



A Quick Review of the 2014/15 First Quarter Spending of the Health HIV and AIDS Conditional Grants by Provinces

Budget Policy Brief 8

17 October 2014

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1. Introduction

South Africa's HIV and AIDS pandemic is one of the highest in the world with an HIV and AIDS prevalence of 15.9% in the adult population (15-49 years old) as of the year 2013 (Statistics South Africa 2014)¹. The prevalence amongst women (15-49 years old) stood at 17.4% in 2013, and that of the youth (15-24 years old) was 8.5%² in the same year. In order to mitigate the effects of HIV and AIDS and to reduce the number of new infections, the South African government and its Department of Health (DOH) have through the National and Provincial Strategic Plans on HIV and AIDS and TB laid out a pathway to avert the disease. In addition to the efforts of various governmental and non-governmental institutions in fighting against HIV and AIDS, the Department of Health plays the critical role in treatment, care and support and prevention of HIV and AIDS. This is supported by the bulk of HIV and AIDS funding in South Africa spent through and by the department.

The Department of Education (DOE) also plays a role in educating the youth who are amongst the most vulnerable populations. These departments have been honoured with ring-fenced budget allocations called Conditional Grants (CG). DOH's conditional grant is called the Comprehensive HIV and AIDS CG whilst the DOE's CG is called the HIV/AIDS Lifeskills CG. The Department of Social Development also plays a critical role providing home-based care services, including support programmes for Orphans and Vulnerable Children (OVCs), but it does not have a CG. It is funded through the Equitable Share - the discretionary allocations from the provinces' own general funds. Therefore there are no regular expenditure reports published on the National Treasury website which reports on HIV and AIDS conditional grant spending on a quarterly basis. Thus spending against DSD's equitable share allocations for HIV and AIDS is excluded from this analysis.

The mandate of the Comprehensive HIV and AIDS CG is to implement the National Strategic Plan on HIV and AIDS 2012-2016. The purpose of the CG is stated as: "to enable the health sector to develop an effective response to HIV and AIDS, including universal access to HIV counselling and

¹ Statistics South Africa, 2014. Statistical release Mid-year population estimates. *Statistics SA publications*, P032(July). Available at: <http://www.statssa.gov.za/publications/p0302/p03022013.pdf>.

² Ibid

testing (HCT); support the implementation of the National Operational Plan for Comprehensive HIV and AIDS Treatment and Care, and; subsidise in-part funding for the antiretroviral treatment programme” (National Treasury, 2014).³

The purpose of the HIV and AIDS Life skills Education Grant’s purpose is "to support South Africa’s prevention strategy by increasing sexual and reproductive knowledge, skills and appropriate decision making among learners and educators; to mitigate the impact of HIV and TB by providing a caring, supportive and enabling environment for learners and educators; to ensure the provision of a safe, rights-based environment in schools that is free of discrimination, stigma, and any form of sexual harassment/abuse, and; to reduce the vulnerability of children to HIV, TB and Sexually Transmitted Infections (STIs), with a particular focus on orphaned and vulnerable children” (ibid.).

The South African provinces, namely the Eastern Cape (EC), the Free State (FS), Gauteng (GP), KwaZulu-Natal (KZN), Limpopo (LP), Mpumalanga (MP), the Northern Cape (NC), North West (NW), and the Western Cape (WC) receive their own CG allocations. In accordance to the National Treasury Medium Term Expenditure Framework, the CGs to the provinces are allocated using a formula that takes into account various items, including provincial population size, burden of disease, and HIV prevalence amongst other issues.

2. DOH HIV and AIDS Conditional Grant Budget Allocations

The annual allocation for the year for each province is divided into four equal batches for transfer per quarter. Table 1 shows the proportional allocations in both 2013/14 and 2014/15 financial years (FY). It has remained the same in terms of proportional share over the 2 year period. KZN, GP, and EC receive the largest allocation whilst the lowest allocations went to FS, MP, NC, and NW. These allocations are reflective of the number of HIV-positive people in each province, a function of both population size and HIV prevalence, with KZN, MP, and EC having the largest population sizes of 23.7%, 19.8%, and 12.7% respectively of South Africa’s 52.8 million people, as well as HIV prevalence amongst pregnant women of 37.4%, 35.6% and 29.1% respectively (Department of Health, 2012).⁴ In order to mitigate both the challenges faced by provinces in the fight against HIV and AIDS and inflation, National Treasury increased the CG nominal allocations in 2014/15 by an overall 17% (refer to Table 1). This helped the launch of Fixed Dose Combination (FDC) antiretrovirals on 1 April 2014 in new and old patients; the provision of FDC to pregnant women, and the revision of the eligibility for treatment enrolment for children less than 6 years of age irrespective of their CD4 count (DOH 2014).⁵ In 2014/15, KZN had the largest nominal increase in their health HIV/AIDS CG of 23% followed by Mpumalanga (19%) and Gauteng (17%). The remaining provinces had either a 13% or 14% increase.

³ National Treasury. 2014. *Division of Revenue Bill*.

⁴ Department of Health. 2012. *National Antenatal Sentinel HIV and Syphilis Prevalence Survey in South Africa*.

⁵ Department of Health. 2014. *Quarter 1 Comprehensive HIV and AIDS Conditional Grant Spending (April – June 2014/15)*.

Table 1: Provincial DOH HIV and AIDS CG Budget Allocations for 2013/14 and 2014/15, ZAR Thousands

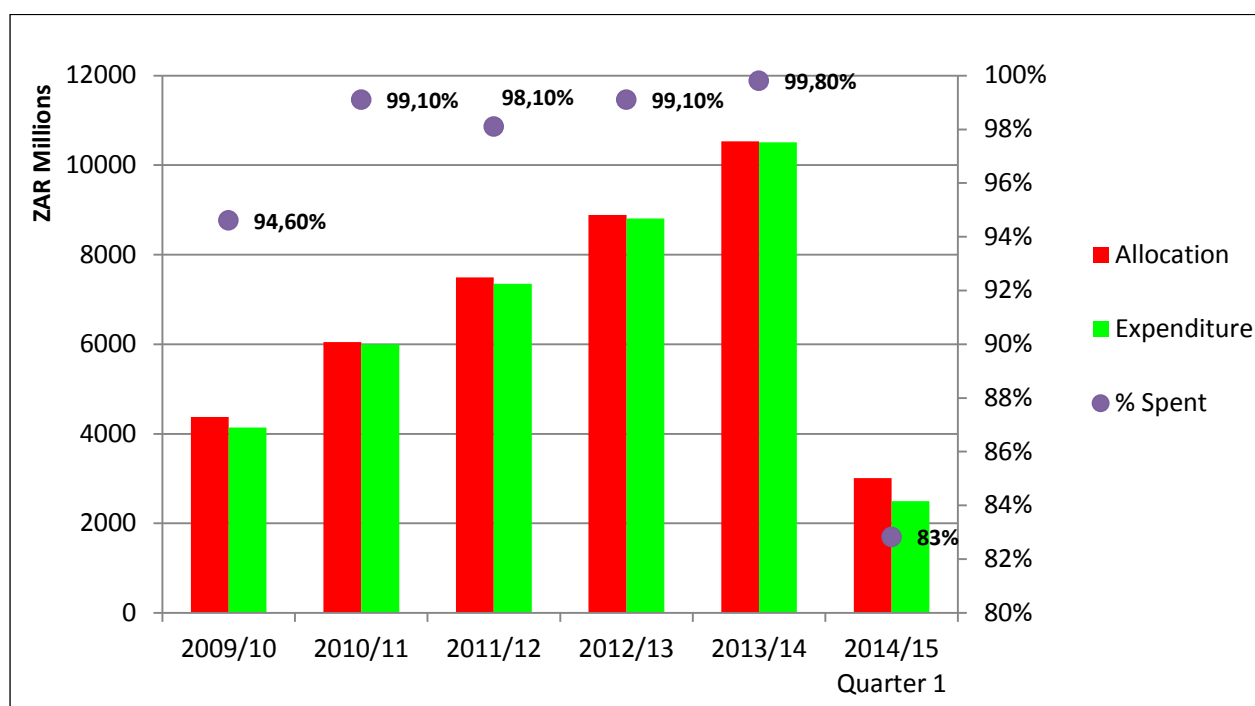
| PROVINCE | 2013/14 | % Share | 2014/15 | % Share | % Increase of Nominal funds from 2013/14-2014/15 FY |
|---------------|------------|---------|------------|---------|---|
| Eastern Cape | 1 273 296 | 12% | 1 449 237 | 12% | 14% |
| Free State | 742 984 | 7% | 843 026 | 7% | 13% |
| Gauteng | 2 258 483 | 21% | 2 632 578 | 21% | 17% |
| KwaZulu-Natal | 2 652 072 | 25% | 3 257 992 | 26% | 23% |
| Limpopo | 861 143 | 8% | 978 132 | 8% | 14% |
| Mpumalanga | 690 591 | 7% | 818 836 | 7% | 19% |
| Northern Cape | 302 468 | 3% | 342 789 | 3% | 13% |
| North West | 825 302 | 8% | 936 938 | 8% | 14% |
| Western Cape | 927 547 | 9% | 1 051 794 | 9% | 13% |
| Total | 10 533 886 | 100% | 12 311 322 | 100% | 17% |

Source: National Treasury. 2014. Division of Revenue Bill.

3. Provincial DOH's 2014/15 Comprehensive HIV and AIDS Conditional Grant Transfer Schedule and Expenditure

Over the past 5 years, the Comprehensive HIV and AIDS CG has been absorbed fairly well but never reached 100% spending. Figure 1 shows the absorption rates for 2009/10 to 2013/14. There was an absorption rate of 94.6% in 2009/10 whilst 2013/14 had 99.8% expenditure. The transfers made to the provinces are divided into four quarterly amounts for each province, as shown in Table 2. As of the end of the first quarter for 2014/15 (April - June), approximately R3 billion had been transferred to the provinces and R2.5billion (or 83% of transfers) had been spent by the provinces. As a percentage of the full 2014/15 CG amount allocated under the Division of Revenue Act (DORA), 20.2% of the R12.3 Billion allocated to the provinces had been spend, just 4.8% below the standard expectation of 25% per quarter (see Table 3). All provinces spent above 10% of their annual allocation, with FS and LP being the only ones spending below 15%. GP, KZN, MP, and NC spent above 20% in line with the expected expenditure of 25% per quarter. MP and NC overspent their first quarter receipts by 3% and 4% respectively, whilst all other provinces underspent. However, this is not indicative of inefficient spending as expenditure is cumulative across all quarters and such a conclusion can only be reached at the end of financial year when arrears and expenditure have been taken into account.

Figure 1: Absorption of DOH HIV and AIDS CG for 2009/10 to 2014/15 Quarter 1 Allocation



Source: Department of Health. 2014. Quarter 1 Comprehensive HIV and AIDS Conditional Grant Spending (April –June 2014/15). Author's calculations.

Table 2: Provincial DOH Conditional Grant Quarterly Transfer Schedule for 2014/15, ZAR Thousands

| Province | April-June 2014 | July-September 2014 | October-December 2014 | January-March 2014 | Total Transfers | % Share of Total | Funds not spent as at the end of Quarter 1 |
|---------------|------------------|---------------------|-----------------------|--------------------|-------------------|------------------|--|
| Eastern Cape | 351 456 | 367 161 | 367 041 | 363 579 | 1 449 237 | 12% | 1 194 867 |
| Free State | 210 756 | 210 756 | 210 758 | 210 756 | 843 026 | 7% | 724 772 |
| Gauteng | 673 716 | 654 241 | 654 773 | 649 848 | 2 632 578 | 21% | 1 978 037 |
| KwaZulu-Natal | 771 870 | 816 798 | 841 767 | 827 557 | 3 257 992 | 26% | 2 589 784 |
| Limpopo | 256 265 | 224 728 | 267 489 | 229 650 | 978 132 | 8% | 851 745 |
| Mpumalanga | 211 287 | 185 284 | 220 542 | 201 722 | 818 835 | 7% | 602 230 |
| Northern Cape | 79 941 | 94 680 | 87 534 | 80 634 | 342 789 | 3% | 259 449 |
| North West | 234 252 | 246 276 | 246 426 | 209 984 | 936 938 | 8% | 763 423 |
| Western Cape | 219 360 | 267 126 | 283 323 | 281 985 | 1 051 794 | 9% | 855 765 |
| Total | 3 008 903 | 3 067 050 | 3 179 653 | 3 055 715 | 12 311 321 | 100% | 9 820 072 |

Source: Department of Health. 2014. Quarter 1 Comprehensive HIV and AIDS Conditional Grant Spending (April –June 2014/15). Author's calculations.

Table 3: Provincial DOH First Quarter Spending of the Comprehensive HIV and AIDS Conditional Grant, ZAR Thousands

| Comprehensive HIV and Aids Grant | Division of Revenue Act, No. 10 of 2014 | Approved Provincial Payment Schedule (National allocation) | Transferred from National to Province | Received by Province (National allocation) | Provincial Actual Payments | % Spent on Received Funds | Share of 2014/15 DORA amount |
|----------------------------------|---|--|---------------------------------------|--|----------------------------|---------------------------|------------------------------|
| Gauteng | 2 632 578 | 673 716 | 673 716 | 673 716 | 654 926 | 97% | 25% |
| Free State | 843 026 | 210 756 | 210 756 | 210 756 | 118 254 | 56% | 14% |
| Eastern Cape | 1 449 237 | 351 456 | 351 456 | 351 456 | 254 374 | 72% | 18% |
| KwaZulu Natal | 3 257 992 | 771 870 | 771 870 | 771 870 | 668 277 | 87% | 21% |
| Limpopo | 978 132 | 256 266 | 256 266 | 256 266 | 126 387 | 49% | 13% |
| Mpumalanga | 818 836 | 211 287 | 211 287 | 211 287 | 216 808 | 103% | 26% |
| Northern Cape | 342 789 | 79 941 | 79 941 | 79 941 | 83 339 | 104% | 24% |
| North West | 936 938 | 234 252 | 234 252 | 234 252 | 173 544 | 74% | 19% |
| Western Cape | 1 051 794 | 219 360 | 219 360 | 219 360 | 196 029 | 89% | 19% |
| Total | 12 311 322 | 3 008 904 | 3 008 904 | 3 008 904 | 2 491 938 | 83% | 20% |

Source: National Treasury. 2014. Division of Revenue Bill. Author's calculations.

4. First Quarter Spending by Comprehensive HIV/AIDS Conditional Grant Programme Area

The programme areas under the HIV and AIDS CG include Antiretroviral Treatment (ART), Home Based Care (HBC), Condoms, High Transmission Areas (HTA), Post Exposure Prophylaxis (PEP), Prevention of Mother to Child Transmission (PMTCT), Programme Management (PM), Regional Training Centres (RTC), Step Down Care (SDC), HIV Counselling and Testing (HCT), TB/HIV and Medical Male Circumcision (MMC). As of June 2014/15 the least spending programmes were RTC, PEP, and MMC which had spent 24%, 32%, and 49% respectively of the transferred amount for the 1st quarter. The programmes that had nearly absorbed all their Quarter 1 allocations were SDC, HCT, ART and PMTCT that spent 98%, 95%, 93%, and 92% respectively. The rest of the programmes ranged between 55% and 81%.

Table 4 presents the programme expenditure as at 30 June 2014 and as a percentage share of the approved annual budgets. The TB/HIV budget was nearly depleted by end of quarter 1, having used up 76% of their total annual allocation. Proper budget adjustments should be made before the end of the financial year to ensure adequate funding for TB/HIV interventions. PEP recorded the least expenditure of 6%. The ART programme achieved 90% spending. The ART spending supported the enrolment of 145,134 new ART patients out of a target of 160,912 for the quarter. The achieved new patient numbers amount to 23% of the annual target.

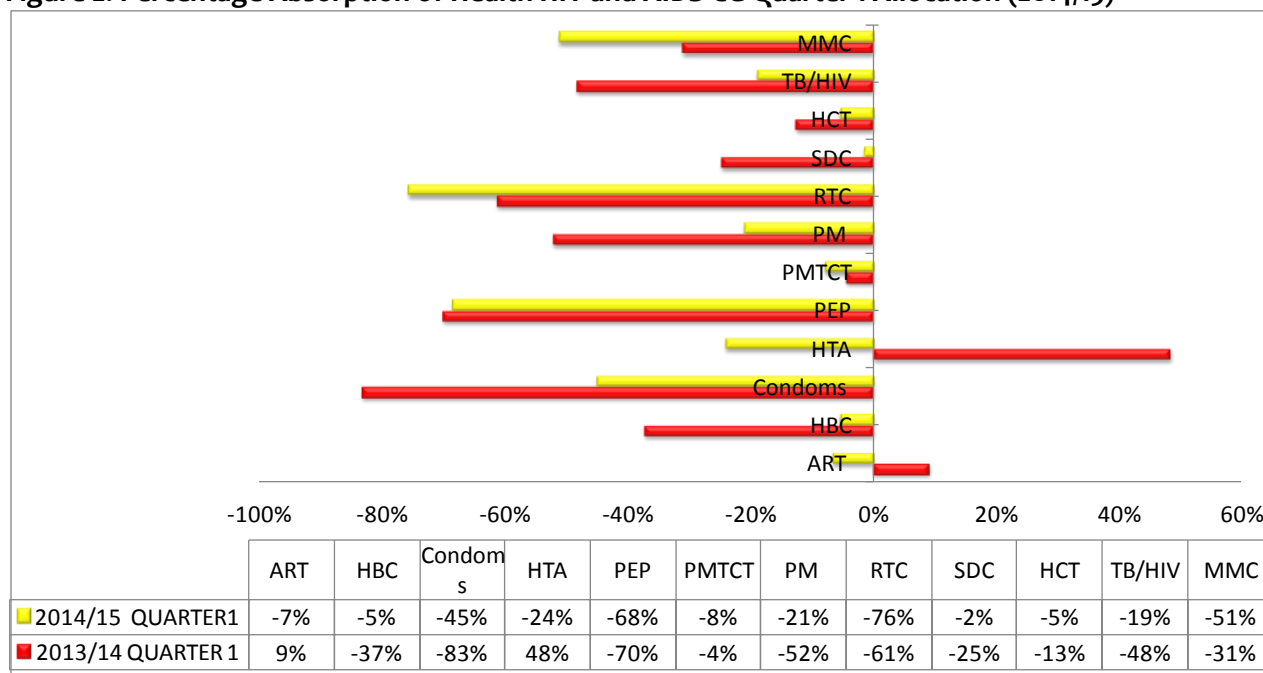
Table 4: 2014/15 Quarter 1 Health HIV and AIDS Conditional Grant Expenditure by Programme Area, ZAR Thousands & %.

| Programmes (ZAR, Thousands) | Conditional Grant Business Plan Budget Allocation (2014/15) | Quarter 1 Expenditure (April 2014 - June 2014) | % Expenditure/ Budget Allocation |
|------------------------------------|--|---|---|
| HTA | 108 022 | 17 913 | 17% |
| CONDOMS | 398 084 | 44 429 | 11% |
| PEP | 20 324 | 1 220 | 6% |
| HCT | 820 539 | 185 076 | 23% |
| PMTCT | 249 180 | 49 289 | 20% |
| MMC | 384 703 | 33 530 | 9% |
| ART | 7 636 351 | 1 752 493 | 23% |
| TB/HIV | 142 903 | 109 261 | 76% |
| SDC | 577 794 | 36 074 | 6% |
| HCBC | 1 054 064 | 160 543 | 15% |
| PM | 691 821 | 90 022 | 13% |
| RTC | 227 537 | 11 400 | 5% |
| Total | 12 311 322 | 2 491 250 | 20% |

Source: Department of Health. 2014. Quarter 1 Comprehensive HIV and AIDS Conditional Grant Spending (April –June 2014/15).

Figure 2 compares the absorption of programmes in the first quarter of the 2013/14 and 2014/15 FYs. Most of the programmes fared well in 2014/15 as compared to 2013/14 despite the under spending in both instances. ART went from over-expenditure on the quarterly allocation in 2013/14 to under-expenditure whilst the under-spending of the MMC and RTC budgets worsened in the second year. The reasons for spending variation in the provinces included delays in staff recruitment and payment of stipends; poor performance of contractors; delays in tender awarding, procurement and payment for services; stock holding increases which resulted in no new procurement in some provinces; and over-estimation of costs and slow progress in executing activities such as training(National Department of Health, 2014). This information was gathered from the provinces during the quarter 1 DORA review meetings. The problem of over-estimation of costs may be resolved by training the public servants in costing for well-informed resource allocation. Costing would assist in setting reasonable targets in line with available resources and real costs.

Figure 2: Percentage Absorption of Health HIV and AIDS CG Quarter 1 Allocation (2014/15)



*(-) refers to under spending whilst a positive number refers to overspending

Source: Derived from National Department of Health (2014) Spending Records and National Treasury First Quarter Spending Records. Author's calculations.

5. 2014/15 First Quarter Expenditure of HIV and AIDS Life Skills Education Grant

The Department of Education allocated 221 million for HIV and AIDS Lifeskills Education in 2014/15. Out of that amount, R23.4 million was transferred to the provinces for first quarter. Payments made for the same period amounted to R22.9 million, recording 98% spending. This amounts to 10.6 % spending against the total annual allocation, which is considered a low rate of spending as provinces should spend 25% of their annual budget in each quarter. The provinces that spent less than 10% of the total allocation included EC, GP, LP, NC, and WC. FS, MP, and NW spent between 10%-15% and KZN spent 23%. Table 5 highlights the detailed provincial transfers and expenditure for the first quarter, unfortunately without reasons to explain the variation.

Table 5: DOE HIV and AIDS Lifeskills Education Grant Quarterly Transfer Schedule, ZAR Thousands

| HIV and Aids (Life Skills Education) Grant | Division of Revenue Act, No. 10 of 2014 | Approved Provincial Payment Schedule (National allocation) | Transferred from National to province | Received by province (National allocation) | Provincial actual payments | % spent on received funds for Q1 | % spent on DORA share in Q1 |
|--|---|--|---------------------------------------|--|----------------------------|----------------------------------|-----------------------------|
| Gauteng | 30 195 | 3 019 | 3 019 | 3 019 | 908 | 30% | 3% |
| Free State | 8 006 | 2 001 | 2 001 | 2 001 | 1 137 | 57% | 14% |
| Eastern Cape | 37 023 | 3 702 | 3 702 | 3 702 | 1 980 | 53% | 5% |
| KwaZulu Natal | 52 261 | 5 226 | 5 226 | 5 226 | 11 773 | 225% | 23% |
| Limpopo | 31 085 | 3 108 | 3 108 | 3 108 | 369 | 12% | 1% |
| Mpumalanga | 19 404 | 1 940 | 1 940 | 1 940 | 2 688 | 139% | 14% |
| Northern Cape | 3 782 | 945 | 945 | 945 | 176 | 19% | 5% |
| North West | 17 388 | 1 739 | 1 739 | 1 739 | 2 519 | 145% | 14% |
| Western Cape | 17 077 | 1 708 | 1 708 | 1 708 | 1 307 | 77% | 8% |
| Total | 216 221 | 23 388 | 23 388 | 23 388 | 22 857 | 98% | 10,6% |

Source: National Treasury. 2014. Division of Revenue Bill, and National Treasury 2014 First Quarter Spending Records. Author's calculations.

6. Conclusion

The health and education departments have underspent their first quarter HIV and AIDS Conditional Grants, when assessed against what they received for the quarter. This needs to be rectified in the coming quarters, to ensure that the departments meet the targets set for the year, and to ensure that funding is used as planned. The departments need to pay attention to the root causes of under spending and devise plans for timely and efficient spending. Specifically, the departments need to thoroughly understand the impediments to spending, such as delays in staff recruitment and payment to service providers. In addition, the departments have to be aware of the DORA targets and indicators, and attempt to implement the interventions in line with the targets and indicators of the overall National and Provincial Strategic Plans for HIV and AIDS.

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This brief is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of CEGAA and HE²RO and do not necessarily reflect the views of USAID or the United States Government.

