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**Submission to Medium Term Expenditure Committee Hearings,
Eastern Cape Treasury – 25/26 November 2004**

**An Evaluation of proposed budget allocations and draft
Strategic Plans for the Eastern Cape Departments of Health and
Social Development for the 2005/06 financial-year**

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| Eastern Cape, Department of Health Evaluation of 2005/2006 Budget Allocations and Strategic Plan |
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A. Budget Analysis

The Department of Health's Adjustments budget allocation for the 2004/05 financial-year is as follows:

| | Programme | Financial Year | | | +Increase/ -Decrease (MTEF v adjusted 2004/05) |
|---|-------------------------------------|-------------------|------------------------------|----------------------------------|--|
| | | 2003/04 Actual | 2004/05 MTEF ¹ | 2004/05 Adjusted ² | |
| 1 | Administration | 302 667 | 260 586 | 286 582 | +25 996 |
| 2 | District Health Services | 2 334 080 | 2 684 102 | 2 367 902 | -316 200 |
| 3 | Emergency Medical Services | 311 767 | 65 365 | 151 389 | +86 024 |
| 4 | Provincial Hospital Services | 1 574 580 | 1 703 244 | 1 795 285 | +92 014 |
| 5 | Central Hospital Services | | | | |
| 6 | Health Sciences and Training | 136 487 | 163 526 | 137 393 | -26 133 |
| 7 | Health Care Support Services | 11925 | 21 607 | 16 607 | -5 000 |
| 8 | Health Facilities Dev & Maintenance | 447 380 | 511 864 | 466 108 | -45 756 |
| | | | | | |
| | Total | 5 118 886 | 5 410 294 | 5 221 266 | -189 028 |

Budget Summary per programme (R000s)

It is of concern that the Department, in conjunction with the provincial Treasury, has chosen to cut the budget for vital programmes during its adjustments budget with a full 4 months of the financial-year remaining. The District Health Services programme sustained a budget cut of R316 million. This is primarily attributed to the failure to spend R257.5 million (which is misrepresented as a 'saving') on the recruitment of personnel at community Health Clinics.³ The Health Sciences and Training budget cut is attributed to a the failure to spend R24.7 million on the recruitment of staff at Nursing Training Colleges (which is again misrepresented as a 'saving').

The Health Facilities Development and Maintenance budget is cut by R45.7 million. No explanation is offered in the Adjustments estimate for this cut in the budget for buildings and fixed structures. The Eastern Cape Department of Health has a history of

¹ Budget Statement for the 2004/05 Provincial Budget, Eastern Cape Provincial Budget, Eastern Cape Treasury, p.58.

² Eastern Cape Provincial Government, Adjustments Estimate, 2004/2005, Eastern Cape Treasury, p.13.

³ Eastern Cape Provincial Government, Adjustments Estimate, 2004/2005, Eastern Cape Treasury, p.15.

underspending on infrastructure and maintenance projects. It failed to spend an amount of R283.3 million or 19.4 percent (almost one-fifth) of its R1.458 billion infrastructure budget between 1999 and 2004. This cut will serve to exacerbate this state of underspending and will undoubtedly have a severe impact on the dilapidated state of health infrastructure in the province.

The proposed budget allocations contained in the Department of Health's draft strategic plan for the 2005/06 financial-year are as follows:

| | Programme | Financial Year | | | |
|---|-------------------------------------|--------------------------------------|---------------------------|-------------------------------|---|
| | | 2004/05 Adjusted Budget ⁴ | 2005/06 MTEF ⁵ | 2005/06 proposed ⁶ | +Increase/-Decrease (proposed 2005/06 v adjusted 2004/05) |
| 1 | Administration | 286 582 | 302 176 | 336 597 | +50 015 |
| 2 | District Health Services | 2 367 902 | 3 058 594 | 3 070 934 | +703 032 |
| 3 | Emergency Medical Services | 151 389 | 86 923 | 192 623 | +41 234 |
| 4 | Provincial Hospital Services | 1 795 285 | 1 940 640 | 1 694 759 | -100 526 |
| 5 | Central Hospital Services | | | | |
| 6 | Health Sciences and Training | 137 393 | 171 310 | 257 881 | +120 488 |
| 7 | Health Care Support Services | 16 607 | 26 873 | 36 854 | +20 247 |
| 8 | Health Facilities Dev & Maintenance | 466 108 | 624 375 | 621 243 | +155 135 |
| | | | | | |
| | Total | 5 221 266 | 6 210 891 | 6 210 891 | |

Budget Summary by programme (R000's)

The significance of the proposed increases for the Department's District Health Services and Health Facilities Development and Maintenance programmes must be situated in the context of the budget cuts inflicted on these programmes by the province's 2004 Adjustments budget. The proposed increase of R155 million on infrastructure and maintenance spending must be seen against the background of the underspending of R329 million since 1999.⁷

Of concern with the draft budget is the proposed cut of over R100 million from the Provincial Hospital Services Programme, which is responsible for the provision of general and specialised hospital services.

⁴ Figures taken from the Eastern Cape Provincial Budget Adjustments Report, Provincial Treasury, November, 2004.

⁵ Budget Statement for the 2004/05 Provincial Budget, Eastern Cape Provincial Budget, Eastern Cape Treasury, p.58.

⁶ Figures from Eastern Cape, Department of Health, 1st Draft Strategic Plan 2005/06 – 2009/10.

⁷ Calculated on the figure of R283.3 million cited above, combined with the current cut of R45.7 million.

B. Strategic Plan Evaluation

Strategic Planning and Zero-Based Budgeting

Strategic planning forms the foundation on which service delivery is built. The responsibility for drawing up clear strategic plans and for setting measurable objectives for provincial government departments rests with the MEC for the relevant department. Amongst other responsibilities, the MEC should identify the people to be served by their department, and their specific service delivery needs. The MEC is then tasked to draw up a service delivery plan and an organisational structure for the department to ensure that it provides services efficiently and in a way that represents value for money. These strategic planning requirements are strictly regulated in terms of the Public Service, Public Finance Management, and Division of Revenue Acts. No budget can be allocated to any government department in the absence of a strategic plan.

The annual budget projections for all government departments should be based on the detailed costing of individual activities listed in the business plans for their various programmes. Government's zero based budgeting approach assumes that the business plans for all programmes should be completed first, and the costs of the individual activities listed in the business plans (added up from zero), are used as the basis for drawing up department's strategic plans.

The importance of effective strategic planning to the smooth financial management and administration of government departments cannot be overstated. Government departments should draw up business plans for each of their programmes (and important sub-programmes) as the basis for requesting budgets for these programmes from the Legislature. Collectively these programme plans make up the department's operational plan (which is always treated as the first year of the department's 3-year strategic plan).

The business plans for individual programmes serve as a vital management tool for identifying the activities necessary to meet the department's policy objectives. They also serve as an essential communication tool to inform managers of the department's action plans and any changes in its service delivery priorities.

The process of drawing up business plans provides its managers with the opportunity to identify the exact human and material resource inputs required to deliver the department's intended service delivery outputs. By properly costing these resources and by attaching measurable service delivery indicators to its outputs, the department's business plans would have served as the basis for informing the Legislature about what it was buying when it approved these plans.

If departments fail to produce clear strategic and business plans this means that the department's own managers will not be able to ensure the effective use of budgeted funds in this period. It is only by ensuring that all activities are measurable and that each activity is properly costed and has a clear timeframe attached to it, that the programme managers can track expenditure and progress in implementing these activities.

In fact, if programmes do not have measurable and sufficiently detailed business plans to guide their activities, it is impossible to report on the implementation of activities. The

department's annual report is required to report against the measurable objectives and expenditure plans set out in its operational plan, and assess progress towards the realisation of the objectives set out in its strategic plan.

In addition, the department's second and third quarter expenditure and performance reports to the Treasury should feed into the following year's strategic planning process, and the monthly expenditure reports for its current financial year should inform the budgeting decisions for the budget for the next financial year⁸.

In the absence of clear business and strategic plans, programme managers are not only prevented from reporting effectively on their programme implementation, financial managers are prevented from reporting effectively on the department's expenditure. In these circumstances it stands to reason that programmes will either overspend or underspend their budget allocations.

Moreover, in the absence of accurate and up to date reports on current levels of spending it is extremely difficult for programme managers to identify their future budget needs. This gives rise to the calculation of future budget requirements on the basis of uninformed inflationary (or other speculative) projections as opposed to using actual indicators of changing spending patterns or changing demand for services. This, again inevitably results in the under-or over-estimation of future budget requirements, and perpetuates the negative spiral of poor budgeting, ineffective spending and failed service delivery.

Evaluation Template for Strategic Planning⁹

All provincial government departments are required to produce strategic plans, to be presented to the Treasury by August of each year, which meet the following requirements:

1. Statement of Policy and Commitment by the MEC

Requirement

The executive authority of a department should set out clearly at the beginning of the strategic plan what policy priorities he or she has set for the year and which have informed the development of the strategic plan. The executive authority is responsible for ensuring that these policy priorities are in line with the provinces' overall priorities, the priorities set by the relevant national department and the priorities of the national government.

2. Mission and Strategic Goals

Requirement

The strategic plan should set out a clear statement of the department's vision, including its broad strategic goals and specific strategic objectives over the next 3-year MTEF period.

Strategic goals refer to the outcomes to be achieved by the department; strategic

⁸ Generic Format for Strategic Plans of Provincial Departments, National Treasury discussion document, 11 July 2002, p.5.

⁹ This template, developed by the PSAM, is based on an adaptation of the guideline 'Generic Format for Strategic Plans of Provincial Departments, Revised Document, issued by the National Treasury, 11 July 2002.

objectives are statements that concretely and specifically describe things that will be done to achieve the department's outputs.

3. Accurate profile information on service delivery environment

Requirement

Each government department should present accurate and up to date profile information relevant to the functions of the department. This information should include an assessment of the challenges facing the department, service delivery needs to be serviced by it, and a series of demographic indicators for the target population to be served. So for instance provincial health departments should profile the health status of the people in the province, providing the latest demographic and epidemiological information on the spread of sickness and disease and the location of infected/affected groups.

4. Evaluation of current performance

Requirement

The department should provide an evaluation of its performance in the current year (based on its third quarter 'Quarterly Report'), and indicate how this is likely to impact on its ability to meet the targets set out in the strategic plan for the current year. This will have an obvious impact on its plans and objectives for the coming year.

5. Consultation during the Strategic Planning Process

Requirement

The usefulness of a department's strategic plan is to a large extent determined by the extent and depth of staff involvement in its development. Staff that have played a meaningful role in developing a strategic plan are more likely to take ownership of it and thus actively work towards its implementation. The more effort taken to obtain stakeholder and community input into the department's planning process the more likely the department's services will actually target the most pressing needs of the community.

6. Programmes and sub-Programmes

Requirement

The department's Strategic Objectives should be broken down into manageable programmes and sub-programmes with a set of clear programme objectives.

7. Measurable objectives, performance measures and targets

Requirement

An appropriate set of measurable objectives should be set for each programme, and where appropriate for those sub-programmes that are of strategic importance.

These measurable objectives should comply with the 'SMART' principle, i.e. they should be specific, measurable, achievable, realistic and time-bound.

Linked to each measurable objective the department needs to provide one or more performance measures indicating the cost, quantity, quality and timeliness of the delivery of the output.

8. Reconciliation of plan with previous expenditure by programme

Requirement

An account should be given of how actual spending trends have transpired in previous years and how MTEF projections correspond to strategic plan objectives.

9. Revenue

Requirement

The department should provide a summary of its revenue, including a breakdown between the revenue voted by the Legislature and that obtained from conditional grants. The department should also provide a detailed explanation of its own revenue collection plans.

10. Co-ordination, Cooperation and Outsourcing

Requirement

The department should provide details where it is jointly responsible for service delivery with another state department. It should indicate the exact extent of its responsibilities vis-à-vis the other departments. It should also state what mechanisms have been put in place to ensure good co-ordination among departments.

11. Local Government

Requirement

Departments should give details of any service delivery agreements or arrangements they have with local authorities. This should include details of all funds that the department will be transferring to local authorities for the delivery of such services. For instance in certain provinces local authorities operate clinics for which they receive funding from health departments. Details of these service level agreements should be listed in the strategic plan.

12. Public private partnerships (PPP) and outsourcing to NGOs

Requirement

The department should provide a detailed account of its involvement in public private partnerships, including their cost implications and division of responsibilities, and of its outsourcing and transfers to individual NGOs.

13. Financial Management Issues

Requirement

The department should provide a detailed strategy for how it intends to follow-up and address audit queries identified by the office of the Auditor-General in its annual audit report.

14. Capital Expenditure and Maintenance

Requirement

In accordance with the PFMA detailed information on the departments capital investment programme should be given:

1. What building projects are in progress, and when are they expected to be completed?
2. What new building projects are being planned, when will they commence and when will they be completed?
3. Are there any facilities whose closure or down-grading is being planned?
4. What plans are there for major refurbishing projects?
5. What is the department's maintenance backlog, and what are its plans to deal with the backlog over the MTEF period, and over five years and ten years?
6. How are the above developments expected to impact on current expenditures?

Information should also be given on the management of key moveable assets, such as plans to replace important items of medical equipment.

This section should also give details of medium term maintenance plans, focussing on the following issues:

1. What is the current state the department's capital stock? (i.e. What percentage is in good, medium or bad condition?)
2. How much is the department planning to spend on maintenance? And what is the split between major maintenance expenditure and routine maintenance expenditure?
3. What is the schedule for major maintenance projects?

The department should give detailed lists of assets under its control, and how its asset holding have changed over the past number of years and how they are likely to change in future.

The following table serves to illustrate the Eastern Cape Department of Health's level of compliance with the above strategic planning requirements:

| | REQUIREMENT | COMPLIANCE - Health | | | |
|---|---|---------------------|-----------|-----------|-----------|
| | | 2002/2003 | 2003/2004 | 2004/2005 | 2005/2006 |
| 1 | Clear Policy Priorities by MEC/Minister | X | X | X | X |
| 2 | Concise Mission and Strategic Goals | ✓ | ✓ | X | X |
| 3 | Accurate information on Service Delivery Environment and Challenges | X | X | X | X |
| 4 | Rigorous Evaluation of Past years Performance | X | ✓ | X | X |
| 5 | Effective consultation with relevant internal and external stakeholders | X | X | X | X |
| 6 | Clear separation of activities into Programmes and Sub-programmes | ✓ | ✓ | ✓ | ✓ |
| | Clear Objectives for all activities: | | | | |
| | Specific | ✓ | ✓ | ✓ | ✓ |
| | Measurable | X | ✓ | X | X |

| | | | | | |
|----|--|---|---|---|---|
| 7 | Achievable | X | ✓ | ✓ | ✓ |
| | Realistic | ✓ | ✓ | ✓ | ✓ |
| | Time-bound | X | X | X | X |
| | Costed (per unit of value) | X | X | X | X |
| | Name of responsible official | X | X | X | X |
| 8 | Reconciliation of plan with Previous Budget allocations and actual Expenditure by programme and sub-programmes | X | X | X | X |
| 9 | Revenue Collection Plan | X | X | X | X |
| 10 | Mechanisms to ensure Co-ordination and Cooperation with other departments | ✓ | ✓ | X | X |
| 11 | Details of transfer agreements with external bodies and mechanisms for monitoring compliance with agreements | X | X | X | X |
| 12 | Details of involvement and responsibilities in Public Private Partnerships | X | X | X | X |
| 13 | Plan to Address Auditor General's Queries | X | X | X | X |
| 14 | Accurate, time-bound and costed Capital Expenditure and Maintenance Plan | X | X | X | X |

PSAM Evaluation of Draft Strategic Plan for Eastern Cape Department of Health, for 2005/06

In what follows the PSAM will provide an analysis of the level of compliance by the Department of Health with a list of requirements set out in terms of South Africa's public sector legislative and policy framework.

1. Statement of Policy and Commitment by the MEC

Instead of setting out the department's policy priorities for the year the MEC for Health sets out a number of focus areas in the strategic plan. He fails to provide an indication of what his policy priorities are, how these relate to the policies of the national Department of Health, and how these have changed from the previous year. In particular, he does not mention any provincial policy changes taken in the light of the findings of the Interim Management Team report (delivered in April 2004).

The MEC should have addressed the issues of how to improve coordination with the national Department of Health and how to replace inappropriate human resource policies in his department. He should also provide an indication of how his department intends to address a number of critical challenges identified by the IMT. These include: a lack of effective financial controls and administrative procedures; poor leadership and a lack of competent management; weak service delivery at provincial hospitals due to poor planning and poor maintenance of infrastructure; an ongoing human resource crisis in the Department characterised by chronic shortages of professional staff, the lack of a reliable personal administration system; and, an organisational culture of non-accountability.¹⁰

In addition, the MEC fails to take into account the fact that as of May 2005, all public health facilities in South Africa will become subject to the requirements of the Medicines Control Act (Act 101 of 1965) and the Pharmacy Act (Act 54 of 1974). The need to ensure compliance with the provisions of these Acts will have far reaching implications for the public health sector in the Eastern Cape. In particular, all health facilities will need to meet prescribed legal requirements for the storage and dispensing of drugs.

2. Mission and Strategic Goals

Not all of the Department's strategic goals are clearly defined. For instance Strategic Goal 2 states 'Health services in the province meet quality standards'. This goal does not refer to a clearly defined outcome to be achieved by the Department. In fact, the first strategic objective (which is a statement that provide a tangible description of the things that will be done to achieve the department's outputs) reads as follows: 'set norms and standards for quality assurance'. In this instance the strategic objective is to define the Department's strategic goal, which is a circular process, and does little to inform managers or staff of the Departments direction for the coming year.

In addition, Strategic Goal 3 is listed as 'Communities throughout the province become active, responsible partners in health issues which effect them', yet the strategic objectives listed under this goal fail to include consultation with civil society health related organisations. Strategic Goal 4 is also self-referential. It states 'Build capacity in the Department to support improved implementation of its goals'. A strategic goal should

¹⁰ All of these points are listed in the final IMT Report, April 2004, Sect 9.2.

refer to the outcomes to be achieved by the Department not to itself. Many of the Department's stated objectives include vague commitments to 'improve' some aspect of the Department's performance or its delivery of services without quantifying what such an improvement would mean in tangible terms.

For his part, as opposed to setting out service delivery outcomes for the next year, the Head of Department's overview lists a number of long-term goals set out in the Eastern Cape Provincial Growth and Development Plan which are only realisable in 2014.

3. Profile information on service delivery environment

The Department's 2005/06 strategic plan includes a situational analysis for its main programmes and most important sub-programmes. However, the quality of the information contained in this situational analysis is often limited to providing a list of broad challenges without stipulating the exact details of problems encountered during the financial year. For instance, under Programme 1: Health Administration (Sub programme – Management), staff recruitment and retention are listed as a key challenge. However, no figures for exact staff turnover and vacancies per job category are provided. Consequently, it will not be possible to determine whether sufficient measures have been taken in this regard or if there has been an improvement/deterioration in the department's performance when it produces its annual report. Similarly, the situational analysis provided within Programme 2: District Health Services on its HIV/AIDS sub-programme fails to provide a sufficiently detailed estimation of where its target locations and target groups for treatment are. For this reason it is not possible to establish whether the budget allocation for this programme is appropriate.

For the most part, the quality of the situational analysis information forming the Department's strategic planning has not improved between 2004/2005 and 2005/2006. The epidemiological profile presented is largely the same as that presented in 2004/2005, and relies heavily on figures from 1999 and 2000. For instance, figures for paediatric hospital admissions date back to 2000 and figures for rape admissions date back to 1999. Of particular concern, figures representing disease patterns for adults and the top ten causes of adult mortality in the province date back to 1996. These figures exclude HIV/AIDS deaths. Also of serious concern is the fact that the plan makes no reference to actual figures for HIV/AIDS related hospital admissions, or the impact of HIV/AIDS on the average length of stay in provincial hospitals, or on the consumption of medication for opportunistic infections associated with HIV/AIDS. There is also no detailed breakdown of demographic indicators or geographic location of those people living with HIV/AIDS. Nor is there any reflection on the impact of HIV/AIDS on the department's pharmaceutical unit or its drug supply management strategy.

In those instances where up to date figures are provided, for instance indicating the prevalence of hypertension and diabetes mellitus, or key trends in primary health care service volumes, there is no interpretation of their significance for the department's service delivery strategy.

The information provided on Health Facilities Development and Maintenance (Programme 8) in the 2005/06 strategic plan is completely inadequate. A detailed analysis of health infrastructure backlogs was last undertaken in the Eastern Cape in 1998. The 2005/06 plan indicates that a maintenance strategic plan is being developed, but fails to provide details of when this plan will be completed or who is responsible for it.

Under its analysis of constraints for Programme 8 the department says it needs to at least double its current development and maintenance budget to fulfil its facilities management mandate. However, these budget projections appear to be speculative in light of the absence of detailed health infrastructure maintenance review.

Of serious concern, despite providing a detailed list of infrastructure expenses as an attachment to its budget statement¹¹ the Department's 2005/06 Strategic Plan fails to provide an account of the progress in the implementation of these new construction projects.

4. Evaluation of current performance

The Department fails to provide any evaluation of its performance in the current year (based on its second or third quarter 'Quarterly Report'), and fails to indicate how this is likely to impact on its ability to meet the targets set out in its current strategic plan. In particular, the Department fails to take into account key budget cuts made during the November 2004 adjustments budget. These include cuts to its District Health Services, Health Care Support and Health Facilities Development and Maintenance budgets. This will have an obvious impact on its plans and objectives for the coming year. There is no evidence that the Department's 2005/06 plan has been informed by the monthly and quarterly expenditure reports or the quarterly performance reports that it is obliged to submit to the provincial Treasury.

5. Consultation during the Strategic Planning Process

The usefulness of a department's strategic plan is to a large extent determined by the extent and depth of staff involvement in its development. Staff that have played a meaningful role in developing a strategic plan are more likely to take ownership of it and thus actively work towards its implementation. The more effort taken to obtain stakeholder and community input into the department's planning process the more likely the department's services will actually target the most pressing needs of the community. The Department's 2005/06 Strategic Plan provides no indication of the processes that followed to get stakeholder and community input into its planning process. This is despite the fact that one of its 2004/05 strategic goals is identified as the need to ensure that 'communities throughout the province become active, responsible partners in health issues that effect them' (p.35).

6. Programmes and sub-Programmes

There is a clear separation of programmes and sub-programmes. However, there is evidence of an overlap between the activities of certain programmes. For instance, despite the existence of a separate programme for training (Programme 6: Health Sciences and Training) this function also accounted for almost one-third of the expenditure of HIV/AIDS sub-programme in the years between 2000 and 2004.¹²

7. Measurable objectives, performance measures and targets

¹¹ See Annexure B Budget Statement for the 2004/05 Provincial Budget, Eastern Cape Provincial Budget, Eastern Cape Treasury, p.73.

¹² This figure relates to the 60 percent of the Department's HIV/AIDS programmes for which business plans were produced between 2000 and 2004. The Department failed to produce business plans for almost 40 percent of the budget allocated for HIV/AIDS programmes during this period. See Allan et al, *The Crisis of Public Health Care in the Eastern Cape*, 2004, Ch 9.

The Department fails to provide measurable, realistic, time-bound and (unit) costed objectives for all programmes. The time-frame set for the realisation of all objectives is listed as 2005/06, which is too vague to be of assistance for purposes of monitoring and oversight. The failure to provide unit costs for any of its programme activities effectively prevents any form of financial oversight of its programmes. For instance, under Programme 2, none of the actual HIV/AIDS sub-programme activities are listed (or costed) in the budget. The Department's failure to attach the business plans for vital programmes such as HIV/AIDS and infrastructure development make it impossible for the Legislature to make a judgement on the merits of the proposed budget allocations for the these programmes.

An example of the Department's failure to provide measurable indicators can be found under Programme 1: Health Administration, sub-programme on Office of the MEC. No indicators are listed for programme objectives, and the time-frames appear to be arbitrary. For instance one of the objectives listed is 'Develop communications strategy and policy documents'. The time-frame is listed as '2005/06, 90% complete'.

In addition to failing to list the costs of programme activities in its strategic plan, the Department also fails to indicate where the source of the funds used to support these activities will be accessed from. This effectively prevents the provincial Legislature and the provincial and national Treasuries from establishing what activities the Department intends to fund out of conditional grant allocations versus allocations that it intends to draw from the provincial budget. Again this undermines the financial oversight of the Department.

8. Reconciliation of plan with previous expenditure by programme

The Department fails to provide an account of its actual spending trends for the 2004/05 financial-year. It fails to make any reference to its monthly or quarterly financial reports during this period. Nor does it provide any indication of how its spending against its MTEF projections for 2004/05 correspond to the proposed spending on programme and sub-programme objectives for the coming 2005/06 financial-year.

9. Revenue

The department fails to provide a summary of its revenue collection plans for 2005/06. It fails to provide an indication of its revenue sources, including a breakdown between the revenue voted by the Legislature and that obtained from conditional grants. Nor does it provide a detailed explanation of its own revenue

10. Coordination and Cooperation with other government departments

The department provides a list of transfers to municipalities (under programme 2) but does not provide a detailed indication of what these transfers are for (although it indicates that some of these amounts are for NGOs). It merely mentions that these transfers are governed by Service Level Agreements but fails to indicate the terms and conditions set out in these agreements, or the specific activities to be undertaken.

11. Local Government

The department provides a list of transfers to municipalities (under programme 2) but does not provide a detailed indication of what these transfers are for (although it indicates that some of these amounts are for NGOs). It merely mentions that these transfers are governed by Service Level Agreements but fails to indicate the terms and conditions set out in these agreements, or the specific activities to be undertaken.

12. Public private partnerships and outsourcing to NGOs

See comment above. As regards public private partnerships Programme 7 indicates plans to establish a public private partnership for 'management support for pharmaceutical depots' and for the 'distribution of pharmaceutical, medical and surgical supplies'. However, the terms of the proposed contract, and an indication of who the contract is to be entered into with, are not supplied. Moreover, in terms of the analysis of the 'current situation' contained in the strategic plan it is unclear how the establishment of the PPP will resolve problems relating to broader drug supply management systems in the department. These include the 'inaccurate estimation of requirements due poor ordering practice and lack of data'. The vital role played by district and hospital Pharmacy and Therapeutics Committees in this framework is overlooked.

13. Financial Management Issues

Although one of the objectives listed under the sub-programme Management, Chief Directorate: Financial Management (Programme 1, Administration) indicates an intention to reduce the number of emphasis of matter issues contained in the Auditor-General's audit report by 65 percent (this is listed as an objective for 2004/05) it does not provide a detailed strategy for how it intends to address individual audit queries.

14. Capital Expenditure and Maintenance

The Department's draft strategic plan for 2005/06 fails to provide detailed information on the departments capital investment programme. The Department needs, as a matter of great urgency to undertake an audit of its maintenance and infrastructure investment needs. At a minimum the Department needs to establish the following:

1. What building projects are in progress, and when are they expected to be completed?
2. What new building projects are being planned, when will they commence and when will they be completed?
3. Are there any facilities whose closure or down-grading is being planned?
4. What plans are there for major refurbishing projects?
5. What is the department's maintenance backlog, and what are its plans to deal with the backlog over the MTEF period, and over five years and ten years?
6. How are the above developments expected to impact on current expenditures?¹³

The Department also fails to provide information on the management of key moveable assets or its plans to replace important items of medical equipment.

Arguably, a consistent lack of effective strategic planning resulted in the significant under-expenditure of funds on the infrastructure of hospitals and clinics in the Eastern Cape between 1999 and 2004.

| Financial year | 1999/2000 | 2000/2001 | 2001/2002 | 2002/2003 | 2003/2004 | Total |
|----------------|-----------|-----------|-----------|-----------|-----------|------------|
| Budget | R88 m | R226.3 m | R333.9 m | R398.6 m | R 411.2 m | R1 458 m |
| Expenditure | R83 m | R151.1 m | R189.9m | R303.2 m | R447.3 m | R1 174.5 m |
| Underspending | R5 m | R75 m | R144 m | R95.4 m | (R36.1 m) | R283.3 m |

¹³ Generic Format for Strategic Plans of Provincial Departments, National Treasury discussion document, 11 July 2002, p.22.

| | | | | | | |
|----------------------|------|-----|-------|-----|--------|-------|
| (overspending) | | | | | | |
| Percentage of budget | 5.7% | 33% | 43.1% | 24% | (8.8%) | 19.4% |

Eastern Cape Department of Health, Infrastructure spending 1999 – 2004

The above table shows that the Eastern Cape Department of Health failed to spend an amount of R283.3 million or 19.4 percent of its R1.458 billion infrastructure budget between 1999 and 2004. This underspending translates into almost a fifth of the budget allocated for the maintenance and construction of hospitals, clinics and health centres in the province during this 5-year period. The department's failure to spend over R280 million on the upkeep of facilities in this time serve to contextualise the constant media reports of the derelict state of health facilities chronicled in Chapter 2.

Significantly, this pattern of underspending has occurred within a context of a steadily increase budget allocation for the department's infrastructure programme. The 1999/2000 infrastructure budget of R88.6 million increased fourfold to R398.6 million¹⁴ by 2002/2003.

¹⁴ Eastern Cape Department of Health Annual Report 1999/2000, p. 22 and 2002/2003, p. 186.

Eastern Cape, Department of Social Development Evaluation of 2005/2006 Budget Allocations and Strategic Plan

A. Budget Analysis

The Department of Social Development's Adjustments budget allocation for the 2004/05 financial-year is as follows:

| | Programme | Financial Year | | | |
|---|----------------------------------|------------------------------|----------------------------|--------------------------------|--|
| | | 2003/04 Actual ¹⁵ | 2004/05 MTEF ¹⁶ | 2004/05 Adjusted ¹⁷ | +Increase/ -Decrease (MTEF v adjusted 2004/05) |
| 1 | Administration | 116 992 | 117 959 | 133 594 | +15 635 |
| 2 | Social Assistance | 7 959 361 | 8 647 332 | 9 192 525 | +545 193 |
| 3 | Social Welfare Services | 255 330 | 268 282 | 250 690 | -17 592 |
| 4 | Development and Support Services | 112 174 | 111 079 | 109 687 | -1 392 |
| 5 | Population Development Trends | 890 | 1 377 | 1 364 | -13 |
| | | | | | |
| | Total | 8 444 747 | 9 146 029 | 9 687 860 | 541 831 |

Budget Summary per programme (R000s)

Programme 3: Social Welfare Services is responsible for the delivery of developmental social services which aim to improve the quality of life of vulnerable groups such as children, youths, the aged, the disabled and victims of violence. This programme experienced the largest budget cut of R17.5 million.¹⁸ The Development and Support Services programme is also cut by an amount of R1.3 million.¹⁹

The disproportionate budget cuts in programme 3 suggest that it may well be the target for future cost cutting measures. Such measures will have serious negative consequences for the Department's ability to support these vulnerable groups.

The Eastern Cape Department of Social Development's draft budget for the period 2004 to 2006 is as follows:

¹⁵ Eastern Cape Department of Social Development, Annual Report, 2003/04, p. 84.

¹⁶ Budget Statement for the 2004/05 Provincial Budget, Eastern Cape Provincial Budget, Eastern Cape Treasury, p. 84.

¹⁷ Eastern Cape Provincial Government, Adjustments Estimate, 2004/2005, Eastern Cape Treasury, p. 20

¹⁸ Ibid.

¹⁹ Ibid.

| | Programme | Financial Year | | | |
|---|-----------------------------|---|-----------------------------------|-------------------------|------------------------|
| | | 2004/05 Adjusted Budget ²⁰ | 2005/06 Proposed ²¹ | +Increase/ -Decrease | Percentage Variance |
| 1 | Administration | 133 594 | 131 918 | -1 676 | -1.25% |
| 2 | Social Assistance Grants | 9 192 525 | 9 586 664 | +394 139 | +4.28% |
| 3 | Social Welfare Services | 250 690 | 207 365 | -43 325 | -17.28% |
| 4 | Community Development | 109 687 | 140 616 | +30 929 | +28.19% |
| 5 | Population Development | 1 364 | 1 524 | +160 | +11.73% |
| | | | | | |
| | Total | 9 687 860 | 10 068 087 | +380 227 | +3.92% |

Budget Summary by programme (R000's)

The Department's draft plan fails to register the expected transfer of the Department's social grant payment function to the new National Social Security Agency. This agency is expected to begin operations in April 2005 and the transfer of responsibility for the distribution of social grants will require significant change-management. This function currently accounts for 95 percent of the Department's budget.

The Department's draft plan also fails to take into account the Eastern Cape provincial government's most recent budget austerity measures introduced by the provincial Treasury.

The strategic plan does not indicate how longer-term cost cutting measures will be factored into future budgeting exercises. For example, areas where the Department would be able to realise savings with minimal negative effect to service delivery have not been identified in the plan. Some of these areas could include effective control of the procurement of consultancy services, curbing high telephone bills, restrictions of cellular phone use by officials and the limitation of entertainment allowances.

B. Strategic Plan Analysis

The following table serves to illustrate the Eastern Cape Department of Social Development's level of compliance with the above strategic planning requirements:

| | REQUIREMENT | COMPLIANCE | |
|---|---|------------|-----------|
| | | 2004/2005 | 2005/2006 |
| 1 | Clear Policy Priorities by MEC/Minister | ✓ | X |
| | Concise Mission and | ✓ | ✓ |

²⁰ Figures taken from the Eastern Cape Provincial Budget Adjustments Report, Provincial Treasury, November, 2004.

²¹ MTEF estimates are taken from the Eastern Cape Social Development Department's Strategic Plan for 2005 - 2008.

| | | | |
|---|--|---|---|
| 2 | Strategic Goals | | |
| 3 | Accurate information on Service Delivery Environment and Challenges | X | X |
| 4 | Rigorous Evaluation of Past years Performance | X | X |
| 5 | Effective consultation with relevant internal and external stakeholders | X | X |
| 6 | Clear separation of activities into Programmes and Sub-programmes | ✓ | ✓ |
| Clear Objectives for all activities: | | | |
| 7 | Specific | ✓ | ✓ |
| | Measurable | ✓ | ✓ |
| | Achievable | ✓ | ✓ |
| | Realistic | ✓ | ✓ |
| | Time-bound | X | X |
| | Costed | ✓ | ✓ |
| 8 | Reconciliation of plan with Previous Budget allocation and actual Expenditure by programme | X | X |
| 9 | Revenue Collection Plan | - | - |
| 10 | Mechanisms to ensure Co-ordination and Cooperation with other departments | X | X |
| 11 | Details of transfer agreements with external bodies and mechanisms for monitoring compliance with agreements | X | X |

| | | | |
|----|--|---|---|
| 12 | Details of involvement and responsibilities in Public Private Partnerships | X | X |
| 13 | Plan to Address Auditor General's Queries | X | X |
| 14 | Accurate, time-bound and costed Capital Expenditure and Maintenance Plan | X | X |

Detailed evaluation: 2005 – 2008 Strategic Plan

1. Statement of Policy and Commitment by MEC

The policy priorities identified by the MEC for Social Development for the 2005/06 financial-year are simply cut and pasted from the strategic plan for the current 2004/05 strategic plan. For the most part these priorities are vague and fail to indicate what the Department's outputs for the year will be.

When formulating these priorities for the year the MEC has failed to take into account the IMT's turnaround strategy for the Department or the expected transfer of social grant payments to the national Social Security Agency in the coming year.

Elsewhere in the plan the Department's six priority delivery areas are identified as:

- Transformation of Welfare Services,
- Integrated Poverty Eradication Programme
- Integrated Social Security Programme,
- Special Development Programme Areas including HIV/AIDS, age management, disability management, substance abuse and crime prevention (Victim Empowerment Programme), and
- District development

The MEC should have addressed the Department's policies to the key challenges raised by the Interim Management Team report of April 2004.

The key interventions proposed by the IMT to help stabilise service delivery by the Department of Social Development include:

- Intensification of the Child Support Grant (CSG) registration campaign,
- Elimination of backlogs in the processing of grant applications,
- Implementation of an electronic file management and work flow tracking system,

- Establishment of help desks and improvement of infrastructure and conditions at all pay points,
- Improve service provider management of social grant payment contractors,
- Combating fraud and corruption, and
- Reduction of litigation cases.²²

2. Mission and Strategic Goals

The strategic plan sets out the Department's vision, mission and core objectives. The core objectives have been reduced from five in the 2004/05 strategic plan to three in the draft 2005/06 plan. One of the core objectives that has been removed is the need to develop effective management in planning, financial management, communication and the use of resources. The absence of this core objective is of particular concern given that the Department still struggles with a number of these competencies as recent oversight reports demonstrate.

3. Profile information on service delivery environment

The Department provides details of its service delivery environment in part "C" of its strategic plan. The analysis sets out the Department's paradigm shift from a welfare focus to a social development focus. It points to the recognised need to develop district offices in order to bring social services closer to communities.

The plan points to the poverty demographics of the province in terms of age, domicile and employment. It details the current personnel shortages and the challenges these pose for the Department given the demands of its mandate. However, this information fails to reflect the fact that the Department's core function will be dramatically transformed in the course of 2005. For this reason the Department should re-focus its research on the demographic profiles and geographic locations of the key target groups which will become the focus of its mandate after April 2005. This includes those living with HIV/AIDS, those suffering from substance abuse problems, those with disabilities, those living in poverty, and those who have been victims of crime.

4. Evaluation of current performance

As was the case with the previous strategic plan, there remains no evidence that the Department conducted an evaluation of its performance in the current financial-year (based on its second or third quarter spending and performance reports).

The plan does not evaluate the Department's performance against its major priority targets for the current financial-year. For instance there is no indication of progress made on undertakings made by the Department with regards to the construction of pay-points. No figures detailing actual social grant uptakes against target estimates for the year are provided. The Department does not take into account key budget cuts made in the November 2004 budget adjustments budget. These include cuts to its Social Welfare Services and Development Services programmes. These cuts will have a significant effect on the Department's plans and objectives for the coming financial-year.

²² Final Report of the Interim Management Team, April 2004, Sect. 11.2.

5. Consultation during the Strategic Planning Process

There is no evidence of any consultation with internal and external stakeholders by the Department when preparing the strategic plan under review.

6. Programmes and sub-Programmes

The Department of Social Development's draft strategic plan breaks down its strategic objectives into manageable and coherent programmes and further links some of these programmes to various sub-programmes.

7. Measurable objectives, performance measures and targets

The Department has generally set out specific, measurable, achievable and realistic objectives but there are a significant number of exceptions:

- The plan fails to attach meaningful timeframes to some objectives. The majority of individual activity targets are set for the end of March 2010. Some of these activities include the building of 2 family counselling centres under programme 3 (Developmental Social Services). The only timeframe falling within the 2005/06 year is June 2005.²³ This target is for the achievement of the requisite 90 day grant application turnaround time.
- Some of the target activities, such as the development of practical models which promote proactive social services (under programme 1: Administration), have been shifted further up the MTEF period to 2010.²⁴ This activity in the previous plan was scheduled for completion in 2007.²⁵ A critical performance indicator: the establishment of sound financial management and internal control systems was set for completion at the end of March 2005 in the 2004 – 2007 strategic plan.²⁶ In the plan under review, this indicator has been set for completion at the end of March 2007.²⁷
- It is not clear why 2 family counselling centres are scheduled for completion only in 2010, when these centres could be built in the first year of the MTEF period.
- Some of the key performance indicators have been revised downward from the previous strategic plan. The mobilisation of youth groups to participate in sustainable economic development activities was originally targeted for 24 districts. This has been changed to 7 districts in the plan under review.

²³ Eastern Cape Department of Social Development Strategic Plan 2005 – 2008, p. 33.

²⁴ Ibid, p. 18.

²⁵ Eastern Cape Department of Social Development Strategic Plan 2004 – 2007, p. 60.

²⁶ Ibid, p. 30.

²⁷ Eastern Cape Department of Social Development Strategic Plan 2005 – 2008, p. 24.

- Other exceptions arise from the use of percentages as measures for objectives. For example the Department talks about providing foster care services to 30% of children in trouble with the law.²⁸ The plan does not give any details of actual or estimated figures for this group and consequently it is not possible to make sense of the percentage figure given.
- Under programme 2, it notes that the chief Directorate will have 'appropriate systems of internal control which minimises risks and promotes compliance by end March 2010.'²⁹ Given that oversight reports have repeatedly stressed the need to ensure effective internal controls and compliance with regulations, it is unclear why this is only to take place by 2010.

8. Reconciliation of plan with previous expenditure by programme

The strategic plan is reconciled with previous expenditure. The projected allocations for the 2005/06 financial-year as seen in the plan's Table 5.1, are, however, inconsistent with the detailed costing estimates given per programme and sub-programme in the same plan for the same financial-year.

9. Revenue

Not applicable.

10. Co-ordination, Cooperation and Outsourcing

The Department gives an explanation of the inter-governmental co-operation and co-ordination obligations it carries as a member of the social needs cluster of government departments. It details the priority programmes that these departments are responsible for and in which areas the Department is the lead organisation.

The Strategic plan however does not set out what mechanisms are in place between the departments to ensure effective co-ordination and co-operation.

11. Local Government

Not applicable

12. Public private partnerships and outsourcing to NGO's

Despite controversies over poor levels of service rendered by the private companies AllPay and Cash Paymaster Services (CPS) contracted to facilitate the payment of social grants, the strategic plan does provide any indication of the cost implications or the basic division of responsibilities and risks between itself and the two social providers. The Department fails to provide any evaluation of compliance with the service level agreements signed by the Department and the service providers are included in the plan.

²⁸ Ibid, p. 48.

²⁹ Ibid, p. 18.

13. Financial Management issues

The Department briefly sets out a strategy for dealing with some of the financial management issues that have been raised by the Auditor-General in his audit reports on the state of the Department's financial statements.

While the Department has included some measures for dealing with a few of these issues, it does not deal with all of them. Some of the interventions presented include the decentralisation of the Basic Accounting System, the appointment of state accountants, the establishment of finance divisions at district offices and the training of managers in financial management skills.

14. Capital Expenditure and Maintenance

Despite mentioning a number of planned capital projects in the strategic plan, there are no details of just how many capital projects are being planned by the Department during the MTEF period. No indication is given concerning the commencement of these projects, or how these projects are to impact on current expenditure. No information exists setting out the extent of the Department's infrastructural backlog and how much progress has been made in addressing this backlog. There are no maintenance plans or closure and down-grading plans for infrastructure under the administration of the Department. Consequently the information given by the Department in its strategic plan does not satisfy the requirements for information on capital project plans.

Appendix

The Legislative Framework Governing strategic planning in the public sector

All strategic plans produced by public bodies in South Africa need to comply with a strict set of requirements set out in terms of the new Constitution and a number of key regulations contained in the Public Finance Management Act, 1999, and the Public Service Act, 1994.

Legislative requirements

Section 2 of the Public Finance Management Act Implementation Guidelines, July 2000, on 'Actions to implement the PFMA' contains the following guidelines on Strategic planning:

"In the preparation of the strategic plan the accounting officer³⁰ must have regard to the:

- (a) usefulness and appropriateness of the planned outputs in meeting the programme objectives/outcomes agreed by the executive authority for the department;
- (b) affordability of the plan, having regard to the resources likely to be available to the department and the overall fiscal policy of the Government;
- (c) achievability of the plan, having regard to the resources likely to be available and the vision, level of capacity and commitment of the people responsible for driving the process of achieving the department's objectives/outcomes; and
- (d) accessibility of the plan to those responsible for its execution and those to whom the department is accountable for their performance in executing the plan (the Executive Authority, the relevant Treasury and Parliament or the provincial legislature concerned)."³¹

In addition, the Treasury Regulations set out the following requirements for strategic planning:

"5.2 Strategic plans

5.2.1 The approved strategic plan must be tabled in Parliament or the relevant provincial legislature within 15 working days after the Minister or relevant MEC for finance has tabled the annual budget.

5.2.2 The strategic plan must –

- (a) cover a period of three years and be consistent with the institution's published medium term expenditure estimates;
- (b) include the measurable objectives and outcomes for the institution's programmes ;

³⁰ In terms of the Public Finance Management Act each government department must appoint an accounting officer (usually the Head of Department) who is 'responsible for the effective, efficient, economical and transparent use of the resources of the department.' In light of this, an accounting officer is held accountable for all financial matters within a department including the prevention of unauthorised, irregular and fruitless and wasteful expenditure. See PFMA section 38.

³¹ National Treasury, PFMA Implementation Guide, July 2000, see www.treasury.gov.za, click Legislation, then click Public Finance Management Act, then click PFMA Implementation

- (c) include details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets;
 - (d) include details of proposed acquisitions of financial assets or capital transfers and plans for the management of financial assets and liabilities;
 - (e) include multi-year projections of income and projected receipts from the sale of assets;
 - (f) include details of the Service Delivery Improvement Programme;
 - (g) include details of proposed information technology acquisition or expansion in reference to an information technology plan that supports the information plan; and
 - (h) for departments, include the requirements of Chapter 1, Part III B of the *Public Service Regulations*, 2001.
- 5.2.3 The strategic plan must form the basis for the annual reports of accounting officers as required by sections 40(1)(d) and (e) of the Act.”³²

Finally, the 2001 Public Service Regulations set out the following requirements for departmental strategic plans:

“B. Strategic Planning

B.1 An executing authority shall prepare a strategic plan for her or his department -

- (a) stating the department’s core objectives, based on Constitutional and other legislative mandates, functional mandates and the service delivery improvement programme mentioned in regulation III C;
- (b) describing the core and support activities necessary to achieve the core objectives, avoiding duplication of functions;
- (c) specifying the functions the department will perform internally and those it will contract out;
- (d) describing the goals or targets to be attained on the medium term;
- (e) setting out a programme for attaining those goals and targets;
- (f) specifying information systems that-
 - (i) enable the executing authority to monitor the progress made towards achieving those goals, targets and core objectives;
 - (ii) support compliance with the reporting requirements in regulation III J and the National Minimum Information Requirements, referred to in regulation VII H; and
- (g) complying with the requirements in paragraphs 5.1 and 5.2 of the Treasury Regulations.

B.2 Based on the strategic plan of the department, an executing authority shall-

- (a) determine the department’s organisational structure in terms of its core and support functions;
- (b) grade proposed new jobs according to the job evaluation system referred to in Part IV;
- (c) define the posts necessary to perform the relevant functions while remaining within the current budget and medium-term expenditure framework of her or his department, and the posts so defined shall constitute the department’s approved establishment; and

³² Sect. 3, Treasury Regulations, 9 April 2001, Regulation Gazette No 7048.

(d) engage in the human resource planning in accordance with regulation III D with a view to meeting the resulting human resource needs.”³³

Strategic Planning Guidelines

According to the ‘Guide for Accounting Officers, Public Finance Management Act’ produced in October 2000 the first year of the strategic plan is known as the operational plan. The operational plan ‘must provide a sufficiently detailed quantification of outputs and resources, together with service delivery indicators, for the legislature to understand exactly what it is buying’ for the community when it approves the budget. The operational plan must not be a wish list, but must be flexible and adjustable while remaining within the MTEF allocation. The plan must contain:

- Descriptions of the various programmes that the department will pursue to achieve its objectives, and for each programme, the measurable objectives, total cost and intended lifespan
- Information on any conditional grants to be paid or received, including the criteria to be satisfied
- Information on any new programmes to be implemented, including the justification for such programmes, expected costs, staffing and new capital, as well as future implications
- Information on any programmes to be scaled down or discontinued during the financial year
- Where two or more departments contribute to the delivery of the same service, a concise summary of the contribution of each department (the accounting officers must ensure that the summaries included in their respective plans are consistent)
- Summary information, drawn from the strategic plan, of all capital investments planned for the year, including the future impact on the operating budget (this information should be rolled forward, amended as appropriate, to the next year’s strategic plan)’.

The Guide also stipulates that ‘the operational plan will include conditional grants, transfers and capital projects’ and that ‘the strategic and operational plans must be submitted to the relevant treasury by 30 June, together with the MTEF submissions’.³⁴

Sect 6 of the Normative Measures for Financial Management, (a guideline produced by the National Treasury, January 2003), which deals with ‘Performance requirements for financial management for the public sector’ states the following:

‘The use of financial resources to achieve specified outputs must be monitored and controlled against the strategic and operational plans of the department by means of quantitative and qualitative data’.

In addition to the above requirements each strategic plan should comply with a guideline ‘Generic Format for Strategic Plans of Provincial Departments’ issued in July 2002 by

³³ Sect. III, B, Public Service Regulations, January 2001, Regulation Gazette, No 21951.

³⁴ National Treasury, Guide for Accounting Officers, Public Finance Management Act, October 2000, see www.treasury.gov.za/legislation/acts/pfma/gao.pdf

the South African National Treasury.³⁵ The publication date of this document should not be interpreted to mean that departments up until this date were not expected to comply with these requirements. A reflection on the legislative provisions governing strategic planning by South African government departments and public entities (contained in the Public Finance Management Act and the Public Service Act) indicate that this guideline simply serves to simplify, and provide more structure to, existing planning requirements.

³⁵ Generic Format for Strategic Plans of Provincial Departments, Revised Document, National Treasury, 11 July 2002.