# Government underspending analysis 2011/12 – 2020/21: A case study of Health

Parliamentary Budget Office

PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

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# About the PBO

- The Parliamentary Budget Office is a juristic entity of Parliament and headed by a Director as an Accounting Officer. The Office was established in terms of the Money Bills and Related Matters Act 2009
- To support the implementation of the Money Bills and Related Matters Act of 2009; in particular support to Finance and Appropriations Committees in both Houses; but other Committees and Members of Parliament subject to available capacity
- The Money Bills and Related Matters Act guides the approval of money bills an related matters, including amending the budget
- The Office offers independent and objective analysis and advice to Parliament on money bills and other bills presented by the Executive; and any other documentation or reports with fiscal implications

# Outline

- Introduction
- Situational analysis of the health sector
- Budget trends in real terms
- Underspending trends
- Health conditional grant performance
- Some considerations in dealing with underspending
- Concluding remarks

# Introduction

- Universal access to healthcare is a fundamental right provided for in section 27(1)(a) of the Constitution of South Africa which states that "Everyone has the right to have access to health care services, including reproductive health care…"
- Section 27(1)(b) provides for the State to "take reasonable legislative and other measures, within its available resources to achieve the progressive realisation of the right"
- Despite progress made in providing healthcare to majority of South Africans since democracy, government remains far behind in realising its national development health outcomes
- The annual budget is a key policy tool used by government to implement strategies, policies, and programmes
- Adherence to planned budgets is an important indicator of the overall ability of the government to deliver on the programmes as committed
- Underspending on appropriated funds has been raised as a concern by oversight bodies due to the effect delayed spending on service delivery
- The purpose of this presentation is to provide an analysis of government spending to explore and understand spending trends in the health sector, as well as the reasons for the underspending when it occurs
- The brief also highlights the PBOs findings on conditional grant performance

# Situational analysis

# South Africa’s health sector

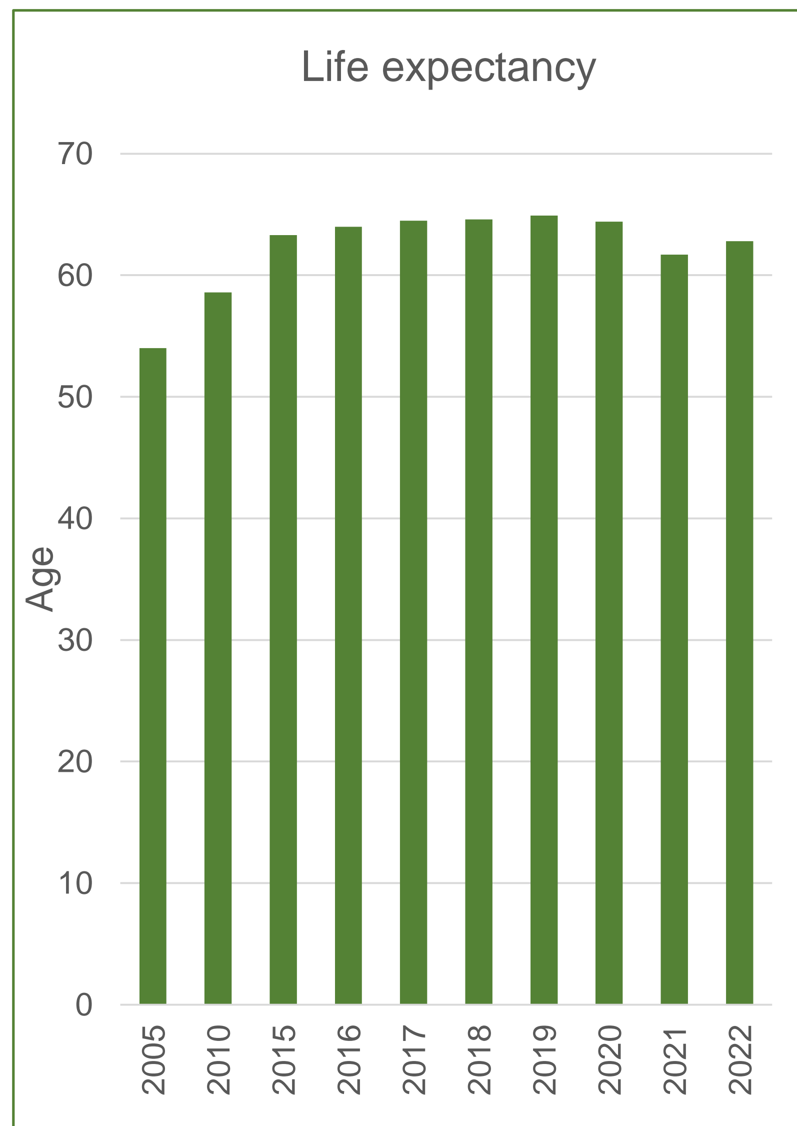
- The public healthcare system remains overstretched and underfunded
- In 2019, private and public health expenditure as a share of Gross Domestic Product (GDP) for South Africa was 9.1 per cent. Government programmes had a combined spending of 4 per cent of GDP
- According to Minister Joe Phaahla, as of February 2023, there were 18 804 vacant posts for doctors, nurses and medical care personnel
  - This means that departments had only achieved 31 per cent of their target in the filling of vacant posts
- Minister Phaahla further stated that “[t]he main reason for the recorded vacant posts is general budget cuts introduced by National Treasury. These cuts also affect Compensation of Employment (CoE) negatively resulting in not all posts being filled simultaneously”
- Even if all vacant posts were to be filled immediately, South Africa would still have low health personnel-to-patient ratios
  - According to the South African Nursing Council, in 2022, the nurse-to-patient ratio was 1:218 patients while the ideal ratio was 1:16
  - In 2019 the doctor-to-patient ratio was 0.79 doctors per 1000 patients
- Primary Health Care (PHC) remains inadequate and has deteriorated
  - The preliminary outcome for the number of public health facilities that qualified as ‘ideal clinics’ of 1 928 in 2021/22 was lower than the 2 035 clinics that achieved an ideal clinic status in 2019/20

# South Africa's health sector

- Health access and outcomes diverge along age, gender and the rural versus urban geographies
- South Africa is facing a quadruple burden of disease and this strains the health care system
- Socioeconomic conditions create significant obstacles to preventative care
- According to the Stats SA General Household Survey (2021):
  - Nationally, 71.9 per cent of households said that they would first go to public clinics, hospitals or other public institutions when seeking healthcare, while 27 per cent of households said that they would first consult a private doctor, private clinic or hospital
  - The use of public health facilities was least common in Western Cape (52.1%), Gauteng (64.2%), and most common in Limpopo (85.4%), Mpumalanga (84.8%) and Eastern Cape (82.1%)
  - Medical aid scheme membership changed very little between 2002 and 2021, increasing only slightly from 15.9 per cent to 16.1 per cent
  - 77.7 per cent of white individuals were members of a medical aid scheme compared to 45.1 per cent of Indian/Asian individuals, 19.9 per cent of Coloureds and 9.3 per cent of Black Africans
  - Medical aid coverage was most common in Gauteng (24.0%) and the Western Cape (23.7%), and least common in Limpopo (8.2%) and Mpumalanga (9.1%)

# Health statistics

- COVID-19 slightly reduced life expectancy which has increased over time
- In 2022, the life expectancy of females (65.56) was already disproportionately higher than male life expectancy (60)
- Life expectancy  has increased incrementally for each period across all provinces but more significantly in the period 2011–2016 due to the uptake of antiretroviral therapy over time
  - Western Cape consistently has the highest life expectancy at birth for both males and females over time whilst the Free State has the lowest life expectancy at birth
- The estimated overall HIV prevalence rate is approximately 13.7 per cent among the South African population
- The total number of people living with HIV (PLWHIV) is estimated at approximately 8.2 million in 2021




Source: Statistics South Africa, Mid-year population Statistics 2022

# Trends in health

- The MTSF target is to decrease the infant mortality rate (IMR) to less than 20 deaths per 1 000 live births by 2024 and the under-5 mortality rate to less than 25 deaths per 1 000 live births by 2024. Both the IMR and U5MR rates regressed between 2019 and 2021

**The Infant Mortality Rate (IMR)**

- 22.1 deaths per 1 000 live births in 2019
- 24.1 deaths per 1 000 live births 2021

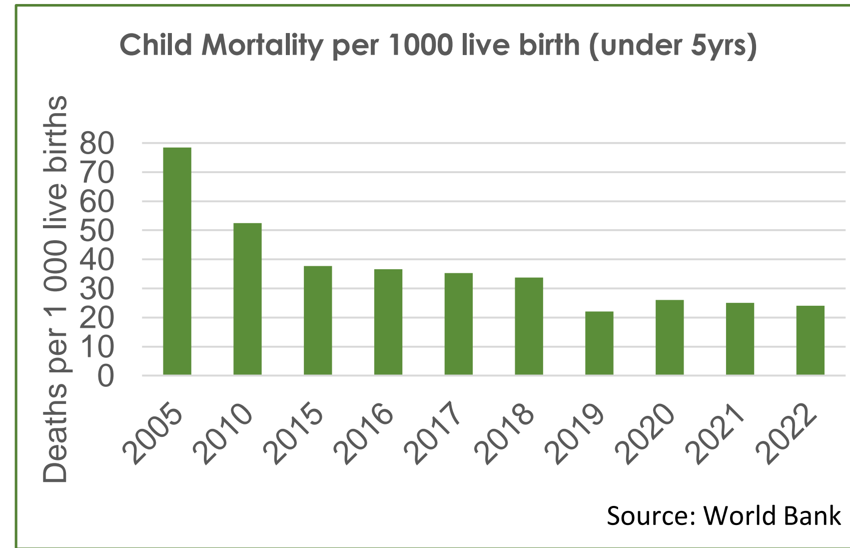
**The under-5 mortality rate (U5MR):**

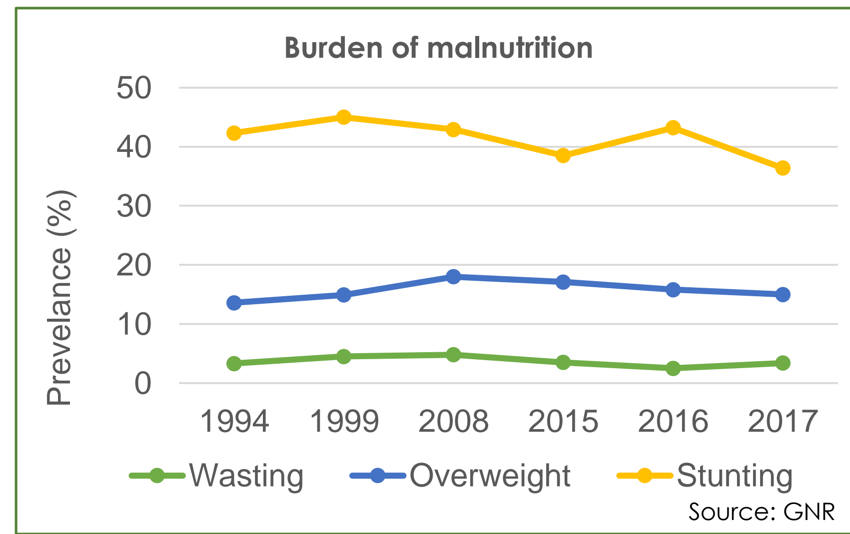
- 28.5 deaths per 1 000 live births in 2019
- 30.8 deaths per 1 000 live births in 2021

**Burden of malnutrition 1994 - 2017**

- Overweight worsened to 11.5 per cent
- Wasting rate worsened to 3.4 per cent

Sources Stats SA



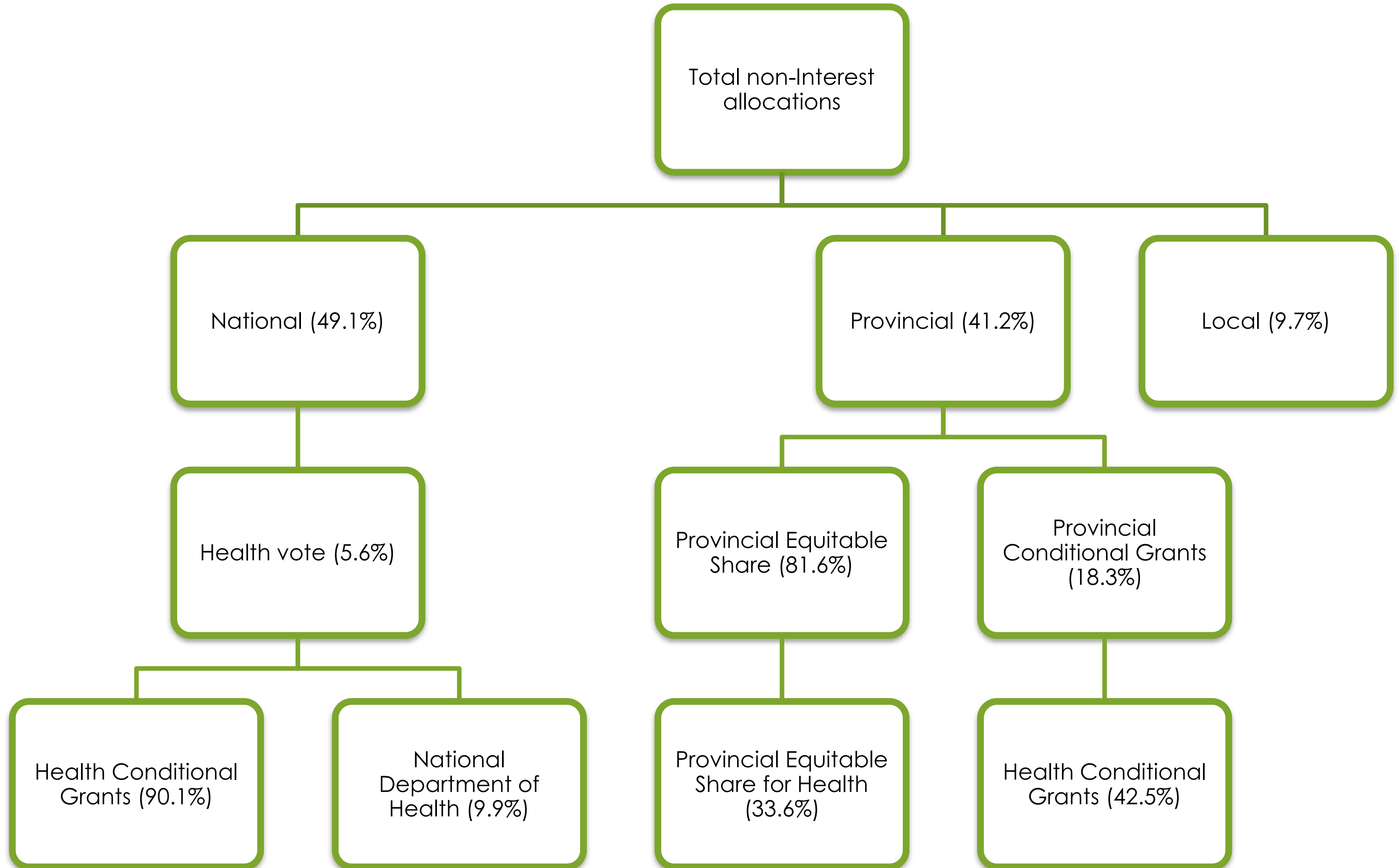
# Budget allocation trends in real terms

Real per capita spending

# Background

- Nationally raised government revenue is divided between the three spheres of government in the form of an equitable share and conditional grants for specific purposes
- The equitable division of revenue raised nationally among spheres of government is divided according to a formula
- Conditional allocations to provinces from the national government's share of revenue are allocated to provinces to:
  - Supplement the funding of programmes or functions funded from provincial budgets
  - Specific-purpose allocations to provinces
  - Allocations-in-kind to provinces for designated special programmes
- Health services are mainly provided by the provincial sphere of government
  - Funded through the Provincial Equitable Share (PES), which is allocated according to a formula that reflects demand for services across all nine provinces
  - Also funded by transfers from the National Department of Health in the form of conditional grants

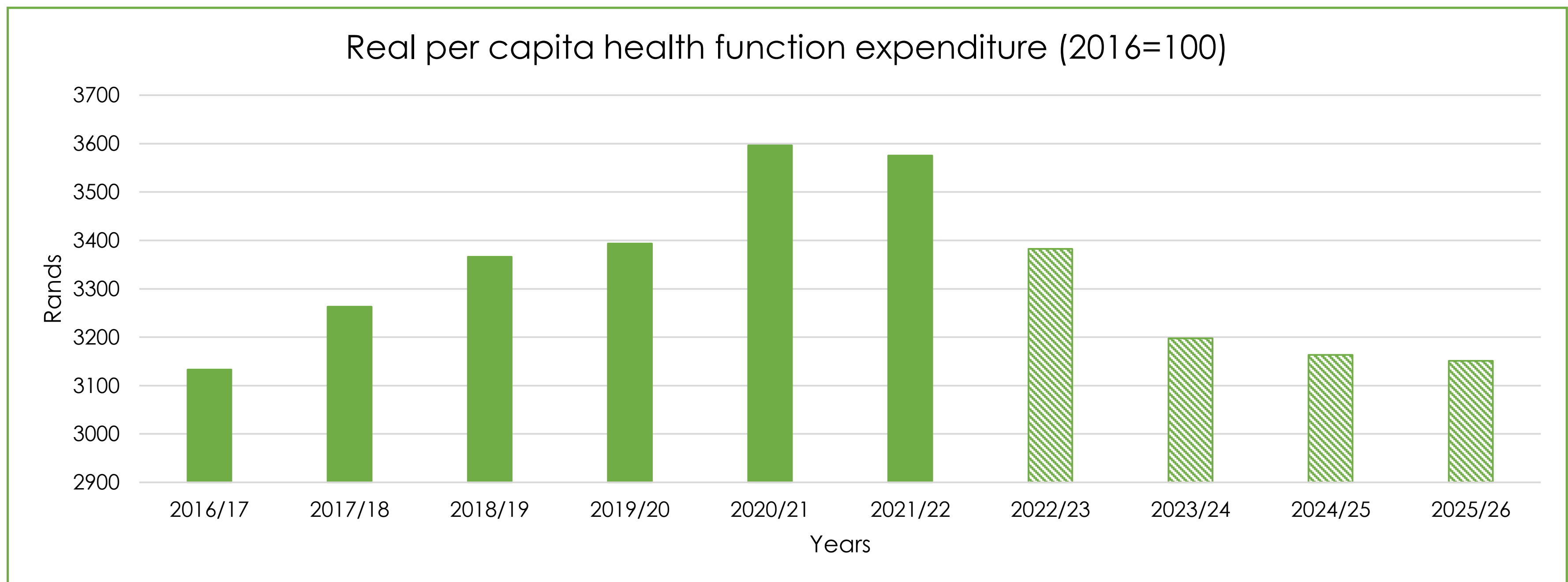
# Funding structure for health in 2023/24




Source: PBO graphic using National Treasury data

# Real per capita spending in health

- Expenditure has declined after the increases during 2020/21 and 2021/22
- Total real per capita expenditure on health declines in the medium term
- In 2016/17 total real expenditure per capita was R3 133, in 2025/26 it is estimated to be R3 151
- The estimated decline over the MTEF means that the government will on average be spending less per person R243 (8%) less in 2025/26 than it spent in 2019/20
- Reductions in health expenditure are likely to be more pronounced, given that medical inflation tends to be higher than CPI




Source: PBO calculations based on National Treasury and Stats SA population data

# Underspending Analysis

Historic spending analysis

Conditional Grant spending trends

Reasons for underspending

# Method: Assessing health spending trends and reasons for underspend

- The analysis used both quantitative and qualitative data, to assess whether and the extent to which there has been underspending in government health departments
- Data at programme and economic classification level for national government departments were collected from the Estimates of National Expenditure (ENE) published by the National Treasury
- The analysis calculated the budget deviation by comparing the adjusted appropriations to the audited expenditure outcomes between 2011/12 and 2020/21
- Departmental annual reports were analysed to collate information on reasons for underspending at the national and provincial level
- At the provincial level, the PBO assessed the Eastern Cape, Free State, Gauteng and Western Cape. The sample size constitutes four out of the nine provinces in South Africa and reflects the rural/urban divide as well as the diversity in the equitable share distribution amongst provinces in South Africa
    - These provinces were also chosen to take into account the non-homogeneity in budget and performance outcomes across provinces
- Limitation: the analyses contained in the full underspending brief (presented here) do not reflect quality of spending or compliance standards. The AGSA has continuously highlighted the need for more clean audits

# Spending trends: National Department

| Year | Administration | | National Health Insurance | | Communicable and Non-communicable Diseases | | Primary Health Care | | Hospital systems | | Health System Governance and Human Resources | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R million | Under/ (Over) spending | Per cent | Under/ (Over) spending | Per cent | Under/ (Over) spending | Per cent | Under/ (Over) spending | Per cent | Under/ (Over) spending | Per cent | Under/ (Over) spending | Per cent | Under/ (Over) spending | Per cent |
| **2011/12** | 36,2 | 0,1% | -5,8 | 0% | 86,4 | 0,3% | -72,2 | -0,3% | 174,8 | 0,7% | 35,6 | 0,1% | 255,1 | 1,0% |
| **2012/13** | 30,4 | 0,1% | -0,3 | 0% | 95,6 | 0,3% | 18,6 | 0,1% | -30,6 | -0,1% | 62,6 | 0,2% | 176,3 | 0,6% |
| **2013/14** | 58,4 | 0,2% | 269,3 | 1% | 79,3 | 0,3% | 23,8 | 0,1% | 222,1 | 0,7% | 47,3 | 0,2% | 700,1 | 2,3% |
| **2014/15** | 3,2 | 0,0% | 320,7 | 1% | 22,0 | 0,1% | 9,8 | 0,0% | 367,9 | 1,1% | 62,4 | 0,2% | 786,1 | 2,3% |
| **2015/16** | -69,4 | -0,2% | 200,2 | 1% | -10,6 | 0,0% | 66,3 | 0,2% | 2484,3 | **6,9%** | -2401,7 | -6,6% | 269,1 | 0,7% |
| **2016/17** | -53,5 | -0,1% | 80,3 | 0% | -20,3 | -0,1% | 73,6 | 0,2% | 2739,6 | **7,1%** | -2718,6 | -7,0% | 101,2 | 0,3% |
| **2017/18** | 45,4 | 0,1% | 50,5 | 0% | 181,2 | 0,4% | 2,7 | 0,0% | 70,0 | 0,2% | -128,9 | -0,3% | 220,9 | 0,5% |
| **2018/19** | 54,3 | 0,1% | 494,9 | 1% | 172,1 | 0,4% | 10,0 | 0,0% | 154,7 | 0,3% | 27,9 | 0,1% | 913,8 | 1,9% |
| **2019/20** | 117,8 | 0,2% | 160,5 | 0% | 83,6 | 0,2% | 4,0 | 0,0% | 21,5 | 0,0% | 35,0 | 0,1% | 422,4 | 0,8% |
| **2020/21** | 0,0 | 0,0% | 310,0 | 1% | 50,0 | 0,1% | 0,0 | 0,0% | 40,0 | 0,1% | 0,0 | 0,0% | -850,0 | -1,5% |

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red denotes underspend*
Source: PBO calculations using National Treasury ENE data

- Between 2011/12 and 2020/21, the NDoH underspent its budget by an average of 0.9 per cent annually
- Underspending was higher than two per cent only in 2013/14 and 2014/15
- At the programme level, underspending in these years was driven mainly by Hospital Systems

# Spending trends by economic classification: National Department

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Current payments** | **1,0%** | **0,7%** | **1,5%** | **1,5%** | **0,9%** | **0,3%** | **0,3%** | **1,3%** | **0,8%** | **-1,3%** |
| Compensation of employees | 0,1% | 0,1% | 0,0% | -0,1% | 0,1% | 0,1% | 0,0% | 0,1% | 0,1% | 0,0% |
| Goods and services | 0,9% | 0,7% | 1,5% | 1,6% | 0,9% | 0,2% | 0,2% | 1,3% | 0,7% | -1,3% |
| Interest and rent on land | 0,0% | -0,1% | -0,2% | 0,1% | 0,1% | 0,0% | 0,1% | 0,1% | -0,7% | -0,3% |
| **Transfers and subsidies** | **0,0%** | **0,0%** | **0,6%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **-0,7%** | **0,0%** |
| Provinces and municipalities | 0,0% | -0,1% | -0,8% | 0,1% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | -0,3% |
| Departmental agencies and acco | 0,0% | 0,0% | 0,0% | 0,0% | 0,1% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Foreign governments and international organisations | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Non-profit institutions | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,1% | 0,1% | 0,0% | 0,0% |
| Households | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| **Payments for capital assets** | **0,0%** | **0,1%** | **0,9%** | **0,8%** | **-0,3%** | **0,0%** | **0,2%** | **0,5%** | **0,7%** | **0,1%** |
| Buildings and other fixed structures | 0,0% | 0,0% | 1,1% | 0,6% | -0,3% | -0,3% | 0,2% | -0,1% | 0,4% | 0,1% |
| Machinery and equipment | 0,0% | 0,1% | -0,1% | 0,1% | 0,0% | 0,2% | 0,0% | 0,6% | 0,3% | 0,0% |
| Software and other intangible asse | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| **Payments for financial assets** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** | **0,0%** |
| **Total** | **1,0%** | **0,6%** | **2,3%** | **2,3%** | **0,7%** | **0,3%** | **0,5%** | **1,9%** | **0,8%** | **-1,5%** |

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red denotes underspend > 0.1 per cent*
Source: PBO calculations using National Treasury ENE data

- By economic classification, underspending by the NDoH was driven by current payments and payments for capital assets
- In 2013/14 and 2014/15, there was underspending in buildings and other fixed structures. However, overspending in subsequent years does not make up for the underspending in the previous period

# Reasons for underspend: National

- **Supply chain management problems.** In particular, delays in project completion/ implementation
- **Process delays:** for example the NHI funding received in 2011/12 as the legislative processes delayed the consultation processes
- **Compensation of employees:** Vacant posts not being filled in multiple programmes
- **Non-implementation:** For example, the Diagnostic Related Grouping that could not be implemented in all the central hospitals
- **New programme implementation:** For example, the Human papillomavirus (HPV) grant and the Medicine Stock System
- **Transfer issues:** For example, Transfer payments to NPOs could not be made due to Service Level Agreements not concluded before the end of the financial year in some years
- **Funding hurdles:** For example, There were delays in negotiating additional funds for the South Africa Demographic and Health Survey

# Underspending trends: Provincial Departments

| R million | Gauteng | | Free State | | Eastern Cape | | Western Cape | |
|---|---|---|---|---|---|---|---|---|
| | Under/(Over) spend | Per cent | Under/(Over) spend | Per cent | Under/(Over) spend | Per cent | Under/(Over) spend | Per cent |
| **2013/14** | 1 354 984,3 | **4,7%** | 212 942,0 | **2,7%** | 135 291,0 | 0,8% | 113 019,0 | 0,7% |
| **2014/15** | 485 967,3 | 1,5% | 36 718,3 | 0,4% | 129 188,9 | 0,7% | 124 615,0 | 0,7% |
| **2015/16** | 472 533,0 | 1,3% | 33 603,0 | 0,4% | 79 758,0 | 0,4% | 303 954,0 | 1,6% |
| **2016/17** | 216 790,0 | 0,6% | - 34 750,0 | -0,4% | 142 090,1 | 0,7% | 66 361,0 | 0,3% |
| **2017/18** | - 70 624,9 | -0,2% | - 65 035,0 | -0,7% | 63 902,2 | 0,3% | 190 426,0 | 0,9% |
| **2018/19** | 851 770,0 | 1,8% | 141 764,0 | 1,4% | - 446 794,0 | -1,9% | 56 386,0 | 0,2% |
| **2019/20** | 905 156,0 | 1,8% | 126 486,0 | 1,1% | - 434 112,6 | -1,7% | 78 768,0 | 0,3% |
| **2020/21** | 1 123 126,0 | 1,9% | - 128 441,0 | -1,1% | - 610 391,9 | -2,2% | 250 013,0 | 0,9% |

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red denotes underspend*
Source: PBO calculations using National Treasury ENE data

- At the provincial level, underspending generally falls below two per cent within our sample
- It is only in 2013/14 that Gauteng and Free State recorded underspending higher than 2 per cent

# Reasons for underspend: Provincial Departments

- **Medico-legal claims:** particularly in the Eastern Cape, have led to underspend in a number of programmes from 2017/18
- **Cash flow problems:** Non processing of payments
- **Increased efficiency:** In the Free State and Western Cape the department reports that underspending can be attributed to the implementation of efficiency and cost-containment measures to curtail excess expenditure
- **Interdepartmental projects:** The Health Infrastructure Grant appears a number of times across all provinces. In the Western Cape, they note that "areas of under-spending, such as infrastructure, remain a concern and are being addressed together with the Department of Transport and Public Works"

# Conditional grants

# Health conditional grants

| To Provinces | Audited outcome | | | Revised estimates | Medium-term expenditure estimate | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Annual Average increase since 2019/20 |
| National health insurance grant | 289 | 246 | 269 | 694 | 695 | 717 | 749 | 17.2% |
| HIV, TB, malaria and community outreach | 22 039 | 26 979 | 27 533 | 29 023 | 26 866 | 28 072 | 29 330 | 4.9% |
| Human papillomavirus vaccine component | 157 | 219 | 220 | – | – | – | – | 5.8% |
| National tertiary services grant | 13 186 | 14 013 | 13 708 | 14 306 | 14 024 | 14 654 | 15 310 | 2.5% |
| Health facility revitalisation grant | 6 346 | 6 315 | 6 435 | 6 780 | 7 120 | 7 361 | 7 691 | 3.3% |
| Human resources and training grant | 3 846 | 4 309 | 4 298 | 5 449 | 5 479 | 5 367 | 5 607 | 6.5% |
| | **45 863** | **52 082** | **52 462** | **56 252** | **54 183** | **56 171** | **58 687** | **4.2%** |

Source: National Treasury

- Comprehensive HIV, TB, malaria and community outreach and National tertiary services grants are the largest. Combined, they account for more than 70 per cent of health CGs
- The significant increase in the HIV, TB, malaria and community outreach grant between 2020/21 and 2022/23 can be attributed to COVID-19 allocations
- All CGs increase over the MTEF
- The annual average allocation growth rate is between 2.5 per cent and 17.2 per cent

# Spending trends of national health conditional grants

| Year | National health insurance grant | | Human papillomavirus vaccine grant | | HIV, TB, malaria and community outreach grant | | Health professions training and development grant | | National tertiary services grant | | Health facility revitalisation grant | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Under/(Over) spending | Per cent | Under/(Over) spending | Per cent | Under/(Over) spending | Per cent | Under/(Over) spending | Per cent | Under/(Over) spending | Per cent | Under/(Over) spending | Per cent | Under/(Over) spending | Per cent |
| 2011/12 | – | 0.0% | - | 0.0% | – | 0.0% | - | 0.0% | – | 0.0% | - | 0.0% | - | 0.0% |
| 2012/13 | - | 0.0% | - | 0.0% | - | 0.0% | 928 | 0.0% | – | 0.0% | - | 0.0% | 928 | 0.0% |
| 2013/14 | - | 0.0% | - | 0.0% | 199 199 | 1.9% | – | 0.0% | – | 0.0% | - | 0.0% | 199 199 | 0.7% |
| 2014/15 | (6 956) | -9.9% | – | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% | - | 0.0% | (6 956) | 0.0% |
| 2015/16 | – | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% |
| 2016/17 | – | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% | - | 0.0% | - | 0.0% |
| 2017/18 | – | 0.0% | - | 0.0% | – | 0.0% | (9 044 296) | -343.6% | 5 991 650 | 51.3% | 3 052 646 | 53.7% | - | 0.0% |
| 2018/19 | – | 0.0% | - | 0.0% | – | 0.0% | 9 616 207 | 77.5% | (6 343 501) | -104.7% | (3 272 706) | -117.5% | – | 0.0% |
| 2019/20 | – | 0.0% | - | 0.0% | – | 0.0% | – | 0.0% | – | 0.0% | (339 300) | -5.6% | (339 300) | -0.7% |
| 2020/21 | 1 332 | 0.5% | - | 0.0% | (1 508 171) | -5.5% | (30 567) | -0.7% | – | 0.0% | (1) | 0.0% | (1 537 407) | -3.0% |
| 2021/22 | - | 0.0% | (220 258) | -100.0% | 1 762 064 | 6.0% | – | 0.0% | – | 0.0% | – | 0.0% | 1 541 806 | 2.9% |

Note: Per cent denotes underspending as a proportion of total adjusted budget. *Red denotes underspend*
Source: PBO calculations using National Treasury ENE data

- Conditional grant trends analysis shows:
  - No pattern of underspending
  - Roll-over of unspent funds
  - Reprioritisation within grants

# Health: Conditional grant performance

# Methodology: Evaluation of available data

- For the PBO to determine the efficiency and effectiveness of the expenditure of nationally raised revenue it is important to have access to:
  - Quality and complete sets of performance information to evaluate performance outcomes on expenditure
  - Performance indicators should be specific, relevant and linked to the budget
  - Ongoing access to regularly updated data to measure change over time to determine impact/effectiveness
- Performance information in the 2019/20 Annual Report of the NDoH was arranged according:
  - To the purpose of the conditional grants
  - Expected output targets
  - Actual outputs achieved in 2019/20

# Findings on conditional grant performance

- The National Tertiary Service Grant:
  - A relative small underspending due to delays in delivery of equipment. A rollover was been requested
  - All performance outputs have exceeded the targets
  - To increase equitable access to tertiary service across the country, a developmental allocation within the grant was introduced from 2020/21
  - This developmental allocation is expected to reduce patient referrals to other provinces by bringing tertiary services closer to the patients in provinces where these services are relatively underdeveloped, such as the Eastern Cape, Limpopo, Mpumalanga and North West
- HIV, TB, Malaria and Community Outreach Grant (Direct Grant)
  - Under-spending of 0.8 per cent (due to: NHLS and ARVs invoices not paid by KZN, misallocation of expenditure by FS & GP)
  - Under-performance on TB, HIV and Malaria targets
  - An overall observation of the performance information provided by the schedules to the DORA 2019 on this conditional grant is meant to support attempts at improving primary health care services as well as efforts to prevent the spreading of sexually transmitted diseases

# Findings on conditional grant performance

- The Health Facility Revitalisation Grant (Direct Grant)
  - Underspending of 3.0 per cent of the transferred amount was reflected
  - Only three of five planned new facilities were completed due to poor performance, which caused delays in completion of some capital projects. The Department indicated that additional regular monitoring and oversight tools will be implemented to ensure adequate project execution
- National Health Insurance Grant: Health Facility Revitalisation Component (Indirect)
  - There was under-spending of 22 per cent on the original budget allocated for the NHI Grant caused by invoices that were received late
  - The conditional grant also underperformed on the completion of new facilities (2 of 6 completed); facilities maintained (39 of 45 planned) and only two of the planned 10 facilities were upgraded or renovated and refurbished
  - An overall observation of the performance information provided by the schedules to the DORA 2019 on the two health facility revitalisation conditional grants was that both grants have the same purpose and outputs. In addition, both conditional grants underperformed

# Findings on conditional grant performance

- Health Professional Training and Development Grant (Direct Grant)
  - Almost the full transferred amount for the conditional grant was spent
  - The recruitment of specialists and other staff was slow. The reason for the slow recruitment was due to the need to obtain approval from Provincial Treasury or Premiers Offices for these appointments in some provinces
  - This is the only grant that shows the number of administration staff (of 23) as an output
  - Full expenditure without performance raises questions about the credibility of the budget and whether there was efficient expenditure of the funds
  - If such a relatively small grant, with only 4 outputs, requires 23 administrative staff members, other conditional grants might then require much more
  - The cost of administration should play a crucial role in structuring the funding of a sector
  - In an effort to improve efficiency, the department merged the HPTD grant with the human resources capacitation grant in 2020/21
  - The training component is focused mainly on recruiting registrars although other categories are still funded

# Findings on conditional grant performance

- Human Papilloma Virus
  - There was underspending of 19 per cent on the original budget allocated for this grant
  - The planned vaccination of 80 per cent of 9-year old girls was almost met (76.7%)
  - This conditional grant has been merged with the HIV, TB, Malaria and Community Outreach Grant (Direct Grant)
- National Health Insurance Grant: Personal Services Component (Indirect)
  - The department spent 13 per cent of this budget
  - No district level observations for psychiatric services, clinical psychological services and forensic mental services were provided
  - There was no spending on General Practitioner Contracting (Capitation)
  - The reason given for not contracting private health professionals was non-compliance of health professionals to supply chain management requirements
  - A capitation model was, however, developed but was not implemented due to capacity challenges to implement the reimbursement model
  - In future the contracting of health professionals will be decentralised to the Provincial Departments of Health

# Findings on conditional grant performance

- National Health Insurance Grant: Non Personal Services Component (Indirect)
  - The Department has spent only 64 per cent of the original budget allocated for this conditional grant
  - The Department performed or over-performed on the planned outputs
  - 381 731 more patients were enrolled in the chronic medicines dispensing and distribution (CCMDD) programme – This output is more suitable in a programme that supports the modernisation of health systems
- Human Resources Capacitation (HRC) Grant [now merged with Health Professional Training and Development Grant (Direct Grant)]
  - Over-expenditure as well as over-performance on this conditional grant was due to the statutory obligation to place medical interns for completion of their studies
  - An observation drawn from comparing some of the data collected/outputs from the grant shows that this data seems similar to the information used to determine the proportions per province in the equitable share formula
  - The grant funding could possibly, therefore, be included in the equitable shares to provinces. This inclusion may not only improve regular reporting on performance to Parliament, but may also improve efficiency of conditional grant spending

# Key considerations for inventions to redress underspending

# Considerations from the AGSA

- The financial health of the health sector has been under immense pressure for years because of limited budget and poor financial management
- This situation is made worse by medical negligence
- Malpractice claims, with the sector having paid R855.66 million in claims in 2021/22
- Total claims against the sector currently stand at R103.64 billion.
- The AGSA has consistently highlighted the need for the health sector to pay specific attention to medical record keeping, because claims often cannot be successfully defended without these records – and then need to be paid out
- Health is one of the biggest contributors to unauthorised expenditure.
- Provincial health and education departments, are responsible for R2.83 billion out of R3.21 billion in unauthorised expenditure in 2020/21
- Sector controls have been put in place to prevent further non-compliance with procurement regulations, but management has not yet implemented consequence management

# Specific underspending root causes requiring intervention

## Procurement

- Complex procurement processes (e.g. lack of accountability and inadequate planning and monitoring) have been cited by many government entities as reasons for underspending. Promoting procurement best practices of supply chain management system should be prioritized

## Payment systems

- Delays in payment of suppliers invoices or claims by government departments and entities, is one of the major reasons for underspending in government. It is therefore worth highlighting that, delays in invoices payment is in breach on Treasury Regulation

## Vacancies

- Vacancies in critical posts in government departments and entities has contributed to delays in spending budgets. Therefore, failure to fill critical posts has direct impact in government' ability to use the budget to delivery much required government services.

## Interdepartmental systems

- Interdepartmental systemic issues which drive inefficiencies in Interdepartmental projects, particularly infrastructure, need to be addressed.

## Compliance

- Failing to comply to conditional grants conditions, leads underspending of the grant and funds being returned back to national department. Therefore, it is important to always link the conditional grants budget to specific service delivery goals.

## Project planning

- Inadequate needs assessment and project planning, ineffective monitoring of project milestones and contractors/ implementing agents have all led to underspending budget in government departments and entities.

# Concluding remarks

# In summary

- Between 2011/12 and 2020/21, the NDoH underspent its budget by an average of 0.9 per cent annually
- At the provincial level, underspending generally falls below 2 per cent in Gauteng, Eastern Cape, Free State and Western Cape
- The reasons for underspending highlight systemic issues in the public financial management system requiring intervention
  - Procurement problems, lack of capable and skilled leaders in critical government functions, compliance and project planning and etc
- The adequacy of budgets is also an important consideration:
  - Contrary to the conventional wisdom that there is large-scale underspending in government, the reality is that on a per capita basis the government is not spending enough and resources are overstretched
  - If the resources were made available there could be significantly more much needed spending on health
  - For example, the AGSA reports that the average spending for district health services programme across all nine provincial departments was 100 per cent, however, 47 per cent of the targets were achieved. This raises a number of questions on the adequacy of the budgets as well as questions about the quality of spending.

# In summary

- Our analysis revealed that only one instance where over-budgeting is cited as the reason for underspending;
  - In the Western Cape, in 2019/20, the department of health notes that there was an over-allocation of budget for a limited number of EPWP interns the department could employ.
- Generally, PBO conditional grant analysis shows that delivery on health infrastructure projects remains one of the biggest failures in the health sector
- Information systems for controlling stock, managing dispensing, registering of patients, and capturing of data are still not in full operation in the health sector
- The PBO found that there are duplication of funding for the same purpose or outputs within the conditional grant framework which raises questions of planning and strategic alignment
- The Department indicated that the funding structure for the health sector will only be reconfigured once the National Health Insurance Bill, is enacted
  - One of the central aspects of the bill is the establishment of the National Health Insurance Fund as a public entity and should not be the cause of not improving the current funding structures, infrastructure and human resource capacity to provide a proper health service

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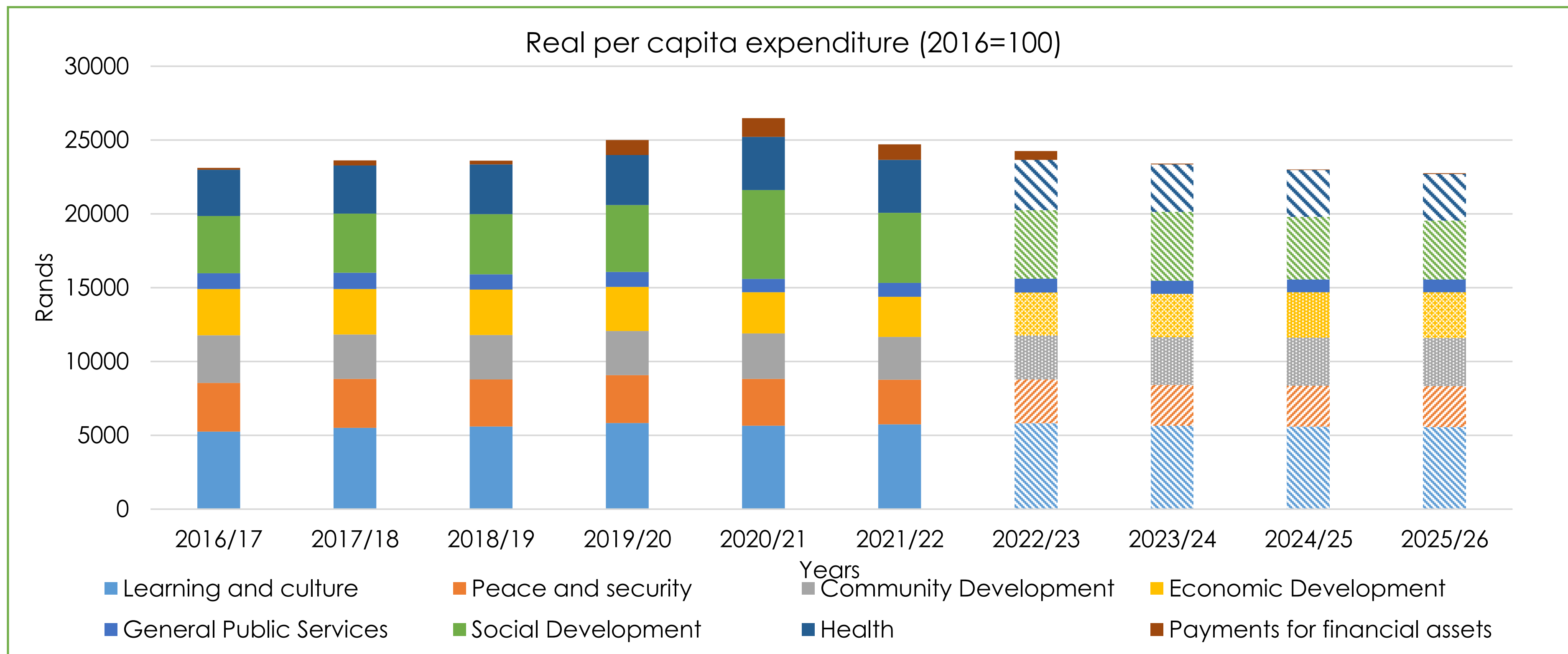
# Thank you

# Additional slides

# Real per capita spending per function group

- Total real per capita expenditure declines in the medium term
- Only expenditure on economic development and community development increase marginally in real terms
- In 2016/17 total real expenditure per capita was R23 116, by 2025/26 this will decline to R22 747
- In 2023/24, total real per capita spend is R23 402, a decline from the projected R24 255 in 2022/23




Source: PBO calculations using Budget 2023 data

# Conditional grants transferred from national departments

- The conditional allocations to provinces from the national government's share of revenue are meant to supplement the following:
  - The funding of programmes or functions funded from provincial budgets
  - Specific-purpose allocations to provinces
  - Allocations-in-kind to provinces for designated special programmes
- Conditional grants also aim to achieve a particular outcome with a set of generic or common outputs for all provinces
- The Health Conditional Grant is the largest CG, accounting for more than 40 per cent of total CG

| To Provinces | Audited outcome | | | Revised estimate | Medium-term expenditure estimates | | | |
|---|---|---|---|---|---|---|---|---|
| R million | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Annual Average increase since 2019/20 |
| 3 Cooperative Governance | 466 | 138 | 48 | 97 | 146 | 152 | 159 | -16.4% |
| 13 Public Works and Infrastructure | 868 | 832 | 835 | 858 | 861 | 900 | 940 | 1.3% |
| 16 Basic Education | 19 079 | 19 238 | 21 936 | 23 124 | 25 329 | 26 485 | 28 093 | 6.7% |
| 18 Health | 45 863 | 52 082 | 52 462 | 56 252 | 54 183 | 56 171 | 58 687 | 4.2% |
| *as a % of total Conditional Grants* | *42.5%* | *48.2%* | *45.2%* | *45.5%* | *42.5%* | *42.2%* | *41.8%* | |
| 29 Agriculture, Land Reform and Rural D | 2 158 | 1 688 | 2 235 | 2 294 | 2 333 | 2 516 | 2 596 | 3.1% |
| 33 Human Settlements | 19 572 | 15 343 | 17 303 | 19 172 | 19 246 | 19 614 | 20 493 | 0.8% |
| 37 Sport, Arts and Culture | 2 121 | 1 521 | 2 087 | 2 176 | 2 175 | 2 272 | 2 374 | 1.9% |
| 40 Transport | 17 768 | 17 217 | 19 057 | 19 756 | 23 270 | 24 853 | 27 058 | 7.3% |
| **Total** | **107 896** | **108 060** | **115 964** | **123 730** | **127 544** | **132 963** | **140 402** | **4.5%** |



Source: National Treasury