



HIV AND AIDS ANALYSIS OF THE SOUTH AFRICAN NATIONAL BUDGET
(2009/10)ⁱ

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February 2009

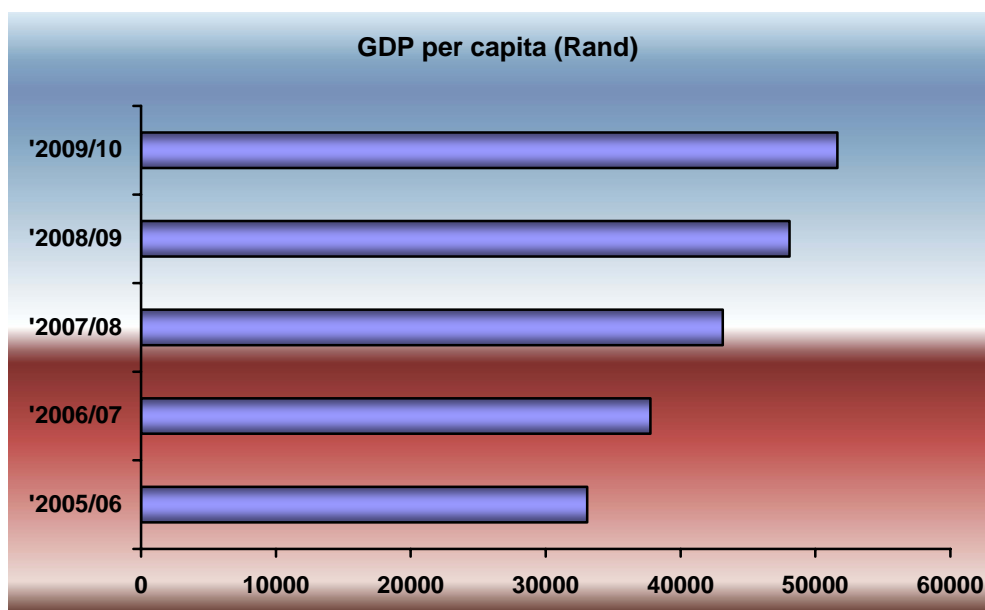
Understanding the art of Budgeting

A government budget is a legal financial statement which indicates how government plans to use its expected resources (revenue) to meet its goals for a given period. The national resources are always not adequate to meet the desired national needs, hence there is *scarcity*. Scarcity exists because human wants and needs exceed the quantity of goods and services that can be produced using all available resources. Scarcity is a challenge in budgeting and hence policy-makers are required to make *choices*. They have to determine *what* to produce, *when* to produce, *where* to produce, *how* to produce and *for whom*. Policy-makers therefore need to weigh the marginal costs and marginal benefits of different budget items and make choices based on the national priorities.

Global and macroeconomic outlook

The 2009/10 budget was presented against a backdrop of a combination of cyclical domestic factors and the international economic crisis. This has resulted in a significant deterioration in South Africa's growth outlook. 2008 witnessed the worst economic recession since the Great Depression of 1930. The 2008/2009 recession saw private consumption fall for the first time in nearly 20 years. This indicates the depth and severity of the current recession. With consumer confidence so low, recovery will take a long time. Consumers in the United States have been hard hit by the current recession, with the value of their houses dropping and their pension savings decimated on the stock market. Not only have consumers watched their wealth being eroded - they are now fearing for their jobs as unemployment rises. U.S. employers shed 63,000 jobs in February 2008.

This recession had a ripple effect on most economies (both developing and developed), including South Africa. GDP growth in South Africa slowed to an estimated 3.1% in 2008 after averaging 5% in the previous four years. GDP growth is projected to slow to 1.2% in 2009. Economic activity is expected to start recovering in the second half of the year in response to declining debt levels, lower interest rates and a more expansionary fiscal policy. It is therefore expected that the 1.2% growth should be distributed among the population. Since HIV & AIDS are a priority we would therefore expect that the HIV & AIDS budget should also increase by 1.2% in the next fiscal year.



GDP per capita measures the GDP per person. The graph above shows that it has been increasing since 2005/06. There is, however, a slight decline in the rate of growth of GDP per capita. This may be because of a decline in the rate of increase of GDP.

In 2008, South African producers were affected by a series of economic shocks, including electricity shortages, rising input costs, higher interest rates and slowing demand. Household consumption has fallen in response to higher interest rates, reduced credit extension, and pressure on disposable incomes from rising inflation. These variables affect households' ability to seek medical care; for those taking anti retroviral drugs, it is even more challenging as they need a balanced diet for the ARVs to be effective.

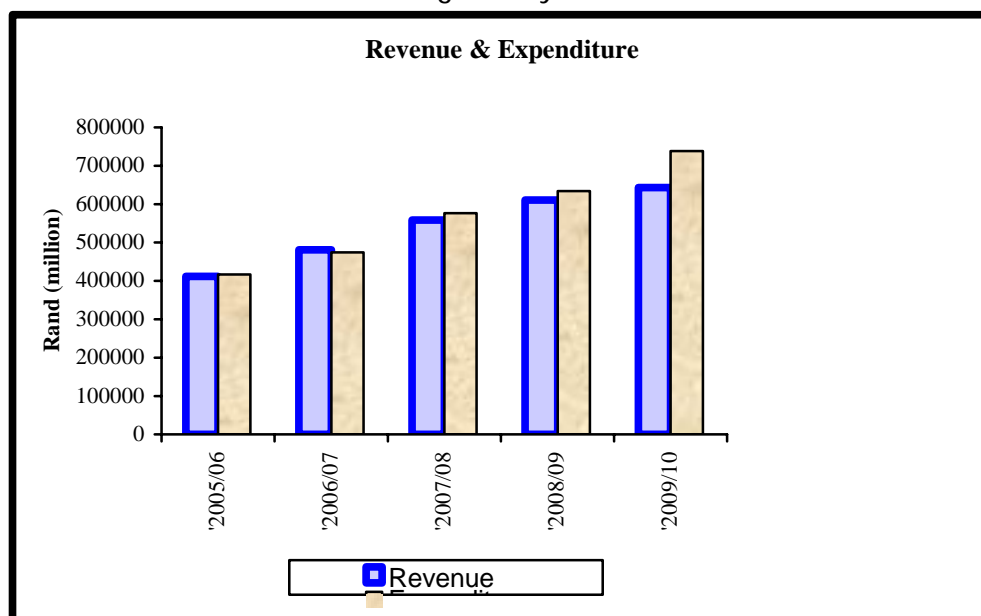
Main highlights for the Medium Term Expenditure Framework (MTEF) period (2009/10- 2011/12)

Variable	Amount
Gross Domestic Product	1.2%
Consumer Price Inflation	5.8%
Total budget	R738.6 billion
Expected revenue	R643 billion
Total health allocation	R17.1 billion
Total HIV and AIDS allocation	R11.4 billion
Budget deficit (Expenditure > Revenue)	R96.6 million

Total budget

The national budget provides for total expenditure of R738.6 billion in 2009/10, increasing to R792.4 billion in 2010/11 and R849 billion in 2011/12. The total revenue for 2009/10 fiscal year is expected to be R643 billion and this shows a budget deficit of R96.6 million. The graph below

shows that revenue and expenditure have been increasing. The budget deficit has also been increasing each year since 2007/08.



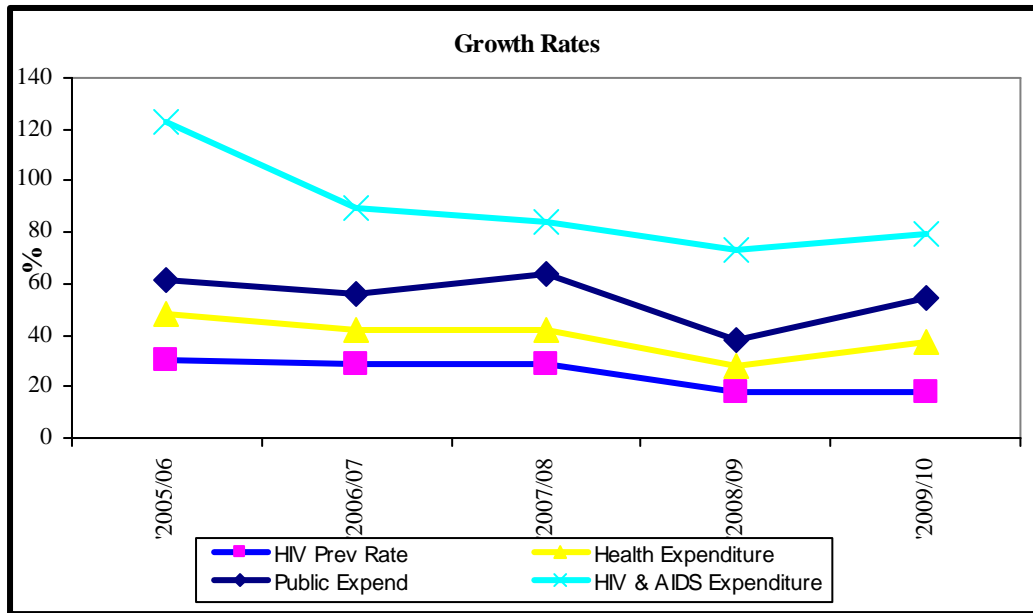
Allocations for health and HIV and AIDS

Departmental spending has grown at an average annual rate of 16.8%, from R9.9 billion in 2005/06 to R15.9 billion in 2008/09. The budget grows by 7.6% in 2009/10 to R17.1 billion and by an average annual rate of 9.6% over the MTEF period to reach R20.9 billion by 2011/12. This amounts to real growth of R5.3 billion over six years. Between 2005/06 and 2011/12 the major areas of growth are in the HIV and AIDS and STIs sub programme (in the Strategic Health Programmes programme), which has grown by R2.7 billion in real terms and the Hospitals and Health Facilities Management sub programme (in the Health Services programme and which contains the hospital revitalisation grant).

HIV and AIDS-specific objectives of the Strategic Health Programmes

- Implementing dual therapy to prevent mother to child transmission of HIV, increasing the number of pregnant women who are tested for HIV from 80% in 2009/10 to 95% in 2010/11, and increasing the percentage of HIV positive mothers and their infants who receive dual therapy from 80% in 2009/10 to 95% in 2011/12
- Reduce HIV prevalence among antenatal attendees from 28% in 2007 to 15% in 2011 (as per the target of the national strategic plan for HIV and AIDS for 2007 to 2011) by scaling up prevention programmes.

The graph below shows the rates of growth for health, HIV and AIDS and total national budget for the period 2005/06 to 2009/10. The rates of growth follow the same trend over the years but the total national budget decreased at a higher rate from 2007/08 to 2008/09.



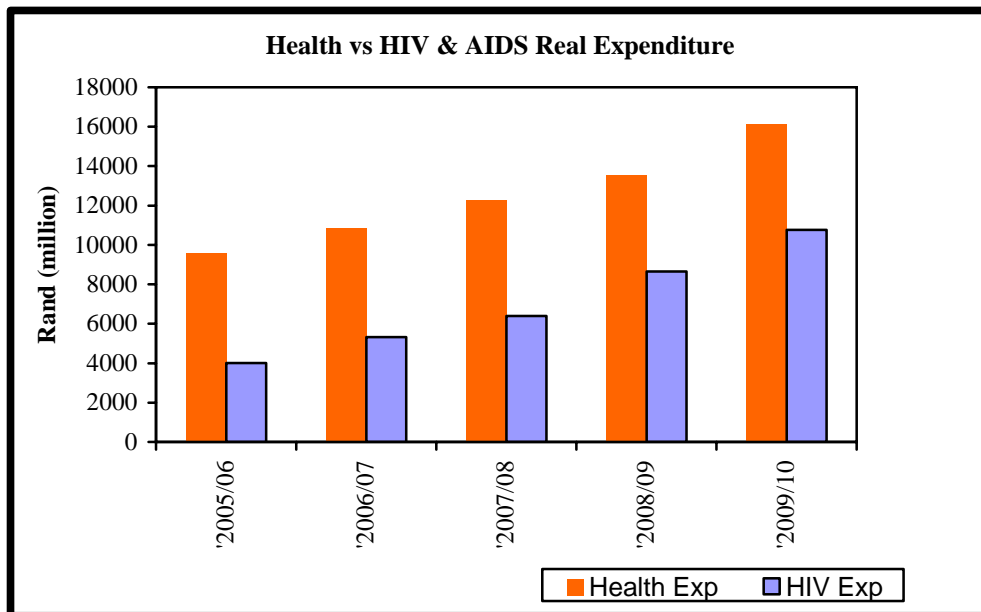
HIV AND AIDS in the 2009/10 budget

According to (UNAIDS, 2008), HIV prevalence in South Africa is 18.1%. Total allocations for HIV and AIDS for the 2009/10 fiscal year are R11.4 billion. This amount includes the allocations to Departments of Education (DOE) and Department of Social Development (DOSD) for provinces and municipalities.

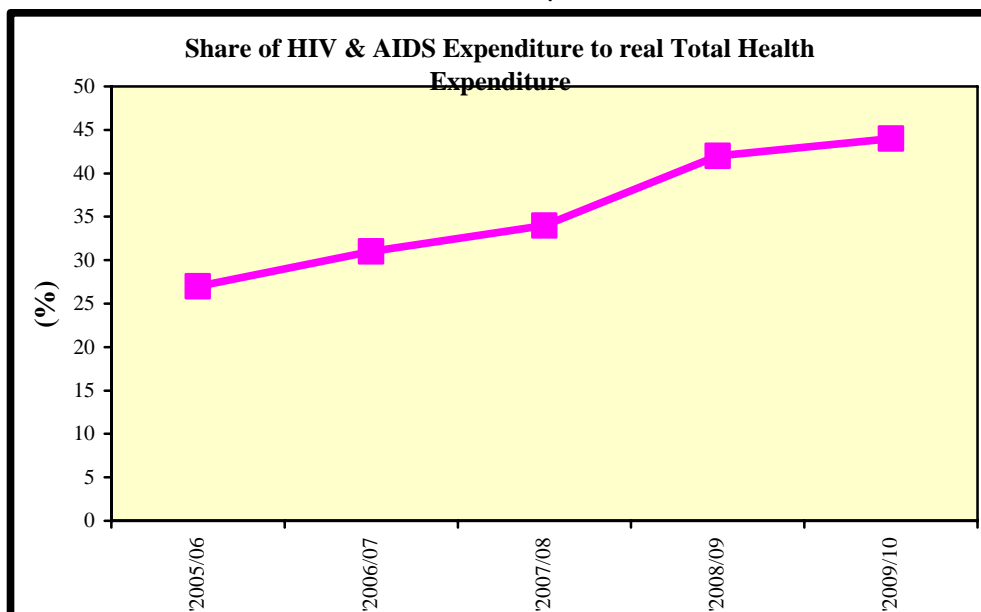
Allocations for HIV and AIDS programmes have been increasing in real terms (after adjusting for inflation). The average annual growth over the MTEF period of 12.6 % is mainly due to the strong growth in the HIV and AIDS and Sexually Transmitted Infections (STIs) sub programme, which has grown from R1.5 billion in 2005/06 to R4.6 billion in 2011/12. For the 2009 Budget, particular attention has gone to rolling out treatment coverage and implementing the improved dual therapy prevention of mother to child transmission programme. Additional HIV and AIDS conditional grant (R200 million, R325 million and R407 million) was allocated to roll out the new dual therapy for prevention of mother to child transmission and expand antiretroviral treatment coverage for the MTEF period.

The tuberculosis and HIV and AIDS programmes both received additional resources. Resources have also been allocated to extend screening of pregnant mothers coming into the public health system and to phase in an improved drug regimen to prevent mother-to-child HIV transmission.

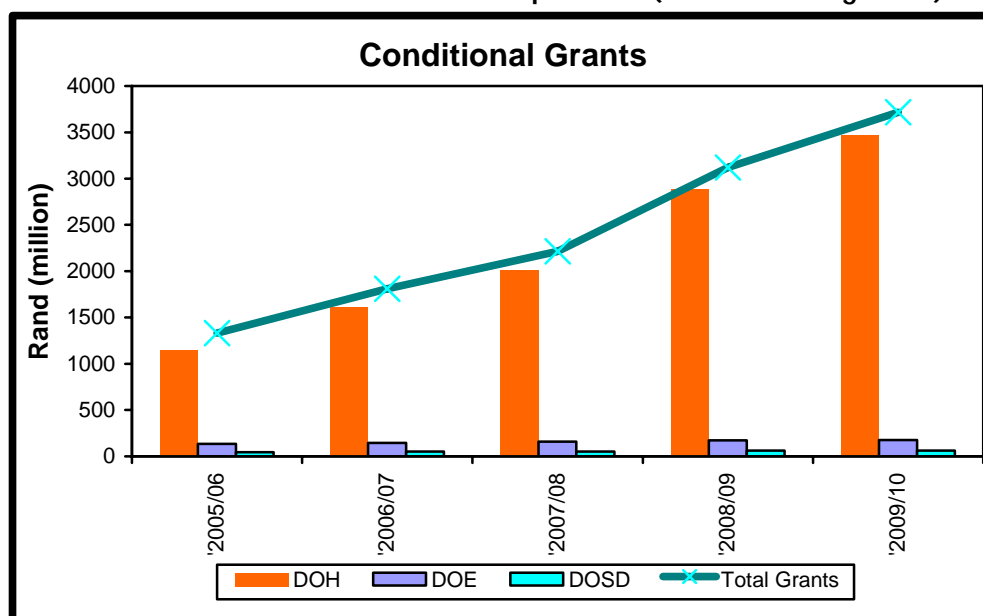
The 2009/10 budget should be commended for managing to surpass the financing requirements of the National Strategic Plan (2007-2011). It was estimated that the country would need R7.9 billion for all the HIV and AIDS programmes for 2009/10 fiscal year using the low cost scenario and R8.8 billion using the high cost scenario. Treasury has allocated R11.3 billion for HIV and AIDS through the Department of Health, Education and Social Development.



There has been a considerable increase in both real and nominal allocations for HIV and AIDS expenditure since 2006/07. HIV and AIDS accounted for more than 50% of the total real health expenditure since 2007/08. The graph below shows an increase consistent increase in the share of HIV and AIDS allocations to the total health expenditure since 2005/06.



Allocations to Provinces and Municipalities (Conditional grants)



R3.4 billion was allocated for HIV and AIDS to the provinces and municipalities in the current fiscal year compared to R2.8 billion in 2008/09. This shows an increase of 82.4%. Conditional grants allocated to the DOH are relatively higher than allocations to DOE and DOSD. DOSD received the least allocations throughout the period under analysis. Allocations to DOE funding is mainly used for the transfer payment of the HIV and AIDS conditional grant to provincial education departments, which are divided among the provinces using the education component of the equitable share formula.

To align the budget and programme structure with the department's strategic objectives, the HIV and AIDS sub programme has been moved to the Community Development programme under DOSD. HIV and AIDS develops, supports and monitors the implementation of policies, programmes and guidelines to prevent and mitigate the impact of HIV and AIDS in line with the 2007 to 2011 national strategic plan for HIV and AIDS and sexually transmitted infections.

Progress on Treatment

By the end of November 2008, 630 775 people living with HIV and AIDS had been initiated on antiretroviral therapy, of which 574 496 were adults and 56 279 children. The medium term expenditure framework provides for an increase of the number of people in need of ARVs and receiving them to 1.4 million by 2011/12. A report (WHO/UNAIDS/UNICEF, 2008) on universal access indicates that approximately 1.7 million people are in need of ARVs in South Africa.

The 2007 antenatal care survey reflected a 1% reduction in HIV prevalence between 2006 and 2007 and a 2% reduction between 2005 and 2007. A total of 259 operational high transmission sites had been established by September 2008, exceeding the 2008/09 target of 253 sites.

Strategies to improve HIV prevention will be implemented to achieve the target of 50% reduction in new HIV infections by 2011 as projected in the national strategic plan. A new dual therapy policy for the prevention of mother to child transmission was introduced in February 2008. In 2009/10, the implementation of this policy will be accelerated to further reduce the proportion of infants born HIV-positive.

Conclusion

It is commendable that the 2009/10 budget managed to allocate adequate resources for HIV and AIDS. This conclusion is based on the financial needs for South Africa as costed in the NSP (2007-2011). There is however need for departments to ensure that the available resources are utilised, utilised efficiently and effectively. Recording a budget surplus is the ideal but it is important to unpack the surplus and ensure that it is proportionate with an improvement in people's welfare.

References

UNAIDS, 2008. *Report on the Global AIDS epidemic*. UNAIDS, Geneva

WHO/UNAIDS/UNICEF, *Towards Universal Access: Scaling Up Priority HIV/AIDS Interventions in the Health Sector, Progress Report*; June 2008

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ⁱ This budget only covers resources allocated to 34 votes, allocations made to the provincial government is not included