



2025 MTEF

MEDIUM TERM EXPENDITURE FRAMEWORK

Technical Guidelines for Provinces



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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1. INTRODUCTION

Context

South Africa finds itself at a critical juncture as it celebrates 30 years of democracy, a milestone that reflects both significant progress and enduring challenges. The end of the sixth administration marks a pivotal moment in the nation's political landscape, transitioning towards an unprecedented era with the formation of a Government of National Unity (GNU). This historic shift will define the hallmark of the seventh administration, potentially reshaping the country's governance and policy direction.

While it is anticipated that the incoming administration will bring its own perspectives and policies, the exact nature of these changes remains to be seen. In the interim, it is crucial to maintain the balanced fiscal stance, which sets out to stabilise public finances and reduce fiscal and economic risks, while promoting economic growth and supporting the most vulnerable members of society.

These guidelines are not intended to pre-empt the policies of the next political administration. Instead, they are issued in accordance with the provisions of the PFMA and are essential for the smooth functioning of the budget process.

Purpose of the guidelines

Section 27(3) of the Public Finance Management Act (PFMA), Act No-1 of 1999 provides that National Treasury must prescribe the format in which an annual budget must be prepared. The Medium-Term Expenditure Framework (MTEF) Technical Guidelines 2025 for provinces are issued to make such prescriptions and provide provincial government departments, as well as provincial public entities, with guidance on how to prepare their medium-term estimates for the 2025 Budget.

The guidelines outline the economic environment under which this MTEF is formulated. They also provide a summary of the fiscal strategy for the 2025 MTEF and guidance on the data required to inform budget deliberations. The outcome of the deliberations will be recommended first to the provincial MTECs and ultimately to Provincial Executive Councils Makgotlas and Premier's Budget Committees.

Comprehensive Review of the Budget Process

The National Treasury has recognised the need for a comprehensive review of the budget process with the objective to identify and implement reforms that will enhance the efficiency, transparency, and effectiveness of the budget process.

To achieve this, the National Treasury has requested technical support from the Government Technical Advisory Centre (GTAC). The project will leverage GTAC's expertise to gather data, analyse the current process, and propose actionable reforms. The review will encompass several key components, including:

- **Review of MTEC process:** Evaluating the efficiency and effectiveness of the current MTEC processes including budgeting within the intergovernmental fiscal relations system and proposing necessary reforms and capacity building.
- **Infrastructure budgeting and financing:** Separating the decision to invest and the financing decision for large infrastructure projects. This will include separating the project evaluation from the budget process to align various fiscal support measures (guarantees, borrowing approval and on budget subsidies) in a more effective manner.
- **Legal framework:** Analysing the legislative environment to ensure it supports an effective budget process.
- **Automation and technological innovations:** Exploring opportunities to automate processes and integrate technological innovations to improve the budget process.
- **Data management:** Assessing the accessibility and usefulness of budget data for accurate projections and decision-making.
- **Risk assessment:** Identifying and evaluating risks impacting the budget process and proposing mitigation strategies.
- **International benchmarking:** Comparing South Africa's budget processes with international good practices to identify potential improvements and innovations.

The National Treasury will target the implementation of these reforms in time for the 2026 MTEF cycle. This may affect certain components of the outer years of the current MTEF.

Fiscal strategy

The balanced fiscal stance set out in the 2024 Budget aimed to stabilise the public finances and reduce fiscal and economic risks, while promoting economic growth and supporting vulnerable members of society taking into consideration gender and climate change implications. In this regard, the 2025 Budget will see a conclusion of the fiscal consolidation strategy announced in the 2020 MTBPS, with debt-stabilising primary surplus achieved in 2025/26, a reduction in the fiscal deficit to pre-COVID levels and a stabilisation of debt-service costs as a percentage of revenue.

The fiscal risks are largely unchanged since the 2024 Budget. They include weaker-than-expected economic growth, which would slow revenue growth, widen the budget deficit, and increase borrowing costs. At the same time, the wage increase in 2025/26 will continue to place significant pressure on national and provincial budgets. Furthermore, the sustained deterioration in the balance sheet of major public-sector institutions pose a risk to the fiscus.

Economic and Fiscal Outlook

GDP growth in 2023 was modest at 0.6 per cent, considerably less than population growth, with a slight expansion of 0.1 per cent in the fourth quarter following a contraction of 0.2 per cent in the third quarter. Moreover in 2024, GDP growth experienced a slight contraction of 0.1 per cent in the first quarter. The negative impact of power cuts, the poor state of ports and freight rail, subdued global growth, political uncertainty and inflationary pressures have taken a toll. To accelerate economic growth, spur job creation and promote a broad improvement in livelihoods, structural reforms and increased collaboration between the state and private sector are needed to address binding constraints to growth. Such reforms remain central to government's medium-term plans, with the focus on creating a competitive electricity market and efficient port and rail logistics systems through Operation Vulindlela. In this regard, the outlook shows moderate improvement, but it will take time for growth to accelerate and to generate additional tax revenues.

Rapid growth in debt-service costs chokes the economy and the public finances. Debt-service costs now consume one of every five rands of government revenue and absorb a larger share of the budget than basic education, social protection, or health. Beyond the crowding-out effect of debt-service costs on service delivery, high and rising public debt hinders economic recovery. The ratio of gross debt-to-GDP is about 16 percentage points higher than the median emerging market level. Investors who lend to South Africa demand a premium to compensate them for the risks of investing in the country due to its rapidly rising debt. This in turn raises borrowing costs across the economy. The National Treasury has assessed that a fiscal trajectory must be addressed through a combination of active debt management strategies and spending restraint that improves the primary fiscal balance. In this context, the fiscal strategy will reduce the risk premium and bolster confidence, providing an incentive for investment and job creation. Preliminary outcomes show that government achieved a primary budget surplus in 2023/24. Barring the materialisation of fiscal risks, government remains on course to stabilise debt as a proportion of GDP in 2025/26.

Fiscal credibility and fiscal anchors

South Africa is dedicated to enhancing the predictability and transparency of fiscal policy, offering greater economic certainty. Concurrently, the government aims to foster consensus on the crucial role of fiscal sustainability in achieving growth, employment, and redistribution objectives. South Africa has a strong record of fiscal transparency and consistently ranks among the top five countries worldwide for transparency, according to the International Budget Partnership. A predictable and transparent fiscal policy underpins macroeconomic stability. The International Monetary Fund's Fiscal Transparency Evaluation report published on 15 April 2024 notes a strong performance in fiscal reporting and budget transparency, and suggests improvements in three areas:

- Fiscal reporting: Expand and align fiscal reporting to international best practice by including other spheres of the public sector, strengthening tax expenditure disclosure, and improving adherence to audit timelines for published financial statements,
- Forecasting and budgeting: Implement precise, time-bound, and stable fiscal rules,

- Fiscal risk analysis: Enhance analysis of risks in the fiscal risk statement, publish public-private partnership financial data regularly, consolidate transfers to state-owned companies to show fiscal impact and set limits on government guarantees.

Government is committed to addressing these areas to enhance fiscal credibility and ensure continued transparency and accountability in the management of public finances.

Work is underway to propose a binding fiscal anchor to chart a sustainable long-term path for the public finances. The proposed fiscal anchor will build on the successful achievement of a primary surplus and secure the stabilisation of government debt into the future. It will be designed to help avoid painful fiscal adjustments by preventing factors within government's control from reasserting the deficit bias of the post-2008 crisis period, while making provision for the impact of unavoidable and unforeseeable external economic events.

2. BUDGETING FRAMEWORK

2.1 Medium Term Expenditure Framework

- 2.1.1 In 2000, South Africa introduced the Medium-Term Expenditure Framework to facilitate a more effective medium-term planning and budgeting, and, in particular, to provide glide paths for spending departments that were expending or contracting particular services. This meant budgeting was done incrementally by growing the baseline outer year.
- 2.1.2 In recent times, poor economic growth, power cuts and the wage bill have exerted further constraints on the budget. This means that incremental budgeting can no longer be generally applied; instead, targeted re-prioritisation and efficiency gains in alignment with government priorities has become increasingly necessary.

2.2 Provincial Departments' Baselines

2.2.1 Spending reviews

Funding has been shrinking while government commitments have been growing. This requires a different approach to analysing budget baselines.

Spending Reviews were introduced to facilitate collaborative efforts between participating provincial departments, provincial treasuries and the National Treasury to reassess the baselines for critical programmes, identify potential savings, achieve efficiency gains, and make necessary adjustments or cuts where required.

The findings and recommendations from spending reviews are designed to enable government to make better decisions about how economically and efficiently public resources are used and the ability of programmes to achieve cost-effective outcomes.

When done well, spending reviews can examine expenditure baselines to identify efficiency gains and savings. In this way, spending reviews can not only free up additional resources for priorities but allow for a more efficient allocation of resources. Spending reviews can also

measure whether the programmes are still relevant and responsive to the current economic landscape.

To date, government has completed several spending reviews. Collectively, these spending reviews provide useful insights for provincial departments on how to better allocate resources and reprioritise budgets. In developing their budget estimates, provincial departments are advised to:

- Act on the findings and recommendations from past spending reviews on their specific programmes to find savings or efficiency gains.
- Incorporate the findings and recommendations from cross-cutting spending reviews¹ (e.g. security services, ICT spending, fleet services etc.) in preparing their budgets.
- Over the course of the 2025 MTEF, the National Treasury, through provincial treasuries, will collaborate with provincial departments to initiate a new series of spending reviews focused on critical programmes.
- These reviews will be comprehensive and rigorous, covering a significant portion of the budget. Programmes included in the review process will be subject to approval. This will ensure thorough oversight and alignment with national and provincial priorities.

2.2.2 Detailed baseline analysis

In addition to the outlined methodology above, provincial departments and analysts are encouraged to:

- Conduct detailed baseline analysis for the programmes that will not be included in the spending reviews to inform budget decisions.
- Also, the departments and entities should examine and identify efficiency gains on programmes to identify additional resources.
- Use the findings from the analysis to inform reprioritisation decisions.

2.2.3 Cost Saving initiatives

Provincial departments and entities are encouraged to investigate ways to share services to cut costs and identify savings, particularly where they have similar operating and service delivery models and include proposals where they have identified potential savings as part of their budget submission.

The National Treasury has commissioned work on a shared services framework. At the conclusion of a consultation process, a final framework will be made available. Nevertheless, where simple arrangements can be proposed, this may be submitted.

2.2.4 Transversal Contracting

The number of contracts as well as spending should enable government to use procurement as an enabler for transformation of economic activities to meet government objectives of targeting inclusion of historically disadvantaged individuals in the procurement value chain,

¹ All spending reviews are published and available online.

namely: blacks, women, youth, persons living with disability, the military veterans as well as upliftment of locally based suppliers in disadvantaged communities.

The Office of the Chief Procurement Officer (OCPO) is intensifying its efforts to promote central procurement to benefit from economies of scale and reduce procurement efforts on common goods and services. Organs of state are encouraged to participate in Transversal Term Contracts to achieve economies of scale and savings from bulk negotiations. There are currently 71 transversal contracts arranged by National Treasury with an estimated spend of R75 billion across all three spheres of government including the state entities. The list of transversal contracts is available on the National Treasury website on the link provided.

Contracts: <https://www.treasury.gov.za/divisions/ocpo/ostb/contracts/default.aspx>.

3. PRINCIPLES FOR THE 2025 MTEF

Due to slow economic growth the budget is again formulated within a tight fiscal environment and the following policy guidance should be taken into consideration when preparing the budget submission to provincial treasuries:

- 3.1 The 2025 MTEF process will be underpinned by the announced goal by the National Treasury, of stabilising and then reducing the government debt as a percentage of economic output. To achieve this, government must run a primary surplus, which means that non-interest spending must be lower than the projected revenues by a margin sufficient to prevent a further increase in government debt.
- 3.2 In light of this, the total spending envelope will be maintained within the parameters set out in the 2024 MTEF.
- 3.3 Resources will only be available within the parameters required to meet the objectives of the medium-term fiscal strategy as outlined in the 2024 Budget Review. In this regard, should the economic outlook remain the same, no additions will be made to the overall envelope. In instances where spending may be accommodated by unforeseen or higher-than-expected revenues, permanent increases to spending will be avoided.
- 3.4 Any spending pressures must first be funded from current baselines and programmes that have not delivered their expected outcomes.
- 3.5 Any funding pressure to a programme will need to be funded through reprioritisation, either within the provincial department's or public entity's budget, or from other provincial departments' or public entities' budgets.
- 3.6 The 2025 Budget process will maintain the compensation ceilings of provincial departments within the existing limits, implying a trade-off between the unit cost of labour and the total size of the staff establishment in each department. Only extreme and critical exceptions to this will be considered, and only if there are resources available, including from other sources within the spending envelope.
- 3.7 Moreover, government will be engaging with labour as part of the upcoming negotiation processes with the aim introducing a new dispensation that will allow for older employees in higher notches of various salary levels who wish to exit the public service earlier to do so

with added incentives and without being penalised. The new dispensation will help in assisting provincial departments to free up some positions and allow for recruitment of employees in entry levels and entry notches of various levels.

- 3.8 Provincial public institutions salary adjustments must be guided by the public service wage bill management strategy. Institutions should consider the implications of their remuneration adjustments on future budgets.

4. BUDGET SUBMISSION

- 4.1 The first draft provincial 2025 Budget submissions must be made to the National Treasury by **26 July 2024**.
- 4.2 The primary budget submission of a provincial department to the Provincial Treasury must be submitted by the Accounting Officer of the department and accompanied by a signed covering letter confirming that the submission is the expression of the department's strategic direction with regards to any budget baseline changes that have resulted from budget deliberations of its executive management.
- 4.3 A comprehensive submission, covering all the expenditure proposed for appropriation for a provincial department, including transfers to municipalities/public entities, is required.
- 4.4 In cases where a department makes a transfer to or plays an oversight role over provincial entities, the submissions of these entities should be prepared under the guidance of the accounting officer of the provincial department, in collaboration with all entities that report to that executive authority. Where applicable an endorsement letter from the accounting officer of the executive department must be submitted.
- 4.5 Provincial departments selected to participate in the Gender Responsive Budgeting (GRB) and Climate Budget Tagging pilots must include in their submission, a paragraph of the reallocation to these priorities and the policy imperative being addressed. (This is only applicable to selected pilot departments).

5. COMPONENTS OF THE SUBMISSION

For each provincial government department, and provincial public entity, the budget submission consists of the following requirements:

5.1 Narrative report

A narrative report explains the context for the budget, provides costing of mandates and policies, indicates where expenditure reprioritisation has been implemented and the impact of this on service delivery indicators. The report should provide the provincial department's rationale for expenditure recommendations over the medium term. Provincial Treasuries need to consolidate these narratives and submit them with the 2025 MTEF database to the National Treasury by **26 July 2024**.

It must be a comprehensive report that includes the following elements:

- Alignment of provincial budgets: Provincial departments need to explain the alignment of their budgets and identify key policy priorities that inform resource allocation.
- A detailed budget baseline analysis and/or spending reviews efficiency gains which: must provide an explanation of the rate of efficiency realisation that informed the budget impact contained in the excel database; and identify the action plans, and the associated timelines that must be implemented to ensure that these efficiency gains are indeed realised.
- Composition of spending: discuss trends, issues, challenges and where feasible, potential savings per programme and 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. This must also include an explanation of baseline increases and decreases of proposals to reallocate spending between programmes or economic classifications.
- Strategic reallocations: must provide an explanation of the proposals to reallocate spending between programmes or economic classifications with a view of addressing cost pressures.
- Cross-cutting priorities: discuss reprioritisation towards gender and climate change related interventions and intended policy outcome. **(This is only applicable to selected pilot provincial departments)**

Human resources

- Provincial departments and entities are encouraged to continue with the current measures on personnel management, given the current fiscal climate. Moreover, it should be noted that there is a wage negotiation underway which will have implications on current baselines. It is envisaged that the negotiations will be finalised by the time the Medium-Term Budget Policy Statement is tabled. Further communication on the wage negotiations will be communicated through the National Treasury's Guidelines for the Costing and Budgeting for Compensation of Employees, will outline the requirements for human resource detailed assessments and must be used for the preparation of expenditure estimates for the 2025 MTEF when costing compensation of employees.
- All National Treasury guidelines can be found at:
<http://www.treasury.gov.za/publications/guidelines/>.

Provincial Public Entities

- Provincial Public Entities are required to:
 - adhere to the principles of the 2025 MTEF as articulated in section 3 above.
 - provide narration of functions performed by the entity, financial commitments, and the human resource plan. They must give a summary of the financial status and policy imperatives in respect of the public entities receiving transfers from the department.

- demonstrate how they will address any cost pressures within existing baselines - given that there are no additional funds available for allocation.
- this information regarding the public entities should be considered by provincial departments in preparation of their inclusive budget submission to the Provincial Treasury.

5.2 Excel database for data submissions

Information contained in the department's budget explanatory narrative report in the section above, must be supported by relevant **National Treasury 2025 MTEF databases** including **any other relevant workbooks** used by the provinces. The 2025 MTEF databases template will be distributed together with this guidelines.

First draft budget submissions must be received by the National Treasury by **26 July 2024**. These data submissions inform budget engagements at functional and sub-functional group meetings.

When working with the **2025 MTEF databases**, note that:

- The 2025 Medium-Term Expenditure Framework: provincial departments and entities must conduct baseline assessments to achieve efficiency gains that can be used to fund key government priorities.
- The outcomes of the efficiency gains identified through the spending reviews and detailed baseline analysis must be included in the department's MTEF databases, if any. This must be done at the lowest economic classification level (SCOA item level 4) to allow for analysis.
- A separate communication on the GRB and Climate Change pilot workbooks will be sent to the selected provincial departments.

5.3 Provincial Web-Based Reporting Tool Project

National Treasury has undertaken the project of migrating the current excel based reporting templates, MTEF databases among others, to a web platform. The project has achieved key milestones, namely, system requirements gathering, functional design, interface with Vulindlela and system development.

The key modules have been completed and internal system testing has begun. It is anticipated that the full system deployment will be done in phases starting mid-July 2024.

5.4 Estimates of Provincial Revenue and Expenditure (EPRE) chapters submissions

The information contained in these chapters must provide stakeholders with sufficient detail of what provincial departments and public entities intend to achieve in the coming MTEF period. The EPRE chapters must be submitted together with the 2nd draft budget submission on **20 November 2024**.

5.5 Conditional grants business plans

Conditional grants for the year ahead require that the business plans be submitted two weeks after the Division of Revenue Bill has been enacted. Business plans seek to promote sufficient planning at provincial level before the eventual execution that requires funding. Planning should focus on how their envisioned activities for the year, using conditional grant allocations, allow them to appropriately apportion funds to achieve the government's priority that each grant seeks to address.

Although business plans are submitted yearly, they technically form part of a much longer planning horizon, particularly where infrastructure is concerned. As such the business plan for the year shows the activities that will be carried out for a year, and how the activities link with outputs, and in the long run address the priorities under which the grant was created. It is important to ensure that the dates, activities that will take place, the outputs expected from the activities, and when they are expected, are spelt out. This is especially important for activities that are sequential and are required before other activities can be carried out.

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

5.6 Infrastructure Reforms and submission

The National Treasury intends to reconfigure the Budget Facility for Infrastructure (BFI) mechanism to further expand the pipeline of projects to test alternative financing and funding models separate from the normal budget process. The intention is to use government's resources more efficiently to leverage financing and funding from sources other than fiscal resources. This includes private sector financiers and funders, Development Finance Institutions (DFIs), and International Finance Institutions (IFI's). The goal is to leverage the limited public resources to catalyse more funding, capacity and capability to fast-track infrastructure provision and improve its effectiveness.

The evaluation process will include a pilot for enhanced development of infrastructure project pipelines. In this regard, some projects will be funded through concessional bilateral financing arrangements from non-governmental sources.

These projects may be subject to specific or unique reporting and performance criteria. The National Treasury will administer both the financing arrangements and partner with financing agencies to ensure that reporting and performance requirements are met. In the event of non-performance, additional monitoring measures may be enforced, as well as possible withholding of disbursement of funds, in line with any provisions of legislation.

All National Treasury guidelines can be found at:

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

Infrastructure projects and programmes must be undertaken following the Infrastructure Delivery Management System (IDMS) supported by the Framework of Infrastructure Delivery and Procurement Management (FIDPM). Infrastructure (User) Asset Management Plan (IMAP/U-MAP) must be prepared and updated annually outlining the asset activities and resources required, to provide a defined level of service, in the most cost-effective way. The plan must include a list of programmes and projects for a minimum period of five years. The IAMP/UAMP must inform the development of the Infrastructure Programme Management Plan (IPMP) and Infrastructure Procurement Strategy (IPS) which specifies what the department intends to achieve in the next 3 years of implementation of projects/programmes. This will ensure that all programmes implemented over the MTEF period are aligned with broader strategic objectives of government.

The infrastructure investments in the IPMP should inform the project list that must be tabled as part of EPRE (Table 5) which comprises of projects/programmes that are committed and have not been completed (all projects that have not reached handover/final completion) and additional projects/programmes to be implemented over the MTEF. The Infrastructure Reporting Model (IRM) is configured to allow the capturing of Table B5 information. Departments are required to capture project/programme information on the Table B5 report of the IRM and only capture the summary of the financials per nature of investment on the MTEF database. The departments will further be able to export the information from the IRM for EPRE publication.

6. OTHER PROVINCIAL BUDGET PROCESSES

6.1 Budget programme structure change proposals

Where a provincial department intends to deviate from the sector agreed Uniform Budget Programme Structure for 2025/26, such deviation should be preceded by a formal request to the National Treasury, via the relevant Provincial Treasury by **28 June 2024**. If the sector also wishes to amend Provincial Uniform Budget Programme Structures, all engagements and agreements with all relevant stakeholders must also be concluded by **28 June 2024**. Requests for deviations are considered eligible when it is informed by a policy formulation or change or if a function shift occurs, between two departments, that portrays a visible impact on the operations of the department.

6.2 Tabling date of provincial budgets

Section 27(2) of the PFMA, states that the MEC for Finance in a province must table the provincial annual budget for a financial year in the provincial legislature not later than two weeks after the tabling of the national annual budget, but the Minister may approve an extension of time for the tabling of a provincial budget.

The PFMA does not define “week” and refers to days, except in section 27(2). The two weeks in section 27(2) period must be determined by counting a full week, with the period starting on the first day of the week. The interpretation of section 27(2) is also in line with section 4 of the Interpretation Act that indicates that the period must be calculated exclusive of the

first day and/or the last day if it falls on a Sunday or public holiday. In interpreting section 27(2) of the PFMA, it means that if national tabling is during the week, the period is to commence on Monday of the following week and not end on Sunday or public holiday. For example, if the Minister of Finance tables the 2025 Budget on 26 February 2025, then the two-week period will commence on 3 March 2025 and ends on 17 March 2025, and not on 16 March 2025 since it is on a Sunday.

6.3 Provincial budget process

The MTEF details three-year rolling expenditure and revenue plans for provincial departments and public entities.

The MTEF budget process is designed to match the overall resource envelope, estimated through 'top-down' macro-economic and fiscal policy processes, with the bottom-up estimation of the current and medium-term cost of existing departmental plans and expenditure programmes.

The budget process ensures that resources are allocated to meet South Africa's developmental needs and priorities, and to improve the quality and effectiveness of spending within sustainable fiscal limits.

Draft annual performance plans must be submitted to the Offices of the Premier on **18 October 2024** and National Treasury requires Provincial Treasuries to submit a second budget database submission and draft Estimates of Provincial Revenue and Expenditure (EPRE) documents on **20 November 2024**, in line with the issued preliminary Budget Process Calendar for the 2024/25 financial year.

6.4 Provincial MTECs

To enhance the integration of policy alignment, planning, budgeting and implementation, provincial MTECs should be used as one of the platforms that encourage joint planning between departments, municipalities and public entities. This will further promote the alignment of provincial budgets with strategic planning documents in support of inclusive growth and transformation.

Provincial MTEC committees should make recommendations to Premiers' Budget Committees, Provincial Executive Councils tasked with taking final decisions on the budget proposals. Discussions at provincial MTECs should be led and chaired by Provincial Treasuries, which also assess the allocative efficiencies of provincial budgets, considering the current fiscal climate affecting the provincial fiscal framework. However, it is highly recommended that the MTEC committees in provinces also be inclusive of other stakeholders in provinces such as:

- Head of Provincial Planning Unit, who is part of the Offices of the Premier in most cases. This is to ensure that budget proposals presented by provincial departments align with the strategic direction of both the province and the national government. Departments will have to demonstrate the responsiveness of their budget to the policy and delivery context envisaged by the government.

- Head of Provincial Spatial Planning Unit. This should aim to ensure that departments' plans and budgets transversally align to and support one another in a space and jointly with other spheres of government and that they target the predetermined spatial locations for maximum impact. Some of the spatial challenges that the country face, include the highly fragmented spatial development, dispersed developments, and socioeconomic fragmentation and polarisation, with the poorest communities often located far from economic and social opportunities. Therefore, the integration and alignment of planning and budgeting should seek to promote local economic development (LED) while improving the quality of life.
- Senior officials from the Department of Cooperative Governance/Local Government responsible for the assessment of municipal IDPs and implementation of the District Development Model (DDM). This should aim to promote a better coordinated approach to integrated planning between national, provincial and local government. Both provincial departments and municipalities should be encouraged to respond on the extent to which government priorities have been integrated into their various planning processes as well as policy and budget documents.
- Any other relevant officials from provincial departments responsible for transversal functions.

6.5 Provincial Benchmarks

National Treasury's led provincial benchmark exercise has evolved since the 2002 MTEF. The main objectives of the Benchmark exercise are to assess the extent to which provincial MTEF draft budgets give effect to the agreed sector priorities. These deliberations also highlight possible risks in the budgets and propose measures to manage these risks.

The main objectives of the Benchmark Exercise meetings to be held from **4 to 11 December 2024** are to:

- Assess provincial MTEF draft budgets including the extent to which the province's budget gives effect to the agreed sector priorities;
- Highlight possible risks in the budgets and propose measures to manage these risks;
- Give a critical view of the draft provincial budget as per the November submissions; and
- Highlight key issues and challenges from National Treasury's perspective and reach an agreement on key aspects affecting the provincial budget.

In addition to budget assessment, focus is on improving efficiencies:

- Impact of the implementation of personnel headcount and personnel expenditure control measures (including public entities);
- PFMA compliance – Irregular, fruitless and wasteful expenditure, and unauthorised expenditure;
- Management of accruals and how cash management strategies could be used to address accruals and payables not recognised; and
- Debt owed by provincial departments and the strategy to address it.

The focus is also on public entities finances, investments in provincial economies, infrastructure, and procurement reforms.

Critical dates for the provincial budget process are provided in the table further below. Provincial departments and public entities follow the specific requirements of their own treasuries and provincial budget processes. These guidelines should thus be read together with the Provincial Budget Process Calendar and Guide for Provincial Budget Formats.

7. CRITICAL PROVINCIAL DATES

ITEM	DATE
Provincial 2025 MTEF technical guidelines issued	24 June 2024
National Treasury issues 2025 MTEF database (departments and public entities) to Provincial Treasuries	24 June 2024
Technical Committee on Finance Lekgotla	18-19 June 2024
Provincial treasuries submit first draft 2025 Budgets to National Treasury: Database and Narratives	26 July 2024
Technical Committee on Finance meetings	Occurs every two weeks
Budget Council and Budget Forum meetings	TBA
Tabling of Medium-Term Budget Policy Statement	October 2024
Preliminary allocation letters issued to provinces – equitable share allocations	October 2024
Provincial treasuries submit 2nd draft 2025 Budgets to National Treasury: Database and Estimates of Provincial Revenue and Expenditure	20 November 2024
Final conditional grant frameworks submitted to National Treasury by national departments	01 December 2024
Provincial benchmark exercise for 2025 Budget	04 - 11 December 2024
Preliminary conditional grants allocation letters issued to provinces	December 2024
Final PES allocation letters issued to provinces (February, after Cabinet sitting)	February 2025
Provincial Budgets tabled at Provincial Legislatures	March 2025

8. CRITICAL NATIONAL DATES

ITEM	DATE
2025 MTEF guidelines issued	21 June 2024
2025 MTEF submission workbooks issued to departments	24 June 2024
Institutions submit requests for budget programme structure revision	05 July 2024
Institutions submit requests to create new transfer items for the 2025 MTEF	05 July 2024
Conditional Grant change proposal submission	19 July 2024
2025 MTEF Submission from institutions submissions	19 July 2024
MTEF process concludes: Recommendations tabled to MINCOMBUD	Sep/Oct 2024
Budget Council and Budget Forum (after MINCOMBUD and before Cabinet)	October 2024
MINCOMBUD and Cabinet approval of 2025 MTEF	October 2024
Tabling of the Medium-Term Budget Policy Statement (MTBPS)	October 2024
Preliminary allocation letters issued to departments (2 days after tabling of the MTBPS)	October 2024
Cabinet approved allocations letters distributed to departments (3 days after Cabinet approval)	December 2024
Budget tabled in Parliament	February 2025

9. COMPOSITION OF TECHNICAL AND FUNCTIONAL GROUP

FUNCTION GROUP	TECHNICAL GROUP (FUNCTION SUB-GROUP)	KEY DEPARTMENTS AND OTHER INSTITUTIONS
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	Sport, Arts and Culture, and Provincial Arts, Culture, Sport, and Recreation
Health	Health	Health, Provincial Health departments, National Health Laboratory Service

FUNCTION GROUP	TECHNICAL GROUP (FUNCTION SUB-GROUP)	KEY DEPARTMENTS AND OTHER INSTITUTIONS
Social development	Social protection	National Social Development, South African Social Security Agency, National Development Agency, Provincial Social Developments, Women, Youth and Persons with Disabilities, National Youth Development Agency, Commission for Gender Equality, National Treasury (Programme 7)
	Social security funds	Road Accident Fund, Unemployment Insurance Fund, Compensation Fund
Community development	Community development	Cooperative Governance (limited to conditional grant and urban development programmes), Human Settlements, Water and Sanitation (water services), Public Transport, Mineral Resources and Energy (electricity distribution functions), Provincial Human Settlements, Provincial Public Transport, Local Governments, National Treasury (limited to conditional grants)
Economic development	Industrialisation and exports	Trade, Industry and Competition, Mineral Resources and Energy (mineral resources functions), Tourism, Small Business Development, Public Works and infrastructure (Programme 4) provincial economic development
	Agriculture and rural development	Forestry, Fisheries and the Environment, Agriculture, Land Reform and Rural Development
	Job creation and labour affairs	Employment and Labour, Public Works and Infrastructure (Programme 3), Expanded Public Works Programmes, Cooperative Governance, Employment Creation Facilitation Fund
	Economic regulation and infrastructure	Mineral Resources and Energy (remaining Energy functions), Transport, Forestry, Fisheries, and the Environment (environmental regulation), Communications and Digital Technologies, Water and Sanitation (water services), Provincial (Roads only) and Local Governments
	Innovation, science, and technology	Science and Innovation

FUNCTION GROUP	TECHNICAL GROUP (FUNCTION SUB-GROUP)	KEY DEPARTMENTS AND OTHER INSTITUTIONS
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 the Police Service, Private Security Industry Regulatory Authority
	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
General public services	Executive and legislative organs	Presidency, Government Communications and Information System, Parliament, Provincial Legislatures, Planning, Monitoring and Evaluation
	Public administration and fiscal affairs	Public service and Administration, National Treasury, Public Enterprises, National School of Government, Statistics South Africa, Cooperative Governance, Public Works, and infrastructure (programmes 1,2 and 5), Traditional Affairs, Public Service Commission, Centre for Public Service Innovation
	External affairs	International Relations and Cooperation, National Treasury (programme 6)

2025 MTEF

**MEDIUM TERM
EXPENDITURE FRAMEWORK**

Technical Guidelines for Provinces

Private Bag X115, Pretoria, 0001 | 40 Church Square, Pretoria, 0002 | Tel: +27 12 315 5944 | Fax: +27 12 406 9055 | www.treasury.gov.za



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA