

**ADDRESS TO THE HEALTH SYSTEMS TRUST DINNER  
WOODSTOCK, 25th MARCH 2003**

Master of Ceremonies

Friends and Colleagues

The challenges we all face, in building effective, efficient, public-spirited, proactive and progressive health systems, are immense. This conference has a daunting agenda, and I am honoured that you have seen fit to invite me to share some thoughts.

I am mindful that alongside the scientific dimensions of health service delivery, and these are mysterious enough, there are often difficult ethical, institutional and economic dilemmas. So perhaps it is no surprise that health policy attracts critical attention. We have to deal with the difficult issues, however, and so we have to move beyond careless media comment, hasty generalizations and, to be blunt about it, grandstanding and mudslinging. Simple solutions to the medical and health care challenges we face, simply don't exist. Of course, there will be different views on what should be done, by whom and how. But I hope we can all share a commitment to honest engagement on the details and the practicalities of the issues before us. That, after all, is what the discipline and the intellectual rigour of "public health" is all about.

**HEALTH SECTOR FINANCING**

The 2003 Budget includes a substantial increase in health sector financing. An additional R3.4 billion was added to the 2003/04 year health allocations, and R4.5 billion to the forward estimates for 2004/05. Growth in consolidated provincial health budgets has now exceeded 11% for each of the last three years, and spending will continue to grow strongly in real terms in the years ahead.

There is also a marked redistribution of expenditure under way. Health spending grows by 23.5% in Mpumalanga, 20.1% in the Northern Cape, 19.4% in North West and 17.6% in Eastern Cape. Even provinces that have been historically advantaged receive significant increases with the Western Cape and Gauteng's 2003/04 budgets having been increased by R334 million and R373 million respectively.

Since 1994, primary health care has enjoyed priority in resource allocations. Expenditure on primary health care clinics, community centres, community based services and a range of public health interventions will exceed R6 billion next year. In addition, there are rapidly growing ring-fenced funds for HIV/AIDS, nutrition and district hospitals.

Let me briefly highlight some of our health spending priorities. More details will shortly be set out in this year's Intergovernmental Fiscal Review, which I commend to you as a valuable point of departure in getting to grips with the development challenges before us.

## **CAPITAL FINANCING**

Physical rehabilitation of hospitals and improved hospital management are key elements in redressing the legacy of inequity and neglect. Expenditure on the Hospital Revitalisation grant has increased strongly from R140 million in 99/00 to a projected R695 million in 2002/03. Spending will rise to over R1 billion by the outer MTEF year. The increases will fund the complete upgrading or replacement of an additional 18 hospitals as part of a longer term plan to address health sectoral infrastructure.

We have also added a component to this grant to improve systems of medical equipment, to support provinces to do equipment audits, develop computerised medical equipment asset registers and develop better systems

for equipment procurement and replacement. This programme encompasses more than simply addressing backlogs, and intends to achieve modern hospitals with improved functional design, improved equipment and better management and quality control systems.

### **INTEGRATED NUTRITION PROGRAMME**

A second policy thrust of the 2003 budget is to step-up the Primary School Nutrition programme. This rises from an estimated R642 million expenditure in the current year to R1.042 billion in the outer year. This addresses in part the effects of food inflation, increases feeding days to at least 156 days per year in all provinces, standardises school menus at nutritionally recommended levels and includes Grade Rs (entry level year) and certain additional schools.

### **RURAL ALLOWANCE AND SCARCE SKILLS STRATEGY**

A third priority in this year's allocations pertains to personnel, in recognition of the critical role of professional expertise in our health services and the need to redress the deeply distorted regional allocation of doctors and other professionals. The rural allowance is to be substantially increased and its scope broadened to a wider range of professions which are inequitably distributed – such as pharmacists, physiotherapists, psychologists etc. This aims to attract health professions to rural areas to put in place the fundamental health professional core that is required to deliver health services in all provinces.

A scarce skills strategy is being put in place to recruit and retain a range of health professional categories throughout the public service. It aims to address the fact that over 90% of pharmacists, dentists and psychologists practice in the private sector, and takes account of the problem of emigration of skilled professionals. This strategy will improve the remuneration of defined scarce skill professions throughout the public sector, and lead to public sector

recruitment and employment policies that are better aligned to the circumstances of the health sector.

## **HIV/AIDS**

The fourth thrust of the 2003 budget is a further step up in the Enhanced Response to HIV/AIDS. National Treasury has worked closely with the health sector to develop a financing response to support the national HIV/AIDS plan. This work has evolved through several phases:

In the 2002 budget, earmarked funding for HIV/AIDS jumping from R345 million in 2001/02 to over a billion rand in 2002/03 and allocations rising to R1.8 billion in the outer year. The first phase of the Enhanced Response focused on the basic preventive and promotive interventions such as: lifeskills, condoms, voluntary counselling and testing, prevention of mother to child transmission, support for the South African AIDS Vaccine initiative, co-funding the (R100 million per year) Lovelife programme and proper treatment of sexually transmitted infections. It also provided funding to strengthen programme management at provincial level and began laying the foundations for the treatment and care response, through substantial additions to the equitable share in addition to the three conditional grants to the Departments of Health, Education and Social Development.

This year's budget added a further R3.3 billion to government's response. Besides strengthening preventive programmes and supporting faster rollout of the Mother-to-Child programme and full rollout of the post-exposure programme (PEP), the 2003 Budget provides for a substantial boost to care and treatment programmes. This takes into account the additional costs arising from hospitalisation for HIV/AIDS, care of opportunistic infections and TB. The Medium Term Expenditure Framework provides for a progressive strengthening of medically appropriate treatment programmes. A Bilateral Taskteam is currently completing a review of the contribution that anti-

retrovirals can make to extending life expectancy, where they are appropriately administered and monitored. As you will be aware, the costs and complexity of treating Aids effectively are formidable. We will face difficult trade-offs and priority choices in balancing prevention with treatment programmes, matching health care with appropriate social and welfare service provision, and ensuring a fair allocation between responding to HIV/AIDS and addressing other pressing social and development challenges. As I have already stressed, within Government we will face these challenges forthrightly and realistically, and I know that my colleagues in Cabinet share our commitment to this approach.

### **LINKAGE BETWEEN FINANCING AND SERVICE DELIVERY**

The 2003 budget contains several related reforms that strengthen the links between financing and service delivery. The new programme and subprogramme structure for provincial health departments will improve accountability and transparency. It more explicitly shows funding for particular aspects of primary health care (clinics, community health centres, community based services etc.), and different types of hospitals. A new approach to strategic plans has been developed which more closely aligns planning and budgeting and clearly lays out performance and other indicators and measures for proper monitoring and evaluation. The proper use of strategic plans and annual reports, including their financial statements, can help to support the linkage between financing and service delivery.

However, far more needs to be done to strengthen management, delivery and evaluation in this sector.

Increased allocations of funds, if we are serious about service delivery, must in future be driven by improvements in measured performance – progress in improving quality of care, in managing hospitals and clinics better, in

maintaining buildings and equipment, in controlling medicines and other supplies, in meeting appropriate standards of patient care.

This is partly about attitude and behaviour. It is also about elementary management systems:

- Strengthening of supply chains
- Enhanced human resource processes, skills and morale
- Putting in place proper standards of quality and regular audit against set standards
- Better financial management and reporting
- Physical building maintenance and asset management.

There is a wide range of other interventions, which properly belong on the agenda of public health systems development, but are often not the most exciting or headline-grabbing points of contention. I am deeply appreciative of the contribution that your Public Health disciplines have made, and continue to make – health service management sciences, epidemiological and health informatics, environmental and occupational health sciences – all have a proud record of improving well-being, contributing to quality of life and extending life opportunities.

But above all, we as government need, and our people need, your selfless leadership, responsibility and professional expertise in ensuring that basic management systems and improved quality of service delivery remain high on the health development agenda.

I wish you the very best for your conference...