

2019 MTEF

MEDIUM TERM EXPENDITURE FRAMEWORK

TECHNICAL GUIDELINES

NATIONAL

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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1 INTRODUCTION

- 1.1 These Guidelines provide public institutions with guidance on how to prepare their medium-term budget submissions for the 2019 Budget. They are issued in accordance with section 27(3) of the Public Finance Management Act (PFMA), Act No. 1 of 1999. While primarily intended for national government departments, they may be used to guide the submissions made by other institutions¹ to national government departments.
- 1.2 The following policy guidance should be taken into account when preparing the budget submission:
- There are **NO** additional resources available for allocation over the 2019 Medium Term Expenditure Framework (MTEF) period within the expenditure ceiling set in the 2018 Budget. This means that additional allocations to a programme will need to be funded by reductions in funding for another programme, either within the department's budget, or from another department's budget. This may involve the scaling down of non-priority programmes and projects, changing service delivery models, using technology more effectively etc.
 - As tasked by Cabinet, the Department of Planning, Monitoring and Evaluation (DPME) is developing a mandate paper on policy priorities to guide the allocation of reprioritised resources. This paper will be issued separately by DPME in due course, and will help to inform deliberations on the budget.
 - Potentially deteriorating economic circumstances as well as priority programmes require a scenario where proposals are made for non-priority programmes and projects to be scaled down or closed.
 - The 2019 Budget aims to change the composition of spending towards spending that stimulates economic growth, particularly capital expenditure. Spending on the compensation of employees has grown substantially over the past few years. This trend needs to be reversed to ensure that the spending on compensation of employees does not crowd out spending in critical areas, including on the complementary resources required by personnel to undertake their tasks in an efficient manner. Departments must therefore operate within compensation of employees expenditure ceilings contained in the MTEC submission workbooks, by containing costs and improving efficiency through the undertaking of appropriate operational changes. Any adjustments required as the result of the 2018 public sector wage agreement must be made within institutional compensation of employees expenditure ceilings. Refer to the *Guidelines for the Costing and Budgeting for Compensation of Employees: For the Preparation of Expenditure Estimates for the 2019 Medium Term Expenditure*

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

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Framework (MTEF) for further information. All National Treasury guidelines can be found at: <http://www.treasury.gov.za/publications/guidelines/>.

- Cost emanating from the increase in Value Added Tax (VAT) must be absorbed within the baseline.

1.3 The aim of these technical guidelines is to ensure that the documentation prepared by public institutions provides all the relevant information, on main strategic proposals, required to prepare clear recommendations in respect of the budget. The Ministers' Committee on the Budget Technical Committee (MTEC) – which is composed of Directors-General of several centre-of-government departments, prepare recommendations for consideration by the Ministers' Committee on the Budget (MINCOMBUD) and Cabinet. These recommendations draw on institutional budget submissions and engagements on these submissions in the course of the budget process. Further information on these matters can be found in *Annexure B: Budget process technical and political structures*. The primary budget submission of a national department must be:

- Submitted by the Accounting Officer and accompanied by a covering letter confirming that the submission is the expression of the department's **strategic direction**, which results from the budget deliberations of its **executive management**. Comprised of three elements:
 - a) A narrative report which explains the context for the budget and provides the department's rationale for expenditure recommendations over the medium term. The report must be clear and concise aimed at helping decision makers reach conclusions on the basis of evidence and the evaluation of performance.
 - b) Data submissions:
 - National department's estimates of expenditure by programme and main economic classification.
 - A budget data submission for each institution.
- Comprehensive, covering all the expenditure proposed for appropriation against a vote, including transfers to institutions and other spheres of government within the budget vote.
- Based on key performance indicators, in line with Medium Term Strategic Framework, Strategic Plans and Annual Performance Plans. These indicators must be consistent with the departments' significant spending items and priorities. Proposed changes to the selected indicators must be discussed and agreed to with the Department of Planning, Monitoring and Evaluation (DPME) and the National Treasury during the budget process.
- Prepared under the guidance of the accounting officer of the national department, in collaboration with the institutions that report to the same executive authority.

1.4 Budget submissions must be received by the National Treasury by **13 July 2018**.

1.5 Separate submissions in respect of the following elements will also be considered in the 2019 budget process:

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- Large strategic infrastructure projects
- General Budget Support from development cooperation partners
- Budget and programme structure changes

The content and deadlines applicable to these separate submissions can be found on the National Treasury's website: <http://www.treasury.gov.za/publications/guidelines/>.

2 COMPONENTS OF SUBMISSION

The budget submission consists of:

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

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

2.1 NARRATIVE REPORT

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

- Key programmes
 - Composition of spending
 - Reallocations
 - Baseline reductions
 - Value-for-money
 - Human resources
 - Cost pressures
 - Public institutions
 - Conditional grant change proposals
- ✓ Key programmes must explain trends, issues and challenges related to the largest conditional grants, transfers and programmes that relate to the core strategic priorities of the department. The discussion should link budget analysis with a consideration of the policy outcomes and performance indicators for each element. Some significant spending items have been pre-selected by the National Treasury for discussion in the report, and are also highlighted in the data submission. The trends in these and other important budget areas must be discussed.
- ✓ Composition of spending must discuss trends, issues and challenges per economic classification over the seven year period, i.e. in respect of compensation of employees, capital spending, goods and services, transfers and subsidies and other relevant elements of the budget defined by economic classification. The 2019

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Budget aims to change the composition of spending away from compensation of employees towards capital expenditure.

- ✓ Reallocations 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. This should include the justification and rationale for the programmes and projects to be scaled down, rescheduled to a later period or closed. In the case of strategic realignments to meet new policy imperatives, the priority must be identified and the solution explained, together with its budget and performance impact. The budget implications must be quantified and a rationale must be provided for the source of funding. Internal reallocations may not be sufficient to address a particular priority, in which case this would feed into the cost pressures section of the narrative report.
- ✓ Baseline reductions must provide proposals for programmes and projects to be scaled down or closed. These proposals must in aggregate, amount to 1.6 per cent in 2019/20; 1.5 per cent in 2020/21 and 1.4 per cent in 2021/22 of the budget baseline. The justification and rationale for the selection of the programmes and projects, must be explained, together with the impact on service delivery, if any.
- ✓ Value-for-money section must explain the departments' plans to improve efficiency, realise savings, contain costs and improve value-for-money, with particular reference to supply chain management, procurement and strategic sourcing. The department's plans to participate in transversal contracts to assist in containing costs should be specifically addressed. Departments must consult the National Treasury should they need more information on how to participate in transversal contracts. Savings realised through the value-for-money plan could feed into the reallocations section to be reallocated towards priority areas.

The following link may be accessed for the guidelines listed below as well as further guidance on other OCPO initiatives:

http://ocpo.treasury.gov.za/Buyers_Area/Legislation/Pages/Guidelines.aspx:

- Guide to Tracking Savings and Benefits of Sourcing Strategies;
 - Guide to Reduce Procurement Spend - Health, Education, Travel;
 - Guide to Reduction in Procurement Spend;
 - Implementation Guide - Preferential Procurement Regulations March 2017; and
 - Centrally Negotiated Savings Circulars.
- ✓ Human resources must be a narrative 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 restructuring, 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, including the related department's personnel expenditure and headcount.

National Treasury's Guidelines for the Costing and Budgeting for Compensation of Employees: For the Preparation of Expenditure Estimates for the 2019 Medium

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Term Expenditure Framework (MTEF) must be used when costing compensation of employees. All National Treasury guidelines can be found at:
<http://www.treasury.gov.za/publications/guidelines/>.

- ✓ Cost pressures must provide an explanation of pressures arising in the budget as a result of changed economic or social conditions, or priority areas that could not be funded through reallocation. Where possible these pressures should be costed, and include an analysis of how the pressure arose.
- ✓ Public institutions must give a summary of the financial status and policy imperatives in respect of the public institutions receiving transfers from the department. The cost pressures must be presented, including how the public institution intends to address these 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 personnel numbers, and the proposed spending on non-essential spending areas such as on events, catering, travel, the use of consultants, and venues should be scrutinised.

Institutions must submit an initial budget outlook statement to the national department to whose vote they have been designated. 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 trends. This must also include how the institution is planning to manage its personnel budgets going forward.

This information regarding the public institutions is to be considered by the department in the preparation of its inclusive budget vote submission to the National Treasury.

- ✓ Conditional grant change proposals must be submitted when a department is proposing changes to the structure of a conditional grant. Such changes must be submitted to the National Treasury as part of the narrative accompanying the budget submission by 13 July 2018. This submission should include a 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 should 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.

Note that section 27(2)(c) of the Division of Revenue Act, 2018 requires that any change to the allocation criteria for conditional grants must be agreed with the 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 1 October 2018. 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.

2.2 DATA SUBMISSIONS

Information contained in the department's budget explanatory narrative report in section 2.1 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:

- a 2019 MTEC submission workbook for the national government department,
- a 2019 Human Resource Budget Plan workbook,
- a 2019 Value-for-money workbook, and
- a 2019 MTEC Budget Planning Baseline Tool for each institution.

When working with the workbooks, note that:

- Departments and other institutions must submit their 2019 MTEC submission workbooks by **13 July 2018**.
- **No** additional resources are available in aggregate for allocation in the 2019 MTEF; therefore this budget cycle will continue to focus on expenditure control within the existing budget limits.
- For estimation purposes, the 2021/22 baseline has been calculated. Non-recurrent allocations have been excluded from the 2021/22 baseline. The 2021/22 baseline aims to shift the composition of expenditure away from compensation of employees towards non-current expenditure.

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

Costing assumptions

(a) Consumer Price Index

2019/20 financial year: 5.3 per cent

2020/21 financial year: 5.5 per cent

2021/22 financial year: 5.5 per cent

(b) Exchange rate – Rand/US\$

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

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

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

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

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Details of each workbook are as follows:

- **2019 MTEC submission workbook for the national government department** is accessible on the National Treasury website: <http://www.treasury.gov.za/publications/guidelines/templates/2019/>. It summarises the department's strategic proposals for budget reallocations, including key budget areas. This workbook is compulsory with the following main data sheets:
 - ✓ **Main adjustment proposal:** No departmental input is required on this sheet as data is drawn from the proposals completed on other sheets. Pre-selected significant spending items are highlighted. The impact of proposed strategic budget reallocations on the departmental baseline, by programme and main economic classification, are also shown.
 - ✓ **Proposal capture sheet:** must be used to capture up to 6 strategic proposals for reallocation:
 - Step 1: List strategic proposals, and complete the impact of these reallocations on performance indicators and note the motivation,
 - Step 2: Complete the details regarding the source of funds and use thereof, for each strategic reallocation proposal,
 - Step 3: Complete the impact of reallocations on infrastructure projects,
 - Step 4: Complete the impact of reallocations on personnel numbers, economic classification and by significant spending items, if applicable.
 - ✓ **Baseline reduction:** Complete the baseline reduction columns for each of the years of the 2019 MTEF period, by programme and economic classification level for programmes and projects to be scaled down or closed. The percentage baseline reduction required is 1.6 per cent in 2019/20; 1.5 per cent in 2020/21 and 1.4 per cent in 2021/22. The rationale and impact of these reductions should be briefly summarised in the comments column.
 - ✓ **Costing of proposals:** Complete detailed data in this sheet to record the costing information related to proposals (*optional*).
- **Human Resource Budget Plan workbook** provides data on how the department manages its personnel expenditure and headcount. Completion of this workbook is compulsory. The guidelines as referred to in section 2.1 above must be used when costing the compensation of employees.
- **Value-for-money workbook** departments must use the standardised sheet provided in the workbook to record at a minimum the **aggregate annual totals** for the value-for-money element. The other rows for the economic classification breakdown can also be completed, or if preferred, supporting costing documents submitted.
- **2019 MTEC Budget Planning Baseline Tool for each institution** must contain 2019 MTEC budget data and be submitted separately to the department and to the National Treasury. 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.

3 SEPARATE SUBMISSIONS

3.1 LARGE STRATEGIC INFRASTRUCTURE PROJECTS

As directed by Cabinet, National Treasury is working with the Presidential Infrastructure Coordinating Commission (PICC) Secretariat, the Departments of Planning, Monitoring and Evaluation (DPME) and Economic Development (EDD) to establish a Budget Facility for Infrastructure (BFI). This establishes specialised structures, procedures and criteria for committing fiscal resources to large public infrastructure spending items.

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

Infrastructure projects with a total project cost of less than R1 billion per annum as well as projects that do not meet the strategic infrastructure projects criteria stated in the *Guideline for the Preparation of Budget Submissions for Large Strategic Infrastructure Projects* should form part of the department's normal budget submission in line with the reallocation criteria described in sections 2.1 and 2.2 above. For these projects, the Capital Planning Guidelines should be consulted. All National Treasury guidelines can be found at: <http://www.treasury.gov.za/publications/guidelines/>.

The submission for the smaller projects should be included in the general budget submission due by **13 July 2018**.

3.2 GENERAL BUDGET SUPPORT FROM DEVELOPMENT COOPERATION PARTNERS

Funding of R600 million is available for the 2019 MTEF period under the General Budget Support (GBS) component of the European Union (EU)'s funded National Development Policy Support Programme. Only proposals from national departments in support of the identified national priorities, and compliant with the appropriate use of official development assistance (ODA) policies will be considered.

A separate *Guideline for General Budget Support Funding* must be consulted in order to complete a *Business Plan for GBS Funding* template. This guideline and the template are available on the National Treasury's website:

<http://www.treasury.gov.za/publications/other/BudgetSupportManuals/GBS2019-2020/>

Proposals must be submitted to the National Treasury by **13 July 2018**.

3.3 BUDGET PROGRAMME STRUCTURE CHANGE PROPOSALS

Where a department is considering making revisions to 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 **27 June 2018**, together with an update to the **2018 ENE database**.

On approval of the budget structure change, the National Treasury will provide the department with an updated and customised **2019 MTEC data 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.

The department must then return the completed **2019 MTEC data submission workbook** by **13 July 2018**.

4 2019 MTEF BUDGET PROCESS

4.1 Critical 2019 MTEF National Budget Process dates

ITEM	DATE
MTEF technical guidelines and 2019 MTEC submission workbooks issued to departments	June 2018
Information sessions with institutions on MTEF technical guidelines and database	June 2018
Institutions submit proposals for budget programme structure revision	27 June 2018
Submission from institutions including applicable infrastructure proposal submissions	13 July 2018
Submission from institutions for large strategic infrastructure projects	31 July 2018
MINCOMBUD Technical Committee process concludes: Recommendations tabled to MINCOMBUD	September 2018
ENE technical guidelines and database distributed to institutions	October 2018
Tabling of Medium Term Budget Policy Statement	October 2018
Preliminary allocation letters issued to departments (2 days after MTBPS)	October 2018
Submission of 2019 ENE database by departments and Public Institutions	14 November 2018
Submission of draft 2019 ENE chapter by departments (with public institutions information)	16 November 2018
Cabinet approved final allocations distributed to departments	30 November 2018
Budget tabled in Parliament	February 2019

ANNEXURE A: RESOURCE ALLOCATION PROCESS STEPS

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

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).

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

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.

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 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.

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- MTEC may also convene *function group hearings, DG's budget forums* on budget policy or other meetings involving senior officials from relevant 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 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.

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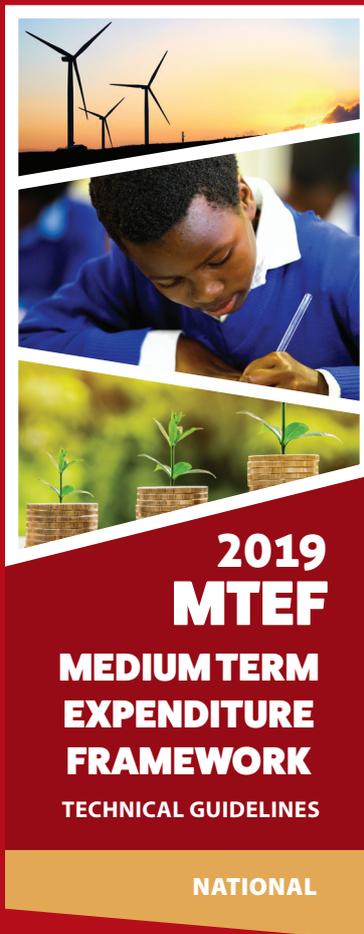
8. The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Local Government Budget Forum comprising of the Minister of Finance (who is the chairperson), the MEC for Finance of each province and five representatives of the South African Local Government Association (SALGA) at national level, 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, 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 and Recreation, Arts and Culture, Provincial and Local Arts, Culture, Sport and Recreation
2. Health	Health	Health, Provincial Health departments, National Health Laboratory Service
3. Social development	Social protection	Social Development, South African Social Security Agency, Provincial Social Developments
	Social security funds	Road Accident Fund, Unemployment Insurance Fund, Compensation Fund
4. Community development	Community development	Cooperative Governance (limited to conditional grant and urban development programmes), Human Settlements, Water and Sanitation (water services), Public Transport, Energy, Provincial Human Settlements, Provincial Public Transport Local Governments
5. Economic development	Industrialisation and exports	Trade and Industry, Economic Development, Mineral Resources, Tourism, Small Business Development, Public Works
	Agriculture and rural development	Agriculture Forestry and Fisheries, Rural Development and Land Reform
	Job creation and labour affairs	Labour, Public Works, Expanded Public Works Programmes, Cooperative Governance
	Economic regulation and infrastructure	Energy, Transport, Environmental Affairs (environmental regulation), Telecommunications, Water and Sanitation (water services), Provincial (Roads only) and Local Governments
	Innovation, science and technology	Science and Technology
6. Peace and security	Defence and state security	Defence, Military Veterans, Financial Intelligence Centre, State Security, Armscor and the Castle Control Board
	Police services	Police, Independent Police Investigative Directorate, Civilian Secretariat for Police
	Law courts and prisons	Justice and Constitutional Development, Correctional Services, Office of the Chief Justice, Legal Aid South Africa, Public Protector of South Africa, South African Human Rights Commission
	Home affairs	Home Affairs
	Health	Military Health Services
7. General public services	Executive and legislative organs	Presidency, Communications, Women, Parliament, Provincial Legislatures, Planning, Monitoring and Evaluation
	Public administration and fiscal affairs	Public service and Administration, National Treasury, Public Enterprises, Statistics South Africa, Cooperative Governance and Traditional Affairs, Public Works
	External affairs	International Relations and Cooperation, National Treasury



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