

Eastern Cape Department of Health

Budget Analysis¹

2009/10

June 2009

Daygan Eagar

Monitoring and Research Programme, Public Service Accountability Monitor

For more information contact the PSAM, psam-admin@ru.ac.za

Tel: (046) 603 8358, Fax: (046) 622 7215

Key Findings and Recommendations

With the exception of the Health Administration programme, allocations relating to Human Resources will decrease in real terms for the 2009/10 financial year. The Department's allocation for the compensation of employees, while increasing marginally by 3.30% in nominal terms, will decrease by 2.8% in real terms from the 2008/09 financial year. The budget for the Health Sciences and Training programme, which is responsible for the training of health professionals, will decrease by a massive 21.28% in real terms from the 2008/09 adjusted appropriation.

With an overall vacancy rate of more than 30%, the Department cannot afford to cut allocations relating to HR. Instead, the Department needs to ensure that sufficient funds are available to not only retain existing staff but also to recruit and train staff to fill vacant posts.

Despite the fact that the Department has asserted that the District Health services programme is "the main vehicle in the improved and accelerated delivery of primary health care",² the budget for this programme will decrease for the 2009/10 financial year. The allocation for this year will decrease by 2.06% in real terms from the 2008/09 adjusted appropriation and 8.33% in real terms from the 2008/09 revised estimate. This

¹ In producing this Budget Analysis, the PSAM wishes to acknowledge the support of the *Center on Budget and Policy Priorities (CBPP)* who have provided support via a grant from the *International Budget Partnership* of the CBPP.

² Eastern Cape Provincial Treasury *Budget Statement II 2009/010*, p. 63.

means that the Department has allocated R167.59 million less for this programme than it estimates it will have spent in 2008/09.

The District Health service is the backbone of the health system in the Eastern Cape as it is most often the first and only point of access to health care for people living in the province. Because of this, funds should be channelled into this programme in such a way as to allow for the expansion and improvement of service delivery at this level.

Even though the Department's budget for capital assets will increase by R163.95 million from the adjusted appropriation of R1.10 billion in 2008/09 to R1.27 billion for the year under review (8.89% in real terms), close inspection of the distribution of this allocation reveals that only funding for infrastructure projects related to Provincial Hospitals will actually increase for the year under review. An analysis of the Health Facilities Development and Maintenance programme, which is responsible for administering infrastructure projects and maintenance in the province, reveals that the allocations for community health facilities and District Hospitals will decrease substantially in real terms by 40.78% and 26.75% respectively.

While there is little question that the improvement of infrastructure at Provincial Hospitals should be a departmental priority, this should not be done at the expense of Public Health Care (PHC) facilities such as District Hospitals and Community Healthcare Centres. The budget for PHC facilities should be increased in such a way as to allow for the progressive expansion of infrastructure in an effort to broaden the reach of health care services to all people in the province.

The allocation for the District Health Services programme goods and services budget item will decrease by 0.92% in 2009/10 and on average by 0.26% for the Medium Term Expenditure Framework (MTEF) period. If the allocation for the year under review is compared to the revised estimate for the previous year, the allocation is 11.24% lower than what the Department estimates it will spend in 2008/09. Of particular concern is that the allocation for medical supplies, which forms part of the broader goods and services allocation, is 63.41% (R256.75 million) less than it estimates it will have spent on consumables such as medicines.

Without sufficient basic medical supplies such as bandages, medicines and drips, PHC facilities cannot render even the most basic services to those in need of care. As a matter of urgency the Department needs to take steps to ensure that all PHC facilities are adequately stocked with medical supplies.

The allocation for the Emergency Medical Services (EMS) programme for 2009/10 is R25.55 million less than the Department estimates it will have spent in 2008/09. Of particular concern in this regard is that the allocation used for lease payments for its fleet of EMS vehicles (including ambulances) is R29.18 million less than the 2008/09 adjusted appropriation and R93.32 million less than the revised estimate for the same year. This means that the Department will have 50.66% less in real terms to spend on its lease payments for the year under review than it estimates it will have spent in 2008/09.

With a budget for lease payments in 2009/10 which is half of what was spent in 2008/09 it is unclear how the Department intends to pay the leases on existing EMS vehicles let alone procure new ones. The Department needs to urgently

reassess how it budgets for this item or else it will continue to overspend on this item and fail to meaningfully improve EMS.

The budget for the TB Hospitals sub-programme has increased by R49.28 million, from the adjusted appropriation of R225.9 million in 2008/09 to R282.33 million for 2009/10. This represents an increase of 21.15% in nominal terms and 14.84 in real terms for this period. This much needed increase is welcome and shows that the Department is taking steps to ensure that financial resources are made available for the improvement of care at TB Hospitals in the province. While the Department should be commended for this, potential budgetary pressures relating to staffing, infrastructure and medical supplies (especially medicines) at the district level could result in the Department being unable to provide adequate treatment, support and follow-up for the majority of TB patients who access treatment at PHC facilities or at home through the Directly Observed Treatment Shortcourse (DOTS) programme.

An inadequately funded TB programme at the District level inevitably results in lower detection and cure rates. This in turn results in people accessing treatment later on in the progression of the disease which means more people will require hospitalisation and more people will die from the disease. The Department should therefore prioritise its TB programme at District level. This in turn should reduce the burden placed on TB hospitals and ultimately improve cure rates and reduce mortality.

The substantial increase to the Comprehensive HIV and AIDS grant for 2009/10 and the predicted moderate average increase over the MTEF clearly indicate that the national Department of Health and Treasury have finally taken steps to ensure that funding is more reflective of the demand for HIV and AIDS related services in the province. The provincial Department, however, appears not to have followed suit as it has decreased its discretionary allocation from the equitable share for its HIV and AIDS programme by R43 million or 55% in nominal terms. This means that for the 2009/10 financial year the Department's HIV and programme has a budget of R 480.16 million,³ which is 5.37% less in real terms than the R480.95 million adjusted appropriation for this programme in 2008/09.

The Department cannot afford to reduce its discretionary allocation for its HIV and AIDS programme simply because the National Department of Health and Treasury have increased the comprehensive HIV and AIDS conditional grant. If it is serious about meeting the need for HIV and AIDS related services in the province then all allocations associated with this programme need to increase, especially having regard for prior expenditure. Anything less will either result in the Department once again overspending on this budget or failing to address the need for services.

³ This amount is made up of the Comprehensive HIV and AIDS conditional grant allocation as well as an allocation taken from the Department's equitable share.

Introduction

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.⁴ 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. 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 2009/10 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.

⁴ Constitution of the Republic of South Africa, sections 26, 27 and 29.

I. Policy Priorities

The South African Constitution (1996) determines 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”.⁵

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.”⁶

The strategic imperatives identified by the Department are to:

- Strengthen the functionality of the provincial public health system by building its capacity to deliver;
- 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
- Restore the credibility of the public health system through effective communication of real progress, success and challenges still to be overcome.⁷

It is with these imperatives, the Millennium Development Goals and the Provincial Growth and Development Plan⁸ in mind, that the Eastern Cape Department of Health will pursue the following priorities during the 2009/10 financial year⁹:

1. Human Resources

For 2009/10 the Department maintains that it will continue to prioritise programmes and strategies aimed at enhancing its Human Resources (HR) capacity. In this regard the Department has stated that it will “continue to ensure that it meets the targeted

⁵ Constitution of the Republic of South Africa, Chapter 2, Section 27.

⁶ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 56.

⁷ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 58.

⁸ 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>.

⁹ The policy priorities discussed here are taken from the Eastern Cape Treasury’s *Budget Statement II for 2009/10* and the MEC for Health’s *Policy and Budget Speech 2009/10 delivered on 23 June 2009*

recruitment of both non-clinical and clinical personnel to currently under-serviced areas, such as in administration and facilities located in rural communities”.¹⁰

As part of its HR strategy, the Department indicates that it will also continue to actively expand its skills pool by increasing the intake of students at nursing colleges, and training more doctors at universities.¹¹ To fulfill this objective the Department plans to provide training to the following categories of personnel:

- 3 413 nursing students;
- 48 Emergency Care Technicians;
- 300 corporate interns under the project of absorbing unemployed graduates;
- 1 211 Learnerships and 1 725 people in the ABET programme.¹²

The Department has also committed to “rapidly build the capacity throughout the organisation to urgently address financial management”¹³— although it has not outlined what this will involve.

In addition to strategies aimed at the recruitment and training of personnel, the Department maintains that it will continue to implement and refine the Occupational Specific Dispensation (OSD) in an effort to retain critical staff through improving remuneration.¹⁴

In 2007/08 the OSD for nurses was finalised and first implemented during the 2008/09 financial year. The OSD for other categories of health professionals (doctors, specialists, emergency service personnel, pharmacists, etc.) was due to be finalised by July 2008. This was, however, “delayed pending further developments regarding amendments to the costing options, salary and career progression models”.¹⁵

The Department does not provide any indication of when this process will be completed and when other categories of health professionals will receive the OSD. This is troubling as further delays in the full roll-out of the OSD will undoubtedly impact on the Department’s ability to recruit and retain staff in the near future.

2. Infrastructure Development and Maintenance

The Department regards Infrastructure Development and Maintenance as a policy priority for the 2009/10 financial year.¹⁶ To ensure the delivery of infrastructure projects the Department maintains that the following initiatives will be introduced:

- The appointment of Intersite Property Solutions to assist with capacity building and the development of systems, the development of a policy framework and guidelines on asset register of all immovable assets;

¹⁰ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 61.

¹¹ Eastern Cape Department of Health *Budget and Policy Speech 2009/10*, p. 6.

¹² Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 64.

¹³ Eastern Cape Department of Health *Budget and Policy Speech 2009/10*, p. 6.

¹⁴ Eastern Cape Department of Health *Policy Speech 2008/09*.

¹⁵ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 62.

¹⁶ Eastern Cape Department of Health *Budget and Policy Speech 2009/10*, p.6.

- The appointment of Coega Development Corporation to assist with project management of project consultants and contractors on the Department's Mega Large Projects;
- To engage in the process of alignment of the infrastructure plans with the budget cycle on an MTEF basis, by seeking the assistance of National and Provincial Treasury through the Infrastructure Delivery Improvement Plan (IDIP);
- Embark on long-term infrastructure planning that would address the financing needs and strategy in order to eliminate the backlogs within the next ten years.¹⁷

3. District Health Services

According to the Department the District Health system has been identified as a priority both at national and provincial levels.¹⁸ As this programme has been identified as "the main vehicle in the improved and accelerated delivery of primary health care"¹⁹, the Department explains that it has prioritised a number of initiatives aimed at enhancing service delivery and improving accessibility. Amongst others these initiatives include:

- Increase the number of clinics as Centres of Excellence by 10;
- Procure an extra 8 mobile clinics and 17 parkhomes to augment the shortage of fixed accommodation at the Clinic and CHC sites;
- Establish 4 additional CHCs in Alfred Nzo, Ukhahlamba, Amathole and Nelson Mandela Metro districts. They will operate as 24 hour service centres;
- Provide CCMT at 32 new sites which will benefit 30 000 new patients. In line with that, increase VCT services to a total of 540 000 (up from 450 000) clients;
- Strengthen Port Health services through reinforcing personnel and infrastructure at ports of entry to the Eastern Cape;
- Limited roll out of 2 new immunisation vaccines due to budgetary constraints.²⁰

4. 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. In this regard the Department will pay particularly close attention to enhancing EMS services in historically under-resourced areas.²¹

As part of its strategy to improve EMS, the Department has committed to do the following:

- Establish a single Computer Aided Call-Tracking and Despatch Communication Centre in readiness for the 2010 FIFA World Cup;
- Source extra vehicles and recruit extra personnel to increase / improve coverage and reduce response times²²;
- Carry out renovations on three existing ambulance bases and begin construction of additional sites;

¹⁷ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 65.

¹⁸ *Ibid*, p.63.

¹⁹ *Ibid*, p.63.

²⁰ *Ibid*, p. 63.

²¹ *Ibid*, p. 64.

²² Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 64.

- Continue to run the aeromedical service.²³

5. Tuberculosis (TB)

With a 30% increase in the infection rate over the last five years, TB continues to place an ever increasing burden on the provincial health system.²⁴ It is for this reason that the Department has committed to expanding its TB control programme at both provincial and district levels. Key interventions include:

- Ensuring the creation and/or filling of critical positions as indicated in the TB Strategic Plan;
- Maintaining and expanding TB tracer teams;²⁵
- Improving TB management and infection control at district hospitals and provincially aided hospitals;
- Converting present TB hospitals into strategically placed centres of excellence in which a small percentage of patients may undergo hospitalisation under conditions which allow for isolation during the intensive phase of treatment, as well as the application of the standard multi-drug resistant protocols.²⁶

6. HIV and AIDS

The Department has promised to step-up the fight against HIV and AIDS for the 2009/10 financial year by “upscaling the Comprehensive Care Management and Treatment of HIV and Aids including Anti-retrovirals”.²⁷ The Department has also committed to intensifying its educational and outreach programmes by soliciting the help of communities and NGOs.²⁸

These objectives should be pursued bearing in mind the Provincial Growth and Development Plan (PDGP) and Millennium Development Goal of halting and reversing the spread of HIV and AIDS by 2014.²⁹ 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;
- The improvement of prevention and awareness through education and Voluntary Counselling and Testing (VCT);
- The increase of access to treatment;
- The increase of care and support for people living with HIV and AIDS through enhanced community home-based care programmes and Step Down and TB management programmes.³⁰

²³ Eastern Cape Department of Health *Budget and Policy Speech 2009/10*, p. 5.

²⁴ Eastern Cape State of the Province Address, 2008/09.

²⁵ Ibid, p. 63.

²⁶ Ibid, p. 77.

²⁷ Eastern Cape Department of Health *Budget and Policy Speech 2009/10*, p. 3.

²⁸ Ibid, p. 68.

²⁹ The Provincial Growth and Development Plan 2004-2014.

³⁰ The Provincial Growth and Development Plan 2004-2014.

Inline with the PGDP goals and a stated commitment to the detection and treatment of HIV and Aids, the Department has also resolved to enhance the following interventions:

- Implement an Integrated and Comprehensive approach to Prevention, Treatment and Care, keeping the uninfected negative by scaling up on existing prevention strategies, promoting positive living for those who are infected so as to delay the onset of AIDS and providing access to treatment and care for those who need these interventions.
- Reinforce the strategy of prevention by re-emphasizing and re-invigorating HIV prevention efforts, which include practicing safe sex through condom usage, Voluntary Counseling & Testing, Prevention of Mother-To-Child-Transmission (PMTCT), Post-Exposure Prophylaxis (PEP), and syndromic management of Sexually Transmitted Infections,
- Strengthen the Information, Education and Communication (IEC) campaigns in synergy with treatment efforts.³¹

Having now briefly outlined 6 of the key policy priorities of the Department, consideration will now be given to the manner in which the Department's 2009/10 budget has been allocated in order to ascertain whether it will give effect to these priorities and improve health care services

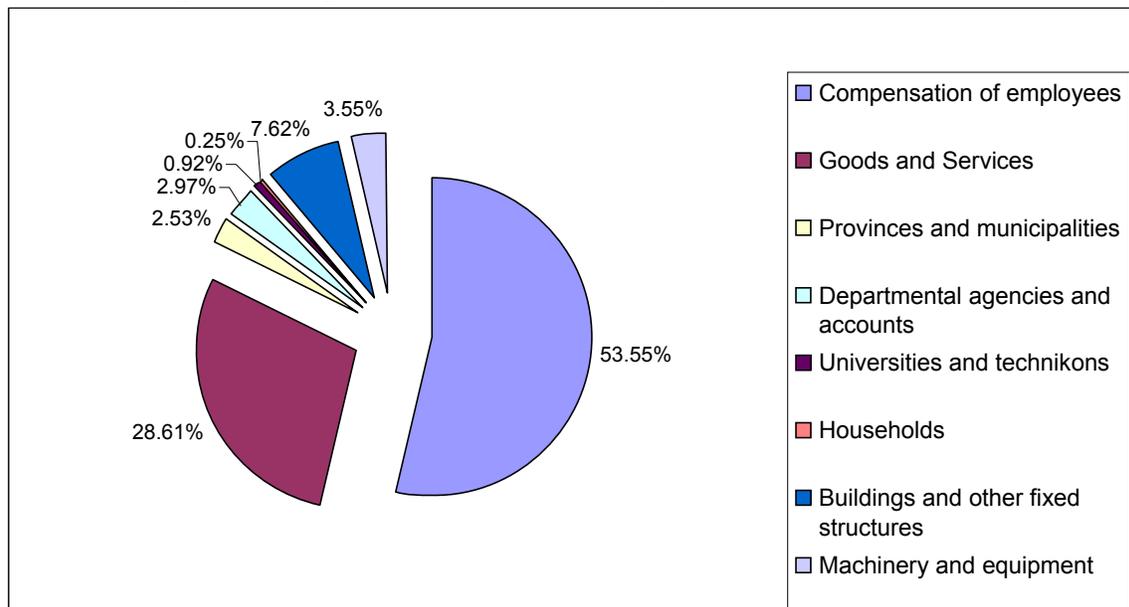
³¹ Eastern Cape Department of Health *Budget and Policy speech 2009/10*, p. 3.

II. Budget Analysis

For the 2009/10 financial year, the Eastern Cape Department of Health has received a total budget allocation of R11.33 billion. This represents an increase of R689 million or 6.48% from the 2008/09 adjusted appropriation.³² Once inflation is taken into account, this represents a marginal increase of 0.93% in real terms (see Table 1 overleaf).

The bulk of the Department's budget will go to the Compensation of Employees which receives R6.07 billion or 54% of the total allocation for 2009/10. The remaining 46% of the budget will be divided between Goods and services (29%), Buildings and other fixed structures (8%), Machinery and equipment (4%), Departmental agencies and accounts (3%), Provinces and municipalities (3%) and Universities and Technikons (1%) (see Diagram 1 below and Table 1 overleaf).

Diagram 1: Payments and Estimates by Economic Classification



³² The PSAM uses the adjusted appropriation when comparing allocations between the previous financial year (2008/09) and the year under review (2009/10).

Table 1: Eastern Cape Department of Health by Economic Classification, 2009/10³³

(R' 000)	Outcome			Main Approp- riation 2008/09	Adjusted approp- riation 2008/09	Revised estimate 2008/09	Medium-term estimate			Real Change between 2008/09 and 2009/10	Real Average Growth over MTEF	
	Audited 2005/06	Audited 2006/07	Audited 2007/08				% change from Adjusted Appropriation 2008/09	2009/10	2010/11			2011/12
Current payments	5,029,438	60,406,152	6,788,192	7,973,551	8,908,325	9,476,194	9,307,184	4.48	10,003,409	10,805,468	-0.97	1.93
Compensation of employees	3,445,574	3,860,061	4,562,518	5,480,717	5,872,082	6,044,864	6,066,040	3.30	7,024,581	7,509,902	-2.08	4.14
Goods and Services	1,583,864	2,546,091	2,225,674	2,492,834	3,036,243	3,431,330	3,241,144	6.75	2,978,828	3,295,566	1.18	-2.48
Interest and rent on land												
Financial transactions in assets and liabilities												
Unauthorised expenditure												
Transfers and Subsidies to	733,308	288,743	422,420	678,281	629,260	634,169	755,682	20.09	913,024	976,591	13.83	5.64
Provinces and municipalities	246,725	240,745	202,883	274,500	234,316	245,096	286,851	22.42	299,763	315,675	16.04	0.13
Departmental agencies and accounts	429,072	8,639	190,781	261,995	257,609	246,829	335,890	30.39	489,678	531,772	23.59	13.03
Universities and technikons	130			116,786	116,786	116,786	104,451	-10.56	96,283	100,616	-15.22	-4.22
Public corporations and private enterprises	10,102											
Foreign governments and international organisations												
Non-profit institutions												
Households	47,279	39,359	28,756	25,000	20,549	25,458	28,490	38.64	27,300	28,528	31.42	-2.97
Payments for capital assets	358,224	562,232	802,396	1,094,183	1,101,532	1,030,554	1,265,480	14.88	1,191,601	1,364,240	8.89	-0.56
Buildings and other fixed structures	266,609	444,485	694,793	767,067	738,504	709,081	863,001	16.86	892,647	1,171,364	10.77	7.38
Machinery and equipment	91,615	116,193	107,121	327,116	363,028	321,473	402,479	10.87	298,954	192,876	5.09	-24.10
Software and other intangible assets		1,554	482									
Total economic classification	6,120,970	7,257,127	8,013,008	9,746,015	10,639,117	11,140,917	11,328,346	6.48	12,108,034	13,146,299	0.93	1.92

³³ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 68.

An examination of the budget by programme reveals that the District Health Services Programme receives the largest slice of the budget with an allocation of R4.94 billion or 44% of the total budget. The Provincial Hospital Services Programme follows with an allocation of R2.83 billion or 25% of the total budget. The remaining 31% of the total budget is split between the Health Facilities Development and Maintenance Programme (11%), the Health Administration Programme (6%), the Health Sciences and Training Programme (5%), the Central Hospital Services Programme (4%), the Emergency Medical Services Programme (4%) and the Health Care and Support Services Programme (1%) (see Table 2 overleaf and Diagram 2 below).

Diagram 2: Payments and Estimates by Programme

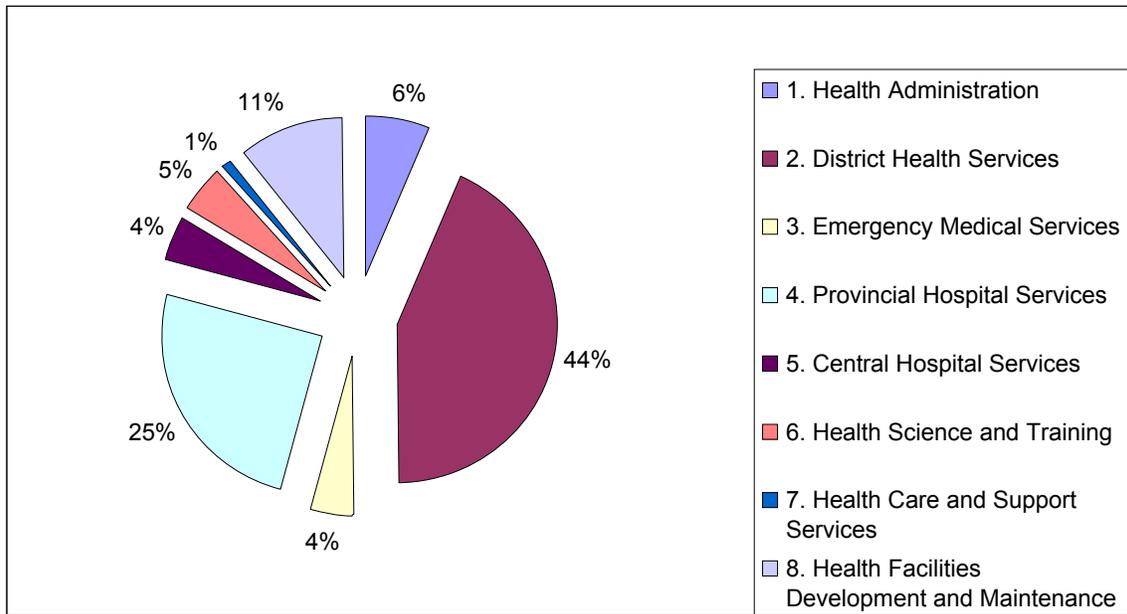


Table 2: Eastern Cape Department of Health by Programme, 2009/10³⁴

Programme (R' 000)	Outcome			Main Approp- riation 2008/09	Adjusted appropriation 2008/09	Revised estimate 2008/09	Medium-term estimate			Real Change between 2008/09 and 2009/10	Real Average Growth over MTEF	
	Audited 2005/06	Audited 2006/07	Audited 2007/08				% change from Adjusted Appropriation 2008/09	2009/10	2010/11			2011/12
1. Health Administration	249,184	332,494	375,558	523,821	531,219	524,844	710,789	33.80	494,154	527,923	26.83	-12.17
2. District Health Services	2,812,011	3,237,762	3,712,566	4,237,898	4,776,681	5,103,104	4,935,518	3.33	5,397,295	5,878,736	-2.06	2.81
3. Emergency Medical Services	219,052	321,586	318,793	395,756	434,008	514,189	484,641	11.67	533,370	565,900	5.84	2.13
4. Provincial Hospital Services	2,043,109	2,287,346	2,637,418	2,298,463	2,593,388	2,789,639	2,831,727	9.19	3,087,589	3,315,421	3.50	2.22
5. Central Hospital Services				468,088	508,674	473,378	509,429	0.15	557,137	588,135	-5.07	1.74
6. Health Science and Training	327,406	364,582	375,126	619,994	633,473	582,532	526,067	-16.96	548,227	593,552	-21.28	0.97
7. Health Care and Support Services	36,049	20,930	24,126	72,729	67,602	45,979	89,159	31.89	118,841	131,350	25.01	10.35
8. Health Facilities Development and Maintenance	434,159	692,427	569,421	1,129,266	1,094,072	1,107,252	1,241,016	13.43	1,371,421	1,545,282	7.52	4.34
Total payments and estimates	6,120,970	7,257,127	8,013,008	9,746,015	10,639,117	11,140,917	11,328,346	6.48	12,108,034	13,146,299	0.93	1.92

³⁴ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 67.

In addition to its equitable share allocation,³⁵ the Department receives six conditional grants (see Table 3 and Diagram 3). These grants are supplementary allocations transferred to the Department from the National Treasury to fund priority programmes aimed at addressing issues such as HIV and AIDS and the development and training of health professionals.³⁶ In this regard, conditional grants, unlike the equitable share, may only be spent in a way that is consistent with their intended use.³⁷

Table 3: Eastern Cape Department of Health, Conditional Grant allocations³⁸

Conditional Grant Allocation (R' 000)	Outcome			Main Appropriation 2008/09	Adjusted appropriation 2008/09	Revised estimate 2008/09	Medium-term estimate			Real Change between 2008/09 and 2009/10	Real Average Growth over MTEF	
	Audited 2005/06	Audited 2006/07	Audited 2007/08				% change from Adjusted Appropriation 2008/09	2009/10	2010/11			2011/12
1. Comprehensive HIV and AIDS Grant	162,361	277,964	298,891	300,522	300,522	335,865	401,727	33.68	497,599	533,965	26.71	6.63
2. Forensic Pathology Services Grant	605	39,708	119,636	58,129	90,324	58,768	61,214	-32.23	69,345	73,506	-35.76	3.08
3. Health Professions Training and Development Grant	131,957	134,712	109,510	199,641	199,641	141,321	151,362	-24.18	160,444	170,091	-28.14	0.83
4. Hospital Revitalisation Grant	150,598	135,382	196,400	324,104	332,743	257,881	238,611	-28.29	360,660	386,048	-32.03	13.86
5. National Tertiary Services Grant	384,970	352,272	386,772	468,088	508,674	477,062	509,429	0.15	557,137	588,135	-5.07	1.74
6. Provincial Infrastructure Grant			131,016			79,372	279,483		334,643	428,702		11.85
7. Integrated Nutrition Programme Grant	24,622	187										
Total payments and estimates	855,113	940,225	1,242,225	1,350,484	1,431,904	1,350,269	1,641,826	14.66	1,979,828	2,180,447	8.68	6.60

The Department's total conditional grant allocation has increased from R1.43 billion in 2008/09 to R1.64 billion in 2009/10. This represents an increase of 14.66% in nominal terms and 8.68% in real terms. This increase is largely due to the substantial real increase of 26.71% to the Comprehensive HIV and AIDS grant which has increased from R300.52 million in 2008/09 to R401.72 million 2009/10. The remaining five grants have all decreased by between 5% and 35% in real terms during the same period (see Table 3 above and Diagram 3 below).

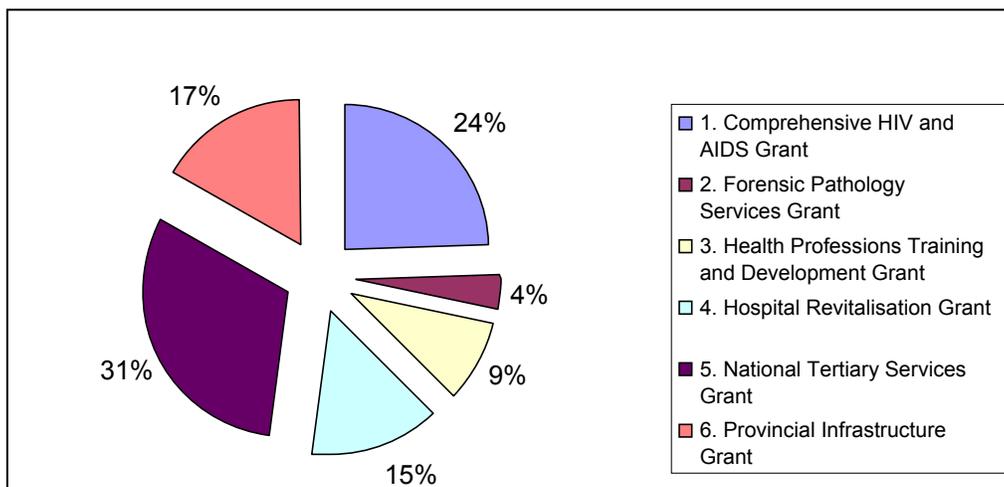
³⁵ Funds distributed to provinces by the National Treasury are known as the equitable share allocations. These funds are allocated to enable provinces to provide basic services and perform the functions for which they are responsible. Equitable share allocations are unconditional and it is up to provinces to determine how their equitable share is distributed to particular departments and programmes in line with national policies and priorities.

³⁶ See the Division of Revenue Act 2009, for more information.

³⁷ See the Division of Revenue Act 2009, especially Chapter 3, for more information.

³⁸ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 66.

Diagram 3: Conditional Grant Allocations



Human Resources

For the 2009/10 financial year the Department has increased its allocation for the compensation of employees by R193.96 million from the R5.87 billion adjusted appropriation it received in 2008/09 to R6.07 billion. This represents an increase of 3.30% in nominal terms but a decrease of 2.8% in real terms (see Table 2 above).

A decrease in this allocation in real terms, no matter how small, is of concern in a province with a vacancy rate which has remained at well above 30% over the last decade. This decrease is even more troubling if we consider that the Department estimates that it will overspend on its 2008/09 adjusted appropriation for the compensation of employees by R172. 81 million (see Table 1).

A review of the budget reveals that this projected overspend is largely due to pressures emerging from the implementation of the Occupational Specific Dispensation (OSD) for nurses in 2008/09.³⁹ While there is no discussion in the 2009/10 Eastern Cape Provincial Treasury's *Budget Statement II* which clearly outlines exactly what these pressures were, it could be inferred from what is reported that pressures emerged from a poorly formulated OSD model. This is best illustrated by the following extract from the *Budget Statement II*:

The tabling of OSD proposals for 2008 in the Public Health and Social Development Sector Bargaining Council was delayed pending further developments regarding amendments to the costing options, salary and career progression models...[and] there are certain policy decisions that are critical to the cost containment measures required for the successful implementation of OSD to [other categories of health professionals].⁴⁰

While the Department has *not* committed to expanding the OSD to these additional categories of health care professionals (doctors, dentists, specialists, pharmacists and

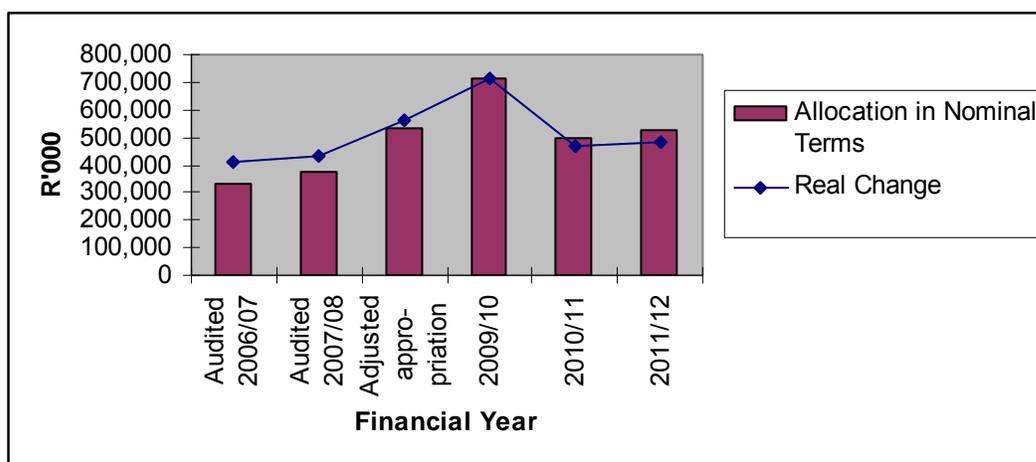
³⁹ Eastern Cape Provincial Treasury *Budget Statement II* 2009/10, p. 67.

⁴⁰ *Ibid*, p. 62.

Emergency Medical Services (EMS) personnel) during the 2009/10 financial year – as promised in earlier strategic plans and policy statements⁴¹ – the Department will continue providing OSD to nurses.

This means that unless the revised OSD model can successfully ensure that “cost containment measures”⁴² are in place early on in the 2009/10 financial year, the Department will once again face the kind of budgetary pressures caused by the OSD in 2008/09. With the promise of higher staffing numbers due to recruitment and retention drives, it seems unlikely that the Department will be able to keep spending within the budget for this allocation for the 2009/10 financial year – let alone have the budget to hire new staff. In the absence of further explanation by the Department, its assurances surrounding the recruitment of additional staff appears to be contradicted by the narrow margins of increase to salary related line items within the 2009/10 budget.

Graph 1: Payments and Estimates 2007/08-2011/12 Programme 1: Health Administration



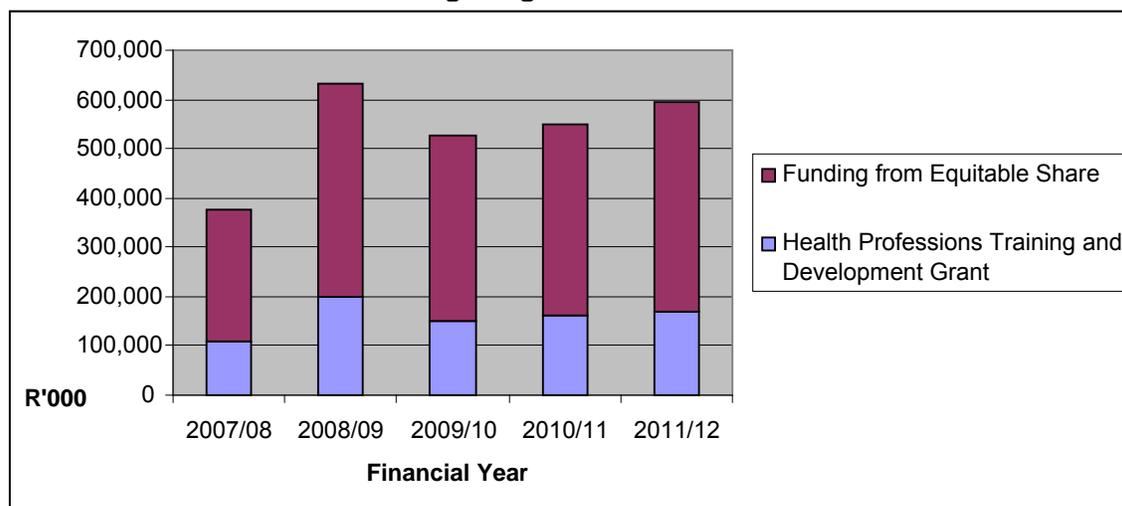
Another area of concern is the Department’s budget allocation for the Health Sciences and Training programme. As part of its strategy to enhance its human resource capacity in 2009/10, the Department has stated that it will continue to prioritise the “production and training of health professionals through the Liliitha College of Nursing, the EMS college, Universities and Technikons in the province and beyond”.⁴³ In 2008/09 the Department highlighted this commitment by increasing the allocation for the Health Sciences and Training programme considerably by R258.35 million or 68.86% in nominal terms from the 2007/08 financial year (see Table 2). This increase was in part due to the fact that the National Department’s of Health and Treasury increased the Health Professions Training and Development grant by R90.13 million (82.30% in nominal terms) from R109.51 in 2007/08 to R199.64 million in 2008/09 (see Table 3).

⁴¹ See Eastern Cape Department of Health Annual Performance Plan 2008/09 and Eastern Cape Department of Health Policy Speech 2008.

⁴² Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 59.

⁴³ Eastern Cape State of the Province Speech for 2008/09.

Graph 2: Equitable Share and Conditional Grant Funding for the Health Sciences and Training Programme 2007/08-2011/12



As Table 2 above illustrates, however, the budgetary increases for the Health Sciences and Training programme are not sustained into 2009/10, and the allocation for this programme will decrease considerably by R107.41 million or 21.28% in real terms from the 2008/09 allocation. Part of this decrease in allocation is due to the fact that the allocation for the Health Professions Training and Development grant will decrease by R48.28 million or 28.14% in real terms from the 2008/09 adjusted appropriation (see Graph 2 above).

According to the Eastern Cape Provincial Treasury the substantial decrease in this allocation for 2009/10 is attributable to the effects of the restoration of the baseline in 2008/09 from surrenders in 2007/08.⁴⁴ It is explained further that "the projected decline is due to the fact that the restoration funding, which was a once off allocation, distorted the picture."⁴⁵ While this may very well be the case, the unfortunate consequence of this action is that the Department will not be able to continue funding some of its key projects, such as its internship / learnership programmes at the same levels as it did in 2008/09. This means that in 2009/10 "there will be a significant reduction in the intake of trainee nurses and internship / learnership candidates".⁴⁶

The decrease in this allocation between 2008/09 and 2009/10 directly contradicts the Department's stated objective of increasing the number of nursing students, emergency care technicians, corporate interns, learnerships and people in the ABET programme.⁴⁷ The decrease in this allocation and the minimal average increase over the MTEF is particularly worrying in light of the fact that the Department of Health perennially cites the shortage of skilled personnel as the primary reason for failures to deliver adequate health services. One way of improving its HR capacity would be to increase the allocation for this programme and ensure that funds are managed in such a way as to maximise the production of skilled personnel who remain in the province and bolster the provincial health system.

⁴⁴ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 81.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Eastern Cape Provincial Treasury *Budget Statement II 2008/09*, p. 64.

One aspect of the Department's budget for HR which does show some positive signs though is its allocation for the Health Administration Programme which is primarily responsible for the management of the Department's human, financial, information and infrastructure projects.⁴⁸ This allocation has increased from the R531.22 million adjusted appropriation in 2008/09 to R710.79 million in 2009/10, or 33.80% percent in nominal terms or 26.83% percent in real terms (see Table 2). This increase follows an increase to this allocation of 40.38% in real terms between 2007/08 and 2008/09.

The PSAM welcomes the Department's decision to once again increase the allocation for this critical programme – a demonstration that the Department continues its commitment to enhancing its HR, financial and project management capacity. This is of importance as weaknesses in this programme have often been cited by the Department and Auditor-General as the cause of poor financial and HR management within the Department. In the Eastern Cape Department of Health's 2007/08-2009/10 Annual Performance Plan, for example, the Head of Department (HoD), Lawrence Boya stated that:

*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.*⁴⁹

The issue of HR capacity constraints was once again cited by the HoD as a cause of poor programme performance in the Department's 2007/08 Annual Report where he explained:

Generally the issue of Human Resource capacity is still a challenge. The department is not only challenged in terms of the skills shortage but also in the numbers that are supporting the core functions [of financial and HR management].⁵⁰

In both instances the HoD has stated that the Department has and will continue to commit more financial resources to projects and programmes which enhance the Department's capacities in this area. The increases in allocation to the Health Administration programme should aid in this process.

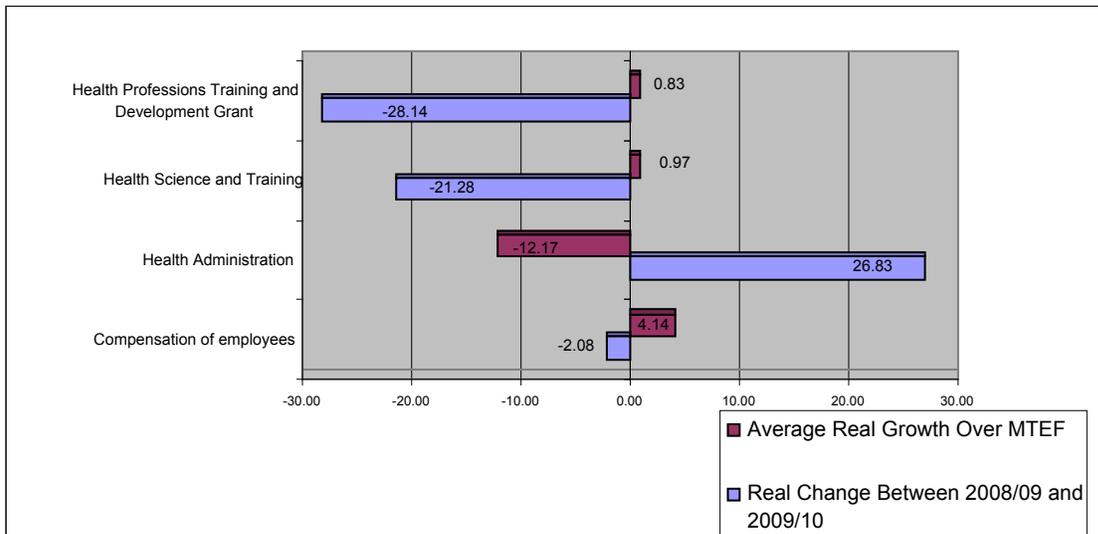
Projections for the MTEF, however, show that increases in funding may not carry through to the outer two years as the allocations for this programme are estimated to decrease by, on average, 12% in real terms over this period (see Table 2 above and Graph 3 below). It is vital therefore that, over and above the immediate benefits which flow from this year's increased allocation, the Department improves upon its management and the monitoring of staff within this programme to ensure gains in efficiency and effectiveness of staff performance.

⁴⁸ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 70.

⁴⁹ Eastern Cape Department of Health 2007/08-2009/10 Annual Performance Plan, p.30.

⁵⁰ Eastern Cape Department of Health, Annual Report 2007/08, p.223.

Graph 3: Allocations for Human Resources



As Graph 3 illustrates, with the exception of the Health Administration programme, allocations relating to Human Resources will decrease in real terms in 2009/10 from the 2008/09 adjusted appropriations. Over the MTEF period three of the four programmes' allocations will increase marginally with inflation while the allocation for the Health Administration Programme decreases by, on average, 12% per year over this period. In all, the allocations for Human Resources do not mirror the Department's professed commitment to reducing vacancy rates in all employment categories.

Infrastructure Development and Maintenance

For 2009/10 the Department's budget for capital assets will increase by R163.95 million from the adjusted appropriation of R1.10 billion in 2008/09 to R1.27 billion for the year under review – a moderate increase of 8.89% in real terms. Of this amount, R863 million (an increase of 10.77% in real terms) will go towards Buildings and fixed structures while R402.48 million (an increase of 5.09% in real terms) will go towards Machinery and equipment.

Part of the allocation for capital assets is received by the Department in the form of the Hospital Revitalisation and Provincial Infrastructure grants, both of which are 'ring-fenced' allocations designated for specific infrastructure projects within the province. The Hospital Revitalisation grant will decrease from R332.74 million in 2008/09 to R238.61 million in 2009/10 – a decrease of R94 million or 28.29% in nominal terms and 32.03% in real terms. This decrease should, however, be offset by an increase to the Provincial Infrastructure grant of R200.11 million (252% in real terms) from the R79 million it estimates it will spend in 2008/09. The Department will therefore receive R518.09 million in the form of conditional grants to spend on infrastructure projects in 2009/10, which is R184.84 million more than it estimates it will have spent from these grants in 2008/09 (see Table 3).⁵¹

⁵¹ Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 62.

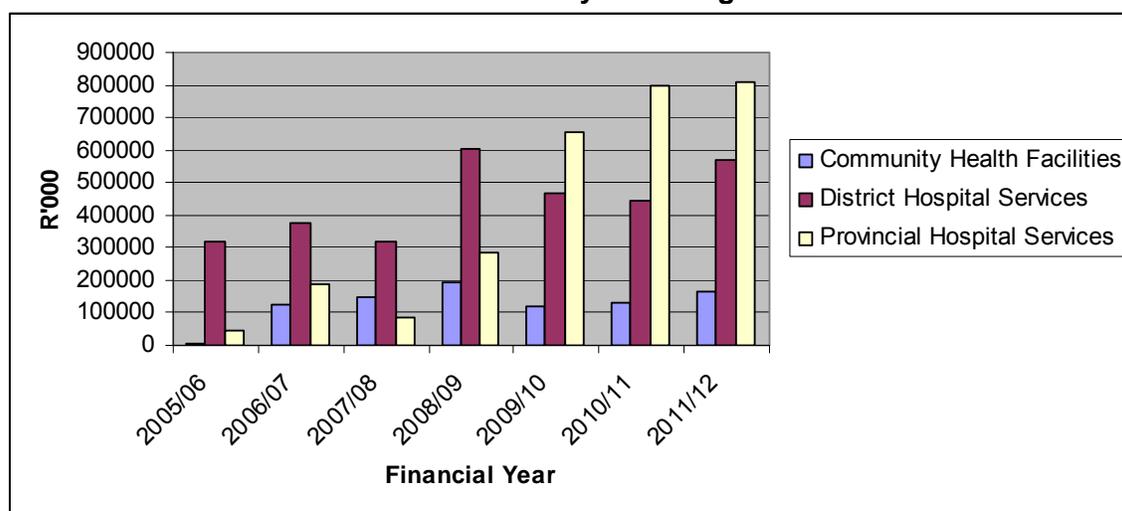
Most of the Department's budget for capital assets (98.07%), including both conditional grants, will be administered by the Health Facilities Development and Maintenance Programme which has the objective of "improving access to health care services by providing new health facilities, upgrading and maintaining existing facilities".⁵² For the 2009/10 financial year this programme's budget increases by R146.94 million from R1.09 billion in 2008/09 to R1.24 billion – an increase of 13.43% in nominal terms and 7.52% in real terms (see Table 4).

Table 4: Payments and Estimates for Programme 8: Health Facilities Development and Maintenance by Sub-Programme⁵³

Sub-Programme (R'000)	Outcome			Main Appropriation 2008/09	Adjusted Appropriation 2008/09	Revised estimate 2008/09	Medium-term estimate			Real Change between 2008/09 and 2009/10	
	Audited 2005/06	Audited 2006/07	Audited 2007/08				% change from Adjusted Appropriation 2008/09	2009/10	2010/11		2011/12
1. Community Health Facilities	70,094	126,428	146,985	203,038	193,345	171,457	120,805	-37.52	131,398	164,535	-40.78
2. Emergency Medical Rescue Services		109	208								
3. District Hospital Services	318,911	377,664	319,364	496,580	601,103	519,135	464,504	-22.72	443,040	571,840	-26.75
4. Provincial Hospital Services	45,154	188,101	85,708	414,648	282,624	406,506	655,707	132.01	796,983	808,907	119.91
5. Central Hospital Services		48									
6. Other Facilities		77	17,156	15,000	17,000	10,154		-100.00			-100.00
Total Payments and Estimates	434,159	692,427	569,421	1,129,266	1,094,072	1,107,252	1,241,016	13.43	1,371,421	1,545,282	7.52

While the overall increase to the Health Facilities Development and Maintenance programme's budget is welcomed, and ostensibly indicates that the Department continues to commit a large portion of its budget towards improving health infrastructure in the province, a review of payments and estimates for this programme by sub-programme does reveal some areas of concern. As Table 4 above shows and Graph 4 below illustrates, the only sub-programme which actually receives a budgetary increase for the 2009/10 financial year is the provincial Hospital Services sub-programme. The budget for this sub-programme will increase substantially by R373.08 million (119% in real terms) from the R282.62 million adjusted appropriation in 2008/09 to R655.70 million for the year under review. The Community health facilities and District Hospital Services sub-programme on the other hand, will have their budgets cut substantially in real terms by 40.78% and 26.75% respectively.

Graph 4: Payments and Estimates for Programme 8: Health Facilities Development and Maintenance by Sub-Programme



⁵² Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 83

⁵³ Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 84

As Graph 4 illustrates, the Department has clearly prioritised the development, upgrade and maintenance of its Provincial Hospitals. This trend then extends into the MTEF period with the Provincial Hospitals sub-programme's budget growing by on average 7.50% per year during this period with the other two programmes' budgets only increasing marginally from the 2009/10 allocation but still not to levels seen in the 2008/09 financial year (see Table 4 and Graph 4).

The steady increase in allocation for the Provincial Hospital Services programme is not in and of itself problematic. Incidents such as the Frere Baby death saga in 2007 and the Ukhahlamba baby deaths in 2008 (as well as several other incidents at provincial hospitals⁵⁴) have highlighted the impact poor hospital infrastructure is having on the Department's ability to provide quality health care to people in the province. There is therefore little doubt that more needs to be done to ensure that provincial hospital infrastructure can meet the demands for quality health care. This should, however, not be done at the expense of infrastructure at the district level.

As I will argue in more depth in the next section, if the District Health Service is truly *the* priority for the foreseeable future, then it makes little sense to prioritise Provincial Hospital related infrastructure projects at the expense of those at district level. If the District Health system is truly the "main vehicle in the improved and accelerated delivery of primary health care",⁵⁵ then surely it should follow that this is where the Department should ensure that it maximises the use of available resources to enhance this infrastructure. It remains to be seen whether this can be done over the next three years when the budget for district health related infrastructure does not even reach levels seen in 2008/09.

⁵⁴ See for example: "EC Hospital unable to fix lifts" (Daily Dispatch 15 December 2007); "Power cut hits Frere's critical care: battle to keep patients alive after generators fail" (Daily Dispatch 15 January 2008); "I've had enough: a Frere Hospital doctor has broken a media ban by health authorities and risked his job to expose a desperate shortage of beds in the hospital" (Daily Dispatch 20 February 2008); Mthata hospital gravely ill (01 September 2008); Health –care experts blast hospital in damning report (Sunday Times 10 October 2008); Haglike hospital (Die Burger 08 January 2009); EL hospitals' equipment shortages a nightmare (Daily Dispatch 11 March 2009).

⁵⁵ Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 63.

Table 5: Payments and Estimates by Economic Classification for Programme 2: District Health Services⁵⁶

(R' 000)	Outcome			Main Appropriation 2008/09	Adjusted Appropriation 2008/09	Revised estimate 2008/09	Medium-term estimate			Real Change between 2008/09 and 2009/10	Real Average Growth over MTEF	
	Audited 2005/06	Audited 2006/07	Audited 2007/08				% change from Adjusted Appropriation 2008/09	2009/10	2010/11			2011/12
Current payments	2,337,302	2,968,689	3,302,534	3,649,534	4,200,300	4,498,681	4,309,008	2.59	4,754,541	5,169,792	-2.76	3.05
Compensation of employees	1,718,066	1,904,402	2,266,555	2,756,611	3,041,405	3,133,914	3,097,625	1.85	3,600,669	3,852,292	-3.46	4.30
Goods and Services	619,236	1,064,287	1,035,979	892,923	1,158,895	1,364,767	1,211,383	4.53	1,153,872	1,317,500	-0.92	-0.26
Transfers and Subsidies to	473,004	258,782	315,281	547,495	498,474	507,032	601,547	20.68	631,729	697,423	14.39	1.89
Provinces and municipalities	240,510	238,443	202,883	274,500	234,316	245,096	286,851	22.42	299,763	315,675	16.04	0.13
Departmental agencies and accounts	194,045	1,601	100,875	258,995	254,609	245,829	288,548	13.33	316,678	365,772	7.42	4.96
Public corporations and private enterprises	9,349											
Households	29,100	18,738	11,523	14,000	9,549	16,107	14,630	53.21	15,288	15,976	45.22	-0.13
Payments for capital assets	1,705	10,291	94,751	40,869	77,907	97,391	24,963	-67.96	11,025	11,521	-69.63	-25.05
Buildings and other fixed structures	283	3,393	68517	18,754	44,854	62,078	11,324	-74.75			-76.07	-100.00
Machinery and equipment	1,422	5,493	25,779	22,115	33,053	35,313	13,639	-58.74	11,025	11,521	-60.89	-8.32
Software and other intangible assets		1,405	455									
Total economic classification	2,812,011	3,237,762	3,712,566	4,237,898	4,776,681	5,103,104	4,935,518	3.33	5,397,295	5,878,736	-2.06	2.81

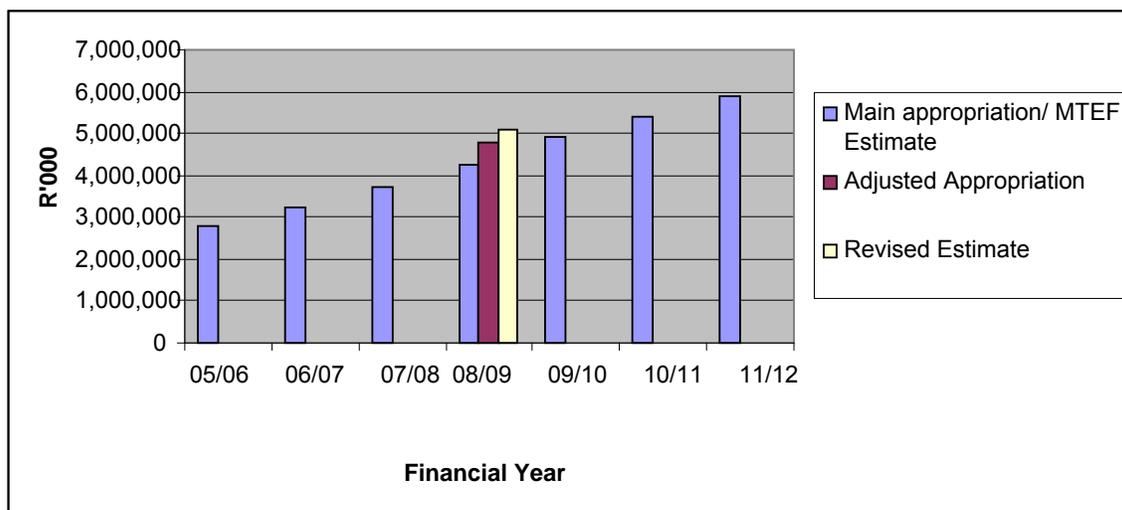
⁵⁶ Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 73

District Health Services

The District Health Services programme continues to be the Department's priority programme and is professed to be the "main vehicle in the improved and accelerated delivery of primary health care".⁵⁷ An importance which is clearly illustrated by the fact this programme, with a budget of R2.83 billion receives 44% of the Department's total budget (see Table 2 and Diagram 2 above).

Despite this stated priority, the programme's allocation for 2009/10 only experiences a 3.33% increase in nominal terms from the 2008/09 adjusted appropriation. Once inflation is taken into account, this actually translates into a decrease of 2.06% in real terms (see Table 2 and Table 5). Moreover, if this allocation is compared with the revised estimate for 2008/09, it appears as if the budget is not increasing in line with trends in expenditure. The revised estimate for 2008/09 shows that the Department expects to overspend on its adjusted appropriation by an estimated R326.42 million and a massive R865.2 million on its main appropriation for that year. This means that if the revised estimate is taken as the baseline for 2008/09, the Department's budget for this programme actually decreases by 3.28% in nominal terms and 8.33% in real terms (see Tables 2 and 5 and Graph 5 below).

Graph 5: Payments and Estimates for the District Health Services Programme 2005/6-2011/12



There is little evidence that the Department has taken measures to ensure that it overcomes these pressures so that it can continue to expand its services.

For example, the Department maintains that it continues to prioritise the hiring and retention of health professionals to address critical staff shortages, especially at facilities

⁵⁷ Eastern Cape Provincial Treasury *Budget Statement II 2008/09*, p. 63.

⁵⁸ *Ibid*, pp. 67 and 68.

⁵⁹ In 2007/08 Treasury estimated that the inflation rate for 2008/09 would be 6.2%. This has since, however, been re-estimated at 9.5% for 2008/09. See The National Treasury Guidelines for the Preparation of Expenditure Estimates for the 2009 Medium Term Expenditure Framework available at www.treasury.gov.za.

located in rural areas.⁶⁰ To do this, the Department intends to hire additional staff to fill vacancies and retain staff through the provision and expansion of the OSD.⁶¹ If these measures are to be successful then the allocation for the compensation of employees needs to increase beyond inflation at a level consistent with policy priorities. A review of the budget, however, reveals that the budget may not be enough to ensure that these measures will be effective in addressing staff shortages at PHC centres. The budget for the compensation of employees for this programme only increases by R56 million, or 1.85% in nominal terms, from the 2008/09 adjusted appropriation, which represents a decrease of 3.46% in real terms (see Table 5). The PSAM is concerned that the allocation will be insufficient to hire additional staff, let alone expand the OSD to other categories of health professionals

In terms of expanding and improving PHC infrastructure in the province, the programme's budget paints a particularly bleak picture. An examination of the payments and estimates by economic classification for this programme reveals that its budget for building, refurbishing and equipping of PHC facilities in the province may not be sufficient to meet the needs of an expanding PHC service in 2009/10. The Department's allocation for capital assets (buildings, machinery and equipment) is set to decrease significantly by 67.96% in nominal terms and 69.63% in real terms between 2008/09 and 2009/10 (see Table 5). The Department has explained this dramatic decrease in budget as follows: "the decline in capital assets, particularly in fixed structures is because such expenditure will now take place in programme 8". But as this report has already shown, a review of the Health Facilities Development and Maintenance Programme (programme 8) reveals that the budgets for the Community Health Facilities and District Hospital Services sub-programmes, both of which are responsible for the building of new facilities and the upgrading and maintenance of existing facilities,⁶² have declined markedly from the 2008/09 financial year by 40.78% and 26.75% in real terms respectively (see Table 5).

Based on the Department's allocations for PHC facilities for 2009/10 it is unclear how the Department will be able to maintain and refurbish a significant proportion of its PHC facilities, let alone build new ones. Fortunately, however, the Department does plan to increase the allocations for PHC facilities by approximately 9% in real terms for each of the outer two years of the MTEF (see Table 4).

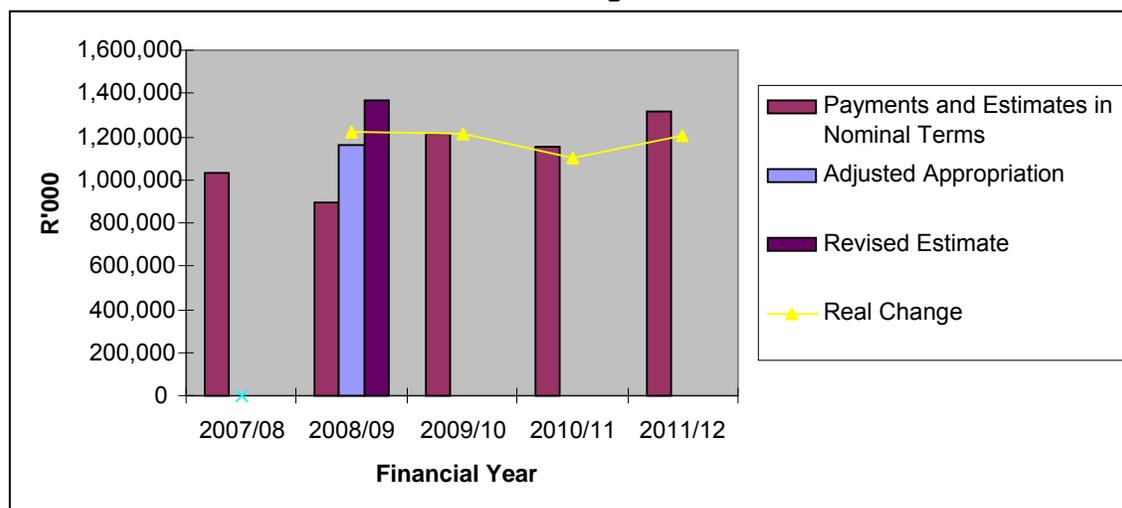
Another area of concern relates to the allocation for goods and services for this programme. While this budget item is set to increase by 4.53% in nominal terms from the 2008/09 adjusted appropriation, it will actually decrease in real terms by 0.92% in 2009/10 and on average by 0.26% for the MTEF. If the allocation for the year under review is compared to the revised estimate for 2008/09, the allocation is 11.24% lower than what the Department estimates it will spend in 2008/09 (see Graph 6).

⁶⁰ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 61.

⁶¹ Ibid.

⁶² Ibid, p. 84.

Graph 6: Payments and Estimates for Goods and Services for the District Health Services Programme



A close inspection of the allocations for items which form part of the broader goods and services budget item for this programme reveals a decrease in one allocation which is of particular concern. For the year under review the Department has allocated R406.82 million for medical supplies for this programme. When compared to the adjusted appropriation for 2008/09 this translates into a marginal increase of 5.7% in nominal terms and 0.19% in real terms in 2009/10. If this allocation is compared to the 2008/09 revised estimate, however, the allocation for the year under review translates into a substantial decrease. The Department estimates that it will spend R663.56 million on this item by the end of 2008/09, nearly twice as much (99.83%) as the adjusted appropriation for the same year. This means that, in effect, its budget for the year under review is 63.41% lower than it expects to have spent in 2008/09.

One explanation for this dramatic overspend could be higher input costs brought about by the effects of a spike in inflation. This should only account for a comparatively moderate increase in prices, however, and cannot explain the overspend of nearly 100%.

The Department maintains that the overspend is due to demand for services, especially those relating to HIV and AIDS, Tuberculosis and outbreaks of other communicable diseases which has resulted in a greater demand for medical supplies at PHC facilities than was expected.⁶³ If this second explanation is the primary reason for the massive overspend, then the Department needs to adjust its 2009/10 budget to accommodate greater demand for services going forward.

By not increasing this allocation in line with demand, the Department runs the risk of not being able to adequately stock all of its PHC facilities with essential medical supplies. The Department should explain what measures have and will be taken to accommodate the increase in demand for services given that the 2009/10 allocation is likely to be insufficient when compared against the projected expenditure for 2008/09.

⁶³ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 68.

Emergency Medical Services (EMS)

The budget allocation for the EMS programme has increased by R50.63 million from the 2008/09 adjusted appropriation of R434 million to R484.63 million for 2009/10. This is an increase of 11.67% in nominal terms and 5.84% in real terms. Over the MTEF period the budget for this programme is estimated to increase year on year by, on average, 2.13% in real terms (See Table 2).

A particularly welcome aspect of this increase is that the allocation for the compensation of employees increases by R49.36 million or 21.85% in nominal terms and 15.90% in real terms from the 2008/09 adjusted appropriation.⁶⁴ This is a significant improvement on the 2008/09 allocation which only increased moderately by 6.98% in real terms from the 2007/08 financial year. This increase in the allocation for the compensation of employees should enhance the Department's ability to attract and retain EMS personnel needed to staff new EMS facilities and reduce the number of solo ambulance crews operating in the province.

While the overall increase in the budget allocation for this programme is welcomed closer inspection of the programme's budget reveals some areas of concern which are worth highlighting.

In its analysis of the Eastern Cape Department of Health's budget for 2008/09, the PSAM raised concerns around the adequacy of the Department's allocation for goods and services for this programme:

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 2008/09.⁶⁵

As predicted, the budget allocation for this item will not be enough to cover programme costs for the 2008/09 financial year even though the programme received an adjustment increase of R57.28 million to its original allocation for this item during the year. Despite having an adjusted appropriation of R153.71 million, or 37.26% more than the original allocation, the Department has estimated that it will spend approximately R216.39 million for 2008/09 or 28.96% more than the original allocation.⁶⁶

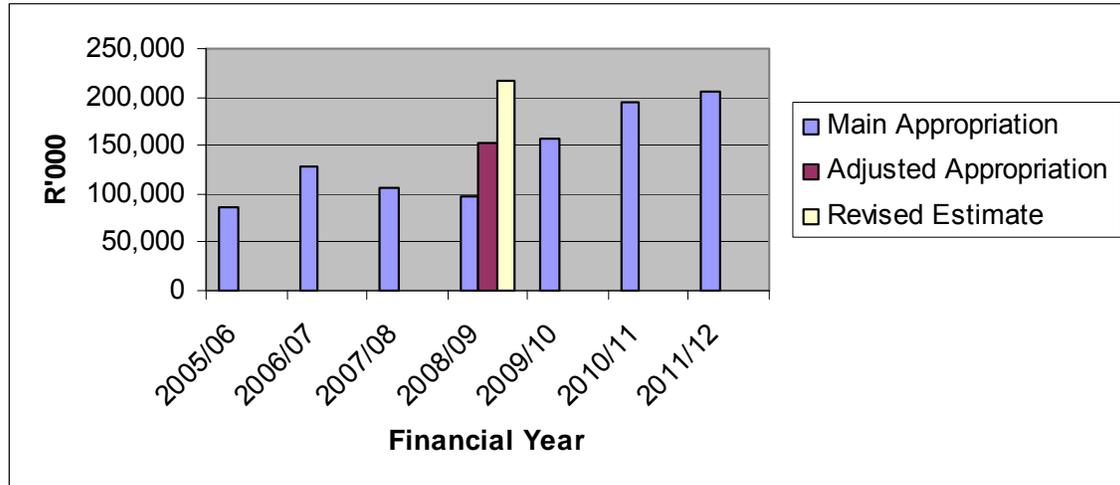
⁶⁴ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p. 76.

⁶⁵ Public Service Accountability Monitor, Eastern Cape Department of Health Budget Analysis 2008/09.

⁶⁶ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p 76.

An examination of the allocation for this item for 2009/10 reveals that the Department appears not to have taken past spending into account when budgeting for the year under review. The budget allocation for this item only increases by R4.19 million (2.73% in nominal terms) from the 2008/09 adjusted appropriation to R157.9 million in 2009/10. Once inflation is taken into account this actually translates into a decrease of 2.63% in real terms.

Graph 7: Payments and Estimates for Goods and Services for the EMS programme



The real decrease in the budget allocation for this item is rendered even more troubling when read in the light of the predicted 28.96% overspend on the adjusted appropriation for 2008/09. When compared to the revised estimate for 2008/09, the allocation for 2009/10 decreases by 27.03% in nominal terms and 30.84% in real terms. While no explanation for this is provided in the Budget Statement, this does suggest that (as the PSAM suggested in its 2008/09 Budget Analysis,⁶⁷) the Department continues to fail to take into account past expenditure when budgeting for this item (see Graph 7).

The most worrying possible consequence of an allocation for this item which is significantly less than the revised estimate for 2008/09 is that the Department will have significantly less money to pay the leases on its fleet of EMS vehicles – a fleet which it has committed to continue expanding in 2009/10.⁶⁸ The Department has budgeted R101.32 million for lease payments (this allocation forms part of the goods and services item) for 2009/10⁶⁹, an amount which is R29.18 million less than the adjusted appropriation in 2008/09 and a massive R93.32 million less than the revised estimate for the same year. This means that the Department will have 50.66% less in real terms to spend on its lease payments for the year under review than it estimates it will have spent in 2008/09. The Department and the Provincial Treasury both fail to provide any reasons for this drastic decline in the Goods and Services line item which is likely to adversely affect this vital function.

⁶⁷ Public Service Accountability Monitor, Eastern Cape Department of Health Budget Analysis 2008/09.

⁶⁸ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p, 64.

⁶⁹ *Ibid*, p.95.

Finally, in his budget and policy speech the MEC for Health, said that as part of its efforts to bring “services closer to the people” the Department would upgrade existing EMS control centres in Queenstown, Port Elizabeth and East London and begin work on establishing six new bases in the province.⁷⁰ While the Department should be commended on its commitment to improving EMS infrastructure, a review of the Department’s allocations for EMS related infrastructure projects does highlight some areas of concern.

In the summary of details of expenditure for infrastructure by category which appears in Budget Statement II 2009/10 (pp. 103-121) there are no projects and corresponding budgets listed for the upgrade of any of the three existing EMS control centres in the province. It is therefore impossible to tell what these upgrades will involve, how they will be paid for or even if they will happen at all.

Even where the Department does provide information on EMS related infrastructure projects in the Budget Statement II 2009/10 these are not specific or time-bound. In the Budget Statement the Department provides a budget of R 24 million for the replacement, and construction of new EMS infrastructure in the province for the 2009/10 financial year⁷¹. Of this amount only R 9 million is allocated to a specific and time-bound project—the construction of a new EMS base at St. Lucy’s Hospital. The remaining R15 million, however, has been allocated for “Various” EMS related projects in the province⁷². It is impossible to say exactly what these “Various” projects will include or how many additional EMS stations the Department can begin to build with this amount. The Department needs to commit its infrastructure budgets to specific and time bound projects which can be monitored from start to finish. Non-specific allocations are more difficult to monitor and account for, which may result in under-spending, fruitless and wasteful expenditure, and mismanagement.

Tuberculosis

The budget for the TB Hospitals sub-programme (programme 4: Provincial Hospital Services) has increased by R49.28 million, from the adjusted appropriation of R225.9 million in 2008/09 to R282.33 million for 2009/10. This represents an increase of 21.15% in nominal terms and 14.84 in real terms for this period. This allocation is then also estimated to increase by, on average, 7% per year over the MTEF period.

According to the Budget Statement II this increase is by and large due to “extra funding allocated to provide proper facilities within which TB patients can be treated without infecting other patients”.⁷³ Practically, this means that the Department has committed additional financial resources to the building, renovation and maintenance of TB hospitals in the province in an effort to improve cure rates and reduce cross infection of TB patients with differing strains of TB.⁷⁴

While the increase in the TB sub-programmes budget for infrastructure is welcomed, the Department must ensure that these funds are spent, and spent appropriately. In 2007/08

⁷⁰ Eastern Cape Department of Health *Budget and Policy Speech 2009/10*, p. 5.

⁷¹ Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, pp. 103-111.

⁷² Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 111.

⁷³ Eastern Cape Provincial Treasury *Budget Statement II 2009/10*, p.77.

⁷⁴ *Ibid*, p. 78.

the Department only managed to spend 1.2% (R669 000) of its R52 million allocation for capital assets for this sub-programme.⁷⁵ A failure to spend this allocation in 2009/10 will mean that the Department will continue to struggle to increase cure rates and reduce infection rates at its TB hospitals. The Department therefore needs to take steps to ensure that all infrastructure projects relating to TB hospitals are prioritised.

While there is little doubt that improving infrastructure at TB hospitals is an important step in improving the level of care the province can provide to TB patients, the fact of the matter remains that at most only about a third of TB patients can be accommodated in these hospitals each year.⁷⁶ Most TB patients are treated within the district health services programme at PHC facilities or at home through the DOTS programme. Yet, as has already been shown, the 2009/10 budget for District Health Services programme may not be sufficient to meet the growing demand for PHC services, of which TB treatment is one of the most critical.

Potential budgetary pressures relating to staffing, infrastructure and medical supplies (especially medicines) could result in the Department being unable to provide adequate treatment, support and follow-up for thousands of TB patients accessing treatment through district health services. Inadequate case detection, treatment, and support at this level inevitably results in patients accessing treatment later and/or defaulting on treatment. Receiving treatment later and/or defaulting on treatment then increases the chances that patients will require hospitalisation, develop drug resistant strains, and possibly die from TB. It is therefore imperative that the Department's TB programme at district level is adequately funded to ensure that patients enter the system earlier and receive continuous support both during and after treatment. This will not only improve cure rates, it will also ensure fewer patients are hospitalised and fewer patients experience reoccurrence and re-infection of the disease, which will ultimately place less of a burden upon the Department.

HIV and AIDS

For the 2009/10 financial year the Department has received a Comprehensive HIV and AIDS conditional grant allocation of R401.73 million. This represents a substantial increase of R101.27 million, or 26.71% in real terms, on the R300.52 million adjusted appropriation for this grant for 2008/09. Over the MTEF period this grant is predicted to increase moderately by, on average, approximately 6% each year (see Table 3).

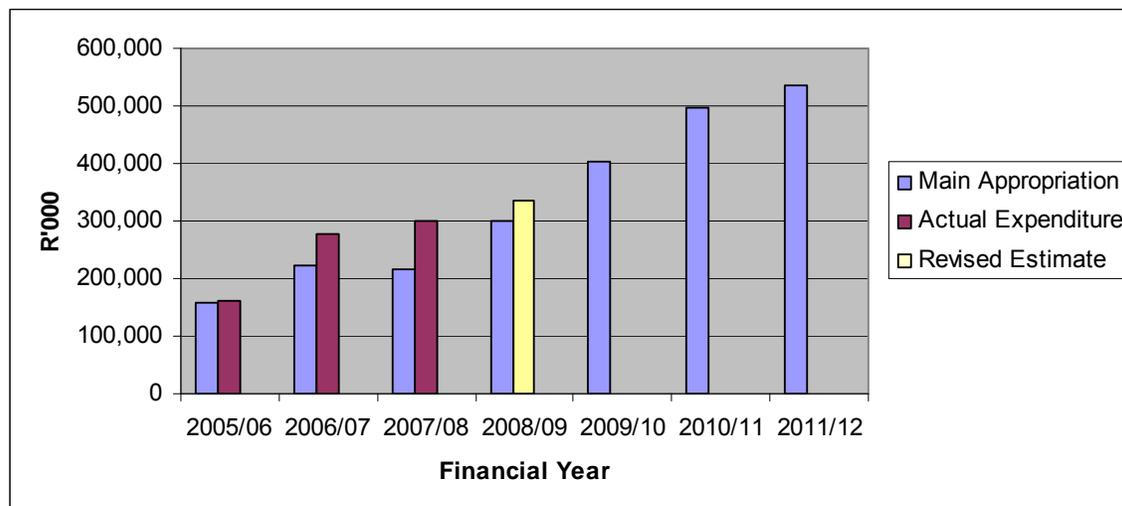
The substantial increase to this grant for 2009/10 and the predicted moderate average increase over the MTEF are much needed and indicate that the national Department of Health and Treasury have finally taken steps to ensure that funding will meet the demand for HIV and AIDS related services in the province. For the four financial years preceding the year under review, the Department had consistently overspent on its Comprehensive HIV and AIDS conditional grant (see Graph 8 below). While overspending only amounted to 2% of the original allocation in 2005/06, this increased dramatically to 19.68% in 2006/07 and a massive 28% in 2007/08. For the 2008/09

⁷⁵ Eastern Cape Department of Health Annual Report 2007/08, p. 255.

⁷⁶ In 2007, for example, the Department could only accommodate approximately 3 000 patients in TB hospitals at any one time and the average length of stay at these facilities was two months per patient. This means that, at most, the Department could accommodate 18 000 of the 54 343 reported cases of TB in the province that year in its TB hospitals.

financial year, the Department predicts that will it fare slightly better than it did for the two previous financial years and only overspend on this grant by approximately 12%⁷⁷ (see Graph 8 below).

Graph 8: Payments and Estimates for the Comprehensive HIV and AIDSAIDS Conditional Grant⁷⁸



This trend of overspending is largely due to the fact that increases to this grant between 2006/07 and 2008/09 were not in-line with the increased demand for HIV and AIDS related services. Between 2006/07 and 2008/09 this grant only increased by 3% in real terms despite the fact that the Department had consistently exceeded its targets for the provision of HIV and AIDS related services. In 2007/08, for example, the Department overspent on this grant by 28% largely due to the fact that it exceeded its target for the number of patients receiving Antiretroviral Treatment (ART) by approximately 10 000 people due to higher demand at ART sites than predicted.⁷⁹ Despite this overspend the Department only received an increase to this allocation in 2008/09 of approximately R1.63 million (0.55%) on what it spent the previous year (see Graph 8). Fortunately, for the 2009/10 financial year it appears as if the Department will finally receive an increase to this grant which is in line with demand. In 2009/10 the Department will receive 13.37% more in real terms than it estimates it will have spent in 2008/09 (see Graph 8).

The significant increase to this conditional grant is an important step towards improving the Department's ability to improve the quality and reach of its HIV and AIDS treatment. This grant is used not only for the provision of Antiretroviral medications (ARVS) and Voluntary counselling and testing, but also for the Prevention of Mother to Child Transmission (PMTCT), Post Exposure Prophylaxis (PEP) and a range of social and community based interventions.⁸⁰ This means that with the significant real increase to this grant, the Department will be better placed to expand and improve its HIV and AIDS interventions in the province. Closer inspection of the Department's entire HIV and AIDS and STI programme budget, however, reveals that increases in the conditional grant

⁷⁷ Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 66

⁷⁸ Eastern Cape Provincial Treasury *Budget Statement II, 2009/10*, p. 66

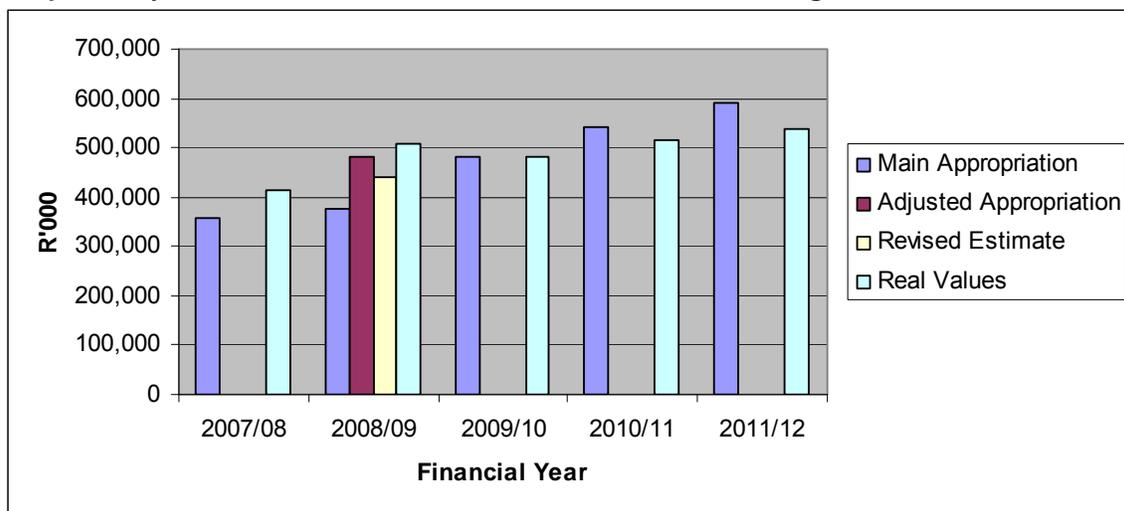
⁷⁹ Eastern Cape Department of Health Annual Report 2007/08, p. 220.

⁸⁰ Eastern Cape Department of Health *Comprehensive HIV and AIDS and STIs Programme Integrated Business Plan 2009/10*, p. 202-203

have not been met with concurrent increases in the Department's discretionary allocations from its equitable share.

For the 2009/10 financial year the Department has budgeted a total R 480.16 million⁸¹ for the programme which is 5.37% less in real terms than its R480.95 million adjusted appropriation for 2008/09. This may in part be due to the fact that the Department predicts that it will only spend approximately R440.75 million (revised estimate) of the adjusted appropriation for that year; but even if we compare the 2009/10 allocation with predicted expenditure for 2008/09 the budget will only increase marginally. The allocation for this programme for 2009/10 is only R39 million more than the revised estimate for 2008/09, which means that the Department will only have 8.94% in nominal terms and 3.26% in real terms more to spend on HIV and AIDS related services than it predicts it will have spent in 2008/09 (see Graph 9 and 10).

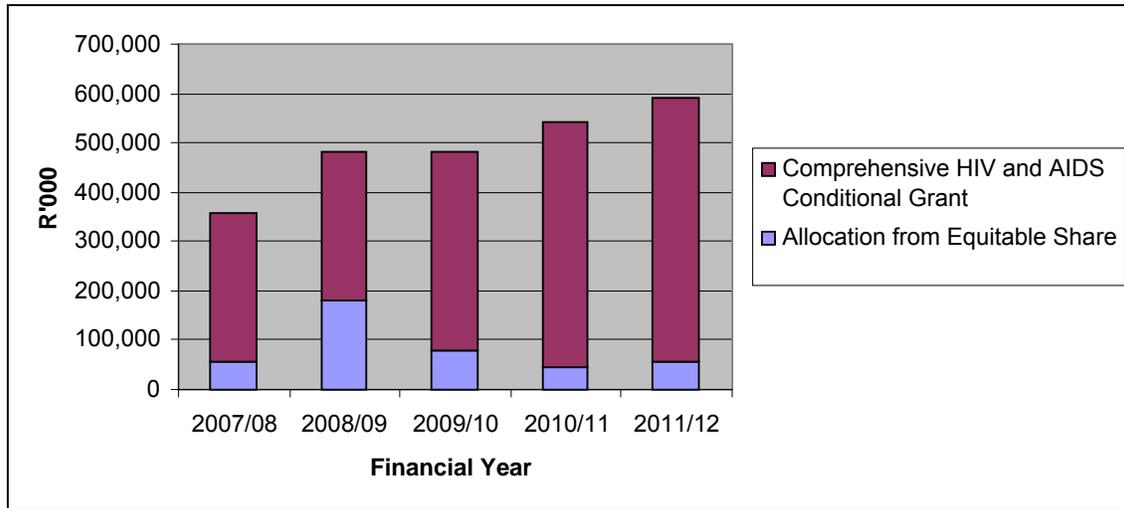
Graph 9: Payments and Estimates for the HIV and AIDS Sub-Programme Nominal and Real



The difference in the increase to the Comprehensive HIV and AIDS Conditional Grant and the total allocation for the Departments HIV and AIDS programme is due to the fact that the Department will contribute significantly less from its equitable share to fund this programme than it did in 2008/09 (see Graph 10 below). In that year the Department's discretionary allocation from its equitable share for its HIV and AIDS programme was R121.61 million or 26.33% of the adjusted appropriation for this programme with the remaining 73.67% coming from the conditional grant. For the 2009/10 financial year, however, the Department's allocation for this programme from its equitable share only accounts for R78.43 million or 16.33% of the total allocation for this programme with the conditional grant accounting for the remaining 83.67% – a trend which then continues through the remainder of the MTEF.

⁸¹ This amount is made up of the Comprehensive HIV and AIDS conditional grant allocation as well as an allocation taken from the department's equitable share.

Graph 10: Equitable Share vs. Conditional Grant funding for the HIV and AIDS sub-programme



The substantial decrease in the Department’s discretionary allocation for this programme is of concern as this portion of the budget is used to fund programmes not covered by the grant but which are nonetheless critical aspects of this programme and any meaningful interventions. These programmes include those which relate to Sexually Transmitted Infections (STI), the provision of barrier methods of contraception (male and female condoms), the integration of TB and HIV services, and the training and payment of community health care workers⁸². Without the effective management of STIs and TB, the Department’s ability to manage the pandemic will undoubtedly be constrained as both STIs and TB not only fuel the spread and progression of the disease but also render treatment less effective. The same holds true for the training and deployment of community health workers who perform a key role in the treatment and management of the disease beyond health facilities as these workers are components of the Departments interventions aimed at education and prevention.

The Eastern Cape MEC for Health, Phumulo Masualle, has acknowledged the important role these aspects of the Department’s HIV and AIDS play in providing a comprehensive package of services which extend well beyond simply treating the medical symptoms of the disease.⁸³ In this regard he has committed to upscaling “the comprehensive approach to prevention, treatment and care” by increasing involvement of community health workers and NGOs, as well as stepping-up information, education and communication campaigns.⁸⁴

It is imperative that the Department continues to increase funds to all programmes which seek to halt the spread of the disease and/or improve treatment outcomes and not just those related to Testing and the provision of ART. The *South African National HIV*

⁸² Eastern Cape Department of Health *Comprehensive HIV and AIDS and STIs Programme Integrated Business Plan 2009/10*, p. 202-203

⁸³ Eastern Cape Department of Health *Budget and Policy Speech 2009/10*, p. 3.

⁸⁴ Ibid.

Prevalence, Incidence, Behaviour and Communication Survey 2008 shows that the Eastern Cape has fallen behind much of the rest of the country in its ability to reduce the number of new infections in the province. The Survey shows that between 2002 and 2008 HIV prevalence has increased by 2.4 percentage points compared to a decrease in prevalence of 4.4 percentage points in Gauteng and 6.9 percentage points in the Western Cape.⁸⁵ It is therefore vital that the Eastern Cape re-asses its funding for programmes aimed at prevention and not just those aimed at testing and treatment as is the case with the current budget.

⁸⁵ Human Sciences Research Council, *The South African National HIV Prevalence, Incidence, Behaviour and Communication Survey 2008*, p.32