**The Budget Vote Report of the Portfolio Committee on Health, dated 04 May 2022**

**Contents**

[1. INTRODUCTION 2](#_Toc102119839)

[*1.1.* *Purpose of the report* 2](#_Toc102119840)

[*1.2.* *Process* 2](#_Toc102119842)

[*1.3.* *Report of the Auditor General of South Africa* 3](#_Toc102119843)

[2. CONSIDERATION OF THE ANNUAL PERFORMANCE AND BUDGET OF THE DEPARTMENT OF HEALTH (2022/23) 4](#_Toc102119844)

[2.1. Introduction 4](#_Toc102119845)

[2.2. Policy Priorities for 2022/23 4](#_Toc102119862)

[2.2.1. State of the Nation Address (SONA) 4](#_Toc102119863)

[2.2.2. The National Development Plan (NDP) 5](#_Toc102119864)

[2.2.3. Department of Health Five Year Strategic Goals (2020/21 – 2024/25) 5](#_Toc102119869)

[2.2.4. Department of Health Planned Policy Initiatives 6](#_Toc102119892)

[2.3. Annual Performance Plan (APP) Key Indicators 7](#_Toc102119894)

[2.4. Budget Analysis (2022/23) 9](#_Toc102119895)

[2.4.1. Consolidated Health Budget 2022/23 9](#_Toc102119896)

[2.4.2. National Department of Health Budget 2022/23 10](#_Toc102119897)

[2.5. Committee Observations on the Department 15](#_Toc102119898)

[3. CONSIDERATION OF THE APPs AND BUDGETS OF ENTITIES (2022/23) 17](#_Toc102119900)

[3.1. Compensation Commissioner for Occupational Diseases (CCOD) 17](#_Toc102119901)

[3.2. Office of Health Standards Compliance (OHSC) 19](#_Toc102119902)

[3.3. National Health Laboratory Services (NHLS) 23](#_Toc102119903)

[3.4. Council for Medical Schemes (CMS) 27](#_Toc102119904)

[3.5. South African Health Products Regulatory Authority (SAHPRA) 32](#_Toc102119905)

[3.6. South African Medical Research Council (SAMRC) 37](#_Toc102119927)

[3.7. Committee Observations on Entities 40](#_Toc102119928)

[4. COMMITTEE RECOMMENDATIONS 45](#_Toc102119930)

[4.1. Department of Health 45](#_Toc102119931)

[4.2. Entities 46](#_Toc102119941)

[5. CONCLUSION 47](#_Toc102119942)

**Report of the Portfolio Committee on Health on Budget Vote 18: Health, Annual Performance Plan of the Department of Health and its entities, Dated, 04 May 2022**

The Portfolio Committee on Health (the Committee), having considered Budget Vote 18: Health, together with the 2022/23 Annual Performance Plans (APPs) of the Department of Health (the Department) and its entities, the Compensation Commissioner for Occupational Diseases (CCOD), Office of Health Standards Compliance (OHSC), National Health Laboratory Services (NHLS), South African Health Products Regulatory Authority (SAHPRA), Council for Medical Schemes (CMS) and the South African Medical Research Council (SAMRC), reports as follows:

1. **INTRODUCTION**

Section 5(2) of the Constitution of South Africa and section 27(4) of the Public Finance Management Act (No.1 of 1999) sets out the role of Parliamentary committees in overseeing the performance of government departments and entities. Furthermore, the Money Bills Amendment Procedure and Related Matters Act (Act No. 9 of 2009), provides for the National Assembly, through its committees to assess the budget votes of departments and entities with their respective strategic and annual performance plans.

## *Purpose of the report*

This report summarises the presentations received from the Department of Health and its entities focusing on the 2022/23 Annual Performance Plans and budgets as well as allocations over the medium-term expenditure framework (MTEF) period. The Committee further received reports from the Auditor-General South Africa (AGSA) on its review of the 2022/23 health sector APPs, health sector audit outcomes and the COVID-19 vaccine programme special audit report. This report details the deliberations, observations and recommendations made by the Committee relating to Vote 18.

## *Process*

On 29 March to 22 April 2022, the Portfolio Committee on Health engaged the Department and its entities on their Annual Performance Plans and budgets for 2022/23.

## *Report of the Auditor General of South Africa*

The AGSA reviewed the six programmes of the Department, with a focus on Programme 2: National Health Insurance. The review has not identified any material findings, all findings raised were discussed with the Department and corrected. The AGSA indicated that the APPs of the nine provincial health departments would be completed by 31 March 2022.

On the health sector audit outcomes, the AGSA reported that the sector’s audit outcomes remain stagnant for the period under review. It was noted that the North West improved its audit outcomes, from qualified to unqualified with findings. The biggest concern remains KwaZulu-Natal and the Northern Cape, whose audit outcomes have been qualified for the past five years with little improvement. The AGSA commended Gauteng, Mpumalanga, North West and Western Cape for submitting financial statements with no material misstatements.

The AGSA expressed concern regarding increases in unauthorised, irregular, fruitless and wasteful expenditure due to disregard for legislation. It was noted that the Eastern Cape was the biggest contributor to unauthorised expenditure as a result of payment to medico-legal claims and interest not budgeted for. Gauteng was the biggest contributor to both irregular expenditure and fruitless and wasteful expenditure due to non-compliance with procurement regulations for personal protective equipment and supply chain management. The AGSA reported that lack of consequence management prevailed throughout the sector.

The AGSA indicated that the significant increase in medico-legal claims and confirmed material irregularities due to poor prior performance and inadequate record keeping were putting the sector under immense financial pressure. The financial strain has also resulted in increased accruals and late payment of suppliers.

On infrastructure projects, it was noted that significant delays were experienced in the delivery of projects in some provinces. Furthermore, some provincial departments failed to manage projects effectively, resulting in potential fruitless and wasteful expenditure amounting to approximately R18.5 million. The AGSA on its site visits identified a number of building quality deficiencies. Common causes included poor management of milestones, poor performance of contractors, poor planning by departments, poor project management and poor workmanship.

In relation to the vaccine programme special audit report, the AGSA reported that the procurement for vaccines and related services was mainly in line with applicable laws and regulations, except for matters relating to:

* Inadequate evidence provided to support the application of objective criteria to award contracts to bidders who did not obtain the highest score.
* Price negotiations were not performed with the appointed second highest scoring bidders.
* Possible collusive bidding not identified by the bid evaluation committee.

The AGSA concluded that the NDoH should implement mechanisms to ensure adherence to prescripts and establish a contract management unit to ensure that all contracts are effectively managed.

# CONSIDERATION OF THE ANNUAL PERFORMANCE AND BUDGET OF THE DEPARTMENT OF HEALTH (2022/23)

## Introduction

Over the MTEF, the Department’s focus will be on tackling the COVID‐19 pandemic, with a focus on rolling out it’s vaccination strategy and preparing for and responding to future waves of COVID-19 infection. In addition, the Department will continue to focus on preparing for the implementation of the proposed National Health Insurance (NHI), preventing and treating communicable and non‐communicable diseases (NCDs), investing in health infrastructure, supporting tertiary health care services in provinces, and developing the health workforce. Whilst the COVID-19 pandemic was rightly the main focus over the past two years, testing and treatment of other diseases declined and the Department aims to address this by increasing emphasis on other diseases and mainstreaming COVID-19 vaccination as part of the immunisation programme. This means the resources shift from special project at national level to provinces, and this will be reflected in the budget.

## Policy Priorities for 2022/23

### State of the Nation Address (SONA)

The February 2022 SONA highlighted the following main health-related issues:

* Overcoming COVID-19 remained a key priority in this year’s SONA. Vaccines have proven to be the best available defence against illness and death from COVID-19. The vaccine rollout has so far seen 30 million doses of COVID-19 vaccines administered, with nearly 42% of all adults and 60% of everyone over 50-years fully vaccinated.
* The national state of disaster will be lifted once measures under the National Health Act and other legislation to contain the pandemic, are finalised. This was done on the 5th April 2022.
* South Africa will work with other African countries and international partners to support the strengthening of the continent’s capacity to respond to pandemics. Specifically, there will be increased efforts to develop Africa’s ability to manufacture vaccines. In South Africa, two companies – Aspen and Biovac – have contracts to produce COVID-19 vaccines. Two additional vaccine projects have also been announced.
* The country has developed full local production capability for ventilators, hand sanitisers, medical-grade face masks and gloves and therapeutic drugs and anaesthetic. South African products have been exported to other African countries, securing them vital supplies and expanding jobs for young South Africans.
* In preparation for NHI, more than 59 million people are registered in the Health Patient Registration System (HPRS). By September 2021, more than 56,000 additional health workers had been recruited and more than 46,000 community health workers integrated into the public health system.
* In December 2021, the Special Investigating Unit (SIU) submitted its final report on its investigation into COVID-19 related contracts. As a result, 45 matters, with a combined value of R2.1 billion, have been enrolled with the Special Tribunal. The SIU has referred 224 government officials for disciplinary action and referred 386 cases for possible prosecution to the National Prosecuting Authority (NPA). The Presidency has set up mechanisms to monitor implementation of the recommendations of the SIU and ensure that government departments and entities act against those who have violated regulations and broken the law.

### The National Development Plan (NDP)

The National Development Plan (NDP) identifies demographics, burden of disease, health systems and the social and environmental determinants of health as the key areas for intervention required to improve the health system in the country. Nine goals for health have been identified in the NDP, viz.:

* Average male and female life expectancy at birth increased to 70 years;
* Tuberculosis (TB) prevention and cure progressively improved;
* Maternal, infant and child mortality reduced;
* Significantly reduced prevalence of non-communicable chronic diseases;
* Injury, accidents and violence reduced by 50 % from 2010 levels;
* Health system reforms completed;
* Primary health care teams deployed to provide care to families and communities;
* Universal health coverage achieved; and
* Health posts filled with skilled, committed and competent individuals.

The planned National Health Commission is aimed at preventing and reducing the burden of communicable diseases. The Department envisages a number of health system reforms, including improved health facility planning, an improved Health Management Information System, and improved quality of care.

### Department of Health Five Year Strategic Goals (2020/21 – 2024/25)

In addition to the NDP, the health sector is also guided by the health sector Ten Point Plan and the United Nations (UN) Sustainable Development Goals 2030 (SDGs). The Department’s five-year strategic goals are as follows:

Table 1: Department of Health Five Year Strategic Goals

|  |  |
| --- | --- |
| **MTSF Priority 3: Education, Skills and Health** | |
| **Impact Statements** | **Outcomes** |
| A. Life expectancy  of South Africans  improved to 66.6  years by 2024, and 70  years by 2030. | 1. Maternal, Child, Infant and neonatal mortalities reduced. |
| 2. HIV incidence among youth reduced. |
| 3. 90:90:90 targets for HIV AIDS achieved by 2020 and 95:95:95 targets by 2024/25. |
| 4. Significant progress made towards ending TB by 2035 through improving treatment/cure. |
| 5. Premature mortality from non-communicable diseases reduced by 10%. |
| B. Universal Health  Coverage for all South  Africans progressively  achieved and all  citizens protected  from the catastrophic  financial impact of  seeking health care by  2030. | 6. An equitable budgeting system progressively implemented and fragmentation reduced. |
| 7. Resources are available to managers and frontline providers, with flexibility to manage it according to their local needs. |
| 8. Financial management strengthened in the health sector. |
| 9. Management of medico-legal cases in the health system strengthened. |
| 10. Package of services available to the population is expanded on the basis of cost-effectiveness and equity. |
| 11. Integrated services delivered according to the referral policy, at the most appropriate level, to ensure continuity of care. |
| 12. Quality and safety of care improved. |
| 13. Staff equitably distributed and have right skills and attitudes. |
| 14. Community participation promoted to ensure health system responsiveness and effective management of their health needs. |
| 15. Environmental Health strengthened by contributing to improved quality of water, sanitation, waste management and food services. |
| 16. Financing and Delivery of infrastructure projects improved. |
| 17. Adaptive learning and decision making is improved through use of strategic information and evidence. |
| 18. Information systems are responsive to local needs to enhance data use and improve quality of care. |

### Department of Health Planned Policy Initiatives

The key policy priorities of the Department include the following:

* **COVID-19 response plan:** The Department’s COVID-19 response plan aims to mitigate the effects of the virus in South Africa. There will be continued focus on increasing the COVID-19 vaccine population coverage. However, there will be a change in strategy, the COVID-19 vaccine will be integrated into the routine care at Primary Health Care (PHC) facilities, within the Integrated Clinical Services Management model of service delivery.
* **Prevent further decline in routine services**: Over the past two years due to the pandemic, there has been a decline in routine services and their respective outcomes including, amongst others, case finding detection in tuberculosis (TB), Expanded Programme on Immunisation (EPI) numbers have declined, and a decline in wellness testing including diabetes. There will thus be renewed focus on improving access to quality health services.
* **Facilitate the implementation of the NHI service.** The Department will continue in its trajectory to prepare for the implementation of the proposed NHI.
* **Improvement of health system infrastructure**: The Department will focus on refurbishment, upgrading and building of new hospitals, health centres, clinics and new specialised units including oncology which, according to the Department has improved over the recent years due to public-private partnership (PPP).

## Annual Performance Plan (APP) Key Indicators

Some of the key indicators in the Department of Health’s 2022/23 APP include:

**Programme 1: Administration**

* The Department aims for an unqualified audit opinion for 2022/23 and for six Provincial departments to achieve improvements in audit outcomes with no significant matters.
* Legislation to manage medico-legal claims will be developed.
* A medico-legal claim case management system will be used in the remaining 4 of 8 participating provinces.
* 100 health promotion messages will be placed on social media in order to reduce premature mortality due to non-communicable diseases to 26% (10 % reduction).
* Meet equity targets regarding percentage of women in SMS (Senior Management Service), percentage of youth appointed, and percentage of people with disabilities appointed.

**Programme 2: National Health Insurance**

* Portfolio Committee and NCOP public hearings on the NHI Bill in Parliament attended.
* 5.5 million Patients registered to receive medicines through the centralised chronic medicine dispensing and distribution (CCMDD).
* 70 % of funded posts in the NHI organogram filled.
* 3 850 (up from 3 830) health facilities reporting stock availability at national surveillance centre

**Programme 3: Communicable and Non-Communicable Diseases**

* Three indicators deal with reducing the morbidity and mortality due to COVID-19 for different age groups- Percentage of age group vaccinated (at least one dose):
  + 75 % of adults 50 years and older;
  + 65 % of adults 35 - 49 years; and
  + 37.5 % of young people 12 – 34 years.

This replaces the indicator from the previous year, which aimed to vaccinate 40 million in 2021/22 financial year.

* New indicator: 200 facilities offering HIV self-screening (HIVSS).
* New indicator: Men’s health services piloted at 10 facilities.
* 2 000 (previous year 1 600) PHC facilities with youth zones.
* 85 % of drug susceptible (DS) –TB treatment success rate.
* Reduce the number of drug susceptible (DS) –TB deaths annual target: 12 381. This indicator needs an explanation as in Quarter One (Q1) the number is 14 235, Q2 13 617, Q3 12 999 and Q4 12 381. Are the Quarters not cumulative?
* Find and treat 221 900 people for TB.
* Schistosomiasis. (also referred to as Bilharzia) prevention – Mass Drug Implementation Plan in place.
* 75 new State patients admitted into designated psychiatric hospitals.
* Additional 100 Hospitals obtain 75% or more on the food service policy assessments.
* A National Mental Health Policy framework to be tabled at the National Health Committee (NHC)
* Updated Strategy for the prevention and control of obesity in SA developed and published.
* 9 provinces progress reports on the implementation of provincial plans on the National Strategic Plan (NSP) for NCDs developed and published.

**Programme 4: Primary Health Care**

* Evaluation report on the review of the District Health System Policy framework for 2014 – 2019 be made available.
* District Health Management Offices (DHMOs) Guidelines tested in 18 Districts.
* 2 700 Primary Health Care (PHC) facilities with Ward Based Outreach teams.
* 25 Ports of entry compliant with international health regulations (IHR) based on self-assessments.
* 26 Metropolitan and district municipalities assessed for adherence to environmental norms and standards.
* 350 000 clients lost to follow up for treatment traced by community health workers (CHWs).

**Programme 5: Hospital Systems**

* Regulations relating to designation/classification of hospitals reviewed and published for comment.
* 40 facilities constructed or revitalised.
* 21 hospitals are to be constructed or revitalised.
* 120 public health facilities to be maintained, repaired and /or refurbished.

**Programme 6: Health Systems Governance and Human Resources**

* New indicator: 2 Boards appointment recommendations made prior to the expiry of the term of office (South African Medical Research Council (SAMRC) and Office of Health Standards and Compliance (OHSC))
* New indicator: Statutory Health Professionals Councils and Public Entities governance report produced bi-annually.
* New indicator: 9 Nursing Colleges supported to develop training plans for nurse/ midwife specialists.
* Revised set of Health Research priorities produced.
* New indicator: Performance dashboards for national, provincial and district levels developed.
* 100 PHC facilities and 80 hospitals implementing the National Health Quality Improvement Programme.
* 2 200 PHC facilities qualify as Ideal Clinics.
* New indicator: Community service policy review report with recommendations finalised and presented to the Technical NHC.
* Utilisation and functionality of Human Resource Information System (HRIS) for HRH planning extended.

## Budget Analysis (2022/23)

### Consolidated Health Budget 2022/23

The public health budget spans across the national department, its entities and the provincial departments of health. The consolidated budget for 2022/23 totals R259.0 billion, up from R248.8 billion in the previous financial year. Table 2, below, provides a breakdown of the 2020/21 budget, by functional and economical classification.

Table 2: Consolidated Spending by Functional and Economic Classification, 2022/23

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Compensation of Employees** | | **Goods and Services** | | **Capital spending and transfers** | | **Current transfers and subsidies** | | **Interest Payments** | | **Total** |
| **R billion** | **R** | **%** | **R** | **%** | **R** | **%** | **R** | **%** | **AR** | **%** | **R** |
| **Consolidated Health** | 159.6 | 61.6 | 78.9 | 30.5 | 14.1 | 5.4 | 6.4 | 2.5 | 0.0 | 0.0 | 259.0 |
| **SA Total**  **Expenditure** | 682.5 | 31.6 | 284.4 | 13.2 | 183.8 | 8.5 | 658.2 | 30.5 | 310.8 | 14.4 | 2 157.3 |

* A significant segment of the consolidated health expenditure, 61.6%, is dedicated to Compensation of Employees (COE), which totals R159.6 billion, up from R150.7 billion.
* Consolidated health expenditure on Goods and Services totals R78.9 billion, down from R80.1 billion, which constitutes 30.5% of overall health expenditure.
* Consolidated health expenditure also makes provision for R14.1 billion (5.4%) allocated to Capital spending and transfers, and R6.4 billion (up from 5.8 billion in the previous year) for Current transfers and subsidies (2.5%).
* There is no allocation for Interest Payments. However, given that provinces are known to run high levels of accruals, this is likely not accurate and suppliers are probably charging interest for late payment.

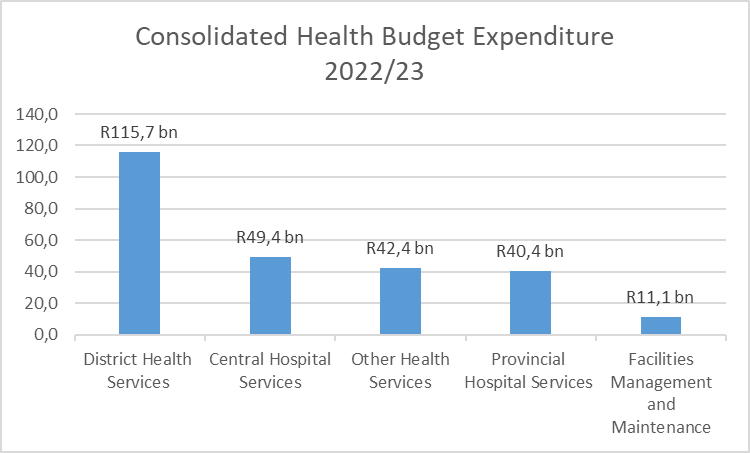


Figure 1: Consolidated Health Budget Expenditure

As can be seen in Figure 1 above, District Health Services receives R115.7 billion (44.7%), the largest proportion of the consolidated health budget.

This is followed by Central Hospital Services, which receives R49.4 billion (19.1%), Other Health Services R42.4 billion (16.4%) and Provincial Hospital Services receives R40.4 billion (15.6%). Facilities Management and Maintenance Receives R11.1 billion (4.3%).

### National Department of Health Budget 2022/23

The Department receives R64.5 billion in 2022/23, a decrease from R65.4 billion in 2021/22. This represents a decrease of 1.3% in nominal terms (5.6% in real terms). This reduction is the result of the once‐off allocations for the COVID‐19 response in 2021/22 and baseline reductions effected over the 2021 MTEF period.



Table 3: NDoH Budget Summary

The two largest programmes, namely Programme 3: *Communicable and Non-Communicable Diseases* (R26.9 billion) and Programme 5: *Hospital Systems* (R22.6 billion), jointly constitute 76.8% (down from 86.3%) of the total budget allocation. It is important to note that Programme 3: Communicable and non-communicable Diseases funded the COVID-19 response, its budget declines from 54.7% (R35.8 billion) to 41.7% (R26.9 billion).

Programme 4: *Primary Health Care Services*, increases dramatically growing from being the smallest budget programme, constituting less than half a percent (0.38%) in the previous financial year to being allocated an additional almost R5 billion to now being allocated R5.2 billion (8% of the budget). The smallest budget item is now Programme 1: *Administration* which declines from R828.7 million to R781.7 million to constitute 1.2% of the total budget.

* + - 1. ***Economic classification***

In terms of economic classification, the bulk of the NDoH budget (R58.3 billion or 90.4%) consists of transfers and subsidies. This figure includes R56.3 billion to provinces and municipalities, R189.0 million to Non-Profit Organisations (NPOs), and R1.9 billion to departmental agencies and accounts.

* Current payments constitute a total value of R4.8 billion, which represents 8.2% of the total budget allocation.
* Compensation of employees declines from R898.8 million, to R787.3 million, representing a 12.4% decrease.
* Most of the current expenditure (R4.0 billion) is allocated to Goods and Services, constituting approximately 83.5% of the total current payments.
* The largest share of expenditure goes to Inventory: Medicine R4.1 billion.
* Expenditure items that also receive a large share of the Goods and Services budget are Contractors at R590.1 million; Consultants: Business and advisory services at R300.1 million; Operating leases at R127.2 million and Travel and subsistence at R133.9 million.
* Capital assets is allocated R1.4 billion. Buildings and other fixed structures are allocated R1.1 billion, and Machinery and Equipment is allocated R345.5 million.
  + - 1. ***Spending priorities for 2021 MTEF***
* Responding to the COVID-19 pandemic is ongoing and a matter of priority. The Department aims to have 70% of the adult population vaccinated by March 2023 as the most effective means to protect against the virus and serious illness. R10.1 billion was allocated for the vaccine rollout in 2020/21 and 2021/22, and R4 billion is allocated for this purpose in 2022/23. Additional allocations are made through the provincial equitable share for COVID-19 response and goods and services.
* Phased implementation of the NHI continues. Over the MTEF, R8.8 billion is allocated for NHI activities – the *National Health Insurance Indirect Grant is* allocated R6.5 billion. R2.1 billion is allocated to provincial health departments through the *Direct National Health Insurance Grant.* This will be used for contracting primary health care doctors, and mental health and oncology service providers. R174.2 million is earmarked for capacitating the department’s national health insurance unit and building its health technology assessment.
* The *District Health Programmes Grant* (previously known as the *HIV, TB, malaria and community outreach grant*)is allocated R84.0 billion over the medium term. The grant’s eight components have been merged into two in order to give provinces more flexibility to use the funds.
  + The comprehensive HIV and AIDS component in Programme 3: *Communicable and Non-communicable Diseases* funds government’s antiretroviral treatment programme, as well as HIV-prevention and TB prevention and treatment services, and receives R73.1 billion.
  + The district health component in Programme 4: *Primary Health Care* funds community outreach services, malaria interventions, human papillomavirus vaccinations and will also fund provincial costs for the rollout of COVID‐19 vaccines. It receives R10.9 billion over the MTEF.
* Investing in health infrastructure. R21.3 billion will be transferred to provinces through the *Health Facility Revitalisation Grant*. R4.4 billion is managed by the department on behalf of provinces through the health facility revitalisation component of the *National Health Insurance Indirect Grant*. These Grants are aimed at accelerating the construction, maintenance, upgrading and rehabilitation of new and existing health system infrastructure, as well as providing medical equipment required to render health services.
* The *National Tertiary Services Grant* is allocated R14.3 billion in 2022/23, R14 billion in 2023/4, and R14.7 billion in 2024/25 in Programme 5: *Hospital Systems*. The Grant compensates provinces for providing tertiary services to patients from elsewhere.
* Developing the health workforce: under Programme 6: *Health System Governance* *and Human Resources* additional allocations are made to the statutory human resources component of the *Human Resources and Training Grant* to ensure students can complete their medical internships and community service. This Grant now totals R7.8 billion over the MTEF. For further development and training of existing health workers, the training component of the grant is allocated R8.5 billion over the same period.

***2.4.2.3. Programme Analysis***

**Programme 1: Administration**

Programme 1’s budget decreases by 5.7% in nominal terms (and decreases by 9.7% in real terms) from R828.7 million in 2021/22 to R781.7 million in 2022/23. The largest sub-programme is *Corporate Services,* of which the allocation decreases by 8.1% in nominal terms and by 12.0% in real terms. Financial Management is the only sub-programme allocation that increases, from R161.3 million to R174.7 million, representing a 8.3% increase in nominal terms and 3.6% increase in real terms.

In terms of economic classification, 97.7% of the budget is allocated to Current payments. Compensation of employees amounts to R245.7 million, down from R250.1 million in the previous financial year (a 1.8% decline in nominal terms). R518.2 million is allocated to Goods and services. This includes R123.8 million for Operating leases, R52.4 for Property payments and R47.5 million for Travel and Subsistence (S&T).

**Programme 2: National Health Insurance**

The Programme’s budget increases by 48.0% in nominal terms (i.e. 41.6% in real terms), due to the shift of mental health and oncology conditional grant allocations from the Communicable and Non-Communicable Diseases programme to this sub-programme.

R779.3 million is allocated for Current payments, of which R734.0 million is for Goods and Services. R547.3 million or 70.2% of this budget is spent on Contractors. In terms of Transfers and Subsidies, R693.7 million is transferred to Provinces and Municipalities. R54.4 million is allocated to payments for Capital Assets.

**Programme 3: Communicable and Non-communicable Diseases**

This programme experiences a decrease due to the shifting of mental health and oncology component of the conditional grant allocations to Programme 2. The bulk of Programme 3’s budget, i.e., 91.3%, is allocated to the *HIV, AIDS and STIs* sub-programme, amounting to R24.6 billion in 2022/23. This represents a nominal decrease of 12.8% (a decline of 16.5% in real terms). The HIV programme is a major priority of the Department, and it is concerning to see a decline in real terms in this programme.

The *Communicable Diseases* sub-programme allocation decreases by 70.9% (72.1% in real terms) compared to the previous financial year, but experiences an increase compared to prior years, due to COVID-19 interventions and represent 8 % of this programmes budget. It declines from R7.4 billion to R2.2 billion in nominal terms. The remaining six sub-programmes combined receive less than 1% of the programme’s budget. This includes the *Tuberculosis Management;* *Women’s Maternal and Reproductive Health; Child, Youth and School Health;* *Non- communicable Diseases* (NCDs); and the *Health Promotion and Nutrition* sub-programmes.

**Programme 4: Primary Health Care**

This Programme’s budget increases nearly 20-fold in nominal terms from R250.1 million to R5.2 billion. The *District Health Services* sub-programme increases dramatically from R19 million in the previous year, to R4.9 billion in 2022/23. This is due to the shift of the district health component of the district health programmes grant to this sub-programme from the Programme 3: *Communicable and Non‐communicable Diseases*.

*Emergency Medical Services and Trauma* increases by 6.3% in nominal terms (or 1.8% in real terms) from R7.9 million in 2021/22 to R8.4 million in 2022/23.

**Programme 5: Hospital Systems**

The total budget for Programme 5 grows from R21.1 billion in the 2021/22 financial year to R22.7 billion in 2022/23. The budget for this programme increases by 7.1% in nominal terms and by 2.5% in real terms.

The 2022/23 allocation to the *Health Facilities Infrastructure Management* sub-programme increases by 12.6% in nominal terms from R7.4 billion in 2021/22 to R8.3 billion in 2022/23, which is an increase of 7.7% in real terms. The *Hospital Systems* sub-programme increases by R595.6 million from R13.7 billion in 2021/22 to R14.3 billion in 2022/23, representing nominal increase of 4.3% and a 0.2% decline in real terms. 93.2% of programme funding is transferred to provinces via the NTSG and HFRG.

**Programme 6: Health Systems Governance and Human Resources**

Programme 6 increases by 16.9% in nominal terms and by 11.9% in real terms, from R6.4 billion to R7.5 billion in 2022/23.

Two sub-programmes dominate expenditure under Programme 6. The *Human Resources for Health* sub-programme which receives R5.5 billion, which is an increase of 26.6% in nominal terms from the previous financial year’s total of R4.3 billion. This represents a real increase of 21.1%. The *Public Entities Management* sub-programme, receives R1.95 billion, decreasing by 3.4% in nominal terms (i.e. 7.5% decrease in real terms) from the previous year’s allocation of R2.02 billion.

The Nursing Services sub-programme increases by 3.2% in nominal terms from R9.4 million to R9.7 million in 2021/22, a decline of 1.3% in real terms.

***2.4.2.4. Conditional Grants***

Tables 4 and 5 below, provide a breakdown of the Conditional Grants, Direct and Indirect allocations.

Table 4: Conditional Grants Direct Allocations 2022/23

|  |  |
| --- | --- |
| **Direct Conditional Grants to Provinces** | **R million** |
| **Schedule 4, Part A** |  |
| National Tertiary Services Grant | 14 306.1 |
| **Schedule 5, Part A** |  |
| District Health Programmes Grant | 29 023.1 |
| Health Facility Revitalisation Grant | 6 779.6 |
| Human Resources and Training Grant | 5 449.1 |
| National Health Insurance | 693.8 |
| **Total** | **56 251.7** |

In terms of direct grants, the Department administers R56.3 billion in 2022/23. The largest grant is the *District Health Programmes* *Grant*, which receives R29.1 billion, followed by the *National Tertiary Services Grant (NTSG)* with R14.3 billion, and the *Health Facility Revitalisation Grant* with R6.8 billion.

With regard to the indirect grants, the *National Health Insurance Indirect Grant* is allocated R2.2 billion.

|  |  |
| --- | --- |
| **Conditional Grants Indirect Allocations** | **R million** |
| **Schedule 6, Part A** |  |
| National Health Insurance Indirect Grant | 2 209.1 |
| **Total** | **2 209.1** |

Table 5: Conditional Grants Indirect Allocations 2022/23

## Committee Observations on the Department

* The Committee noted with concern the increase in mental health cases, while the capacity of institutions remained low.
* The Committee enquired about the number of new hospitals being planned for over the medium-term, considering the backlog of forensic and psychiatric evaluations for state patients in detention centres waiting on hospital admissions.
* The Committee observed that the performance estimate for the Mental Health Policy Framework was reported as not applicable and asked whether the Department had finalised the framework or it was still under review.
* The Committee noted with concern that vital programmes such as the HIV and TB programmes were not given the attention that they deserve which might result in a regression in their control and prevention as the Department was focusing on COVID-19. Further, the Committee asked about the Department’s cancer campaign and how it had been affected by the COVID-19 pandemic.
* The Committee enquired about the interventions in place to realise the 60% target for COVID-19 vaccination of people in the 12 to 34-year age group, considering the low up-take by young people.
* The Committee was concerned about the scourge of tuberculosis (TB) in the country and wanted to know whether the Department had explored inter-sectoral collaborations with the Department of Mineral Resources (in the mining sector) and the Department of Correctional Services (in correctional centres) to address this challenge.
* The Committee asked about the number of patients on TB and HIV treatment that were lost to follow-up and how the causal factors could be addressed beyond community participation.
* The Committee noted with concern the infrastructure backlogs within the health sector and wanted to know how these will be addressed.
* The Committee expressed concern about the significant increase in medico-legal claims, especially in the Eastern Cape, as reported by the AGSA and wanted to know what the Department was doing to address this, as these costs depletes provincial departments’ budgets.
* The Committee questioned the exclusion of the Western Cape from implementing the medico-legal Case Management System.
* The Committee sought clarity on the development of a legislation for the management of medico-legal cases, and whether there was a regulatory framework in place for the appointment of legal teams to deal with these claims.
* The Committee noted with concern that there was no costing of the NHI and further indicated that even the Minister of Finance did not indicate any NHI allocation in his budget speech.
* The Committee asked the Department to share information about the 70% funded filled posts on the NHI programme and to provide a report on the spending of the NHI grant.
* The Committee expressed that it would have wanted to see more money being allocated for the NHI in the current fiscal year, however understood the fiscal position and debt burden of the country.
* The Committee observed that the budget for primary health care had increased significantly and questioned whether the programme had been adequately capacitated in terms of human resources to deliver services.
* The Committee noted with concern the high vacancy rates for health professionals – (10 800) nurses and (1 339) doctors – and wanted to know the Department’s plans to eradicate these vacant posts. The Committee further asked for a progress report on the training of nurses and the reopening of nursing colleges, and whether the changes in the curriculum includes mental health care, considering the impact of COVID-19 on the mental health of many citizens.
* The Committee wanted to know the lessons learnt from the COVID-19 pandemic to improve the public health care system.
* The Committee asked how the Department was supporting the Nelson Mandela/ Fidel Castro Cuban programme and what the impact of the programme was on health skills development in the country.
* The Committee asked the Department to intervene by absorbing community health workers into the system and their recruitment for nursing training.
* The Committee was also concerned about the increase in severe malnutrition and wanted to know the strategies in place to combat malnutrition and whether a collaborative approach was being followed – working with the Department of Social Development and the Department of Basic Education.
* The Committee asked for a progress report on the victims of forced sterilisation and whether the Department had contacted those affected and services offered to them. The Committee was concerned about the Department’s slow pace in addressing this issue.
* The Committee was concerned that the issue of surgical mesh had been raised for a while and sought an update on the matter.
* The Committee was concerned about the closure of Charlotte Maxeke Academic Hospital and wanted to know what the Department was doing to mitigate the impact of its closure on other healthcare facilities and the restoration of oncology services.
* The Committee questioned whether there was a long-term strategy in place to invest in vaccine development and how the Department was supporting vaccine development in the African continent.
* The Committee was concerned that termination of pregnancies was not accessible in some provinces, including the Eastern Cape and wanted to know what the Department was doing to resolve the matter.
* The Committee enquired about the plans put in place to change the trajectory of the increase in maternal mortality rates.
* The Committee enquired about the impact of health care treatment of undocumented immigrant on the planning and budgeting of the Department.

# CONSIDERATION OF THE APPs AND BUDGETS OF ENTITIES (2022/23)

## Compensation Commissioner for Occupational Diseases (CCOD)

* + 1. **Introduction**

The Occupational Diseases in Mines and Works Act 1973, (No. 78 of 1973) (ODMWA) establishes the Compensation Commissioner for Occupational Diseases in Mines and Works (CCOD). The CCOD is a legislated entity of the National Department of Health (NDOH) and receives its appropriated share of voted funds from the National Treasury through NDOH. Given the enormous role of CCOD, its vision and mission are stated below as follow:

* + 1. **CCOD’s Achievements over time**

By the end of March 2021, CCOD reported the significant milestones, i.e. having its 2018/19 and 2019/20 annual financial statements signed-off by the Auditor-General of South Africa (AGSA) and committing to table these in Parliament in the 2022/23 fiscal year. Another milestone is completing the 2020/21 financial report, which is in the process of being audited by the AGSA. Also reported as an achievement is the completion of the valuation of the Mines and Works Compensation Fund by 31 March 2021 by the actuaries. One noticeable improvement for the entity was the inspection of 109 controlled mines and works by 31 December 2021 and the accurate submission of risk shift information and payments of levies by the mines and works. The CCOD also improved the registration of claims from 2,923 in 2020/21 to 5,054 in 2021/22, which shows more beneficiaries than prior years. Going forward, CCOD aims to submit its 2021/22 financial annual report to the Auditor-General in the 2022/23 fiscal year

* + 1. **CCOD’S Priorities for the 2022/23 Fiscal Year**

During the period of 2021/22 to 2024/25, CCOD intends to achieve the following priorities:

* Expansion of the electronic claims management system.
* Submission to the Director-General of Health the amendments to the ODMWA.
* Maintenance of the database covering current workers in controlled mines and works.
* Working closely with stakeholders and social partners to resolve many of the legacy challenges facing the CCOD.
  + 1. **Situational Analysis**

Over the years, the CCOD has reported that its legislation is outdated and requires amendment. Due to its outdated legislation, CCOD is the only entity in the NDOH that has its administration costs, i.e. personnel, operational and infrastructure operations being controlled by the NDOH. As reported earlier, CCOD has undertaken to rectify the legislative defects by submitting amendments to ODMWA to the Director-General of Health during the 2022/23 fiscal year. Also reported in 2021/22 APP is that CCOD requires urgent attention, given the impediments that hamper it from attaining its full potential. The following are standing challenges at CCOD:

* No specialised personnel within its structure.
* Relies from Minerals Council South Africa for support on specialised personnel.
* A less optimally functioning Risk Committee for identification of mines and works.
* A deficit on medical, finance and information technology personnel, including maintenance of the database with approximately 1.1 million claimant files.
  + 1. **Performance Information for 2022/23**

CCOD has four programmes to execute its mandate, 1) Administration, 2) Compensation of Pensioners, 3) Compensation of Ex-miners, and 4) Compensation of Tuberculosis.

In the past, CCOD had a short-term Eastern Cape Project, which is currently defunct as it has reached its objective. The following table provides performance indicators stating the Outcome, Output Indicator and Estimated Performance / Targets.

**Table 6: Performance indicators and targets 2022/23**

|  |  |  |
| --- | --- | --- |
| **Outcome** | **Output Indicator** | **Targets** |
| Submission of amendments to ODMWA to the Director-General of the National Department of Health | Report on the submission of amendments to the Director-General of the National Department of Health | Submission of amendments to ODMWA to the Director-General of the National Department of Health. |
| Ensure the effective and efficient management of the CCOD | Report on updates of the database of claims at the CCOD in terms of claims, payments, certifications and data exchange updates and/or additions | Master database updated for payments made, new claims and new certifications for the month before the 7th of the next month. External data exchange updates and/or additions to the master database once a quarter |
| Report on the number of certifications finalised on the Mineworkers Compensation System per year. | 13 200 |
| Report on the number of benefit payments made by the CCOD (other than pension payments) | 7600 |
| Report on the number of claims  finalised by the CCOD (other than pensioners) | 8470 |
| Report on the submission of annual reports of the CCOD to the Auditor General of South Africa | Submission of the 2021/22 annual report to the Auditor-General of South Africa |
| Percentage of controlled mines and works liable for payment of levies per the financial system paying levies to the CCOD | 80% of controlled mines and works paying levies to the CCOD |

Similar to the previous financial year (2020/21), there is ambiguity on some outcomes, indicators and targets. Therefore, clarity needs to be given to determine progress towards targets. Also repeated is the omission of the most important performance target related to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), i.e. improvement on audit outcomes.

* + 1. **Budget for 2022/23**

Table 7 presents the proposed allocation according to the CCOD’s programmes for 2022/23 fiscal year.

**Table 7: Proposed allocation for 2022/23 fiscal year per programme**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2022/23** | **Real Increase / Decrease in 2022/23** | **Nominal Percent change in 2022/23** | **Real Percent change in 2022/23** |
| **R million** | **2021/22** | **2022/23** |
| Administration | 286 336 | 286 353 | 17 | -12 314 | 0.01% | -4.30% |
| Compensation of Pensioners | 1 437 | 1 544 | 107 | 41 | 7.45% | 2.82% |
| Compensation of Ex-Miners | 120 000 | 125 000 | 5 000 | -383 | 4.17% | -0.32% |
| Compensation of Tuberculosis | 0 | 0 | 0 | 0 | - | - |
| Eastern Cape Project | 0 | 0 | 0 | 0 | - | - |
| **TOTAL** | **407 773** | **412 897** | **5 124** | **- 12 656** | **1.3%** | **-3.10%** |

In reference to table 7, it is clear that CCOD has three active programmes, not five given the non-allocation of resources to Programme 4: Compensation of Tuberculosis and Programme 5: Eastern Cape Project. As a result, there is a minimal increase when considering the total budget for CCOD from R407.7 million in 2021/22 to R412.8 million in 2022/23. In essence, the allocation shows a real decrease of R12.6 million when factoring in annual inflation. This may pose a significant challenge to the entity for meeting its mandate given the increase in beneficiaries and verification of its database.

## Office of Health Standards Compliance (OHSC)

* + 1. **Introduction**

The Office of the Health Standard Compliance (OHSC) is established in terms of the National Health Amendment Act (NHA), No. 12 of 2013 and is listed as a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA). According to the NHA, the OHSC is responsible for protecting and promoting the health and safety of users of health services by:

* Monitoring and enforcing compliance by health establishments with norms and standards prescribed by the Minister concerning to the national health system; and
* Ensuring that complaints about non-compliance with prescribed norms and standards are considered, investigated and disposed of in a procedurally fair, economical and expeditious manner.

The governance of the OHSC is entrusted to a Board appointed in accordance with section 79 of the NHA. Currently the Board has the following committees:

* EXCO Board Chairperson and Chairpersons of the Board sub-committees;
* Certification and Enforcement Committee;
* Audit, Risk and Finance Committee; and
* Human Resources and Remuneration Committee.
  + 1. **Situational Analysis**

The entity has a conducted a reflective analysis within and outside of its operation to determine its strengths and challenges. In this regard, it employed three assessment methods namely the Political, Economic, Social, Technological, Legal/Ethics, Environment (PESTLE), SWOT and Stakeholder analysis. The outcome of these exercises were that there are successes (clean audits), strengths (good political support) and challenges (financial challenges and human resources shortages) for the entity. The following are some of the concerns coming out of the entity’s APP.

**Key Risks are as follows:**

* Delays in the resolution of complaints;
* Limited set of norms and standards for different types of health establishments;
* Weaknesses in organisational culture;
* Litigation against the OHSC;
* Business Continuity risk;
* Insufficient human resource capacity and skills-mix;
* Inadequate funding for OHSC operations;
* Limited understanding and clarity on independence and mandate of OHSC by key stakeholders;
* Non-compliance with applicable regulatory requirements (core business and administrative processes); and
* Fraud and corruption.
  + 1. **Performance Information for 2022/23**

The Office has five (5) programmes, namely, Administration, Compliance Inspectorate, Complaints Management and Ombud, Health Standards Design, Analysis and Support, as well as Certification and Enforcement. In executing its mandate, the entity apportions activities to achieve its strategic outcomes and overall objective of ensuring that the provision of safe and quality healthcare services is experienced by the health users. The table below discusses a set of selected indicators and targets in comparison to their performance in the previous financial year (2021/22).

**Table 8: Performance Targets 2022/23**

| **Programme** | **Outcome** | **Output Indicator** | **Estimated Performance**  **2021/22** | **Targets for**  **2022/23** |
| --- | --- | --- | --- | --- |
| **Administration** | A fully functional OHSC | Percentage of vacancies filled within four month of the vacancy | 90% | 90% |
| Percentage vacancy rate per year | New indicator | 7% |
| Percentage of certified inspectors after completion of training | 95% | 95%  Projected to remain the same over the MTEF period |
| Percentage of ICT availability  for core OHSC services | 95% | 95%  Projected to remain the same over the MTEF period |
| Number of community stakeholder engagements to raise public awareness on the role and powers of the OHSC and Health Ombud |  | 12  Projected remain the same over the MTEF period |
| Unqualified Audit Opinion achieved | Unqualified audit | Unqualified audit |
| Compliance Inspectorate | Compliance with norms and standards is effectively monitored | Percentage of public health establishments (HEs) inspected for compliance with the norms and standards | 8%  (299 of 3 741) | 21%  (788 of 3 741) |
| Percentage of private health establishments inspected for compliance with the norms and standards | 6%  (24 of 431) | 12%  (52 of 431) |
| Percentage of additional inspection conducted in public and private health establishments | 100% | 100%  Projected to remain the same over the MTEF period |
| Number of reports of inspections conducted with the names and location of the HE every six months published | New indicator | 2 |
| Complaints Management and Ombud | Improved quality of health care services rendered to the users in the HEs | Percentage of low-risk complaints resolved within 25 days | 74.59% | 80% |
| Percentage of complaints resolved through assessment within 30 days | 11.8% | 65% |
| Percentage of complaints resolved within 6 months through investigation | 12% | 15% |
| Percentage of complaints resolved within 12 months through investigation | 0 | 5%  This indicator was not achieved in 2021/22 and is projected to remain at 5% over the MTEF |
| Percentage of complaints resolved 18 months through investigation | 0 | 2%  This indicator was not achieved in 2021/22 and is projected to remain at 2% over the MTEF |
| Health Standards Design, analysis and Support | Facilitate achievement of compliance with the norms and standards regulations for different categories of health establishments | Number of recommendations for improvement in the healthcare sector made to relevant authorities | 3 | 3  Target remains the same as in 2021/22 and is projected to remain so over the MTEF period |
| Number of guidance workshops conducted to facilitate implementation of the norms and standards regulations | 24 | 24  Target remains the same as in 2021/22 and is projected to remain so over the MTEF period |
| Certification and Enforcement | Compliance with norms and standards increased | Percentage of HEs issued with a certificate of compliance within 15 days from the date of the final inspection report and recommendations | 100% | 100%  Projected to remain the same over the MTEF period |
| Percentage of HEs against which enforcement action has been initiated within 10 days from the date of the final inspection report and recommendations | 100% | 100%  Projected to remain the same over the MTEF period |
| Number of bi-annual reports developed for publication on the OHSC website | 2 | 2  Target remains the same as in 2021/22 and is projected to remain so over the MTEF period |

As observed in the previous financial year, most targets are largely static with marginal increases in some. In light of the challenges facing the healthcare system in South Africa, it is prudent that the OHSC, given its mandate in the health sector, increases its targets in order to improve the outlook and the quality of healthcare services.

* + 1. **Budget for 2022/23**

The overall proposed allocation for the entity is R157.5 million for 2022/23, which shows a nominal increase of R5.6 million from R10.4 million in 2021/22. The figures show a decrease on two programmes, namely; (4) *Health Standards Design, Analysis and Suppor*t and (5) *Certification and Enforcement*. The decrease on Programme 5 is said to have a negative impact on the OHSC’s achievement of its certification and enforcement mandate as the function of this programme is largely dependent on the work of inspectors. There is a need for the entity to share with the plans it will put in place to ensure that its planned programmes would not be affected by the decrease in funding on these two programmes.

**Table 9: Budget for 2022/23 as per programmes**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | | | **Nominal Rand change** | **Nominal % change** | **Real % change** |
| **R’000 million** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2021/22-2022/23** | | |
| Administration | 61 423 | 64 680 | 65 228 | 68 674 | 3 257 | 5.30% | 1.06% |
| Compliance Inspectorate | 53 989 | 58 469 | 52 854 | 55 233 | 4 480 | 8.31% | 3.95% |
| Complaints Management and Ombud | 20 389 | 20 890 | 20 940 | 21 485 | 501 | 2.46% | -1.67% |
| Health Standards Design, Analysis and Support | 13 396 | 10 972 | 11 180 | 11 619 | -2 424 | -18.01% | -13.26% |
| Certification and Enforcement | 2 692 | 2 498 | 2 523 | 2 587 | -194 | -7.21% | -2.89% |
| **TOTAL** | **151 889** | **157 509** | **152 726** | **159 599** | **5 620** | **3.7%** | -0.48% |

## National Health Laboratory Services (NHLS)

* + 1. **Introduction**

The National Health Laboratory Service (NHLS) is a Schedule 3A Public entity, as provided for in the Public Finance Management Act (Act No.1 of 1999), governed by the Board and the Chief Executive Officer (CEO). It is established by the National Health Laboratory Act (Act No.37 of 2000) to provide quality, affordable and sustainable health laboratory and related public health services to all public healthcare providers, other government institutions and any private healthcare provider in need of service. In addition, NHLS is responsible for supporting health research and provision of training for health science education and also provides advisory services to the national Department of Health (NDOH) and other stakeholders.

* + 1. **Implementation of Strategic Plan**

The NHLS is left with two years to execute its five-year Strategic Plan for 2020/21-2024/25. The Strategic Plan is a comprehensive document that incorporates key policy framework such as:

* National Development Plan 2030 (NDP);
* The Sustainable Development Goals (SDGs);
* The 2018 Presidential Health Summit Compact; and
* International Federation of Clinical Chemistry and Laboratory Medicine (IFCC).

Emanating from the Strategic Plan are the four outcomes through which NHLS executes the Plan i.e. clinical effectiveness and efficiency, high-quality service, cost-effective services, and good governance. These are discussed further in the performance targets on page four and five below.

* + 1. **Situational Analysis**

In its situational analysis, NHLS focuses on two concepts i.e. *external and internal environment analysis.* On external environment analysis, it underscores that health is underpinned on pathology services, which serve as a bridge between science and medicine. Emphasis is further made on safeguarding laboratory service for its significance in the process of ensuring complete health for health users. In reaching this outcome, NHLS highlights investment in laboratory service/infrastructure as critical particularly for clinical liaison and advice to clinicians for patient management, as well as triage testing. For greater pathology service, NHLS supplements the current brick and mortar spread through mobile units to peripheral areas. *Internal environment analysis* states that NHLS has presence of 233 laboratories in many towns and cities, where its laboratories are strategically housed at carefully identified public health facilities to optimise delivery of health services.

* + - 1. **SWOT analysis**

NHLS conducts SWOT analysis prior commencement of the financial year to ascertain its strengths, weaknesses, opportunities and threats (SWOT). In essence, SWOT analysis is pursued to understand the company’s existing situation and environmental aspects. Of the four letters of SWOT i.e. *Weaknesses and Threats – NHLS presents a situation of being* overwhelmed by the magnitude of the identified points listed below.

***Weaknesses***

* Inadequate ICT infrastructure capacity;
* Inadequate supply chain management capacity;
* Inequitable distribution of critical and scarce skills.

***Threats***

* Energy and water challenges;
* Operational costs exceed tariff increases;
* Insufficient throughput from the training platform;
* Challenge regarding the retention of professional staff;
* Increased competition with the implementation of the NHI.

The aforementioned presents a picture that NHLS faces a serious challenge that is difficult to overcome. However, there seems to be no clear-cut response plan to deal with the identified Threats and Weaknesses. Given the extent of identified challenges, it is essential for the Committee to be apprised of the entity’s response plan to address these challenges.

* + - 1. **Forensic Chemistry Laboratory**

In October 2021, the Forensic Chemistry Laboratory (FCL) was integrated within programme 1: Laboratory Service. With the integration, NHLS plans to improve efficiencies through modernisation of equipment and infrastructure. However, the transfer poses for the NHLS a serious financial burden for various aspects such as:

* The operational costs;
* The non-transfer of budget;
* The repurposing of FCL; and
* The state of infrastructure at FCL.
  + - 1. **National Public Health Institute of South Africa**

On 5 August 2020, the NAPHISA Bill was assented to by the President, which establishes and adds another entity to the NDOH. Currently, Regulations are being finalised prior to the proclamation of the Act. NHLS underlines that NAPHISA will impact on its functions and roles as it will migrate the following divisions:

* Occupational health;
* Cancer surveillance;
* Environmental health;
* Communicable diseases;
* Non-communicable diseases;
* Injury and violence prevention.
  + 1. **Performance Information for 2022/23**

The NHLS has six programmes through which the APP is executed. These are: Laboratory Service; Academic Affairs, Research and Quality Assurance (AARQA); Surveillance of Communicable Diseases; Occupational and Environmental Health and Safety; National Institute for Occupational Health (NIOH) and Administration. Below are a few selected output indicators, outcomes and the estimated performance (targets) for the current fiscal year 2022/23:

**Table 10: Performance indicators 2022/23**

|  |  |  |  |
| --- | --- | --- | --- |
| **Outcome** | **Output Indicator** | **Estimated Performance for 2022/23 (Targets)** | **Observation** |
| Clinical Effectiveness and efficiency | Percentage of TB GeneXpert tests performed within 40 hours | 93% | Decreased from 95% in 2020/21 fiscal year. It is projected to return to 95% in 2024/25 financial year. |
| Percentage of HIV viral load tests performed within 96 hours | 82% | This target has been marginally increased from 80% in 2021/22 to 82.%. It is projected to increase slightly to 86% in 2024/25 |
| **Clinical effectiveness and efficiency** | Develop and implement a POCT (Point-of-care testing) plan. | Implement the pilot to assess feasibility and cost benefit | About 30% of the point of care (POCT) plan based on the pilot will be implemented in 2024/25 |
| Implement digital pathology | Prepare for implementation of the digital pathology. | In 2024/25 the roll out of 10% of identified laboratories based on the pilot is estimated |
| **High-quality services** | Percentage compliance achieved by laboratories during annual quality compliance audits | 100% |  |
| **Clinical effectiveness and efficiency** | Number of pathology registrars admitted and trained in the NHLS | 40 | This target is projected to remain 40 until 2024/25 |
| Number of intern medical scientists admitted and trained in the NHLS | 50 | This target decreased from 55 in 2020/21 and is projected to remain 50 until 2024/25 |
| **High-quality services** | Percentage | 100% | This target has been 100% since 2019/20 financial year. It is projected to remain 100% throughout the MTEF period |
| **Clinical effectiveness and efficiency** | Percentage of blood alcohol tests completed within a normative period of 90 days | 60% | This is a new target and is projected to increase to 80% in 2024/25. |
| Percentage reduction of backlogged toxicology cases | 20% | This is a new target and is projected to increase to 60% in 2024/25. |

With reference to Table 10, a considerable number of performance targets are decreased and projected to further decrease by 2024/25. Similar to other entities, a trend is observed where targets remain the same, while others show insignificant increase over the MTEF period. With increased NHLS services, the decrease of performance targets is likely to have a negative impact on its mandate.

* + 1. **Budget for 2022/23**

The proposed allocation to NHLS as shown in Table 11 reflects a significant deficit in Programme 1: Laboratory Service, which amounts to real decrease of R-531.1 million. This challenge is further compounded by the transfer of Forensic Chemistry Laboratories from the South African Police Service (SAPS) to NHLS with zero budget transfer. Currently, FCL faces an enormous backlog of test results, which is not clear how it will be cleared when resources are not reflected on the allocation.

**Table 11: Proposed Allocation to NHLS for 2022/23 fiscal year**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2022/23** | **Real Increase / Decrease in 2022/23** | **Nominal Percent change in 2022/23** | **Real Percent change in 2022/23** |
| **R million** | **2021/22** | **2022/23** |
| Laboratory Service | 8 964 389 | 8 812 761 | - 151 628 | - 531 125 | -1.69 % | -5.92% |
| Academic Affairs, Research and Quality Assurance | 343 190 | 355 022 | 11 832 | - 3 456 | 3.45 % | -1.01% |
| Surveillance of Communicable Diseases | 443 244 | 459 886 | 16 642 | - 3 162 | 3.75% | -0.71% |
| Occupational and Environmental Health and Safety | 157 717 | 166 009 | 8 292 | 1 143 | 5.26% | 0.72% |
| Forensic Chemistry Laboratory Service | 0 | 0 | 0 | 0 | 0 | 0 |
| Administration | 1 006 670 | 1 805 381 | 798 711 | 720 967 | 79.34% | 71.62% |
| **TOTAL** | **10 915 210** | **11 599 059** | **683 849** | **184 368** | **6.3 %** | **1.69%** |

Of all six programmes, programme 6 shows a significant real percentage change of 71,62 %. Though the increase is commendable but questions should arise on why Administration, not other five programmes which are at the cold face of the implementation of the APP. Table 2 further presents a real decrease for programme 2 and 3 with R-3.4 million and R-3.1 million respectively. NHLS states that the total expenditure estimate for 2022/23 fiscal year will be comprised of the following cost items:

* Compensation of employees : R5.5 billion;
* Goods and services : R6.1 billion.

Over the MTEF period, NHLS forecasts a total revenue of R12.8 billion, which is a jump from R11.7 billion. However, this raises a concern around the decrease of allocation on the activities of the National Institute of Communicable Diseases (NICD) and the National Institute of Occupational Health (NIOH), which are essential for healthcare delivery in the country.

## Council for Medical Schemes (CMS)

* + 1. **Introduction**

The Council for Medical Schemes (CMS) is the national medical schemes regulatory authority. It is the public entity responsible for regulating the medical schemes industry to protect the interests of members and beneficiaries, “controlling and co-ordinating the functioning of medical schemes, collecting and disseminating information about private health care, and advising the Minister of Health on any matter concerning medical schemes.

CMS Annual Performance Plan indicates that as at 31 March 2021, the Council regulates (74 (down from 76) medical schemes, 19 administrators (including self-administered schemes), 41 managed care organisations and 2 231 broker organisations and 7 872 individual brokers. CMS regulate these entities utilising the Medical Schemes Act (No. 131 of 1998) and Regulations to ensure that all the 8.9 million scheme beneficiaries’ interests are protected. This means that the CMS should ensure that all the regulated entities are at all times compliant with the Act and its provisions.

In the previous financial years, the health sector has seen the release of the Medical Schemes Amendment and National Health Insurance Bills, as well as the Health Market Inquiry final report. The process of finalising and implementing these three policy initiatives will provide a basis for all the key initiatives that the Council will focus on within the next five years.

The strategic objectives for the CMS for the next three years are to ensure effective regulation of the medical schemes industry and playing a significant role in the implementation of Universal Health Coverage, known in South Africa as the National Health Insurance (NHI). The CMS aims to make significant contributions in the following key areas:

* Policy development and research;
* Reduction of costs and quality improvement
* Reduction of fraud, waste and abuse;
* Support establishment of a coding authority;
* Harmonise the medical schemes regulatory frameworks in the SADC
* Consolidation of options and medical schemes;
* Primary Health Care package as part of the Prescribed Minimum Benefits (PMBs); and
* Presidential Health Compact.
  + 1. **Internal Environment Analysis**

The CMS identified a number of threats, weaknesses, opportunities and strengths in its APP. As it did in last year’s APP, the CMS reports a: “fairly stable environment, despite the fact that there has been an increased staff turn-over during the past year due to non-renewal of contracts and employees moving to “greener pastures,” as well as identifying the need to restructure the organisation. It further notes that employer/employee relations continue to be a challenge.

* + 1. **Performance Information for 2022/23**

The table below highlights some of the annual and quarterly performance indicators for the CMS. The CMS has restructured its programmes, from nine to five programmes as outlined below.

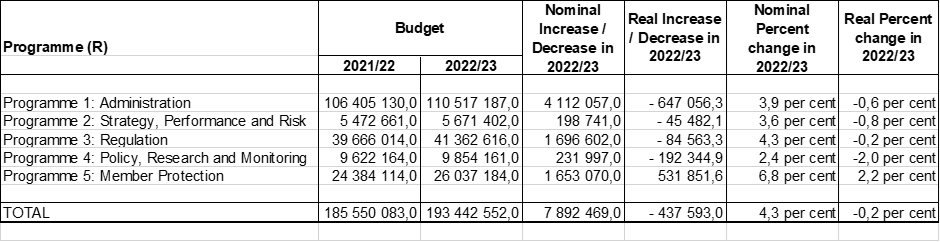
**Table 12: Strategic Objectives and Performance Plan Indicators for 2022/23**

| **PROGRAMME** | **STRATEGIC OBJECTIVE** | **PLANNED TARGET 2022/23** |
| --- | --- | --- |
| 1. **ADMINISTRATION** | Ensure that reported performance information is in accordance with the Framework for Strategic and Annual Performance Plans | Ensure that overall performance of the entity is maintained above 80% |
| Produce an Annual Performance Information report that is reliable, accurate and complete by 31 July each year. |
| Ensure effective financial management and alignment of budget allocation with strategic priorities | Obtain an unqualified opinion issued by the Auditor General of South Africa |
| Produce a budget that is approved by Council by 31 January each year |
| An established ICT Infrastructure that ensures information is available, accessible and protected | Achieve 99% in network uptime |
| Ensure 5% of IT security incidents |
| Provide software applications that serve both internal as well as external stakeholders, that improve business operations and performance | Achieve 95% in uptime of business critical application systems |
| Effectively provide information management services and organise and management organisational knowledge with a view to enhance knowledge sharing | Ensure that 95% of physical requests for information are responded to within 30 days |
| Build competencies and retain skilled employees | Minimise staff turnover to less than 15% per annum |
| Average turnaround time of 120 working days to fill a vacancy |
| Achievement of employment equity targets (BBBEE) |
| Develop and maintain talent management Policy Framework by implementing a career path and succession plan |
| Maximise performance to improve organisational efficiency and maintain high performance culture | 95% of employee performance agreements are signed no later than 31 May each year |
| 95% of employee performance assessments are concluded bi-annually |
| Legal advisory and support service for effective regulation of the industry and operations of the office | 90%\* written and verbal legal opinions provided to internal and external stakeholders, attended to within 14 days (\*previously a numerical value not percentage) |
| Defending decisions of the Council and the Registrar | 100% of court and tribunal appearance in legal matters received and action initiated by the Unit within 14 days |
| Corporate governance, Secretariat & Board administration Support and Legal Services for effective governance by the Accounting Authority | Develop an Annual Council Work Plan for Council and its committees by 31 March |
| Develop and Review Council and Committees Governance Charters |
| 1. **STRATEGY PERFORMANCE AND RISK** | Formulate prescribed minimum benefits (PMB) definitions to ensure members are adequately protected | 10 PMB definitions published, per year |
| Develop primary health care package to incorporate into the PMBs | Develop primary health care package to incorporate into the PMBs |
| Provide clinical opinions with a view to resolve complaints and enquiries | 90% of category 1 clinical opinions provided within 30 working days of receipt from Complaints Adjudication Unit |
| 98% of clinical enquiries received via e-mail or telephone and responded to within 7 days |
| Conduct research to inform national health policy interventions | 5 Research projects and support projects published in support of national health policy |
| 1. **REGULATION\***   (This programme appears to subsume programmes previously known as Compliance and Investigations; Benefits Management; and Financial Supervision Programmes) | Percentage of broker and broker organisation applications accredited within 30 working days on receipt of complete information | 80% |
| Percentage of managed care organisation applications analysis completed within three months of receipt of complete information | 100% |
| Percentage of administrators and self-administered schemes’ applications analysis completed within three months of receipt of complete information | 100% |
| Inspect regulated entities for routine monitoring of compliance with the prescribed legislation | 15 Routine inspections undertaken if applicable |
| Strengthen and monitor governance systems medical schemes and other regulated entities | 100% of Governance interventions implemented |
| Ensure that rules of the schemes are simplified, standardised, fair and compliant with the Medical Schemes Act (1998) | 80% Interim rule amendments are processed within 14 days of receipt of all information |
| Monitor and promote financial soundness of medical schemes | 100% of business plans processed in respect of Regulation 29 |
| Strengthen and monitor governance systems medical schemes and other regulated entities | 100% Recommendations on action plans for schemes with rapidly reducing solvency (but above statutory minimum) for 100% of schemes identified |
| Ensure that rules of the schemes are simplified, standardised, fair and compliant with the Medical Schemes Act (1998) | 80% of interim rule amendments processed within 14 working days of receipt of all information |
| 90%of annual rule amendments processed before 31 December of each year |
| Monitor and promote financial soundness of medical schemes | 1 Financial section prepared for the Annual Report |
|  | 70% of category 4 complaints adjudicated within 120 working days and in accordance with complaints procedure |
| 1. **POLICY, RESEARCH AND MONITORING** | Conduct research to inform appropriate national health policy interventions | 17 Research projects finalised, per year |
| Monitoring trends to improve regulatory policy and practice | 1 Non-financial report submitted for inclusion in the Annual Report |
| 1. **MEMBER PROTECTION\***   (\*It appears Complaints Adjudication and Stakeholder Relations are now subsumed under this programme) | To enhance knowledge and skills among stakeholders in order to create an in-depth understanding of governance and compliance with the Medical Schemes Act through education and training interventions | 50 Stakeholder education and training sessions |
| Resolve complaints with the aim of protecting beneficiaries of medical schemes | 75% of complaints older than 120 calendar days adjudicated during the reporting period in accordance with complaints standard operating procedures |
| Resolve complaints with the aim of protecting beneficiaries of medical schemes | 100% of Rulings published on the CMS website within 14 days of issuing the ruling |
| Monitor and promote financial soundness of medical schemes  Resolve complaints with the aim of protecting beneficiaries of medical schemes | 1 Financial section prepared for the Annual Report |
| 70% of category 4 complaints adjudicated within 120 working days and in accordance with complaints procedure |
| 80% of Rulings submitted to Corporate Services for publication on the CMS website within 30 calendar days following the lapse of 3 months within which an appeal must be filed |

* + 1. **Budget for 2022/23**

CMS receives a Government Grant of R6.3 million from the National Department of Health and the bulk of its budget is from the principal medical scheme members to the value of R178.6 million. Table 13, below provides an overview of the CMS’s budget for 2022/23:

Table 13: CMS Budget 2022/23



CMS is set to spend R193.4 million in 2022/23, up by 4.3% in nominal terms and down 0.2 percent in real terms from the adjusted budget of R185.6 million of 2021/22.

In terms of allocation per programme, programme 1: Administration receives the biggest allocation of R110.5 million in 2022/23 or 57.1% of the budget. This is a 3.9% nominal increase, and 0.6% real decrease from the previous year. This programme is divided into 6 sub-programmes, namely:

Table 14: Administration Budget

|  |  |  |
| --- | --- | --- |
| **Sub-programme** | **Appropriated budget for 2021/22** | **Appropriated budget for 2022/23** |
| Office of the CEO and Registrar | R7.7 million | R9.6 million |
| Office of the CFO | R14.9 million | R15.8 million |
| Information Systems and Knowledge Management | R25.2 million | R25.9 million |
| Corporate Services | R51.3 million | R51.5 million |
| Council Secretariat | **R7.3 million** | R 7.7 million |
| **Total** | **R106.4 million** | **R110.5 million** |

Corporate Services receives the largest share of the Administration budget at R51.5 million. Information Systems and Knowledge Management is the second biggest budget item receiving nearly R26 million (R25.9 million); while the Council Secretariat receives the smallest amount with R7.7 million.

Programme 5: Member Protection receives the largest nominal percentage increase of 6.8% increasing from R24.4 million in 2021/22 to R26.1 million in 2022/23. Programme 3: Regulation receives a 4.3% nominal increase from R39.7 million in 2021/22 to R41.4 million in 2022/23.

The key cost drivers per economic classification are as follows: 62.7% (R121.4 million) of CMS operating budget (R193.4 million) is allocated for compensation of employees (COE) and 37.2% (R72.1 million) is allocated for goods and services. In terms of spending under goods and services, the main cost drivers are lease payments (R14.8 million), legal fees (R6.0 million), consultants (R1.2) million), and property payments (R4.9 million).

## South African Health Products Regulatory Authority (SAHPRA)

* + 1. **Introduction**

The South African Health Products Regulatory Authority (hereafter, SAHPRA) was established in terms of the Medicines and Related Substance Act (Act No. 101 of 1965) (as amended by Act No. 72 of 2008, together with Act No. 14 of 2015). This was in order to regulate and control registration, licensing, manufacturing, import and all other aspects pertaining to active pharmaceutical ingredients, medical devices, and for conducting clinical trials in a manner compatible with the national medicines policy.

SAHPRA is a Schedule 3A public entity operating as a separate juristic entity, independent of the National Department of Health (NDoH). It replaced South Africa’s previous medicine regulatory authority, the Medicines Control Council (MCC), with the objective of creating an effective regulator that is responsive and publicly accountable and able to make timeous regulatory decisions. One of the critical priorities of SAHPRA, since its launch in February 2018, has been the clearance of approving new medicines and clinical trials backlogs.

The Authority inherited many historical challenges that plagued the MCC, including slow regulatory decision times, and an extensive backlog of pending regulatory applications. The SAHPRA Annual Performance Plan (APP) for the 2022/23 financial year outlines a range of outcomes and indicators aimed at overcoming these historical challenges as well as positioning SAHPRA in a way to serve the proposed National Health Insurance (NHI) effectively.

Information on its Vision, Mission and Values is gleaned from last year’s presentation to the Committee. SAHPRA’s Vision is to be an “agile and responsive African health products regulator that is globally recognised as an enabler of access to safe, effective and quality health products in South Africa.” Its Mission is to “promote access to health products and protect human and animal health in South Africa through making science-based regulatory decisions.” SAHPRA’s impact statement is that: All health products in South Africa meet world-class safety, quality, efficacy and performance standards. To achieve its impact, SAHPRA identified the following seven (7) outcomes:

1. Effective financial management;
2. Financial sustainability achieved through revenue generated and enhanced operational efficiencies;
3. The needs and expectations of all SAHPRA stakeholders continuously met;
4. A positive and enabling working culture created;
5. Attract and retain superior talent;
6. Strengthened Information and Communication Technology and digitization; and
7. High levels of organisational operational efficiency and effectiveness in the regulatory function maintained

SAHPRA’s focus in its Strategic Plan 2020/21 – 2024/25 is on achieving stabilisation and momentum out of the transition phase towards greater autonomy, effective governance and operational efficiency. The number of outcomes were reduced from nine (9) to seven (7), to ensure that the focus is on core business. The 5-year targets linked to the outcomes have been revised to support SAHPRA’s approach towards the incremental reduction of the time taken to finalise its regulatory activities such as the approval time taken to register new medicines.

During the current COVID-19 pandemic, SAHPRA’s role has been thrust into the limelight as it has the authority to approve or not approve vaccines, tests and treatment for the virus. This paper will provide an overview of the SAHPRA’s budget and planned performance targets for the 2022/23 financial year.

* + 1. **Performance Information for 2022/23**

SAHPRA executes its mandate through five (5) programme areas, namely, Leadership and Support, Health Products Authorisation, Inspectorate and Regulatory Compliance, Clinical and Pharmaceutical Evaluation Medicines and Medical Devices and Radiation Control. The ensuing sub-section provides a synopsis of SAHPRA’s performance plans/targets, per programme, for the 2022/23 financial year.

**Programme 1: Leadership and Support**

This programme, previously known as Administration, is responsible for providing leadership and administrative support in order to deliver on its mandate and comply with all relevant legislative requirements. It is important to note that, Programme 1 has four (4) sub-programmes, namely, Financial and Supply Chain Management; Governance and Compliance; Information Technology and Communication (ICT); and Human Resource Management.

For the 2022/23 financial year, this programme has set itself eight (8) performance targets, down from 14 targets in the previous year, and equal to the eight (8) targets set in 2019/20 financial year.

The eight (8) performance targets in this programme for the year under review are as follows:

* Attaining and maintaining an unqualified audit.
* R170 million total revenue generated from fees.
* Break-even of expenses and revenue by 31 March
* 60% accepted recommendations from the 2022/23 stakeholder perception survey implemented
* Eighty percent (80%) of change management interventions implemented.
* Fifty percent (50%) of the Workplace Skills Plan implemented.
* Ninety-five percent (95%) of budgeted positions filled.
* Enterprise Architecture approved by the Board

**Programme 2: Health Products Authorisation**

This programme, previously known as Authorisation Management, aims to coordinate the process of registration and/or licensing or amendment of applications for medicines. It aims to provide specialised administration support necessary for core functional programmes to enable the entity to deliver on its roles in specific reference to processing licences and permits.

The programme has a total number of six (6) targets the same as in the previous financial year. The targets for the programme are as follows:

* One hundred percent (100%) of medicine registration backlog cleared.
* One hundred percent (100%) of variation applications backlog cleared.
* Eighty percent (80%) of New Chemical Entities finalised within 490 working days (approximately 2 years) down from 590 working days.
* Seventy-five percent (75%) of generic medicines finalised within 250 working days.
* International Organisation for Standardisation 9001: 2015 certified.
* WHO maturity level 3 obtained.

**Programme 3: Inspectorate and Regulatory Compliance**

Programme 3 is responsible for ensuring public access to safe and quality health products through conducting inspections and regulatory compliance. The focus of this programme includes assessment of site compliance, with good regulatory and vigilance practices, including facilitating Good Manufacturing Practice (GMP), Good Warehousing Practice (GWP), Good Distribution Practice (GDP), Good Clinical Practice (GCP), Good Vigilance Practice and Good Laboratory Practice (GLP) compliance.

The programme, as it did in the previous financial year, has only three (3) targets for 2022/23 financial year. The key targets for the programme include:

* Sixty percent (60%) of new GMP and GWP related licences finalised within 125 working days.
* Seventy percent (70%) of permits finalised within 20 working days.
* Seventy percent (70%) of health product quality complaints reports produced within 30 working days.

**Programme 4: Clinical and Pharmaceutical Evaluation Medicines**

This programme, previously known as Evaluation and Registration, is responsible for conducting evaluation of safety, quality and therapeutic efficacy of medicines and register them for use as per delegated authority in terms of relevant legislation. The programme has seven (7) sub-programmes, namely, Clinical Evaluation, Clinical Trials, Pharmaceutical Evaluations, Authorisation of the Sale of Unregistered Medicines, Vigilance and Post-Marketing Surveillance, Complementary and Alternative Medicines and Veterinary Medicines.

Whilst the programme has seven (7) sub-programmes, it has only five targets that it plans to achieve during the year under review. The five targets are as follows:

* Eighty-five percent (85%) applications for the sale of unregistered Category A (human) medicines finalised within 24 working hours.
* Eighty percent (80%) rate of human clinical trial applications finalised within 90 working days (down from 120 working days).
* Seventy percent (70%) reports on health product safety signals issued within 40 working days after receipt.
* Four (4) safety awareness webinars held.
* 95% of lot release requests finalised within 30 working days

**Programme 5: Medical Devices and Radiation Control**

This programme is responsible for developing and maintaining regulations and guidelines relating to the regulatory oversight of medical devices, and listed electronic devices.

The programme has five targets for 2022/23. During the year under review, the Authority plans to achieve:

* Seventy percent (70%) medical device establishment licence applications finalised within 90 days.
* Seven (7) Guidelines to support the medical device registration regulations approved by the Executive Authority.
* Seventy percent (70%) licence applications for listed-electronic products finalised within 30 working days.
* Fifty percent 50% (down from seventy percent (70%) of new application licenses for radionuclide authorities issued within 30 working days.
* Board approved Co-Regulation Model with the National Nuclear Regulator.
  + 1. **Budget for 2022/23**

Information in this section is derived from National Treasury documents.

As in the previous financial year, SAHPRA faced a reduction in its budget. SAHPRA is set to spend R349.4 million in 2022/23, down 7% in nominal terms and 11% in real terms from the 2021/22 financial year when it spent R357.6 million.

This will likely put the entity under strain as it deals with the continued demands of the COVID-19 pandemic, as well as implement new technology and innovations in improving its processes in order to meet its goals of improved average registration times of products as well as reducing the substantial backlog it carries.

The largest reduction in budget allocation in terms of percentage and amount is in Programme 2: Authorisation Management, which declines from R72.5 million in 2021/22, to R51.6 million in 2022/23, a 28.8% nominal and 31.9% real reduction.

The next biggest reduction is in Programme 5: Devices and radiation. It declines from R39.7 million in 2021/22, to R32.4 million in 2022/23 a reduction of R7.3 million. This represents an 18.4% nominal and 21.9% real decrease year on year.

Administration (Programme 1), remains the largest programme in terms of allocation and increases from R116.5 million in 2021/22 to R132.0 million in 2022/23, an increase of R15.5 million or 13.3% in nominal terms (8.4% increase in real terms).

Programme 3: Inspectorate and regulatory compliance, its budget increases from R35.8 million in 2021/22 to R37.3 million in 2022/23. This represents a nominal increase of 4.2% (0.3% real reduction).

Programme 4: Medicine evaluation and registration receives a R3.0 million increase from R93.0 million in 2021/22 to R96.0 million in 2022/23. This is a 3.2% nominal increase and a 1.2% real decrease year on year.

In terms of budget allocation according to economic classification, the biggest cost drivers of the Authority’s total budget include Compensation of Employees (COE) with an allocation of R206.3 million or 59% of the total budget, up from R185.2 million in the 2020/21 financial year.

Goods and Services with an allocation R143.1 million in 2022/23 down from R172.4 million in 2021/22, consumes 41% of the budget for the year under review. It receives a significant nominal reduction of R33.8 million.

## South African Medical Research Council (SAMRC)

* + 1. **Introduction**

The mandate of the South African Medical Research Council is legislated in terms of the South African Medical Research Council Act (Act No.58, 1991) (henceforth, the Act). The Act establishes the South African Medical Research Council (SAMRC) as a Schedule 3A Public Entity that functions under the directives of the Public Finance Management Act (Act No.1 of 1999). Its vision is to build a healthy nation through research, innovation and transformation. SAMRC’s mission is to advance the nation’s health and quality of life and address inequity by conducting and funding relevant and responsive health research, capacity development, innovation and research translation.

Since the Board took office in 1 November 2019, it has executed its mandate through the 5-year strategic plan and the subsequent APPs. However, the Board’s 3-year term ends in 31 October 2022.The Act empowers the national Minister of Health to appoint members of the Board who meet the required prerequisite. Given that the Board has six months left in its term of office, it will be interesting to know whether - the Minister will retain or replace it. If it is the latter, how far is the process for the new Board.

* + 1. **Situational Analysis**

South Africa continues to face the quadruple burden of disease that threaten public health and socioeconomic factors essential for the public to thrive. These quadruple burden of disease include communicable epidemics such as the HIV and TB and COVID-19. In the past 5-years, non-communicable diseases have become the major threat for South Africa particularly; obesity, diabetes, hypertension and cardiovascular diseases.Violence and injuries also form part of the quadruple burden of disease. Also reported is that neonatal mortality continues to be difficult to overcome, despite interventions that are being made by the NDoH, the SAMRC and other health entities.

**3.6.2.1. SWOT Analysis**

In the past three financial years i.e. 2019/20, 2020/21 and 2021/22, SAMRC compiled a swot analysis to determine its strengths and weaknesses, this also includes the current fiscal year (2022/23). However, what is conspicuous is that this exercise presents more weight for threats and weaknesses compared to the strengths and opportunities. For example, the following challenges have been identified as *threats* - diminishing funding for research, research classified as low priority on the political agenda and scientific misconduct. With regards to *weaknesses* these are some of the identified concerns - lack of research translation, poor diversity in management, bureaucratic environment as well as lack of knowledge sharing.Importantly some of these are recurring as they were identified in 2021/22 fiscal year.

**3.6.2.2. Focused Priorities over the Medium Term Strategic Framework (MTSF)**

In executing its mandate, the SAMRC has aligned its APP for 2022/23 fiscal year with the 5-year strategic plan and with the MTSF to ensure greater impact. Since 2020/21, SAMRC undertook to make a meaningful impact through the implementation of the following priorities:

**Table 15: SAMRC’s 5 year priorities**

|  |  |
| --- | --- |
| Innovation, | Mental health, |
| Transformation, | Maternal and child health, |
| Research Translation, | Foster ethical research conduct and integrity, |
| Environmental health, | New and emerging threats such as COVID-19, |
| Open Science/Source, | Ensure strategic investments in NCDs research, |
| Diversity Management, | Continue to invest in infrastructure development, |
| Capacity Development, | Continue a search for efficacious HIV and TB vaccines, |
| Knowledge Management, | NHI and UHC: Focus on key areas to support roll out of NHI, |
| Data security and sharing, | Explore the possibility of establishing a SAMRC Foundation, |
| Balance academic and social impact of research, | Responding to emerging national health needs and global trends. |

* + 1. **Performance Information for 2022/23**

SAMRC has five (5) programmes, namely Administration, Core Research, Innovation and Technology, Capacity Development and Research Translation. These are the programmes that serve as a vehicle for SAMRC to execute its mandate. Below is a cohort of performance indicators and the estimated performance (targets) for the current fiscal year (2022/23):

**Table 16: Performance indicators 2022/23**

|  |  |  |  |
| --- | --- | --- | --- |
| **Outcome** | **Output Indicator** | **Estimated Performance for 2022/23 (Targets)** | **Observation** |
| To ensure good governance, effective administration and compliance with government regulations. | A clean audit opinion on the SAMRC from the Auditor-General. | Clean audit | Over the years, the SAMRC has excelled in achieving this target. |
| To promote the organisation’s administrative efficiency to maximise the funds available for research. | Percentage of the SAMRC total budget spent on administration. | 20% | This target is projected to remain 20% throughout the MTEF period. It was increased from 16% in 2020/21. |
| To produce and promote scientific excellence and the reputation of South African health research. | Number of accepted and published journal articles, book chapters and books by SAMRC affiliated and funded authors. | 700 | This target decreased from 750 in 2021/22. It is projected to further decrease to 600 in 2024/25. |
| Number of accepted and published journal articles by SAMRC grant-holders with acknowledgement of the SAMRC. | 180 | This target decreased from 200 in 2021/22. It is projected to further decrease to 170 in 2024/25. |
| To provide funding for the conduct of health research. | Number of research grants awarded by the SAMRC. | 420 | There is also a decrease from 450 in 2021/22. A significant projected decrease on this target to  255 in 2024/25 is observed. |
| Innovation projects and platforms funded by the SAMRC. | Number of new innovation and technology projects funded by the SAMRC aimed at developing, testing and/or implementing new or improved health solutions. | 4 | This target decreased significantly from 29 in 2020/21. It is projected to remain 4 throughout the MTEF period. |
| To enhance the long-term sustainability of health research in South Africa by providing funding for the next generation of health researchers. | Number of awards (scholarships, fellowships and grants) by the SAMRC for MSc, PhD, Postdocs and Early Career Scientists. | 140 | This target increased slightly from 130 in 2021/22. It is projected to decrease again to 130 in 2024/25. |
| To facilitate the translation of SAMRC research findings into public understanding, policy and practice. | Number of national or international bodies/committees SAMRC employees serve on. | 50 | This target decreased from 90 in 2021/22. It is projected to remain 50 throughout the MTEF period. |

The majority of the performance targets have been decreased and projected to further decrease by 2024/25 as earlier stated. The trend of decrease in performance targets continues from the previous fiscal year. A few of the targets are static, which is concerning given the mandate of the SAMRC in the country and beyond. In some instances, there is an insignificant increase in targets but still worrisome as allocation seems to be higher than the decreased performance targets.

* + 1. **Budget for 2022/23**

With reference to the proposed allocation for 2022/23, the real decrease amounts to R-219.4 million. The bulk of the aforementioned real decrease come from Programme 2: Core Research (R-206.1 million) and Programme 3: Innovation and Technology (R-16.1 million). Of all the five programmes, the less prominent real decrease is on Programme 4: Capacity Development, where the deficit is R-4 million. In cushioning the effects of inflation, the SAMRC has identified key areas of reprioritisationover the MTEF period to the amount of R10 million per annum to assist with COVID-19 mRNA vaccine development and R13 million for other COVID-19 research in 2022/23. This reprioritisation is projected to be R13 million in 2023/24 and R19 million in 2024/25. A further R13.5 million per annum over the MTEF has been ring-fenced to fund projects that will generate leverage funding of at least the equivalent amount from collaboration partners and funders.

**Table 17: Proposed allocation for 2022/23 fiscal year**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2022/23** | **Real Increase / Decrease in 2022/23** | **Nominal Percent change in 2022/23** | **Real Percent change in 2022/23** |
| **R million** | **2021/22** | **2022/23** |
| Administration | 209 275 | 224 881 | 15 606 | 5 922 | 7.46% | 2.83% |
| Core Research | 896 232 | 721 095 | - 175 137 | - 206 189 | -19.54% | -23.01% |
| Innovation and Technology | 309 133 | 306 192 | - 2 941 | - 16 126 | -0.95% | -5.22% |
| Capacity Development | 88 387 | 88 146 | - 241 | - 4 037 | -0,.27% | -4.57% |
| Research Translation | 2 174 | 3 246 | 1 072 | 932 | 49.31% | 42.88% |
| **TOTAL** | **1 505 201** | **1 343 560** | **- 161 641** | **- 219 498** | **-10.7%** | **-14.58%** |

## Committee Observations on Entities

* + 1. **CCOD**
* The Committee commended the CCOD for obtaining an unqualified audit for 2019/20.
* The Committee noted with concern that unclaimed benefits by beneficiaries were at R1 billion and wanted to know when this matter was going to be resolved.
* The Committee was concerned that the services of the CCOD were not centralised and sought further details on plans to address this.
* The noted with concern that the CCOD has a vacancy rate of 23%.
* In addressing the challenges that impacts the CCOD, the Committee flagged the need for a joint meeting between the Portfolios of Health, Labour, Mineral Resources and Finance.
  + 1. **OHSC**
* The Committee was concerned about the targets the entity has set for itself and wanted to know what informs these as they seem to be low. They further noted the low rate of inspections in private healthcare facilities, with a target increase of only 5%.
* The Committee was concerned that the entity was not reaching its targets. Further noting that the entity’s performance had decreased over the previous financial year, from 10% to 8% in 2021/22.
* The Committee was concerned that there is inadequate marketing of the OHSC and the Health Ombudsman as sufficient information was not available to the public in relation to lodgement of complaints.
* The Committee expressed concern with regard to delays in the resolution of cases due to inadequate staff in the complaints and management unit.
* The Committee indicated that the entity should implement cost-cutting measures in some areas, such as purchasing its own property over leased accommodation; and in-sourcing of cleaners and security personnel.
* The Committee noted that the safety of healthcare professionals and patients in healthcare facilities remained a challenge and asked whether the OHSC, through its norms and standards, assess the safety of hospitals and clinics, in light of the few incidents that had been reported in the media. The Committee was also concerned about the quality of health care services in hospitals.
* The Committee was concerned about the high vacancy rate at the OHSC, especially inspectors, and wanted to know how this was going to be addressed. It was further noted that this was a concern as the OHSC would not accredit facilities if it is not properly staffed.
* The Committee observed that the OHSC was under-staffed and was dealing with budgetary constraints for the entity to conduct all the inspections and reach their annual targets and questioned how these challenges would impact on the implementation of the National Health Insurance.
  + 1. **NHLS**
* The Committee was concerned about the removal of the KPI on data analytics as it would be useful in providing real-time data.
* The Committee wanted to know about the existence of two blood bank registries in South Africa, one national and the other in Cape Town, rather than one blood bank like in other countries.
* The Committee noted the weaknesses and threats identified by the NHLS in its SWOT analysis and wanted to know if the entity would effectively deliver optimal service to the country.
* The Committee was concerned about budget constraints at the entity and wanted to know what plan have been put into place to ensure that the work of the NHLS is not negatively affected, further exacerbated by the incorporation of the Forensic Chemistry Lab (FCL).
* The Committee sought further details on the transfer of the FCL from the South African Police Service to the NHLS and further wanted to know the reasons for the non-allocation of resources to the FCL for the year 2022/23. The Committee further sought a report on the current condition of the FCL.
* The Committee expressed concern over alleged abuse of power and corruption at the NHLS and wanted to know who was responsible for the abuse. The Committee shared a report of Mpho Seleka, a former employee of the NHLS, who had applied for a position at the NICD, got shortlisted and the interview was revoked. The Committee wanted to know why the interview was revoked.
* The Committee noted that Programme 5 depicted low performance targets was a concern to the Committee and they further wanted know the factors leading to lower performance on the percentage of blood alcohol tests completed within 90 days.
* The Committee enquired about the relationship between the training done by the NHLS, private and public sector hospitals and the reasons why the NHLS believes that there will be a decrease in the number of specialists that will be trained in the mentioned spheres.
  + 1. **CMS**
* The Committee requested an update on the review of prescribed minimum benefits (PMBs) in line with the Health Market Inquiry recommendations.
* The Committee wanted to know whether the list of PMBs will align with the standard low-cost medical aids.
* The Committee observed that the COVID-19 pandemic had a negative impact on the CMS and wanted to know how the Council anticipates the lifting of the national state of disaster would improve its functioning.
* The Committee was concerned that lease payments takes up 20% of the CMS budget and wanted to know whether the entity has explored cheaper options, such as using government buildings as a cost-cutting measure.
* The Committee wanted to know if there has been any research project conducted focusing on the NHI and what the conclusions were on the feasibility and capability of the NHI on the functions of the CMS. Further, which programmes will be severely compromised by the NHI Bill
* The Committee enquired on the potential socio-economic development opportunities due to the increased industry solvency and the net health care result surplus and how the net surplus would benefit members in reducing costs or out-of-pocket payments.
* The Committee sought clarity on the drivers of the low uptake of efficiency discounted options which remained at 23.5% and what could change this distribution and how the CMS was assisting the process.
* The Committee noted with concern the poor governance and financial management issues which resulted in several schemes being placed under curatorship and wanted to know what led to this and the regulations that have been developed to address the weaknesses and consequence management.
* The Committee was concerned that the targets were below the baseline and wanted to know whether the CMS was planning to increase its capacity to process complaints within 120 days to ensure prompt resolution of challenges.
  + 1. **SAHPRA**
* The Committee wanted to know the reasons SAHPRA did not include its vision, mission and values as well as the overall budget and expenditure in its APP.
* The decrease in SAHPRA’s 2022/23 budget is concerning to the Committee and sought clarity on how this will affect its operations and new technology innovations and what plans are in place to mitigate the decrease. The Committee further wanted to know why the overview of SAHPRA’s budget and medium-term expenditure framework estimates were omitted in the APP.
* The Committee wanted to know why the administration programme received the biggest portion of the budget as opposed to Programmes 2 (Health Products Authorisation) and 4 (Clinical and Pharmaceutical Evaluation).
* The Committee enquired on whether the entity was working with the Department of Science and Innovation for strategic alignment. And further wanted to know SAHPRA’s plans in supporting the Department in the development of a functional and effective state pharmaceutical company, Ketlaphela.
* The Committee wanted to know how many COVID-19 related products has the entity processed, approved and rejected and the reasons for the rejections.
* The Committee sought clarity on the outcome of talks with Pfizer over the leaked document on its vaccine adverse effects and the interventions that have been implemented. The Committee further wanted to know how many reports on vaccines adverse effects has SAHPRA received.
* The Committee noted with concern the medicines registration backlogs the entity has and wanted to know what plans were put in place to address this challenge. The Committee further enquired on the average waiting time for the registration of products and the average target that the entity is working towards to achieve this objective
* The Committee wanted to know the principles of the entity’s positive shift into maturity and how it supports enabling working conditions. The Committee further wanted to know the advantages of obtaining a level 4 maturity stage.
* The Committee noted that the Supreme Court of Appeal ruled that regulations dealing with complimentary medicines are invalid and sought clarity on how this affect consumers and manufacturers.
* The Committee wanted to know what regulatory intervention can the entity develop to promote domestically manufactured medicines and devices and whether the country has the capacity and capability to grow its domestic production.
* The Committee wanted to know SAHPRA’s intention in seeking authority to regulate natural medicines. They further wanted to know what the challenges were in creating systems for indigenous knowledge systems and their promotion.
* The Committee wanted to know the lessons learnt from the COVID-19 pandemic.
* The Committee sought clarity on how regulations can be developed to encourage transformation of the value chain of medicine and medical device manufacturing status
* The Committee wanted to know the percentage of new molecular entities and generics that are registered within the target periods.
* The Committee sought clarity on the number of various establishments license applications that the entity receives annually.
* The Committee enquired about the driving force for the rapid increase of revenue generated from medical device registrations.
* The Committee wanted to know if the machinery that is brought into the country used by laboratories, dentist rooms, etc. is controlled or assessed by SAHPRA.
  + 1. **SAMRC**
* The Committee noted that the COVID-19 pandemic has demonstrated the importance of research and development funding and support for innovation and wanted to know what lessons has the SAMRC learnt from the pandemic and how the Council sustains a higher level of impact as demonstrated by scientists in response to the pandemic and other health needs.
* The Committee enquired about the impact of the projected decrease in the total revenue in the medium-term and what other streams can be utilised to increase the revenue base.
* The Committee wanted to know where the R55.7 million funding required for the eight infrastructure projects would be sourced from and whether there are any bids that have been approved for these major projects.
* The Committee enquired about the disparities in top management positions and wanted to know when will the Council ensure gender balance within these positions.
* The Committee noted with concern the lack of biostatisticians in the country and wanted to know what the Council was doing to ensure that it produces biostatisticians. The Committee further wanted to know what the training capacity of the Council was and how many graduates were absorbed into the system.
* The Committee wanted to know what research was the entity undertaking on indigenous knowledge systems.
* The Committee noted that neonatal mortality remains a challenge and wanted to know the contributing factors, apart from infrastructure and lack of human resources.
* The Committee further wanted to know the top five causes of death in South Africa.
* The Committee further noted the Memorandum of Understanding (MOU) between the Council and the US NIH and wanted to know what South Africa was benefitting from this MOU and whether the Council was funding the US NIH and were receiving any investment returns.
* The Committee wanted to know the kind of depth the Council applies to research the issue of adverse effects of the vaccines and whether the data is monitored in terms of the adverse effects that are reported or if there was an ongoing investigation or another system that is being used to report these. The Committee further wanted to know what the most common adverse effects of the vaccines were in South Africa.
* The Committee noted that for 2022/23, there is an expected decrease in the number of published journals and wanted to know the reasons for this estimation.
* The Committee wanted to know if the Council, under the NHI, foresee the risk of an increase in diminishing funding and whether the entity has a plan in place to mitigate this risk.
* The Committee asked the SAMRC to confirm whether the sugar tax that is levied by the national government is being used to manage non-communicable diseases, such as obesity and diabetes, and the programmes have been put in place to assist in mitigating these conditions.
* The Committee enquired on how the mRNA vaccine development project was going to increase other innovations in the ecosystems and how the nation can optimise on this potential of genomic medicine.
* The Committee wanted to know what the Council’s role was in relation to the trade related aspects of Intellectual Property Rights Waiver to enable the western manufacturing of the vaccine, therapeutics and diagnostics in the country and the continent to meet Africa’s health needs. Further, how is the Council undertaking the manufacturing challenges that are brought forward about the intellectual property barriers in the country and what these barriers are.
* The Committee wanted to know the SAMRC’s plans to support the Department in the development of a functional and effective state pharmaceutical company, Ketlaphela, and what partnerships can be developed with Ketlaphela, if none currently exists.

# COMMITTEE RECOMMENDATIONS

The Portfolio Committee recommends that the Minister of Health should consider the following:

## Department of Health

* *Mental health services:* The Department should prioritise the construction of new mental health facilities, and refurbishment and maintenance of existing facilities. Additionally, the Department should provide the Committee with an update on the review of the Mental Health Policy Framework (2013-2020), to ensure that mental health care services are optimally rendered and monitored.
* *Inter-sectoral interventions on TB:* The Department should strengthen inter-sectoral collaborations with the Department of Mineral Resources and the Department of Correctional Services to combat the scourge of TB.
* *Severe malnutrition*: The Department should consider a collaborative approach (working with DSD and DBE) to address severe malnutrition.
* *Response to COVID-19*: The Department should furnish the Committee with its plan to realise the 60% target for COVID-19 vaccination of young people in the age group 12 to 34 years.
* *Community health workers:* The Department should provide the Committee with a progress report on the implementation of the National Community Health Care Worker Policy in ensuring the integration of community health workers.
* *Improving the quality of health care*: The Department should increase emphasis on other vital programmes such as HIV, TB and cancer, to prevent a regression in their control and prevention, and present the catch-up plan to the Committee.
* *Health infrastructure*: The Department should furnish the Committee with an action plan aimed at addressing infrastructure backlogs and existing gaps.
* *Medico-legal claims*: The Department should provide the Committee with a detailed report on the management of medico-legal claims and how it is assisting provincial departments in this regard.
* *Primary health care*: In view of the increased budget for primary health care, the Department should ensure that the programme is fully capacitated to ensure improved delivery of quality health care services.
* *Conditional grants*: The Department should share with the Committee the report on the spending of the NHI grant.
* *Human Resources for Health*: The Department should finalise and monitor the implementation of the Human Resources for Health Strategy and Plan 2019-2024, to ensure that vacancies are timeously filled, including all clinical, non-clinical and senior level positions.
* *Entities*: The Department should engage the National Treasury in order to address the budget constraints within entities to ensure that they are properly funded to deliver on their mandates.
* *Health care services delivery*: The Department should ensure that obstetric services, such as the termination of pregnancies, are offered in all nine provinces. Furthermore, the Department should furnish the Committee with a detailed report on the issue of forced sterilisation, as well as the use of surgical mesh.

## Entities

* All entities should ensure that they have proper systems in place to root out corruption, fraud and maladministration.
* All entities should include in their APPs, their vision, mission and values as well the overall budget and expenditure estimates.
  + 1. **CCOD**
* Improve on the timelines in the payment of ex-mineworkers.
* Should put mechanisms in place to track and trace beneficiaries of unpaid benefits and present a progress report to the Committee.
* Ensure that all critical posts are filled timeously.
  + 1. **OHSC**
* Should continue to strengthen its outreach programmes and communication strategy.
* Implement cost-cutting measures in certain areas, such as accommodation and in-sourcing of cleaners and security personnel.
* Ensure that vacant posts are filled, particularly posts for inspectors.
* Improve the turnaround time for complaints resolution.
  + 1. **NHLS**
* Present to the Committee a detailed update on the process relating to the transfer of the Forensic Chemistry Lab to the NHLS.
  + 1. **CMS**
* Provide the Committee with an update on the review of PMBs in line with the HMI recommendations.
* Should explore cheaper accommodation options (such as government buildings) in order to cut costs on lease payments.
  + 1. **SAHPRA**
* Strengthen collaboration with the Department of Science and Innovation for strategic alignment.
* Furnish the Committee with a detailed action plan on the medicines registration backlogs.
  + 1. **SAMRC**
* Develop and present to the Committee tangible plans to address transformation within the entity.

# CONCLUSION

Unless otherwise indicated, the Department of Health and its entities should respond to the Committee recommendations within three months from the day the report is adopted by the House.

**Report to be considered.**