



# MEDIUM TERM EXPENDITURE FRAMEWORK

## TECHNICAL GUIDELINES | 2020

June 2019

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



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## 1 INTRODUCTION

- 1.1 These Guidelines provide national departments and other public institutions<sup>1</sup> with guidance on how to prepare their medium-term budget submissions for the 2020 Budget, including those affected by the 2019 National Macro Organisation of Government (NMOG). The Guidelines are issued in accordance with section 27(3) of the Public Finance Management Act (PFMA), Act No. 1 of 1999.
- 1.2 The following are the main principles guiding this year's budget submission:
- **Provisional baseline downward adjustments** as reflected in the 2019 Budget have now been **effected** on planning budget baselines.
  - There are **NO additional resources, with budget reductions likely to be implemented**. Any additional allocations proposed to a programme must be funded by reductions in funding from another programme.
  - Departments must continue to operate within **Compensation of Employees expenditure ceilings**, by containing costs and achieving efficiencies emanating from undertaking appropriate operational changes.
  - **Budgets must align with priorities in national plans** which include the National Development Plan (NDP) Vision 2030, the 5-Year NDP Implementation Plan (Medium-Term Strategic Framework) and the Budget Priorities Framework (Mandate Paper) currently being reviewed.
  - **Strategic** areas of budget baseline **reallocations** must be determined.
  - The 2020 Budget will continue to change the **composition of spending** towards spending that stimulates economic growth and the achievement of greater value for money in realising service delivery priorities, by shifting funds from non-essential items to priority items, particularly **towards capital expenditure**.
  - A **compulsory budget baseline reduction scenario** of 5 per cent in 2020/21; 6 per cent in 2021/22 and 7 per cent in 2022/23 must be shown by institutions indicating where baseline reductions could be implemented with the least implications for service delivery. This must include proposals for non-priority programmes and projects to be scaled down or closed, changing service delivery models, using technology more effectively, etc.
  - As functions are transferred between departments through the **2019 NMOG process**, so are the associated funds. Strategic reallocations are not permitted in respect of these functions, prior to function shift processes being concluded.

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<sup>1</sup> Public institutions including public entities, trading entities, government components and constitutional institutions need to provide necessary budget information to national departments to enable them to prepare the budget submission to National Treasury. Constitutional institutions may also approach the National Treasury directly regarding their budget submission.

## 2 PRIMARY BUDGET SUBMISSION

- 2.1 The aim of these technical guidelines is to ensure that the documentation prepared by national departments and other public institutions provides all the relevant information, on main strategic proposals, required to prepare clear recommendations in respect of the budget. The Ministers' Committee on the Budget Technical Committee (MTEC) – which is composed of Directors-General of several centre-of-government departments, prepare recommendations for consideration by the Ministers' Committee on the Budget (MINCOMBUD) and Cabinet. These recommendations draw on institutional budget submissions and engagements on these submissions in the course of the budget process. Further information on these matters can be found in **Annexure B: Budget process technical and political structures**.
- 2.2 Budget submissions must be received by the National Treasury by **19 July 2019**.
- 2.3 The primary budget submission of a national department must be:
- Submitted by the Accounting Officer and accompanied by a covering letter confirming that the submission is the expression of the department's **strategic direction**, which results from the **budget deliberations** of its **executive management**. It is comprised of two elements:
    - a) A narrative report which explains the context for the budget and provides the department's rationale for expenditure recommendations over the medium term. The report must be clear and concise aimed at helping decision makers reach conclusions on the basis of evidence and the evaluation of performance.
    - b) Data submissions:
      - National department's estimates of expenditure by programme and main economic classification.
      - A budget data submission for each public institution.
  - Comprehensive, covering all the expenditure proposed for appropriation against a vote, including transfers to other institutions and spheres of government within the budget vote.
  - Based on key performance indicators consistent with the departments' significant spending items and priorities.
  - Prepared under the guidance of the accounting officer of the national department, in collaboration with the institutions that report to the same executive authority.

### 3 COMPONENTS OF PRIMARY BUDGET SUBMISSION

The budget submission consists of:

- a narrative report; and
- data submissions for each national department as well as each public institution.

The requirements pertaining to each of these elements are described in the sections that follow.

#### 3.1 NARRATIVE REPORT

The narrative report must explain the context for the budget and provide an evidence-based rationale for decision makers to formulate their expenditure recommendations. It must be a comprehensive report that includes the following elements, which are explained in more detail below:

- Key programmes
  - Composition of spending
  - Strategic reallocations
  - Baseline reductions
  - Value-for-money
  - Human resources
  - Other public institutions (if applicable)
  - Conditional grant change proposals (if applicable)
  - 2019 NMOG (if applicable)
- ✓ Key programmes must explain trends, issues and challenges related to the largest conditional grants, transfers and programmes that relate to the core strategic priorities of the department. The discussion must link budget analysis with a consideration of the policy outcomes and performance indicators for each element. Some significant spending items have been pre-selected by the National Treasury for discussion in the report, and are also highlighted in the data submission. The trends in these and other important budget areas must be discussed.
- ✓ Composition of spending must discuss trends, issues and challenges per economic classification over the seven-year period, i.e. in respect of compensation of employees, capital spending, goods and services, transfers and subsidies and other relevant elements of the budget defined by economic classification. The 2020 Budget aims to change the composition of spending away from compensation of employees towards 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 the complementary resources required by personnel to undertake their tasks in an efficient manner.

In determining 2020 MTEF budget proposals, institutions must not reprioritise funding away from on-going infrastructure projects. Reprioritisation of infrastructure projects must be done within the scope of the institution's infrastructure plan, and target projects

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still in their planning phase. Cognisance must be taken of the life cycle costs, including maintenance and operational requirements, regarding all capital infrastructure. The *Capital Planning Guidelines*<sup>2</sup> must be consulted in this regard.

- ✓ Strategic reallocations must provide an explanation of the key strategic proposals to reallocate spending between programmes or economic classifications with a view of addressing cost pressures or better aligning resources with identified priorities. This must include the justification and rationale for the programmes and projects to be scaled down, rescheduled to a later period or closed. In the case of strategic proposals to meet new policy imperatives, the priority must be identified and the solution explained, together with its budget and performance impact. The budget implications must be quantified and a rationale must be provided for the source of funding.
- ✓ Baseline reductions must provide a scenario for aggregate downward baseline adjustments amounting to 5 per cent in 2020/21; 6 per cent in 2021/22 and 7 per cent in 2022/23. The justification and rationale for the selection of the programmes and projects, must be explained, together with the impact on service delivery.
- ✓ Value-for-money must explain the departments' plans to improve efficiency, realise savings, contain costs and improve value-for-money, with particular reference to supply chain management, procurement and strategic sourcing. Savings realised through the value-for-money plan could be reallocated towards priority areas. Guidance on the initiatives undertaken by the Office of the Chief Procurement Officer (OCPO) to decrease procurement costs can be found on the OCPO website<sup>3</sup>.
- ✓ Human resources must be a discussion in respect of the information that will be contained in the human resource budget plan, which forms part of the data submission. It must explain the departments' plans and intentions in respect of establishment restructuring, headcount management, recruitment and human resource development with a view to operating within its compensation of employees expenditure ceiling. This may require the inclusion of information on key changes effected and envisaged on the department's personnel profile, including the related department's personnel expenditure and headcount. Compensation of employees expenditure ceilings are contained in the *MTEC submission workbook*. For further information, refer to the *Guidelines for Costing and Budgeting for Compensation of Employees: For the Preparation of Expenditure Estimates for the 2020 Medium Term Expenditure Framework (MTEF)*<sup>4</sup>.

In addition, departments must consult the *Early retirement without penalisation of pension benefits in terms of Section 16(6)*<sup>5</sup> of the *Public Service Act, 1994* issued by the

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<sup>2</sup> <http://www.treasury.gov.za/publications/guidelines/>

<sup>3</sup> [http://ocpo.treasury.gov.za/Buyers\\_Area/Legislation/Pages/Guidelines.aspx](http://ocpo.treasury.gov.za/Buyers_Area/Legislation/Pages/Guidelines.aspx)

<sup>4</sup> <http://www.treasury.gov.za/publications/guidelines/>

<sup>5</sup> <http://www.dpsa.gov.za/article.php?id=827>

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Department of Public Service and Administration (DPSA). These together with associated tools and templates are aimed at assisting departments in managing employee numbers over the MTEF period.

- ✓ Public institutions must give a summary of the financial status and policy imperatives in respect of the other public institutions reporting to the department's executive authority. A review of other public institutions budgets' and spending must be done. All expenditure items, including personnel numbers, and the proposed spending on non-essential spending areas such as on events, catering, travel, the use of consultants, and venues must be scrutinised.

Other public institutions must submit an initial budget outlook statement to the national department to whose vote they have been designated. The budget outlook statement must include the current status of major public entities, including underlying cost assumptions, performance indicators, prevailing issues that require a solution and their expenditure trends. This must also include how the institution is planning to manage its personnel budgets going forward.

This information regarding the public institutions is to be analysed and considered by the national department and discussed with the institution in preparation of its inclusive budget vote submission to the National Treasury. The department submitting any other institutions' budgets as part of its vote, must also include its assessment of that budget, as part of the submission.

- ✓ Conditional grant change proposals must be submitted when a department is proposing changes to the structure of a conditional grant. Such changes must be submitted to the National Treasury as part of the narrative accompanying the budget submission by **19 July 2019**. All draft conditional grant frameworks and allocations must be submitted to the National Treasury by **30 September 2019**.
- ✓ 2019 NMOG affected departments must provide a summary of the reorganisation required, the current status as well as any challenges experienced.

### **3.2 DATA SUBMISSIONS**

Information contained in the department's budget explanatory narrative report in section 3.1 above, must be supported by relevant data workbooks. These workbooks must contain data in respect of the main requirements of a budget submission. These include the following workbooks:

- a 2020 MTEC submission workbook (national departments)
- a 2020 human resource budget plan workbook (national departments)
- a 2020 MTEC budget planning baseline tool (other public institutions).

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### When working with the workbooks, note that:

- National departments and other public institutions must submit their 2020 MTEC submission workbooks by **19 July 2019**.
- For estimation/ planning purposes, the 2022/23 baseline has been calculated. Non-recurrent allocations ending in 2021/22 have been excluded from the 2022/23 baseline. The 2022/23 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 2020 MTEF period:

### Costing assumptions

- (a) Consumer Price Index
- 2020/21 financial year: 5.1 per cent
  - 2021/22 financial year: 5.0 per cent
  - 2022/23 financial year: 4.8 per cent

- (b) Exchange rate – Rand/US\$
- 2020/21 financial year: R 14.67/US\$
  - 2021/22 financial year: R 14.79/US\$
  - 2022/23 financial year: R 15.07/US\$

National departments and other public 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.

Details of each workbook are as follows:

- **2020 MTEC submission workbook** for national departments is accessible on the National Treasury website<sup>6</sup>. It summarises the department's strategic proposals for budget reallocations, within the pre-populated expenditure ceilings.
- This workbook is compulsory with the following main data sheets:
  - ✓ Main adjustment proposal: presents data drawn from the proposals completed on other sheets. Pre-selected significant spending items are highlighted. The impact of proposed strategic budget reallocations on the departmental baseline, by programme and main economic classification, are also shown.
  - ✓ Budget lenses: For analyses purposes, a department must indicate the percentage of its budget currently spent on women, persons with disabilities, youth, pro-rural, pro-poor activities.

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<sup>6</sup> <http://www.treasury.gov.za/publications/guidelines/templates/2020/>



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- ✓ Proposal capture: must be used to capture up to 6 strategic proposals for reallocation:
  - Step 1: List strategic proposals and complete the impact of these reallocations on performance indicators and note the motivation;
  - Step 2: Complete the details regarding the source of funds and use thereof, for each strategic reallocation proposal;
  - Step 3: Complete the impact of reallocations on infrastructure projects, if applicable;
  - Step 4: Complete the impact of reallocations on personnel numbers, economic classification and by significant spending items, if applicable.
- ✓ Budget baseline reduction scenario: Complete the baseline reduction columns for each of the years of the 2020 MTEF period, by programme and economic classification level for programmes, including on projects to be scaled down or closed. The percentage baseline reduction required is 5 per cent in 2020/21; 6 per cent in 2021/22 and 7 per cent in 2022/23. The rationale and impact of these reductions must be briefly summarised in the comments column.
- ✓ NMOG (if applicable): Provide preliminary estimates in respect of the programmes / subprogrammes affected by the 2019 NMOG process.
- **Human resource budget plan workbook** provides data on how the department manages its personnel expenditure and headcount. The guidelines as referred to in section 3.1 above must be used when costing the compensation of employees.
- 2020 MTEC **budget planning baseline tool** for each public institution must be submitted separately to the national department and to the National Treasury. The data template will be distributed electronically by the National Treasury to the respective institutions.

## 4 SEPARATE SUBMISSIONS

The following elements will also be considered in the 2020 budget process:

- Budget programme structure changes
- Conditional grant change proposals
- Bottom-up costing exercise

### 4.1 BUDGET PROGRAMME STRUCTURE CHANGE PROPOSALS

Where a national department is considering making revisions to budget programme structures and activity descriptions these budget programme structure changes must be discussed with the relevant Treasury budget analyst/s before submitting a formal request for the approval of those changes. The *Guidelines on Budget Programmes (June 2010 update)* must be consulted. All National Treasury guidelines can be found on the National

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Treasury website<sup>7</sup>.

Formal requests for budget programme structure changes must be submitted to the National Treasury by **28 June 2019** together with an update to the **2019 ENE database**.

On approval of the budget structure change, the National Treasury will provide the department with an updated and customised **2020 MTEC submission workbook** to complete. The new workbook template will be in the format of the newly approved budget programme structure, in line with the updated 2019 ENE database submitted with the application.

See section 5 below for budget structure changes required due to the 2019 NMOG process.

### **4.2 CONDITIONAL GRANT CHANGE PROPOSALS**

Conditional grant change proposals must be submitted when a national department is proposing changes to the structure of a conditional grant. Such changes must be submitted to the National Treasury as part of the narrative accompanying the budget submission by **19 July 2019**. This submission must include a brief narrative on the description and motivation for any proposed changes to the purpose, components or implementation model of a grant, as well as any proposed new grant that can be funded within the department's baseline. Before submitting such a proposal, it must be discussed with analysts in the Intergovernmental Policy and Planning unit of the National Treasury (this unit can be contacted at **DORA@treasury.gov.za**) as well as the relevant official from the Public Finance unit.

Departments proposing changes to the structure of their conditional grants must also account for the capacity and resources needed to manage and support the implementation of their grants (including monitoring and oversight of transferred funds, and the provision of support to enable provinces/municipalities to implement grant-funded programmes).

Note that section 27(2)(c) of the Division of Revenue Act, 2019 requires that any change to the allocation criteria for conditional grants must be approved by National Treasury before provisional allocations and draft frameworks are submitted. Section 27(2)(a) requires that all draft conditional grant frameworks and allocations must be submitted to the National Treasury by **30 September 2019**. This is necessary even if no changes to the structure of a grant have been proposed in terms of the process described in the paragraph above.

### **4.3 BOTTOM-UP COSTING EXERCISE**

In the 2020 Budget process, function groups will be undertaking costing exercises to determine the quantum of funding the implementation of current policies requires. Function group leaders will determine the policies to be costed, the methodology, and process, including the timelines and tasks, to be undertaken by affected departments and public institutions. Information in this regard will be communicated to function groups by function

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<sup>7</sup> <http://www.treasury.gov.za/publications/guidelines/>

group leaders. The analyses produced by these exercises will then be considered by the MTEC in its formulation of budgetary recommendations.

## **5 NATIONAL MACRO ORGANISATION OF GOVERNMENT**

5.1 At the end of May, the President announced the appointment of Ministers and Deputy Ministers in terms of sections 91(2) and 93(1) of The Constitution of the Republic of South Africa, 1996. The portfolios of these ministers necessitate a reorganisation of government including the merging of some national departments, the shifting of functions across departments, and the subsequent abolishment of some existing departments. Schedule 1 of the Public Service Act, 1994 contains a list of departments as amended by presidential proclamation.

5.2 The NMOG process, to give administrative effect to the President's new cabinet portfolios and administrative structures in support of ministers responsible for such portfolios, is being led by the DPSA. Information on this process can be obtained on the DPSA website<sup>8</sup>.

5.3 The process is expected to take a few months to complete. To ensure continuity, national departments that were in existence before the proclamation will continue to exist until such time as the functions of the affected departments that are either split or transferred as a whole; are effectively separated and transferred. Guidance is provided below on the two main budget areas affected by the 2019 NMOG process, that is budget programme structures and function shifts, that will impact budget submissions.

5.4 A separate sheet in the **MTEC submission workbook** is included for national departments to provide **preliminary** estimates of funds to be shifted.

### **5.5 Budget programme structures**

For departments affected by the 2019 NMOG, requests for approval of budget programme structures must be submitted as soon as the organisational structure of the department has been approved by the DPSA. These applications will be dealt with on an ad hoc basis as soon as they are received by the National Treasury.

### **5.6 Funds follow functions**

In terms of Section 33 of the PFMA, as functions are transferred between departments so are the associated funds. Treasury Regulation 6.5.1 stipulates that where a function is to be transferred between national departments, the relevant treasury must be consulted in advance. It also states that in the absence of an agreement between the affected departments on the amount of funds to be transferred, the relevant treasury will determine the funds to be shifted.

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<sup>8</sup> [http://www.dpsa.gov.za/dpsa2g/nmos\\_documents.asp#](http://www.dpsa.gov.za/dpsa2g/nmos_documents.asp#)

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In order to transfer funds following a function/s shift/s, the department relinquishing the function/s must submit a formal request to the National Treasury through the department's Public Finance representative. This request is separate to any budget programme structure amendment request.

The funding shift request must include:

- an explanatory memorandum motivating the function/s shift/s;
- the approval from the DPISA for the transfer of the function/s between the relevant departments;
- a copy of the agreement between the transferring department and the recipient department which indicates that the departments are in agreement with the proposed function/s shift/s and quantum of funds being transferred; and
- the financial data (including carry through costs) pertaining to the shifting of funds on the template made available<sup>9</sup>.

For departments that have finalised the 2019 NMOG approval process by **26 August 2019**, the revised programme structures and accompanying budgets may be allocated in the Adjustments Appropriation Bill, 2019 and accompanying Adjustments Estimates of National Expenditure publication. National departments will be required to submit an Adjusted Estimates of National Expenditure, 2019 chapter and budget database to the National Treasury. The 2019 AENE Treasury Guidelines: for the preparation of the Adjusted Estimates of National Expenditure, to be issued in July 2019, will provide guidance on the information requirements for that publication.

### **5.7 2020 Budget**

Budget structures and accompanying funding transfers which are finalised by **December 2019** will be reflected in the 2020 Budget; and will be made effective from 1 April 2020 for the 2020/21 financial year. In the interim:

- All votes, including those going through the 2019 NMOG process, must submit the MTEC data workbooks to form the basis for discussion in the budget, by 19 July 2019.
- 2019 NMOG affected departments must provide a summary of the reorganisation required, the current status as well as any challenges experienced in the narrative submission.
- **NO** strategic reallocation proposals are permitted on programmes / areas identified for transfer to other departments. All affected baseline funding needs to follow the transfer of functions.
- Shifting of funding and budget programme structure change requests to accompany function shifts must be submitted to the National Treasury, once organisational

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<sup>9</sup> <http://www.treasury.gov.za/publications/guidelines/templates/2020/>

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structures and function shifts are approved by the DPSA. Updated 2019 Estimates of National Expenditure databases in the new structure must be simultaneously submitted to the National Treasury.

- 2020 Budget documents must be prepared in the new budget structures.

## 6. MTEF BUDGET PROCESS

### 6.1 Critical 2020 MTEF National Budget Process dates

ITEM	DATE
MTEF technical guidelines and 2020 MTEC data workbooks issued to national departments and other public institutions	June 2019
Information sessions with institutions on MTEF technical guidelines and data workbooks	June 2019
Institutions submit proposals for budget programme structure changes (2019 NMOG related submissions will be considered on an ad hoc basis)	28 June 2019
<b>MTEC budget submissions from institutions</b>	<b>19 July 2019</b>
MTEC process concludes: Recommendations tabled to MINCOMBUD	September 2019
Submission of draft 2020 Conditional Grant frameworks and allocations	September 2019
ENE technical guidelines and databases distributed to institutions	Early October 2019
Tabling of Medium Term Budget Policy Statement	October 2019
Preliminary allocation letters issued to national departments (2 days after MTBPS)	October 2019
Submission of 2020 ENE database by national departments and other public institutions	8 November 2019
Submission of draft 2020 ENE chapter by national departments (with other public institutions information) (3 working days after submission of the budget database)	14 November 2019
Cabinet approved final allocations distributed to national departments	29 November 2019
Budget tabled in Parliament	February 2020

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### ANNEXURE A: RESOURCE ALLOCATION PROCESS STEPS

MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
June – July	<p>Compilation of budget submissions by national departments and other public institutions</p> <p>Formulation of recommendations to technical committees</p>	<p>National departments</p> <p>Other public institutions</p> <p>National Treasury</p> <p>Public Service and Administration</p> <p>Planning, Monitoring and Evaluation</p> <p>Cooperative Governance</p>	<p>Bilateral and technical group interactions <sup>10</sup></p> <p>Bilateral and technical group interactions <sup>11</sup></p>	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

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<sup>10</sup> Technical group meetings are held, in which relevant national departments, other public entities (including SOCs) institutions and provincial structures participate. Technical groups, and the function groups that they are housed within, 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 (including constitutional institutions).

<sup>11</sup> Technical group meetings are held, in which relevant departments, public entities and provincial structures participate. Technical groups, and the function groups that they are housed within, 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 (including constitutional institutions).

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MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
End July – September	Formulation of recommendations to technical and political committees	National departments Other public institutions Function groups Technical Committee on Finance (TCF) MTEC	Function group interactions <sup>12</sup> 10x10 meeting/s <sup>13</sup> MTEC hearings TCF meeting/s FOSAD	Recommendations to political committees on information to be tabled in MTBPS, need to include: <ul style="list-style-type: none"> <li>• fiscal framework</li> <li>• key national government spending priorities</li> <li>• division of revenue</li> <li>• substantial adjustments to conditional grants</li> </ul>
End September – October	Formulation of recommendations to Cabinet	MINCOMBUD	MINCOMBUD meeting/s Budget Council Budget Forum meetings Cabinet meeting/s	Approval of recommendations to be tabled in MTBPS
End October	Tabling of 2019 MTBPS	Minister of Finance Parliament		MTBPS publication including: <ul style="list-style-type: none"> <li>• fiscal framework</li> <li>• key national government spending priorities</li> <li>• division of revenue</li> <li>• substantial adjustments to conditional grants</li> </ul>
End October – November	Draft allocation letters Finalisation of details of National government allocations to be included in 2020 Budget	Function groups MTEC MINCOMBUD Cabinet	MTEC hearings FOSAD MINCOMBUD meeting/s Cabinet meetings	Final national departments allocation letters

<sup>12</sup> Function group hearings are DGs' hearings 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. Function groups may also be called to present at MINCOMBUD technical meeting hearings.

<sup>13</sup> In function areas with a large degree of concurrent powers, a 10x10 meeting, comprised of the heads of the nine provincial departments and one national lead department in the function together with their finance counterparts, may be convened as a substitute or complement for the work of the function group.



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MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
December – February	Finalisation of recommendations to be tabled in 2020 Budget  Drafting of budget documentation	MTEC MINCOMBUD Cabinet  National departments and other public institutions	MTEC hearings TCF meeting FOSAD  MINCOMBUD meeting/s Budget Council meeting 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

## ANNEXURE B: BUDGET PROCESS TECHNICAL AND POLITICAL STRUCTURES

### TECHNICAL STRUCTURES

1. The senior technical structures of the MTEF budget process are the Minister's Committee on the Budget Technical Committee (MTEC) and the Technical Committee on Finance (TCF):
  - MINCOMBUD Technical Committee (MTEC) is a committee of senior officials from National Treasury (NT), Department of Planning, Monitoring and Evaluation, Department of Cooperative Governance and Department of Public Service and Administration that makes recommendations to the Ministers' Committee on the Budget (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 Deputy Director-General (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 MTEC.
2. The process of generating final recommendations to the MTEC may include the following elements:
  - National Treasury appoints a coordinator for each technical group, who will be responsible for engaging with budget departments and preparing reports to the MTEC for each technical group.
  - Budget *bilaterals* are convened between National Treasury and senior finance and programme officials in each department.
  - *Technical group* meetings are held, in which relevant departments, institutions and participate. Technical groups, and the function groups within which they are housed, are both aligned with particular outcomes specified in the MTSF. The technical group considers submissions by departments and discusses the reallocation of resources within the group as a whole. Financial analysis discussions are also held with selected institutions.
  - In function areas with a large degree of concurrent national and provincial powers, a 10x10, composed of heads of department of the nine provincial and the national lead department in the function, together with their finance counterparts, may 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 10x10 may be required. The structure of these meetings will be decided and communicated by the function leader.
  - *Performance dialogues*, convened by officials responsible for coordinating Planning, Monitoring and Evaluation across government together with the departmental, technical group or functional stakeholders may be held.

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- MTEC may also convene *function group hearings, DG's budget forums* on budget policy or other meetings involving senior officials from relevant national departments and experts in the relevant field. In this setting, several technical groups may be brought together to consider submissions by departments and discuss the allocation of resources across the function as a whole.
- Technical group coordinators will prepare a final report on the budget proposals recommended as an outcome of the process. These reports will be presented to MTEC, which will make final recommendations to MINCOMBUD and then to Cabinet.

### **POLITICAL STRUCTURES**

#### **The Ministers' Committee on the Budget**

3. MINCOMBUD has been constituted as a Committee of Cabinet, chaired by the Minister of Finance. Its members are 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.
4. 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**

5. The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Budget Council consisting of the Minister of Finance and the Members of the Executive Council of Finance (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.

## **2020 MTEF Technical Guidelines**

6. 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.
7. 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**

8. 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 the national and provincial level from the relevant sector department.

## ANNEXURE C: FUNCTION GROUPS

FUNCTION GROUP	TECHNICAL GROUP (FUNCTION SUB-GROUP)	KEY DEPARTMENTS AND OTHER INSTITUTIONS <sup>1</sup>
1. Learning and culture	Basic education	Basic Education and Provincial Education departments
	Post-school education and training	Higher Education, Sector Education and Training Authorities, National Skills Fund, National Student Financial Aid Scheme, Quality Council for Trades and Occupations, Council for Higher Education, South African Qualifications Authority
	Arts, culture, sport and recreation	Sports and Recreation, Arts and Culture, Provincial Arts, Culture and Sport and Recreation
2. Health	Health	Health, Provincial Health departments, National Health Laboratory Service, Military Health Services
3. Social development	Social protection	Social Development, South African Social Security Agency, National Development Agency, National Youth Development Agency, Provincial Social Development departments, Women, Youth and Persons with Disabilities, Commission for Gender Equality
	Social security funds	Road Accident Fund, Unemployment Insurance Fund, Compensation Fund
4. Community development	Community development	Cooperative Governance (including local government equitable share, conditional grant and urban development programmes), Human Settlements, Water and Sanitation (only water services), Public Transport, Energy, Provincial Human Settlements, Provincial Public Transport, National Treasury (only local government conditional grants)
5. Economic development	Industrialisation and exports	Trade, Industry and Competition, Mineral Resources, Tourism, Small Business Development, Public Works, Provincial Economic Development
	Agriculture and rural development	Agriculture, Rural Development and Land Reform
	Job creation and labour affairs	Labour, Public Works Programme 4, Expanded Public Works Programmes, Cooperative Governance (only Community Works Programme)
	Economic regulation and infrastructure	Energy, Transport (excluding public transport and Passenger Rail Agency of South Africa), Environmental Affairs, Communications and New Technologies, Water and Sanitation (excluding water services), Provincial transport (only Roads) 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 and the Castle Control Board
	Police services	Police, Independent Police Investigative Directorate, Civilian Secretariat for Police
	Law courts and prisons	Justice and Constitutional Development, Correctional Services, Office of the Chief Justice, Legal Aid South Africa, Public Protector of South Africa, South African Human Rights Commission
	Home affairs	Home Affairs
7. General public services	Executive and legislative organs	Presidency, Government Communication and Information System, Parliament, Provincial Legislatures, Planning, Monitoring and Evaluation
	Public administration and fiscal affairs	Public Service and Administration, National Treasury, Public Enterprises, Statistics South Africa, Traditional Affairs, Public Works (only Programme 1, 2, and 5)
	External affairs	International Relations and Cooperation, National Treasury (only Programme 6)

**MEDIUM TERM  
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