



# Fiscal Federalism and Equity in Resource Allocation to Primary Health Care

Okore A. Okorafor

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## Background

- Equity and PHC – major focal areas for health policy in post apartheid South Africa
- From 1994 to 1996, much progress towards achieving a more equitable distribution of health and PHC resources between geographic areas – centrally controlled allocation process.
- From 1996, slow-down in progress towards equity.
  - 1996, South Africa adopts a fiscal federal system – national, provincial and local government
  - From 1996, provinces have autonomy in determining allocation to the health sector and PHC



## 2000/01 financial year

Province	Per capita PHC expenditure (ZAR 2008 prices)
Eastern Cape	151.32
Free State	140.01
Gauteng	403.05
KwaZulu Natal	233.34
Limpopo	144.25
Mpumalanga	101.82
Northern Cape	178.19
North West	288.50
Western Cape	448.30
South Africa	237.58



## Objective

- Investigate the implication of fiscal federalism on the equitable allocation of primary health care resources in South Africa
  - Sub-national government autonomy
  - Nature (mix) of intergovernmental transfers
  - Trend/criteria for resource allocation
  - Community involvement
  - Stakeholder interests / influences



## Methods

- The study used both primary and secondary data
- **Primary data** collected through in-depth interviews with government officials (at provincial and national levels of government) :
- Jan-August 2007
  - Processes, guidelines and criteria for resource allocation and budgeting
  - Stakeholder interests and influences
  - Financing options for PHC
  - Intergovernmental relations
  - Perspectives on equity (meaning and priority)
  - Extent of community involvement

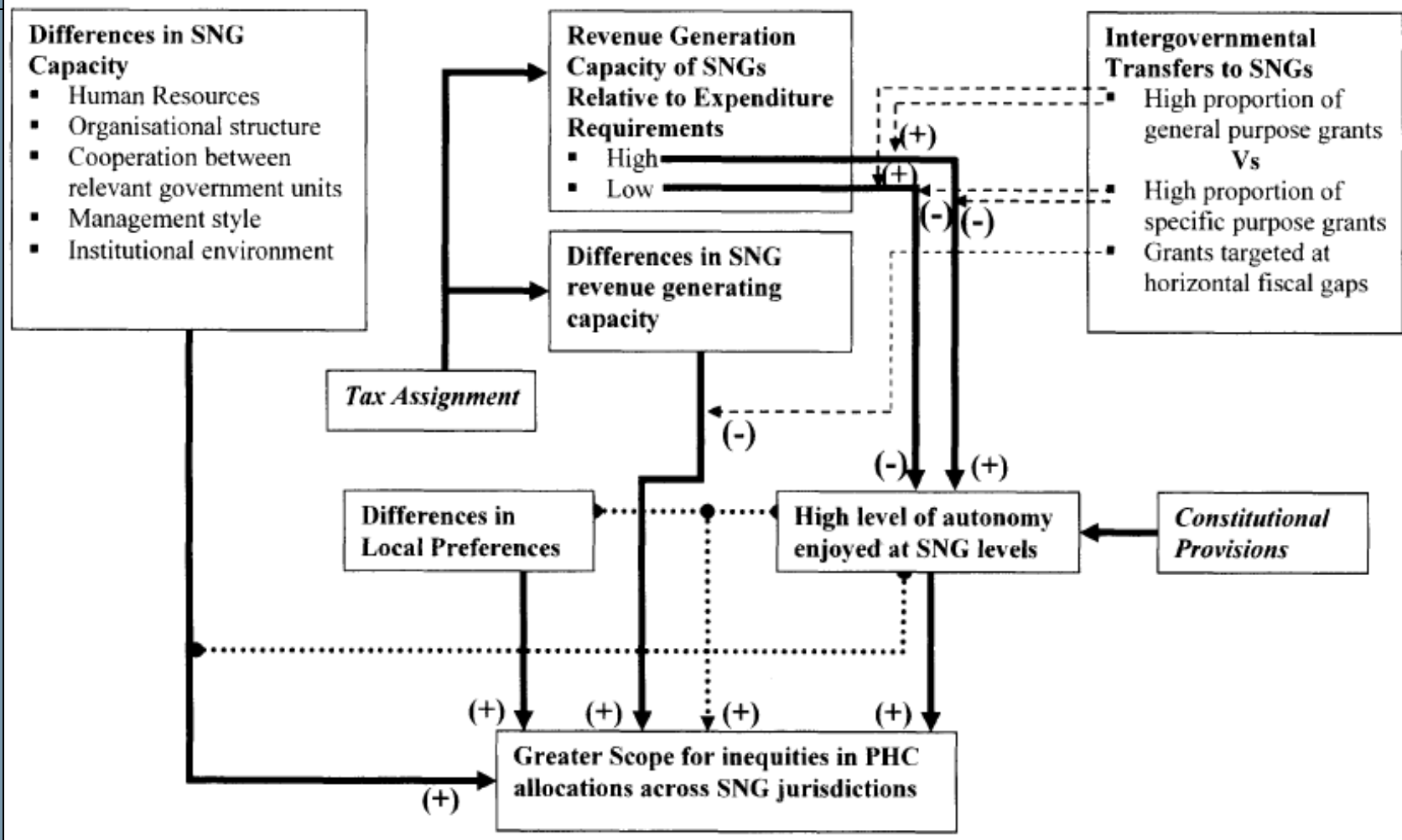


## Methods

- Secondary data was collected on PHC expenditure, socioeconomic and demographic variables - indicators of need
- Data sources:
  - 2001 census data
  - 2005 General household survey
  - 2006 General household survey
  - 2007 Community survey
- Deprivation index as measure of need. Constructed using principal components analysis.
- PHC expenditure and need compared using regression analysis



# A Conceptual Framework





## Theoretical predictions and international experience

- Equity is best achieved if there is significant influence on resource allocation from the centre
- Greater sub-national government (SNG) autonomy in determining allocation to service creates greater scope for inequities
  - Size of SNG own revenue relative to expenditure budget
  - Nature and mix of transfers to SNG (specific/general purpose)
  - Differences in local preferences
  - Differences in SNG capacity
  - Constitutional provisions



## Results

	2001 Census	2005 GHS	2006 GHS	2007 CS
<b>Deprivation Index (Coefficient)</b>	-40.064***	-11.362***	-14.513***	-13.844***
<b>Adjusted R<sup>2</sup></b>	0.2215	0.1270	0.1633	0.1304
<b>Prob &gt;F</b>	0.0003	0.0055	0.0017	0.0050
* = significant at 10% level				
** = significant at 5% level				
*** = significant at 1% level				

Inequities still remain in the distribution of PHC resources

Extent of inequities have reduced !! – How?



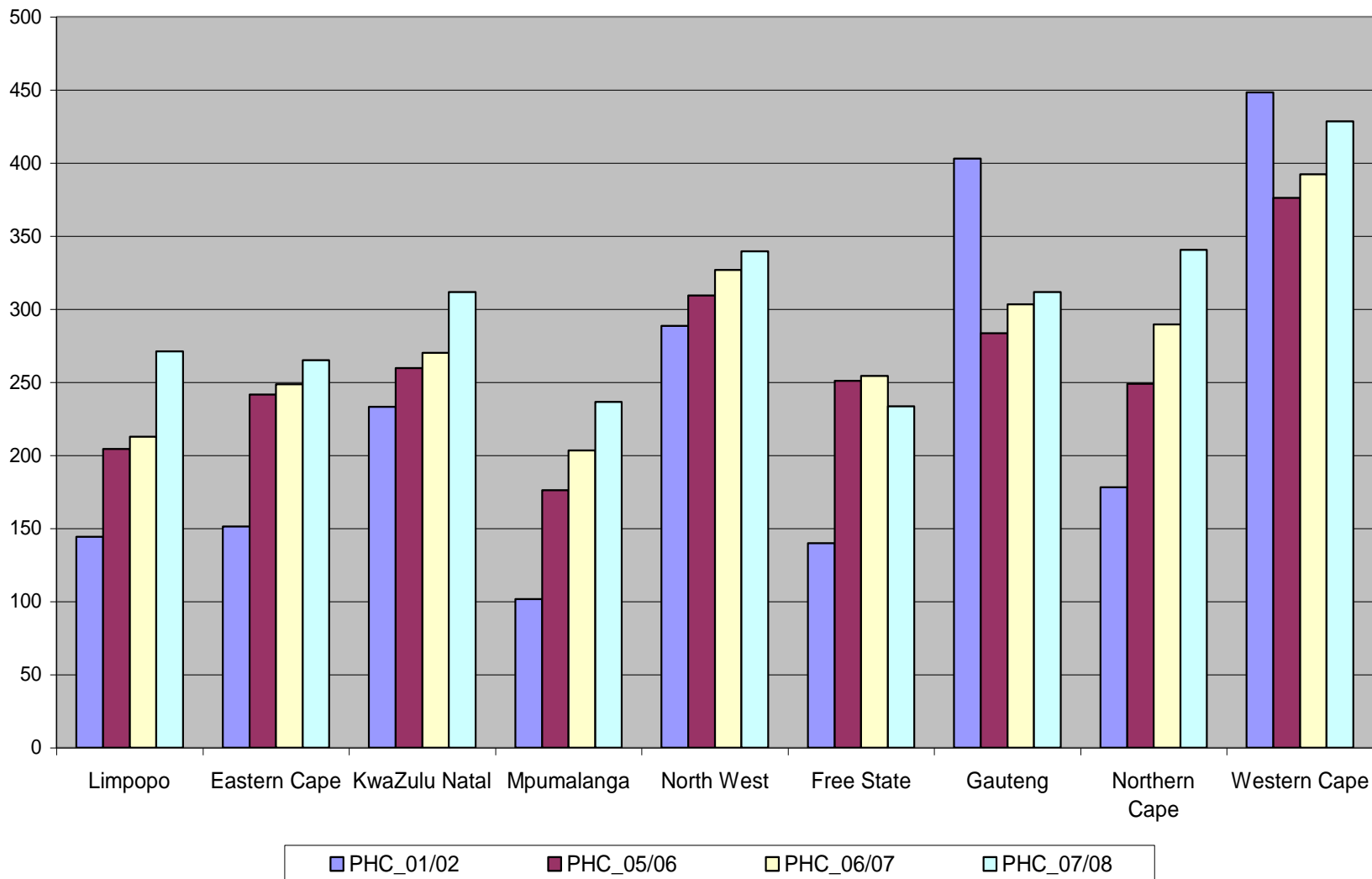
Province	District	Ranking by dep. index	*2001/02 per capita PHC exp.	*2007/08 per capita PHC exp.	Absolute change	Change (%)
<i>10 least funded districts in 2001/02</i>						
MP	Gert Sibande DM	30	59.40	211.29	151.89	255.7%
MP	Nkangala DM	25	62.22	226.26	164.04	263.7%
EC	Ukhahlamba DM	42	67.88	238.58	170.70	251.5%
EC	Cacadu DM	17	97.58	338.60	241.02	246.9%
FS	T. Mofutsanyana	31	100.41	210.59	110.18	109.7%
EC	Alfred Nzo DM	52	106.06	197.66	91.60	86.4%
LP	Capricorn DM	36	108.89	256.26	147.37	135.3%
LP	Gr. Sekhukhune DM	48	123.03	221.34	98.31	79.9%
FS	Fezile Dabi DM	22	125.86	229.61	103.75	82.4%
EC	O. R. Tambo	53	128.69	222.52	93.83	72.9%
<i>10 best funded districts in 2001/02</i>						
NW	Southern DM	21	305.47	342.45	36.98	12.1%
WC	Overberg DM	2	339.41	319.55	-19.86	-5.8%
NC	Namakwa DM	6	359.21	632.69	273.48	76.1%
WC	Eden DM	4	374.76	435.33	60.57	16.16%
WC	West Coast DM	1	388.90	466.20	77.30	19.9%
WC	DM	5	459.61	526.18	66.57	14.5%
GT	MM	9	483.65	371.42	-112.23	-23.2%
WC	Town MM	7	504.87	444.69	-60.18	-11.9%
NW	Bophirima DM	34	534.57	367.33	-167.24	-31.3%
GT	Ekurhuleni MM	15	550.12	273.22	-276.90	-50.3%

\*All in 2007/08 prices



# Trend in provincial PHC per capita expenditure

Health Economics Unit, University of Cape Town  
South Africa



## How did South Africa achieve shifts towards equity?

- Apparently, no single government unit can be credited with initiating and implementing these shifts
  - National government (Treasury) exerting more influence in SNG budgeting and resource allocation processes
  - SNGs identifying previously disadvantaged areas for increased spending
  - SNGs use burden of disease to guide allocations
  - NDoH defining norms and standards for PHC provision

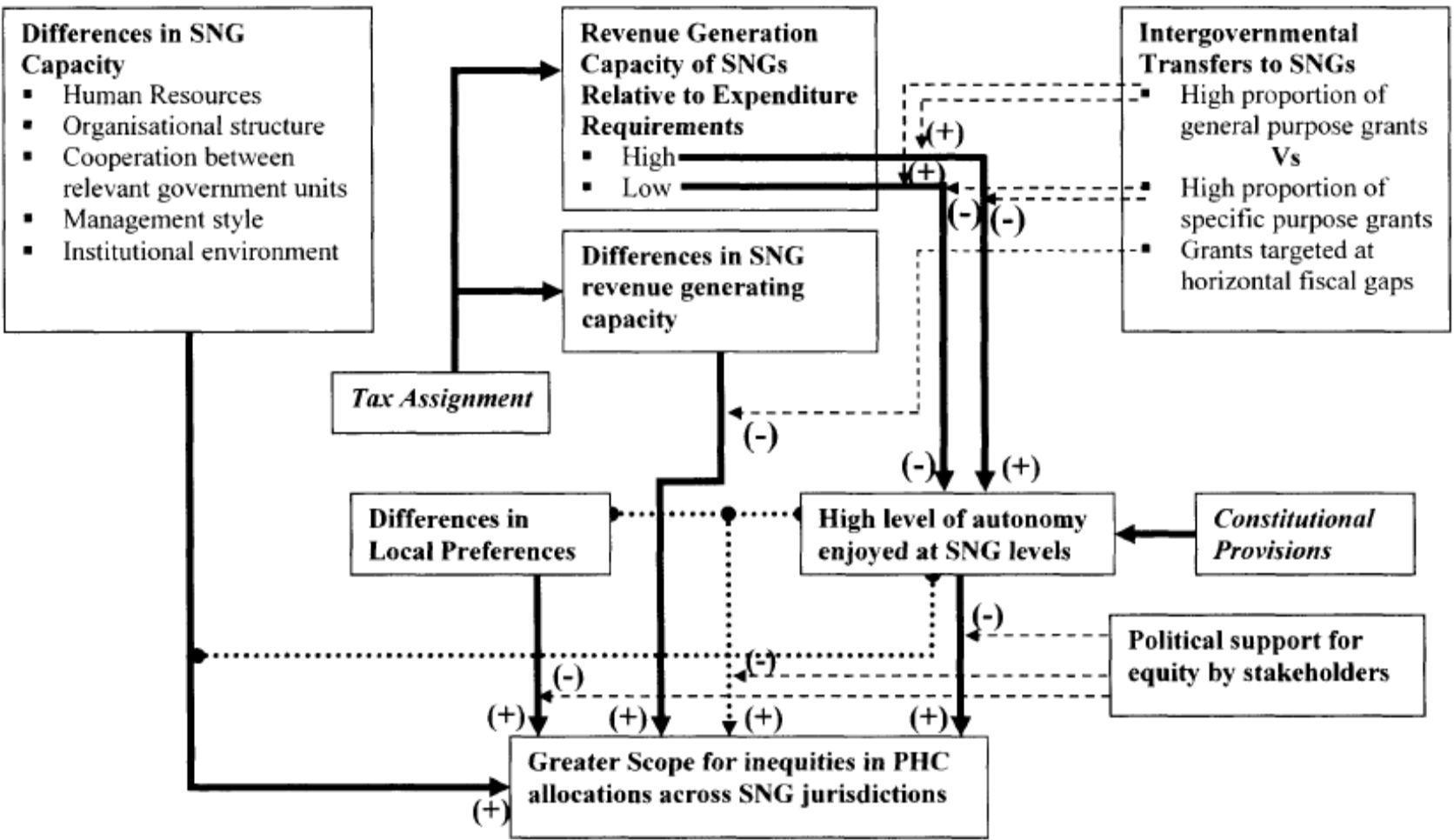




- Overwhelming political support for equity at all levels of government. Also, consistent production of evidence of extent of inequity in health/PHC expenditure (government, NGOs, research institutions).
- Period of economic growth – allowing for increased health budgets



# Revised conceptual framework





## Other key issues

- Provinces found it difficult to absorb huge shifts in health sector allocations after 1994
- Constraints to equity
  - Lack of absorptive capacity in areas of greater need
  - Historical approach to budgeting
  - Efficiency concerns becoming more pronounced
- Challenges
  - Balance between SNG autonomy to respond to local preferences and central influence to ensure that people are not disadvantaged based on location
  - Develop sufficient capacity in all geographic areas to effectively utilise resources allocated to them



## Acknowledgement

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