



2021 MTEF

**MEDIUM TERM EXPENDITURE
FRAMEWORK**
TECHNICAL GUIDELINES



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



CONTENTS

1. INTRODUCTION	1
2. SPENDING REVIEWS.....	3
3. PRINCIPLES FOR THE 2021 MTEF	4
4. BUDGET SUBMISSION	5
PROCESS.....	5
5. COMPONENTS OF SUBMISSION.....	6
NARRATIVE REPORT	6
DATA SUBMISSIONS	8
6. OTHER SUBMISSIONS	9
CRITICAL 2021 BUDGET PROCESS DATES.....	11
ANNEXURE A: RESOURCE ALLOCATION PROCESS STEPS	12
ANNEXURE B: BUDGET PROCESS TECHNICAL AND POLITICAL STRUCTURES	14
ANNEXURE C: FUNCTION GROUPS	17

1. INTRODUCTION

- 1.1. The Medium -Term Expenditure Framework (MTEF) Technical Guidelines provide public institutions with guidance on how to prepare their medium-term budget estimates for the 2021 Budget. The guidelines are issued in accordance with section 27(3) of the Public Finance Management Act (PFMA), Act No. 1 of 1999. The guidelines are primarily intended for national government departments and public institutions¹ and may contribute to the budgeting process in provinces.
- 1.2. Since 2008/09, there has been a large and growing gap between government spending and tax revenues, resulting in exponential growth in borrowing to fund the fiscal gap. In response, government has taken steps to reduce non-interest spending growth and raise tax revenue. However, due to lower nominal GDP and revenue growth, these interventions have not stabilised debt. Debt-service costs continue to be the fastest-growing area of spending, accounting for 21 cents out of every rand of government revenue raised in 2020/21. Over these years, the stock of government net loan debt rose six-fold from under R500 billion in 2007/08 to nearly R3 trillion at the end of 2019/20.
- 1.3. COVID-19 has further exacerbated the precariousness of the public finances, which had already reached an unsustainable position before the pandemic. As indicated in the Supplementary Budget Review the economy is expected to contract by 7.2 per cent this year. All sectors have experienced a sharp downturn and millions of jobs are at risk, while millions of households are going through increasing hardships. Government has had to deploy a range of fiscal and monetary measures to address the adverse effects of the pandemic, limit the economic damage, and support recovery.
- 1.4. Nevertheless, the current spending path implies that fiscal deficits would remain higher than 12 percent of GDP for the foreseeable future. This is a key reason for South Africa losing its investment-grade credit rating by all ratings agencies. Allowing fiscal buffers to weaken hampers South Africa's policy response to shocks, including the current pandemic, and government has resolved that this should be rectified going forward. Such high deficits place enormous pressure on South Africa's financial sector and the real economy. With savings levels quite low, high government deficits will expose the country to higher borrowing risks, push interest rates upward and extract from growth through lower private sector investments. In the event of a debt default or fiscal crisis, the National Treasury has estimated that this would cost the country at least R2 trillion in lost economic activity by the end of the decade.

¹ Public institutions including public entities, trading entities, government components and constitutional institutions need to provide budget information to National departments and National Treasury. Constitutional institutions may also approach the National Treasury directly regarding their budget submission.

2021 MTEF Technical Guidelines

- 1.5. Gross tax revenue for the 2020/21 fiscal year is revised down from R1.43 trillion to R1.12 trillion, which creates a R304.1 billion shortfall. The 2021 MTEF will achieve R230 billion in savings over the first two years, beginning with R90 billion reduction in overall non-interest spending in 2021/22. The 2023/24 baseline will carry through these measures, with the aim of achieving a primary surplus and stabilising debt in that year.
- 1.6. If these reductions are not achieved, and fiscal consolidation is unsuccessful, government debt will exceed 100 per cent of GDP in the medium-term. This will signal the emergence of debt distress episodes as a vicious cycle of high borrowing rates and low growth leading to ever deeper debt spirals, lower investment and lower economic output. Targeting sustainable public finances is also critical for maintaining policy flexibility and sovereignty, as harsher measures will be required by lenders of last resort.

Table 1

Active scenario medium term-budget balances

	2020/21	2021/22	2022/23
R billion/percentage of GDP	Revised Medium-term estimates		
Main Budget revenue	1099.5	1268.2	1378.8
	22.6%	23.8%	24.5%
Main budget expenditure	1809.2	1763.8	1809.3
	37.2%	33.1%	32.2%
Non-interest expenditure	1572.7	1500.6	1508.2
	32.4%	28.2%	26.8%
Debt-service costs	236.4	263.1	301.1
	4.9%	4.9%	5.4%
Main budget balance	-709.7	-495.6	-430.5
	-14.6%	-9.3%	-7.7%
Primary balance	-473.2	-232.4	-129.5
	-9.7%	-4.4%	-2.3%

Source: National Treasury

- 1.7. South Africa's economy is resilient and can be rebuilt and stabilised. For the purposes of the medium-term, measures towards fiscal consolidation and debt stabilisation should be accompanied by a refocusing of spending from consumption to investment in strategic economic infrastructure.
- 1.8. The National Treasury in collaboration with departments will be undertaking spending reviews to contribute to the fiscal consolidation process. In this regard, there should be no "holy cows" and no spending items will be automatically protected from possible downward adjustments.

2. SPENDING REVIEWS

- 2.1. It has been some years since the introduction of the MTEF budgeting process in the 1999/2000 Budget. Since then government has created numerous spending programmes, with limited review of their effectiveness and appropriateness in the current environment. The Minister in the budget speech indicated that spending reviews will be undertaken to ensure effective use of limited resources. Therefore, a series of spending reviews will be conducted in this current budget cycle in line with the active scenario approach.
- 2.2. The envisaged spending reviews provide a detailed understanding of policy and programme logic, which is combined with available expenditure data from government (BAS, PERSAL, Management Accounts). In a series of systematised steps, expenditure is analysed, unit costs are clarified and cost drivers are recognised. This analysis aims to provide a thorough understanding of baselines and a strong empirical base for clear recommendations to decision-makers.

Budget tagging definition: *it is a tool that identifies, classifies, weights and marks relevant expenditures in a government's budget system, enabling the estimation, monitoring and tracking of those expenditures by providing data on government's allocations or existing spending. Information gathered via tagging will be used to inform policy discussions.*

Climate change

The 2020 Budget Review highlighted the risk of reactionary measures to combat climate change. As extreme weather patterns are becoming more frequent as a result of climate change, climate damage on infrastructure and economic sectors have put basic services and infrastructure under threat, which in turn strain public budgets. While parts of South Africa continue to grapple with years-long drought, severe floods and storms, there is limited data on the investment government is currently making towards climate change. Integrating climate change into the budget process is required to understand and improve resource allocation efficiency, and is a necessary step towards meeting South Africa's long-term climate change goals.

The National Treasury will undertake an exercise of tagging climate-related expenditure to identify, classify, weigh and codify ("mark or tag") climate-related expenditure in the government budget system to enable the estimation, monitoring and tracking of that expenditure. Tagging climate-related expenditure lines is a useful starting point for understanding whether spending is aligned with needs, given climate risks and vulnerabilities facing the different sectors and parts of the society. This will be done in a phased approach as some sectors are affected more than others. We are requesting your cooperation in making this process a success. This process seeks to develop climate budget tagging (CBT) guidance materials, and support capacity building through testing and pilot implementation at the national, provincial and local government levels. This process will commence in the 2020/21 financial year. Institutions should expect further engagements as the process gets started.

2021 MTEF Technical Guidelines

Gender, youth and persons with disabilities

The South African government has made efforts to ensure that there is no discrimination in all sectors and spheres of government. For this to be achieved, deliberate effort from all stakeholders is required. Measures have been made to prepare various departments on sectoral indicators and planning documents such as the Medium-Term Strategic Framework to implement the framework on gender-responsive planning, budgeting, monitoring, evaluation and auditing. The tagging will also include youth and persons with disabilities. Departments listed under the following policy priorities are requested to provide expenditure data in the MTEF budget process on women, youth and persons with disabilities:

- *Women's economic inclusion* – especially Department of Trade Industry and Competition, Department of Employment and Labour, Department of Small Business Development, Department of Agriculture, Land Reform and Rural Development, Department of Public Works and Infrastructure, Department of environmental forestry and fisheries and Department of mineral resource and energy
- *Eradication of Gender Based Violence and Femicide* – South African Police Services, Department of Justice and Constitutional Development, including the National Prosecuting Authority, Department of Social Development, Department of Women, Youth and persons with Disabilities, Department of Higher Education and Training, Department of Home Affairs
- *Social transformation, including sexual and reproductive health and rights* – Department of Health and the Department of Basic Education
- *Governance* – Department of Public Service and Administration, Government Communications and Information System, Department of Planning Monitoring and Evaluation, Department of Cooperative Governance, National Treasury and the Presidency

3. PRINCIPLES FOR THE 2021 MTEF

The following policy guidance should be taken into consideration when preparing the budget submission

- 3.1. The deteriorating macro-fiscal outlook means there are **NO** additional resources available for the 2021 MTEF Budget. This means that any additional allocations to a programme will need to be funded through reductions in another programme, either within the department's budget, or from other departments' budgets.
- 3.2. Reductions to fund additional allocations should avoid actions that would harm the provision of constitutionally mandated programmes, but should pursue efficiencies and reforms in the operational modalities of those programmes.
- 3.3. Any additional revenue due to public institutions may NOT be used for increased spending plans.
- 3.4. The aim of the 2021 MTEF Budget is fiscal consolidation for the purpose of stabilising public debt. The total non-interest expenditure baseline for 2021/22 and 2022/23 has been revised downward as reflected in Table 1. There will also be no nominal baseline increase in 2023/24.

2021 MTEF Technical Guidelines

- 3.5. The actual amount of the downward reductions in baselines will be informed by the outcome of spending reviews and other analysis.
- 3.6. Some of the data required per function group might differ. The cost structures of services and policy programme per department will inform a differentiated approach to reductions through the envisaged spending reviews process and analysis.
- 3.7. Special attention will be placed on the necessary budget information of Public Institutions. These institutions will be required to submit detailed information to both their executive authorities and the National Treasury. Constitutional institutions may approach the National Treasury directly, without going through their executive authority, regarding their budget submissions.
- 3.8. The 2021 MTEF process aims to change the composition of spending towards spending that stimulates economic growth, particularly in areas of infrastructure investment. In giving effect to this, the provisional wage reductions announced in the 2020 Budget have already been effected on departmental and institutions' baselines. Moreover, Compensation of Employees will not be exempted from the reduction communicated above.
- 3.9. All departments will be expected to implement stringent compensation containment measures such as early retirement without penalisation, the active management of performance bonuses in line with relevant DPSA circulars, as well as the active management of overtime and progression payments where possible
- 3.10. New applications for funding of costs related to early retirement will be processed through the regular budget process within the relevant sphere of government, as was done previously. Institutions are, therefore, requested to utilise the prescribed process in terms of section 16(6) of the Public Service Act, 1994.

4. BUDGET SUBMISSION

PROCESS

The aim of these technical guidelines is to ensure public institutions provide all information relevant to prepare clear recommendations in respect of budget baseline changes required over the MTEF. These recommendations draw on institutional budget submissions and the various engagements in the course of the budget process. See Annexure B: Budget process technical and political structures.

- 4.1. The Budget submissions must be submitted to the National Treasury by **26 August 2020**
- 4.2. The primary budget submission of a national department must be:
 - 4.2.1 Submitted by the Accounting Officer of the department and accompanied by a signed covering letter confirming that the submission is the expression of the department's strategic direction with regards to any budget baseline changes and resulted from budget deliberations of its executive management.

2021 MTEF Technical Guidelines

- 4.2.2 Comprehensive, covering all the expenditure proposed for appropriation against a vote, including transfers to institutions and other spheres of government within the budget vote.
- 4.2.3 In cases where a department makes a transfer to or plays an oversight role of other government institutions, the submission should be prepared under the guidance of the accounting officer of the national department, in collaboration with those institutions that report to the same executive authority.

5. COMPONENTS OF SUBMISSION

- 5.1. For each national government department, as well as each institution, the budget submission consists of:
- 5.1.1 A narrative report; and
- 5.1.2 An excel workbook/s containing the data submissions

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

NARRATIVE REPORT

A narrative report explains the context for the budget, provides costing of mandates and policies, indicates where expenditure reductions can be implemented and the impact of this on service delivery indicators. The report should provide the department's rationale for expenditure recommendations over the medium term. The report must be clear as it is aimed at helping decision makers reach conclusions on the basis of evidence and the evaluation of performance. It must be a comprehensive report that includes the following elements, which are explained in more detail below:

- Baseline reductions
- Implementation programmes
- Composition of spending
- Baseline increases and decreases
- Human Resources
- Public Institutions
- Baseline reductions discussion must indicate where expenditure will be reduced in programme, project or significant expenditure items and which will be closed or scaled down. The justification and rationale for the selection must be explained, together with the anticipated impact on service delivery if applicable. No programmes nor economic classification may be exempted from this process.
- Implementation programmes: discussion must explain trends, issues and challenges related to the largest programmes, transfers and conditional grants that relate to the core strategic priorities of the department. The discussion should link budget analysis and the downward adjustments, with a consideration of the policy outcomes and performance indicators.

2021 MTEF Technical Guidelines

- Composition of spending: 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 2021 MTEF aims to change the composition of spending away from the compensation of employees towards spending that stimulates economic growth, such as capital expenditure.
- Baseline increases and decreases: must provide an explanation of the proposals to reallocate spending between programmes or economic classifications with a view of addressing cost pressures or better aligning resources with identified priorities. The budget implications must be quantified and a rationale must be provided for the source of funding.

HUMAN RESOURCES

Human resources narrative must be in respect of the information that will be contained in the human resource budget plan, which forms part of the data submission. It should explain the departments' plans and intentions in respect of establishment headcount management, recruitment and human resource development with a view to operating within its compensation of employees' expenditure ceiling. This requires the inclusion of information on key changes effected and envisaged on the department's personnel profile and, including the related department's personnel expenditure and headcount. Notwithstanding the provisions of the wage agreement for 2020/21, departments are urged to proceed budgeting for compensation of employees using the COE guidelines on the following link: <http://www.treasury.gov.za/publications/guidelines/>. For the early retirement, processes guidelines are obtainable at the following link: (<http://www.dpsa.gov.za/article.php?id=827>)

PUBLIC INSTITUTIONS

- Departments that have transfers above 50 per cent of their total vote to public entities, and/or trading entities, and/ or government components are required to provide further narration of functions performed by the department with the remaining budget.
- The said departments are also requested to provide further detail of their role with regard to the public institutions such as oversight functions, shareholder compacts and direction setting through strategic plans.
- Public Institutions and Constitutional Bodies must give a summary of the financial status and policy imperatives in respect of the public institutions receiving transfers from the department. Public institutions must demonstrate how they will address any cost pressures within existing baselines - given that there are no additional funds available for allocation.
- A review of public institutions budgets and spending must be implemented in order to manage cost pressures. All expenditure items, including Compensation of Employees numbers, and the proposed spending on non-essential items such as events, catering, travel, consultants, and venues should be scrutinised and targeted for reduction.
- Institutions must submit a Budget Planning Baseline Tool to their designated executive authority. The budget outlook statement should include the current status of major public entities receiving transfers from the department, including underlying cost assumptions, performance indicators, prevailing issues that require a solution and their expenditure

2021 MTEF Technical Guidelines

trends. This must also include how the institution is planning to manage its personnel budgets going forward.

- Public institutions that receive more than 20 per cent of their funds revenue from government are to provide motivation with regards to:
 - the rationale for their creation and specifying the relevant legislation where applicable
 - indicate the current policy relevance of their existence
 - indicate the implications of redrafting inception legislation, giving effect to being:
 - closed down OR
 - transferred back into the executive authority OR
 - merged with other institutions of a similar nature/perform similar functions
- This information regarding the public institutions is to be considered by the department in the preparation of its inclusive budget vote submission to the National Treasury. Consideration should be given to closing down some public institutions or transferring their functions back into their designated national departments.

DATA SUBMISSIONS

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

- 2021 MTEC Submission workbook for the national government departments,
- 2021 Human Resource Budget Plan workbook,
- 2021 Early Retirement Motivation Tool (where relevant),
- 2021 MTEC Budget Planning Baseline Tool for each public institution.

And when working with the workbooks, note that:

- Departments and public institutions must submit their 2021 MTEC submission workbooks by **26 August 2020**.
- **No** additional resources are available in aggregate for allocation in the 2021 MTEF; therefore, this budget cycle will continue to focus on expenditure control within the existing budget limits and implementation of required reductions.
- For estimation/planning purposes, the 2021 MTEF aggregate non-interest baseline ceiling for each institution has been calculated, including the implementation of the wage reductions announced in the 2020 Budget. Non-recurrent allocations have been excluded from the 2023/24 baseline, where they end in 2022/23. The baseline aims to shift the composition of expenditure away from compensation of employees towards non-consumption expenditure.
- In budgeting for non-personnel expenditure items within the department's expenditure ceiling, the costing assumptions to inform the provisions that departments choose to make for general price increases over the 2021 MTEF period will be communicated to as soon as it is finalised.

2021 MTEF Technical Guidelines

- **2021 MTEC submission workbook**

The 2021 MTEC submission workbook for the national government department is accessible on the National Treasury website: <http://www.treasury.gov.za/publications/guidelines/templates/2021/>.

It summarises the department's strategic proposals for budget reallocations and reductions, including impacts on implementation programmes. The completion and submission of this workbook is compulsory for all national government departments.

- **Human Resource Budget Plan workbook** provides data on how the department manages its personnel expenditure and headcount. Completion of this workbook is compulsory. Where relevant, it should be accompanied by the Early Retirement Motivation Tool, referred to above. The guidelines as referred to in section 5. above must be used when costing the compensation of employees. Please note that personnel ceilings embedded in the HRBPs have already been adjusted downwards, when compared to the 2020 Budget.
- **2021 MTEC Budget Planning Baseline Tool for each institution** must contain 2021 MTEC budget data and be submitted separately to the department and to the National Treasury using the email address datafilepe@treasury.gov.za. The data template will be distributed electronically by the National Treasury to the respective institutions. The department submitting the institutions' budget as part of its vote must also include its own assessment of that budget as part of the submission.

6. OTHER SUBMISSIONS

Separate submissions in respect of the following elements will also be considered in the 2021 Budget process:

- a) Large infrastructure
- b) Conditional grant change proposals
- c) Budget programme structure changes

6.1 LARGE INFRASTRUCTURE PROJECTS

As directed by Cabinet, National Treasury is working with the Presidential Infrastructure Coordinating Commission (PICC) Secretariat and the Departments of Planning, Monitoring and Evaluation (DPME) in managing the operations of the Budget Facility for Infrastructure (BFI). This encompasses specialised structures, procedures and criteria for appraising and evaluating projects before committing fiscal resources to large public infrastructure spending items. The Guideline for the Preparation of Budget Submissions for Large Strategic Infrastructure Projects was published early this year and submissions closed on 31 April 2020. The process of appraising projects is underway and recommended projects will be entered into the 2021 MTEF process for consideration.

However, departments are encouraged to continue planning and packaging their infrastructure projects using the separate Guideline for the Preparation of Budget Submissions for Large Strategic Infrastructure Projects together with the budget statement

2021 MTEF Technical Guidelines

template to ensure that proposals comply with the guideline and its requirements. Proposals must be submitted in the next window of the BFI early next year in preparation of the 2022 Budget process. Proposals that do not meet the criteria for Large Infrastructure Projects are encouraged to follow the normal budgeting process using the Capital Planning Guidelines. All National Treasury guidelines can be found at: <http://www.treasury.gov.za/publications/guidelines/>.

6.2 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 **26 August 2020**. 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, 2020 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 2020**. 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.

6.3 BUDGET PROGRAMME STRUCTURE CHANGE PROPOSALS

Where a department is considering revising budget programme structures and activity descriptions, these budget programme structure changes should be discussed with the relevant Treasury budget analyst before submitting a formal request for approval of the change. The Budget Programmes Structure Guidelines must be consulted. All National Treasury guidelines can be found at: <http://www.treasury.gov.za/publications/guidelines/>.

Formal requests for budget programme structure changes must be submitted to the National Treasury by **20 August 2020**, together with an update to the 2020 ENE database.

On approval of the budget structure change, the National Treasury will provide the department with an updated and customised 2021 MTEC Submission workbook to complete. The new workbook template will be in the format of the newly approved programme structure, in line with the updated ENE database submitted with the application.

2021 MTEF Technical Guidelines

CRITICAL 2021 NATIONAL BUDGET PROCESS DATES

ITEM	DATE
2021 MTEF technical guidelines issued to departments	14 August 2020
2021 MTEC submission workbooks issued to departments	18 August 2020
Institutions submit proposals for budget programme structure revision	20 August 2020
Submission from institutions	26 August 2020
MINCOMBUD Technical Committee process concludes: Recommendations tabled to MINCOMBUD	September 2020
Tabling of Medium-Term Budget Policy Statement	Late October 2020
Preliminary allocation letters issued to departments (2 days after MTBPS)	TBD
Cabinet approved final allocations distributed to departments (2 days after Cabinet approval)	TBD
Budget tabled in Parliament	TBD

ANNEXURE A: RESOURCE ALLOCATION PROCESS STEPS

MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
August	Compilation of budget submissions by departments and public institutions Formulation of recommendations to technical committees	Departments Public institutions National Treasury Department of Public Service and Administration (DPSA) Department of Planning, Monitoring and Evaluation (DPME) Department of Cooperative Governance (DCoG)	Bilateral and technical group interactions ²	Written and data budget submissions to function groups
August	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	Minister of Finance Speaker of National Assembly Chairperson of National Council of Provinces (NCOP) Secretary of Parliament	MTEC hearings	Recommendations to Minister of Finance

² 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).

2021 MTEF Technical Guidelines

MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
August–September	Formulation of recommendations to technical and political committees	Departments Public institutions Function groups Technical Committee on Finance (TCF) MTEC	Function group interactions ³ 10x10 meeting/s ⁴ 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"> • fiscal framework • key national government spending priorities • division of revenue • substantial adjustments to conditional grants
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 2020 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 the 2021 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 the 2021 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

³ Function group hearings are DG's 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.

⁴ 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.

2021 MTEF Technical Guidelines

MONTH	TASK	ROLE-PLAYERS	FORUM/S	OUTPUTS REQUIRED
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 (DPME), Department of Cooperative Governance (DCoG) and Department of Public Service and Administration (DPSA) that makes recommendations to 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 includes 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 provincial structures 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

2021 MTEF Technical Guidelines

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 powers, a function 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 function 10x10 will be required.
 - *Performance dialogues*, convened by the DPME together with the departmental, technical group or functional stakeholders may be held.
 - MTEC may also convene *function group hearings*, *DG's budget forums* on budget policy or other meetings involving senior officials from relevant 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.
3. 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

4. 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.
5. 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

2021 MTEF Technical Guidelines

President chair MINCOMBUD, and constitute the “(MINCOMBUD)/Treasury Committee”.

Budget Council and Budget Forum

6. 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.
7. 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.
8. 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

9. 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 ¹
1. Learning and culture	Basic education	Basic Education and Provincial Education departments
	Post-school education and training	Higher Education and Training, 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, 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, municipal conditional grant and infrastructure urban development grant), 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 and Infrastructure, Provincial Economic Development
	Agriculture and rural development	Agriculture, Land Reform and Rural Development
	Job creation and labour affairs	Labour and Employment, Public Works and infrastructure 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 Digital Technologies, Water and Sanitation (excluding water services), Provincial transport (only Roads)
	Innovation, science and technology	Science and Innovation
6. Peace and security	Defence and state security	Defence, Military Veterans, Financial Intelligence Centre, State Security Agency, Armscor and the Castle Control Board
	Police services	Police, Independent Police Investigative Directorate, Civilian Secretariat for the Police Service
	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	The 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 and Infrastructure (only Programme 1, 2, and 5)
	External affairs	International Relations and Cooperation, National Treasury (only Programme 6)



2021 MTEF

**MEDIUM TERM EXPENDITURE
FRAMEWORK**
TECHNICAL GUIDELINES

Private Bag X115, Pretoria, 0001 | 40 Church Square, Pretoria, 0002

Tel: +27 12 315 5757 | Fax: +27 12 315 5126

Web: www.treasury.gov.za