



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# **MTEF TECHNICAL GUIDELINES**

FOR THE PREPARATION OF EXPENDITURE ESTIMATES FOR THE  
2015 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

National Treasury

June 2014

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# 1 INTRODUCTION

1.1 These Medium Term Expenditure Framework guidelines provide an overview of the 2015 Budget process, including timelines for different activities and decision making points, leading to the approval of budget allocations and tabling of the Budget. The technical requirements for budget submissions are outlined in sections 2 to 3 of these guidelines, whereas critical dates and budget structures are reflected in section 4.

1.2 The objectives of the 2015 Budget include:

- *Fiscal sustainability*: achieving an appropriate balance between revenue and expenditure, the debt level and other fiscal aggregates in a manner that promotes economic stability over the economic cycle and ensures a sustainable fiscal position in the medium to long term.
- *Allocative efficiency*: achieving an allocation of resources that reflects the priorities of government on the basis of evidence of programme effectiveness.
- *Value for money*<sup>1</sup>: promoting the provision of public services, through a process that contributes to achieving economy, efficiency and effectiveness, while being cognisant of the quality and accessibility of services.

1.3 Over the next three years government seeks to:

- Focus expenditure on programmes and projects which are aligned with the policy objectives of government, including those set out in the *National Development Plan* and the *2014-2019 Medium Term Strategic Framework*.
- Contain consumption expenditure including compensation budgets, and direct a greater share of resources towards infrastructure spending.
- Contain expenditure on non-essential items such as travel, catering, consultants and general administration in line with the *2013/14 National Treasury Instruction 01 on Cost Containment Measures*, and allocate a greater share of goods and services budgets towards core areas of service delivery.

1.4 The 2015 Budget continues to be informed by the assessment of macro-economic environment and the fiscal policy framework that has served previous budgets. Government faces an extremely tight fiscal environment and expenditure over the 2015 MTEF will be well contained. Poor economic growth performance, rising interest rates and higher levels of inflation place additional pressure on government's fiscal programme, which seeks to stabilise the growth of debt and restore fiscal sustainability.

1.5 The 2015 Budget will not provide additional funding to the 2014 MTEF spending trajectory. Expenditure for 2015/16 and 2016/17 will be kept within the aggregate ceiling established in the last budget. The new outer year of the 2015 MTEF, 2017/18, has been determined by applying a projected Consumer Price Index (CPI) inflation adjustment to the 2016/17 budget.

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<sup>1</sup> Value for money can be assessed using three criteria: *Economy* - reducing the cost of resources used for an activity while maintaining quality, *efficiency* - increasing output for a given input, or minimising input for a given output, while maintaining quality, and *effectiveness* - achieving the intended outcomes from the output.

- 1.6 Given the fiscal environment, resources on current baselines should be reallocated from activities that are no longer policy priorities, towards the more urgent priorities defined in the *National Development Plan* and the *2014-2019 Medium Term Strategic Framework*. To this end, institutions<sup>2</sup> should assess the possibilities for closing down programmes and projects that are no longer key priorities of government. Emphasis should also be placed on improvements to spending efficiency and effectiveness. Opportunities to expand and improve service delivery will largely need to be financed from within existing allocations. Hence, institutions should identify resources within their baselines from areas of under-performance or insufficient alignment with high level government priorities.
- 1.7 Where deemed appropriate, the Medium Term Expenditure Committee (MTEC) and Ministers' Committee on the Budget (MINCOMBUD) may recommend a reallocation of expenditure between function groups or institutions, or take other measures to finance urgent priorities. However, the threshold for consideration of such financing will remain exceedingly high.

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<sup>2</sup> Institutions include departments, constitutional institutions and all schedule 2 and 3A and 3C public entities.

## 2 BUDGET SUBMISSIONS FOR THE 2015 MTEF

### General information

- 2.1 Institutions must submit an endorsement letter, narrative budget submissions and databases to National Treasury on **28 July 2014**.
- 2.2 These guidelines will be issued together with a database for each institution. The database includes a *2015 MTEF indicative baseline*. The indicative baseline was determined by excluding non-recurrent spending items and projecting expenditure forward using CPI for the new outer year.
- 2.3 Institutions should work collaboratively with National Treasury budget analysts, through bilateral discussions, to prepare the 2015 MTEF expenditure estimates submission, taking the requirements of the guidelines into consideration.
- 2.4 Institutions must ensure that their Ministers and other political principals are kept updated of budget submissions at all times.

### Principles that should guide revisions to expenditure estimates in budget submissions

- 2.5 The process of preparing expenditure estimates for the 2015 MTEF should be guided by the following principles, which will be taken account of in assessing budget submissions:
  - 2.5.1 Expenditure estimates must be kept within the aggregate ceiling provided in the *2015 MTEF indicative baseline*. New priorities, the strengthening of existing programmes and the accommodation of spending pressures should be accommodated from within the aggregate spending baseline.
  - 2.5.2 The reallocation of funds should seek to achieve one or all of the following objectives:
    - a) Greater alignment with government's policy priorities expressed in the *National Development Plan (NDP)* and the *2014-2019 Medium Term Strategic Framework (MTSF)*, and in sector and other institutional plans.
    - b) Expenditure allocations which are more effective in realising government's policy objectives.
    - c) Achieve greater value for money in realising performance targets, by shifting funds from non-essential items to priority items.
  - 2.5.3 The reallocation of resources (whether within institutions, across institutions in the same function group or between function groups) should be informed by thorough baseline analyses of past expenditure trends, programme effectiveness, achievements and trends of performance indicators and key cost drivers.
  - 2.5.4 The key performance indicators in the 2015 MTEF submission will inform institutional budget allocation decision making. Demonstrable evidence should be provided of the performance implications of funding proposals. Therefore, stronger

effort is required to refine the objectives, performance indicators and targets which are used to measure value for money, and which represent the core functions and priorities of institutions.

- 2.5.5 Institutions which have participated in the expenditure reviews and programme evaluation processes are expected to use the results of such reviews and evaluations to improve their programme budgeting and performance.
- 2.5.6 The impact of reprioritisation on the need to shift the composition of spending from consumption to capital should be taken into account.
- 2.5.7 With respect to infrastructure spending institutions must: identify infrastructure underspending and provide the reasons for the underspending as well as a description of measures taken to address them; provide the full cost over the life time of infrastructure projects; and provide details of Presidential Infrastructure Coordinating Committee projects that have progressed beyond feasibility assessment and are ready for implementation.

#### **Changes to the National Macro Organisation of the State (NMOS)**

- 2.6. With respect to new departments and function shifts related to the creation of new ministries and changes to portfolios announced by the President on 25 May 2014:
  - 2.6.1 The new Ministries and Deputy Ministries must take into consideration the *2014 Cost Containment Guidelines for the National Macro Organisation of the State Project* when they establish the office of their Executive Authorities<sup>3</sup>. Budgetary provision must be made for the new Ministry and Deputy Ministry offices to be established in 2014/15. Provision will be made on existing votes, mostly through reprioritisation, at an average cost of R4 million for a new Deputy Ministry and R8 million for a new Ministry. The carry through costs of this should be provided for in each year of the 2015 MTEF period, through reprioritisation.
  - 2.6.2 Requests for approval of programme structures must be made by **4 July 2014** if the planning of the restructuring of a department and its budget programmes have been completed. In cases where programme budget structures have not been finalised by this date in terms of the NMOS process, proposals will be considered at a later point.
  - 2.6.3 Where existing departmental functions have been changed, both the receiving (new) and giving (existing) department's databases must reflect the function shift, provided that the new department's programme structure and policy priorities are clear and the restructuring approval process has been finalised.

#### **Format and general requirements of budget submissions**

- 2.7 All the requirements outlined in these guidelines apply to national and provincial departments, public entities (schedule 1, 2, 3A and 3B), and constitutional institutions.

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<sup>3</sup> These guidelines are available at <http://www.treasury.gov.za/publications/guidelines>

- 2.8 Budget submissions must be in the form of:
- a) An endorsement letter signed by the Accounting Officer or Accounting Authority,
  - b) A populated expenditure database in the format provided by the relevant Treasury, and
  - c) An explanatory narrative.
- 2.9 The narrative budget submissions together with databases for national departments, public entities (schedule 2, 3A and 3B), and constitutional institutions must be submitted to the National Treasury on **28 July 2014**.
- 2.10 **The endorsement letter** signed by the Accounting Officer or Accounting Authority must highlight important information taken into account in preparing the submission; confirm that the database has been fully completed and that key performance indicators for institutions have been agreed to with the Department of Performance Monitoring and Evaluation and National Treasury. Importantly, this letter must also indicate that the relevant Minister has agreed to the information contained in the budget submission and is familiar with the various requirements of the 2015 budget process.
- 2.11 **Performance indicators** should be aligned to those reflected in the strategic and annual performance plans as informed by the MTSF.
- 2.12 **Personnel budgets** should comply with the requirements summarised in paragraphs 3.3 – 3.12 below. Institutions must also refer to the *Guidelines on Costing and Budgeting for Compensation of Employees*<sup>4</sup> for more detailed guidance on how to properly cost and budget for personnel.
- 2.13 **Proposals for new capital projects** must be submitted in line with the *Capital Planning guidelines*<sup>5</sup>. These guidelines set out the requirements for rigorous evaluation and costing of infrastructure projects, improving project management, and ensuring that capital spending yields the intended outcomes and service delivery improvements, whilst remaining on budget.
- 2.14 For institutions that have reviewed their **budget programme structures** and activity descriptions, proposed revisions to programme structures should be discussed with the National Treasury budget analysts before a submission requesting approval for this is made. Based on agreement with National Treasury, formal proposals for budget programme structure changes by national departments must be submitted by **4 July 2014**, so that they may be the basis for database submissions on **28 July 2014**, and inform the programme baseline analysis that is anticipated during this budget process. Provincial sector departments must finalise uniform agreed budget programme structures by **30 June each year**.
- 2.15 Public entities and constitutional institutions must reflect their spending and performance information in a programme/activity/objective format in line with their core functions/mandates, as agreed with National Treasury. The first

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<sup>4</sup> These and other guidelines are available on the National Treasury website at [www.treasury.gov.za/publications/guidelines](http://www.treasury.gov.za/publications/guidelines).

<sup>5</sup> These and other guidelines are available on the National Treasury website at [www.treasury.gov.za/publications/guidelines](http://www.treasury.gov.za/publications/guidelines).

programme/activity/objective should be Administration. *Guidelines on Budget Programmes*<sup>6</sup> are available on the National Treasury website.

#### **MTEF database**

- 2.16 There will only be one database used throughout the entire budget process. An initial version for the MTEF decision making will be updated for use in the preparation of the Estimates of National Expenditure (ENE). It is therefore critical that databases are accurately completed in the required format by **28 July 2014**.
- 2.17 The database must include all expenditure rendered in cash accounting terms over the three years of the MTEF by programme, subprogramme and by economic classification category, as well as revenue estimates. The database submission must include:
- a) Estimates of recurrent expenditure by programme, subprogramme, and economic classification.
  - b) Estimates of non-recurrent activities by programme, subprogramme and economic classification.
  - c) For each year of the 2015 MTEF, an aggregate budget baseline amount that does not exceed the indicative baseline amount provided by National Treasury.
  - d) Key performance indicators baseline information at programme and/or subprogramme level, as well as any changes proposed to key performance indicator targets in respect of the baseline reprioritisation at programme level, where applicable.
  - e) Details of the reprioritisation of funds within and between programmes and subprogrammes, and economic classification. The following factors should be reported on when baselines are reprioritised:
    - Reprioritising towards areas of high priority from areas of less priority or lower performance.
    - Particular attention must be given to underperforming programmes (including areas of underspending) and non-essential goods and services budgets (for example, travel and subsistence, advertising and catering costs). Where reductions are being made as well as to where funding is being reprioritised, must be explicitly shown in the database;
    - Providing for the continuation of existing programmes and new budget pressures, if any;
    - Amounts budgeted for conditional grants should not be reprioritised to other spending items, except when there is underspending. In respect of such underspending, evidence must be provided of blockages that will continue to cause underspending despite support provided by national government. Evidence of this support must also be provided.

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<sup>6</sup> These guidelines are available on the National Treasury website at [www.treasury.gov.za/publications/guidelines](http://www.treasury.gov.za/publications/guidelines)

- f) Details of personnel headcount and expenditure by salary level at programme and/or subprogramme level for departments.
- g) Details of personnel headcount and expenditure by salary band, nature of appointment, occupations and items of payments for public entities.
- h) National concurrent function departments must include the total amounts of transfers for provincial government conditional grants and local government conditional grants.
- i) With respect to provincial conditional grants, the horizontal division of the total grant amount between each of the provinces must also be indicated;
- j) Details on capital spending, including Presidential Infrastructure Coordinating Commission Strategic Integrated Projects, where applicable;
- k) Details of the costs and outputs in relation to statutory requirements and policy priorities that cannot be accommodated within the budget baseline reprioritisation must be provided and well-motivated on a separate sheet provided.
- l) Donor assistance.

### **Explanatory narrative**

2.18 The explanatory narrative should include the following, where relevant:

- a) A summary of changes in mandate and core functions due to the *2014 National Macro Organisation of the State Project* or any other relevant developments;
- b) A summary of the rationale underlying significant reprioritisation of funds and programmes or projects made in the 2015 MTEF, through the baseline analysis process;
- c) Details of progress on the attainment of key performance targets funded in the previous two budget cycles, alignment of key performance targets with the *National Development Plan, 2014-2019 Medium Term Strategic Framework*, sector plans and other institutional plans, where applicable.
- d) Institutions must also indicate the effects of the baseline analyses and reprioritisation exercise on performance in terms of the key performance indicators and targets;
- e) Discussion of findings from expenditure reviews and programme evaluations and how they informed baseline analyses and reprioritisation, and institutional priorities;
- f) Progress on the implementation of conditional grants in the past financial year (2013/14) with the reasons for underspending and a description of measures taken to address this;
- g) Details of the Presidential Infrastructure Coordinating Commission (PICC) Strategic Integrated Projects (SIPs) planned and budgeted for the 2015 MTEF, where appropriate;
- h) In respect of all infrastructure programmes which have been underspending in the past, the reasons for underspending and a description of measures taken to address this;

- i) A summary of statutory requirements and policy priorities that cannot be fully funded through the reprioritisation of budget baselines. This summary should include the details of reforms to delivery models, institutional arrangements and policy frameworks that were considered in an attempt to accommodate as much of these costs within institutional budget baselines;
- j) Departments may also submit the cost estimates of core policy mandates which are performed by state owned companies on their behalf; and
- k) Other relevant information.

#### **Guidance regarding public entities and state owned companies**

- 2.19 Public entities are important financial and service delivery agents and are an integral part of the function MTEC processes. Entities are required to improve the quality of expenditure information on programmes/activities/objectives and improve the link to performance information, in collaboration with National Treasury and their related departments. During the function MTEC process, which includes baseline analyses and reprioritisation, within and across institutions, public entities must also be considered.
- 2.20 In order to enable consolidated expenditure estimates to be prepared, budget projections for public entities must be organised into programmes/activities/objectives (with the first programme/activity /objective being Administration), as well as by main economic classification. It is critical that the data template be accurately completed for submission to National Treasury by **28 July 2014**, as only one database will be used for both the MTEC and ENE processes. A data template will be sent to each entity for completion. Further, public entities must also submit their approved annual budgets to National Treasury by **1 September 2014**.
- 2.21 Further guidance on completing the database template is included in the template itself and entities must read these as well as the notes sheet before completing the template. The data template will be distributed with departmental databases and must be completed and submitted to National Treasury. Public entities should read through the whole guideline to understand various requirements of the budget submission, as all requirements for departments are applicable to public entities as well.
- 2.22 For compensation of employees, the database requires public entities to provide information on personnel headcount and expenditure by salary band, nature of appointment, occupations, and items of payments. All technical requirements for costing and budgeting for compensation of employees apply to public entities in the same way they apply to departments.
- 2.23 The Public Entities and State Owned Enterprises Financial Forum which is comprised of financial officers from entities, representatives from departments, and from National Treasury will be established. Selected public entities and state owned companies will be invited by National Treasury to participate in Financial Forums during the course of the budget process, to ensure a common perspective on the income statements, balance sheets and medium term cash flows of these institutions.

- 2.24 The Asset and Liability Management division in the National Treasury will communicate with relevant state owned companies regarding the content and form of submissions they may be required to make. Relevant state owned companies may be required to participate in function MTECs and the Public Entities and State Owned Enterprises Financial Forum. State owned companies which submit information to the National Treasury must familiarise themselves with the contents of these guidelines.
- 2.25 In order to enhance understanding of potential fiscal risks, departments may also submit the cost estimates of core policy mandates which are performed by state owned companies on their behalf. This information should be submitted to the National Treasury on **28 July 2014**, in a narrative form.

### 3 ASSUMPTIONS AND METHODS FOR ESTIMATING EXPENDITURE

#### Non-personnel budgets: inflation projections

- 3.1 The following consumer price index (CPI) inflation projections can be used to inform the provisions that institutions choose to make for price increases over the 2015 MTEF period for non-personnel expenditure items:
- 2015/16: 5.6 per cent
  - 2016/17: 5.5 per cent
  - 2017/18: 5.0 per cent
- 3.2 These inflation projections are a guide to expenditure estimates at the aggregate level, but variation along different budget lines is permissible. For instance, taking account of paragraph 3.1 above, it should be expected that budgets for non-essential goods and services items, such as travel, accommodation, consultants etc., grow below inflation.

#### Personnel budgets: summary of projection methodology

- 3.3 This section summarises the steps that institutions should follow in preparing their personnel budget for inclusion in the 2015 MTEF baseline.
- 3.4 The 2012 wage agreement is coming to an end in 2014/15 financial year. Negotiations for a new wage agreement are expected to commence during 2014. The outcome of these negotiations cannot be known in advance. Nevertheless, government must begin planning for the next three year spending window and compensation budgets account for the largest share of spending. In the absence of certainty, government will continue to plan budgets on the assumption that cost of living adjustments will track CPI projections. This does not imply any attempt to pre-empt the outcome of negotiations; it is a neutral assumption on which to proceed in constructing medium-term expenditure baselines.
- 3.5 That said, budget institutions should take note that there will be very limited scope to augment resources to support wage increases that are higher than budgeted for. In previous budget cycles significant resources were available above the baseline to accommodate unanticipated wage pressure. This included drawdowns on the contingency reserves and other additions to baseline. Given current fiscal constraints, scope for the provision of additional resources will be very limited.
- 3.6 Institutions will, therefore, need to reprioritise from existing baselines and manage headcount growth to respond to above-inflation wage pressures over the next three years, particularly if negotiations result in an outcome that deviates significantly from CPI. Institutions are urged to pro-actively manage their personnel establishments and take action to reduce costs associated with promotions and progression over the medium term.
- 3.7 As in previous years, institutions in all sectors must achieve value for money and control growth in personnel expenditure. Institutions must cost and budget realistically for all compensation expenditures. Moreover, careful consideration should be given to the filling

of funded vacancies and the potential to utilise available resources to finance future compensation pressures.

- 3.8 Institutions are expected to continue to budget for compensation of employees within their existing baselines. Institutions must ensure alignment between compensation of employees budgets and personnel headcount. Where MTEF baseline budgets are clearly inadequate to maintain personnel headcount, institutions must rectify this and reflect it in budget submissions. Budget submissions that do not comply with this requirement will be referred back to institutions by the relevant Treasury.
- 3.9 The 2015 MTEF indicative baseline does not provide for general funding of new posts, except in cases where departments were specifically allocated funding to create new critical posts in the 2014 Budget. Funding for employment of personnel over and above already agreed funded establishments will be considered only where critical skills are required and where properly motivated to the relevant Treasury. In most instances, these allocations will need to be financed by reallocated resources from funded vacancies or elsewhere within the institution's baseline.
- 3.10 Only filled posts or vacancies that are funded should be included in the expenditure estimation process. Unfunded vacancies are not budgeted for. Data mismatches and discrepancies between PERSAL and budget systems mean that PERSAL cannot be solely relied upon to quantify the vacant funded posts. Posts that have no matching funds available in budgets must be considered to be unfunded, even if they are tagged as funded on the PERSAL system. Filling such posts without appropriated funding would give rise to unauthorised expenditure.
- 3.11 In their budget database submissions, institutions provide for cost of living adjustments, progression rates in each sector (both notch and grade progression) as well as personnel growth, if applicable, as follows:
- a) Personnel expenditure as at 30 June 2014 or the most recent month for which data are available, should be used as the base for estimating the compensation budgets for 2015/16.
  - b) Actual expenditure figures must be generated from PERSAL for each item of payment (i.e. basic salary, pension, overtime, performance bonus, medical allowances etc.) for Senior Management Service (SMS) and non-SMS employees respectively. Actual expenditure for 2013/14 and revised expenditure for 2014/15 for each item of payment should be increased using the following **escalation factors** contained in table 1.
  - c) Having applied escalation factors to the baseline, progression factors are then applied are applied to each item. Progression rates differ according to the remuneration policies in different sectors. Table 2 shows the progression rates to be applied to each item of payment. Note that progression does not apply to housing and medical allowances, bargaining chamber contributions or Unemployment Insurance Fund contributions.

**TABLE 1: ESCALATION FACTORS**

PAYMENT ITEM	2015/16	2016/17	2017/18
Basic salary (non SMS)	5.6%	5.5%	5.0%
Basic salary (SMS)	5.6%	5.5%	5.0%
Housing allowance	0%	0%	5.0%
Overtime	5.6%	5.5%	5.0%
Employer contribution: Medical	5.6%	5.5%	5.0%
Employer contribution: Pension	5.6%	5.5%	5.0%
Performance bonus	5.6%	5.5%	5.0%
All other	5.6%	5.5%	5.0%

**TABLE 2: PROGRESSION FACTORS (APPLIED TO EVERY YEAR OF THE 2015 MTEF)**

PAYMENT ITEM	ALL OTHER DEPARTMENTS	PROVINCIAL EDUCATION	SAPS	DEFENCE
Basic salary	1.5%	1.0%	1.3%	2.0%
Overtime	1.5%	1.0%	1.3%	2.0%
Employer contribution: Pension	1.5%	1.0%	1.3%	2.0%
Performance bonus	1.5%	1.0%	1.3%	2.0%
Other items	1.5%	1.0%	1.3%	2.0%

- d) Having applied escalation and progression factors, the third element is to apply a personnel headcount growth factor, where applicable, taking paragraphs 3.3 - 3.10 into consideration. Headcount numbers, both historical and future estimates, must be explicitly stated in the database. Headcount growth must be kept to a minimum, but where headcount growth is built into the 2014 MTEF baseline this should be reflected.
- e) The database submission also must include an estimate of funded vacancies. These vacancies should be identified by salary level per programme. The combination of the budget for filled posts and funded vacancies cannot exceed the total compensation budget estimate. Where misalignment is identified by the relevant Treasury, resubmission will be required.
- 3.12 The total compensation of employees' budget is calculated summing all payment items calculated in the three steps provided in the *Guidelines on Costing and Budgeting for Compensation of Employees*. Detail on the calculation method for long service recognition, night shift allowance, housing allowing etc. are also provided.

## 4 THE 2015 BUDGET PROCESS: CRITICAL DATES AND STRUCTURES

4.1 The budget process aims to ensure that resources are allocated to meet South Africa's political priorities and to improve the quality and effectiveness of spending within sustainable fiscal limits. Through the budget process, a large number of public institutions plan, collaborate, negotiate and decide together on a comprehensive plan for spending public resources over the next three fiscal years. **Annexure 2** contains a more detailed description of the process and structures for preparing Budget 2015. This section focusses on critical dates and key technical structures.

### Technical structures

4.2 The budget process is organised to take account of the principle of function budgeting, the constitutionally specified system of intergovernmental fiscal relations and a consolidated approach to the public finances. The composition of function groups is summarised in **Annexure 1**. The emphasis of the 2015 Budget process will be on:

- Strengthening the alignment between the budget process and the strategic planning processes within government. The focus is on institutional performance and the attainment of value for money in this pursuit.
- Strengthening the political and technical interface in relation to budget and policy decision making.
- Strengthening intergovernmental processes to improve the budgeting for areas of concurrent national and provincial legislative competence within a function budgeting framework.

4.3 The senior technical structures are the MTEC and the Technical Committee on Finance (TCF), who will process and finalise budget allocation recommendations to MINCOMBUD.

- MTEC is a committee of senior officials 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 may make recommendations to the Budget Council, Budget Forum and MTEC.

4.4 The process of generating final recommendations to MTEC is described in greater detail in **Annexure 2**. In summary:

- National Treasury will appoint *Budget Group Leaders*, who will be responsible for engaging with institutions and preparing reports to the MTEC for each Budget Group.
- *Budget bilaterals* will be convened between National Treasury and senior finance and programme officials in each institution.

- These will be followed by a *Budget Group* meeting, in which several departments, together with relevant public entities and provincial structures will participate. Budget groups are aligned with particular outcomes specified in the MTSF. The budget group will consider submissions by institutions and discuss the reallocation of resources within the group as a whole.
- A *Function MTEC* will then be convened to consider the report of the Budget Group Leader. The Function MTEC is composed of DGs and other senior policy makers from the institutions responsible for outcomes of a particular function group. The Function MTEC will assess the broad alignment of resources behind government's policy objectives.
- In function areas with a large degree of concurrent powers (such as health, basic education and local economic development and social infrastructure), a *Function 10x10* may be substitute for, or complement, the role of the Function MTEC. The Function 10x10 is composed of heads of department of the nine provincial and one national lead department in the function together with their finance counterparts.

4.5 Having taken account of the discussion at the Function MTEC and/or Function 10x10, the Budget Group Leader will prepare report to MTEC. MTEC takes final decisions on the recommendations that will be presented to MINCOMBUD.

#### **Critical dates**

4.6 The 2015 Budget process will be broadly comprised of three phases:

- **First phase – preparation for the Medium Term Expenditure Committee (MTEC) process** - is expected to take place between mid-June and mid-July 2014. It will seek to establish the preliminary 2015 Budget baselines for institutions and function groups through detailed technical analysis of 2015 MTEF baselines by institutions and National Treasury.
- **The second phase – the MTEC process** - is expected to take place between mid-July and October 2014. Extensive bilateral engagements between institutions and the National Treasury will take place with a view to improvements in the efficiency and effectiveness of resource allocation on institutions' baselines. Engagements cutting across institutions will take place in the context of budget groups and Function MTECs, in intergovernmental forums. These will consider resource allocation between institutions and deliberate on reforms to delivery models, institutional arrangements and policy frameworks that would promote more effective achievement of value for money in the execution of policy objectives. They will take account of expenditure reviews and programme evaluations so that resource allocation is informed by evidence on programme effectiveness. Statutory requirements and policy priorities which are not accommodated in the baseline through the reprioritisation process should be reflected, where appropriate. The outcomes of the second phase will be considered by MINCOMBUD, which may recommend reallocation of funds between function groups or institutions, or take other measures to finance identified priorities. Final

recommendations on the reallocation of resources from MINCOMBUD will be taken to Cabinet.

- **The third phase – finalisation of budget allocations and preparation of the budget** - is expected to take place between October 2014 and February 2015. Shortly after the tabling of the MTBPS, National Treasury will issue preliminary MTEF allocation letters to national and provincial institutions. Ministers and Premiers will have an opportunity to engage on these preliminary allocations prior to their adoption in Cabinet, taking account of possibilities for financing any spending pressures that may then be identified. The MINCOMBUD will recommend final allocations to Cabinet. After the adoption and distribution of final allocation letters, preparations for the tabling of the 2015 Budget and the Estimates of National Expenditure will commence.

4.7 Critical dates in respect of the national budget process as set out below in table 3 should be taken into consideration by institutions when preparing the 2015 MTEF expenditure estimates. Dates are subject to change because the 2015 budget process will be somewhat truncated as a result of the elections and the establishment of a new national executive. Senior officials are urged to bring these dates to the attention of their political principals, and must keep them updated at all times regarding budget submissions and processes.

**TABLE 3: CRITICAL DATES FOR THE 2015 NATIONAL BUDGET PROCESS**

ITEM	DATE
MTEF <i>technical guidelines</i> and databases issued to institutions	19 June 2014
Information sessions with institutions on MTEF technical guidelines and databases	19 – 27 June 2014
Departments submit proposals for budget programme structure revision to National Treasury	4 July 2014
MTEC process commences	21 July 2014
Budget submission from departments and public entities: narrative and database	28 July 2014
<i>ENE technical guidelines</i> distributed to institutions	11 August 2014
Public entities submit board approved annual budget to National Treasury	1 September 2014
MTEC process concludes: recommendations tabled to MINCOMBUD	30 September 2014
Tabling of Medium Term Budget Policy Statement	22 October 2014
Preliminary allocation letters issued to institutions	31 October 2014
Ministerial comments on preliminary allocation letters	10 November 2014
Submission of first draft ENE databases and chapter	14 November 2014
Cabinet approved final allocations distributed to institutions	21 November 2014
Submission of approved ENE chapter (second draft)	5 December 2014
Budget tabled in Parliament	25 February 2015

4.8 Critical dates in respect of the provincial budget process are provided in table 4. 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*<sup>7</sup>. Provincial

<sup>7</sup> These and other guidelines are available on the National Treasury website at [www.treasury.gov.za/publications/guidelines](http://www.treasury.gov.za/publications/guidelines)

treasuries must receive revised baseline estimates from provincial departments and public entities by **25 July 2014**, in order for consolidated provincial estimates to be prepared by **12 August 2014**.

**TABLE 4: CRITICAL DATES FOR THE 2015 PROVINCIAL BUDGET PROCESS**

ITEM	DATE
Technical Committee on Finance (TCF) Lekgotla	Mid July 2014
Budget Council meeting (provisional)	End July 2014
Provincial treasuries submit first draft 2015 Budgets to National Treasury: Estimates of Provincial Revenue and Expenditure and database	12 August 2014
Technical Committee on Finance meeting	26 September 2014
Preliminary conditional grant frameworks and allocations submitted to National Treasury	2 October 2014
Budget Council and Budget Forum meeting	3 October 2014
Tabling of Medium Term Budget Policy Statement (MTBPS) in Parliament	22 October 2014
Preliminary allocation letters issued to provinces – equitable share and conditional grant allocations	End October 2014
Provincial treasuries submit 2nd draft 2015 Budgets to National Treasury: Estimates of Provincial Revenue and Expenditure and database	20 November 2014
Technical Committee on Finance meeting	21 November 2014
Provincial benchmark exercise for 2015 Budget	02–12 December 2014
KwaZulu-Natal	02 December 2014
Western Cape	03 December 2014
Limpopo	04 December 2014
Northern Cape	05 December 2014
Mpumalanga	08 December 2014
Free State	09 December 2014
North West	10 December 2014
Gauteng	11 December 2014
Eastern Cape	12 December 2014
Final conditional grant frameworks and allocations submitted to National Treasury	5 December 2014
Second allocation letter to provinces	12 December 2014
Provincial benchmark exercise for 2015 Budget (2nd round)	19- 23 January 2015
Technical Committee on Finance meeting	End January 2015
Final allocation letters issued to provinces	End Jan/Early Feb 2015
Budget Council meeting	End Jan / Early Feb 2015
Provincial 2015 Budgets tabled at provincial legislatures	End Feb / Early March 2015

## ANNEXURE 1: FUNCTION GROUPS AND BUDGET GROUPS

FUNCTION GROUP	MTSF OUTCOME	NDP	BUDGET GROUP	NATIONAL DEPARTMENTS	PROVINCIAL DEPTS	KEY PUBLIC ENTITIES
<b>1. BASIC EDUCATION</b>	[1] Quality basic education	Chapter 9	<b>A: Basic education</b>	Basic Education	Education	SA Council for Educators uMalusi, Education Labour Relations Council
<b>2. HEALTH</b>	[2] A long and healthy lifestyle	Chapter 10	<b>B: Health</b>	Health	Health	National health laboratory service Medical Research Council Council for Medical Schemes
<b>3. DEFENCE, PUBLIC ORDER AND SAFETY</b>	[3] All people in South Africa are and feel safe	Chapters 12 & 14	<b>C: Defence and State Security</b>	Defence Military Veterans National Treasury P10 ( <i>Financial Intelligence and State Security</i> )		Armaments Corporation of South Africa Limited Castle Control Board Financial Intelligence Centre
			<b>D: Police Services</b>	Police Independent Police Investigative Directorate Civilian Secretariat for Police	Safety and Security	Private security industry regulatory authority
			<b>E: Law Courts and Prisons</b>	Justice and Correctional Services Office of the Chief Justice		Legal Aid South Africa Special Investigating Unit The Public Protector of South Africa South African Human Rights Commission
<b>4. POST SCHOOL EDUCATION &amp; TRAINING</b>	[5] A skilled and capable workforce	Chapter 9	<b>F: Post school Education and training</b>	Higher Education and Training	Education (FET and Adult Education Programmes)	SETAs , National Skills Fund, NSFAS SAQA, CHE
<b>5. ECONOMIC AFFAIRS</b>	[4] Decent employment through inclusive economic growth [10] Protect and enhance our environmental assets and natural resources	Chapters 3 & 5	<b>G: Industrial development, trade and innovation</b>	Economic Development Mineral Resources Trade and Industry Science and Technology Tourism Environmental Affairs Agriculture, Forestry and Fisheries (except P3) Small business Public Works P4 ( <i>Property &amp; Construction Ind. Policy Regulation</i> )	Economic Development Environmental Affairs Nature Conservation Tourism	CSIR, HSRC, NRF, SANSa, TIA Mintek, CGEO Competition Commission and Tribunal IDC, SATOUR NEF, SEDA, SABS, CIPRO, NCR, NLB, SANBI, SANPARKS ARC, NAMC, CIDB, PMTE
			<b>H: Employment, labour affairs and social security funds</b>	Labour Public Works P3 ( <i>Expanded Public Works</i> ) National Treasury P7 ( <i>Pensions, Contributions and Benefits</i> ) <i>All EPWP programmes in other national departments</i>	EPWP programmes	CCMA, NEDLAC, Productivity SA Jobs Fund UIF, RAF, Compensation Funds
	[6] An efficient, competitive and responsive economic infrastructure network	Chapter 4	<b>I: Economic infrastructure and network regulation</b>	Energy (except P4) Transport (except P7) Telecommunications and Post Water (except P4)	<i>For budget accounting purposes provincial infrastructure in included in sub group 6.1. Nevertheless, provincial roads and other economic infrastructure will also be considered as part of this group.</i>	SANRAL, Ports Regulator, Sentech, USAASA, SAPO, ICASA, USAF, NEMISA NERSA, NECSA SANEDI TCTA, Water Boards

FUNCTION GROUP	MTSF OUTCOME	NDP	BUDGET GROUP	NATIONAL DEPARTMENTS <sup>8</sup>	PROVINCIAL DEPTS	KEY PUBLIC ENTITIES <sup>9</sup>
<b>6. LOCAL ECONOMIC DEVELOPMENT &amp; SOCIAL INFRASTRUCTURE</b>	[8] Sustainable human settlements and improved quality of household life	Chapter 8	<b>J: Housing Development and social infrastructure</b>	Human Settlements Water Affairs P4 (Regional implementation/support) and Sanitation Transport P7 (Public Transport) Energy P4 (Electrification and energy programme) COGTA (Local and Provincial Condition Grants) All other departments (relevant conditional grants to local and provincial government, direct and indirect)	Human Settlements Housing Roads and Transport Public Transport	PRASA , Railway Safety Regulator IDT EDIH Pty Housing Development Agency, NURCHA, NHFC SHRA, NHBC, RHLF
	[9] Responsive, accountable, effective and efficient local government	Chapter 13				
	[7] Vibrant, equitable, sustainable rural communities contributing towards food security for all	Chapter 6	<b>K: Rural development and land reform</b>	Rural Development and Land Reform Agriculture, forestry and fisheries P3 (Food Security and Agrarian Change)		ALHA, Ingonyama, Deeds TA
	[14] Nation building and social cohesion	Chapter 15	<b>L: Arts, Sport, Recreation and Culture</b>	Arts and Culture Sport and Recreation	Arts and Culture Sport and Recreation	Freedom Park Trust, NAC, NFVF, PANSALB SAHRA, NHC, Heritage Institutions Arts Institutions, Libraries Boxing SA, SAIDFS
<b>7. GENERAL PUBLIC SERVICES</b>			<b>M: Executive and legislative organs</b>	The Presidency Communications Women Parliament Planning, Monitoring and Evaluation	Office of the Premier Provincial Legislature Royal Household	GCIS MDDA, Brans SA Commission on Gender Equality SABC National Youth Development Agency
	[12] An efficient, effective and development oriented public service	Chapter 13	<b>N: General public administration and fiscal affairs</b>	National Treasury Public Enterprises Statistics South Africa Cooperative Governance and Traditional Affairs (excluding transfers to local and provincial government) Public Service and Administration Public Works (P1, P2, P5)	Finance Public Works	National School of Government SITA , Public Service Commission FSB, GPAA, PIC, FFC, ASB, Co-operative Banks IRBA, SARS, Pension Funds Adjudicator Ombudsman for Financial Service Providers SALGA, CRL commission, MDB
			<b>O: Home affairs</b>	Home affairs		IEC, Govt Printing Works Film and publication board
	[11] Create a better South Africa, a better Africa and a better world	Chapter 7	<b>P: External Affairs and Foreign Aid</b>	International Relations and Cooperation National Treasury P6 (International Financial Relations)		African renaissance and international cooperation fund
<b>8. SOCIAL PROTECTION</b>	[13] Social protection	Chapter 11	<b>Q: Social Development and Welfare Services</b>	Social Development	Social Development	SASSA, NDA

<sup>8</sup> P refers to the relevant programme as described in the 2014 Estimates of National Expenditure

<sup>9</sup> Only selected entities are included on this table. A full list of entities and their assignment to function and budget group is contained in Annexure 3.

## ANNEXURE 2: STRUCTURES AND PROCESSES FOR THE 2015 BUDGET

### Introduction

South Africa's budget exceeds one thousand billion rand. The budget process aims to ensure that resources are allocated to meet South Africa's political priorities and to improve the quality and effectiveness of spending within sustainable fiscal limits. Through the budget process, a large number of public institutions plan, collaborate, negotiate and decide together on a comprehensive plan for spending public resources over the next three fiscal years.

The budget process is organised to take account of the principle of function budgeting, the constitutionally specified system of intergovernmental fiscal relations and a consolidated approach to the public finances. The composition of function groups is summarised in **Annexure 1**.

Key process objectives of the 2015 budget include the need to strengthen:

- The alignment between the budget process and the strategic planning processes within government. The focus is on institutional performance and the attainment of value for money in this pursuit.
- The political and technical interface in relation to budget and policy decision making.
- Intergovernmental processes to improve the budgeting for areas of concurrent national and provincial legislative competence within a function budgeting framework.

### Function budgeting

Function-budgeting serves two purposes:

- It is a method of categorising expenditure based on the policy objectives which the expenditure is intended to achieve.
- It is a framework in terms of which the budget process is organised. The process of planning, collaborating, negotiating and deciding on resource allocation is aligned within a function group categorisation of expenditure.

Classifying resource allocations according to their purpose shifts the focus of budgeting from line items to the outcomes. In a period of fiscal constraint, function budgeting facilitates a discussion of the trade-offs involved in allocating resources between policy objectives. It also brings attention to the efficiency and effectiveness of resource use directed at a particular policy objective. This implies a discussion of the relationship between allocations and the design of policy frameworks, institutional arrangements and delivery models that seek to achieve a particular outcome. It takes budgeting beyond a focus on individual administrative units, recognising that policy outcomes require cooperation between complementary stakeholders.

For the 2015 MTEF eight function groups are defined (see **Annexure 1**). The groups are structured to align as far as possible to the 14 outcomes identified in the *2014-2019 Medium Term Strategic Framework*. The function groups also therefore facilitate a discussion of a relationship between budgets and the vision contained in the *National Development Plan*.

## **Intergovernmental budgeting**

The Constitution establishes three spheres of government; assigns them functional responsibilities, prescribes a legal framework for fiscal relations and enjoins the three spheres to cooperate on fiscal and policy matters. Several of the function groups listed in the previous section relate to concurrent powers shared between the national, provincial and local spheres.

Nationally collected revenue is shared between the three spheres of government to finance the administration of these concurrent functions. In particular, health and basic education are financed through a combination of the provincial equitable share and conditional grants to provincial governments. The community development and social infrastructure function requires effective fiscal relations between national, provincial and local spheres.

This raises a number of challenges. One is to ensure improved linkages between the provincial and national budget processes. A second is to ensure that intergovernmental fiscal transfers are structured in a manner that achieves national policy objectives in a cost effective manner. A third is to ensure that provincial and local governments have sustainable funding so that they can continue to deliver their mandates.

In addition to examining the budget from a functional perspective therefore, the budget process must also consider whether the constitutional requirement for an equitable division of revenue between the three spheres has been met. This requires examining whether the total allocations to provinces and local government (from all functions) respond to the pressures in these spheres. Failure to properly take account of pressures in other spheres can result in funds intended for one priority through the national budget process being diverted to fund other pressures in provincial or municipal budget processes. The national budget process must therefore include extensive engagement with other spheres to ensure that shared priorities are agreed upon.

## **Consolidated budgeting and the public sector balance sheet**

While national revenue must be shared across three spheres of government, the budget is consolidated to include public entities and social funds that receive their revenue from other sources. These include institutions such as the Unemployment Insurance Fund, South African National Roads Agency Limited (SANRAL) and the National Skills Fund<sup>10</sup>. In several instances these entities build up surpluses or risks on their balance sheets which have direct consequences for the fiscal position of government. The policy mandates and associated financial programmes of these institutions should be properly integrated into the budget process.

The budget process must also take account of risks and opportunities on the broader public sector balance sheets. While some of these fall outside government's budget proper, their evolution can have significant consequences for fiscal sustainability.

## **Key political structures**

The budget process is led by a number of political structures, which report to Cabinet for final approval of all budget decisions. Cabinet exercises oversight over the budget and its related

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<sup>10</sup> Entities which are administratively outside national departments but which receive funding from transfers are also consolidated into the budget.

processes to ensure that key government priorities are achieved. Cabinet reviews the proposed allocation of national resources and provides final approval for them to be tabled in the Budget.

The political structures involved in the budget process include:

- **Ministers' Committee on the Budget (MINCOMBUD):** The Minister's Committee on the Budget is constituted as a Cabinet Committee. Its mandate includes consideration of budget allocations to be included in the national budget, the MTEF and the division of revenue framework. It also considers issues related to the determination of expenditure allocations, including the economic assumptions underpinning the budget, fiscal policy objectives and tax proposals. The MINCOMBUD is convened and chaired by the Minister of Finance. Its members are appointed by the President on recommendation from the Minister of Finance.
- **Budget Council:** The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Budget Council consisting of the Minister of Finance (who is chairperson) and the Members of Executive Council (MEC) for Finance of each province. The Budget Council is the statutory body where national and provincial governments consult on any fiscal, budgetary or financial matter affecting the provincial sphere of government. Any proposed legislation or policy which has a financial implication for the provinces are also discussed in the Budget Council, as is any other matter concerning the financial management, and the monitoring of the finances of provinces.
- **Joint MINMEC:** A Joint MINMEC is comprised of the Minister of Finance, Members of Executive Council of Finance from nine provinces, head of departments of provincial treasuries, representatives from departments within a particular sector, and senior officials from National Treasury. Joint MINMEC will consider recommendations from the Function 10x10 relating to the resourcing of relevant policy outcomes and make proposals to MINCOMBUD.
- **Local Government Budget Forum:** 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 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.

### Technical structures

The technical preparation of the 2015 MTEF will be guided by the structures and processes outlined below.

- **Medium Term Expenditure Committee (MTEC):** MTEC is a committee of senior officials 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. It is composed of the Directors-General of the following departments:
  - National Treasury (Chair)
  - Planning Commission
  - Performance Monitoring and Evaluation

- Cooperative Governance
- Public Service and Administration
- **Technical Committee on Finance (TCF):** 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 may make recommendations to the Budget Council, Budget Forum and MTEC. If agreed in these forums, matters are referred to MINCOMBUD. The TCF will be consulted on all significant changes proposed to intergovernmental transfers, to ensure that the interests of provinces have been taken into account. SALGA should also be consulted on any changes impacting local government.

#### **MTEC sub-committees**

National Treasury will appoint *Budget Group Leaders*, who will be responsible for engaging with institutions and preparing reports to the MTEC for each Budget Group. They will convene Budget bilaterals and Budget Group discussions. A first report of the Budget Group Leader will be considered, together with other inputs, at a Function MTEC prior to its presentation at the MTEC. In function areas with concurrent powers (health, basic education and local economic development and social infrastructure), the Function 10x10 may substitute for, or complement, the role of the Function MTEC.

Having taken account of the discussion at the Function MTEC, the Budget Group Leader will prepare a report to MTEC. MTEC takes final decisions on the recommendations that will be presented to MINCOMBUD. The table below summarises the composition and mandate of key sub-structures of MTEC. The full terms of reference of these structures will be adopted by MTEC.

## MTEC SUB-STRUCTURES: SCOPE AND COMPOSITION

STRUCTURE	DESCRIPTION	MANDATE
<b>BUDGET BILATERAL</b>	<p><i>SCOPE:</i> National departments/Individual budget votes</p> <p><i>CONVENOR:</i> Budget Group Leader</p> <p><i>COMPOSITION:</i> National Treasury budget analysts, programme and financial officials of institutions.</p>	<ul style="list-style-type: none"> <li>Analyse budget by line item to ensure that institutional work is appropriately financed.</li> <li>Detailed examination of the programme budgets falling within each vote by line item</li> <li>Analyses of spending trends, identifying areas of waste and inefficiency, key cost drivers and the financial and non-financial performance record of programmes.</li> </ul>
<b>BUDGET GROUP</b>	<p><i>SCOPE:</i> Cluster of institutions aligned with an MTSF outcome (see table in <b>Annexure 1</b>)</p> <p><i>CONVENOR:</i> Budget Group Leader</p> <p><i>COMPOSITION:</i> Relevant programme and finance officials from line departments, public entities and provincial representatives as appropriate and National Treasury budget analysts</p>	<ul style="list-style-type: none"> <li>Review of budget submissions made by departments and other institutions</li> <li>Consider the reallocation of resources within the group</li> <li>Generate draft MTEC recommendations</li> </ul>
<b>FUNCTION MTEC</b>	<p><i>SCOPE:</i> Function group or subset within a function group</p> <p><i>CONVENOR:</i> National Treasury (Budget Office)</p> <p><i>COMPOSITION:</i> Executive officials (DG and DDG) from relevant institutions</p>	<ul style="list-style-type: none"> <li>Consider draft reports of Budget Group Leader</li> <li>Assess the broad alignment of resources to support government's policy objectives (MTSF, NDP)</li> <li>Identify key reforms to delivery models, institutional arrangements or policy frameworks that can generate better value for money in the achieving government's policy objectives.</li> <li>Deliberate on the trade-offs and challenges that cut across the function group.</li> </ul>
<b>FUNCTION 10x10</b>	<p><i>SCOPE:</i> Health, Basic Education and Local Economic Development and Social Infrastructure Function groups</p> <p><i>CONVENOR:</i> National Treasury (DG) and National Department in the sector (DG)</p> <p><i>COMPOSITION:</i></p> <ul style="list-style-type: none"> <li>Heads of lead department of the nine provincial and one national department relevant to the sector</li> <li>Heads of department of the nine provincial treasuries and the National Treasury.</li> <li>Senior officials of other national or provincial departments, where appropriate</li> <li>Representatives of local government, where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Consider draft reports of the Budget Group and the Function MTEC</li> <li>Assess the broad alignment of intergovernmental fiscal resources to support government's policy objectives (MTSF, NDP)</li> <li>Identify key reforms to delivery models, institutional arrangements or policy frameworks that can generate better value for money in the achieving government's policy objectives.</li> <li>Deliberate on the trade-offs and challenges that cut across the function group.</li> </ul>

## Report of the Budget Group Leader

Having considered the input of the Function MTEC, the Budget Group Leader will generate a final report and recommendations to the main MTEC. The report will address resourcing issues in the MTEF including, but not limited to:

- Recommendations on the reallocation of resources within the budget group.
- The quantification of savings that have been identified through efficiency gains and the elimination of wasteful practices, and proposals in respect of how these savings should be reprioritised within the function group.
- The identification of programmes and subprogrammes that are characterised by rapidly growing budgets, together with an assessment of the capacity of these programmes to spend their budgets and the suitability of budget growth against policy objectives.
- The identification of programmes or subprogrammes that have very slow growth or declining budgets together with an assessment of the appropriateness of these facts in relation to the priorities of the function group.
- Key policy objectives and statutory requirements that cannot be financed within the resources available to the budget group.
- Taking account of the discussion in the relevant Function MTEC and/or Function 10x10
  - Areas of agreement and disagreement in relation to appropriateness of resource allocation and its alignment with policy outcomes, including areas of disagreement that may have emerged in those discussions themselves.
  - Reforms to delivery models, institutional arrangements or policy frameworks that can achieve greater effectiveness or efficiency in the deployment of resources over the medium or longer term, and recommendations about how these should be addressed in future budget processes.
- The identification of exogenous factors and risks outside the control of policy makers that are likely to influence or put strain on the medium term expenditure framework and proposals for how policy frameworks, delivery models, institutional arrangements or resource allocations can change to take account of these factors.

The final reports and recommendations of the Budget Group Leaders relevant to each Function Group will be considered in the MTEC and will be processed through the main MTEC to the MINCOMBUD.

## Other consultative forums

The National Treasury will convene a number of other consultative technical forums during the process. The outcomes of discussions in these forums may be presented to MTEC.

- **City Budget Forum (CBF):** The CBF is a technical forum of City Managers and Chief Financial Officers of the eight metropolitan municipalities, and is chaired by the DDG for Intergovernmental Relations, National Treasury. The CBF considers intergovernmental finances

and the division of revenue from the perspective of the largest cities, focussing on issues of integrated development and management of the built environment. It may make recommendations to the Budget Forum or MTEC, and should be consulted on all significant changes proposed to intergovernmental transfers to ensure that the interests of large urban municipalities have been taken into account.

- **MTEC Budget Policy Forum:** During the 2015 budget process, MTEC will convene a number of *budget policy forums* that examine trade-offs, policy objectives and resource allocation challenges across a scope wider than a single function group. These forums would convene on an ad hoc basis at the discretion of MTEC. Budget policy forums could be convened by MTEC on topics such as Job creation, spatial planning or public sector remuneration. They would include policy advisors and budget analysts from National Treasury, relevant departments and, where appropriate, from outside government.
- **Public Entity and State Owned Companies Financial Forums:** Financial forums with public entities and state owned companies will be convened during the course of the budget process to ensure a common perspective on the income statements, balance sheets and medium term cash flows of these institutions. With respect to public entities these metrics are consolidated into the budget, and so it is critical to ensure alignment well before the tabling of the budget. The forums are composed of financial officers from the entities concerned, the line departments to which they report and representatives of relevant divisions within National Treasury. Similar forums may be convened with important state owned companies. Public entity financial forums will be convened for:
  - The water sector (Trans-Caledon Tunnel Authority (TCTA), water boards etc.),
  - The transport sector (Passenger Rail Agency of South Africa (PRASA) and SANRAL),
  - The training sector (Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF) and
  - The social security funds (UIF, Road Accident Fund (RAF) and compensation funds.

## ANNEXURE 3: DETAILED LIST OF PUBLIC ENTITIES

FUNCTION GROUP	BUDGET GROUP	NAME OF ENTITIES	ABBREV	EXECUTIVE AUTHORITY	
<b>Basic education</b>	Basic education	Education and Labour Relations Council	ELRC	Basic Education	
		SA Council for Educators	SACE	Basic Education	
		uMalusi Council of Quality Assurance in General and Further Education and Training	uMalusi	Basic Education	
<b>Health</b>	Health	Council for Medical Schemes	CMS	Health	
		National Health Laboratory Service	NHLS	Health	
		SA Medical Research Council	MRC	Health	
<b>Defence, public order and safety</b>	Defence and state security	Armaments Corporation of South Africa	ARMSCOR	Defence	
		Castle Control Board	CCB	Defence	
		Financial Intelligence Centre	FIC	National Treasury	
	Law courts and prisons	Legal Aid South Africa	LASA	Justice	
		Special Investigation Unit	SIU	Justice	
		The Public Protector of South Africa	OPP	Justice	
		The SA Human Rights Commission	SAHRC	Justice	
	Police services	Private Security Industry Regulatory Authority	PSIRA	Police	
	<b>Post school education and training</b>	Post school education and training	Council on Higher Education	CHE	Higher Ed and Training
			National Skills Fund	NSF	Higher Ed and Training
National Student Financial Aid Scheme			NSFAS	Higher Ed and Training	
Quality Council for Trades and Occupation			QTCO	Higher Ed and Training	
South African Qualifications Authority			SAQA	Higher Ed and Training	
ZSETAs Consolidation			SETAs	Higher Ed and Training	
<b>Economic Affairs</b>	Employment, labour affairs and social security funds	Commission for Conciliation, Mediation & Arbitration	CCMA	Labour	
		Compensation Commissioner For Occupational Diseases in Mines and Works	CCOD	Health	
		Compensation Fund, including Reserve Fund	CompFund	Labour	
		National Economic, Development and Labour Council	NEDLAC	Labour	
		Productivity SA	PSA	Labour	
		Road Accident Fund	RAF	Transport	
		Unemployment Insurance Fund	UIF	Labour	
		Industrial development, trade and innovation	Academy of Science of South Africa	ASSAf	Science and Technology
			Africa Institute of South Africa	AISA	Science and Technology
			Agricultural Research Council	ARC	Agriculture
	Companies and Intellectual Properties Property Registration Office		CIPRO	Trade and Industry	
	Companies Tribunal		CTFL	Trade and Industry	
	Competition Commission		CompComm	Economic Development	
	Competition Tribunal		CompTrib	Economic Development	
	Construction Industry Development Board		CIDB	Public Works	
	Council for Geoscience		GCS	Mineral resources	
	Council for Mineral Technology		Mintek	Mineral resources	
	Council for Scientific and Industrial Research		CSIR	Science and Technology	
	Council for the Built Environment		CBE	Public Works	
	Estate Agency Affairs Board		EAAB	Trade and Industry	
	Export Credit Insurance Corporation of South Africa Limited	ECIC	Trade and Industry		

FUNCTION GROUP	BUDGET GROUP	NAME OF ENTITIES	ABBREV	EXECUTIVE AUTHORITY
		Human Sciences Research Council	HSRC	Science and Technology
		Industrial Development Corporation of South Africa Limited	IDC	Economic Development
		International Trade Administration Commission of SA	ITAC	Economic Development
		iSimangaliso Wetland Park Authority	Isimangaliso	Environmental Affairs
		Marine Living Resources Fund	MLRF	Environmental Affairs
		Mine Health and Safety Council	MHSC	Mineral resources
		National Agricultural Marketing Council	NAMC	Agriculture
		National Consumer Commission	NCC	Trade and Industry
		National Consumer Tribunal	NCT	Trade and Industry
		National Credit Regulator	NCR	Trade and Industry
		National Empowerment Fund	NEF	Trade and Industry
		National Gambling Board of South Africa	NGB	Trade and Industry
		National Lotteries Board	NLB	Trade and Industry
		National Lotteries Distribution Trust	NLDT	Trade and Industry
		National Metrology Institute of SA	NMISA	Trade and Industry
		National Regulator for Compulsory Specifications	NRCS	Trade and Industry
		National Research Foundation	NRF	Science and Technology
		Ncera Farms	Ncera	Agriculture
		Onderstepoort Biological Products	OBP	Agriculture
		Perishable Products Export Control Board	PPECB	Agriculture
		Property Management Trading Entity	PMTE	Public Works
		SA Bureau of Standards	SABS	Trade and Industry
		SA National Accreditation System	SANAS	Trade and Industry
		SA National Botanical Institute	SANBI	Environmental Affairs
		SA National Parks	SANParks	Environmental Affairs
		SA Tourism	SATOUR	Tourism
		SA Weather Service	SAWeather	Environmental Affairs
		Small Enterprise Development Agency	SEDA	Trade and Industry
		South African Diamond and Precious Metals Regulator	SADB	Mineral resources
		South African National Space Agency	SANSA	Science and Technology
		State Diamond Trader	SDT	Mineral resources
		Technology Innovation Agency	TIA	Science and Technology
	Economic infrastructure and network regulation	Air Traffic and Navigation Services Company	ATNS	Transport
		Airports Company of South Africa	ACSA	Transport
		Breede-Overberg Catchment Management Agency	BOCMA	Water Affairs
		Central Energy Fund	CEF	Energy
		Cross-Border Road Transport Agency	CBRTA	Transport
		Driving Licences Card Account	DLCA	Transport
		Inkomati Catchment Management Agency	ICMA	Water Affairs
		National Electronic Media Institute of South Africa	NEMISA	Telecommunications and Post
		National Energy Regulator SA	NERSA	Energy

FUNCTION GROUP	BUDGET GROUP	NAME OF ENTITIES	ABBREV	EXECUTIVE AUTHORITY
		National Nuclear Regulator	NNR	Energy
		National Radioactive Waste Disposal Institution	NRWDI	Energy
		Ports Regulator of South Africa	IPR	Transport
		Road Traffic Infringement Agency	RTIA	Transport
		Road Traffic Management Corporation	RTMC	Transport
		SA Civil Aviation Authority	CAA	Transport
		SA Maritime Safety Authority	SAMSA	Transport
		SA National Roads Agency Limited	SANRAL	Transport
		SA Nuclear Energy Corporation	NECSA	Energy
		SA Post Office Limited	SAPO	Telecommunications and Post
		Sentech Ltd	SENTECH	Telecommunications and Post
		South African National Energy Development Institute	SANEDI	Energy
		The Independent Communications Authority of South Africa	ICASA	Telecommunications and Post
		Trans-Caledon Tunnel Authority	TCTA	Water Affairs
		Universal Service Agency	USA	Telecommunications and Post
		Universal Service Agency Fund	USAF	Telecommunications and Post
		Water Research Commission	WRC	Water Affairs
		Water Trading Entity	WTE	Water Affairs
		Water Boards	WaterBoards	Water Affairs
<b>Local economic development &amp; social infrastructure</b>	Housing development and social infrastructure	Electricity Distribution Industry Holdings	EDIHoldings	Energy
		Housing Development Agency	HDA	Human Settlement
		Independent Development Trust	IDT	Public Works
		National Home Builders Registration Council - NHBRC	NHBRC	Human Settlement
		National Housing Finance Corporation Limited	NHFC	Human Settlement
		National Urban Reconstruction and Housing Agency - NURCHA	NURCHA	Human Settlement
		Passenger Rail Agency of South Africa	PRASA	Transport
		Railway Safety Regulator	RSR	Transport
		Rural Housing Loan Fund	RHLF	Human Settlement
		The Social Housing Regulatory Authority	SHRA	Human Settlement
	Rural development and land reform	Agricultural Land Holding Account	ALHA	Rural Dev. Land Reform
		Ingonyama Trust Board	Ingonyama	Rural Dev. and Land Reform
		Registration of Deeds Trading Account	Deeds	Rural Dev. and Land Reform
	Arts, sport, recreation and culture	Boxing South Africa	BOXSA	Sports and Recreation
		Cultural Institutions	Cultural	Arts and Culture
		Freedom Park Trust	FPT	Arts and Culture
		Libraries	Libraries	Arts and Culture
		National Arts Council of South Africa	NAC	Arts and Culture
		National Film and Video Foundation	NFVF	Arts and Culture
		National Heritage Council	NHC	Arts and Culture
Performing Arts Institutions		Arts	Arts and	

<b>FUNCTION GROUP</b>	<b>BUDGET GROUP</b>	<b>NAME OF ENTITIES</b>	<b>ABBREV</b>	<b>EXECUTIVE AUTHORITY</b>
		SA Heritage Resources Agency	SAHRA	Culture Arts and Culture
		SA Institute for Drug-free Sport	SAIDFS	Sports and Recreation
		The Pan South African Language Board	PanSALB	Arts and Culture
<b>General Public Services</b>	Executive and legislative organs	Brand South Africa	Brand SA	Communications
		Media Development and Diversity Agency	MDDA	Communications
		National Youth Development Agency	NYDA	The Presidency
		SA Broadcasting Corporation Limited	SABC	Communications
		South African Broadcasting Corporation	SABC	The Presidency
		The Commission on Gender Equality	CGE	Women
	General public administration and fiscal affairs	Accounting Standards Board	ASB	National Treasury
		Development Bank of Southern Africa	DBSA	National Treasury
		Financial Services Board	FSB	National Treasury
		Government Pension Administration Agency	GPAA	National Treasury
		Independent Regulatory Board for Auditors	IRBA	National Treasury
		Land and Agricultural Bank of South Africa	Land Bank	National Treasury
		National School of Government	NSOG	Public Service and Admin
		Office of the Pension Funds Adjudicator	PFA	National Treasury
		Public Investment Corporation Limited	PIC	National Treasury
		SA Local Government Association	SALGA	Co-op Gov and Trad Affairs
		SA Revenue Service	SARS	National Treasury
		SA Special Risk Insurance Association	SASIRIA	National Treasury
		State Information Technology Agency	SITA	Public Service and Admin
		The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	CRL	Co-op Gov and Trad Affairs
		The Co-operative Banks for Development Agency	CBDA	National Treasury
		The Financial and Fiscal Commission	FFC	National Treasury
		The Municipal Demarcation Board	MDB	Co-op Gov and Trad Affairs
		The Office of the Ombud for Financial Service Providers	FAIS	National Treasury
	Home Affairs	Film and Publication Board	FPB	Home Affairs
		Government Printing Works	GPW	Home Affairs
		The Independent Electoral Commission	IEC	Home Affairs
	External affairs and foreign aid	African Renaissance and International Co-operation Fund	AfricREN	International Rel and Coop
<b>Social protection</b>	Social development and welfare services	National Development Agency	NDA	Social Development
		SA Social Security Agency	SASSA	Social Development