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Budget allocations for HIV and AIDS in 2005/6 provincial social sector budgets: Implications for improved spending[1]

Budget Brief No. 156

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1. Executive Summary

The HIV prevalence rates from the 2004 National HIV and Syphilis Antenatal Sero-Prevalence Survey show a rising trend in HIV prevalence.[2] Prevalence among pregnant women attending antenatal clinics has increased from 27.9 per cent in 2003 to 29.5 per cent in 2004. The Survey also estimates that there were 6.29 million people living with HIV and AIDS by the end of 2004. These are shocking statistics that require a rigorous response from the government to mitigate the impact of HIV and AIDS.

From a budget perspective, the 2005/6 National Budget shows a continuous commitment of the national government to respond to the AIDS epidemic through earmarked transfers to provinces and specific allocations to national departments. Total HIV and AIDS subprogramme budgets (including conditional grants) in the 2005/6 National Budget increased from R1.4 billion in 2004/5 to R1.9 billion in 2005/6. This is a real increase of 36 per cent.[3] Conditional grants continue to serve as an essential financial source for HIV and AIDS interventions in the social sector departments at provincial level.

[1] This Budget Brief is part of an annual series of Budget Briefs which review provincial budgets. See the 2004/5 analysis by Nhlanhla Ndlovu, "HIV and AIDS expenditure in the 2004/5 provincial budgets: Trends in budget allocations and spending", Budget Brief No. 147, 19 October 2004. Idasa – BIS.

[2] Department of Health. 2004. National HIV and Syphilis Antenatal Sero-Prevalence Survey in South Africa. Available at www.health.gov.za.

[3] Deflators are used to adjust nominal figures for inflation. Here the deflators are used with 2004/5 as base year

2003/04	2004/5	2005/6	2006/7	2007/8
0.9569378	1	1.051	1.104601	1.15983105

Provincial government departments are also showing major efforts in delivering HIV and AIDS interventions. The health sector remains the provider of most HIV and AIDS services. HIV and AIDS allocations in the provincial health department budgets (including conditional grants) total R6.6 billion for the 2005/6 – 2007/8 Medium Term Expenditure Framework (MTEF) period. R2.3 billion of these funds (or 35 per cent) are discretionary allocations from the province's own budgets (i.e. they are not conditional grants from national government).

Spending analyses for 2004/5 show that provincial departments have increased their total actual HIV and AIDS conditional grant expenditure from R566 million in 2003/4 to R947 million in 2004/5. As a proportion of the budgeted amount for 2004/5, the health sector spent 99 per cent of their allocation (compared to 96 per cent spent in 2003/4). The social development sector spent 103 per cent whilst the education sector recorded a low spending of 78 per cent in 2004/5. Overspending recorded in the social development sector may result from two factors:

- Firstly, provinces may report on spending on non-conditional grant funds from their own budget and thus reported spending rates on conditional grants may exceed 100%.
- Secondly, provinces may also report on rollovers which are funds that remained unspent in the previous financial year, and are rolled over to the current financial year.

Notably, spending records on health HIV and AIDS conditional grants cannot tell us how spending is distributed between various components of HIV and AIDS programmes. This is the main reason why spending on anti-retroviral (ARV) treatment is so difficult to monitor. It is known that provinces utilise some of the health HIV and AIDS conditional grants and additional funds from their own budgets to fund AIDS treatment, but reporting does not disaggregate information to show how much is spent on treatment specifically.

Furthermore, provinces may also obtain additional funding from donors to fund their HIV and AIDS interventions. However, official budget and expenditure documents do not tell us how much donor funding was received and how much was spent. For example, KwaZulu-Natal and the Western Cape received donor funding for HIV and AIDS in general, and ARV treatment in particular, but spending against these funds are not recorded on official public documents.[4] All resource allocation efforts should be monitored and reported because they aim to improve implementation and ultimately reduce infection rates and mitigate impact among those already infected and affected.

2. Introduction

The South African government needs to strengthen its response to HIV and AIDS by providing sufficient, cost-effective financial, human and information resources. Budgets

[4] Idasa will be investigating resource allocation for ARV treatment programmes in South Africa. The study will provide some insight as to what is actually allocated for and spent on ARVs in South Africa, from both government and donor sectors.

are just one element of a government response and can be complemented with a variety of factors, such as increased political will, strong parliamentary oversight, reviewing and refining existing policy, and investing more resources on capacity issues facing government departments. In addition, strong monitoring and evaluation systems must be developed and utilised to ensure that the government response is efficient and effective.

Given the increasing trend in HIV prevalence, there is an urgent need to intensify public sector responses to HIV and AIDS and to seek support from other potential roleplayers, such as donors and the private sector. Increasing HIV prevalence rates demand that the government must strengthen its HIV and AIDS response. There are numerous examples why the government response to the epidemic needs strengthening. Inter alia, KwaZulu-Natal, Gauteng and Mpumalanga recorded the highest prevalence rates in 2004 of 40.7 per cent, 33.1 per cent and 30.8 per cent respectively. Notably, the Mpumalanga figure is a slight decline from 32.6 per cent prevalence reported in 2003. The Survey reports, "There have been increases in prevalence across all age groups between 2003 and 2004. Nearly forty percent of women aged between 25 and 29 years are HIV positive."[5] Young women between 25 and 29 years of age had an increased prevalence rate of 38.5 per cent in 2004, compared to 35.4 per cent in 2003. For the 30 – 34 age group, prevalence increased from 30.9 per cent in 2003 to 34.4 per cent in 2004.

Basically three government departments utilise HIV and AIDS conditional grants for HIV and AIDS to drive the government response. The health sector spends the money on prevention, treatment, care and support interventions. The education sector uses the money for HIV and AIDS lifeskills and prevention education in schools whilst the social development departments spend the money on HIV and AIDS community and home based care activities, frequently implementing by non-governmental organisations (NGOs).

In 2005/6, the national departments of health, education and social development utilised a variety of criteria to determine the provincial split of the 2005/6 global HIV and AIDS conditional grant amounts received from National Treasury. The health department split the health HIV and AIDS conditional grant, also referred to as the Comprehensive HIV and AIDS Grant, using "ante-natal HIV prevalence, estimated share of HIV positive births, estimated share of AIDS cases, share of reported rapes, and establishment of at least 1 treatment point per district."[6] The education sector used its component of the Equitable Share Formula[7] whilst the social development sector used the provincial HIV prevalence figures reported in the 2003 ante-natal survey.[8] However, for the 2004/5 split the social development sector used both the provincial HIV prevalence as well as the poverty index.[9] Once the money is split the national departments transfer the conditional grants to their provincial counterparts, but retain the authority over monitoring and

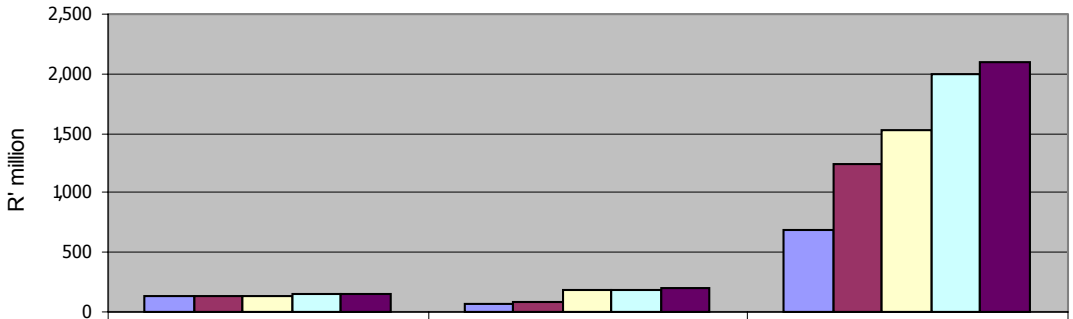
[5] Department of Health. 2004. National HIV and Syphilis Antenatal Sero-Prevalence Survey in South Africa. Available at www.health.gov.za.
[6] National Treasury – Division of Revenue Bill, 2005: 112.
[7] Ibid: 106.
[8] Ibid: 127.
[9] National Treasury – Division of Revenue Bill, 2004: 108.

management (oversight). These transfers are spent in line with specific conditions set by the national departments to ensure that the money is spent on nationally-identified priorities.

Ndlovu's 2004/5 provincial budget analysis[10] provides a comparative background reading to this Budget Brief. This brief analyses provincial HIV and AIDS budgets for 2005/6, with a concise look at final conditional grant spending records for 2004/5. The Brief first provides a quick scan of HIV and AIDS allocations contained in the 2005/6 National Budget before outlining allocations in the provincial budgets; it will then unpack discretionary allocations in the provincial health budgets; look at final spending figures on the 2004/5 conditional grant budgets; and then conclude.

3. Review of HIV and AIDS earmarked allocations in the 2005/6 National Budget

Figure 1: HIV and AIDS Subprogramme Budgets in the 2005/6 National Budget (2003/4 - 2007/8) - including conditional grants



	Education Lifeskills (CG only)	Social Development Community and Homebased Care	Health Comprehensive Plan for HIV and AIDS
2003/4	132	69	686
2004/5	134	79	1,235
2005/6	136	186	1,531
2006/7	144	191	2,001
2007/8	152	195	2,102

Source: National Treasury – Estimates of National Expenditure 2005: 333, 346, 423. Idasa calculations.

The three social service departments chiefly engaged in the HIV and AIDS response contain subprogramme budgets which include conditional grants transferred to the provinces as well as some additional funds spent directly by the national department. The national education HIV and AIDS Lifeskills subprogramme budget is the slowest growing budget, recording a discouraging decline of 3 per cent in real growth in 2005/6. This budget records a 1 per cent decline over the 2005/6 – 2007/8 medium term. The social development Community and Home Based Care Services (CHBCS) grant recorded a real growth of 88 per cent in the 2005/6 budget. The budget grows by 27 per cent in real

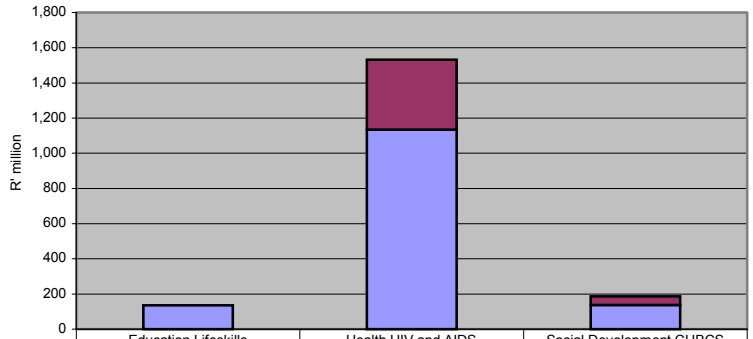
[10] Ndlovu, N. 2004. "HIV and AIDS expenditure in the 2004/5 provincial budgets: Trends in budget allocations and spending", Budget Brief No. 147, 19 October 2004. Idasa – BIS.

terms over the medium term. The national health HIV and AIDS subprogramme budget grows by 38 per cent in real terms in 2005/6. This budget records a 23 per cent real increase over the medium term.

In summary, this financial year's national budget indicates that the government has committed earmarked allocations for HIV and AIDS totalling R6.6 billion over the medium term (including conditional grants to provinces for HIV and AIDS). Of the R6.6 billion total, the health sector consumes R5.6 billion (85 per cent) over the medium term. Notably these allocations exclude provincial discretionary allocations sourced from provinces' own budgets.

When adding the provincial discretionary health HIV and AIDS allocations to the nationally-sourced health allocation of R5.6 billion, the total (consolidated) health HIV and AIDS budget increases to R8 billion over the medium term. This indicates that provincial health departments are allocating additional R2.3 billion for HIV and AIDS from their own budgets.

Figure 2: Comparison of HIV and AIDS conditional grants and specific allocations to national departments in 2005/6



	Education Lifeskills	Health HIV and AIDS	Social Development CHBCS
Additional allocation to the national department (2005/6)	0	396	48
Conditional grant amount (2005/6)	136	1,135	138

Source: National Treasury – Estimates of National Expenditure 2005. Idasa calculations.

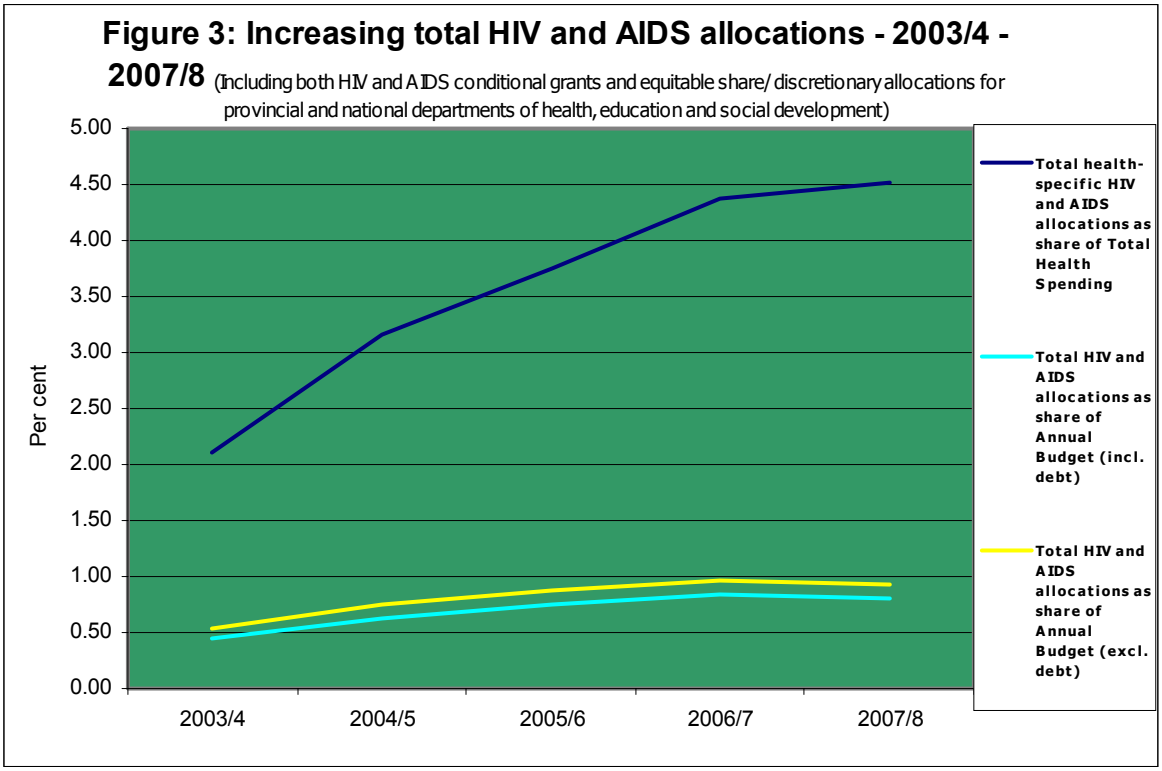
Figure 2 divides each HIV and AIDS national subprogramme allocation into a) funds transferred to provinces as conditional grants, and b) funds spent directly by the national department. It shows that in 2005/6 the national education department has not provided a budget for HIV and AIDS work at the national level. The Social Development department has allocated R48 million for its national HIV and AIDS office, to provide management support and oversight over the provinces. Similarly, for this purpose the national health department has allocated R396 million for its national level response.

However, the health sector is responsible for a massive share in the total HIV and AIDS expenditure. This raises a concern that the health sector is still dominating the HIV and

AIDS response in spite of the fact that HIV and AIDS is not only a health issue. Multisectoralism requires that all sectors involved in the response should receive an equitable amount of resources to facilitate their response. Arguably, the health sector shoulders more responsibilities than any other sector in responding to HIV and AIDS, resulting in more funding channeled to the provincial health departments. Thus, the health HIV and AIDS conditional grant spending is deemed to be very large, in line with available resources.

Figure 3 below shows that, as a share of the consolidated national and provincial health budget, health HIV and AIDS allocations are steadily increasing, from 2 per cent in 2003/4 to 4.5 per cent in 2007/8. Total HIV and AIDS allocations (including allocations to the departments of health, education and social development at both national and provincial levels) will grow more slowly as a share of the total annual budget. Figure 3 compares two scenarios where total HIV and AIDS allocations are calculated as a share of annual budget including (Scenario 1) and excluding (Scenario 2) debt payments. Total HIV and AIDS allocations as a share of the total annual budget seem to grow slowly in both scenarios, but more slowly when debt payments are included (Scenario 1). This indicates that debt payments affect the distribution of resources on local needs. However, the slight growth in both scenarios shows commitment of the government to make resources available for HIV and AIDS interventions in the health sector.

Figure 3: Increasing total HIV and AIDS allocations - 2003/4 - 2007/8 (Including both HIV and AIDS conditional grants and equitable share/ discretionary allocations for provincial and national departments of health, education and social development)

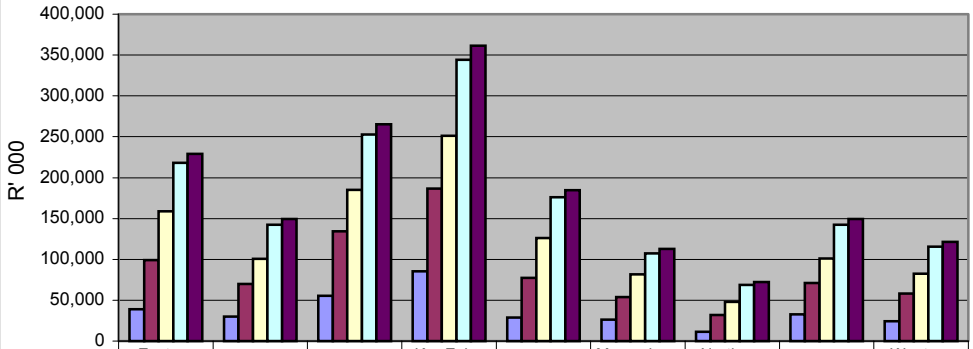


Sources: 2005/6 Provincial Budget Statements; National Treasury - Division of Revenue Bill 2005/6. National Treasury – Estimates of National Expenditure 2005. Idasa calculations.

4. HIV and AIDS allocations in the 2005/6 provincial budgets

Looking at provincial budgets specifically, actual national transfers (conditional grants) for HIV and AIDS to provinces indicate large gaps in the allocations of funds between the three sectors delivering government's integrated response to HIV and AIDS, i.e. departments of education, health and social development. Graphically, Figures 1 and 2 showed that the health department gets more financial resources for HIV and AIDS than any other social sector department. In 2005/6 the health share in the total HIV and AIDS conditional grant budgets is 81 per cent, leaving the remaining 19 per cent to be shared between education and social development sectors. Figure 4 below shows health HIV and AIDS conditional grant allocations for 2003/4 to 2007/8 by province. KwaZulu-Natal and Gauteng consistently receive the largest health HIV and AIDS conditional grant allocations.

Figure 4: Provincial health HIV and AIDS conditional grants by province (2003/4 - 2007/8)



	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
2003/04	38,934	30,144	55,275	85,591	28,962	26,287	11,268	32,891	24,204
2004/5	98,970	69,969	134,231	186,348	77,430	53,840	31,881	70,981	57,962
2005/6	159,005	100,874	185,048	251,468	125,899	81,392	48,050	100,921	82,451
2006/7	218,021	142,265	252,695	344,304	175,861	107,479	68,603	142,316	115,670
2007/8	228,922	149,378	265,330	361,519	184,654	112,853	72,033	149,432	121,454

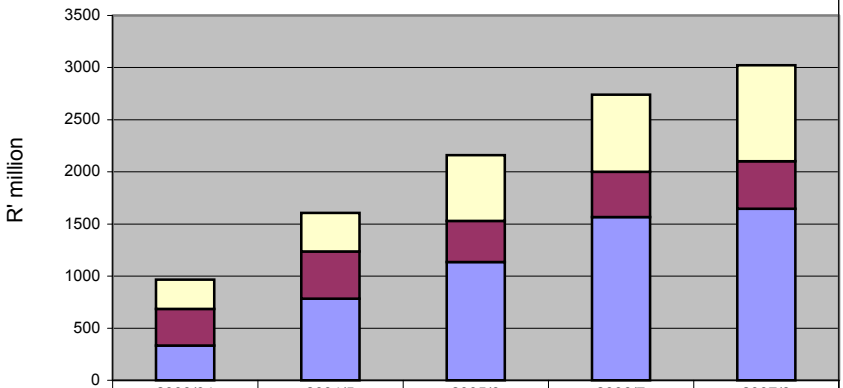
Source: 2005/6 Provincial Budget Statements; Division of Revenue Bill 2005/6. Idasa calculations.

Nevertheless, when looking at total health HIV and AIDS allocations it is important to track where the money is coming from and where it is mostly used. This helps to indicate which of the government levels is responsible for the bulk of implementation. This analysis also assists to improve monitoring of spending and accountability. Figure 5 below shows how the total health HIV and AIDS allocations are distributed between national and provincial spheres. Graphically, the health HIV and AIDS conditional grants which are spent at provincial level make up the majority of earmarked HIV and AIDS funds in the health sector. In 2005/6, 53 per cent of the total health HIV and AIDS spending by was conditional grants sourced from national government and spent by provinces. This figure increases to 55 per cent in 2007/8. The provinces contributed 30 per cent of the total health HIV and AIDS budgets from their own discretionary budgets

in 2005/6 and 2007/8. Spending at national level decreases as a share of the total health HIV and AIDS budgets, from 17 per cent in 2005/6 to 15 per cent in 2007/8.

Both conditional grants and provincial discretionary allocations are spent by provincial health departments. Provinces continue to lead the health HIV and AIDS response, spending 83 per cent and 85 per cent of the total health HIV and AIDS resources available in 2005/6 and 2007/8 respectively.

Figure 5: Distribution of health HIV and AIDS allocations in the national and provincial budgets 2003/4 - 2007/8

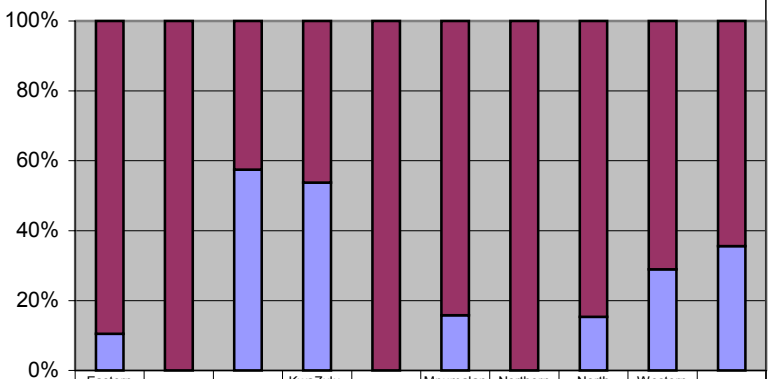


	2003/04	2004/5	2005/6	2006/7	2007/8
Provincial Health Discretionary HIV and AIDS Spending	280	372	628	739	920
National DOH HIV and AIDS Allocations	352	453	396	434	457
Health HIV and AIDS CGs	334	782	1135	1567	1645

Sources: 2005/6 Provincial Budget Statements; National Treasury - Division of Revenue Bill 2005/6. National Treasury – Estimates of National Expenditure 2005: 346. Idasa calculations.

Once again, Figure 5 above shows us that more resources for the health response to HIV and AIDS are utilised at provincial level. However, it is important to understand the distribution of allocations by province to see which provinces allocate more money from their own budgets, to supplement conditional grants from national government. Figures 6 and 7 below compare provincial health HIV and AIDS discretionary allocations with conditional grants from the national level. Both these graphs show that some provinces allocate more money from their own sources in addition to conditional grants. However, both figures show that other provinces have not added or recorded any allocations from their own budgets, appearing to be entirely dependent on conditional grants for HIV and AIDS services.

Figure 6: Comparative shares of provincial health HIV and AIDS discretionary and conditional grant allocations for 2005/6



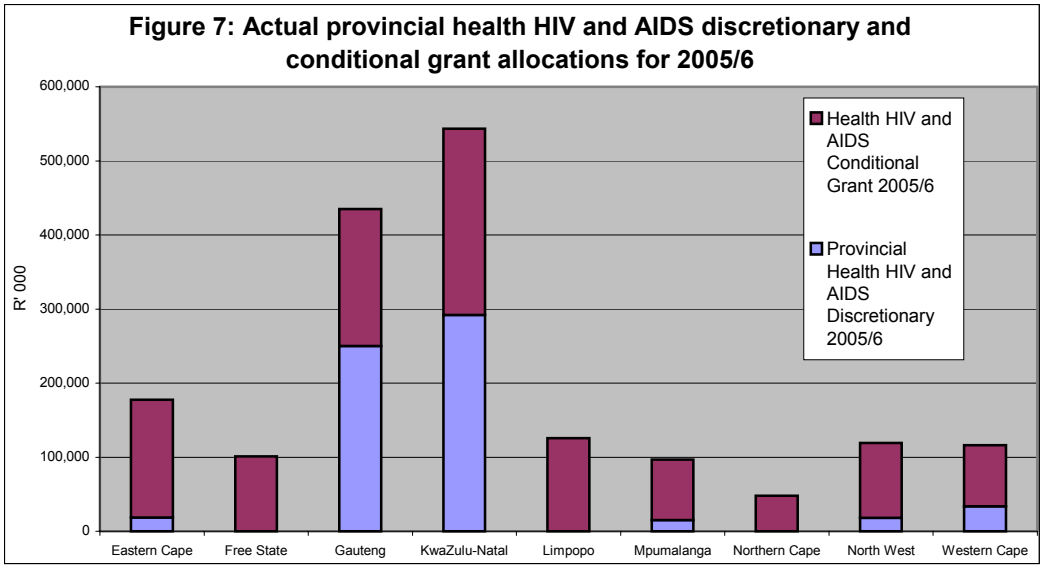
	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	TOTAL
Health HIV and AIDS Conditional Grant 2005/6 (R' 000)	159,005	100,874	185,048	251,468	125,899	81,392	48,050	100,921	82,451	1,135,108
Provincial Health HIV and AIDS Discretionary 2005/6 (R' 000)	18,575	0	250,000	291,836	0	15,304	0	18,320	33,572	627,607

Sources: 2005/6 Provincial Budget Statements; National Treasury - Division of Revenue Bill 2005/6. Idasa calculations.

Figures 6, 7 and 8 all show that some provinces do not add their own funds to the conditional grant funds for HIV and AIDS sourced from national government. However, most provinces are proactively allocating additional monies to the conditional grants from national government. KwaZulu-Natal and Gauteng allocate the largest additional amounts to health HIV and AIDS programmes:

- In 2005/6 KwaZulu-Natal has allocated 54 per cent of its total health HIV and AIDS budget from its own budget, increasing to 64 per cent of the budget in 2007/8.
- Gauteng allocates 57 per cent of its health HIV and AIDS budget from its own sources in 2005/6, and 45 per cent in 2007/8.

An increased share of aggregate provincial discretionary allocations in the total provincial health HIV and AIDS budgets is due to large allocations from KwaZulu-Natal and Gauteng. Other provinces such as the Western Cape and Eastern Cape also add more money from their own financial sources, but do not have a large impact on the total aggregate contribution. Given the high HIV prevalence rates in both KwaZulu-Natal and Gauteng, their large additional resources for HIV and AIDS in the health sector are commendable and should be encouraged to mitigate the heavy burden these two provinces are carrying.

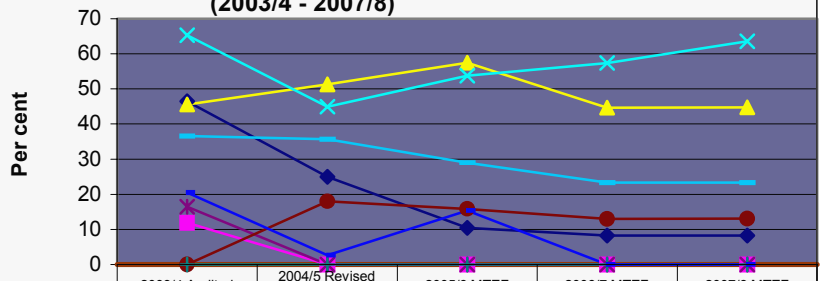


Sources: 2005/6 Provincial Budget Statements; National Treasury - Division of Revenue Bill 2005/6. Idasa calculations.

Information available from the provincial budgets indicates that the total provincial health HIV and AIDS subprogramme budgets have increased nominally from R1.2 billion in 2004/5 to R1.8 billion in 2005/6. The budgets further increase to R2.3 billion in 2006/7 and R2.6 billion in 2007/8. Commendably the provincial health HIV and AIDS budgets alone have a total budget of R6.6 billion (including conditional grant transfers from national government) for the 2005/6 – 2007/8 medium term. As mentioned earlier, the total (consolidated) health budget for HIV and AIDS for the MTEF period increases to R8 billion when all the national and provincial health HIV and AIDS allocations are added together.

Figure 8 below illustrates shares of provincial discretionary health allocations in the total provincial health HIV and AIDS subprogramme budgets. As explained above, KwaZulu-Natal and Gauteng lead the provinces in allocating massive resources from their own budgets. This is very important for sustainability purposes. Given that conditional grant funds are national government's mechanism of ensuring that HIV and AIDS services are delivered, provinces must be mobilising resources from their own sources to ensure that HIV and AIDS interventions are sustained. Similar to donor funding, national government funding transfers to provinces may cease, forcing provinces to take over funding of key HIV and AIDS services. Without commitment and proactive planning and budgeting on the part of provinces, those key HIV and AIDS services would be at risk of discontinuing.

Figure 8: Provincial health (discretionary) allocations as share of total provincial health HIV and AIDS Subprogramme Budgets (2003/4 - 2007/8)



	2003/4 Audited	2004/5 Revised estimate	2005/6 MTEF	2006/7 MTEF	2007/8 MTEF
Eastern Cape	46	25	10	8	8
Free State CGs Only	12	0	0	0	0
Gauteng	46	51	57	45	45
KwaZulu-Natal	65	45	54	57	64
Limpopo CGs Only	16	0	0	0	0
Mpumalanga	0	18	16	13	13
Northern Cape CGs Only	0	0	0	0	0
North West (Only CGs for 2006/7 - 2007/8)	21	3	15	0	0

Source: 2005/6 Provincial Budget Statements. Idasa calculations.

Unfortunately, some provinces do not report or record their discretionary spending on HIV and AIDS, resulting in the 'zero' percent entries as shown on Figure 8 above. There are two potential reasons for this. Firstly, these provinces may have not proactively allocated additional resources for HIV and AIDS from their own budgets. Secondly, the provinces may be budgeting implicitly, to deal with non-traceable costs of HIV and AIDS, such as increased hospital beds and treatment of opportunistic infections due to HIV and AIDS. This exercise is important because it is known that provinces cannot entirely depend on conditional grant funds for HIV and AIDS interventions. Importantly, essential HIV and AIDS related activities not covered in the conditional grant interventions should be paid for from provinces' own budgets.[11]

However the missing information in some provincial budget documents indicates a need to improve on data management and reporting. This will consequently improve monitoring, accountability and transparency. It will also help the provinces themselves to better understand what they are spending on HIV and AIDS and where the funding gaps might be. In addition, appropriate reporting on budgets also facilitates monitoring of actual expenditures. Thus, Hickey et al (2003: 61) reported that "calculations based solely on official budget statements under-report the amount provinces are dedicating to HIV and AIDS in their health budgets."[12] They also implied that it is easier to monitor conditional grant expenditure because all the information is readily available, as compared to discretionary expenditure which is poorly reported.

[11] Idasa is planning to collect information on discretionary HIV and AIDS spending through interviews with relevant government officials.

[12] Hickey, A. Ndlovu, N and Guthrie, T. 2003. Budgeting for HIV/AIDS in South Africa. Report on intergovernmental funding flows for an integrated response in the social sector. Idasa – AIDS Budget Unit. Available at www.idasa.org.za/bis

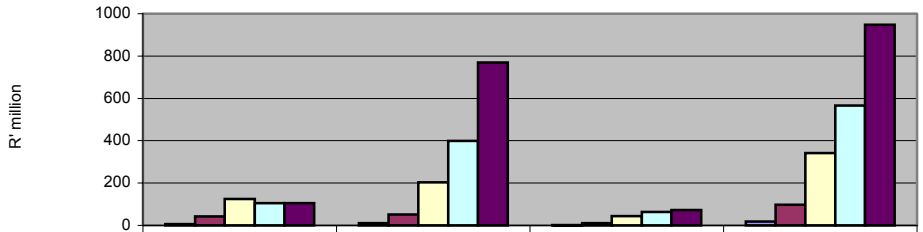
5. Final spending records on the HIV/AIDS conditional grant funding for 2004/5

Spending analyses performed in this brief are based on information from the *Statements of National and Provincial Governments' Expenditure* published by National Treasury, using figures submitted quarterly by provinces to national government. Ndlovu (2004: 17) identified shortcomings in this source of information which is mainly used to calculate HIV and AIDS conditional grant spending.[13] The three basic shortcomings were identified as:

> *"Firstly, [that] provinces may report on spending on non-conditional grant funds from their own budget and thus reported spending rates on conditional grants may exceed 100 per cent. Secondly, provinces may also report on rollovers which are funds that remained unspent in the previous financial year, and are rolled over to the current financial year. In addition, provincial reporting is not always accurate as some of the data may not be captured in a timely manner, leading to under-reporting."*[14]

Expenditure figures used in Figure 9 for 2000/1 to 2003/4 are final audited figures already reviewed to minimise shortcomings as identified above. Figures for 2004/5 expenditure are actual amounts spent which will undergo auditing before they are regarded as final.

Figure 9: Total provincial HIV and AIDS conditional grant expenditure by sector (2000/1 - 2004/5)



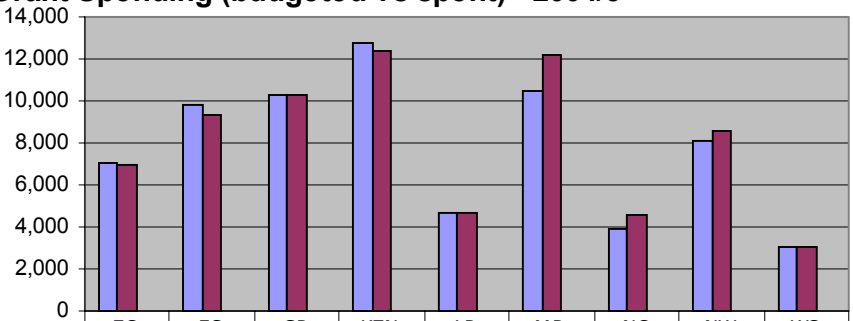
	Lifeskills conditional grant	Health conditional grant	CHBCS conditional grant from DSD	Total HIV/AIDS conditional grants
2000/1 actual spent	6	10	2	18
2001/2 actual spent	42	51	10	97
2002/3 actual spent	125	204	44	342
2003/4 actual spent	105	399	63	566
2004/5 actual spent (unaudited)	105	770	72	947

Sources: 2000/1 figures are taken from 2001 Intergovernmental Fiscal Review and 2001 Budget Review. 2001/2 and 2002/3 figures are primarily taken from Statements of the National and Provincial Governments' Revenue and Expenditure and National Borrowing as at 31 March 2002, and as at 31 March 2003, with some corrections made based on information obtained from interviews with: Deputy Director: HIV/AIDS, Department of Social Development; and HIV/AIDS coordinators in provincial education, health and social development/welfare departments. 2004/5 expenditure figures are based only on National Treasury's Statements of the National and Provincial Governments' Revenue and Expenditure and National Borrowing as at 31 March 2005. Idasa calculations.

Figure 9 above shows a consistently increasing spending record of total HIV and AIDS conditional grants.

[13] Ndlovu, N. 2004. *HIV/AIDS expenditure in the 2004/5 provincial budgets: Trends in budget allocations and spending.* Budget Brief No.147. Idasa – AIDS Budget Unit. Available at www.idasa.org.za/bis.
[14] Ibid

Figure 10: Social Development's HIV and AIDS Community-Based Care Grant Spending (budgeted vs spent) - 2004/5

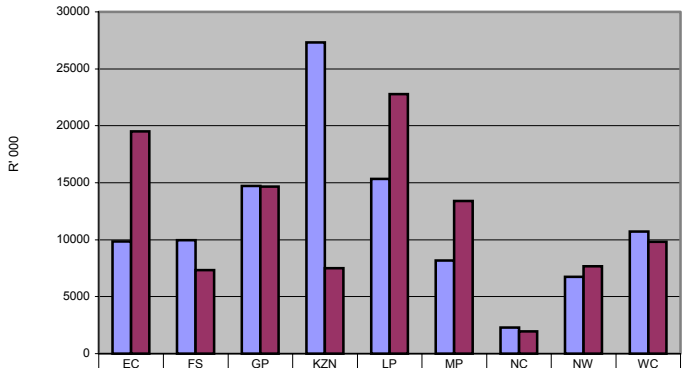


	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2004/5 total available	7,089	9,825	10,315	12,773	4,634	10,456	3,930	8,070	3,088
2004/5 unaudited provincial actual payments	6,962	9,297	10,315	12,389	4,634	12,198	4,605	8,536	3,088
Percent spent of HIV and Aids (Community-based care) conditional grants 2004/5	98.2%	94.6%	100.0%	97.0%	100.0%	116.7%	117.2%	105.8%	100.0%

Source: Expenditure figures are based on National Treasury's Statements of the National and Provincial Governments' Revenue and Expenditure and National Borrowing as at 31 March 2005. Idasa calculations.

The social development sector is also spending more money each year on the Community and Home Based Care Services programme. Figure 10 above shows that provincial social development departments spent 103 per cent of the allocated total for Community and Home Based Care Services. Mpumalanga, Northern Cape and North West reported overspending of 17 per cent, 17 per cent and 6 per cent respectively. All the other provinces spent close to 100 per cent of their budgets, with the Free State recording the lowest expenditure at 95 per cent.

Figure 11: Comparisons of provincial education HIV and AIDS conditional grant spending for 2003/4 and 2004/5



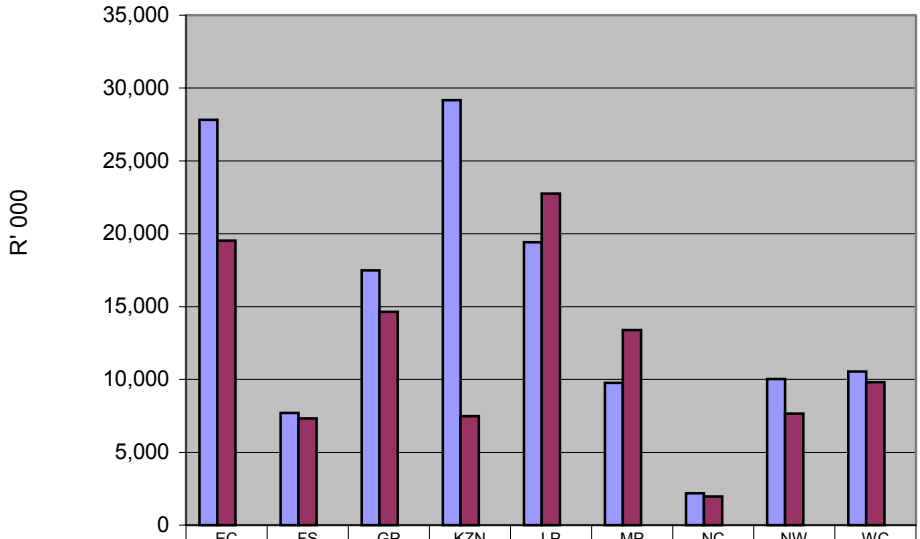
	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2003/4 Actual Spend	9857	9956	14734	27301	15338	8173	2289	6753	10724
2004/5 unaudited provincial actual payments	19,515	7,337	14,651	7,493	22,773	13,402	1,971	7,657	9,814

Source: Expenditure figures are based on National Treasury's Statements of the National and Provincial Governments' Revenue and Expenditure and National Borrowing as at 31 March 2005. Idasa calculations.

Aggregate education sector spending dropped from 86.5 per cent in 2002/3 to 80 per cent in 2003/4. Unfortunately this is becoming a negative trend as the final 2004/5 spending figures indicate that provincial education departments spent only 78 per cent of the financial year's allocation. Budget figures for the education departments in this brief showed that the education HIV and AIDS Lifeskills budget drops by 3 per cent in real terms in 2005/6. There is a possibility that national government's allocation of less resources for HIV and AIDS in the education sector is influenced by slow spending rates by provincial education departments.

KwaZulu-Natal is mainly responsible for poor spending of the HIV and AIDS Lifeskills conditional grant in 2004/5. They spent only 26 per cent (R7.5 million) out of a total budget of R29.2 million. Figures 11 and 12 illustrate this. However in the previous year 2003/4, KwaZulu-Natal spent the largest amount of the provincial education Lifeskills conditional grant in 2003/4 (in absolute terms). A massive decline in the 2004/5 spending raises concerns because the education sector has an important role to play in protecting the youth who are at high risk of HIV infection. The aggregate spending rate of 78 per cent in 2004/5 cautions that there is a serious problem challenging the education sector in responding to HIV and AIDS. However the problem seems to be in KwaZulu-Natal as other provinces spent better than in the previous year (2003/4). An investigation is necessary to discover what the challenges are and how they can be urgently addressed.

Figure 12: Education Life Skills Education Conditional Grant Spending (budgeted vs spent) - 2004/5

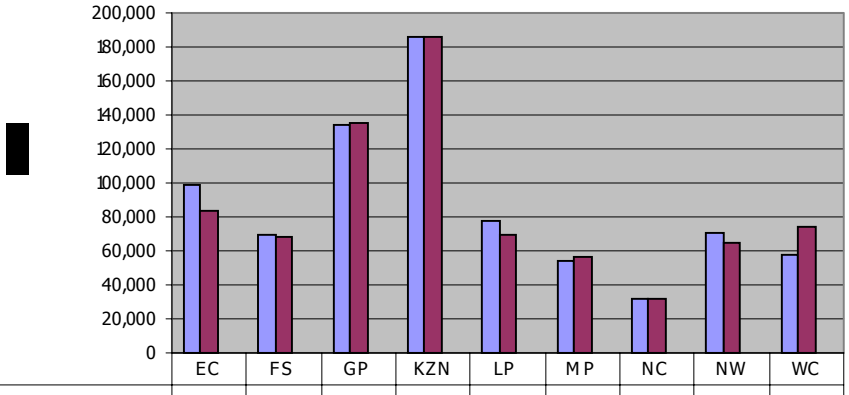


	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2004/5 total available	27,816	7,715	17,487	29,188	19,415	9,772	2,186	10,029	10,543
2004/5 unaudited provincial actual payments	19,515	7,337	14,651	7,493	22,773	13,402	1,971	7,657	9,814
Percent spent Life Skills Education conditional grant	70.2%	95.1%	83.8%	25.7%	117.3%	137.1%	90.2%	76.3%	93.1%

Source: Expenditure figures are based on National Treasury's Statements of the National and Provincial Governments' Revenue and Expenditure and National Borrowing as at 31 March 2005. Idasa calculations.

Aggregate provincial health HIV and AIDS conditional grant spending has increased from 95 per cent in 2003/4 to 99 per cent in 2004/5. This is a welcomed effort by provinces which must be strengthened through facilitation and/or improvement in spending and reporting of provincial health conditional grants for HIV and AIDS. In line with increased budget allocations for a health sector response to HIV and AIDS, provincial health departments are demonstrating improved capacity to spend and absorb new resources channelled to health HIV and AIDS interventions. Figures 13 and 14 show an improvement in health HIV and AIDS conditional grant expenditure, both in percentage as well as in actual amounts spent.

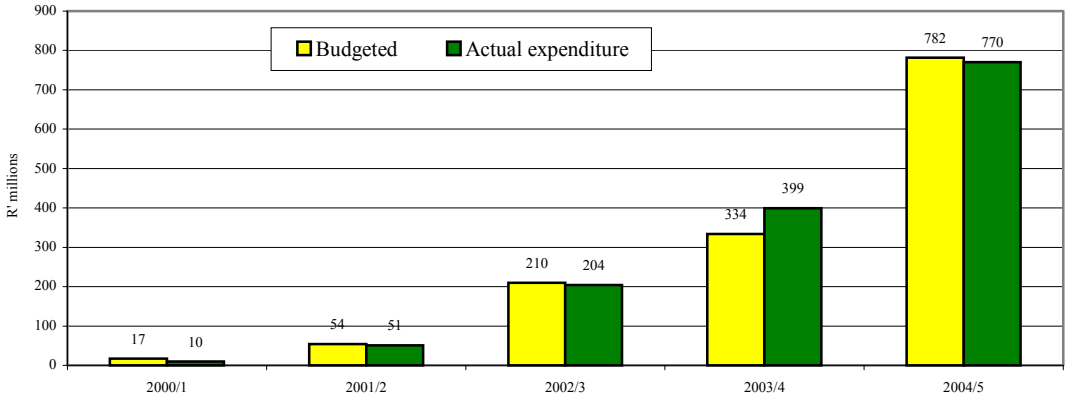
Figure 13: Health HIV and AIDS Conditional Grant Spending (budgeted vs spent) - 2004/5



	EC	FS	GP	KZN	LP	MP	NC	NW	WC
2004/5 total available	98,970	69,969	134,231	186,348	77,430	53,840	31,881	70,981	57,962
2004/5 unaudited provincial actual payments	83,896	67,924	134,986	186,348	69,283	56,492	31,881	64,618	74,649
Percent spent	85%	97%	101%	100%	89%	105%	100%	91%	129%

Source: Expenditure figures are based on National Treasury's Statements of the National and Provincial Governments' Revenue and Expenditure and National Borrowing as at 31 March 2005. Idasa calculations.

Figure 14: Provincial spending on HIV/AIDS conditional grants in the health sector - 2004/5



Source: Expenditure figures are based on National Treasury's Statements of the National and Provincial Governments' Revenue and Expenditure and National Borrowing as at 31 March 2005. Idasa calculations.

6. Conclusion and recommendations

HIV prevalence continues to grow despite increased allocations for HIV and AIDS. The South African government needs to conduct an urgent impact assessment to identify the gaps that lead to increased infection rates and that undermine efforts to mitigate the impact of HIV and AIDS. Obviously there is a need to strengthen the government's prevention strategies to be able to contain the spread of HIV. This is very important as we have seen prioritisation of AIDS treatment in the Comprehensive Plan for HIV and AIDS in South Africa, as well as in the actual resource allocation process. In summary, prevention and treatment campaigns must balance, to ensure that those who are uninfected remain that way, and that those who are already infected receive quality health care and necessary treatment.

However, increased funding for HIV and AIDS demands increased capacity to spend. This is very important because there are numerous sources of funding for HIV and AIDS in South Africa, in addition to the government, which require that resources are spent effectively and efficiently. For example, donor agencies such as the Global Fund for AIDS, TB and Malaria (GFATM), various governments such as the United States and United Kingdom governments, and the private sector, are all channelling large amounts of money to be spent on HIV and AIDS. This creates pressure on provincial health departments as service providers to spend more money with limited human resources.

In the 2005/6 financial year, the education sector witnessed a 3 per cent decline, in real terms, in budget allocations for the HIV and AIDS Lifeskills Education programme. This seems to be in line with low spending by some provinces on the Lifeskills conditional grants. Nonetheless, it is evident that the health sector still consumes more conditional grant funding for HIV and AIDS than any other sector. Importantly, in addition to massive increases in conditional grant transfers, some provinces are allocating additional funds from their own budgets. As mentioned earlier, this is commendable because it provides essential backup and ensures sustainability of interventions. In this regard, provinces must improve reporting on additional spending to reflect provincial governments' commitment to the fight against HIV and AIDS.

In addition, linked to a need to improve data management and reporting, provinces also need to provide more disaggregated information to help in monitoring commitment to each of the spending components within the health HIV and AIDS programmes. For example, disaggregating information in the official budget documents would assist in comparing spending between prevention, treatment, care and support, and other spending areas with the health sector. Without this disaggregation, one cannot tell what are the priority spending areas of the provincial departments.

Finally, provinces need to ensure that they improve their spending capacity as much as they receive additional funding for HIV and AIDS. National government should strengthen its monitoring activities so that it can identify gaps in a timely manner and provide necessary support where required.