



BRIEFING TO THE PORTFOLIO COMMITTEE ON DEPARTMENT OF HEALTH

21 October 2014

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

- Role and function of the Financial and Fiscal Commission
- Mandate and strategic overview of the Department of Health
- Overview of the Department of Health performance plans
- Departmental analysis
 - Budget analysis and performance
- Auditor General Findings
- Conclusion
- Appendix

– Past FFC recommendations



ROLE AND FUNCTION OF THE FFC

- The Financial and Fiscal Commission (FFC)
 - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
 - Must function in terms of the FFC Act
 - Mandate of Commission
 - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
 - The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
 - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
 - Includes regulations associated with legislation that may amend or extend such legislation
 - Commission must be consulted in terms of the FFC Act
- Current research strategy focuses on developmental impacts of IGFR

MANDATE AND STRATEGIC OVERVIEW OF THE DEPARTMENT

- **Mandate** of the of the national Department of Health (NDoH) is to provide a framework for a structured uniform health system. In order to achieve healthy life for all, health is government's second priority on the outcome based delivery model
- **Department's strategic goals over the medium term:**
 - prevent and reduce burden of disease and promote health
 - Improve health facility planning by implementing norms and standards
 - Improve financial management by improving capacity
 - Develop efficient health management information system
 - Improve quality of care by establishing Office of Health Standards and Compliance
 - Re-engineer PHC through strengthening of district health system
 - Make progress towards universal health coverage through National Health Insurance (NHI)
 - Improve human resources through adequate training

STRATEGIC OVERVIEW OF NDOH ALIGNMENT WITH NDP GOALS

- **National Development Plan Goals: Alignment with Department of Health Strategic goals**

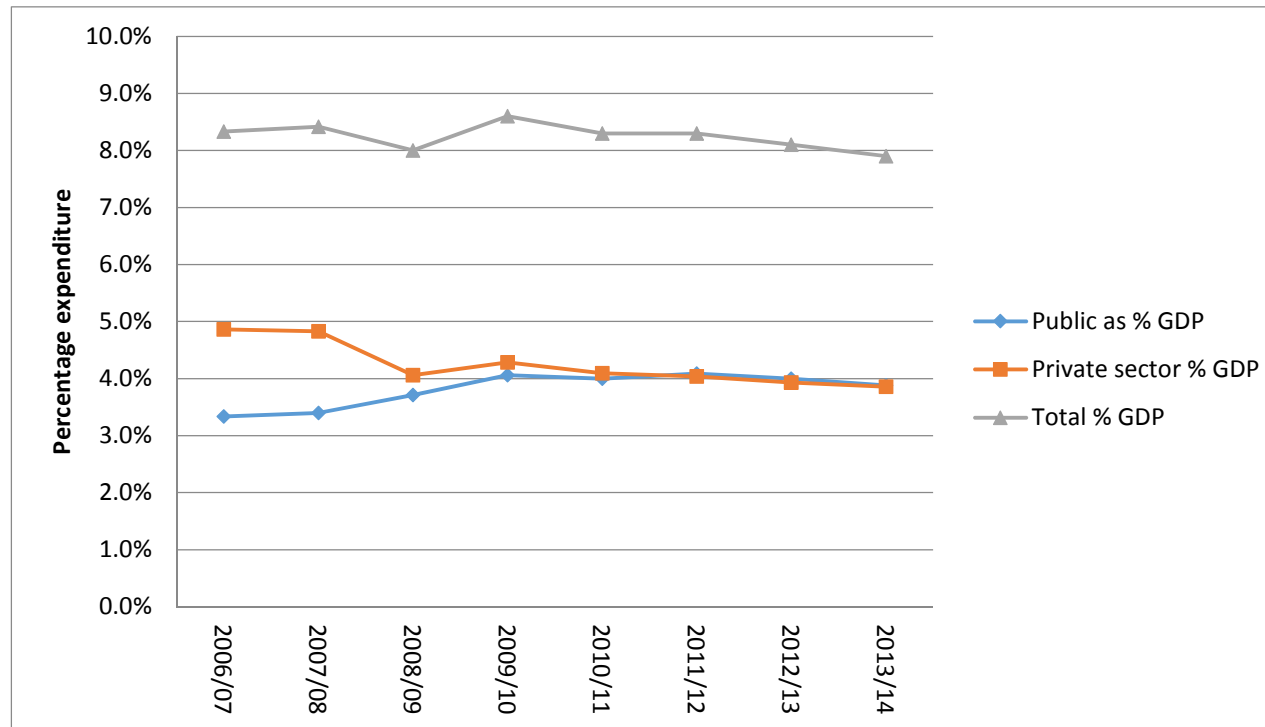
- Average male and female life expectancy at birth by 70 years: Corresponds to Goal 1 of NDoH strategic goals
- TB prevalence and cure progressive improved: Goal 1 of NDoH
- Maternal, infant and child mortality reduced: Goal 1 of NDoH
- Prevalence of non communicable disease reduced: Goal 1 of NDoH
- Injury , accidents and violence reduced by 50 % from 2010 level: Goal 1 of NDoH
- Health systems reforms improved: Goals 2,3,4, and 5 of NDoH
- PHC team deployed to provide care to families and communities: Goal 6 of NDoH
- Universal health care coverage achieved: Goal 7
- Posts filled with skilled, committed and competent individuals: Goal 8

OVERVIEW OF DEPARTMENT OF HEALTH PERFORMANCE PLANS

- Department of health seeks to achieve four strategic outputs:
 - Increase in life expectancy i.e. Life expectancy to 70 years by 2030
 - Reduction in maternal and child mortality rates i.e. from 310/1000 to 270/1000 and child mortality from 42/1000 to 38/1000 in 2014
 - Combating HIV/AIDS and decreasing burden of disease from TB and
 - Strengthening health system effectiveness i.e. strengthening the PHC, improvements on health infrastructure and human resources as well as financing through NHI
- South Africa's Health outcomes are poor despite country spending being on par with its peer countries:
 - Challenges related to poor quality of public health care, ineffective and inefficient health system and documented institutional failures (FFC 2014, Ch5)
 - Increasing maternal mortality due to among other things HIV/AIDS
 - Infrastructural challenges and negligence including lack of transport in emergency situations

TOTAL HEALTH AS A PERCENTAGE OF GDP

- In 2012/13 health was just above 4% while in 2013/14 it decreases slightly



OVERVIEW OF DEPARTMENT OF HEALTH PERFORMANCE PLANS

Health Indicator	MDG Goals	SA's Performance Against MDG target	SA's Outcome Targets 2014	Progress
Maternal Mortality Ratio	38/100 000	310/100 000 live births	270/1000	269/1000
Infant Mortality Rate	18/1000	40/100 live births	36/1000	30/1000
Under Five Mortality Rate	20 or 21/1000	56/1000 live births	50/1000	45/1000
Life Expectancy	70 years (males and females)	54 years males 59 years females	56 years male 61 years females	56.9 years males 62.4 years females

HEALTH SECTOR OUTPUTS 2009-2014

Indicator	Baseline 2009	Target 2014/15
Life Expectancy at birth	53.9 yrs males 57.2 yrs females	50-60 yrs
Child Mortality	69/1000	30-45/1000
Maternal Mortality	40-625/10001	100/1000
HIV Prevalence (15-24 year old pregnant women)	21.7%	N/A
HIV Incidence	1.3%	0.6%
Mother to child transmission rate of HIV	10%	0% -<5%

HEALTH SECTOR OUTPUTS 2009-2014

Indicator	Baseline 2009	Target 2014/15
Percentage of eligible HIV positive women initiated on ART	37%	All eligible pregnant women to be initiated on ART at CD4 count of <350
TB cases notified	341.165	175000
TB cure rate	64%	85%
Percentage of HIV-TB infected patients who are on ART	30%	100%
PHC service delivery model completed	Strategy for accelerating progress towards health related to MDGs through PHC developed	Health service delivery model approach based on the PHC approach developed

HEALTH SECTOR OUTPUTS 2009-2014

Indicator	Baseline 2009	Target 2014/15
Percentage of health facilities accredited for quality	None	25% of health facilities accredited annually
Patient Care Satisfaction	87.5%	90%
Improved access to Human Resources for Health	Human Resources for Health Plan Produced	Revised HR plan produced which reflects balance between health professionals and administrative personnel Monitor vacancy rates in the public sector on a quarterly basis

HEALTH SECTOR OUTPUTS 2009-2014

Indicator	Baseline 2009	Target 2014/15
Improved health care financing	Creation of National Health Insurance Commenced	NHI policy finalised and implemented
Strengthened Health Information Systems	Draft e health strategy produced National Indicator Dataset revised	Finalise e- health Strategy and implemented Finalise new National Indicator Dataset
Improved health services for the Youth	Strategy to improved health levels of the youth population segments developed	Strategy finalised 70% of PHC facilities implementing youth friendly service
Expanded access to home based care and community health care workers	Draft policy on community health care workers produced	Strategy for home based and community based care developed Policy on Community health workers finalised



DEPARTMENTAL BUDGET ANALYSIS

Briefing to the Portfolio Committee on Health, 21 October

BUDGET ANALYSIS AT THE FFC

- The Commission provides a three-year backward looking and three - year forward looking analysis of departmental budgets
- Can compare allocations and performance by: vote /programme/ sub-programme /province
- Nominal versus real growth rates
 - Real figures/growth rates take inflation into consideration
 - Variances and explanations
 - Investigating the reasons/drivers of change
 - Spending by economic classification
 - Distinguishes between various categories of current (goods and services, transfers and subsidies) and capital expenditure (acquisition of fixed capital assets, purchase of land)

BUDGET ANALYSIS AT THE FFC

	2011/'12	2012/'13	2013/'14	2014/'15	2015/16	2016/17
Economic Disaggregation of Dept Budget (Rand)	(million)	(million)	(million)	(million)	(million)	(million)
CoE	409.7	482.3	540.5	597.2	637.3	674.7
Goods and Services	673.7	707.8	887.5	1 416.9	1 470.4	1 343.2
Transfers and Subsidies	24 598.8	26 682.7	28 433.8	30 916.4	33 462.3	36 213.4
Payments for Capital Assets	28.7	20.4	266.4	1 025.0	1 061.3	1 156.4
TOTAL DEPT EXP. & ESTIMATES:	25 711	27 893	30 128	33 956	36 631	39 388
Real Annual Percentage Change						
Inflation	5.60%	5.60%	5.80%	6.30%	5.90%	5.60%
CoE	10.23%	12.12%	6.27%	4.19%	0.81%	-0.03%
Goods and Services	18.15%	-0.54%	19.59%	53.35%	-2.12%	-14.55%
Transfers and Subsidies	8.26%	2.87%	0.76%	2.43%	2.33%	2.32%
Payments for Capital Assets	55.64%	-34.52%	1200.08%	278.46%	-2.36%	3.06%
TOTAL DEPT EXP. & ESTIMATES:	8.57%	2.89%	2.21%	6.40%	1.98%	1.92%

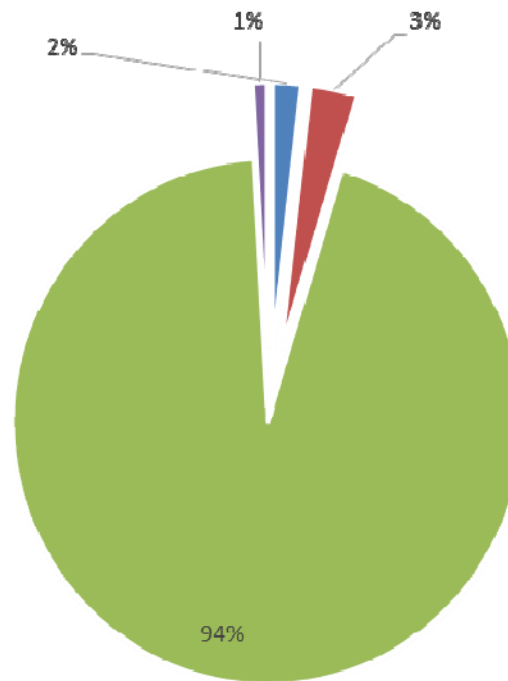
BUDGET AND PROGRAMMES OF THE DEPARTMENT OF HEALTH

- Total Budget increased from R30.7 billion in 2013/14 to R33 955.5 billion in 2014/15
- **Programme 1 Administration** decreased from R411.0 million in 2013/14 to R399.7 million in 2014/15
 - Overall management of the department and centralised support services
- **Programme 2 – National Health Insurance, Health Planning and Systems Enablement** increased from R491.9 million in 2013/14 to R621.3 million in 2014/15
 - Health financing reform, integrated health system planning
- **Programme 3 – HIV/AIDS, TB and Maternal and Child health** increased from R11.029 billion in 2013/14 to R13.049 in 2014/15
 - Coordinate and fund health programmes for HIV/AIDS, TB, maternal and child health
- **Programme 4 – Primary Health Care Services** decreased from R109.4 million in 2013/14 to R93.5 million in 2014/15
 - Develop and oversee legislation and policies, norms and standards for a uniform district health system

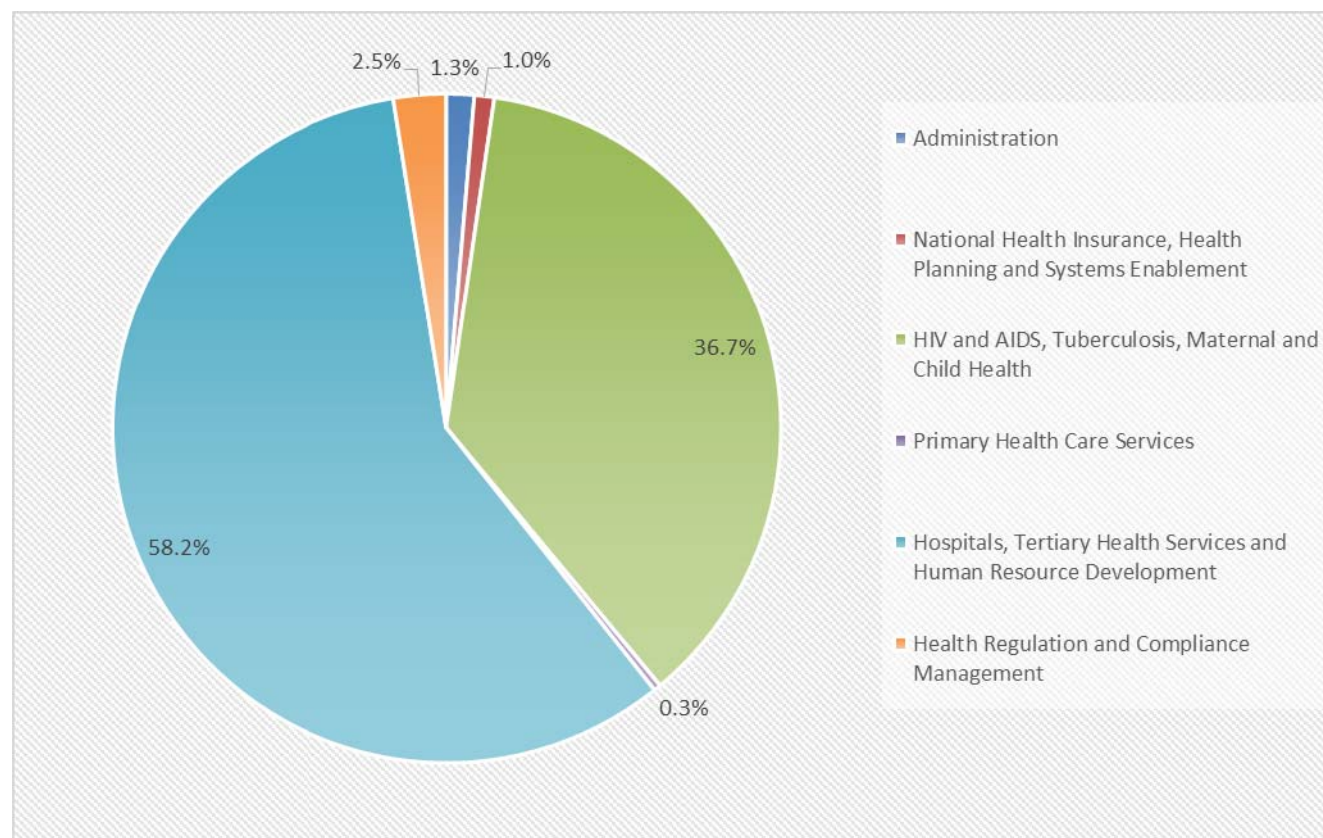
BUDGET AND PROGRAMMES OF DEPARTMENT OF HEALTH

- **Programme 5** – Hospitals , Tertiary Health Services and Human Resource Development increased from R17 911.2 billion in 2013/14 to R18 925.8 billion in 2014/15
 - Develop policies for hospital and emergency medical services including aligning academic medical centres with workforce programmes
- **Programme 6**– Health Regulation and Compliance Management increased from R754.1 million in 2013/14 to R865.3 million in 2014/15
 - Regulate the procurement of medicines and promote accountability and compliance

BUDGET COMPOSITION ACROSS PROGRAMMES – 2014/15



EXPENDITURE COMPOSITION BY ECONOMIC CLASSIFICATIONS – 2014/15



BUDGET AND EXPENDITURE ANALYSIS

- 94% of budget is transfers and subsidies which increased by 2% from 2013/14
 - Provinces and Municipalities
 - Higher education institutions
- Compensation of employees at 3% with 1% increase from 2013/14
- Payment for capital assets at 1% and decreased by 2% from 2013/14
- Budget driven by Programme 3 and 5 – HIV/AIDS and Hospitals , Tertiary services and Human Resource Development at 94%

BUDGET AND EXPENDITURE ANALYSIS

	2013/14		Under / (Over) Expenditure
	Final Appropriation	Actual Expenditure	
Programmes			
Administration	405 505	363 960	- 41 545
Health Planning and Systems Enablement HIV/AIDS, TB, and Maternal, Child and Women Health	492 994	197 905	-295 089
Primary Health Care Services	11 036 505	10 958 798	- 77 707
Hospitals, Tertiary Health Services and Human Resources	100 960	88 199	- 12 761
Health Regulation and Compliance Management	17 728 804	17 483 962	- 244 842
Total	763 413	732 273	- 31 140
	30 528 181	29 825 097	- 703 084

VARIANCE EXPLANATION

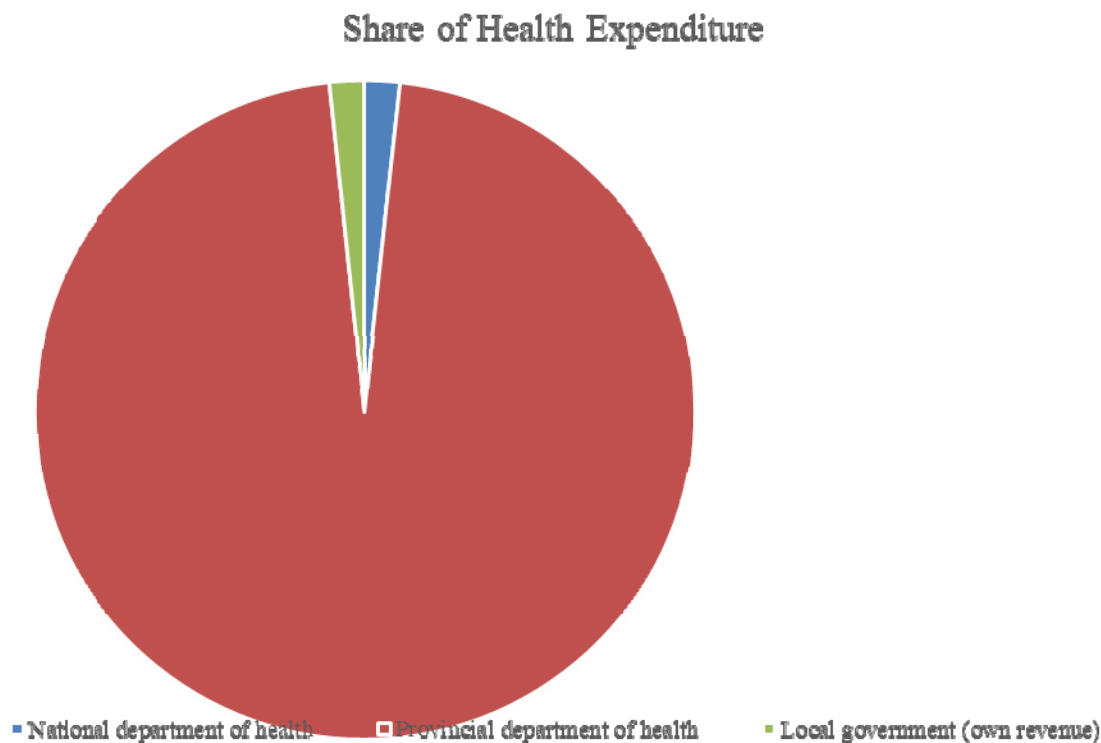
- Aggregate spending performance for the six programmes is 97.7% in 2013/14, slightly lower than in 2012/13 at 99.2%
- **Programme 1** Administration there is under expenditure (10.37%) on goods and services due to late commitments and deliveries
- **Programme 2** – National Health Insurance, Health Planning and Systems under expenditure (59%) due to slow take off on the NHI indirect grant
- **Programme 3** – HIV/AIDS, TB and Maternal and Child health shows a slight under expenditure (0.7%) due to challenges related to distribution of condoms

VARIANCE EXPLANATION

- **Programme 4** – Primary Health Care Services Administration shows there is under expenditure (12.6%) due to slow spending on district health information systems
- **Programme 5** – Hospitals , Tertiary Health Services and Human Resource Development has under expenditure (1.4%) due to incomplete infrastructure projects, orders not received on time (e.g. laboratories)
- **Programme 6**– Health Regulation and Compliance Management displays under expenditure (4.1%) due to slow spending on pharmaceuticals and payment of capital assets

SHARE OF HEALTH EXPENDITURE BY SPHERE- 2014/15

- Provinces account for about 96.6% with national and local government at 1.7% each respectively



EXPENDITURE TRENDS ON CONDITIONAL GRANTS

Grant name	2008/09	2009/10	2010/11	2011/12	2012/13
Comprehensive HIV and Aids	98.9%	98.4%	97.9%	97.9%	99.1%
Africa Cup of Nations 2013:medical services	-	-	-	-	57.4%
Health professions training and development	97.0%	102.0%	98.7%	102.0%	99.6%
Health Infrastructure grant	-	-	-	93.0%	94.4%
Health Facility revitalisation	82.4%	73.0%	75.8%	92.1%	80.9%
National Health Insurance	-	-	-	-	52.0%
National tertiary services	98.5%	102.0%	99.3%	99.6%	98.9%
Nursing colleges and schools	-	-	-	-	72.4%

CONDITIONAL GRANT ANALYSIS

- The overall aggregate spending for health grants for the year 2012/13 is about 85%
- The HIV/AIDS, Health Professions and Training Development and National Tertiary Services spending has been above 95%
- For the other grants such as the NHI, Health Infrastructure revitalization and Nursing Colleges spending is (52%, 80.9% and 72.4%)
 - For the NHI while under spending was about 52% in 2012/13, in the second quarter of 2014/15 it was even worse at 15.1%
- Some of the reasons attributable to under spending are:
 - Poor project management,
 - delays in awarding tenders and appointment of contractors and
 - delays in procurement processes

CONDITIONAL GRANT ANALYSIS

- Due to underspending some grants were merged in the 2012/13 financial year e.g. infrastructure grants (hospital revitalization, nursing colleges and schools and health infrastructure) into the Health Facility Grant in the 2013 Division of Revenue Bill
- The FFC has cautioned in the past the merging of grants especially those that are under performing without underlying performance data

PUBLIC SECTOR INFRASTRUCTURE EXPENDITURE

- In comparison to other sector departments, infrastructure expenditure on health on average is around 3%

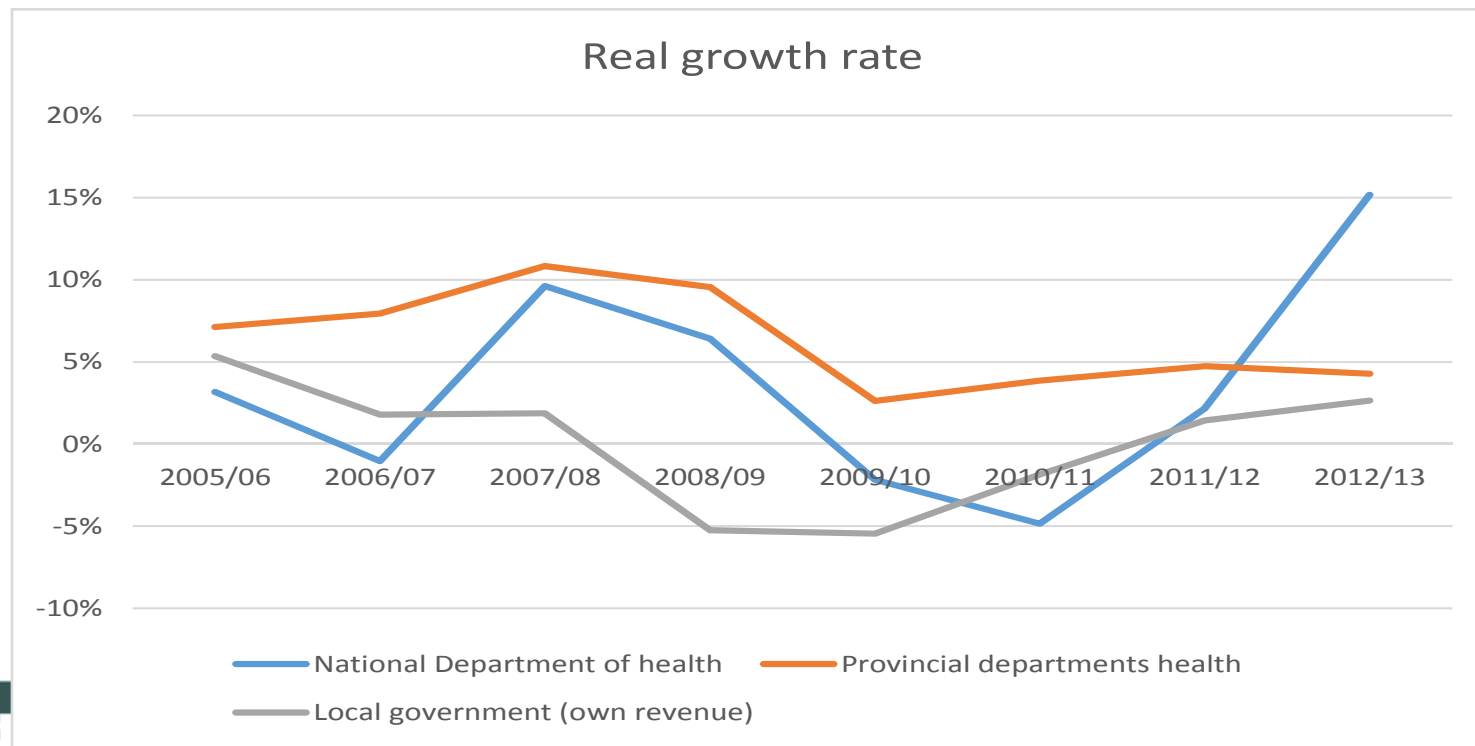
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Energy	29.0%	32.2%	34.5%	31.9%	26.5%	22.8%	17.7%
Water and sanitation	8.1%	9.2%	10.4%	12.8%	13.4%	12.8%	13.4%
Transport and logistics	38.1%	33.7%	31.9%	31.1%	36.5%	41.7%	44.5%
Other economic services	6.7%	5.5%	4.1%	5.1%	5.6%	4.9%	4.4%
Health	3.7%	3.7%	4.5%	3.9%	3.9%	3.9%	4.0%
Education	3.4%	3.7%	4.5%	4.8%	4.9%	4.7%	4.9%
Other social services	7.1%	7.5%	4.9%	5.5%	4.6%	4.5%	5.6%
Justice and protection services	2.1%	1.3%	2.0%	1.9%	1.8%	1.7%	2.3%
Central government services	1.6%	3.1%	3.2%	2.9%	2.9%	2.9%	3.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

PROVINCIAL HEALTH EXPENDITURE TRENDS

Province	2008/09	2009/10	2010/11	2011/12	2012/13
Eastern Cape	98.7%	102.7%	95.9%	100.5%	98.9%
Free state	99.6%	94.5%	95.4%	98.3%	97.7%
Gauteng	105.2%	106.9%	100.4%	101.2%	99.2%
Kwa-Zulu Natal	108.4%	111.0%	93.7%	100.5%	100.4%
Limpopo	100.1%	96.4%	98.7%	97.4%	100.1%
Mpumalanga	95.6%	95.2%	99.0%	95.7%	98.0%
Northern Cape	93.8%	95.8%	95.7%	99.8%	97.5%
North West	100.9%	99.8%	100.2%	99.5%	99.1%
Western Cape	97.6%	99.1%	99.5%	99.7%	99.0%

REAL GROWTH RATES IN HEALTH EXPENDITURE

- National and Local Government exhibit increasing growth while Provincial Governments display stagnant growth



CONCLUDING REMARKS

- South Africa's health outcomes are poor and not in line with MDG, although some progress has been made in meeting outcome targets set for 2014
- Spending on the six programmes has been fairly good, although there is a slight decrease by 1.5% from 2012/13
- On some conditional grants spending has been good except on NHI and infrastructure related grants
- Compared to other government sectors, infrastructure spending on health on average is one of the slowest
- There are discrepancies in provincial spending which translate into disparities in district funding
- Auditor General's findings noted poor financial controls and on conditional grants non-compliance which is not in line with DORA allocations

FFC's Website: www.ffc.co.za



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APPENDIX: PAST FFC RECOMMENDATIONS

*Briefing to the Portfolio Committee on Health, 21 October
2014*

PAST RECOMMENDATIONS

Recommendation	Response
<p><i>With respect to improving adequacy and efficiency in primary health care (PHC) financing, the Commission recommends that:</i></p> <p>Provincial Governments need to increase their allocation levels to PHC funding, to be in line with the minimum norms and standards for PHC package as set by the National Department of Health. In particular on clinic services such as integrated management of childhood illnesses, reproductive health and HIV/AIDS.</p>	<p>In the process of being finalised</p>

PAST RECOMMENDATIONS

Recommendation	Response
<p><i>With respect to improving adequacy and efficiency in primary health care (PHC) financing, the Commission recommends that:</i></p> <p>Inefficiencies levels (wasteful/irregular expenditure) in the health sector are to be minimised, to be in line with international experience: Wasteful expenditure needs to be identified, categorized and addressed</p>	<p>In the process of being finalised</p>

PAST RECOMMENDATIONS

Recommendation	Response
<p>The FFC recommends that government should introduce a block grant for education, health and social development over the medium to long term, to fund clearly defined and costed outcomes.</p>	<p>Government considered the proposal on block grants as part of the provincial equitable share review, and it has concluded that block grants are potentially unconstitutional.</p>

PAST RECOMMENDATIONS

Recommendation	Response
<p>Government should extend its ongoing efforts to reform health fiscal frameworks by taking into account the burden of disease giving rise to budget pressures:</p> <p>With respect to MDG 6 (AIDS) and the massive impact on maternal mortality and child mortality, it is important to emphasise a need to protect programmes such as those for combating HIV/AIDS from being underfunding or re-prioritised downwards.</p>	Accepted

Slide 37

RM2

What year DoR?

Ramos Mabugu, 2014/10/20

PAST RECOMMENDATIONS

Recommendation	Response
The FFC has on many occasions recommended for development of norms and standard for funding and delivery on health	Office of Health Standards Compliance has been developed

Briefing to the Portfolio Committee on Health, 21 October 2014

RECENT FFC RECOMMENDATIONS

SUBMISSION

- Changes and consolidation of conditional grants into single Health Infrastructure conditional grants –
- The FFC noted with concern the practice of consolidating and separating conditional grants without addressing underlying causes of poor performance
 - consolidation is symptomatic of poor performance and needs to be accompanied by interventions to address underlying drivers of poor performance and improvement in accountability.



THANK YOU.

*Financial and Fiscal Commission
Montrose Place (2nd Floor), Bekker Street,
Waterfall Park, Vorna Valley, Midrand,
Private Bag X69, Halfway House 1685*

www.ffc.co.za

Tel: +27 11 207 2300

Fax: +27 86 589 1038

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