

Eastern Cape Department of Health

Budget Analysis

2012/13

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Key Findings and Recommendations

Finding

The Eastern Cape Department of Health has received a budget of R15.16 billion for the 2012/13 financial year – representing an increase of R 353.47 million or 2.39% from the 2011/12 adjusted appropriation of R 14.81 billion. However, once inflation has been factored in, the allocation for this financial year has actually decreased by 1.15%.

Recommendation

The Department is likely to experience major expenditure pressure given the insignificant increase to its overall allocation. The Department will have to ensure that it spends efficiently and effectively and avoids incurring any fruitless or wasteful expenditure or expenditure that is unauthorised or results in unlawful transfers between line items.

Finding

The Eastern Cape MEC for Health's Policy Speech fails to clearly outline the 2012/13 policy priorities.

Recommendation

In order to ensure sound leadership, oversight and improved policy implementation the MEC should clearly articulate policy priorities for the Department in his policy speech.¹

Finding

The 2012/13 Goods and Services line item comprises 27.1% of the Department's total budget and amounts to R4.11 billion. This is a nominal decrease of 0.23% when compared with the 2011/12 Goods and Services adjusted allocation. Once inflation is taken into account this represents a year-on-year decrease of 3.6% and is likely to result in health supplies being inadequate during the current financial year.

Recommendation

The Department needs to improve upon its expenditure performance in the 2012/13 financial year to avoid the kind of over expenditure it experienced in the previous years and which also resulted in accruals and roll over's. If such a state of financial affairs continues to exist, it is likely that the 2013/14 budget of this line item will be inadequate. The Department must motivate authoritatively for an increase to this line item which is critical in improving the quality of healthcare services

Finding

The 2012/13 District Health Services Programme budget which is responsible for the delivery of primary healthcare services is R 147.76 million less than what the Department projects will be spent by the end of the 2011/12 financial year. Additionally, this programme has projected that it will overspend its 2011/12 Adjusted Budget by R600.1 million.

Recommendation

As this Programme receives over half of the Department's entire budget and is key in rendering primary health care services it must ensure that it is able to account for its expenditure as this will enable to it motivate for increased funding which is needed to progressively realize access to health care services

Finding

The Compensation of Employees line item is faced with serious shortages in its budget. This has had a direct impact on the filling of critical posts in healthcare points of service. This situation has placed stress and pressure on the already existing staff in many healthcare institutions around the Eastern Cape. Many healthcare workers are constrained in carrying out their duties as they have had to divide their time and perform other additional duties due to staff shortages.

¹ In the absence of clarity the PSAM has placed reliance on the policy priorities articulated succinctly by the National Health Minister and has considered the extent to which these are given effect to within the 2012/13 budget of the Eastern Cape Health Department.

Recommendation

The importance of retaining critical staff in the Department cannot be emphasized enough. The effective running and functioning of health institutions will not be possible if staff shortages and their compensation are not prioritized and addressed as this too has a direct impact on the delivery of healthcare services in the Province and the quality thereof. The Department needs to be clear in the efforts they are making to resolve this situation so as avoid further complications in the future.

Introduction

The South African Constitution protects and promotes the progressive realisation of socio-economic rights within available resources. These include rights such as housing (section 26), health care (section 27), education (section 29) and so forth.

Social accountability as defined by the PSAM is the obligation upon public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services. To achieve the effective realisation of these rights through the delivery of public services, both the state department as well as private service providers have the responsibility of managing public resources, and must implement effective accountability and service delivery systems.

The aim of this report is to analyse the policy priorities pertaining to the Eastern Cape Department of Health with due regard for its 2012/13 budget and “on its ability to implement effective and efficient service delivery and accountability systems in the upcoming financial year. In addition, assumptions informing both policy priorities and budget allocation trade-offs are analysed in terms of the Department’s external and internal service delivery environment”.

I. Policy Priorities

National Pronouncements

The 2012 State of the Nation Address delivered by President Jacob Zuma in February was very brief on health activities and priorities going into the 2012/13 financial year. The following sentences are all that appear in the President’s address with regards to the Health Department:

“We have also identified critical social infrastructure projects. These include projects aimed at laying the basis for the National Health Insurance system such as the refurbishment of hospitals and nurses’ homes”.²

Furthermore, the President said,

“We congratulate the health sector as well as the South African National Aids Council led by the Deputy President of the Republic on the success of the HIV and AIDS programme. While we are doing well with regards to treatment and the prevention of mother to child transmission, general prevention efforts must also be accelerated. We also wish to encourage South Africans to live healthier lives to reduce the impact of non-communicable diseases such as diabetes, heart disease and hypertension”.³

In the 2012 National Budget Speech, Minister of Finance Pravin Ghordan stressed that the health budget still remained one of the largest categories where national revenue was spent over the Medium Term Expenditure Framework (MTEF) period. The Minister noted that the

² State of the Nation Address 2012, p.9.

³ Ibid at p14.

Infrastructure Development Improvement Programme, operating at national and provincial levels, would provide assistance to health projects as well.⁴ Over the Medium Term, the National Department of Health's budget would be aimed at giving attention to "hospital infrastructure, comprehensive HIV/AIDS treatment and prevention programme, and expanding health professional training".⁵ This was with a view into the future in preparation for the National Health Insurance (NHI) programme as well as to assist with overall improvement of the public health system. The Minister also touched briefly on how the NHI would be carried out with regards to possible ways of financing the scheme over the next 14 years.⁶

The National Budget Review for 2012/13 goes into a little more detail about the NHI and how it is meant to function. It does not however go into any detail regarding the complexities of the sources of revenue to sustain this massive project. How the money to sustain the NHI project will be raised has drawn considerable interest and debate from various sectors of society in South Africa and abroad. Nevertheless, the document that will discuss the various or possible options of revenue will only be made available later on this year.⁷

Linked to the main strategic objectives of government, a broad overview of outcomes with measurable outputs, sub-outputs and clear targets was established in 2010. Each of these outcomes is linked to a specific department at national level where there is a signed service delivery agreement between the Minister in-charge and the President of the country.⁸

Known as the Negotiated Service Delivery Agreement (NSDA), Outcome 2 of this document described as 'A Long and Healthy Life for All South Africans' encompasses the commitments made by the National Department of Health. It is within this desire and aspiration that the Minister of Health, Dr Aaron Motsoaledi placed emphasis and selected four outputs to help realise this overarching outcome for this current year and the upcoming MTEF period. They are as follows:

1. improving life expectancy of all South Africans,
2. decreasing maternal and child mortality
3. dealing with the scourge of HIV/AIDS and TB, and
4. improving the efficiency and effectiveness of the healthcare system.⁹

Provincial Pronouncements

This budget analysis will consider the extent to which the aforementioned outputs or priorities are given effect to within the Eastern Cape Health Department's 2012/13 budget. The Policy Speech of the Eastern Cape MEC for Health has failed to clearly articulate key policy priorities

⁴ National Budget Speech 2012,p12.

⁵ National Budget Speech 2012,p21.

⁶ National Budget Speech 2012,p.25.

⁷ National Budget Review 2012,p.81 – 84.

⁸ Guide to the Outcomes Approach 27 May 2010,p.6.

⁹ National Department of Health Budget Speech 2012,p.1 – 2.

for 2012/13, with only a few priorities or points correlating to the health focused areas of Government's Programme of Action. These include:

Strengthening education and build a skills and human resource base

The MEC has pointed out the increase in investment in education and training that the Department has made¹⁰ through an increased budget dedicated to that area that will help with the re-opening of satellite campuses in areas where they are needed, the upgrading and maintenance of Nursing Colleges, as well as bursary funding set aside for the education of medical students.

The MEC also drew attention to the fact that fiscal constraints are being experienced. For instance, the Emergency Medical Services (EMS) and more particularly the paramedic training component do not have sufficient resources. Consequently, the Department entered into an agreement with the Durban University of Technology to train 18 paramedics per year for the next three years".¹¹

Strengthening of the health system with funding allocated to it

To keep up with the delivery of the Negotiated Service Delivery Agreement (NSDA) outputs, a number of areas have been identified as needing attention in this financial year and they will be considered below.

In order to achieve success in strengthening the health system, the Department has placed emphasis on the following:

- the revitalisation of the Primary Health Care (PHC) system,
- improvement of hospital services so that they are more efficient and effective, the creation of revenue and 'differentiated amenities',
- the approval of Norms and Standards at the national level that will aim to improve the quality of health services
- the upgrading of major health care structures and the maintenance thereof, including the purchase of medical equipment and investment into TB facilities, the NHI pilot at the OR Tambo District, water treatment and sanitation projects at health facilities in particular in the rural areas, and infrastructural demands and needs of affected facilities mentioned in the Rationalised Service Delivery Platform.¹²

Other priorities also include **the HIV and AIDS and TB Clinical program**. In his policy speech for the current year, MEC Gqobana stated that the number of people currently on ART stands at

¹⁰ EC Dept of Health Policy Speech 2012/2013,p.3 – 4.

¹¹ EC Dept of Health Policy Speech 2012/2013,p.4.

¹² EC Dept of Health Policy Speech 2012/2013, p.6 – 9.

179 000, and that funding has been set aside to ensure the implementation of the HIV ARV 350 threshold policy.¹³ The Department has also expressed aims to reach 250 000 beneficiaries of Home-based care services this year. This initiative will additionally include a rise in the number of Nurses Initiated on the Management of ART (NIMART) to 1800 from 1512 in the 2011/12 financial year (as contained in the Annual Performance Plan 2011/12 – 2013/14 under the Medium Term Targets)¹⁴, and the Fixed Public Facilities responsible for providing ART in the province to rise from 490 to 784.

26 District Hospitals around the province have been prioritised to **improve maternal and child services**. District Specialist Teams will support activities in this area and dedicated obstetric ambulances will help to improve access to these services.¹⁵

Although an ongoing activity and as part of an overarching priority at national level, the MEC also stressed the importance of **creating decent work and growing the economy** within the Health Department.¹⁶ **To address crime and corruption** the Department will receive assistance from the Multi Agency Work Group (MAWG) and the Technical Support Unit of Provincial Treasury. It is hoped that through this intervention the Department will be able to “implement improved systems and processes to enhance Supply Chain Management processes and Anti-Corruption capacity”.¹⁷

The Eastern Cape Provincial Treasury MEC Mr Phumulo Masaulle noted the following that the Health Department would focus on over the MTEF period including:

- the comprehensive Primary Health Care Package as a radical step towards the improvement and transformation of the public health system,
- NHI readiness,
- stabilising the rate of new infections with regards to HIV/AIDS and TB, and
- developing and improving health human resources through the “the expansion of the health professionals training”.¹⁸

In the next section the 2012/13 budget of the Eastern Cape Health Department will be considered with due regard for whether it gives effect to the aforementioned policy priorities and service delivery needs of the Eastern Cape population who depend upon its services.

¹³ EC Dept of Health Policy Speech 2012/13, p.11.

¹⁴ Eastern Cape Department of Health Annual Performance Plan 2011/12 – 2013/14 – p.118.

¹⁵ Ibid at p.12.

¹⁶ Ibid at p.4 – 5.

¹⁷ Ibid at p.6.

¹⁸ Eastern Cape Budget Speech 2012/2013 – p.15 – 16.

II. Budget Analysis

Total Allocation

The total allocation received by the Eastern Cape Department of Health in 2012/13 is R15.16 billion. This represents an increase of R353.47 million or 2.39% from the 2011/12 adjusted appropriation of R14.81 billion. With inflation taken into consideration, the budget has in fact decreased by 1.15% (see Table 1 below).¹⁹

The majority of the Department's budget has been allocated towards the Compensation of Employees (CoE) with an allocation of R 9.79 billion which represents 64.5% of the total budget. The 2012/13 CoE budget experiences a 6.6% nominal increase and a 2.92% real increase from the 2011/12 adjusted budget of R9.18 billion.²⁰ While this appears encouraging further analysis will reveal otherwise. As Table 1 below reflects, in 2011/12 the CoE line item received an initial allocation of R8.75 billion with it subsequently being adjusted and increased to R9.18 billion during the year. Despite this considerable increase, the Department projected that by the end of 2011/12 it would have spent R9.38 billion resulting in over expenditure of R199.87 million.²¹ This considerable over expenditure will have to be recouped from the 2012/13 allocation. Under the circumstances, the 2012/13 CoE allocation appears highly likely to be insufficient and further over expenditure is foreseen. This over expenditure is likely to result in a reduction in allocations intended for other key line items required to render health care services in particular the Good and Services line item. This possible likelihood is considered in more detail below.

Not only does underfunding of the CoE line item result in money being redirected away from other key line items to address CoE over expenditure, but it also has a tendency to result in the Department not filling vacant posts which places additional pressure and strain on an already overburdened labour force. As at 31 March 2012 the Department reported that of its 77 364 approved posts, only 40 439 were filled meaning that it still had 36 924 vacant posts, and 1 frozen post.²² In a recent newspaper article, major financial shortages of the Eastern Cape Department of Health were highlighted and there it was stated that the Department still needed "R9 billion to fill vacant posts for doctors and nurses". Furthermore the article stated that of its current vacant posts only 96 of these posts were "funded vacant posts for doctors" while 436 of the remainder of vacant posts were for nurses.²³ Despite these major funding shortfalls which directly impact upon the efficient delivery of health services, the Eastern Cape Health MEC and Provincial Treasury do not provide much detail within the 2012/13 Estimates of Provincial Revenue and Expenditure which would explain planned efforts to address these severe problems.

Turning now to Goods and Services which receives R 4.11 billion or 27.1% of the total budget. This line item experiences a nominal decrease of 0.23% when compared with the 2011/12

¹⁹ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13 p.124.

²⁰ Ibid.

²¹ Ibid.

²² Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13 p.143

²³ '28bn needed for EC health' in Daily Dispatch, 1 August 2012.

Goods and Services adjusted allocation.²⁴ In real terms this line item experiences a significant year-on-year decrease of 3.6%. The Department alleges that this reduction has been caused by the following factors which inflated the 2011/12 revised estimate: *“rollovers and projected over expenditure due to accruals, increased demand for health, higher rates of inflation for medical supplies and services, and increases in fuel prices and food for patients”*.²⁵

The Department must improve its expenditure performance with regard to this line item in 2012/13 and avoid incidences accruals or rollovers as this compromises service delivery and is likely to detract from the considerable projected increase to this line item in 2013/14. It is hoped that corrective steps initiated by the Accounting Officer Dr S Pillay, with assistance from the MAWG, to address Supply Chain Management (SCM) deficiencies will contribute towards enhanced spending within this key line item. However it appears highly likely that in 2012/13 there will be shortages in the supply of Goods and Services due to accruals from prior years which now need to be offset against this line item which is aggravated by it already having received less than previously required. The Department fails to acknowledge this as a likely consequence and the Department is called upon to explain what the likely effects will be and what steps will be taken to address such concerns.

Another line item that will be examined is Buildings and Other Fixed Structures. This line item received R704.71 million as an initial allocation in 2011/12 but was increased considerably during the year to R922.04 million due to roll overs.²⁶ The Department projects to spend the entire adjusted budget by the end of the 2011/12 financial year. In 2012/13 this allocation reduces considerably to R692.09 million which is R12.61 million less than the 2011/12 initial allocation of R704.71 million, and R 225.90 million less than the 2011/12 adjusted budget. The Department has attributed most of the decrease being due to *“rollovers received and challenges in the procurement processes”*.²⁷

A reduction of this line item does not support the executive’s stated policy of prioritising the upgrading and maintenance of healthcare infrastructure. It should also be noted that this line item’s projected budget for 2013/14 is R691.42 million which is in fact slightly less than what will be received in 2012/13.²⁸ An appreciable increase to this line item is only foreseen for 2014/15 when R788.47 million is planned to be set aside.²⁹

As Table 1 below reveals, the Machinery and Equipment line item decreases considerably from the 2011/12 adjusted budget of R343.19 million to R232.98 million in 2012/13, amounting to an almost a 1/3rd decline in the allocation . The bulk of expenditure against this line item occurs in the following 4 programmes: Health Facilities Development and Maintenance, Emergency Medical Services (EMS), Central Hospital Services and Provincial Hospital Services. In the Department’s explanation, the Machinery and Equipment EMS programme reductions are as a result of ambulances being continuously leased instead of being purchased.³⁰ While within Provincial Hospital Services the 42% reduction in budget (from a 2011/12 adjusted budget of R31.4 million to R18.1 million in 2012/13) is attributed to: *“the procurement of most essential machinery and equipment will be completed in the 2011/12 financial year, and over the MTEF,*

²⁴ See Table 1 below. Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.124

²⁵ See Table 1 below. Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.124

²⁶ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, p. 124.

²⁷ Ibid at p.142.

²⁸ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13 p.124

²⁹ Ibid

³⁰ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, - p.134.

only the replacement of outdated machinery and/or entering into lease agreements for the provisioning of essential medical equipment will be done (and does not require a major financial outlay). This will also address the ever challenging problem of obsolescence of highly specialised equipment.”³¹

The same line item within Central Hospital Services only experiences a marginal reduction of 4.2%. However within the Health Facilities Development and Maintenance programme, the Machinery and Equipment allocation reduces by 34% from an adjusted 2011/12 budget of R126 million to R82.5 million in 2012/13. The Department explains that the reduction was caused by “rollovers received and challenges in the procurement processes.”³²

Table 1: Eastern Cape Health Department by Economic Classification 2008/09 to 2014/15³³

(R' 000)	Outcome			Main Budget 2011/12 Adjusted budget 2011/12 Revised estimate 2011/12			Medium-term estimate				Real Change between 2011/12 and 2012/13	Nominal Average Growth over MTEF
	Audited 2008/09	Audited 2009/10	Audited 2010/11				% change from Adjusted Appropriation		2012/13	2013/14		
				2011/12	2013/14							
Current payments	9,058,764	10,644,582	11,979,868	13,008,316	13,308,252	14,086,108	13,905,324	4.49	15,136,040	16,093,765	0.87	4.99
Compensation of employees	6,084,689	7,398,367	8,390,748	8,752,597	9,183,760	9,383,637	9,790,294	6.60	10,206,534	10,738,770	2.92	3.13
Goods and Services	2,959,516	3,235,190	3,577,468	4,255,030	4,124,492	4,694,576	4,115,030	-0.23	4,929,505	5,354,995	-3.68	9.18
Interest and rent on land	14,559	11,025	11,652	689		7,895						
Transfers and Subsidies	618,483	518,892	554,126	230,146	239,080	239,080	335,630	40.38	306,350	322,047	35.53	-1.37
Provinces and municipalities	234,316	201,570	274,281									
Departmental agencies and accounts	260,098	210,058	124,999	45,234	45,770	45,770	28,650	-37.40	48,649	51,082	-39.57	21.26
Universities and technikons	101,847	82,293	123,472	130,383	138,649	138,649	201,690		154,428	162,149		-7.02
Foreign governments and international organisations												
Public corporations and private enterprises												
Non-profit institutions												
Households	222,222	24,971	31,374	54,529	54,661	54,661	105,290		103,273	108,816		
Payments for capital assets	821,836	926,544	737,746	998,787	1,265,236	1,265,236	925,084	-26.88	903,949	1,024,363	-29.41	3.46
Buildings and other fixed structures	703,461	712,317	613,738	704,710	922,046	922,046	692,096		691,429	788,470		4.44
Machinery and equipment	117,875	214,227	124,008	294,077	343,190	343,190	232,988	-32.11	212,520	235,893	-34.46	0.41
Heritage Assets												
Specialised military assets												
Biological Assets												
Land and sub-soil assets												
Software and other intangible assets	500											
Of which: capitalised compensation												
Of which: capitalised goods and services												
Payments for financial assets			1,088									
Total economic classification	10,499,083	12,090,018	13,272,828	14,237,249	14,812,568	15,590,424	15,166,038	2.39	16,346,338	17,440,175	-1.15	4.77

The pie chart below depicts programme allocations as a percentage of the overall budget: District Health Services has been allocated R7.41 billion (48.8%) of the total budget, Provincial Hospital Services receives R3.95 billion (26.1%), Health Facilities Development and Maintenance receives R1.11 billion (7.3%), Emergency Medical Services receives (4.8%),

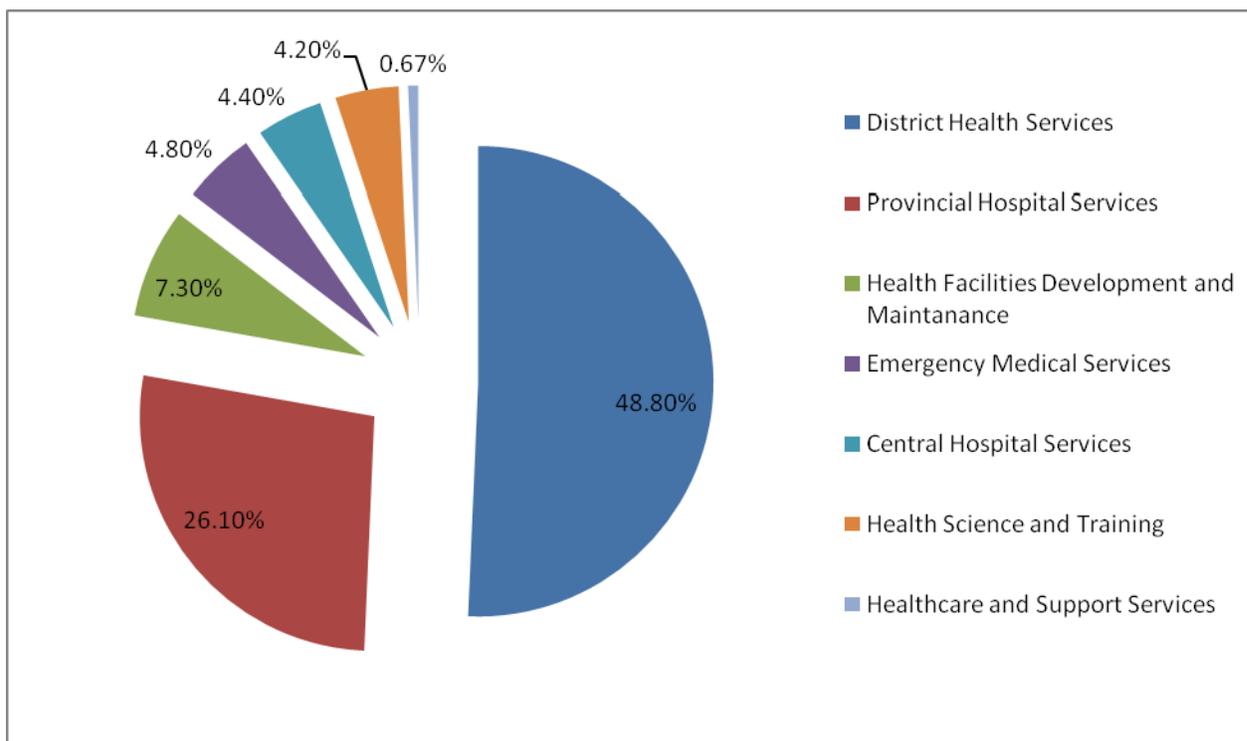
³¹ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, p.135-136.

³² Ibid at p.142.

³³ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.124

Central Hospital Services (4.4%), Health Science and Training (4.2%), Health Administration (3.3%), and Healthcare and Support Services (0.67%).³⁴

Programme allocations illustrated in the chart below



As Table 2 below reveals, Programme 2: District Health Services received an adjusted budget of R6.96 billion in 2011/12 and has projected that it will overspend on this budget by a massive amount of R600.1 million by the end of 2011/12. Despite this the 2012/13 Programme allocation is R147.76 million less than the 2011/12 revised estimate. Most of last years over expenditure within the Programme occurred within the compensation of employees and good and services allocations with the Department rightly acknowledging that it experiences *“huge pressure under goods and services. This pressure is likely to increase with the introduction of 350 CD4 count threshold at which ART is to be administered. Requirements from national health for increased immunisation of babies and children under five years will also add to the challenges experienced under goods and services”*.³⁵

The Department is commended for recognising these cost pressures however it is of concern to note that there will be no immediate relief when consideration is given to these respective allocations in 2012/13. Programme 2’s compensation of employees line item for 2012/13 is

³⁴ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.123.

³⁵ Ibid at p.131 - 132.

R5.32 billion and is approximately 5% more than the 2011/12 adjusted budget, whereas the 2012/13 Good and Services line item under Programme 2 is R1.92 billion which is considerably less than the projected expenditure for 2011/12 of R2.33 billion. This amounts to a variance of approximately 17%.³⁶ It therefore appears highly likely that service delivery within Programme 2 will be adversely affected due to inadequate funding of Goods and Services in 2012/13. The situation with regard to this line item does however appear to improve marginally in the outer years of the MTEF when its budgets increases to R2.37 billion (in 2013/14) and R2.61 billion in 2014/15.³⁷

Table 2: Eastern Cape Health Department by Programme 2008/09 to 2014/15

Programme (R' 000)	Audited			2011/2012			Medium-term estimates				Real Change between 2011/12 and 2012/13	Nominal Average Growth over MTEF
	Audited 2008/09	Audited 2009/10	Audited 2010/11	Main budget	Adjusted budget	Revised estimate	% change from Adjusted Appropriation 2011/12					
								2012/13	2013/14	2014/15		
Health Administration	507,488	624,512	522,081	590,416	598,615	604,388	515,411	-13.90	555,618	629,242	-16.88	6.88
District Health Services	4,915,707	5,581,901	6,607,023	6,752,589	6,960,686	7,560,802	7,413,038	6.50	8,080,689	8,593,714	2.82	5.05
Emergency Medical Services	457,744	485,836	536,913	677,875	677,762	704,895	737,245	8.78	790,047	829,388	5.02	4.00
Provincial hospital Services	2,674,448	3,353,416	3,481,188	3,761,539	3,781,201	3,926,035	3,958,611	4.69	4,196,500	4,447,313	1.07	3.96
Central Hospital Services	414,774	528,251	594,454	609,327	647,104	647,104	682,445	5.46	743,621	786,007	1.82	4.82
Health Science and Training	547,955	522,692	594,133	609,672	651,415	651,415	644,362	-1.08	680,748	716,539	-4.50	3.60
Health Care and Support Services	46,702	57,019	66,994	97,339	97,818	97,818	102,332	4.61	109,943	115,422	1.00	4.09
Health Facilities Development And	934,265	936,391	870,042	1,138,492	1,397,967	1,397,967	1,112,594		1,189,173	1,322,550		5.93
Total payments and estimates	10,499,083	12,090,018	13,272,828	14,237,249	14,812,568	15,590,424	15,166,038	2.39	16,346,338	17,440,175	-1.15	4.77

Turning now to Table 3 below it should be noted that there are additional Conditional Grants in 2012/2013 including the Health Nursing Colleges Grant which will deal with the upgrading of these Colleges, while the new National Health Insurance Grant will be responsible for moving forward the plan by government to “provide equitable healthcare to all”³⁸, and the Social Sector Expanded Public Works Programme Incentive Grant for Provinces.

The Department’s total Conditional Grant allocation for this year is R 2.62 billion and experiences a decrease of R246.6 million from the Adjusted Budget received in 2011/12 financial year. The Comprehensive HIV and AIDS Grant still receives the largest portion of the total budget, representing 40.4% of the total budget. However, with the Department’s plans to introduce the administration of ART to a maximum of 350 CD4 count,³⁹ it is understandable why this grant receives such an increase in order respond to the demands it faces yearly. With an increase of R145.3 million in the 2012/13 financial year from the 2011/12 adjusted appropriation, it is hoped that the budget set aside for this year will be able to meet the demands the Department envisages, including those of the increase in ART coverage. It would however be helpful and useful for the Department to give more detail on how such increases are determined or predicted so as to fully know that the budget decided on will be enough. The National Tertiary Services Grant is the second largest allocation with 26.0% of the total

³⁶ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, p.131.

³⁷ Ibid.

³⁸ Ibid at p125.

³⁹ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.120 and p.132.

budget.⁴⁰ However, there have been some significant decreases in the Health Infrastructure Grant (HIG) as well as the Hospital Revitalisation Grant (HRG). The HIG budget has decreased by R117.9 million from the 2011/12 Adjusted Budget to the 2012/13 Initial Allocation. In the Department's explanation, these grants contribute significantly to the "payment for capital assets". Furthermore, they say, these increases in capital assets in the 2011/12 financial year "are predominantly due to the roll-overs received and challenges experienced with procurement processes".⁴¹

(See Table 3 below)

Table 3: Eastern Cape Health Department by Conditional Grants 2008/09 to 2014/15

Conditional Grant Allocation (R ' 000)	Audited			Adjusted			Medium-term estimates				Real Change between 2011/12 and 2012/13	Nominal Average Growth over MTEF
	Audited 2008/09	Audited 2009/10	Audited 2010/11	Main Budget 2011/2012	Budget 2011/12	Revised Estimate 2011/12	% change from Adjusted Appropriation					
							2012/13	2010/11	2013/14	2014/15		
Comprehensive HIV and Aids Grant	301,432	425,817	700,216	864,173	915,473	915,473	1,060,852	15.88	1,273,296	1,473,053	11.87	11.56
Forensic Pathology Services Grant	95,265	53,882	63,070	73,506	87,018	87,018		-100.00			-100.00	
Health Disaster Response (Cholera) Grant												
Health Infrastructure Grant	157,726	255,100	278,691	299,754	376,764	376,764	258,862	-31.29	276,982	305,244	-33.67	5.65
Health Professions Training and Development Grant	120,897	124,352	182,320	170,071	194,949	194,949	178,730	-8.32	188,560	199,874	-11.49	3.80
Hospital Revitalisation Grant	223,901	204,048	168,610	382,048	633,304	633,304	402,679	-36.42	408,719	485,251	-38.61	6.41
National Tertiary Services Grant	414,774	528,235	594,454	609,327	647,104	647,104	682,445	5.46	743,621	786,007	1.82	4.82
Nursing Colleges							14,660		21,257	25,760		20.67
National Health Insurance							11,500		26,835	38,334		49.38
Expanded Public Works Programme Incentive Grant for Provinces			6,012	16,578	16,578		1,000	-93.97			-94.18	-100.00
Social Sector Expanded Public Works Programme Incentive Grant for Provinces							13,780					-100.00
Total payments and estimates	1,313,995	1,591,434	1,993,373	2,415,457	2,871,190	2,854,612	2,624,508	-8.59	2,939,270	3,313,523	-11.75	8.08

⁴⁰ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, p.120 and p.132.

⁴¹ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, p.126.

Human Resources and Compensation of Employees

As illustrated in Table 3.9 in the Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,⁴² the Compensation of Employees (CoE) line item still receives the greatest budget cut – this has occurred despite the Department facing significant recruitment and retention challenges with regard to various critical staff posts. It has been reported in a number of media articles that the Department has struggled to deliver salary payments to health personnel for a number of months now up to date. In this period, health personnel have either been paid their salaries late, have been underpaid, or their salaries have been made to the incorrect people. This problem has affected about 6 890 personnel to date.⁴³ As a result of this, doctors have threatened to leave the province if the Department does not show any real commitment towards resolving this issue.

In the MEC's policy speech for this financial year, the creation of "decent work" has been emphasized as a priority for the Department. The creation of this work will cut across the health spectrum, from clinical and administrative staff to Emergency Medical Services and Nurses.⁴⁴ It cannot be emphasized enough the importance of the availability of qualified staff to deliver quality health care (especially primary health services) as required for the efficient running of the department. Without this firmly entrenched, the delivery of the fourth output of the National Department of Health's Negotiated Service Delivery Agreement as cited by the Minister of Health in his 2012 Budget Speech will not be possible⁴⁵. The leadership within the Eastern Cape Department of Health needs to work through this challenge in a decisive manner and encourage a working environment that will be conducive to improving the conditions under which the provincial Department of Health works.

However, the overall budget dedicated to this area has decreased by 13.9% in nominal terms (the difference between the adjusted appropriation from the year 2011/12) or by 16.8% in real terms. A further inspection into this programme shows that the budgets set aside for the compensation of employees has decreased by R61.4 million from last year's adjusted appropriation to this year. Looking at the last four years, funding towards the payment of staff has not been stable and has experienced noteworthy decreases and increases in the budget.⁴⁶ One has to think about the serious implications of the cut backs, either in payment of staff or a cut back of the numbers of health staff catered for in this current financial year. The Department of Health in the Eastern Cape is faced with what many like to describe/ have described as 'a state of collapse' due to critical health staff shortages, as well as demoralized staff and a limited budget within which a number of services have to be delivered. The combination of these elements represents a very worrying picture considering that these massive challenges before the Department now have been on the Department's agenda in previous financial years regarding the same issues. It would be interesting to see how the department manages to cope with a shortage of funding in this programme in this current financial year, while still faced with such overwhelming challenges ahead.

What is also of concern and therefore should be raised as it is inextricably linked to those directly responsible for administering healthcare is the absence of funding in the last two years for two very important line items, that is, materials and supplies as well as medical supplies.⁴⁷ No matter how well paid the health staff may be and how well supplied centers of health care services in terms human resources, all that means very little when the very

⁴² Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, p.124.

⁴³ 'Unpaid doctors threaten to leave EC' in Daily Dispatch, 16 May 2012.

⁴⁴ EC Dept of Health Policy Speech 2012/2013,p.5 - 6.

⁴⁵ National Department of Health Budget Speech 2012,p.4.

⁴⁶ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.149.

⁴⁷ Ibid.

places where people are suppose to receive health services are not adequately stocked with all necessary material and medical supplies as they should be. A shortage in the provision of these two line items has affected health care services in less urbanized areas of the Province.⁴⁸

District Health Services

The 2012/13 budget for this programme has increased by R452 352 million against the Adjusted Appropriation of the 2011/12 financial year (6.49% in nominal terms or by 2.8% in real terms).

This programme has the responsibility of delivering primary healthcare services in the department “through the implementation of the district health system”⁴⁹. One of these services is the Maternal and Child Health activities that have been determined at national level through the Maternal and Child Health Plan. The department has planned to prioritise a number of these activities over the MTEF period “including community-based post-natal checks, training and supervision of obstetric and paediatric services in district hospitals, development of school health services partly in preparation for the introduction of Human Papillomavirus (HPV) vaccine to prevent cancer of the cervix”.⁵⁰ The area of Maternal and Child health has come under much scrutiny in the past few years in South Africa, and more so in the less urbanised areas of the country. The Eastern Cape has been faced with many challenges in this area and much still remains to be done to improve healthcare services in this area. Another recent setback in execution of important services of detection of cervical cancer in women under this sub-programme will only put the Department under more scrutiny and criticisms regarding the planning efforts employed by it.⁵¹ In the midst of all the challenges that the Department is faced with to date, this kind of short-sightedness in the planning phases of programme activities will deepen the negativity that some hold against the Department. The Department had highlighted progress made in the screening of cervical cancer in the previous financial year, and had prioritised this area for this current financial year and over the MTEF period.⁵² Even though this sub-programme has received a significant increase this year against the 2011/12 Adjusted Budget, it will be interesting to see what action the Department takes to fill the gaps where certain functional services such as the screening of cervical cancer have had to be stopped.

National Health Insurance

As this is the first year of the first pilot phase of the NHI across 10 districts in the country, much attention will paid to the success of its implementation at the chosen district levels. The Minister of health described this concept as a necessary mechanism of healthcare financing in order to obtain the efficiency and effectiveness of a health system that caters to all South Africans alike. The NHI is a key priority area over the MTEF period and its success, according to the Minister of Health, will be determined by two preconditions, that is, the overhauling of the of public healthcare, and the regulation of pricing in the private health sector. The aim is that by the end of 5 years, 52 pilot districts across the country would have been covered, and additionally that in 14 years from this current financial year, the NHI would have been fully implemented and functioning.⁵³

⁴⁸ ‘Run, EC state doctors advise’ in Daily Dispatch 24 January 2012.

⁴⁹ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13, p.130.

⁵⁰ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.119.

⁵¹ ‘Cervical cancer programme cut short’ in Daily Dispatch 25 May 2012.

⁵² Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.119.

⁵³ National Department of Health Budget Speech 2012,p.5 - 6.

The OR Tambo district in the Eastern Cape will be the first district that this undertaking will be tested out. As described in the Provincial Treasury revenue document, the NHI will run on a “ward-based primary healthcare model with trained workers per ward including community health workers”. At these pilot areas there will be “district-based specialist teams to focus on child and maternal mortality and the school health model to address basic eye and hearing care, immunisation, contraceptive and reproductive health as well as substance abuse advice at school level”.⁵⁴

Conclusion

The Department is faced with a number of challenges going ahead. The reduction in its budget (in real terms) for this fiscal year will put pressure on a number of critical areas. The pressures that the Department is faced with have already started to show in a number of ways such as all round staff shortages and late payments of critical medical staff, shutting down of certain health services and so on.

Departmental expenditure performance is concerning and needs to be improved upon in the 2012/ as the Health Department cannot continue to keep up the accumulation of accruals and roll over's year-on-year given its pressured budget. This has been of particular concern within the Goods and Services line item. Improved expenditure monitoring needs to be exercised so as to improve the running of services within the Department.

The weaknesses in detail and direction in the MEC's Policy Speech for 2012 is also of concern as this is the first place to look to when trying to get a sense of direction about the Department's activities and plans for the coming year.

⁵⁴ Eastern Cape Estimates of Provincial Revenue and Expenditure 2012/13,p.119.