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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA





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2019 MTEF Technical Guidelines for Provinces

GUIDELINES FOR THE PREPARATION OF
EXPENDITURE ESTIMATES FOR THE 2019
MEDIUM TERM EXPENDITURE FRAMEWORK
(MTEF)

June 2018

This document is available at: www.treasury.gov.za/publications/guidelines

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1 PURPOSE

- 1.1** The aim of this technical guideline is to ensure that the documentation submitted, and the work undertaken in the 2019 MTEF Budget process, provides relevant information on the main strategic proposals as required by the budget decision-making structures, in order to make recommendations to political structures such as Budget Council, MINCOMBUD, Cabinet and Provincial Executive Councils.
- 1.2** The Guidelines provide public institutions with guidance on how to prepare their medium-term budget submissions for the 2019 Budget. They are issued in accordance with section 27(3) of the Public Finance Management Act (PFMA), Act No. 1 of 1999.

2 INTRODUCTION

- 2.1** Through the budget process, a large number of public institutions plan, collaborate, negotiate and decide together on a comprehensive government-spending plan for the next three years. Given fiscal limits, resources must be allocated in the most effective and efficient way to meet the policy objectives of South Africa as a democratic state, as set out in the Constitution, the National Development Plan, Governments Nine Point Plan and government's Medium Term Strategic Framework (2014 – 2019).
- 2.2** Due to the elaborate budget process for provinces that needs to align to the national and municipal budget process, National Treasury deems it necessary to develop a guideline document that is specifically poised at integrating these processes to provincial budget activities.
- 2.3** National Treasury has introduced a budget database for public entities which will be used in preparation of 2019 MTEF budget. The database aims to standardise budgeting formats and classification of items across provincial public entities for improved transparency and oversight. National Treasury also introduced a quarterly reporting tool for public entities listed in schedule 3C and 3D to the PFMA and other provincial institutions. It serves to introduce a consistent approach to the quarterly reporting information required from provincial public entities.
- 2.4** National Treasury is in the process of finalising a budget and programme structure for Provincial Gambling Boards to accomplish greater uniformity in aggregating and consolidating their financial and performance information.

3 2019 MTEF GUIDANCE

- 3.1** The following policy guidance should be taken into account when preparing the budget submission:

There are **NO** additional resources available for allocation over the 2019 Medium Term Expenditure Framework (MTEF) period within the expenditure ceiling set in the 2018 Budget. This means that additional allocations to a programme will need to be funded by reductions in funding for another programme, either within the department's budget, or from another department's budget. This may involve the scaling down of non-priority programmes and projects, changing service delivery models, using technology more effectively etc.

As tasked by Cabinet, the Department of Planning, Monitoring and Evaluation (DPME) is developing a mandate paper on policy priorities to guide the allocation of reprioritised resources. This paper will be issued separately by DPME in due course, and will help to inform deliberations on the budget.

Potentially deteriorating economic circumstances as well as priority programmes require a scenario where proposals are made for non-priority programmes and projects to be scaled down or closed.

The 2019 Budget aims to change the composition of spending towards spending that stimulates economic growth, particularly capital expenditure. Spending on the compensation of employees has grown substantially over the past few years. This trend needs to be reversed to ensure that the spending on compensation of employees does not crowd out spending in critical areas, including on the complementary resources required by personnel to undertake their tasks in an efficient manner. Departments must therefore operate within compensation of employees expenditure ceilings by containing costs and improving efficiency through the undertaking of appropriate operational changes. Any adjustments required as the result of the 2018 public sector wage agreement must be made within institutional compensation of employees expenditure ceilings.

- 3.2** For the 2019 budget process, the narrative is the main submission and must provide the rationale for selected priorities, with the budget numbers comprising the supporting information.
- 3.3** Most of the reforms contemplated in previous years are ongoing, and are being further improved or enhanced each year. The cost-cutting measures continue, and ongoing emphasis will be placed on reprioritising savings toward enhanced service delivery. Provinces compiled comprehensive cost-cutting strategies and were able to redirect some of the savings to enhance service delivery, however, provinces should be vigilant in achieving more efficiency gains in 2018/19, particularly through procurement reforms.
- 3.4** The fiscal consolidation programme continues over the 2019 MTEF, and the provincial focus should be on inclusive and integrative growth. Thus, the focus for funding initiatives should be on projects or programmes that contribute to these

outcomes and, therefore, departments and public entities will need to take note of both national and sub-national (provincial and local) outcomes and incorporate these into their plans. The imperative roles of Education and Health for providing a skilled and healthy economic workforce and an intensive focus on infrastructure towards employment creation should be highlighted. The 14 national outcomes and the nine-point plan, which the President alluded to in his 2015 State of the Nation Address (SONA) should also be emphasised.

- 3.5** Provinces should factor the impact of VAT increases over the last year and how it will affect resourcing for service delivery.

4 SCOPE AND APPLICATION

- 4.1** **Scope:** These guidelines apply to provincial departments, public entities and other provincial institutions in preparing for provincial MTECs.
- 4.2** **Collaboration:** Relevant departments, public entities and other institutions must work collaboratively with each other to prepare their 2019 MTEF expenditure estimates submission, taking all the requirements of the guidelines into consideration. In this regard, sector specific intergovernmental fora are crucial to establish alignment between policy and service delivery of concurrent functions. Provinces must promote and coordinate integrated planning with local government.
- 4.3** **Baseline Reprioritisation:** For the 2019 Budget, no additional resources are available for allocation. Institutional priorities must be funded through reprioritisation within current institutional expenditure ceilings: maintaining personnel budgets within compensation budget limits, institutionalisation of cost containment, and improving efficiency by undertaking appropriate operational changes, programme reviews and rescheduling that result in savings.

5 BUDGET SUBMISSION DOCUMENTATION REQUIREMENTS

Provincial Growth and Development Strategy

- 5.1** The PGDS provides a strategic framework to grow the economy for the development and improvement of the quality of life to all people living in the province. It further provides the province with a framework to ensure full alignment with the NDP, as well as to provide a basis for the alignment with the municipal Integrated Development Plans. The 2019 MTEF marks the beginning of the new planning cycle and provinces should be mindful that a new PGDS should be developed for this period.

Alignment between the NDP and the PGDS and IDPs

- 5.2** The NDP focuses on a more capable state in partnership with stakeholders, and the goal is to treble the size of the economy by 2030 so that 11 million more work opportunities are created. The focus on developing and upgrading capabilities is to enable sustainable and inclusive development.
- 5.3** All interventions, indicators and targets contained in the PGDS should be aligned to interventions, indicators and targets set in the 14 outcomes.
- 5.4** Promoting good governance practices and policy alignment to support a growth and development trajectory requires facilitating spatial equity to ensure that all geographic regions of the province receive attention and are optimally developed.
- 5.5** A critical factor in aligning resources with policy intent is to build the discipline around a clear annual planning and budgeting cycle.

A complete budget submission consists of the following requirements:

- 5.6** **Narrative:** Each department should submit an explanatory narrative to its provincial treasury. It is important to keep in mind that this explanatory analysis of the institution's budget is the determinant of the credibility of its budget. This narrative is the main proposal and should clearly articulate the rationale of the proposal, with the provincial database providing supporting information. Provincial Treasuries need to consolidate these narratives and submit to the National Treasury on the **27 July 2018**.

The narrative should contain the following elements, together with their underlying reasoning:

- departments need to explain the alignment of their budgets and identified key policy priorities that guides resource allocation;
- the general current status of the institutional budget and the trends in the achievement of deliverables (including conditional grants) and in programmes, underlying cost assumptions and prevailing issues;
- departmental management of personnel expenditure including information on key changes to the department's personnel profile;
- cost-containment and other efficiency initiatives, including those mandated by the Office of the Chief Procurement Officer (OCPO) and new delivery practices;
- information on the programmes and projects to be scaled back, rescheduled to a later period or closed, in order to raise resources for higher-priority programmes;
- the costed implications of spending pressures on existing programmes / policy areas / projects and proposed initiatives to manage them;

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- the current status of the public entities receiving transfers from the department, including underlying cost assumptions, prevailing issues and their trends.
- 5.7 MTEF databases:** The data submission consists of the departmental and public entities databases that provide data to support the information contained in the institution's budget explanatory narrative submission. First draft Budget submissions must be received by the National Treasury by 27 July 2018 while second draft submissions are due on the 16 November 2018.
- 5.8 Estimates of Provincial Revenue and Expenditure (EPRE) chapters:** The information contained in these chapters intend to provide stakeholders with sufficient detail of what departments and public entities intend achieving in the coming MTEF period.
- 5.9 Personnel templates:** Provinces will not be expected to submit the personnel model in preparation for the 2019 MTEF submission. However, National Treasury will request additional information if it is necessary to do so. Furthermore, National Treasury acknowledges the feedback that has been received from provinces and is in the process of amending the model.
- 5.10** Notwithstanding the fact that provinces have their own individual compensation of employees measures and processes in place, the key cost drivers of the wage agreement over the 2019 MTEF need to be taken into consideration when preparing the compensation of employees budgets.
- 5.11 Conditional grant business plans:** Conditional grants for the year ahead requires that the business plans be submitted. Business plans seek to promote sufficient planning at the provincial level before the eventual execution that requires funds. Planning should focus on how their envisioned activities for the year, using conditional grant allocations, allows them to appropriately apportion funds to achieve the government priority that each grant seeks to address.
- 5.12** Although business plans are submitted yearly, they technically form part of a much longer planning horizon, particularly where infrastructure is concerned. As such the business plan for the year shows the activities that will be carried out for a year, and how the activities link with outputs, and in the long run address the priorities under which the grant was created. It is important to ensure that the dates, activities that will take place, the outputs expected from the activities, and when they are expected, are spelt out. This is especially important for activities that are sequential and are required before other activities can be carried out.

Based on an activities and output execution plan, the projected cash flow, matching the dates of the activities will need to be provided. Activities, outputs, and cash flow projections are necessary but not the only inputs into business plans. Business plans should also demonstrate how activities will allow the achievement of some outputs, which eventually should be linked to the outcomes of the grants. Risks to the projected activities, and mitigation strategies against them, should also be spelt out. Business plans templates provided by the national departments responsible for monitoring the grants should be a guiding principle when drafting plans.

5.13 Infrastructure: Infrastructure projects and programmes must be undertaken following the Infrastructure Deliver Management System supported by the Standards for Infrastructure Procurement and Delivery Management. As directed by Cabinet, National Treasury is working with the Presidential Infrastructure Coordinating Commission (PICC) Secretariat, the Departments of Planning, Monitoring and Evaluation (DPME) and Economic Development (EDD) to establish a Budget Facility for Infrastructure (BFI). This establishes specialised structures, procedures and criteria for committing fiscal resources to large public infrastructure spending items.

A separate Guideline for the Preparation of Budget Submissions for Large Strategic Infrastructure Projects must be adhered to by a department when preparing large infrastructure proposals. All National Treasury guidelines can be found at: <http://www.treasury.gov.za/publications/guidelines/>. Departments must comply with this guideline and its requirements. The closing date for submission of large infrastructure proposals is 31 July 2018.

Infrastructure projects with a total project cost of less than R1 billion per annum as well as projects that do not meet the strategic infrastructure projects criteria stated in the Guideline for the Preparation of Budget Submissions for Large Strategic Infrastructure Projects should form part of the department's normal budget submission in line with the reallocation criteria described in sections 2.1 and 2.2 above. For these projects, the Capital Planning Guidelines should be consulted.

All National Treasury guidelines can be found at:

<http://www.treasury.gov.za/publications/guidelines/>.

The submission for the smaller projects should be included in the general budget submission due by 27 July 2018.

When completing the submissions:

- Provincial Treasuries must submit their 2019 MTEF submission database by 27 July 2018.
- No additional resources are available in aggregate for allocation in the 2019 MTEF; therefore this budget cycle will continue to focus on expenditure control within the existing budget limits.
- For estimation purposes, the 2021/22 baseline has been calculated. Non-recurrent allocations have been excluded from the 2021/22 baseline. The 2021/22 baseline aims to shift the composition of expenditure away from compensation of employees towards non-current expenditure.

In budgeting for non-personnel expenditure items within the department's expenditure ceiling, the following projections can be utilised to inform the provisions that departments choose to make for general price increases over the 2019 MTEF period:

Costing Assumptions

(a) Consumer Price Index

2019/20 financial year: 5.3 per cent

2020/21 financial year: 5.5 per cent

2021/22 financial year: 5.5 per cent

(b) Exchange rate – Rand/US\$

2019/20 financial year: R 13.07/US\$

2020/21 financial year: R 13.55/US\$

2021/22 financial year: R 13.82/US\$

Institutions must apply their discretion when using the assumptions. If the outcomes are different from the forecasted estimates, institutions will need to absorb any resultant differences within their budget baselines. It is also expected that budgets for some goods and services items, such as travel and accommodation grow below inflation. The costing assumptions are provisional estimates, which will be updated during the year. There are risks to these estimates originating from the global and domestic environment.

6 THE BUDGET PROCESS

- 6.1** The MTEF details three-year rolling expenditure and revenue plans for provincial departments and public entities.
- 6.2** The MTEF budget process is designed to match the overall resource envelope, estimated through 'top-down' macro-economic and fiscal policy processes, with the bottom-up estimation of the current and medium-term cost of existing departmental plans and expenditure programmes.

- 6.3** The budget process ensures that resources are allocated to meet South Africa's political priorities and to improve the quality and effectiveness of spending within sustainable fiscal limits.

Provincial budget process

- 6.4** The budget process allows government to:
- Prepare the 2019/20 expenditure estimates in the context of enhancing service delivery and ensuring value for money.
 - Strengthen and evaluate the alignment between medium and long-term plans.
 - Revise its policy priorities, macro-economic framework and resource envelope.
 - Evaluate departmental plans in line with the national outcomes, provincial priorities and the objectives of the PGDS.
 - Involve various role-players that provide political and technical advice when faced with trade-offs between competing spending priorities.
 - Focus on changing the structure of the economy from a resource extraction economy to a more production-led economy that can create employment opportunities.
 - Focus on fiscal prudence by way of cost-cutting, ensuring enhanced service delivery, as well as value for money.
 - Compile a reprioritised budget (with the focus on cost-cutting) that is aligned with the national outcomes, the nine-point plan, as well as provincial priorities. Note that this approach builds on previous years' budget reforms.
 - Obtain the required authority (voting process) from the Provincial Legislature to spend.

Recommended approach to Provincial MTECS

- 6.5** In order to enhance the integration of policy alignment, planning, budgeting and implementation, provinces are encouraged to adopt the similar approach to the national MINCOMBUD technical committee. Therefore, provincial MTECs should be used as one of the platforms that encourage joint planning between departments, municipalities and public entities. This will further promote the alignment of provincial budgets with strategic planning documents such as the PGDS, NDP, IDPs and Spatial Development Frameworks in support of inclusive growth and transformation.
- 6.6** Provincial MTEC committees should make recommendations to provincial MINCOMBUD, Premiers' Budget Committees, Provincial Executive Councils and other political structures tasked with taking final decisions on the budget proposals. Discussions at provincial MTECs should be led and chaired by Provincial Treasuries, which also assesses the allocative efficiencies of provincial budget taking into account the current fiscal climate affecting the provincial fiscal framework. The departmental delegations are led by the HODs supported by CFOs

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and other senior officials. However, it is highly recommended that the MTEC committees in provinces also be inclusive of the following internal stakeholders:

- **The Head of Provincial Planning Unit**, who is sitting in the Offices of the Premier in most cases. This is to ensure that budget proposals presented by provincial departments align to the strategic direction of both the province and the national government. Departments will have to demonstrate the responsiveness of their budget to the policy and delivery context envisaged by government.
- **The Head of Provincial Spatial Planning Unit**. This should aim to ensure that departments' plans and budgets transversally align to and support one another in a space and jointly target predetermined spatial locations for maximum impact. Some of the spatial challenges that the country face, include the highly fragmented spatial development, dispersed developments, and socioeconomic fragmentation and polarisation, with the poorest communities often located far from economic and social opportunities. Therefore, the integration and alignment of planning and budgeting should seek to promote local economic development while improving the quality of life.
- **Senior officials from the Department of Cooperative Governance/Local Government** responsible for the assessment of municipal IDPs. This should aim to promote a better coordinated approach to integrated planning between provincial and local government. Both provincial departments and municipalities should be encouraged to respond on the extent to which government priorities have been integrated into their various planning processes as well as policy and budget documents.

Benchmark Process

6.7 National Treasury has introduced a first benchmark exercise since the 2002 MTEF. The main objectives of the Benchmark exercises are to assess to what extent provincial MTEF draft budgets give effect to the agreed sector priorities. These deliberations also highlight possible risks in the budgets and propose measures to manage these risks. A differentiated approach is proposed to accommodate provincial specific preferences to benchmarks. Provinces who prefer to have two sessions will be held in December and January while those who lean towards a single benchmark session could have it either in December or January. Sector Benchmark meetings are held for Education and Health in collaboration with the respective national departments to discuss policy dynamics particular to these sectors.

6.8 The main objectives of the **Benchmark exercise meetings to be held in December 2018** are to:

- Assess provincial MTEF draft budget including the extent to which the province's budget gives effect to the agreed social sector priorities,
- Highlight possible risks in the budgets and propose measures to manage these risks;
- Give a critical view of the draft provincial budget as per the November submissions;

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- Highlight key issues and challenges from National Treasury’s perspective; and reach an agreement on key aspects affecting the provincial budget
- In addition to budget assessment, focus is on improving efficiencies:
 - Participation in the transversal contracts and the efficiencies gained
 - Impact of the implementation of personnel headcount and personnel expenditure control measures
 - PFMA compliance – Irregular, fruitless and wasteful expenditure, and unauthorised expenditure
 - Management of accruals and how cash management strategies could be used to address accruals
 - Debt owed by provincial departments and the strategy to address it

6.9 The ***Benchmark exercise meetings to be held in January 2019*** will focus on:

- Public entities;
- Investments in provincial economies;
- Infrastructure
- Procurement reforms

6.10 Critical dates for the provincial budget process are provided in the table below. Provincial departments and public entities follow the specific requirements of their own treasuries and provincial budget processes. These guidelines should thus be read together with the Provincial Budget Process Schedule and Guide for Provincial Budget Formats. Provincial treasuries must receive revised baseline estimates from provincial departments and public entities at least two weeks before submission to National Treasury.

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ITEM	DATE
Technical Committee on Finance Lekgotla in Eastern Cape	11 – 13 July 2018
Provincial treasuries submit first draft 2019 Budgets to National Treasury: Estimates of Provincial Revenue and Expenditure and database	27 July 2018
Provincial Budget Visits	July / August 2018
Technical Committee on Finance meeting	18 September 2018
Budget Council and Budget Forum meeting	20 - 21 September 2018
Preliminary conditional grant frameworks submitted to National Treasury by national departments	01 October 2018
Tabling of Medium Term Budget Policy Statement	24 October 2018
Preliminary allocation letters issued to provinces – equitable share allocations	26 October 2018
Provincial treasuries submit 2nd draft 2019 Budgets to National Treasury: Estimates of Provincial Revenue and Expenditure and database	16 November 2018
Final conditional grant frameworks and allocations submitted to National Treasury by national departments	30 November 2018
Provincial benchmark exercise for 2019 Budget (1st round)	First week - December 2018
Second allocation letter to provinces	Early/mid December 2018
Provincial benchmark exercise for 2019 Budget (2nd round)	Early January 2019
Technical Committee on Finance meeting	18 January 2019
Final allocation letters issued to provinces	End Jan / Early Feb 2019
Budget Council meeting	25 January 2019
Provincial 2019 Budgets tabled at provincial legislatures	End Feb / Early March 2019

Budget Process Technical and Political Structures

Technical structures at national level

6.11 At a national level, the senior technical structures of the MTEF budget process are the Minister's Committee on the Budget Technical Committee (MINCOMBUD technical committee, previously known as Medium Term Expenditure (MTEC)) and the Technical Committee on Finance (TCF):

- The MINCOMBUD technical committee/MTEC is a committee of senior officials from NT, DPME, COGTA and DPSA that makes recommendations to MINCOMBUD regarding budget allocations in the medium term expenditure framework, taking into account government priorities, funding available, alternative funding sources and the division of revenue amongst the three spheres of government.
- TCF is a committee of the heads of all provincial treasuries and is chaired by the DDG of the Intergovernmental Relations division of the National Treasury. The TCF considers intergovernmental finances and the division of revenue and makes recommendations to the Budget Council, Budget Forum and MINCOMBUD technical committee.

6.12 The process of generating final recommendations to MINCOMBUD technical committee includes the following elements:

- National Treasury appoints a coordinator for each technical group, who will be responsible for engaging with budget institutions and preparing reports to the MINCOMBUD technical committee for each technical group.
- Budget *bi-laterals* are convened between National Treasury and senior finance and programme officials in each institution.
- *Technical group* meetings are held, in which relevant departments, public entities and provincial structures participate. Technical groups are aligned with particular outcomes specified in the MTSF. The technical group considers submissions by institutions and discusses the reallocation of resources within the group as a whole. Financial analysis discussions are also held with selected entities.
- In function areas with a large degree of concurrent powers (such as basic education, health and human settlements and municipal infrastructure), a function 10x10, composed of heads of department of the nine provincial and one national lead department in the function together with their finance counterparts, will be convened as a substitute or complement for the work of the technical group. Where resource allocation decisions are recommended that alter the division of revenue across the three spheres of government, a function 10x10 will be required.
- *Performance dialogues*, convened by the Department of Planning, Monitoring and Evaluation (DPME) together with the technical group coordinators will be held for each technical group.
- MINCOMBUD technical committee may also convene *function group hearings*, *DG's budget forums* on budget policy or other meetings involving senior officials from relevant institutions and experts from the relevant field. In this setting, several technical groups may be brought together to consider submissions by

institutions and discuss the allocation of resources across the function as a whole. In 2017 this may include the piloting of a “spatial Technical MINCOMBUD” in which national and provincial departments, State owned Entities and a municipality all convene to discuss projects and programmes taking place within the geographic space of a metro (or group of metros).

- 6.13** Technical group coordinators will prepare a final report on the outcome of the process. These reports will be presented to MINCOMBUD technical committee, which will make final recommendations to MINCOMBUD and then to Cabinet.

Political Structures at National Level

The Ministers’ Committee on the Budget

- 6.14** MINCOMBUD has been constituted as a Committee of Cabinet, chaired by the Minister of Finance. Its members were appointed by the President on recommendation from the Minister of Finance. MINCOMBUD may invite other members of Cabinet or senior officials to attend and/or present on issues of relevance to its mandate. In addition to political office bearers, MINCOMBUD meetings are attended by the Directors-General of National Treasury, the Presidency, and the Departments of Planning, Monitoring and Evaluation and Cooperative Governance. Senior officials of National Treasury attend as determined by the Director General: National Treasury. The Director-General: National Treasury ensures that the National Treasury provides administrative services for the proper functioning of MINCOMBUD.

- 6.15** The functions of MINCOMBUD are to:
- Consider and advise Cabinet on budget allocations to be included in the national budget, MTEF and the division of revenue framework.
 - Consider matters related to the determination of expenditure allocations, including the economic assumptions underpinning the budget, fiscal policy objectives and tax proposals.
 - Recommend, in terms of section 30(2)(b) of the PFMA, items of unforeseeable and unavoidable expenditure to be included by the Minister of Finance in the national adjustments budget. When performing this function, the President and the Deputy President chair MINCOMBUD, and constitute the “(MINCOMBUD)/Treasury Committee”.

Budget Council and Budget Forum

- 6.16** The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Budget Council consisting of the Minister of Finance and the MEC for Finance of each province. The Chairperson of the Financial and Fiscal Commission may also attend the Budget Council. The Minister of Finance is the chairperson of the Budget Council.
- 6.17** The Act defines the Budget Council as a body in which the national government and the provincial governments consult on any fiscal, budgetary or financial matter affecting the provincial sphere of government.

- 6.18** The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Local Government Budget Forum comprising of the Minister of Finance (who is the chairperson), the MEC for Finance of each province and five representatives of the South African Local Government Association (SALGA) at national level as well as one representative of SALGA from each province. The Act defines the Budget Forum as a body in which the national government, the provincial governments and organised local government consult on any fiscal, budgetary or financial matter affecting the local sphere of government.

Joint MINMECs

- 6.19** From time to time, the Minister of Finance in consultation with the Cabinet member responsible for another portfolio may convene a Joint MINMEC to consider sector budget issues and make recommendations to MINCOMBUD. A Joint MINMEC is comprised of the Minister of Finance, Members of the Executive Council of Finance from nine provinces and their counterparts at national and provincial level from the relevant department.

7 FUNCTION GROUPS

Budgeting-by-function and MTEC hearings

Budgeting-by-function organises the budget process and expenditure reporting around the policy outcomes that government seeks to achieve. National and provincial government departments and the entities that report to them are consolidated into groups according to the functional tasks they are mandated to perform. Function groups are closely aligned with the 14 government outcomes in the 2014-2019 medium-term strategic framework.

Classifying resources by their policy purpose shifts the focus of budgeting from line items (i.e. inputs) to outcomes. It also takes budgeting beyond a focus on individual administrative units, recognising that policy outcomes require cooperation between complementary stakeholders. Discussions of performance and expenditure take place at the function group level, with the aim of improving resource use and coordination to achieve the outcomes each function has been assigned.

Seven function groups are proposed for the 2018 Budget process. Where appropriate, sub groups that also include IGR sectoral technical forums are defined. Annexure A contains a full list of budget institutions assigned to each function group and sub-group. Figure 7 summarizes the groups.

For the 2018 budget process, the technical engagements that take place within function groups will culminate in an MTEC hearing. The intention of the MTEC hearing is to engage in a DG-level interaction that draws together all stakeholders in a particular group, and finalises recommendations to MINCOMBUD. The MTEC hearing will receive an issues and recommendations report from the function group coordinator (an NT official). It will be attended by the DGs of the departments that constitute MTEC, as well as the accounting officers of the institutions that are part of the function group. The MTEC hearings should be included as part of the programme of FOSAD.

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Function group	Function sub-group	Key departments and other budget institutions
1. Learning and culture	Basic education	Basic education , Provincial governments
	Post-school education and training	Higher education and training, SETAs, NSF, NSFAS
	Arts, culture, sport and recreation	Sports and recreation, Arts and culture, Provincial and local governments
2. Health	Health	Health, Provincial governments, NHLS, Military health services
3. Social development	Social protection	Social development, SASSA, Provincial governments
	Social security funds	RAF, UIF, Comp Funds
4. Community development	Community development	Cooperative governance, Human settlements, Water and sanitation, Transport, Energy, Provincial and local governments
5. Economic development	Industrialisation and exports	Trade and industry, Economic development, Mineral resources, Tourism, Small business development, Public works.
	Agriculture and rural development	Agriculture forestry and fishing, Rural development and land reform.
	Job creation and labour affairs	Labour, Public works, EPWP programmes, cooperative governance
	Economic regulation and infrastructure	Energy, Transport, Environmental affairs, Telecommunications, Water and sanitation, Provincial and local governments
	Innovation, science and technology	Science and technology
6. Peace and security	Defence and state security	Defence, Military veterans, Financial intelligence centre, State Security, Armscor
	Police services	Police, IPID, CSP
	Law courts and prisons	Justice and constitutional development, Correctional series, Office of the Chief Justice, Legal Aid
	Home affairs	Home affairs
7. General public services	Executive and legislative organs	Presidency, Communications, Women, Parliament, Provincial legislatures, Planning, monitoring and evaluation.
	Public administration and fiscal affairs	Public service and administration, National treasury, Public enterprises, StatsSA, Cooperative governance and traditional affairs, Public works
	External affairs	International relations and cooperation, National treasury.

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MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
June – July	<p>Compilation of budget submissions by departments and public institutions</p> <p>Formulation of recommendations to technical committees</p>	<p>Departments</p> <p>Public institutions</p> <p>National Treasury</p> <p>Department of Public Service and Administration (DPSA)</p> <p>Department of Planning, Monitoring and Evaluation (DPME)</p> <p>Department of Cooperative Governance (DCoG)</p>	Bilateral and technical group interactions ²	Written and data budget submissions to function groups
End June – July	<p>Consultation between the Executive Authority of Parliament and Minister of Finance before submission of budget by Parliament of South Africa (in line with s17(1) (b) (d) of Financial Management of Parliament and Provincial legislatures Act, 2009</p>	<p>Minister of Finance</p> <p>Speaker of National Assembly</p> <p>Chairperson of National Council of Provinces (NCOP)</p> <p>Secretary of Parliament</p>	MTEC hearings	Recommendations to Minister of Finance
End July – September	<p>Formulation of recommendations to technical and political committees</p>	<p>Departments</p> <p>Public institutions</p> <p>Function groups</p> <p>Technical Committee on Finance (TCF)</p> <p>MTEC</p>	<p>Function group interactions ³</p> <p>10x10 meeting/s ⁴</p> <p>MTEC hearings</p> <p>TCF meeting/s</p> <p>FOSAD</p>	<p>Recommendations to political committees on information to be tabled in MTBPS, need to include:</p> <ul style="list-style-type: none"> • fiscal framework • key national government spending priorities • division of revenue • substantial adjustments to conditional grants

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MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
End September – October	Formulation of recommendations to Cabinet	MINCOMBUD	MINCOMBUD meeting/s Cabinet meeting/s	Approval of recommendations to be tabled in MTBPS
End October	Tabling of 2018 MTBPS	Minister of Finance Parliament		MTBPS publication including: <ul style="list-style-type: none"> • fiscal framework • key national government spending priorities • division of revenue • substantial adjustments to conditional grants
End October – November	Draft allocation letters Finalisation of details of National government allocations to be included in 2019 Budget	Function groups MTEC MINCOMBUD Cabinet	MTEC hearings FOSAD MINCOMBUD meeting/s Cabinet meetings	Final national government allocation letters
December – February	Finalisation of recommendations to be tabled in 2019 Budget Drafting of budget documentation	MTEC MINCOMBUD Cabinet National departments and public institutions	MTEC hearings FOSAD MINCOMBUD meeting/s Cabinet meetings	Budget review publication Appropriation bill Division of revenue bill Estimates of national expenditure publications People's guide to the budget Tax proposals
February	Tabling of budget	Minister of Finance Parliament		Budget tabled
March – July	Adoption of budget expenditure legislation	National Assembly National Council of Provinces	Hearings Debates Adoption of bills	Budget adopted



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