the allocation for programmes which may need it.

⁸¹ Eastern Cape Department of Health Annual Report 2006/07, p. 23

R299.82 million in 2007/08. This increase, however, only represents a 3.12 percent improvement in real terms from the 2006/07 financial year (see Diagram 5). Over the MTEF period, predicted allocations for HIV and AIDS virtually remain the same in real terms over the period, actually decreasing on average 0.07 percent in real terms (see Diagram 9).

Diagram 9: Allocations for HIV and AIDS: Nominal vs. Real



Therefore, while the increases between 2007/08 and 2008/09 are substantial they are somewhat less impressive if we compare the 2008/09 allocations for HIV and AIDS with those of 2006/07. What is more, if the Department is serious about increasing its capacity to combat HIV and AIDS then it needs to ensure that its budget increases consistently over the medium to long term. Looking at predicted allocations over the MTEF period (see Diagram 9) we find that the Department's budget for HIV and AIDS may not increase in real terms over the medium term.

The Department needs to ensure that it spends the budget it has received appropriately if it intends to further extend its HIV and AIDS programmes in accordance with the National Strategic Plan 2007-2011. For 2008/09 the Department intends to extend testing, counselling and treatment of HIV and AIDS to more people in the province. To do this the Department plans to ensure, amongst other things, that all primary health care facilities provide access to Voluntary Counselling and Testing (VCT) and that the number of clients receiving Antiretroviral Therapy (ART) increase from 42 280 to 60 000.⁸² The chances of the Department achieving these goals depend on whether or not they can spend their allocations efficiently and effectively.

That said, to achieve these targets the Department needs to ensure that it does more than simply increase monetary allocations for these programmes. If the Department does not ensure that it has the staff to do testing, counselling and administer ARVs, then it runs the risk of underspending on its allocations for HIV and AIDS.

⁸² Eastern Cape Department of Health Policy Speech 2008/09.

III. Conclusion

The Eastern Cape Department of Health has prioritised a number of policies for the 2008/09 financial year that require urgent attention if the Department is to fulfil its mandate. In order for the Department to address these priorities, sufficient funds need to be allocated to various programmes which are tasked with implementing them.

While it is encouraging to see that most of the Department's policy priorities, such as human resources, infrastructure development and maintenance and HIV and AIDS, have been accompanied by significant increases in budget allocations, the substantial decrease in several of the Department's critical budget allocations is of concern.

The decrease in the allocation for the TB hospitals sub-programme is of particular concern. TB, including the MDR and XDR strains, continues to put an ever increasing strain on the Department's resources and their ability to provide quality healthcare and manage the impact of the HIV and AIDS pandemic. It is incomprehensible how the Department intends to manage this policy priority if this allocation decreases. Unless the Department intends to draw resources from other areas to manage this priority, infection rates, default rates and deaths as a result of TB will undoubtedly increase over the next financial year. The Department cannot allow this to happen.

Another area of concern are the decreases in the EMS programme's allocations for the compensation of employees and for goods and services (used to lease EMS vehicles such as ambulances). The Department has a poor track record when it comes to the provision of EMS in the province. In the past, the Department's EMS programme has operated with a shortage of vehicles and vehicles which were poorly maintained and staffed. This has resulted in the Department being unable to adequately meet the demand for basic emergency medical services, especially in outlying rural areas. It therefore proves difficult to understand how the Department intends to improve EMS provision in the province if it reduces its allocation for the compensation of employees and goods and services.

While the Department has, for the most part, done well to improve its budgeting for the 2008/09 financial year, capacity constraints continue to be of concern. The much needed increases in budget allocations will not have the intended effects unless the Department is able to improve its financial management and HR. The Department needs to ensure that it manages its finances efficiently and effectively by ensuring that it follows proper financial management procedures and holds administrators and managers to account for poor spending and mismanagement. The Department also needs to ensure that it recruits and retains qualified staff in critical posts if it is to use increases in allocations effectively. For example, if the Department does not ensure that it hires more nurses, doctors and pharmacists, then the increases to its HIV and AIDS budgets could go unspent. Therefore, if the Department does not deal with the systemic issues which have resulted in it receiving eight audit disclaimers in the last ten years and having an overall vacancy rate of more than third, then increases to budget allocation will not translate into improved service delivery.

Each year, the PSAM produces seven main outputs: 1. Budget Analysis; 2. Strategic Plan Evaluation; 3. Expenditure Tracking Report; 4. Service Delivery Report, 5. Accountability to Oversight Report, 6. Scorecard; 7. Integrity Systems Evaluation. Together, these publications provide a comprehensive overview of the performance of government service delivery departments in respect of their implementation of accountability and service delivery systems necessary to realise socio-economic rights to education, health care, housing and welfare. The Budget Analysis and Strategic Plan Evaluation are forward-looking research outputs, produced at the beginning of the financial year. These outputs analyse the likely impact of policy priorities, budget allocations and planned activities on each department's ability to implement effective accountability and service delivery systems in the upcoming financial year. The remaining outputs are retrospective, and provide an analysis of each department's actual performance in the previous financial year. All PSAM outputs are available on www.psam.org.za.