+SECTION27

catalysts for social justice

NSP 2012 – 2016

SUBMISSION ON DRAFT ZERO:[1] COSTING AND BUDGETING

This is the second submission that SECTION27 is making on the draft National Strategic Plan (NSP) for HIV & AIDS, STIs and TB (Draft Zero for Consultation ("Draft Zero")). The first submission, which considered the overall structure of Draft Zero, was made on 7 September 2011.[2] This submission considers costing and budgeting and the legal and policy framework within which these are to be done.

As an integral part of developing the NSP, the South African National AIDS Council (SANAC) will need both to cost it and consider the budget(s) necessary for its implementation. The resource needs for the implementation of the NSP will undoubtedly be immense. It has been estimated that over the last five years total HIV-specific spending within the social cluster[3] (nationally and provincially) alone has increased dramatically from an estimated R2.4 billion in 2005/6 to more than R11 billion in 2010/11.[4]

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[1] This submission was drafted with substantial input from Sue Cleary from the University of Cape Town's Health Economics Unit and Gesine Meyer-Rath from the Health Economics and Epidemiology Research Office (HE^2RO) at the University of the Witwatersrand, Johannesburg.

[2] This submission is available at http://www.section27.org.za/wp-content/uploads/2011/09/SECTION27-SUBMISSION-What-is-an-NSP-201109071.pdf

[3] The cluster includes departments of health, basic education and social development.

[4] aids2031 Costs and Financing Working Group, *The Long-Term Costs and Financing of HIV/AIDS in South Africa* (Washington, DC: Results for Development Institute, 2010), available at http://www.resultsfordevelopment.org/publications/long-run-costs-and-choices-hivaids-south-africa. This figure does not include what has been spent on HIV-related interventions (e.g. treatment of opportunistic infections and TB), those interventions implemented by departments outside the social cluster (e.g. correctional services, defence and public service and administration) or private sector spending. These figures are not readily available.

Given that the scale of South Africa's response is set to continue to expand substantially over the next five years, the need to cost the NSP properly and then budget for its implementation to ensure the adequate, efficient and sustainable funding of interventions cannot be ignored. Unfortunately, the government's ability to do this in the past has been severely lacking. For example, the 2010 Mid-Term Review of the NSP was particularly critical of the way in which the NSP 2007-2011 was costed and budgeted. The review highlights incomplete costing, diverse and uncoordinated sources of funding, and the lack of coordinated budgets for implementation as significant challenges; these have resulted in a "scatter gun" approach to the financing of the NSP.[5]

Importantly, Draft Zero acknowledges these difficulties, noting that one of the challenges in implementing the NSP 2007-2011 "has been the lack of a coherent financing plan." It goes on to state that this has meant that "it was difficult to hold sectors (in particular government, business and labour) accountable to provision of funding". The implementation of the NSP 2012-2016 cannot afford to suffer from these shortcomings.

In our view SANAC, government departments and other organs of state and agencies responsible for implementing the plan must first seek to address the challenges associated with the costing of the plan; then, through proper budgeting processes, they must deal appropriately with the allocation of financial resources for its implementation. Costing and budgeting cannot afford to be "in addition to" the development and implementation of the plan; they must form an integral part of these processes if the interventions outlined in the plan are to be properly resourced and implemented.

Structure of this submission and key recommendations

This submission starts by arguing that a plan that is not properly costed or budgeted is unconstitutional. It outlines some of the major challenges with the costing of the NSP 2007-2011 and the budgeting for its implementation. It then discusses what needs to be done to ensure that these problems are not repeated when the NSP 2012-2016 and nine provincial operational plans (POPs) are costed and how the budget process for the plans' implementation should be managed. Finally, the

[5] National Strategic Plan 2007-2011 Mid-Term Review, available at http://www.cabsa.org.za/content/national-strategic-plan-2007-2011-midterm-review-2010

submission makes suggestions on how these processes could be managed and overseen by SANAC.

Based on these discussions, this submission makes the following recommendations:

- On the constitutional framework for costing and budgeting

  - A failure to ensure that costing and budgeting processes are properly managed from the start is likely to result in the development of an NSP that is not fully implementable.
  - An NSP that is not fully implementable would result in the state falling foul of its constitutional obligations regarding the progressive realisation of the right to have access to health care services.
  - Appropriate costing and budgeting are constitutional obligations.

- On costing

  - All aspects of the NSP 2012-2016 and the nine POPs must be costed. This will require interventions – particularly those relating to human rights and access to justice – that are formulated in a way that they are measurable and specific enough to be costed.
  - Provision must be made periodically to review the costing to allow for adjustments to be made as new implementation data becomes available or as interventions are adjusted and revised.

- On budgeting for implementation

  - Contingencies must be put in place to ensure adequate budgets for the implementation of the NSP and nine POPs in 2012/13.
  - Consideration must be given to the funding mechanisms to be used in transferring resources to departments and agencies responsible for implementing interventions.
  - Government must consider options for sourcing additional resources, using those funds that are available more efficiently and reducing input costs – such as medicines and diagnostics – where possible.
  - The way in which SANAC and other AIDS councils are financed must be reviewed; over the medium-term funding should be channelled through an integrated conditional grant.

  - Aggregated implementation budgets must be developed at the national and provincial levels that clearly outline available resources, what they will be used for and who will be responsible for expenditure.

- On SANAC's role in costing and budget monitoring

  - SANAC must introduce a structure that will be responsible initially for costing the plans and then periodically reviewing this costing.
  - Budget monitoring and expenditure tracking should form part of monitoring and evaluation (M&E) structures and processes.

A plan that is not appropriately costed and budgeted is not constitutional[6]

Ensuring that the NSP 2012-2016 is appropriately costed and then budgeted is not simply about adhering to good financial management principles; it is about ensuring that available resources are allocated and used in way that ensures that the right to have access to health care services, as entrenched in section 27 of the Constitution, is progressively realised. The Constitution makes it clear that "[t]he state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of [this] right".[7]

While many factors are relevant to understanding the content of this obligation on the state, some of which the existing jurisprudence has yet to consider, the Constitutional Court has provided guidance in a number of landmark decisions.[8] In summary, reasonable government action in the context of costing and budgeting includes consideration of the following:

- A plan does not meet the requirement of reasonableness if it is not capable of implementation;[9]
- A mere statistical advance is not enough; it must meet the needs of those most desperate;[10] and

[6] This section of the submission draws from Adila Hassim, "The cost of rights: do we have a legal right to transparent and efficient budgeting?" Plenary presentation, 5th Southern African AIDS Conference, Durban, 10 June 2011 (unpublished paper is available upon request)
[7] Section 27(2)
[8] These include *Government of the Republic of South Africa v Grootboom and Others* 2000 (11) BCLR 1169 (CC) and *Rail Commuters Action Group v Transnet Ltd t/a Metrorail* 2005 (2) SA 359 (CC)
[9] *Grootboom* at paragraphs 38 to 45
[10] Ibid at paragraph 44

- It is not enough to make a bald assertion that there is not enough money. The details of the precise nature of resource constraints must be provided.[11]

In our view, a failure to ensure that costing and budgeting processes are properly managed from the start is likely to result in the development of an NSP that is not fully implementable. An NSP that is not fully implementable would result in the state falling foul of its constitutional obligations regarding the progressive realisation of the right to have access to health care services; such a plan would not satisfy the constitutional requirement of reasonableness. If the issues of costing and budgeting are not resolved in the next plan, it will be unlawful.

Shortcomings in the costing of the NSP 2007-2011

Despite the fact that financial sustainability was highlighted as a core principle of the NSP 2007-2011,[12] one of that plan's most significant shortcomings has been that it was not adequately costed. The original costing did provide estimates of the total annual cost of implementation, which ranged from R4.8 billion in 2007 to more than R11 billion in 2011.[13] The problem, however, was that these estimates were based on what could be costed and did not reflect the total real cost of the plan.

In large part, this is due to the absence of costing data and the poor formulation of many of the interventions required to reach the goals of the plan.[14] Some aspects of the plan – such as prevention[15] and treatment, care and support[16] – were only partially costed, while other aspects – such as M&E, human rights and access to justice – were not costed at all.

Failure to cost human rights and access to justice

The failure to cost the human rights and access to justice components of the NSP has been particularly problematic. While there had been human rights components in

[11] *Metrorail* at paragraph 88
[12] HIV & AIDS and STI Strategic Plan for South Africa 2007-2011 at page 52
[13] Susan Cleary, "The costs of the National Strategic Plan on HIV and AIDS & STIs 2007-2011" (2007), available at http://www.tac.org.za/documents/CostingNSP2007.2011finalreport.pdf
[14] Ibid at page 3
[15] While important interventions such as condom provision, STI treatment and post-exposure prophylaxis (PEP) were costed, other important interventions were not.
[16] While this area of the plan received the most attention, there were still aspects that were not costed at all. Of particular importance in this regard were interventions aimed at mitigating the epidemic's impact and creating an enabling social environment for treatment, care and support.

previous strategic plans, the absence of data on the implementation of interventions and a failure to develop specific and measurable interventions resulted in a failure to cost these areas.[17]

This has resulted in this critical area of the plan being neglected and under-resourced and has contributed to continued and pervasive human rights abuses. Relevant government departments have not had the resources to deal properly with stigma, unfair discrimination and other human rights violations – at times brutal – based on HIV status.

M&E

M&E is central to the effective implementation of any programme. It is only with properly functioning M&E systems that one can appreciate which interventions work, which do not and which need refining. This is important for ensuring that available resources are being used efficiently to achieve the best possible results.

Even though the NSP 2007-2011 acknowledges the importance of M&E,[18] recommending that 4-7% of the total HIV & AIDS budget should be allocated for this purpose, no provision was made in the costing for this area of the plan.

This has contributed to a situation where M&E systems are not adequately funded and have not operated in any coordinated or strategic fashion. Organs of state have therefore been unable assess their programmes and interventions adequately, as well as to respond timeously in instances where systems needed to be strengthened or approaches changed.[19]

Failure to budget appropriately for the implementation of NSP 2007-2011

Budgeting for interventions outlined in the plan has been largely uncoordinated and difficult to track; in most instances, government has failed to ensure the full integration of the plan with departmental and implementing agency budget processes.

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[17] See Cleary, above note 13 at page 3
[18] NSP 2007-2011 at page 59
[19] Mid-Term Review at page 65

In many instances allocations made in departmental budgets have not been aligned with interventions and targets outlined in the NSP. A review of strategic plans and budget documentation for 2010/11 relating to those national departments responsible for implementing aspects of the plan reveals that, with the exception of the Department of Health, no direct reference was made to the NSP at all. [20]

This means that while it has been possible – to some extent – to track funding provided through centralised conditional grants to line-function departments (such as health and education), it is far more difficult to determine what is being allocated to HIV & AIDS by departments outside of the social cluster (such as correctional services, defence and public service and administration).[21]

For interventions that require coordination and collaboration between departments and agencies it is often impossible to determine what has been allocated for this purpose and who is responsible for allocating resources for the implementation of such interventions.

Without properly formulated budgets it is difficult to track available funding, monitor expenditure and identify potential funding shortfalls. This makes it difficult to determine the extent of the gap between what is available through allocations and commitments and what is actually needed to achieve long-term targets, and then to identify opportunities to secure additional funding.

What must be done to cost the NSP and the nine provincial operational plans?[22]

It is important that the costing of the NSP 2012-2017 and the POPs and the subsequent development of budgets for implementation follow a clear and structured process to ensure that –

- Interventions are measurable and specific enough to be costed;
- The NSP and the nine POPs are harmonised; and
- Provision is made for periodic costing reviews and adjustments.

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[20] These include the departments of health, education, social development, correctional services, defence, justice and constitutional development and labour

[21] See aids2031 Costs and Financing Working Group, above note 4 at page 52

[22] See appendix to this submission for a timeline of this process

For the costing to be ready by the time the plans are launched on 1 December 2011, substantially updated drafts of the NSP, as well as the POPs, must be made available by early October at the latest. These plans should contain interventions that are measurable and specific enough to be implemented. For costing, information on target populations to be covered, baseline coverage and target coverage for each intervention must also be included. In addition, SANAC must then ensure that interventions and targets contained within the POPs are harmonised with the NSP. If this is not done, there will inconsistencies in the development and implementation of interventions across the provinces.

Once these drafts are available it should not be difficult to cost most of the interventions contained within pillars 1 (universal HIV Testing and TB screening) and 2 (sustain health and wellness) of the NSP. In addition to information provided through government sources, there are a number of cost analyses and resource-needs models that provide a great deal of information on the unit costs associated with interventions – particularly those relating to prevention, testing and treatment.[23]

Costing of human rights, access to justice and social change (pillars 3 and 4)

The problem remains, however, that for many of the interventions contained within pillar 3 (increase safety and reduce vulnerability) and virtually all of the interventions contained within pillar 4 (changing societal norms and values), there is very little useful baseline and unit cost data available to be used in costing. While this is partly due to the fact that many of these interventions are new, the primary issue is that these interventions appear to have been poorly formulated.

In most instances the interventions contained within these pillars are not measurable or specific enough to be costed; they need to be revised. For example, one intervention in pillar 4 reads as follows: "Implement programmes targeting male masculinity to change sexual behaviour of boys and men".[24] Here it is not possible

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[23] See for example, J Stover and L Bollinger, "Adjusted Resource Needs Model for South Africa" (2008), available at http://software.futuresgroup.com/Resource%20Needs/ResourceNeedsModel.xls; S Cleary et al, "Equity and Efficiency in HIV-Treatment in South Africa: The Contribution of Mathematical Programming to Priority Setting" (2009) 19 *Health Economics* 1166; and aids2031 Costs and Financing Working Group, above note 4. This data will be greatly enhanced with the release of all national AIDS spending assessment reports (which are near finalisation).

[24] Draft Zero at page 71

to determine what activities these programmes will involve, who will be responsible for implementing them and how progress will be measured.

Costing M&E structures and interventions

Draft Zero highlights M&E as a priority area and proposes an M&E framework and separate structure to fulfil this role.[25] While an outline of the framework is provided, there is no indication of what the M&E structure will look like, where it will be housed and what its mandate will be. This must be detailed in the next draft of the NSP if the M&E component of the plan is to be costed; a failure to do so will result in government once again failing to fulfil its constitutional obligation progressively to realise the right to have access to health care services.

Costing TB interventions

This is the first time that the response to TB will be comprehensively integrated into the NSP; this also needs to be costed. As with other aspects of the plan, the costing of TB interventions will depend on how well these are formulated and the availability of data. While few attempts have been made to cost TB interventions in the past, data collected on TB expenditure as part of the National AIDS Spending Assessment (NASA),[26] as well as the costing of the TB diagnostic algorithm (including the costing of the GeneXpert and treatment options),[27] should make it possible to cost interventions relating to the testing and treatment of TB fully.

The need to review the costing periodically

The uncertainty in future costs and real coverage of interventions could be – and to some extent already has been – managed by providing different cost scenarios that

[25] Draft Zero, at page 76

[26] The Centre for Economic Governance and AIDS in Africa is currently completing a National AIDS Spending Assessment (NASA) for South Africa. The assessment, which seeks to track the flow of resources from the source (public, private or donor) to the point of service delivery, was done at the national sphere and in all nine provinces. Its purpose is to identify problems with how resources are used and to make recommendations on how the mobilisation, allocation and utilisation of resources for HIV & AIDS and TB could be improved.

[27] G Meyer-Rath et al, *The incremental cost of introducing Xpert MTB/RIF into the South African national Tuberculosis programme: Results of the National TB Cost Model 2011/12-2016/17* (Johannesburg: Health Economics and Epidemiology Research Office, 2011)

provide for changes in the prices of commodities like medicines and improvements in efficiency gains through new treatment approaches and regimens.[28]

There is a need to ensure that provision is made periodically to review the costing of the NSP. This is also due to the fact that some interventions are new and/or do not have readily available data for costing; they can only be costed once they have been piloted or introduced. This will also allow for the costing to be updated as interventions are added, updated or revised.

Budgeting for implementation of the NSP and provincial operational plans[29]

Once the NSP and POPs have been fully costed, all departments and agencies responsible for implementing interventions must ensure that allocations are made in their budgets for this purpose. In this regard, there are a number of issues that SANAC must resolve before the NSP is introduced on 1 December 2011:

- Establishing how budgets will be formulated for the 2012/13 financial year;
- Determining what funding mechanisms will be used for the five-year period as a whole;
- Dealing with issues of affordability and efficiency; and
- Determining how SANAC and other AIDS councils will be funded.

Budgeting for the 2012/13 financial year

Of particular concern is how departments and agencies responsible for implementation will ensure that all interventions are adequately catered for in the budget allocations for the first year of the next Medium Term Expenditure Framework (MTEF);[30] the formulation of these budgets – for the financial year 2012/13 – started in February 2011.

By the time the NSP and the POPs are launched on 1 December 2011, departments and agencies would already have drafted their budgets (done between March and

[28] The costing document for the NSP 2007-2012 included both high- and low-cost scenarios for priority areas one and two.
[29] See appendix to this submission for a timeline of this process
[30] In South Africa budgets are developed in terms of the MTEF, which is also referred to as a rolling budget. This means that budgets, based on implementable strategic plans, are developed which cover a three-year period. While the MTEF is reviewed each year, budgeting for the medium term makes the process more predictable and transparent.

September) and negotiated with the Budget Committee for shares of the overall budget allocation (to be done between September and December). In addition, they would be close to having their budgets ready for tabling in Parliament and provincial legislatures in February/March 2012.

It is therefore already too late to ensure that all interventions and targets to be included in the plans are adequately catered for in the current budget process; only those interventions that are already part of the plans of departments and agencies would have been considered. This means that contingency plans will have to be put in place by government to ensure that all interventions are adequately financed.

There is an opportunity to amend the national budget after it has been tabled in Parliament in February/March 2012 – before it comes into effect on 1 April 2012. The Money Bills Amendment Procedure and Related Matters Act 9 of 2009 allows Parliament to amend the Division of Revenue Bill and the Appropriations Bill. Unfortunately, legislation that would allow provincial legislatures to make similar amendments to provincial appropriation bills has not yet been tabled, meaning that additional resources for provinces can only be allocated through conditional grant allocations from the national sphere.

As provincial departments and agencies are able to make amendments should additional resources be made available before budgets are tabled, it is important that the National Treasury is made aware of the possible need for additional allocations to be made to allow for the alignment of departmental and agency budgets with the NSP and provincial operational plans. The National Treasury must then take all reasonable steps to ensure that adequate resources are made available.

If provision is not made to ensure that adequate funding is provided for implementation from the start of the financial year, the next opportunity to allocate additional resources will only come in October 2012 when the Minister of Finance tables the adjustment budget during the Medium Term Budget Policy statement. In our view, this is too late and would force avoidable delays in the implementation of the plans.

Funding mechanisms to be used

There must also be clarity on how funds will be transferred to departments and structures implementing the NSP and POPs, as well as what conditions will be

attached to these transfers. Consideration must be given to whether funding will be made available through conditional grants, equitable share allocations or a combination of both.

Transferring funds through equitable share allocations will give provincial departments and other implementing agencies outside of the national sphere of government greater control over their budgets, while transferring funds through conditional grants will ensure greater transparency, accountability and alignment with national priorities.

Even though it will not be possible to provide funding for all interventions through conditional grants, over the short to medium term it may be prudent to continue to do so for departments such as health and education (which receive the bulk of resources allocated for HIV & AIDS and TB programmes). As the Auditor-General's reports continue to show,[31] weaknesses in financial management processes have resulted in many departments – particularly health and education at the provincial sphere – being unable to account adequately for the financial resources that they receive. Conditional grants will ensure greater accountability and should ensure that allocations are consistent with national priorities.

Sourcing additional resources and using available funds more efficiently

One of the criticisms of government's approach to HIV & AIDS spending has been that little consideration has been given to the issue of efficiency.[32] In addition, not enough attention has been given to innovative ways to source additional resources. Both issues have to be addressed if we are to ensure that a fully-costed NSP is indeed capable of implementation; in our view, they fall within the "reasonable legislative and other measures" to which section 27(2) of the Constitution refers.

There are a number of options available to government to increase funding available for HIV & AIDS, STI and TB interventions, including –

- Sourcing additional funds from development partners and the private sector;
- Implementing innovative financing mechanisms such as earmarked taxes or voluntary contributions;

[31] The Auditor-General's reports are available in all departmental annual reports, which are published in October each year.
[32] See Cleary, above note 23 at page 1167

- Improving cost efficiency through task shifting and the use of community-based programmes; and
- Improving provincial departments' financial management systems to ensure funds are not lost through wasteful expenditure, fraud and corruption.[33]

Our law recognises the relationship between corruption and the realisation of socio-economic rights. In *Glenister v President of the Republic of South Africa and Others*,[34] for example, the majority decision of the Constitutional Court held as follows:

> [C]orruption in the polity corrodes the rights to equality, human dignity, freedom, security of the person and various socio-economic rights. That corrosion necessarily triggers the duties section 7(2) imposes on the state.[35]

The socio-economic rights to which this passage from *Glenister* refers include the right in section 27 of the Constitution to have access to health care services. Thus the judgment makes it clear that government's positive obligations in respect of the right to health – as set out in section 27(2) of the Constitution – include taking reasonable measures to address corruption in the health sector.

Central to the state's ability to continue to fund an appropriate response to HIV & AIDS, STIs and TB is the taking of reasonable legislative and other measures necessary to achieve further reductions in the prices of medicines and medical devices (including in-vitro diagnostics) as well as to ensure that it is able to afford new drugs and devices in the future. Under international trade law, in particular the World Trade Organization (WTO) Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), South Africa is able to take such steps; under international human rights law and the Constitution, South Africa is obliged to do so.

To date, however, government has yet to take the necessary measures. The WTO's *Declaration on the TRIPS Agreement and Public Health* ("Doha Declaration"),[36] which

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[33] This includes implementing the recommendations of the Integrated Support Team (IST) reports, which were commissioned by former Health Minister Barbara Hogan and describe crisis situations in the national Department of Health and seven of the nine provincial health departments. In addition, they also provide sets of recommendations that are a blueprint for addressing the challenges in the public health system. For further information, see Budget and Expenditure Monitoring Forum, "Report of the 4th Budget and Expenditure Monitoring Forum meeting", available at http://www.section27.org.za/wp-content/uploads/2010/11/4th-BEMF-report.pdf

[34] [2011] ZACC 6; 2011 (3) SA 347 (CC) at paragraph 200 (per Moseneke DCJ and Cameron J)

[35] Section 7(2) requires the state to "respect, protect, promote and fulfil the rights in the Bill of Rights."

was adopted on 21 November 2001, makes it clear that "the TRIPS Agreement does not and should not prevent [WTO] Members from taking measures to protect public health." In addition, paragraph 4 affirms that TRIPS "can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all."[37]

SANAC's and other AIDS councils' budgets

There has been no single clear process or source of funding for SANAC or other AIDS councils (whether provincial, district or local). Funding for SANAC, for example, is drawn from a limited number of sources including the national Department of Health, the National AIDS Trust and international donors. This has resulted in a constrained, and often tenuous, funding environment for sectors and activities.

At the provincial level the resourcing of AIDS councils depends largely on the involvement of the relevant premier's office in coordinating the structures. As the Mid-Term Review reveals, structures in provinces with strong leadership from the premier (such as in KwaZulu-Natal and the Western Cape) are relatively well-resourced and functioning. In other provinces, where leadership from the premier is weak, councils are poorly resourced and largely ineffectual.[38]

The picture regarding AIDS councils in districts and local municipalities is even more patchy and inconsistent. In some instances AIDS councils are chaired by mayors or councillors, with municipalities housing the secretariat. In others, councils operate independently of municipalities and tend to be poorly resourced. In many districts and local municipalities, AIDS councils are not resourced or functioning at all.[39]

The haphazard spending on these structures is highly inefficient and produces few tangible outcomes. A more rational structure – with fewer levels of councils – must be developed, in conjunction with consistent and sustainable financing mechanisms. Over the short-term, provision must be made to source more sustainable funding for these structures through appropriate budgets at the levels at which they operate. In

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[36] WT/MIN(01)/DEC/2

[37] In particular, the Doha Declaration states – in paragraph 5(b) – that "[e]ach [WTO] Member has the right to grant compulsory licences and the freedom to determine the grounds upon which such licences are granted." Despite this, the provisions of the Patents Act 57 of 1978 dealing with compulsory licensing limit – rather than increase – access to medicines and medical devices.

[38] Mid-Term Review at page 73

[39] See Local Government Learning Network, "Local Aids Councils: How can they be more effective" (2008), available at www.halogen.org.za/documents/Input_paper_Local_AIDS_Councils.pdf

the medium and long term, however, the financing of AIDS councils should ideally be provided through an integrated conditional grant with established criteria for funding; this would require the development of consistent, clear and implementable business plans.

Aggregated national and provincial implementation budgets

Before draft budgets are tabled in February/March each year, relevant departments and implementing agencies must articulate their allocations for those interventions that they are required to implement. Once this is done, it will be possible for SANAC and provincial AIDS councils to develop aggregated national and provincial implementation budgets.

This should be done annually when departmental draft budgets are being finalised and – at minimum – should outline available resources, what they will be used for and the departments or agencies responsible for expenditure in respect of each intervention. Aggregated implementation budgets will allow SANAC and its provincial counterparts to monitor the allocation of resources for the implementation of activities outlined in the plans more closely.

Costing task team, budget monitoring and expenditure tracking

To address many of the challenges identified in this submission, SANAC should put in place a task team – with clear terms of reference – to ensure that all interventions in the next NSP and the POPs are properly costed. Amongst other things, the task team must develop a tool that can be used to assist in the formulation of plans and budgets for their implementation. In addition, it should periodically review costings as and when more data becomes available and/or interventions are added, removed or revised.

The task team should be made up of health economists, people with experience in health care financing and budgeting and a constitutional law expert. For the task team to complete the costing, which should thereafter inform departmental and agency budget processes, it will also have to include representatives from key departments – such as health and the National Treasury – involved in funding and implementing the NSP. These representatives must actively participate in the process to ensure that the costed plans are fully integrated into the development of departmental budgets.

In our view, it is not enough to have an appropriately costed NSP; the costed plans must inform the allocation of resources in departmental budgets, with the use of these resources being carefully monitored. With this in mind, we strongly recommend that budget monitoring and expenditure tracking are both included as components of M&E structures and processes. This function will be greatly enhanced with the development of aggregated NSP and POP implementation budgets based on information made available by departments and agencies each year.

[ENDS]

Appendix: Costing and budgeting timelines

Costing of plans

- **October 2011:** Draft NSP and nine POPs – with measurable, specific and achievable interventions including (where available) target populations, baseline data and target coverage – made available for costing

- **October – December 2011:** Plans costed by task team at both national and provincial spheres using available unit costs

- **1 December 2011:** Costed plans launched

- **January – March each year:** Costing reviewed as data becomes available and interventions are added, removed or reviewed

The costed NSP and POPs should inform the setting of targets and allocation of resources to achieve HIV & AIDS, STI and TB targets within relevant departmental budgets each year. The costing task team must develop a tool to assist this process.

Budgeting for implementation

For the 2012/13 financial year

- **February 2011:** National Treasury determined overall budget and estimated what provinces and departments will be allocated.

- **March – September 2011:** Draft departmental budgets (provincial and national) developed on basis of estimates; allocations for HIV & AIDS components of each budget based on interventions already being implemented (targets and allocations are increased incrementally)

- **September – December 2011:** Departments (national and provincial) negotiate with budget committees for allocations; budgets adjusted based on what they will actually receive

- **December 2011:** Budget documentation made ready for tabling

- **January/February 2012:** Using costings, shortfall between what has been allocated and what is needed to fund interventions outlined in NSP and POPs adequately is determined; National Treasury makes provision to allocate additional resources where needed

- **February/March 2012:** Departmental budgets tabled

- **March/April 2012:** Departmental budgets revised to cater for changes in HIV &AIDS, STI and TB interventions, targets and allocations

- **April 2012 – March 2013:** Departments initiate spending

OR[40]

- **First four processes as above**

- **February/March 2012:** Budgets tabled

- **March/April 2012:** Department budgets reviewed but not revised

- **April – October 2012**: Expenditure based on original allocations

[40] If government is unable to make funds available to cater for the funding shortfall and amend implementation budgets (to bring them in line with the NSP and POPs) before the start of the 2012/13 financial year, the proposed alternative process will need to be followed.

- **October/ November 2012**: Allocations adjusted during Medium Term Budget Policy Statement and brought in line with NSP and POPs

For the 2013/14 – 2015/16 MTEF

- **February 2012:** Department of Finance determines overall budget and develops estimates of what provinces and departments will receive

- **March – September 2012:** Draft departmental budgets (provincial and national) for 2013/14 developed, including estimates for 2014/15 and 2015/16; targets and allocations for HIV & AIDS, STI and TB components based on costed NSP or POPs

- **September – December 2012**: Departments negotiate with budget committee (national and provincial) for their share of budget; budgets and targets aligned with what they will receive

- **February/March 2013:** Budgets tabled

- **March/April 2013**: Budgets reviewed and debated in Parliament and provincial legislatures; possibility of revision.

- **October/November 2013:** Budgets adjusted at Medium Term Budget Policy Statement to cater for shortfalls in allocations for HIV & AIDS, STIs and TB

- **April 2013 – March 2014:** Budgets implemented

The first five processes are repeated each year. The 2014/15 budget is developed from February 2013 to March 2014; the 2015/16 budget is developed from February 2014 to March 2015; the 2016/17 budget is developed from February 2015 to March 2016.

[ENDS]