Factsheet on the Non-Negotiable Budget Items in the Provision of Public Health and HIV/AIDS Services in South Africa[1]

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1. Introduction and background to the Non-negotiables (NNs)

A recent benchmarking exercise done by the Health Systems Trust indicates that spending on health goods and services increased at a relatively slower pace that the compensation of employees, in the last three years (Day and Daviaud, 2014). The goods and services spending grew by only 4% whilst spending on personnel grew by 12% (ibid.) A balance needs to be struck between the two spending areas to ensure that health programmes are delivered to the population as needed. Given the fact that South Africa has the largest number of people living with HIV in the world, with a large burden of disease associated with HIV/AIDS, appropriate policies, programmes and budgets should be provided to mitigate the impact of the epidemic. There is a demand for increased capacity to manage the response to HIV/AIDS whilst simultaneously providing enough resources for goods and services. There is a concern, however, that some of the provincial departments are unable to get a feasible and effective balance between spending on personnel and spending on goods and services, though guidelines exist to guide the departments in balancing the spending on these two categories (ibid.). The National Department of Health (NDOH) has to carefully prioritise its spending areas to ensure that there is enough capacity to manage and provide services as well as enough resources for actual service provision.

In the pursuit of proper prioritisation of spending, the National Health Council (NHC) introduced the so-called 'Non-negotiables' (NNs) in health sector spending to ensure that priority interventions are adequately funded and implemented. The NDOH has to ensure that these NNs are funded. The department has to do this after recognising that earmarked funds for specific programmes are not always allocated as intended either by provincial departments of health or provincial treasuries. The NDOH associates this misallocation to non-availability of clear norms and standards, and has committed itself to ensure credible budget planning by providing strategic leadership and advisory support to provinces.

[1] This factsheet is primarily based on a presentation done by the Office of the Chief Financial Officer of the National Department of Health, presented to the National Health Council (30 August 2012); review of the Health Systems Trust Report on the Non-negotiables, and; a review of media articles covering Non-negotiables in the provincial and national health departmental speeches.

The purpose of the NN principle is therefore to address challenges of poor prioritisation of spending and insufficient allocations to core spending areas by introducing a system of continuous monitoring, reporting and accountability. Some existing spending items have been identified as Non-negotiables within the Basic Accounting System (BAS[2]), for a uniform application of the process by all provinces. These NNs cut across programmes based on the nature of funding, e.g. infrastructure, HIV/AIDS, Medicines, etc.

Day and Daviaud (2014) report that there is a general problem of data quality across the provinces, with serious variation between provinces pertaining to expenditure on NNs. They indicate that some provinces have very low expenditure levels on NNs as compared to others. These variations are attributed to three main factors: data quality, mis-coding of expenditure by item, and inaccurate allocation of expenditure to individual facilities and level of care. They also suggest that most NNs are generally underfunded based on the National Department of Health's budgets, with the exception of laboratory services. However, the laboratory services budget is also seen as insufficient to absorb all ART-related laboratory expenditure, which requires increasing resources for viral load and CD4 count tests.

One of the conditions attached to the NNs is that during the implementation phase, non-financial information must also be used to monitor earmarked allocations ('policy priority areas'). The existing information available from BAS and PERSAL[3] is used to monitor progress, comparing the expenditure against the budget, and no non-financial information is generated and reported upon.

1.1 The non-negotiable components

Below is a list of the NNs that have been identified by the NHC and NDOH.

a) Infection Control and Cleaning
b) Medical Supplies including Dry Dispensary
c) Medicines
d) Medical Waste
e) Laboratory Services: National Health Laboratory Services (NHLS)
f) Blood Supply and Services: South African National Blood Services (SANBS) or Western Province Blood Transfusion Services (WPBTS)
g) Food Services and Relevant Supplies
h) Security Services
i) Laundry Services
j) Essential Equipment and Maintenance of Equipment
k) Infrastructure Maintenance
l) Children's Vaccines
m) HIV and AIDS
n) TB

[2] Basic Accounting System (BAS) is a financial system utilised by the public sector. There is standard chart of account modules built into the system that provides a uniformity in all government departmental accounting records.
[3] PERSAL (Personnel Salary) is the public sector personnel system.

o) Children Health Services (including Neonatal and Perinatal Care)
p) Maternal and Reproductive Health Services
q) Pilots Districts Full Complement (of teams)
r) District Specialists Teams
s) Registrars, and
t) Public Hospitals Norms and Standards.

The italicised items above have been identified by the NHC as policy priority allocations that should be considered as 'top up' or 'earmarked' allocations from the general Equitable Share allocations from provinces. This means that funding from the national government's conditional grants for priority areas could be topped up by additional funds from the provinces' own Equitable Share funds to meet the identified needs.

1.2 The HIV and AIDS Non-negotiables

Looking specifically at the HIV and AIDS component, the NHC gives emphasis that HIV/AIDS objectives should be used at all times and that most of the items under this component should be mainly budgeted for from the HIV/ AIDS Conditional Grant. (The conditional grants are funding channels which secure national-level funding for priority spending areas.) However, the conditional grant should not discourage provinces from allocating additional funds from their own equitable share budgets, to ensure all areas of implementation are sufficiently covered.

Below is a list of the HIV and AIDS specific non-negotiable items for which national and provincial health departments must allocate resources for implementation. These are mainly funded by the Comprehensive HIV and AIDS Conditional Grant, and supplemented by equitable share allocations in some provinces:

- Antiretroviral Treatment
- Home Based Care (HBC)
- High Transmission Areas (HTA)
- Post Exposure Prophylaxis (PEP)
- Prevention from Mother to Child Transmission (PMTCT)
- Programme Management and Coordination (PM)
- Regional Training Centres (RTC)
- Step Down Care (SDC)
- HIV Counselling and Testing (HCT)
- Medical Male Circumcision (MMC)
- Sexually Transmitted Infections (STI)
- TB/HIV Integration.

These items are prioritised in line with HIV and AIDS supporting documents, such as the HIV Counselling and Testing Policy, Quality Assurance Guidelines, National Implementation Guidelines for Medical Male Circumcision, Conditional Grant Business Plan, National Strategic Planning for HIV and AIDS (NSP) 2012 – 2016, etc.

2. A snapshot of the HST NN Research Project

The Health Systems Trust was commissioned by the National Department of Health and the National Treasury to benchmark budgeting for NN goods and services, as part of a range of projects funded by the Belgian Technical Cooperation Agency (BTC) to support National Treasury in costing and budgeting for National Health Insurance (NHI). The project sought "to quantify the last three years' expenditure per province; define benchmarks for each of the Non-negotiables; quantify per province and per level of care the required budget, according to the benchmarks, for the next two years, and compare existing budgets with suggested Medium-Term Expenditure Framework (MTEF) budgets." In the words of the authors,

> *"The setting of benchmarks for expenditure per unit of activity per level of care (for non-protocol-led NNs) was aimed at lifting the more under-resourced provinces to the average level between provinces and the 60th centile of the provinces, whilst maintaining the level of expenditure in better-resourced provinces. This approach assists in mapping out an incremental framework for benchmarking, with higher benchmark levels being introduced over time whilst reducing disparities between provinces. This approach to benchmarking, despite data limitations, could assist provinces and national departments in moving towards better and more equitable funding as well as better resource allocation within budgets"* (Day and Daviaud, 2014).

Benchmarks were expressed in 2013 ZAR currency, allowing for flexibility to change them in the future in line with affordability and sustainability. This led to the development of Suggested Budgets for the NNs, which were then compared with the current (October 2013) levels of funding, showing underfunding for all NNs except the laboratory services funding. The ART budget was found to have a large shortfall of R1.5 billion, partly due to the 're-assessment of the cost of protocols for ART which saw a significant increase' [which was an expected outcome] (Day and Daviaud, 2014).

This exercise is important to ensure that resource needs for the implementation of the NNs are known, and that the government at national and provincial levels makes an effort to allocate sufficient resources to provide the NNs. Although the benchmarking exercise has shown that most NNs are underfunded, the national and provincial health departments, as well as the National Treasury, now have evidence that the health sector generally is in need of more funds, especially the goods and services that compete with personnel in the utilisation of the health budgets.

3. General discussion

The NDOH has identified the Non-negotiables, of which some have additionally been identified as policy priority areas that should receive 'priority' or 'earmarked' allocations to supplement or 'top up' the normal provincial budgets. NDOH emphasises that costing models must be developed for each of these policy priority areas and that an outcomes approach should be followed, in line with business plans to be prepared and presented by provinces. Documents necessary to provide guidance on these policy priorities have been identified, including the Health Data Advisory and Co-Ordination Committee (HDACC) Report, Revised Negotiated Service Delivery Agreements (NSDA) and

the Primary Health Care (PHC) Supervision Manual which come with different checklists for monitoring purposes (National Department of Health, 2012).

Although expenditure on health personnel has, in the past three years, increased more than that of goods and services, human resources for health have also been identified as a key intervention area that should be prioritised to ensure the filling of critical posts. However the main focus of the NNs is on items within goods and services and capital or infrastructure that should not be sidetracked or crowded-out by personnel expenditure. The NNs aim to ensure adequate supply of important goods and services which should also be delivered to the periphery. Thus the health departments should guard against only focusing on financial controls around budgets and expenditures, and should move further to ensure that goods and services reach their target beneficiaries. In addition, the NDOH needs to cost the total basket of services and to establish what can be afforded given the current budget levels. By the same token, the provinces should monitor their budgets and expenditures to ensure that they are on the right track with the NN implementation.

4. Recommendations and conclusion

The NHC recommends that the provincial health departments should report back on their progress in delivering the NNs to each NHC meeting and include reporting on NNs as part of their Monthly Budget and Conditional Grant Reporting to NDOH, i.e. by 15th of each month. There is also a recommendation that the NDOH should continue supporting provinces to ensure accurate reporting, including allowing provinces access to the Vulindlela system. There should also be further engagement with the National Treasury on how to ensure that earmarked and ring-fenced budgets, especially the line-items relevant to the NNs, reach the provincial health departments for timely and cost-effective spending on the NNs.

Further, non-financial measures for the NNs and earmarked funding should be set, incorporating them in the business plans, including gap analysis to inform National Treasury engagements during the Medium Term Expenditure Committee (MTEC) process. This is important to ensure that adequate resources are allocated to implement the NNs.

Additionally, Day and Daviaud (ibid.) recommended that 'improved funding for the selected Non-negotiables may need to use an incremental approach focusing first on lifting poorer provinces to the average level of expenditure for each NN per level of care, with the aim of moving towards a higher-level set of benchmarks.' This is important as not all the provinces will require equal support to ensure that their NNs are provided. Since some provinces have more capacity and resources than others, efforts need to me made to help poorer provinces to improve.

Although the government has identified the Non-negotiables as a mechanism to respond to the challenge of provinces spending more on personnel than on goods and services, there are possible challenges associated with the implementation of these NNs, mostly relating to funding issues and competing provincial priorities. That is, national allocations in the form of conditional grants may not be sufficient for provincial plans, and that the 'top-up' allocations from the provincial governments may not be sufficient to cover the financing gaps and to meet the needs for which the NNs have been set. Thus the HST Report (Day and Daviaud, 2014) also recommended that there should be

costing tools for the Non-negotiables, effective in-year expenditure monitoring, and benchmarking on the budgeting and spending of the Non-negotiables across all provinces. More importantly, there should be strategic resource mobilisation efforts to ensure that enough money is raised, distributed and spent to meet the NN targets.

5. References

a. Day C. and Daviaud E. (February 2014). *Development and application of benchmarks for non-negotiable goods and services for provincial departments of health*. National Treasury of South Africa (RSA) and Health Systems Trust (HST).

b. National Department of Health. Presentation by the Office of the CFO for the National Department of Health to the National Health Council (NHC). *Non-negotiables*. 30 August 2012.

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