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## GOVERNMENT NOTICE

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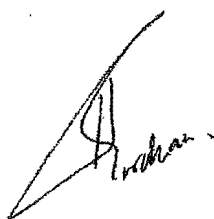
### NATIONAL TREASURY

**No. 922**

**31 October 2011**

I, Pravin J Gordhan, Minister of Finance, acting in terms of section 14(2) of the Division of Revenue Act, 2011 (Act 6 of 2011), hereby publish in the attached Schedules -

- (a) amended frameworks in respect of conditional allocations to provinces made under the Act;



**Pravin J Gordhan**  
**Minister of Finance**

## **Part 1: Amended Frameworks for Conditional Allocations**

### **Frameworks for Conditional Grants to Provinces**

#### **Detailed amended frameworks for Schedule 4 and 5 grants to provinces**

##### **Introduction**

This part provides a brief description of the frameworks for the amended conditional grant frameworks Health Infrastructure Grant and Hospital Revitalisation Grant (Health) out in Schedules 4 and 5, respectively, of this *Government Notice*.

The following are key areas considered for the aforementioned grants:

- Strategic goal and purpose of the grant
- Outcome statements and outputs of the grant
- Conditions of the grant (additional to what is required in the Act)
- Criteria for allocation between provinces
- Rationale for funding through a conditional grant
- Past performance
- The projected life of the grant
- 2011/12 allocation
- The payment schedule
- Responsibilities of the transferring national officer and receive officer
- Process for approval of 2012/13 business plans

The 2011 Division of Revenue Act, requires that the amended frameworks be gazetted in terms of Section 14(2) of the Act.

| <b>Hospital Revitalisation Grant</b>  |  |
|---|--|
| <b>Transferring department</b>  | <ul style="list-style-type: none"> <li>Health (Vote 16)</li> </ul>   |
| <b>Strategic goal</b>   | <ul style="list-style-type: none"> <li>To enable provinces to plan, manage, modernise, rationalise and transform the health infrastructure in line with national policy objectives</li> </ul>  |
| <b>Grant purpose</b>  | <ul style="list-style-type: none"> <li>To provide funding to enable provinces to plan, manage, modernise, rationalise and transform health infrastructure, health technology, monitoring and evaluation of the health facilities in line with national policy objectives</li> <li>Supplement expenditure on health infrastructure delivered through public-private partnerships</li> </ul>   |
| <b>Outcome statements</b>   | <ul style="list-style-type: none"> <li>Improved accessibility and service delivery in health</li> <li>Provision of quality and modernised health infrastructure</li> </ul>   |
| <b>Outputs</b>  | <ul style="list-style-type: none"> <li>Number of hospitals funded to upgrade, rebuilt and fully commissioned as per approved 2011/12 Project Implementation Plans (PIP)</li> </ul>   |
| <b>Priority outcome(s) of government that this grant primarily contributes to</b> | <ul style="list-style-type: none"> <li>Outcome 2: A long and healthy life for all South Africans</li> </ul>  |
| <b>Details contained in the business plan</b>                                     | <ul style="list-style-type: none"> <li>This grant uses a PIP, which includes the following: <ul style="list-style-type: none"> <li>outcome indicators</li> <li>output indicators</li> <li>inputs</li> <li>key activities</li> </ul> </li> </ul>  |
| <b>Conditions</b>   | <ul style="list-style-type: none"> <li>Provinces must implement projects in line with the Project Implementation Plans, as guided by the Project Implementation Manual (PIM) for 2011/12 that has been approved by the national Department of Health (DoH) for the 2011/12 financial year</li> <li>With the exception of funding for costs incurred for planning, all projects commencing construction in 2011/12 must have business cases and Initial Project Implementation Plans (IPIPs) approved before funds can be released for such projects</li> <li>All the new projects should follow Peer Review stages as per prescribed in Reporting Format incorporated in the Project Implementation Manual (PIM) 2011/12</li> <li>Provinces must submit draft 2012/13 U-AMPs including the initial list of prioritised projects as captured in the Infrastructure Programme Management Plan (IPMP) to DoH by 30 September 2011. The monthly instalment following this deadline is dependent on receipt of this information</li> <li>Monthly reports for all projects funded in 2011/12 financial year in this grant must be submitted through the prescribed comprehensive reporting as prescribed by 2011/12 PIM and Infrastructure Reporting Model (IRM). This does not replace the reporting in the In-Year Monitoring (IYM) expenditure reports</li> <li>Provincial health departments must strengthen grant management by appointing a complete Revitalisation Team as guided by DoH and ensure the core infrastructure management structure approved by National Health Council (NHC) for such grants is in place</li> <li>Provinces must put in place Provincial Progress Review Committees as approved by the NHC for monitoring and oversight of the Health Infrastructure Grant and the Hospital Revitalisation Grant</li> <li>Provinces may not award a tender to commence construction on a new project unless sufficient funding is available to undertake the hospital project under construction over the approved MTEF</li> <li>Provinces may not use this grant on projects that were not part of approved 2011/12 PIP unless written approval to such effect is granted by DoH</li> <li>Provincial Departments of Health that predict savings or under spending of this grant as a result unavoidable delays in project implementation may, after consultation with the DoH, re-allocate these funds towards the rehabilitation and upgrading of nursing colleges. Provincial departments of health must update their U-AMPs to reflect these changes immediately after reaching agreement with the national department</li> </ul> |
| <b>Allocation criteria</b>  | <ul style="list-style-type: none"> <li>Allocations based on provincial projected cash flow figures per project as per prescribed format per contract, which include budgets on infrastructure, health technology, organisational development and quality improvement</li> </ul>  |
| <b>Reason not incorporated in equitable share</b>                                 | <ul style="list-style-type: none"> <li>This grant funds large projects requiring substantial capital investment. Their size, complexity and national strategic importance is suited to dedicated and closely managed funding</li> </ul>  |
| <b>Past performance</b>   | <b>2009/10 audited financial performance</b> <ul style="list-style-type: none"> <li>Allocated R3 370 million and transferred R2 989 million to provinces</li> <li>Of the total available R3 495 million (including provincial roll overs), R2 550 million (73 per cent) was spent</li> </ul>   |
|   | <b>2009/10 service delivery performance</b> <ul style="list-style-type: none"> <li>Five hospitals were completed</li> </ul>  |
| <b>Projected life</b>   | <ul style="list-style-type: none"> <li>This grant will be merged with the Health Infrastructure Grant to create a consolidated source of health infrastructure funding once the necessary conditions are in place and is expected to continue past the end of the 2011 MTEF due to the scale of need for ongoing infrastructure spending in health and oversight of this spending</li> </ul>   |
| <b>MTEF allocations</b>   | <ul style="list-style-type: none"> <li>2011/12: R4 136 million, 2012/13: R4 336 million and 2013/14: R4 068 million</li> </ul>   |
| <b>Payments schedule</b>  | <ul style="list-style-type: none"> <li>Monthly instalments as per approved payment schedule</li> </ul>   |

| <b>Hospital Revitalisation Grant</b>   |   |
|--|---|
| <b>Responsibilities of transferring national officer and receiving officer</b> | <b>Responsibilities of the national department</b> <ul style="list-style-type: none"> <li>• Provide guidelines and monitor the development and approval of provincial infrastructure plan, business case, project brief, design and Initial Project Implementation Plan</li> <li>• Conducting peer reviews per project at stages highlighted in the prescribed Comprehensive Progress Report format as prescribed in the 2011/12 PIM</li> <li>• Perform on-site monitoring of the implementation of projects</li> <li>• Support and oversee provincial progress review meetings in all provinces</li> <li>• Convene and chair quarterly National Progress Review meetings</li> <li>• Approve all plans funded under the grant before the first transfer</li> <li>• Submit quarterly performance reports to National Treasury and National Council of Provinces (NCOP) within 45 days after the end of each quarter</li> <li>• Collect project lists from provinces 14 days after the 2011 Division of Revenue Act (DoRA) comes into effect and publish the project list in a gazette within 28 days after the 2011 DoRA comes into effect</li> </ul>                    |
|  | <b>Responsibilities of the provincial departments</b> <ul style="list-style-type: none"> <li>• Convene Infrastructure Projects Progress Review committees to oversee, monitor and report on the full physical and financial development cycle of all health infrastructure projects</li> <li>• Report as per prescribed comprehensive reporting format required within the 2011/12 PIM and Infrastructure Development Improvement Programme (IDIP) guidelines</li> <li>• Provincial departments must participate in the national Progress Review committee meetings and report on project implementation of all health projects</li> <li>• Submit monthly financial reports to DoH within 15 days after the end of each month</li> <li>• Submit quarterly performance reports to DoH and NCOP within 30 days after the end of each quarter</li> <li>• Convene and chair the Provincial Progress Review Meetings</li> <li>• Ensure that all health infrastructure projects are aligned and lead to best practice infrastructure planning and project implementation and effective and efficient management and sustainability of the province's health assets</li> </ul> |
| <b>Process for approval of 2012/13 business plans</b>                          | <ul style="list-style-type: none"> <li>• Provinces submit their draft PIP to DoH covering all four components of the Hospital Revitalisation Grant by 28 February 2011</li> <li>• Business cases and Initial Project Implementation Plan for projects potentially starting construction in 2012/13 will be approved by DoH and communicated to provinces by 30 June 2011</li> <li>• Provinces to submit Project Cost Template per Contract together with the PIP covering all components of Revitalisation</li> <li>• Provinces final signed 2012/13 annual PIPs by 28 February 2012 to DoH</li> </ul>  |

## HEALTH GRANT

| Health Infrastructure Grant   |   |
|---|---|
| <b>Transferring department</b>  | <ul style="list-style-type: none"> <li>Health (Vote 16)</li> </ul>  |
| <b>Strategic goal</b>   | <ul style="list-style-type: none"> <li>Provinces plan, manage, maintain and transform health infrastructure in line with national policy objectives</li> </ul>  |
| <b>Grant purpose</b>  | <ul style="list-style-type: none"> <li>To supplement provincial funding of health infrastructure to accelerate the provision of health facilities and ensure proper maintenance of provincial health infrastructure</li> <li>To provide funding for the repair of flood damaged health infrastructure in two (2) provinces (Eastern Cape and Free State)</li> </ul>   |
| <b>Outcome statements</b>   | <ul style="list-style-type: none"> <li>Improved accessibility to and quality of health services</li> <li>Quality, modernised and well maintained health infrastructure</li> <li>Improved organisational capacity in provinces for infrastructure asset management planning and implementation</li> <li>Improved rates of employment and skills development in the delivery of infrastructure</li> </ul>   |
| <b>Outputs</b>  | <ul style="list-style-type: none"> <li>Number of health facilities, planned, designed, constructed, maintained and operationalized</li> <li>Number of work opportunities created</li> </ul>   |
| <b>Priority outcome(s) of government that this grant primarily contributes to</b> | <ul style="list-style-type: none"> <li>Outcome 2: A long and healthy life for all South Africans</li> </ul>   |
| <b>Details contained in the business plan</b>                                     | <ul style="list-style-type: none"> <li>This grant uses a User Asset Management Plan (U-AMP), which includes the following information: <ul style="list-style-type: none"> <li>immovable assets requirements</li> <li>acquisition plan</li> <li>refurbishment plan</li> <li>repairs and maintenance</li> </ul> </li> </ul>   |
| <b>Conditions</b>   | <ul style="list-style-type: none"> <li>Provincial Departments of Health must submit tabled U-AMPs (formerly Infrastructure Plans) with prioritised project lists that are signed-off by HOD for the 2011 MTEF by 14 April 2011 to the national Department of Health (DoH). Tabled U-AMPs must include the projects listed in the approved Infrastructure Programme Implementation Plans (IPIPs) for 2011/12 and sector procurement strategy as per guideline in the Infrastructure Delivery Management System (IDMS) Toolkit. The flow of the first instalment of this grant is dependent upon receipt by the DoH of this project list and satisfaction that the list meets required detailed and alignment with infrastructure planning information submitted in 2010/11 or earlier. These plans must also be submitted to the relevant provincial treasury</li> <li>The flow of the third quarter transfers is dependent upon receipt by DoH of the draft 2012/13 U-AMPs including the initial list of prioritised projects as captured in the Infrastructure Programme Management Plan (IPMP). Changes to the MTEF prioritised list of projects must be approved in conjunction with DoH</li> <li>Provinces must adhere to the Infrastructure Alignment Model in terms of programme implementation and in year reporting. Quarterly performance reports must be submitted to the National Council of Provinces within 45 days after the end of each quarter</li> <li>The provinces must put in place a Provincial Progress Review Committee as approved by the National Health Council for monitoring and oversight for both the Health Infrastructure Grant and the Hospital Revitalisation Grant</li> <li>Provinces must submit a list of projects in the required format to DoH within 14 days after the 2011 Division of Revenue Act comes into effect. Provinces must also submit quarterly performance reports, drawn from their infrastructure reporting model to the National Council of Provinces within 45 days after the end of each quarter. Failure to comply with these conditions may result in the withholding of funds</li> <li>Provincial Departments of Health must submit implementation plans to DoH for the clinics affected by floods in 2010/11 financial year by 30 November 2011 for the funds to be transferred</li> <li>Provincial Departments of Health that predict savings or under spending of this grant as a result unavoidable delays in project implementation may, after consultation with the DoH, re-allocate these funds towards the rehabilitation and upgrading of nursing colleges. Provincial departments of health must update their U-AMPs to reflect these changes immediately after reaching agreement with the national department</li> </ul> |
| <b>Allocation criteria</b>  | <ul style="list-style-type: none"> <li>Allocations are based on the formula that was used for the Infrastructure Grant to Provinces</li> </ul>  |
| <b>Reason not incorporated in equitable share</b>                                 | <ul style="list-style-type: none"> <li>Infrastructure funding is protected through conditional grants to ensure that national priorities are addressed and best planning practices are complied with</li> </ul>   |
| <b>Past performance</b>   | <p><b>2009/10 audited financial outcomes</b></p> <ul style="list-style-type: none"> <li>New grant</li> </ul> <p><b>2009/10 service delivery performance</b></p> <ul style="list-style-type: none"> <li>New grant</li> </ul>   |
| <b>Projected life</b>   | <ul style="list-style-type: none"> <li>This grant will be merged with the Hospital Revitalisation Grant to create a consolidated source of health infrastructure funding once the necessary conditions are in place and is expected to continue past the end of the 2011 MTEF due to the scale of need for ongoing infrastructure spending in health and oversight of this spending</li> </ul>  |
| <b>MTEF allocations</b>   | <ul style="list-style-type: none"> <li>2011/12: R1 702 million, 2012/13: R1 821 million and 2013/14: R1 921 million</li> </ul>  |
| <b>Payment schedule</b>   | <ul style="list-style-type: none"> <li>Instalments as per the approved payment schedule</li> </ul>  |

## HEALTH GRANT

| Health Infrastructure Grant   |   |
|---|---|
| Responsibilities of transferring national officer and receiving officer | <b>Responsibilities of the national department</b> <ul style="list-style-type: none"> <li>• Provide guidelines and monitor the development and approval of provincial U-AMPs including project list and procurement strategies</li> <li>• Perform on-site monitoring of the implementation of projects and approved adherence to the project list and procurement strategy</li> <li>• Support and oversee provincial progress review meetings in all provinces</li> <li>• Convene and chair quarterly National Progress Review meetings</li> <li>• Collect project lists from provinces 14 days after the 2011 Division of Revenue Act comes into effect and publish the project list in a gazette within 28 days after the 2011 Division of Revenue Act comes into effect</li> <li>• Submit quarterly performance reports to National Treasury and National Council of Provinces within 45 days after the end of each quarter</li> </ul>   |
|   | <b>Responsibilities of the provincial departments</b> <ul style="list-style-type: none"> <li>• Ensure that the provincial Infrastructure Projects Progress Review committee sit every month to oversee, monitor and report on the full physical and financial development cycle of all health infrastructure projects implemented by the province that comply with Infrastructure Delivery Improvement Programme (IDIP) guidelines</li> <li>• Submit quarterly performance reports, drawn from the infrastructure reporting model, to the DoH and National Council of Provinces within 30 days after the end of each quarter</li> <li>• Ensure that all health infrastructure projects are aligned and lead to best practice infrastructure planning and project implementation and effective and efficient management and sustainability of the province's health assets</li> <li>• Submit a list of projects in the required format to DoH within 14 days after the 2011 Division of Revenue Act comes into effect</li> </ul> |
| Process for approval of 2012/13 business plans                          | <ul style="list-style-type: none"> <li>• Provinces must submit IPIPs and U-AMPs signed off by the head of provincial department of health with project lists for 2012/13 to DoH by the end of February 2012 for approval</li> </ul>   |