The Budget Vote Report of the Portfolio Committee on Health, dated 03 May 2023

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Report of the Portfolio Committee on Health on Budget Vote 18: Health, Annual Performance Plan of the Department of Health and its entities, Dated, 03 May 2023

The Portfolio Committee on Health (the Committee), having considered Budget Vote 18: Health, together with the 2023/24 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), Council for Medical Schemes (CMS), South African Health Products Regulatory Authority (SAHPRA) 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.

1.1. Purpose of the report

This report summarises the presentations received from the Department of Health and its entities focusing on the 2023/24 Annual Performance Plans and, as well as allocations over the medium-term expenditure framework (MTEF) period. The Committee received reports from the Auditor-General South Africa (AGSA) on its review of the 2023/24 health sector APPs and an update on material irregularities in the health sector. The Committee also received a report from the Financial and Fiscal Commission (FFC) on its analysis of the health sector's APPs and budgets for 2023/24 financial year This report details the deliberations, observations and recommendations made by the Committee relating to Vote 18.

1.2. Process

On the 18th April to 21st April 2023, the Portfolio Committee on Health engaged the Department and its entities on their Annual Performance Plans and budgets for 2023/24.

1.3. Report of the Financial and Fiscal Commission

The FFC highlighted the current health issues which include the high burden of both communicable and non-communicable diseases which require a dedicated targeted preventative and preventative programs. The FFC further noted that Stats SA in 2021 estimated HIV prevalence rate to be approximately 13.7% of the South African population which is about 8.2 million. It was indicated that inequality in healthcare resources requires an acceleration and speedy implementation of health reforms such as the implementation of the National Health Insurance. The FFC informed the Committee that the private sector which has more resources provides health services to only about 15-16% of the population while the public sector with less resources is responsible for the remainder of the population.

The FFC highlighted the shortage of doctors and specialists in South Africa and that compared to other countries, South Africa has the lowest number of doctors per 1000 patients and the highest patients per doctor. It was indicated that the situation is worsening in the country as it had 0.79 doctor per patient in 2019.

The FFC indicated that the Department of Health's budget for the 2023/24 financial year is R60.1 billion down from R64.6 billion for the 2022/23 adjusted appropriation and that the total expenditure is projected to increase at an annual average rate of 0.4%.

On the entities, it was highlighted that the CCOD's expenditure is expected to total R1.5 billion over the MTEF, increasing at an annual average rate of 6.5%. The Council for Medical Scheme's total expenditure is expected to increase at an average annual rate of 4.7% from R193.4 million in 2022/23 to R221.9 million in 2025/26. The Council is further expected to generate 95.2% (R616.4 million) of its revenue over the medium term through the collection of levies from medical schemes and 3.2% through transfers from the department.

Relating to the National Health Laboratory Services (NHLS), laboratory tests dominate the service budget after accounting for over 77.8% of the service's total budget between 2019/20 and 2022/23 and that the dominance of this programme continues over the MTEF period, accounting for 73.8% or (R320 billion) of the service's total budget. Its spending will increase at 11.1% annually, on average from R8.3 billion in 2022/23 to R11.4 billion in 2025/26 due to the projected increase in test volume other than Covid-19 tests as services normalise.

On the Office of the Health Standards Compliance, it was noted that the office is fully funded through transfers amounting to R516 million over the MTEF an increase in line with expenditure. The South African Medical Research Council's budget over the MTEF is projected to increase at an average annual rate of 0.7% from R1.4 billion in 2022/23 to R1.5 billion over the MTEF period. The South African Health Products Regulatory Authority's total revenue expenditure is expected to increase at an annual average rate of 7% to total of R1.2 billion over the MTEF and that a deficit of R13.9 million is projected for 2023/24 after which the budget remains balanced.

1.4. Report of the Auditor-General of South Africa

AGSA provided an update on material irregularities in the health sector and presented feedback on the outcome of its proactive reviews of the annual performance plans of the sector.

On material irregularities, it was highlighted that the overall aim of the AGSA's expanded mandate is to instil a culture of accountability, improve the protection of resources, enhance public sector performance and encourage an ethical culture and strengthen public sector institutions to better serve the people.

On the proactive reviews of the annual performance plans in the health sector, it was indicated that the reviews were part of the early warning system that the AGSA implements. The main purpose is to understand the preparation and revision process of updated five-year plans and final draft of annual performance plans.

The AGSA reported that Mpumalanga Provincial Department of Health had not submitted its APP at the time of review. There seem to be improvement overall. The National Department of Health, Eastern Cape, Free State, Limpopo and Mpumalanga had findings of measurability. Findings on completeness were identified for the National Department of Health and the North West Provincial Department of Health.

2. CONSIDERATION OF THE ANNUAL PERFORMANCE AND BUDGET OF THE DEPARTMENT OF HEALTH (2023/24)

2.1. Introduction

The public health sector, has for some time been under pressure and the arrival of COVID-19 intensified the pressure on the constrained system. It is thus concerning that, at a time when investment and expenditure in public health resources should ideally increase, the Health Budget declines by 6.9 percent in the 2023/24 financial year, and is expected to grow by only 0.4 percent over the Medium Term Expenditure Framework (MTEF), compared to average growth rate of 8.3% between 2019/20 – 2022/23. This is due to baseline reductions in the 2021 Budget which included the HIV and AIDS and Tertiary Services Conditional Grants. The COVID -19 vaccine programme which was a prominent part of the Health Budget previously is now integrated into the Department's routine services. Over the 2023 MTEF, the Department's focus will be on:

- Preventing and treating communicable and non-communicable diseases (NCDs);
- Overseeing primary health care services and the shift of port health from the Primary Health Care Programme to the newly established Department of Home Affairs entity – the Border Management Authority;
- Strengthening the health system and preparing for National Health Insurance;
- Supporting tertiary health care services;
- Investing in health infrastructure;
- Supporting tertiary health care services in provinces; and
- Developing the health workforce.

2.2. Policy Priorities for 2023/24 and alignment with development agendas

2.2.1. State of the Nation Address (SONA)

In the February 2023 State of the Nation Address (SONA), the President addressed the following health-related issues:

- The impact of climate change on the health of people. Extreme weather events such as floods, drought and wild fires, attributed to climate change, have a negative impact on the health and well-being of people. To this end, government will continue its just transition to a low carbon economy, mitigating the impact of climate change, but in a manner and at a pace that the country can afford.

- A state of disaster was declared in response to the electricity crisis. Importantly, from a health perspective, critical infrastructure such as hospitals and water treatment plants will be exempted from loadshedding.

- The President made mention of South Africa's world class manufacturing capabilities, including in the Health Sector. He gave the examples of an anaesthetic made in a world class manufacturing facility in the Eastern Cape, as well as; the fact that a South African firm has received a licence in the United Kingdom to produce an oral vaccine for cholera for the first time.

- The Hemp and Cannabis sector will be supported to unlock economic opportunities in the rural parts of the country, especially in the Eastern Cape, KwaZulu-Natal and Mpumalanga. To this end, the Department of Agriculture Land Reform and Rural Development and the Department of Health will address existing conditions for the cultivation of hemp and cannabis to allow for outdoor cultivation and collection of harvests from traditional farmers. Furthermore, work is being finalised by the Government to create an enabling regulatory framework for a whole plant, all legitimate purposes approach for complimentary medicines, food, cosmetics, and industrial products, aligned to international conventions and best practices. This includes the reprioritisation of departmental budgets for sector development and support for traditional, black farmers, and the alignment of South African Police Services enforcement with regulatory reforms.

2.2.2. 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. The Office of Health Standards Compliance (OHSC) was established as a public entity in the 2014/15 financial year. Its aim is, amongst others, to ultimately improve the quality of health services in the country and deal with complaints.

2.2.3. 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	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.

years by 2030.	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.

The Department's Strategic Plan consists of two impact statements derived from the Medium Term Strategic Framework (MTSF) 2019-2024, linked to 18 outcomes. Five outcomes relate to the quadruple burden of disease; and 13 outcomes to health system strengthening and the NHI. An extra intervention, with three indicators, has since been added due to the pandemic: Rollout of the National COVID-19 Vaccination Programme across the country to reduce morbidity and mortality.

2.2.4. Department of Health Planned Policy Initiatives

The key policy priorities of the Department include the following:

- **National Strategic Plan (NSP) for HIV, TB and STIs (2023 – 2028):** The fifth generation of the NSP was launched in 2023. This NSP will ramp up efforts to reach the 95-95-95 goal. This includes all provinces scaling up paediatric HIV treatment that is more effective and easier for care-givers to administer. TB remains the leading cause of death in the country. More focused measures will be implemented to tackle both TB and HIV in order to transition to the 95-95-95 targets set for both TB and HIV.

- **Reduce Non-Communicable Diseases (NCDs)**: The National Strategic Plan for the Prevention and Control of Non-Communicable Diseases 2022 – 2027 will be implemented to reduce the rapid growth in NCDs including, amongst others, cancer, diabetes, and mental health. Changing behaviour, raising awareness of status regarding hypertension, diabetes and cholesterol, as well as preventing complications that result in disabilities, are key priorities. The Department is also prioritising a multi sectoral approach to the communities' reproductive needs. In particular, the Department aims to address the issue of an increasing number of younger women delivering babies in facilities. This, the Minister says, "will require a change in in societal morals, beliefs and practises."

- **Facilitate the implementation of the National Health Insurance (NHI) service.** The Department will continue to prepare for the implementation of the proposed NHI. The Department is still in the process of developing and implementing the Electronic Health

Record (EHR) which will collate all the patient’s health data and information into one digital record, providing complete and up-to-date information at the point of care.

- **Community participation** will be fostered by “Imbizos.” Youth Zones will be expanded in Primary Health Care (PHC) facilities to address HIV amongst youth.

- **Improvement of health system infrastructure**: The Department will continue to implement the 10-year National Health Infrastructure Plan, which includes maintenance and refurbishment of health facilities.

2.3. Annual Performance Plan (APP) Key Indicators

Some of the key indicators in the Department of Health’s 2023/24 APP include:

Programme 1: Administration

- The Department aims for an unqualified audit opinion.
- New indicator: Payment of suppliers within 30 days of receiving valid invoices.
- Legislation to manage medico-legal claims will be developed.
- A medico-legal claim case management system will be used in at least 4 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).
- New indicator: Community participation promoted through Health Imbizos and unannounced site visits.
- 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

- New indicator: Model for PHC contracting developed and documented, identified concepts (from the model) tested in 9 Contracting Units for Primary Health Care (CUPs).
- New indicator: Five (5) million parcels delivered to Pick up Points (PUPs).

Programme 3: Communicable and Non-Communicable Diseases

- 340 facilities offering HIV self-screening (HIVSS).
- 2100 PHC facilities with youth zones.
- Ninety (90) percent of drug susceptible (DS) –TB treatment success rate.
- Find and treat 223 654 people for TB.
- New indicator: Four (4) Districts introduce HPV screening for cervical cancer.
- Schistosomiasis (also referred to as Bilharzia) prevention – 5 Schistosomiasis endemic districts administering Praziquantel for school attending children (SAC).
- New indicator: 128 clinicians trained and certified competent in any of the 14 Sexual and Reproductive Health (SRH) modules.
- 200 new State patients admitted into designated psychiatric hospitals.
- Additional 100 Hospitals obtain 75% or more on the food service policy assessments.
- New indicator: A draft national implementation plan to strengthen the public health system’s capacity to cater for the mental health needs of children and adolescents developed.
- Updated Strategy for the prevention and control of obesity in SA developed and published.
- New indicator: Four (4) National NCD Campaigns conducted.
- New indicator: Position paper on restricting advertising of unhealthy food during children TV times and on other children’s platform developed.

Programme 4: Primary Health Care

- District Health System Policy framework and Strategy for 2024 -2029 developed.

- Revised District Health Management Offices (DHMOs) guidelines developed and approved.
- 20.5 million Community Outreach Services to household first and follow-up visits.
- 505 of PHC facilities with a Clinic Committee.
- 30 Ports of entry compliant with international health regulations (IHR).
- 26 Metropolitan and district municipalities assessed for adherence to environmental norms and standards.
- Nine (9) Provinces assessed for compliance with Regulations relating to Standards for Emergency Medical Services.

Programme 5: Hospital Systems

- Please note there are only 4 outputs for the programme which receives one of the largest shares of the budget.
- Hospital Strategy concept document is finalised for NHC approval.
- 45 PHC facilities constructed or revitalised.
- 30 hospitals are to be constructed or revitalised.
- 300 public health facilities to be maintained, repaired and/or refurbished.

Programme 6: Health Systems Governance and Human Resources

- Three (3) Boards appointment recommendations made prior to the expiry of the term of office (South African Pharmaceutical Council (SAPC), South African Nursing Council (SANC) and the Council for Medical Schemes (CMS))
- Statutory Health Professionals Councils and Public Entities governance report produced bi-annually.
- Nine (9) Nursing Colleges supported to develop curricula for prioritised Nurse and Midwife Specialist training programmes.
- 200 PHC facilities and 160 hospitals implementing the National Health Quality Improvement Programme.
- 2 600 PHC facilities qualify as Ideal Clinics.
- New indicator: Review comments on Food Labelling Regulations.
- recommendations of the Reviewed Community Service Policy finalised.
- Roll-out of the Human Resource Information System (HRIS) for HRH planning in 30 Health Districts.

2.4. Budget Analysis (2023/24)

2.4.1. Consolidated Health Budget 2023/24

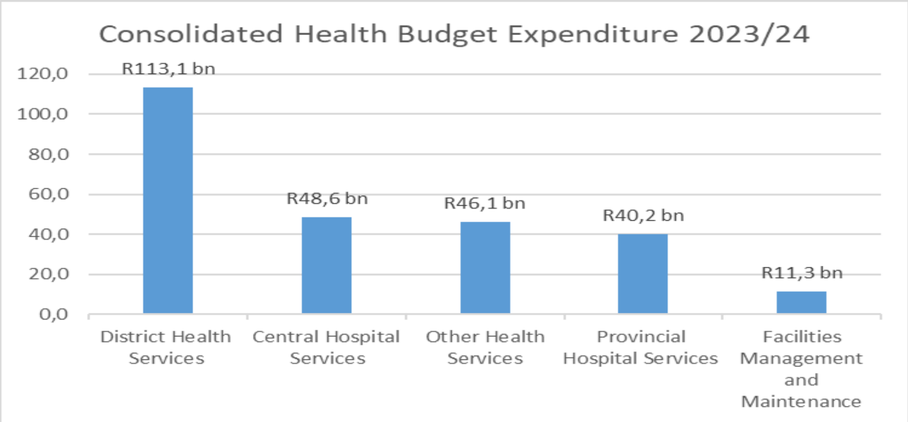
The Public Health Budget spans across the national department, its entities and the provincial Departments of Health. The consolidated budget for 2023/24 totals R259.2 billion, down from R259.4 billion in the previous financial year. Table 2, below, provides a breakdown of the 2023/24 budget, by functional and economical classification.

Table 2: Consolidated Spending by Functional and Economic Classification, 2023/24

	Compensation of Employees		Goods and Services		Capital spending and transfers		Current transfers and subsidies		Interest Payments		Total
R billion	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**nount**	**%**	
Consolidated Health	163.6	63.1	76.1	29.4	13.3	5.1	6.2	2.4	0.0	0.0	259.2
SA Total Expenditure	701.2	31.3	305.2	13.6	192.8	8.6	685.0	30.5	349.5	14.4	2 242.6

- A significant segment of the consolidated health expenditure, 63.1%, is dedicated to Compensation of Employees (COE), which totals R163.6 billion, up from R159.6 billion.
- Consolidated health expenditure on Goods and Services totals R76.1 billion, down from R78.9 billion, which constitutes 29.4% of overall health expenditure.
- Consolidated health expenditure also makes provision for R13.3 billion (5.1%) allocated to Capital spending and transfers, and R 6.2 billion (down from R6.4 billion in the previous year) for Current transfers and subsidies (2.4%).
- There is no allocation for Interest Payments. However, given that Provinces are known to run high levels of accruals, this is likely not accurate, 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 R113.1 billion (43.6%), the largest proportion of the consolidated health budget.

This is followed by Central Hospital Services, which receives R48.6 billion (18.7%), Other Health Services R46.1 billion (17.8%) and Provincial Hospital Services receives R40.2 billion (15.5%). Facilities Management and Maintenance Receives R11.3 billion (4.4%).

2.4.2. National Department of Health (NDoH) Budget (2023/24)

Table 3: NDoH Budget Summary

Programme R million	Budget 2022/23	Budget 2023/24	Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
Programme 1: Administration	786,1	800,9	14,8	- 22,6	1,9 per cent	-2,9 per cent
Programme 2: National Health Insurance	1 534,1	1 542,6	8,5	- 63,6	0,6 per cent	-4,1 per cent
Programme 3: Communicable and Non-communicable Diseases	26 916,7	24 641,7	- 2 275,0	- 3 426,0	-8,5 per cent	-12,7 per cent
Programme 4: Primary Health Care	5 153,6	3 007,4	- 2 146,2	- 2 286,7	-41,6 per cent	-44,4 per cent
Programme 5: Hospital Systems	22 641,6	22 582,0	- 59,6	- 1 114,4	-0,3 per cent	-4,9 per cent
Programme 6: Health System Governance and Human Resources	7 523,5	7 536,8	13,3	- 338,8	0,2 per cent	-4,5 per cent
TOTAL	64 555,7	60 111,4	- 4 444,3	- 7 252,2	-6,9 per cent	-11,2 per cent

2.4.2.1. Programme overview

The Department receives R60.1 billion, down from R64.6 billion in 2022/23. This represents a decrease of 6.9% in nominal terms (11.2% 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.

The two largest programmes, namely Programme 3: *Communicable and Non-Communicable Diseases* (R24.6 billion) and Programme 5: *Hospital Systems* (R22.6 billion), jointly constitute 78.6% of the total budget allocation.

Programme 4: *Primary Health Care Services*, declines 41.6% from R5.2 billion to R3.0 billion. The smallest budget item (constituting only 1.3% of the total budget) is Programme 1: *Administration* which increases by 1.9% from R786.1 million to R800.9 million.

2.4.2.2. Economic classification

In terms of economic classification, the bulk of the NDoH budget (R56.3 billion or 93.4 per cent) consists of transfers and subsidies. This figure includes R54.2 billion to Provinces and municipalities, R189.8 million to Non-Profit Organisations (NPOs), and R1.9 billion to departmental agencies and accounts.

- Current payments constitute a total value of R2.6 billion, which represents 4.3% of the total budget allocation.
- Compensation of employees declines from R812.1 million, to R682.1 million. This 16% decrease is of concern.
- Most of the current expenditure (R1.9 billion) is allocated to Goods and Services, constituting approximately 73.1% of the total current payments.
- The largest share of expenditure goes to Contractors at R601.2 million.
- Expenditure items that also receive a large share of the Goods and Services budget are Inventory: Medical supplies R115.7 million, and Consultants: Business and advisory services R303.2 million.
- Operating leases amount to R105.5 million and Travel and subsistence at R139.2 million.
- Capital assets is allocated R1.3 billion. Buildings and other fixed structures are allocated R1.2 billion, and Machinery and Equipment is allocated R112.4 million.

2.4.2.3. Spending priorities for 2023 MTEF

Over the medium term, the Department will continue to focus on the prevention and treatment of communicable and non-communicable diseases, overseeing primary health care services, phased implementation of the NHI, supporting tertiary health care services, investing in Public Health Infrastructure and developing the health workforce.

- 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 R25.0 billion per year over the medium term to fund the prevention and treatment of HIV and TB. The target is for 7 million people per year to receive ARV treatment by 2025/26.

    - R10 million per year in 2023/24 and 2024/25 are allocated to the Communicable Diseases sub-programme in order to provide for the COVID-19 no - fault compensation scheme.

- Overseeing Primary Health Care services. Port Health Services' function will be shifted from the NDOH to the newly established Department of Home Affairs (DHA) entity the Border

Management Authority (BMA). R162 million will be shifted in 2023/24, R171.1 million in 2024/25 and R178.9 million in 2025/26. Approximately 295 employees will be shifted to the BMA. The NDOH will continue to provide policy guidance to the BMA on port health services. The reasons and mechanism for the shift of the Port Health function needs to be examined by the Committee.

- Investing in health infrastructure. R22.2 billion will be transferred to Provinces through the Health Facility Revitalisation Grant. R4.7 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. This will include the on-going construction of the Limpopo Central Hospital, which will be the first central hospital in the province.

- The National Tertiary Services Grant is allocated R14 billion in 2023/4, and R14.7 billion in 2024/25 and R15.3 billion in 2025/26 in Programme 5: Hospital Systems. The Grant compensates Provinces for providing tertiary services to patients from elsewhere. The Grant has a developmental component earmarked to establish tertiary services in provinces with limited access to them. In this regard, oncology services will be rolled out in Mpumalanga and Limpopo to reduce referrals to Gauteng hospitals.

- Developing Human Resources for Health. 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.

2.4.2.4. Conditional Grants

In terms of direct grants, the Department administers R54.2 billion in 2023/24. The largest grant is the District Health Programmes Grant, which receives R26.9 billion, followed by the National Tertiary Services Grant (NTSG) with R14.1 billion, and the Health Facility Revitalisation Grant with R7.1 billion.

With regard to the indirect grants, the National Health Insurance Indirect Grant is allocated R2.5 billion.

2.4.3. Budget allocation per programme

2.4.3.1. Programme 1: Administration

Programme 1’s budget increases by 1.9% in nominal terms (and decreases by 2.9% in real terms) from R786.1 million in 2022/23 to R800.9 million in 2023/24. The largest sub-programme is Corporate Services, of which its allocation increases by 9.4% in nominal terms and by 4.3% in real terms. Sub-programme 5 (Financial Management) decreases, from R176.9 million to R151.6 million, representing a 14.3% decrease in nominal terms and 18.3% decrease in real terms.

Table 4: Programme 1: Administration

Programme R million	Budget 2022/23	Budget 2023/24	Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
Sub-programme 1: Ministry	44,0	42,0	- 2,0	- 4,0	-4,5 per cent	-9,0 per cent
Sub-programme 2: Management	10,2	10,1	- 0,1	- 0,6	-1,0 per cent	-5,6 per cent
Sub-programme 3: Corporate Services	391,4	428,3	36,9	16,9	9,4 per cent	4,3 per cent
Sub-programme 4: Property Management	163,7	168,9	5,2	- 2,7	3,2 per cent	-1,6 per cent
Sub-programme 5: Financial Management	176,9	151,6	- 25,3	- 32,4	-14,3 per cent	-18,3 per cent
TOTAL	786,1	800,9	14,8	- 22,6	1,9 per cent	-2,9 per cent

In terms of economic classification, 98.5% of the budget is allocated to Current payments. Compensation of employees amounts to R249.4 million, down from R250.1 million in the previous financial year. R539.3 million is allocated to Goods and services. This includes R126.6 million for Operating leases, R56.2 for Property payments and R51.0 million for Travel and Subsistence.

2.4.3.2. Programme 2: National Health Insurance

The Programme's budget increases by 0.6% in nominal terms (decreases by 4.1% in real terms).

Table 5: Programme 2: National Health Insurance

Programme R million	Budget 2022/23	Budget 2023/24	Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
Sub-programme 1: Programme Management	6,9	7,1	0,2	- 0,1	2,9 per cent	-1,9 per cent
Sub-programme 2: Affordable Medicine	56,0	56,0	0,0	- 2,6	0,0 per cent	-4,7 per cent
Sub-programme 3: Health Financing and National Health Insurance	1 471,2	1 479,5	8,3	- 60,8	0,6 per cent	-4,1 per cent
TOTAL	1 534,1	1 542,6	8,5	- 63,6	0,6 per cent	-4,1 per cent

A total of R793.1 million is allocated for Current payments, of which R700.1 million is for Goods and Services. R554.3 million or 70.0% of the Goods and services budget is spent on Contractors. In terms of Transfers and Subsidies, R694.7 million is transferred to Provinces and Municipalities. R54.8 million is allocated to payments for Capital Assets.

2.4.3.3. Programme 3: Communicable and Non-Communicable Diseases

This programme budget decreases from R26.9 billion to R24.6 billion, ostensibly due to the R2.1 billion reductions in the Communicable Diseases sub-programme after the COVID-19 interventions in the previous years.

Table 6: Programme 3: Communicable and Non-Communicable Diseases

Programme R million	Budget 2022/23	Budget 2023/24	Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
Sub-programme 1: Programme Management	7,9	7,9	0,0	- 0,4	0,0 per cent	-4,7 per cent
Sub-programme 2: HIV, AIDS, and STIs	24 568,2	24 379,8	- 188,4	- 1 327,2	-0,8 per cent	-5,4 per cent
Sub-programme 3: Tuberculosis Management	27,6	28,6	1,0	- 0,3	3,6 per cent	-1,2 per cent
Sub-programme 4: Women's Maternal and Reproductive Health	17,4	17,6	0,2	- 0,6	1,1 per cent	-3,6 per cent
Sub-programme 5: Child, Youth and School Health	28,3	28,0	- 0,3	- 1,6	-1,1 per cent	-5,7 per cent
Sub-programme 6: Communicable Diseases	2 151,3	60,5	- 2 090,8	- 2 093,6	-97,2 per cent	-97,3 per cent
Sub-programme 7: Non-communicable Diseases	83,9	86,6	2,7	- 1,3	3,2 per cent	-1,6 per cent
Sub-programme 8: Health Promotion and Nutrition	32,2	32,6	0,4	- 1,1	1,2 per cent	-3,5 per cent
TOTAL	26 916,7	24 641,7	- 2 275,0	- 3 426,0	-8,5 per cent	-12,7 per cent

The bulk of Programme 3's budget, i.e., 98.9%, is allocated to the HIV, AIDS and STIs sub-programme, amounting to R24.4 billion in 2023/24. This represents a nominal decrease of 0.8% (a decline of 5.4% in real terms).

The Communicable Diseases sub-programme allocation decreases by 97.2% (97.3% in real terms). The remaining six sub-programmes combined receive approximately 1.1% 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.

2.4.3.4. Programme 4: Primary Health Care

This Programme's budget declines by 41.6% in nominal terms from R5.2 billion to R3.1 billion. The District Health Services sub-programme decreases from R4.9 billion in the previous year, to R3.0 billion in 2023/24, a reduction of 39.9% nominally, and 42.7% in real terms.

Table 7: Programme 4: Primary Health Care

Programme R million	Budget 2022/23	Budget 2023/24	Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
Sub-programme 1: Programme Management	7,0	6,9	- 0,1	- 0,4	-1,4 per cent	-6,0 per cent
Sub-programme 2: District Health Services	4 909,9	2 951,1	- 1 958,8	- 2 096,6	-39,9 per cent	-42,7 per cent
Sub-programme 3: Environmental and Port Health Services	228,4	40,8	- 187,6	- 189,5	-82,1 per cent	-83,0 per cent
Sub-programme 4: Emergency Medical Services and Trauma	8,4	8,6	0,2	- 0,2	2,4 per cent	-2,4 per cent
TOTAL	5 153,6	3 007,4	- 2 146,2	- 2 286,7	-41,6 per cent	-44,4 per cent

Environmental and Port Health Services declines by 82.1% (i.e. R187.6 million) from R228.4 million to R40.8 million in 2023/24. R162 million is shifted from this programme as the Port Health function is moved to the Border Management Authority, a newly created entity in the Department of Home Affairs.

2.4.3.5. Programme 5: Hospital Systems

The total budget for Programme 5 remains stagnant, declining 0.3% in nominal terms and by 4.9% in real terms.

Table 8: Programme 5: Hospital Systems

Programme R million	Budget 2022/23	Budget 2023/24	Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
Sub-programme 1: Programme Management	5,0	5,0	0,0	- 0,2	0,0 per cent	-4,7 per cent
Sub-programme 2: Health Facilities Infrastructure Management	8 320,6	8 542,5	221,9	- 177,1	2,7 per cent	-2,1 per cent
Sub-programme 3: Hospital Systems	14 316,0	14 034,5	- 281,5	- 937,1	-2,0 per cent	-6,5 per cent
TOTAL	22 641,6	22 582,0	- 59,6	- 1 114,4	-0,3 per cent	-4,9 per cent

The 2023/24 allocation to the Health Facilities Infrastructure Management sub-programme increases by 2.7% in nominal terms from R8.3 billion in 2022/23 to R8.5 billion in 2023/24, which is a decline of 2.1% in real terms.

The Hospital Systems sub-programme decreases by R281.5 million from R14.3 billion in 2022/23 to R14.0 billion in 2023/24, representing nominal decrease of 2.0% and a 6.5% decline in real terms. A total of 97.5% of programme funding is transferred to Provinces via the NTSG and HFRG.

2.4.3.6. Programme 6: Health Systems Governance and Human Resources

Programme 6 remains stagnant increasing by only 0.2% in nominal terms and decreasing by 4.5% in real terms in 2023/24.

Table 9: Programme 6: Health Systems Governance and Human Resources

Programme R million	Budget 2022/23	Budget 2023/24	Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
Sub-programme 1: Programme Management	8,2	8,1	- 0,1	- 0,5	-1,2 per cent	-5,8 per cent
Sub-programme 2: Policy and Planning	7,1	7,3	0,2	- 0,1	2,8 per cent	-2,0 per cent
Sub-programme 3: Public Entities Management and Laboratories	1 954,6	1 936,7	- 17,9	- 108,4	-0,9 per cent	-5,5 per cent
Sub-programme 4: Nursing Services	10,3	10,1	- 0,2	- 0,7	-1,9 per cent	-6,5 per cent
Sub-programme 5: Health Information, Monitoring and Evaluation	71,9	72,5	0,6	- 2,8	0,8 per cent	-3,9 per cent
Sub-programme 6: Human Resources for Health	5 471,3	5 502,0	30,7	- 226,3	0,6 per cent	-4,1 per cent
TOTAL	7 523,5	7 536,8	13,3	- 338,8	0,2 per cent	-4,5 per cent

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 0.6% in nominal terms from the previous financial year's total, a real decrease of 4.1%. The Public Entities Management sub-programme, receives R1.94 billion, decreasing by 0.9% in nominal terms (i.e. 5.5% decrease in real terms) from the previous year's allocation of R1.95 billion.

The Nursing Services sub-programme decreases by 1.9% in nominal terms from R10.3 million to R10.1 million in 2023/24, a decline of 6.5% in real terms.

2.5. Committee Observations on the Department

- The Committee noted with concern the report of the FFC highlighting the severe shortages of health care workers and enquired about the current vacancy rate for nurses, doctors and specialists and wanted to know how the Department was going to address this.
- The Committee noted with concern the delays in the placement of interns and community service doctors and wanted to know how the department is addressing this matter.

- The Committee sought progress on the training and upskilling of nursing staff and the reopening of nursing colleges.
- The Committee noted with concern the decreased budget of the Department, which would have a negative impact on the delivery of health services.
- The increase on the burden of communicable and non-communicable diseases remains a concern to the Committee.
- The Committee noted with concern the increase in cancer rates and the shortage of oncology facilities in the country, which is said to be contributing to cancer deaths.
- On non-communicable diseases, the Committee enquired on whether the Department could provide a report on the success of its NCD programmes funded through the sugar tax.
- The Committee sought an update regarding the implementation of the Commission for Gender Equality's recommendations on the report of forced sterilisation of women living with HIV/AIDS in South Africa.
- The Committee wanted to know the status of surgery backlogs and what plans are put in place to overcome this challenge.
- The Committee enquired about the impact of the recent labour unrest on the public health sector.
- The Committee expressed concern about the backlogs at the forensic chemistry laboratories and asked for the timeline for the analysis of all the outstanding samples.
- The Committee enquired about the steps the Department has undertaken to mitigate the impact of the fire at Charlotte Maxeke Hospital and the restoration of oncology services.
- The Committee wanted to know whether the Department was monitoring the implementation of the recommendations of the Health Ombud in relation to the Rahima Moosa Mother and Child Hospital.
- The transfer of level two patients from Mpumalanga Province to Mamelodi Hospital is a concern to the Committee and wanted to know how this would be resolved.
- The Committee wanted to know what the Department was doing to address the shortage of equipment and infrastructure challenges, including the maintenance of existing infrastructure.
- The Committee wanted to know how many health facilities are exempted from loadshedding and how much has been budgeted to mitigate the impact of power outages in health facilities that are not exempted.
- The Committee enquired about the cost for the planned upgrades of 45 primary health care facilities and 30 hospitals and whether the Department would have adequate project management in place.
- The Committee was pleased that the Department is increasing its efforts to strengthen the management of medico legal claims and sought further details on the draft Bill on medico legal claims.
- The Committee noted with concern that the costing model for the NHI is still outstanding, yet R1.5 billion has been allocated to the Department for NHI, considering that the National Treasury has not engaged the Committee about the costing model of the NHI.
- The Committee enquired about the key stakeholders in the district health system framework and how it will enable the platform for the implementation of the NHI.
- The Committee expressed major concern about the lack of access to emergency medical services in rural areas, such as the Northern Cape Province.
- The Committee is concerned that patients over 60 years are being refused kidney treatment, particularly in Gauteng health facilities and wanted to know the rationale for this.
- The Committee noted that there are new performance indicators under programmes one, two, three and six; and wanted to know the reason behind the removal and replacement of indicators.
- The Committee wanted to know the kind of challenges the Department is experiencing in the roll out of the CCMDD programme.
- The Committee wanted to know the strategies put in place by the Department to ensure that 50% of women are in senior positions.
- The Committee noted with concern that almost all entities were understaffed.
- The Committee flagged the need for an engagement between the Council for Medical Schemes and the Department to discuss the need to limit levy increases incurred by members of medical schemes, considering that there is R98 billion surplus with medicals aids.
- The Committee requested an update on the status of the report submitted to the Minister by the CMS on the roll out of the low cost-benefit options.

- The Committee enquired about the allegations of tender-rigging for the Department's new head office and asked what legal process has been undertaken to address the matter and whether investigations were currently underway.
- The Committee wanted to know what the Department was doing to protect whistle-blowers and closing the gaps for corruption practices in the health sector.
- The Committee expressed that the dumping of medical waste needs to be looked into, in particular the irregularities in the contracts and the storage of medical waste.

3. CONSIDERATION OF THE APPs AND BUDGETS OF ENTITIES (2023/24)

3.1. Compensation Commissioner for Occupational Diseases (CCOD)

The Compensation Commissioner for Occupational Diseases (the CCOD) in Mines and Works administers the Mines and Works Compensation Fund (the MWCF), which is established by the Occupational Diseases in Mines and Works Act 1973, (No. 78 of 1973) (ODMWA). The CCOD operates under the provisions of the framework of the ODMWA. In addition, the ODWMA provides for the establishment of the Medical Bureau for Occupational Diseases (MBOD), which oversees the provision of Benefit Medical Examinations and certifications of claims.

Of all the entities of the National Department of Health (NDOH), the CCOD is peculiar because it operates as a sub-programme of the NDOH and has no Board, hence its administration costs, i.e. personnel, operational and infrastructure operations are controlled by the NDOH. The vision and mission provide the essence of what is required from the entity as follows:

3.1.1. CCOD'S milestones

By the end of March 2022, CCOD reported the following achievements:

- Received funding for the digitisation of the physical files of the MBOD/CCOD from Rand Mutual Assurance;
- Compiled a comprehensive database with access to the different class action and social protection funds;
- Attained an unqualified audit with no material findings from the Auditor-General of South Africa;
- Ensured innovations in service delivery to the current and ex-workers in mines and works;
- Paid an estimated 466 claimants per month totalling R104,5 million for the 9 months;
- Worked closely with provinces and neighbouring country governments to trace claimants;
- Successfully adjudicated 790 certifications through MBOD Certification Committee; and
- Inspected 95 controlled mines and works by 31 December 2022.

3.1.2. CCOD's priorities for the 2023/24 fiscal year

For the period of 2023/24 financial year, the CCOD's Annual Performance Plan (APP) indicates the intention for the entity to accomplish the following performance targets as key priorities.

- Reforming ODMWA to include the new Governance structure (the Mines and Works Compensation Authority);
- Submitting 2022/23 annual report of the MWCF for the audit to the Auditor-General of South Africa;
- Maintenance of the database of controlled mines and works;
- Expansion of the electronic claims management system; and
- Maintenance of the claims management system.

3.1.3. Situational Analysis

In executing its mandate, the CCOD has been using its only one national office to cover South Africa and the neighbouring countries, which has been inadequate given the incremental demand. In its situational analysis, the entity puts the following challenges as a major concern i.e.

i. Pensioners

In accordance with the Pneumoconiosis Compensation Act, (No. 64 of 1962), CCOD pays former workers or spouses who are now pensioners a monthly pension pay-out, but the same Act makes no provision for additional pensioners.

ii. One Sum Benefits

The MBOD/CCOD Certification Committee plays an integral role in determining the ex-miner that qualify for compensation. No former or current mine worker gets any compensation without the Certification Committee having made its assessment. In addition, compensation is given to those who have worked at controlled mines. This exclusion suggests that the former mine workers who may unknowingly worked for years at the uncontrolled mines do not get any compensation.

In 2022/23, CCOD reported on its impediments on APP and these appear to have been omitted in the 2023/24 APP. Because these are critical, they are worth underlining for the Committee to seek clarity from the entity. These include the following challenges:

- Has an in-optimally functioning Risk Committee for identification of mines and works;
- Relies on Minerals Council South Africa for support on specialised personnel;
- There is a shortfall on medical, finance and information technology personnel; and
- There are no specialised personnel within its structure.

3.1.4. Performance Indicators and Targets for 2022/23 Financial Year

The CCOD uses four programmes to implement its mandate, namely: Administration, Compensation of Pensioners, Compensation of Ex-miners, and Compensation of Tuberculosis. Table 10 below presents performance information stating the Outcome, Output Indicator and Estimated Performance/ Targets.

Table 10: Performance indicators and targets 2023/24

Outcome	Output Indicator	Estimated Performance/ 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	None
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.	14 100
	Report on the number of benefit payments made by the CCOD (other than pension payments).	8 100
	Report on the number of claims	9 035

	finalised by the CCOD (other than pensioners).	
	Report on the submission of annual reports of the CCOD to the Auditor General of South Africa	Submission of the 2022/23 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

The CCOD's greater impact could be more experienced by the beneficiaries, when its performance targets are accordingly increased. The table above, shows that some of the entity's performance targets are static over time. In this contexts, the Committee may consider a full update on the formulation of performance targets. In addition, the Committee could seek to know of the stakeholders in the determination of performance targets for greater health outcomes.

3.1.5. Proposed Budget for 2023/24 Financial Year

Table 11 below discusses the proposed budget through its four programmes for 2023/24 financial year.

Table 11: Proposed budget for 2023/24 financial year per programme

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal % change in 2023/24	Real % change in 2023/24
R million	**2022/23**	**2023/24**				
Administration	0	0	0	0	0	0
Compensation of Pensioners	379	305	-74	-88	-19,53%	-23,28%
Compensation of ex-miners	449 439	471 638	22 199	168	4,94%	0.04%
Compensation of Tuberculosis	0	0	0	0	0	0
TOTAL	**449 818**	**471 943**	**22 125**	**80**	**4.9%**	**0.02%**

The proposed budget in table 11 shows a marginal increased from R449.8 million in 2022/23 to R471.9 million in 2023/24 financial year, which equates to a real nomination increase of R22.1 million. Of the four programmes – table 11 shows programme 2 i.e. Compensation of Pensioners with a significant decrease in allocation. For example, the real decrease for this programme amounts to R-88,2 million. While the administration of the CCOD together with the provision of Benefit Medical Examinations and activities of Certification Committee are carried out by the voted funds in the NDOH, the proposed budget falls short of the key fundamentals at CCOD such as:

- Substantial resources estimated at R150 million per annum are required to expand and scale up the services of the CCOD, recruit specialised staff in the legal, information technology, occupational hygiene, medical and financial management disciplines and provide for the medical assessments, certifications, payment and infrastructural backlogs in buildings, medical facilities and information technology; and
- Business reform processes at the CCOD, which are currently supported by human, technical and financial resources from the Minerals Council South Africa.

3.2. Office of Health Standards Compliance (OHSC)

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). The object of the OHSC in section 78 of the NHA is to protect and promote 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.

3.2.1. Situational Analysis

The OHSC notes its importance to the roll out of the National Health Insurance as a model for achieving the objectives of Universal Health Coverage in South Africa. The OHSC acknowledges that its organisational realities pertaining to the current funding model, the centralised operations and limited resources capacity, compared to the projected and estimated number of health establishments to be inspected for certification, means that the entity is likely to fully meet the expectations of certifying all health establishments in South Africa at least once in four years. In this regard, the OHSC requires expansion and coverage in all provinces both in the public and private sectors.

In recognition of the prevailing challenges, the OHSC has developed the “OHSC Business Case” which details the framework to increase its capacity to carry out inspections. The Business Case provides an overview of the current scenarios, the organisational design of the OHSC, a decentralised model of operations, an accompanying Human Resource model as well as a financial model outlining a forecast of cost and expenditure over four years.

The OHSC has a conducted a reflective analysis to identify external factors that could affect an organisation’s decisions, helping it to maximise opportunities and minimise threats. The three assessment methods used, include; the Political, Economic, Social, Technological, Legal/Ethics, Environment (PESTLE) analysis; SWOT analysis; and Stakeholder analysis.

The outcome of these exercises were that there are successes (unqualified audits), strengths (its autonomy and political support) and challenges (financial and human resources challenges) for the entity. The following are some of the concerns coming out of the entity’s annual performance plan (APP).

- Weak economic growth;
- COVID-19, violent unrests and environmental disasters;
- The OHSC lacks adequate funding to carry out its mandate;
- The centralised delivery model hampers the wider reach and geo-specialisation in the delivery of services;
- Insufficient human resource capacity;
- Delays in the resolution of complaints;
- Negative public perception and sentiment toward healthcare facility inspections; and
- The possibility of other bodies and institutions encroaching on the OHSC mandate.

3.2.2. Performance Indicators and Targets for 2022/23 Financial Year

The OHSC has five (5) programmes, namely, Administration; Compliance Inspectorate; Complaints Management and Ombud; Health Standards Design, Analysis and Support; and Certification and Enforcement. Table 12 below discusses a set of selected indicators and targets in comparison to their performance in the previous financial year (2022/23).

Table 12: Performance indicators and targets 2023/24

Programme	Outcome	Output Indicator	Estimated Performance 2022/23	Targets for 2023/24
Administration	A fully functional OHSC	***Percentage of vacancies filled within four month of the vacancy***	90%	91%
		Percentage vacancy rate per year	7%	6%
		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
		Percentage of ICT availability for support 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	12 Projected remain the same over the MTEF period
		Number of private sector engagements to raise awareness on the role and powers of the OHSC and Health Ombud	08	08 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 inspected for compliance with the norms and standards	21% (788 of 3 741)	18.4% (689 of 3 741) Projected remain the same over the MTEF period
		Percentage of private health establishments inspected for compliance with the norms and standards	12% (52 of 431)	19% (100 of 431) Projected to increase to 21% (110 of 526) over the MTEF period
		Percentage of additional inspection conducted in public and private 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	2	2 Projected to remain

Programme	Outcome	Output Indicator	Estimated Performance 2022/23	Targets for 2023/24
		health establishment every six months published		the same over the MTEF period
		Number of annual reports that set out the compliance status of all health establishments	01	01
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 working days of lodgement in the call centre	80%	85% Projected to increase to 90% over the MTEF period
		Percentage of user complaints resolved through assessment within 30 working days	65%	70% Projected to increase to 75% over the MTEF period
		Percentage of complaints resolved within 6 months through investigation	15%	20% Projected to increase to 40% over the MTEF period
		Percentage of complaints resolved within 24 months through investigation	0	5% This indicator was not achieved in 2022/23 and is projected to increase to 8% in 2024/25
		Percentage of backlog complaints older than 24 months resolved through investigation	0	2% This indicator was not achieved in 2022/23 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	03	03 ain the same over the MTEF period
		Number of guidance workshops conducted to facilitate implementation of the norms and standards regulations	24	24 ain the same over the MTEF period
Certification and Enforcement	Compliance with norms and standards increased	Percentage of health establishments 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 health	100%	100%

Programme	Outcome	Output Indicator	Estimated Performance 2022/23	Targets for 2023/24
		establishments against which enforcement action has been initiated within 10 days from the date of the final inspection report and recommendations		Projected to remain the same over the MTEF period
		Number of bi-annual reports developed for publication on the OHSC website	02	02 Projected to remain the same over the MTEF period

In an effort to improve the outlook and the quality of healthcare services, the OHSC is expected to increase the number of health establishments it inspects and certifies for compliance with norms and standards. The percentage of private health facilities inspected is expected to increase from 12% in 2022/23 to 21% in 2025/26.

3.2.3. Proposed Budget for 2023/24 Financial Year

As indicated in table 13, the overall proposed allocation for the entity is R162.7 million for 2023/24 and is expected to increase to R181.7 million in 2025/26. The bulk of the funding is allocated to Programme 2: Compliance Inspectorate, which carries out most of the entity's work and constitutes an estimated 35.7% of its total projected expenditure over the MTEF period. For the 2023/24 financial year, programme 2 sees a nominal decrease of about 1.27%. However, funding for this programme is expected to increase at an average annual rate of 2.8%, from R58.4 million in 2022/23 to R63.4million in 2025/26.

Table 13: Budget for 2023/24 as per programme

Programme	Budget				Nominal Rand change	Nominal % change	Real % change
R'000 million	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2022/23 – 2025/26**		
Administration	64 680	69 276	73 372	79 602	4 596	7.10%	2.47%
Compliance Inspectorate	58 469	57 726	60 883	63 451	-743	-1.27%	-3.36%
Complaints Management and Ombud	20 890	21 404	22 378	22 957	514	2.46%	-2.17%
Health Standards Design, Analysis and Support	10 972	11 519	12 037	12 383	547	4.99%	0.36%
Certification and Enforcement	2 498	2 800	2 929	3 356	302	12.09%	7.46%
TOTAL	**157 509**	**162 725**	**171 599**	**181 749**	**5 216**	**3.31%**	-1.32%

3.3. National Health Laboratory Services (NHLS)

The National Health Laboratory Service (NHLS) is governed by the Board and the Chief Executive Officer (CEO). The National Health Laboratory Act (Act No.37 of 2000) establishes NHLS as a

Schedule 3A Public entity in line with the Public Finance Management Act (Act No.1 of 1999). The NHLS is mandated 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. Moreover, the entity is required to support health research and provide training for health science education including advisory services to the National Department of Health (NDOH) and other stakeholders.

3.3.1. Situational Analysis

In its situational analysis, the NHLS discusses external and internal environmental factors that affect its mandate and operations. Importantly, the situational analysis provides challenges that require close attention to support the NHLS fulfil its and ensuring that pathological services are easily accessible by the health users. The list below shows the extent of challenges for the entity:

- Expensing debt impairment of R1.2 billion due to failure by provincial Health Departments to meet their obligations;
- A slight increase in HIV-related mortality since 2020 due to the COVID-19 pandemic and associated restrictions;
- Unfunded mandate for NHLS to financially support NICD, NIOH, Forensic Chemistry Laboratory (FCL), and National Cancer Registry (NCR) due to a significant decrease in a conditional grant from the NDOH;
- Compromised health facilities' infrastructure that affects the NHLS from effectively providing ongoing quality service to its clients as per mandate;
- Outstanding non-payment of R5.89 billion to NHLS by the provincial Health Departments of which 70,8%, i.e. R4.17 billion was owed over 90 days;
- Limitation of the NHLS by the Protection of Personal Information Act (Act No 4 of 2013) to conduct surveillance in a public health emergency and conducted research;
- Ongoing attrition, particularly of pathologists at higher levels, including Heads of Department due to recruitment from the private sector and international migration; and
- Digitisation challenges for NHLS, which include aging Information Technology (IT) infrastructure, IT skills shortage, the non-availability of electricity, and the Supply Chain Management processes that inhibit the replacement of critical systems and tools on time. These challenges have a significant impact on both the entity and its clients i.e. health-users.
- Loadshedding impact on quality and turnaround times on laboratory tests

3.3.2. SWOT Analysis

The NHLS conducts a SWOT analysis prior commencement of the financial year to ascertain its strengths, weaknesses, opportunities, and threats (SWOT). In the past two financial years i.e. 2021/22 and 2022/23 including the current fiscal year (2023/24), NHLS cites the following weaknesses lack of succession planning and development across various levels, inequitable distribution of critical and scarce skills, and inadequate ICT infrastructure capacity. With regards to threats, NHLS identifies private-sector competition, especially in Anatomical Pathology, inadequate resources to cover the needs, insufficient throughput from the training platforms, and operational costs exceeding tariff increases. The challenges listed in the situational analysis and the accentuation of weaknesses and threats suggest that the entity is facing an insurmountable mandate. The Committee needs to engage thoroughly with the NHLS to resolve most of the mentioned challenges.

- *Forensic Chemistry Laboratory*

On 1 April 2022, the Forensic Chemistry Laboratory (FCL) was fully integrated into the NHLS in line with the applicable legislation. As the integration happens, the NHLS has identified the following challenges facing FCL:

- Staff shortages and staff rotation due to COVID-19;
- Delays in procurement and sub-standard buildings;
- Laboratories operating at half capacity; and
- Old equipment.

In the 2022/23 fiscal year, the NHLS indicated that the integration posed a series of challenges - chief among them was the increased operational costs on its limited resources.

- *Delayed Publication of NAPHISA Regulations*

Pursuant to the extensive legislative process on the National Public Health Institute of South Africa Bill (NAPHISA), which resulted in it being passed by the National Assembly and assented to by the President on 5 August 2020. Strangely, since August 2020, the Regulations that operationalise the Act have not been completed nor gazetted - hence an enormous strain on NHLS. Once the Regulations are proclaimed, the following divisions will migrate i.e. the Occupational Health, Cancer surveillance, Environmental health, Communicable diseases, Non-communicable diseases, and Injury and violence prevention.

3.3.3. Performance Indicators and Targets for 2022/23 Financial Year

The NHLS has six programmes i.e. 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. NHLS uses these programmes to implement its APP. Table 14 provides an identified outcome, output indicator and estimated performance target for 2023/24 financial year:

Table 14: Performance indicators and targets 2023/24

Outcome	Output Indicator	Estimated Performance for 2023/24 (Targets)	Observation
Clinical Effectiveness and efficiency	Percentage of TB GeneXpert tests performed within 40 hours	94%	**The marginal increase from 93%** in 2022/23 fiscal year. It is projected to be 95% in 2024/25 financial year.
	Percentage of HIV viral load tests performed within 96 hours	94%	**A 12% increase from 82% in 2022/23** financial year. Over the MTEF, it is projected to a slight increase of 95%.
Clinical effectiveness and efficiency	Develop and implement a POCT (Point-of-care testing) plan.	10% implementation of the POCT plan based on the pilot	**By 2026/27 about 50%** of point of care (POCT) will be implemented based on the pilot.
	Implement digital pathology	Implement the pilot	**By 2026/27 about** 20% of the identified laboratories based on the pilot will be roll-out.
High-quality services	Percentage compliance achieved by laboratories during annual quality compliance audits	94%	**This target is decreased from 100% in** 2020/21 financial year. It is projected to increase to 95% in 2024/25
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 was decreased from 55 in** 2020/21 and is projected to remain 50

			until 2024/25.
High-quality services	Number of articles published in peer-reviewed journals	170	**This target was decreased from 200** in 2020/21 and projected to increase to 180 in 2024/25**.**
Clinical effectiveness and efficiency	Percentage of blood alcohol tests completed within a normative period of 90 days	75%	**This new target is increased from 60%** in 2022/23 and is projected to increase to 80% in 2024/25.
	Percentage reduction of backlogged toxicology cases	40%	**This is another new target. It is increased from 20%** in 2022/23 and is projected to increase to 60% in 2024/25.

The targets are marginally increased while others remain the same over the MTEF period, which translates to a similar outcome to the previous financial year. For making a greater impact on the health system and the country's economy, performance targets ought to be significantly increased given the remit the entity was established for.

3.3.4. Proposed Budget for 2023/24 Financial Year

Table 15 provides the National Treasury's proposed budget for NHLS to be appropriated by Parliament and transferred to the entity through the NDOH.

Table 15: Proposed budget to NHLS for 2023/24 fiscal year

Programme	**Budget**		**Nominal Increase / Decrease in 2023/24**	**Real Increase / Decrease in 2023/24**	**Nominal Percent change in 2023/24**	**Real Percent change in 2023/24**
R million	**2022/23**	**2023/24**				
Laboratory Service	8 322 261	9 978 062	1 655 801	1 189 714	19.90%	14.30%
Academic Affairs, Research, and Quality Assurance	355 022	377 871	22 849	5 198	6.44%	1.46%
Surveillance of Communicable Diseases	459 886	483 761	23 875	1 278	5.19%	0.28%
Occupational and Environmental Health and Safety	166 009	174 738	8 729	566	5.26%	0.34 %
Forensic Chemistry Laboratory Service	490 500	530 925	40 425	15 624	8.24%	3.19 %
Administration	1 805 381	1 897 787	92 406	3 758	5.12%	0.21%
TOTAL	**11 599 059**	**13 443 144**	**1 844 085**	**1 216 140**	**15.9%**	**10.48 %**

Table 15 depicts a total of 10.48% of real increase, which equates to R1.2 billion real increase for 2023/24. Compared to 2022/23, a significant deficit in Programme 1: Laboratory Service amounted to a real decrease of R-531.1 million which caused a significant shortfall in meeting its targets. For 2023/24 fiscal year, all programmes reflect a positive allocation. In addition, the statement of financial performance expresses the following amounts for the current financial year:

- Total revenue : R13.5 billion;
- Total expenses : R13.4 billion;

- Surplus : R60.159 million.

Despite the proposed budget showing positivity across all programmes, there is a serious concern with the decrease in conditional grants and non-movement in respect to NAPHISA Regulations. As such, for 2023/24 financial year, the total deficit amounting to R368.5 million is been identified for the following division with NHLS.

- National Institute of Communicable Diseases (NICD) : R219.1 million
- National Institute of Occupational Health (NIOH) : R48.6 million
- Teaching, Training and Research (TTR) : R100.7 million

3.4. Council for Medical Schemes (CMS)

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 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 2022, the Council regulates:

- 72 (down from 74) medical schemes;
- 27 (up from 19) administrators (including self-administered schemes);
- 44 managed care organisations;
- 2 156 broker organisations; and
- 7 530 individual brokers.

CMS regulates these entities utilising the Medical Schemes Act (No. 131 of 1998) and Regulations to ensure that all the 8.95 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, the Health Market Inquiry Final Report and the Review of the Financial Sector Regulation Act and the Conduct of Financial Institutions (COFI) Bill. 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. 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.

This paper provides an overview of the 2023/24 Council for Medical Schemes' Annual Performance Plan (APP) and Budget, as submitted to Parliament. Key issues for consideration by Parliament are also highlighted.

3.4.1. Situational Analysis

The CMS identified a number of threats, weaknesses, opportunities and strengths in its APP. It will be important for the Committee to have a more in-depth discussion on what the CMS is reporting for each of these factors.

Table 16: SWOT Analysis

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
• Unique expertise. • Hybrid working mode. • Experienced skilled personnel, Sole mandate. • Track record of success in legal challenges. • Unqualified audits. • >80% overall performance against set objectives.	• Insufficient resources for current operations. • Sustainable funding model challenges. • Lack of a cohesive communication strategy. • Capacity constraints in communication/ No Spokesperson. • Unfilled key posts and High Staff Turnover.	• Partnership with other Regulators. • Support for the NDOH in the implementation of the NHI. • Fast-tracking the development and implementation of new Regulations.	• FSRA and COFI Bill, • Attack by Conglomerates. • Increased Litigation • Prolonged SIU and Section 59 Investigations. • Cybersecurity and Act • POPIA Act • Undesirable Business Practices.
• Single source of information for Industry performance. • Functional Governance Body. • CMS Branding and Image. • Revamped CMS website. • Partnerships and collaboration with other regulators and industry bodies through MoU's. • MoU's with institutions of higher learning i.e., Stellenbosch University, Sefako Makgatho, Wits. • Join Learning Network partnering with NDoH, NT and the World Bank. • Published research in peer reviewed journals.	• Ageing ICT Infrastructure. • Inability to comprehensively respond to energy, network and other ICT challenges. • Succession Planning and Continuity. • Reactive Regulatory than proactive approach. • Lack of a comprehensive Stakeholder Management Strategy: o NDoH o National Treasury o Regulated entities and others. • Lack of succession planning and retention strategy. • Delayed appeals process.	• Prioritization of the Medical Schemes Amendment Bill Processing. • Alternative Funding Model for the CMS.	• Unregistered product doing business of the medical scheme. • Increasing and shifting burden of disease and its impact on scheme risk profiles. • Performance Incentive Moratorium. • Potential of FWA. • Scheme reserves and surplus generated during the pandemic.

As it did in previous years' APP, the CMS reports that despite a high turnover rate that the CMS work environment remains stable. Employees were placed in the new structure during the second quarter of 2022/23.

3.4.2. Performance Indicators and Targets for 2022/23 Financial Year

The table below highlights some of the annual and quarterly performance indicators for the CMS.

Table 17: Strategic Objectives and Performance Plan Indicators for 2023/24

PROGRAMME	STRATEGIC OBJECTIVE	PLANNED TARGET 2023/24
1. ADMINISTRATION	Ensure that reported performance information is in accordance with the Framework for Strategic and Annual Performance Plans.	Ensure that the review and development of a Strategic Plan and Annual Performance Plan is done for Council's consideration by the 31st January each year.
		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 (breaches).
	Provide software applications that serve both internal as well as external stakeholders, and that improve business operations and performance.	Achieve 95% in uptime of business critical application systems.
	Effectively provide information management services and organise the management of 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.	95% written and verbal legal opinions provided to internal and external stakeholders, attended to within 14 days.
	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	Number of training sessions held for Council and /or Committees.

PROGRAMME	STRATEGIC OBJECTIVE	PLANNED TARGET 2023/24
	Services for effective governance by the Accounting Authority.	90% of signed annual declaration of financial interest by Council Members.
2. STRATEGY PERFORMANCE AND RISK	Ensure that strategic projects are scoped and project plans are in place.	Development and maintain a Strategic Projects Register.
		80% Scope and Develop plans for strategic projects.
3. REGULATION	Accredit regulated entities based on their compliance with the requirements for accreditation in order to provide accredited services and monitor legal compliance throughout the period of accreditation.	80% of broker and broker organisation applications accredited within 30 working days on receipt of complete information.
		100% of managed care organisation applications analysis completed within three months of receipt of complete information.
		100% of administrators and self-administered schemes' applications analysis completed within three months of receipt of complete information.
	Inspect regulated entities for routine monitoring of compliance with the prescribed legislation.	10 Routine inspections undertaken, if applicable.
	Strengthen and monitor governance systems medical schemes and other regulated entities.	70% 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.	70% of governance interventions implemented during the period.
	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.
4. 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.
5. MEMBER PROTECTION	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.	55 Stakeholder education and training sessions.
	Resolve complaints with the aim of protecting beneficiaries of medical schemes.	80% of complaints older than 120 calendar days adjudicated during the reporting period in accordance with complaints standard operating

PROGRAMME	STRATEGIC OBJECTIVE	PLANNED TARGET 2023/24
		procedures.
		100% of Rulings published on the CMS website within 14 days of issuing the ruling.

3.4.3. Proposed Budget for 2023/24 Financial Year

CMS receives a Government Grant of only R6.5 million from the National Department of Health and the bulk of its budget is from the principal medical scheme members to the value of R193.4 million.

CMS is set to spend R208.4 million in 2023/24, up by 7.7% percent in nominal terms and 2.7% in real terms from the adjusted budget of R193.4 million of 2022/23.

Table 18: CMS Budget 2023/24

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R	2022/23	2023/24				
Programme 1: Administration	111 444 327,0	120 430 258,0	8 985 931,0	3 360 494,7	8,1 per cent	3,0 per cent
Programme 2: Strategy, Performance and Risk	5 653 402,0	2 735 379,0	-2 918 023,0	-3 045 795,7	-51,6 per cent	-53,9 per cent
Programme 3: Regulation	40 908 219,0	43 428 535,0	2 520 316,0	491 719,0	6,2 per cent	1,2 per cent
Programme 4: Policy, Research and Monitoring	9 695 713,0	12 909 865,0	3 214 152,0	2 611 117,3	33,2 per cent	26,9 per cent
Programme 5: Member Protection	25 740 892,0	28 923 715,0	3 182 823,0	1 831 762,9	12,4 per cent	7,1 per cent
TOTAL	193 440 553,0	208 427 751,0	14 987 198,0	5 251 297,3	7,7 per cent	2,7 per cent

In terms of allocation per programme, programme 1: Administration receives the biggest allocation of R120.4 million in 2023/24 or 57.8% of the budget. This is an 8.1% nominal increase, and 3.0% real increase from the previous year. This programme is divided into 5 sub-programmes, namely: Office of the CEO and Registrar; Office of the CFO; Information Systems and Knowledge Management; Corporate Services; and Council Secretariat.

Corporate Services receives the largest share of the Administration budget at R51.7 million. Information Systems and Knowledge Management is the second biggest budget item receiving R32.6 million; while the Council Secretariat receives the smallest amount with R9.7 million.

Programme 5: Member Protection receives an increase of 12.4% in nominal terms increasing from R25.7 million in 2022/23 to R28.9 million in 2023/24. Programme 3: Regulation receives a 6.2% nominal increase from R40.9 million in 2022/23 to R43.4 million in 2023/24.

The key cost drivers per economic classification are as follows: 65.5% (R136.5 million) of CMS operating budget (R208.4 million) is allocated for Compensation of employees (COE) and 34.5% (R71.9 million) is allocated for Goods and services.

3.5. South African Health Products Regulatory Authority (SAHPRA)

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.

3.5.1. Situational Analysis

In terms of the internal environment analysis, SAHPRA has moved its business processes from paper-based to digital. On health products authorisation, since the implementation of the priority review requests process, there has been an influx of relevant applications, resulting in delays in the review of routine applications.

SAHPRA has commenced with physical inspections, both locally and internationally, due to the easing of travel restrictions. The demand for inspections remains high and is driven by the new licence and product registration application as well as routine and unannounced inspections. The Inspectorate unit is capacitating itself in terms of skills and number of inspectors.

On medicinal cannabis, SAHPRA continues to inspect and licence cultivators of cannabis for the purposes of producing scheduled substances. SAHPRA's activities in the medicinal sector form part of an important aspect of the broader Cannabis Master Plan, which is led by the Department of Agriculture, Land Reform and Rural Development.

The increase in the number of clinical trial applications for both therapeutics and vaccines continue, although the focus has shifted back to therapeutic areas that became of secondary importance during the pandemic. Existing expertise in SAHPRA is being increased to deal with new clinical trial designs highlighted during the pandemic.
Veterinary and complementary medicines have seen a decline in Section 21 application and this is said to be attributable to more veterinary registrations taking place and Covid-19, resulting in fewer people obtaining Section 21 for complementary medicines.

The medical device industry is relatively new in terms of regulations, which includes the establishment and product registration. Attaining relevant skills in this field is a challenge, hence the reliance on external reviewers to assist with the review of applications.

3.5.2. Performance Indicators and Targets for 2022/23 Financial Year

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 2023/24 financial year.

3.5.2.1. Programme 1: Leadership and Support

This programme is responsible for providing leadership and administrative support necessary for SAHPRA to deliver on its mandate and comply with all relevant legislative requirements.

For the 2023/24 financial year, this programme has set itself eight (8) performance targets, same as in the previous financial year.

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

- Attaining and maintaining an unqualified audit for the 2022/23 financial year.
- Current ratio of 1≥1 maintained.
- Progress report on the implementation plan from the 2023/24 stakeholder perception survey submitted to the Executive Committee.
- Progress report on the implementation plan from the 2023/24 staff satisfaction survey submitted to the Executive Committee.
- Seventy percent (70%) employees trained.
- Ninety-five percent (95%) budgeted positions filled.
- Staff turnover rate less than 10%.
- Enterprise Architecture Phase 1 implemented in full.

3.5.2.2. 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 four (4) targets, down from six (6) in the previous financial year. The targets for the programme are as follows:

- Eighty percent (80%) of New Chemical Entities finalised within 490 working days.
- Seventy-five percent (75%) of generic medicines finalised within 250 working days.
- International Organisation for Standardisation 9001: 2015 certified.
- WHO maturity level 4 self-assessment conducted.

3.5.2.3. 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 in the previous financial year, there are three (3) targets for 2023/24 financial year. The key targets for the programme include:

- Seventy percent (70%) of new Good Manufacturing Practice and Good Warehousing Practice related licences finalised within 125 working days.
- Eighty percent (80%) of permits finalised within 20 working days.
- Eighty percent (80%) of health product quality complaints reports produced within 30 working days.

3.5.2.4. Programme 4: Clinical and Pharmaceutical Evaluation Medicines

This programme 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. This programme has only five targets that it plans to achieve during the year under review.

The five targets are as follows:

- Ninety percent (90%) of applications for the sale of unregistered Category A (human) medicines finalised within three (3) working hours.
- Eighty percent (80%) of human clinical trial applications finalised within 80 working days (down from 90 working days).
- Seventy percent (70%) reports on health product safety signals issued within 40 working days after receipt.
- Six (6) safety awareness campaigns held.
- 95% of lot release requests finalised within 50 working days (up from 30 working days).

3.5.2.5. 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 2023/24, the Authority plans to achieve:

- Seventy percent (70%) of medical device establishment licence applications finalised within 90 working days.
- Call-up notice of pilot Class D (high risk) medical device products published.
- Sixty percent (60%) of application licenses for radionuclide authorities issued within 30 working days.
- Ninety percent (90%) licence applications for listed-electronic products finalised within 30 working days.

- Three (3) approved guidelines for the management of medical device vigilance.

3.5.3. Proposed Budget for 2023/24 Financial Year

Table 19 below shows that the overall proposed allocation for the entity is R394.8 million for 2023/24 and is expected to increase to R428.4 million in 2025/26.

Table 19: SAHPRA Budget 2023/24

Programme	Budget				Nominal Rand change	Nominal % change	Real % change
R'000 million	**2022/23**	**2023/24**	**2024/25**	**2025/26**			
1. Leadership and Support	127 736	135 444	140 562	145 706	7 708	6.0%	1.4%
2. Health Products Authorisation	51 615	36 268	38 078	39 978	-15 347	-29.7%	-25.1%
3. Inspectorate and Regulatory Compliance	37 314	52 769	55 368	58 053	15 455	41.4%	36.8%
4. Clinical and Pharmaceutical Evaluation	100 293	125 472	131 537	135 397	25 179	25.1%	20.5%
5. Medical Devices and Radiation Control	32 399	44 843	47 069	49 276	12 444	38.4%	33,8%
TOTAL	**349 356**	**394 796**	**412 614**	**428 409**	**45 440**	**13.0%**	**8.4%**

Leadership and Support (Programme 1) remains the largest programme in terms of allocation and increases from R127.7 million in 2022/23 to R135.4 million in 2023/24, an increase of R7.7 million or 6 percent in nominal terms.

The largest reduction in budget allocation in terms of percentage and amount is in Programme 2: Health Products Authorisation which declines from R51.6 million in 2022/23, to R36.3 million in 2022/23, a 29.7 percent reduction.

Programme 3: Inspectorate and Regulatory Compliance receives a sizeable increase of R25.2 million, from R37.3 million in 2022/23 to R52.8 million in 2023/24.

The second largest programme is Programme 4: Clinical and Pharmaceutical Evaluation, its budget increases from R100.3 million in 2022/23 to R125.5 million in 2023/24. This represents a nominal increase of 25% percent.

Programme 5: Medical Devices and Radiation Control receives a R12.4 million increase from R32.4 million in 2022/23 to R44.8 million in 2023/24.

3.6. South African Medical Research Council (SAMRC)

The South African Medical Research Council Act (No.58 of 1991) ("the Act") establishes and mandates the South African Medical Research Council (SAMRC) as a Schedule 3A Public Entity that operates according to the provisions of the Public Finance Management Act (No.1 of 1999). For the 2023/24 financial year, the SAMRC through its 2023/24 Annual Performance Plan (APP), commits to continuous efforts of decreasing the disease burden in South Africa through cutting edge innovations, development of novel treatment regimens, including vaccines. It also aims to improve diagnostic tools, while localising the production of new drugs and devices to advance the health and lives of South Africans.

3.6.1. Situational Analysis

Over three decades, South Africa has and continues to be confronted by unique and major challenges that threaten the health status of its citizens. Chief among them is the quadruple burden of disease i.e. communicable epidemics of Human Immunodeficiency Virus (HIV) and Tuberculosis (TB), non-communicable diseases such as cancers, chronic respiratory diseases, obesity, diabetes and cardiovascular diseases, as well as hypertension. Other threats include an epidemic of violence and injuries, as well as maternal and infant mortality. To respond to these daunting challenges, the SAMRC commits to, among others, achieving the following:

- Prioritise research that addresses the top 10 causes of mortality in South Africa;
- Invest in efforts to reduce morbidity and improve health outcomes;
- Ensure that capacity development in health research continues;
- Renew its focus on research translation for health impact; and
- Fund and actively drive innovation.

3.6.2. SWOT Analysis

Annually, SAMRC conducts a swot analysis to determine the inward and outside challenges to approach the financial year in a prepared mode. In the previous financial years (2019/20, 2020/21, 2021/22 and 2022/23), the swot analyses have repeated the following threats: diminishing funding for research, research classified as low priority on the political agenda and lack of research translation. With regard to weaknesses, the following have been identified again i.e. lack of research translation, poor diversity in management, bureaucratic environment, as well as lack of knowledge sharing. Notwithstanding the strengths and opportunities, the repetition of the aforementioned suggests that there is a serious concern with the threats and weaknesses, which warrants a plan by the entity to overcome them.

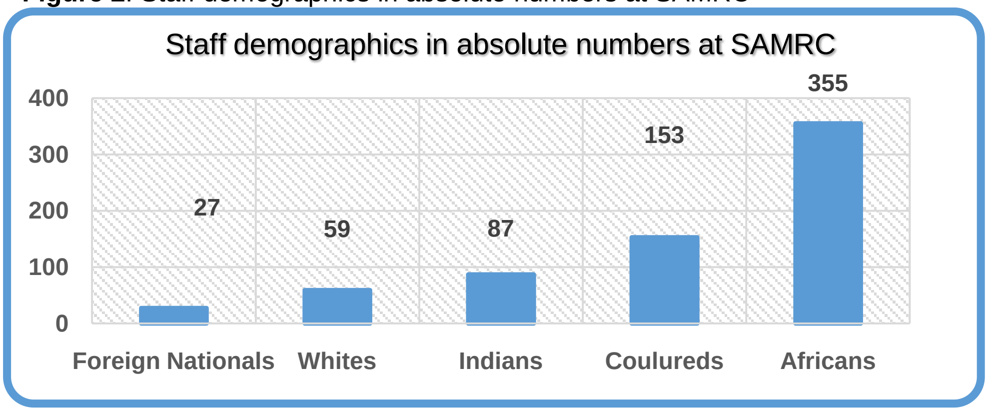
3.6.3. SAMRC's Priorities over the MTSF

The 2023/24 APP draws its genesis from the 5-year Strategic Plan and MTSF to ensure greater impact. Over the MTSF period, the SAMRC prioritises the following health priorities

- HIV, Acquired Immune Deficiency Syndrome (AIDS), TB, and other communicable diseases;
- Health promotion and disease prevention;
- Maternal, child and women's health;
- Health systems strengthening;
- Public health innovation; and
- Biomedical research.

On human resource management, the SAMRC has increased its human capital from 624 in 2021 to 681 in 2022. The staff is composed of all the country's demographics. Figure 1 depicts the absolute numbers of staff compliment as at 31 March 2022.

Figure 2: Staff demographics in absolute numbers at SAMRC



Of the 681 staff compliment, the composition of the executive management committee is comprised of 3 racial groups i.e. 3 from Whites, 3 from Africans and 2 from Coloureds. Noticeably, the lion share of the human capital at SAMRC is female at 467 and male at 214. However, the issue of diversity and transformation at senior management remains elusive as introduced in 2016/17 financial year.

3.6.4. Performance Indicators and Targets for 2022/23 Financial Year

SAMRC has five (5) programmes, namely Administration, Core Research, Innovation and Technology, Capacity Development and Research Translation. The entity, uses these programmes to implement its mandate. Below is a snap-shot of performance indicators and the estimated performance (targets) for the 2023/24 financial year.

Table 20: Performance indicators and targets 2023/24

Outcome	Output Indicator	Estimated Performance for 2023/24 (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 319 in 2019/20.
To provide funding for the conduct of health research.	Number of research grants awarded by the SAMRC.	160	An increase from 150 target in 2022/23.
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	Number of awards (scholarships, fellowships and grants) by the SAMRC for MSc, PhD, Postdocs and Early Career Scientists.	150	This target increased slightly from 140 in 2022/23. It is projected to decrease again to 130 in 2024/25.

researchers.			
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 96 in 2021/22. It is projected to remain 50 throughout the MTEF period.

Similar to 2020/21 and 2022/23, the observation is that performance targets have been decreased with no clear reason and are further projected for decrease or remain stagnant till 2024/25. The Committee ought to consider a detailed discussion with the entity on the crafting of targets and the impact thereof when targets are decreased.

3.6.5. Proposed Budget for 2023/24 Financial Year

Table 21 shows the total estimates that the National Treasury proposes for appropriation by Parliament for SAMRC through the National Department of Health. As such, the amounts are presented per programme as follows.

Table 21: Budget for 2023/24 financial year

Programme	Budget		Nominal Increase / Decrease in 2023/24	Real Increase / Decrease in 2023/24	Nominal Percent change in 2023/24	Real Percent change in 2023/24
R million	**2022/23**	**2023/24**				
Administration	224 931	231 760	6 829	-3 996	3.04%	-1,78%
Core Research	721 045	707 904	-13 141	-46 208	-1.82%	-6,41%
Innovation and Technology	306 192	315 076	8 884	-5 833	2.90%	-1,91%
Capacity Development	88 146	91 586	3 440	- 838	3.90%	-0,95%
Research Translation	3 246	4 332	1 086	883	33.46%	27,22%
TOTAL	**1 343 560**	**1 350 658**	**7 098**	**- 55 992**	**0.5%**	**-4.17%**

With reference to table 21, the real decrease for the proposed budget is R-55.9 million. The lion-share of the real decrease amounts to (R-46.2 million) for programme 2: Core Research and (R-5.8 million) for programme 3: Innovation and Technology. The total real decrease of R-55.9 million for 2023/24 financial year is far less than R-219.4 million shortfall observed in 2022/23 financial year. Of the five programmes, the less prominent real decrease in comparison with the earlier mentioned is programme 4: Capacity Development, where the deficit is R-4 million. Given the real decrease arising from the inflation, the SAMRC has opted for reprioritisation of key areas to mitigate the impact on its mandate and operations.

As of 2022/23, SAMRC supplemented the allocation with R10 million per annum over the MTEF for COVID-19 mRNA vaccine development and another R13 million for COVID-19 research. For 2023/24 and 2024/25, the same amount of R13 million is to be provided to cover the shortfall from the national Treasury allocation. In addition, the SAMRC has committed to making available R13.5 million annually to support projects that will generate leverage funding of at least the equivalent from collaboration partners and funders.

3.7. Committee Observations on Entities

3.7.1. CCOD

- The Committee observed that the CCOD has done well with its annual financial statements and auditing. Further commended that it has received an unqualified audit for 2021/22 financial year.
- The Committee commended the CCOD for the electronic system of claims and payments that has been put in place.
- The Committee enquired about the CCOD's plans in filling current vacancies.
- The Committee enquired on the strategies and efforts being put in place to address revenue collection and completeness of registers of mines and works. They further wanted to know which mines were still not paying levies.
- The Committee wanted to know what measures has the CCOD put in place to ensure that the office is more accessible.
- The Committee was concerned that only 71% of the budget was spent on goods and services and 34 % spent on capital expenditure.
- The Committee noted with concern that there were still outstanding claims and wanted to know when will these be addressed. The Committee further wanted to know how the value of a claim was determined.
- The Committee wanted to know if there are any claimants who have been scammed.
- The Committee sought an update regarding the submission of amendments to the Occupational Disease in Mines and Works Act (ODMWA).

3.7.2. OHSC

- The Committee commended the OHSC on its audit outcome and welcomed the new Board members.
- The Committee was concerned about the targets the entity has set itself and wanted to know why have they decreased.
- The Committee wanted to know whether the OHSC has assessed the impact of the labour unrest on healthcare facilities.
- The Committee wanted to know the percentage of health facilities inspected in the previous financial year and the number of private facilities that were non-compliant.
- The Committee questioned how the National Health Insurance will be implemented when the public health facilities and the OHSC are under-resourced.
- The Committee enquired about the decrease in inspection of public health facilities and the increase in private health facilities.
- The Committee sought details on the training of inspectors and wanted to know if the training will lead to career advancement for the inspectors.

3.7.3. NHLS

- The Committee welcomed the NHLS' plans to request to be exempted from loadshedding.
- The Committee was concerned about the media reports that there is a shortage of snake anti-venom.
- The Committee wanted to know how the entity was dealing with the ageing ICT infrastructure and ICT skills shortage.
- The Committee noted with concern the outstanding payments of R5.89 billion by provincial Health Departments and wanted to know what the entity was doing to address this.
- The Committee sought clarity on the impact of the delay in the publication of the NAPHISA Regulations on the NHLS
- The Committee expressed concern about the lower turnaround time (82%) for HIV viral load tests.
- The Committee questioned the approval of sprinter buses without a proper plan to resource them.
- The Committee enquired about the number of facilities that were affected by the appointment of a new service provider, Zamalangeni Holdings.
- The Committee expressed major concern about reported racism and sexism within the entity and asked whether it has implemented consequence management.
- The Committee wanted to know which forensic laboratories were taken over by the NHLS and sought clarity on the difference between forensic and chemistry laboratories.

3.7.4. CMS

- The Committee wanted to know the reasons behind the high staff turnover at the entity.
- The Committee enquired about the progress on the organisational restructuring process.
- The Committee further wanted to know plans for the entity to reduce legal fees.
- The Committee wanted to know the progress made in relation to the introduction of standardised low-cost medical aid packages.
- The Committee sought an update on the review of prescribed minimum benefits and its finalisation thereof.
- The noted with concern the cost of living that was increasing and wanted to know if this has an impact on medical aid membership.
- The Committee sought on an update regarding the finalisation of the Section 59 investigation report.
- The Committee expressed concern over the proposed levy increases (needed to increase revenue generation), currently being collected from medical scheme members which is concerning in light of the high cost of living and questioned the reasons why it is not carried off by medical schemes.

3.7.5. SAHPRA

- The Committee commended SAHPRA on the significant increase in fee income generation, increasing from R51 million (2018/19) to R181 million (2021/22).
- The Committee noted with concern that SAHPRA has 96 vacancies of highly skilled roles in pharmaceuticals and medical devices product assessment. Further noting with concern the high turnover rate.
- The Committee sought clarity on legislative reforms, that is the proposed SAHPRA Bill and its objectives.
- The Committee noted with concern the sharp decline in license applications being finalised and asked whether the new Business model has been communicated to applicants and how it affect appeals.
- The Committee sought an update on progress made on the review of the framework for cannabis regulation.
- The Committee conveyed its support for the ratification of the AMA Treaty.

3.7.6. SAMRC

- The Committee wanted to know if there was any regional work the entity is involved in that might be affected by the war in Sudan.
- The Committee drew attention to the SAMRC's report which states that unsafe sex and high alcohol consumption are risk factors for disease and death in South Africa and wanted to know whether any research has been conducted to gain a deeper understanding of the cause of this social behaviour and the intervention strategies to respond to these issues.
- The Committee sought an update on non-funded black researchers as reported in 2021 and questioned whether this has been addressed.
- The Committee enquired on the reasons for the entity to use private laboratories when conducting studies instead of using the NHLS.
- The Committee enquired on whether the entity has conducted any research on adverse effects of Covid-19 vaccines.
- The Committee noted with concern that among the non-communicable diseases, cancers are increasing and what interventions is the SAMRC implementing in this regard.
- The Committee questioned the reasons for the decrease in targets under programme two and four.
- The Committee sought clarity on the decrease in the budget allocation to care programmes such as HIV and TB and how the deficit would be mitigated.
- The Committee welcomes the 60% women representation in the organisational structure and appreciated the leading role of women in the organisation.

4. COMMITTEE RECOMMENDATIONS

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

4.1. Department of Health

- *Human Resources for Health:*
  - The Department should provide the Committee with a set plan to address staff shortages, in all categories.
  - The Department should provide a report on the placement of interns and community service doctors.
  - The Department should provide the Committee with a detailed report on the training and upskilling of nurses and the reopening of nursing colleges.
  - Provide the Committee with a progress report on the implementation of the Community Health Workers Policy.
  - Increase specialist training through more registrar posts

- *Improve the quality of health care*:
  - The Department should address the shortage of equipment and inadequate infrastructure and report to the Committee quarterly.
  - The Department should furnish the Committee with an action plan aimed at addressing infrastructure backlogs and existing gaps.
  - The Department should collaborate with provincial departments in prioritising the procurement of essential health technology for cancer management and a successful retention strategy for specialists.
  - Furnish the Committee with a report on the success of its NCD programmes funded through the sugar tax.

- *Improve access to health care services*:
  - The Department should improve on access to emergency medical services, particularly in rural areas and provide the Committee with a quarterly progress report.
  - Furnish the Committee with an updated report on surgery backlogs as well as the backlogs at the forensic chemistry laboratories.
  - Furnish the Committee with a progress report on the implementation of the recommendations of the Health Ombud in relation to the Rahima Moosa Mother and Child Hospital.
  - Furnish the Committee with a progress report on Charlotte Maxeke Hospital following the fire and the restoration of oncology services.

- *Medico-legal claims*:
  - The Department should provide the Committee with a detailed report on its efforts to strengthen the management of medico-legal claims and how it is assisting provincial departments in this regard.

- *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.

- *Infrastructure challenges*:
  - The Department should provide infrastructure technical support to provincial departments in order to develop their capacity to plan and manage health infrastructure delivery.

- Furnish the committee with a detailed report, including the cost thereof, of all planned infrastructure projects.
- The Department should ensure the implementation and investment on strategies aimed to mitigate the impact of load shedding on the delivery of health services and report to the Committee quarterly.

4.2. Entities

- All entities should ensure that they have proper systems in place to root out corruption, fraud and maladministration.

4.2.1. CCOD

- Ensure that all vacant posts are filled timeously.
- Improve on the timelines in the payment of ex-mineworkers.
- Provide the Committee with a progress report on strategies and efforts being put in place to address revenue collection and completeness of registers of mines and works.

4.2.2. OHSC

- Submit to the Committee the recent inspection report, in particular the inspection of private health facilities.
- Should continue to strengthen its outreach programmes and communication strategy.
- Ensure that vacant posts are filled, particularly posts for inspectors.

4.2.3. NHLS

- Present to the Committee a detailed update on the process relating to the transfer of the Forensic Chemistry Laboratories to the NHLS.
- To engage the Department on the impact of loadshedding on its operations, in an effort to get shielded from loadshedding.

4.2.4. CMS

- Provide the Committee with an update on the review of PMBs in line with the Health Market Inquiry recommendations.
- The Committee to convene an engagement with the Council for Medical Schemes on the following matters:
  - (i) To discuss the medical schemes surplus of R98 billion to limit annual premiums to members of medical aids;
  - (ii) To be appraised on the Section 59 Investigation Report;
  - (iii) To get a progress report on the low cost-benefit options;
  - (iv) Share with the Committee the documents signed by key stakeholders on the collaboration to address fraud, waste and abuse; and
  - (v) Inform the Committee when the recommendations on the PMB's are finalised, including the set of recommendations made to the Minister on the Primary Health Care elements of disease prevention and promotion.

4.2.5. SAHPRA

- Provide the Committee with a progress report on the filling of the vacancies of highly skills positions.
- Furnish the Committee with a progress report on the review of the framework for cannabis regulation.

4.2.6. SAMRC

- Furnish the Committee with a detailed report on the prevalence of non-communicable diseases in the country.
- Provide the Committee with a report on cancer research conducted by the SAMRC.

5. 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.