2026 MTEF

MEDIUM TERM EXPENDITURE FRAMEWORK

Technical Guidelines for Provinces

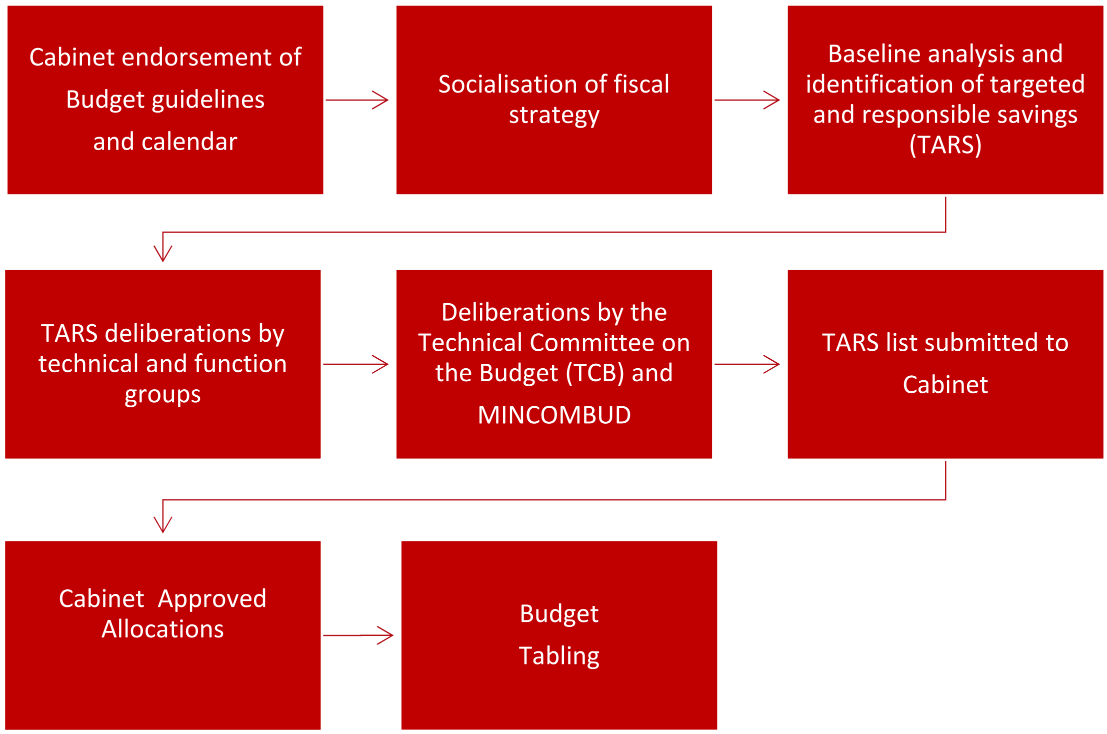
national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

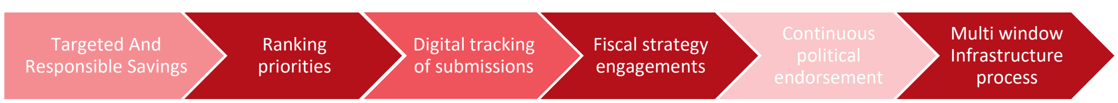
G20 SOUTH AFRICA 2025

2030 NDP

SCHEMATIC DIAGRAM OF THE NATIONAL BUDGET PROCESS



Key changes



CONTENTS

1. PURPOSE OF THESE GUIDELINES

Section 27 (3) of the Public Finance Management Act (PFMA) states that an annual budget must be in accordance with a format prescribed by the National Treasury. The 2026 Medium-Term Expenditure Framework (MTEF) Technical Guidelines for Provinces are issued to make such prescriptions and provide provincial government departments and other provincial public institutions with guidance on how to prepare their medium-term estimates. The guidelines reaffirm government's commitment to a more disciplined, transparent, and strategically aligned budget process that supports South Africa's long-term fiscal objectives for national and provincial developmental priorities.

Importantly, the guidelines outline the economic environment under which the MTEF is formulated, and incorporates lessons learned from the 2025 budget cycle, which revealed the need for improved coordination, broader consultation and greater focus on spending efficiencies in the budget process. The calls for a more responsive and impactful use of public resources—from citizens, civil society, the political executive, and key oversight institutions—have been unequivocal.

In response, these guidelines aim to embed a more credible and purposeful approach to budgeting—one that strengthens service delivery focus, enhances value for money, and secures the country's long-term fiscal sustainability.

These guidelines also support the implementation of key budget reforms announced in the 2025 Budget. As a first step in the reform process, these guidelines and the accompanying provincial budget process calendar play a critical role in guiding provincial MTEC hearings, Budget Committees and approval by the Provincial Executive Council / Cabinet.

2. WHO SHOULD USE THESE GUIDELINES

These guidelines are intended for use by all provincial departments, and provincial public entities. They are particularly relevant to Accounting Officers, Accounting Authorities, Chief Financial Officers (CFOs), and programme managers who are responsible for the strategic planning, budgeting, costing, and implementation of budgets.

In terms of the PFMA, Accounting Officers bear the ultimate responsibility for ensuring that budget submissions are credible, aligned with national and provincial priorities, and consistent with fiscal sustainability. Accounting Officers must ensure that their departmental submissions adhere not only to the procedural requirements, but also to the government's policy direction.

CFOs must lead and coordinate the development of baseline analyses, costing of policy priorities, and integration of spending review findings into submissions.

Accounting Officers must work collaboratively with programme managers to ensure that budget estimates are evidence-based, prioritised, and prepared with sufficient technical depth to withstand rigorous scrutiny during bilateral engagements, and provincial MTEC meetings.

These 2026 MTEF guidelines for provinces promote clarity, discipline, and analytical rigour, and aims to position the MTEF as a credible, transparent, and results-focused framework for public resource allocation.

3. CONTEXT

Macro-economic context

- As stated in the budget, tabled in May 2025, South Africa's real GDP growth is forecast to be 1.4 per cent in 2025. The outlook is constrained by persistent logistical constraints, heightened political uncertainty, and high borrowing costs. Growth is projected to rise moderately to 1.6 per cent in 2026 and 1.8 per cent by the end of the MTEF period. GDP is forecast to grow at an average of 1.6 per cent between 2025 and 2027.
- Port and rail constraints and increased spending pressures could undermine investment and growth. Rapid and effective implementation of reforms is needed to accelerate growth and employment. The continuation of a more stable power supply may also lift confidence and growth.
- Global risks have become more pronounced in recent months, with rising financial market volatility and weaker growth prospects. New trade barriers may raise inflation and prolong high interest rates, while tighter financial conditions heighten debt distress risks in emerging markets. Moreover, geopolitical tensions could change foreign direct investment patterns.

Fiscal strategy

- As stated in the May 21st budget, the fiscal strategy aims to stabilise debt as a percentage of GDP, to achieve a primary surplus, expand infrastructure investment and support the social wage. Over the MTEF, the main budget deficit will narrow. A narrower deficit will be enabled by the steadily growing debt-reducing primary surplus. It is anticipated that by 2027/28, the primary surplus will grow from an estimated 0.8 per cent of GDP in this financial year to 2.1 per cent. A growing primary surplus means that the country's revenue will continue to be larger than government's non-interest expenditure over the next three years, lowering the gross borrowing requirements and will result in lower debt and lower debt service costs over time to create fiscal space for government priorities.
- Government's fiscal strategy supports the four-pillar strategy for faster real income per capita growth by fostering macroeconomic stability, prioritising infrastructure investment, supporting state capability and catalysing economic reform.
- The fiscal strategy is important to shield South Africa from domestic and geopolitical risks. To prevent fiscal imbalances emerging in the medium to long term, government will consult widely on binding fiscal anchors.

4. BUDGET REFORMS

- South Africa's current budget process has not kept pace with the country's evolving fiscal, institutional, and political realities. Incremental budgeting has resulted in several inefficiencies and has failed to facilitate improved service delivery and outcomes in several sectors. The experience of the 2025 budget cycle exposed critical limitations: fragmented decision-making, insufficient policy-budget alignment, and weak consensus on trade-offs in a context of competing priorities and limited fiscal space. These challenges have undermined the budget's role as a central policy tool that delivers on the government's agenda.
- Budget reform is therefore necessary to build a budgeting system that supports South Africa's development goals while safeguarding long-term fiscal sustainability. Reforms aim to clarify trade-offs, reduce waste, and direct limited resources to high-impact programmes. For instance, stabilising debt is not only about macroeconomic prudence; it is about ensuring that more resources can be directed to core services like education, health care, and infrastructure, instead of debt servicing.
- In April 2024, the National Treasury initiated a comprehensive review of the budget process, with the goal of identifying and implementing reforms that would enhance the efficiency, transparency, and effectiveness of public resource allocation. The review process, supported by technical assistance from the Government Technical Advisory Centre (GTAC), has now been completed. It has resulted in a set of actionable reform proposals outlined below.

4.1 Targeted And Responsible Savings (TARS) and Spending Reviews

These MTEF guidelines introduce a new mechanism entitled Targeted and Responsible Savings (TARS), which is intended to identify and remove low-priority or underperforming programmes from the budget to reduce aggregate expenditure and, where appropriate, reallocate funding towards the priorities of governments outlined in the Medium-Term Development Plan (MTDP). This marks a departure from previous approaches.

In line with the national Budget Process, this initiative forms part of the broader budget reform agenda aimed at ensuring that national and provincial budgets, reflect South Africa's most pressing needs and highest-impact interventions. Programmes identified for the TARS list will be selected using multiple criteria, including historical and current performance, previous spending review findings, and alignment with the provincial priorities set out in the MTDP.

It is important to note that for concurrent functions, the national TARS list will affect operations at a provincial level. Provincial treasuries, through budget discussion meetings, and provincial MTEC hearings are also encouraged to select low priority or under-performing programmes that should form part of the TARS list at a provincial level. The identification process will include a collaborative effort of analysis by the Office of the Premier, Provincial Treasury, provincial departments and institutions in selecting and ranking programmes by order of importance for consideration at provincial MTECs, Budget Committees and approval by Provincial Executive Councils.

After approval the selected programmes will, if required, undergo spending reviews, with the intent to start de-implementation in the 2026/27 fiscal year. For smaller programmes, reviews will be implemented immediately while bigger programmes will undergo a phased de-implementation plan that includes reductions over the MTEF. These spending reviews will be implemented only if required – for example, in cases where historical spending reviews remain relevant or there is agreement on which low-priority or underperforming programmes to remove from the budget, then new spending reviews will not be required.

It is recommended that the findings from the provincial TARS process be presented to provincial MTECs, Budget Committees and ultimately to Provincial Executive Councils. These Committees might choose to close, scale back, or, in some cases, retain province specific programmes with efficiency enhancements, with the aim of redirecting funds towards current spending pressures. The box below indicates how national TARS will be operationalised. Provinces can customise the process as necessary.

BOX 1: How the Targeted and Responsible Savings mechanism will be operationalised

In line with the government's commitment to identify wasteful, inefficient, underperforming, and low priority programmes and ensure a more streamlined and effective allocation of resources, the following initiatives can be utilised- for the identification of programmes to be included in the TARS process:

- Spending reviews
  - Previous work should be updated where appropriate to inform implementation
  - Outcomes of new sectoral reviews such as the Active Labour Market Policy (ALMP) and the review of infrastructure conditional grants should be implemented
- New data driven approaches
  - Use of technology to eliminate double dipping in social grants and other programmes (e.g. community works programme)
  - Annual audit of ghost workers and payroll irregularities
- Updated proposals on public entity and departmental rationalisation
- Resolve inefficiencies in public sector wage bill
  - Implement personnel expenditure review completed by the Department of Public Service and Administration (DPSA)
  - Finalise extended review of public entities remuneration
- Technical baseline analysis and institutional reviews to ensure that departments and public entities are appropriately aligned to mandates.

Government has been undertaking spending reviews since 2013 as part of broader efforts to improve the efficiency and effectiveness of public expenditure. While funding has become increasingly constrained, government commitments have continued to grow—necessitating a more strategic and evidence-based approach to analysing and managing the budget baseline.

Detailed baseline analyses remain critical in preparing MTEF plans. Provincial treasuries and provincial departments should work jointly to interrogate baseline budgets, identify opportunities for savings and efficiency gains, and assess duplication, relevance and performance of programmes. Spending reviews were introduced to strengthen the detailed analyses and when implemented effectively, they support the reallocation of resources to higher-priority interventions and strengthen overall fiscal discipline.

Although several spending reviews have already been completed, the full value of these exercises depends on whether the findings are actively used to inform budgeting. Provincial departments that have previously participated in spending reviews must draw on the evidence and recommendations from those reviews when preparing their budget submissions.

Provincial departments are therefore expected to:

- Demonstrate, using performance indicators, the progress made and value for money derived.
- Use findings from previous department-specific spending reviews to identify potential savings, efficiency gains, and programme adjustments, and
- Incorporate insights from cross-cutting spending reviews—such as those related to security services, ICT, or fleet management—where applicable. The Spending Reviews can be found at www.gtac.gov.za/pepa/spending-reviews/technical/general-public-services .
- Details of what has been done to implement the outcome of the spending reviews and baseline analysis listed above must be included in the narrative.

4.2 Fiscal credibility and fiscal anchors

Government published a fiscal anchors discussion document on 12 of March 2025. The assessment of fiscal anchors is based on the premise that government should make revenue or expenditure choices that are affordable without compromising important social and economic programmes for future generations. The discussion document reviews global experience with fiscal anchors and assesses how institutions can be reformed to strengthen the sustainability of budget practices. It focuses on procedural reforms, rather than numerical limits, given their positive impact on transparency and accountability. At the same time, government continues to explore ways to balance fiscal sustainability with developmental objectives, so that public resources can be targeted effectively for social and economic impact. Enhanced fiscal risk analysis, economic forecasting and oversight of off-budget entities will reinforce the credibility of the fiscal framework. To ensure this process benefits from meaningful public engagement, the National Treasury is soliciting views and inviting debate with all interested parties on suitable reforms to balance sustainable public finances and development needs.

In addition to the work on a fiscal anchor, government will socialise the preparation of the fiscal framework including its underlying economic assumptions, budget constraints, and strategic intent thereof. The National Treasury will consult widely on the macroeconomic assumptions and constraints with key stakeholders, including Cabinet, departments, provinces, and oversight bodies. While the intention is to consult widely, it is important, however, to note the actual development of the fiscal framework remains the exclusive responsibility of the Executive and will be undertaken by the National Treasury.

4.3 Budget Structures, Processes and Timelines

Significant reforms will be introduced over the 2026 MTEF period to strengthen the structure, sequencing, and governance of the national budget process. These include:

- **Cabinet-Endorsed Budget Calendar:** For the first time, the full budget timetable has been approved by Cabinet. This elevates the process to a politically binding commitment and reinforces departmental accountability.
- **Governance Structures:** The roles and mandates of key budget structures—MinComBud, the Technical Committee on the Budget (TCB), and Functional Groups—are being revised. All Terms of Reference (TOR) will be updated, and the sequencing of meetings realigned to ensure that deliberations at one level meaningfully inform decisions at the next. Where necessary, key meetings—particularly those involving allocation decisions—will be held in person to allow for robust and thoughtful discussion.
- **Enhanced Departmental Engagement:** Departments will be expected to participate fully in the budget cycle and submit well-prepared proposals. Late submissions will be listed and submitted to Cabinet, highlighting government departments and institutions that have not adhered to the Cabinet-Endorsed Budget Calendar. Departments must now treat submission deadlines as non-negotiable. Late or incomplete submissions risk being excluded from TCB consideration.
- **Use of Technology:** The National Treasury is examining options for using technology to streamline the budget process. The MTEF calendar and its associated deliverables will be digitised using platforms such as Microsoft Planner and PowerApps (already available to departments). This will allow both the National Treasury and departments to track deadlines, submissions, and interdependencies in real time.
- **Strengthened Analytical Capacity:** National Treasury is also enhancing government officials' capacity to analyse departmental baselines in greater depth and support more substantive, evidence-based engagements throughout the budget process.
- Provinces are encouraged to review their budget processes in line with the national reforms outlined above.

4.4 Planning and budget alignment

As part of the 2026 MTEF process, government departments and public institutions must prioritise interventions in support of the mid-term targets of the MTDP 2024-2029. Given that Strategic Priority 1: Driving Inclusive Growth and Job Creation is the apex focus of the MTDP, this should be given priority within budget submissions. Conversely, those components of the baseline that are no longer reflected in the MTDP should be considered for TARS reductions.

4.5 Infrastructure Reforms

The government is transforming its approach to delivering infrastructure while improving spending effectiveness. The approach is focused on improving planning and preparation, prioritising maintenance, creating conditions for private sector participation, and exploring alternative financing mechanisms.

In line with the broader reforms, the Budget Facility for Infrastructure (BFI) has been reconfigured to serve as a centralised gateway for large-scale infrastructure proposals that require fiscal support. The reconfiguration entails running quarterly windows instead of an annual window to develop a more robust and extensive investable pipeline. A National Treasury committee will be convened quarterly to make recommendations to the budget process on evaluated proposals and determine the appropriate fiscal mechanisms to support projects and programmes. This could include government guarantees, appropriations, Public-Private Partnerships (PPPs), or other fiscal instruments. The scope of the facility has been expanded to consider proposals from the pre-feasibility stage with varied evaluation processes for proposals at different stages of development.

The reconfigured BFI aims to support the testing of alternative financing and funding models, including infrastructure bonds, separate from the normal budget process by the National Treasury. The goal is to leverage the limited public resources to catalyse more funding, capacity and capability from the private sector.

The BFI projects and programmes will be subject to specific or unique reporting requirements and performance criteria. This is to monitor their effectiveness in spending and meeting delivery milestones. In the event of non-performance, additional monitoring measures may be enforced, as well as possible withholding of disbursement of funds, in line with legislative provisions. Similarly, in the case of significant cost and schedule overruns, the BFI support may withdraw its support.

More details on the BFI criteria can be found in the circular: A Circular for the Consideration of Proposals by the BFI.pdf.

4.6 Update on Gender Response Budgeting and Climate Budget Tagging

The 2026 Estimates of Provincial Revenue and Expenditure Guideline (EPRE) provides an update on reforms on GRB and CBT reforms as indicated below.

BOX 2: Update on Gender Response Budgeting (GRB) and Climate Budget Tagging (CBT)

- **Gender Response Budgeting (GRB)**

  In 2022, the National Treasury developed and approved GRB guidelines which provided a clear definition of the scope of GRB in South Africa and the specific tools/practices to be adopted. Currently, the National Treasury is revising the GRB guidelines and expanding the tagging pilot to additional departments. Parliamentary committees have requested social sectors be added to the pilot. Specifically, Basic Education, Social development, Health and Agriculture:

- For the provincial sphere, this will include:
  - The development of a provincial GRB roadmap and standard reporting templates by the National Treasury in consultation with relevant stakeholders to guide and support implementation
  - The provision of training to build capacity within provincial treasuries, enabling them to lead GRB initiatives in their respective provinces
- **Climate Budget Tagging (CBT)**
  - The *National Climate Change Response White Paper* (2011) provides for climate-responsive budgeting in South Africa. With support from the World Bank, a Climate Budget Tagging (CBT) system was developed in two phases: the first focused on system design and piloting, and the second on refining the methodology
  - In preparation for the 2026 budget process, piloted sector departments will provide feedback and guidance on the transition to a web-based system for climate change tracking, moving away from the current Excel-based format. Timelines for preparation and integration are set to be considered in the 2027 MTEF process

5. PRINCIPLES FOR THE 2026 MTEF

Given the ongoing challenge of low economic growth, the 2026 Budget will once again be formulated in a constrained fiscal environment. Provincial departments and public institutions should be guided by the following policy principles when preparing their budget submissions to provincial treasuries:

- The 2026 MTEF will be anchored in government’s commitment to stabilise and gradually reduce the debt-to-GDP ratio. Achieving this objective requires maintaining a primary surplus—where non-interest expenditure remains below projected revenue by a sufficient margin to prevent further debt accumulation.

- Additions to the overall fiscal envelope will only be considered for priority interventions if fiscal space has been created through the TARS process.

  In cases where higher-than-expected or windfall revenues materialise, such gains will not be used to fund permanent expenditure increases. Instead, any additional revenue will be used to improve fiscal sustainability or address temporary spending needs such as infrastructure investments. Similarly, if the revenue estimates are revised downward due to poor economic performance, such will have negative implications to expenditure baselines.

- Any budget pressures or new funding requirements must first be addressed through existing baselines. Programmes that have consistently underperformed or failed to achieve expected outcomes should be considered for reprioritisation or reallocation.
- Any additional funding requirements for a specific programme must be offset by reprioritisation; this may include reprioritisation across departments or entities.
- Compensation budgets must remain within the limits set in the 2025 Budget. This implies that departments will need to manage the overall size of the establishment to offset the unit cost of their workforce.
- Salary adjustments across public institutions must be aligned with the public service wage bill management strategy. Departments and entities must consider the medium- and long-term implications of remuneration decisions on future budget allocations.
- Early Retirement Programme is intended to provide a voluntary exit path for eligible employees, helping to manage the public service wage bill and create efficiencies. Government remains committed to implementing this in the 2025/26 and 2026/27 financial years. Negotiations with labour in the public service coordinating bargaining council (PSCBC) are currently underway for a legal mechanism that will allow the state as an employer to provide incentives to eligible employees. The DPSA will issue a formal communication on the implementation of the programme once the PSCBC process is concluded.

6. HOW TO PREPARE YOUR BUDGET SUBMISSION

To support a more strategic and evidence-based budget process, the departments are expected to undertake their own internal baseline analysis as part of the 2026 MTEF submissions. This is critical in ensuring that departmental budgets reflect the most urgent needs, deliver value for money, and remain aligned with the provincial and national priorities of the MTDP with emphasis on Strategic Priority 1: Driving Inclusive Growth and Job Creation.

6.1 Guidance for Baseline Analysis

Departments should undertake a structured review of their baseline allocations. Departments and Public institutions should conduct the following steps:

Step 1: Disaggregate the Baseline by Programme and Subprogramme

Break down the budget into its key components, including compensation of employees, goods and services, transfers and subsidies, and payments for capital assets. This disaggregation helps identify where spending is concentrated and where adjustments may be feasible.

Step 2: Assess Alignment with the MTDP and Departmental Strategic Plan

Determine whether each programme or subprogramme remains aligned with the MTDP and departmental strategic outcomes. Programmes that no longer align with stated priorities should be flagged for possible reprioritisation or inclusion in the TARS process.

Step 3: Evaluate Performance and Delivery Outcomes

Use available performance data (e.g. Databases, Annual Performance Plans, audit reports, and evaluation findings) to assess whether the programme is delivering its intended outputs and outcomes. Low-performing or underachieving programmes should be subject to deeper review.

Step 4: Identify Cost Drivers and Spending Trends

Analyse historical spending patterns to classify the main cost drivers. Identify anomalies such as persistent underspending, cost escalations, or unfunded mandates. Understanding these drivers enables better forecasting.

Step 5: Assess Efficiency and Value for Money

Consider whether the same or better outcomes could be achieved with fewer resources. Benchmarks where possible (e.g. per-unit costs, norms and standards, or cross-sector comparisons) to test efficiency.

Step 6: Propose Adjustments Based on Evidence

Based on the analysis, departments should clearly identify areas where:

- Resources can be reallocated to higher priorities.
- Programmes can be scaled back or redesigned for efficiency;
- Savings can be realised without service delivery risk.

In examining its options, organs of state should participate in transversal term contracts to achieve economies of scale and savings from bulk negotiations. There are currently **64** transversal contracts arranged by the National Treasury with an estimated spend of R73 billion across all three spheres of government including public entities. Use link to access transversal contracts available on the National Treasury website.

Step 7: Document and Submit Findings

Departments should **document the results of the baseline analysis**, including a summary of key insights, proposed changes, and supporting data. These should accompany the budget submissions to be made to both the provincial treasuries and National Treasury.

It is important to note that a similar exercise should be conducted by provincial treasuries and National Treasury provincial budget analysts to counter findings and recommendations.

Budget submissions must be complete, evidence-based, and aligned to the reform agenda. This includes credible baseline analysis captured in their narrative report and databases. The components to the submission are outlined in **Annexure A**.

7. HOW TO SUBMIT YOUR BUDGET

The **first draft** provincial 2026 Budget submissions must be made to the National Treasury by **08 August 2025**.

The budget submission of provincial departments and public entities 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.

A **comprehensive submission**, covering all the expenditure proposed for appropriation for provincial departments and public entities, including transfers to institutions and other spheres of government, is required.

In cases where a department makes a transfer to or performs an oversight role of other government institutions, the submissions of these institutions should be prepared under the guidance of the accounting officer of the provincial department, in collaboration with all institutions that report to that executive authority. An **endorsement letter** from the accounting officer of the department must be submitted.

8. OTHER BUDGET PROCESSES

8.1 Budget programme structure change proposals

Where a provincial department intends to deviate from the sector agreed Provincial Uniform Budget Programme Structures (UBPS) for 2026/27, such deviation should be preceded by a formal request to the National Treasury, via the relevant Provincial Treasury by 30 June 2025. If the sector also wishes to amend Provincial UBPS, all engagements and agreements with all relevant stakeholders must also be concluded by 30 June 2025.

A requests for deviation is considered eligible when it is informed by a policy formulation or change or if a function shift occurs, between two departments or within a sector, that portrays a visible impact on the operations of the department.

8.2 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.

Legal interpretation of Section 27(2) of the PFMA

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 2026 Budget on 25 February 2026, then the two-week period will commence on 4 March 2026 and ends on 16 March 2026, and not on 15 March 2026 since it is on a Sunday.

8.3 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 (APPs) must be submitted to the Offices of the Premier on **17 October 2025.** In line with the preliminary Budget Process Calendar for 2025/26, National Treasury requires Provincial Treasuries to submit the second budget database and draft Estimates of Provincial Revenue and Expenditure (EPRE) documents on **18 November 2025.**

8.4 Provincial MTECs

Provinces must take into account the budget process reforms under section 4 above during provincial MTEC engagements.

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 MTECs and Budget Committees should make recommendations to 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 provincial departments' budget proposals align with the strategic direction of both the province and the national government. Departments should be able to demonstrate how their budgets respond to the broader policy and service delivery context set by government.
- Head of Provincial Spatial Planning Unit. This should aim to ensure that departmental plans and budgets are transversally aligned and mutually supportive within geographic spaces and in coordination with other spheres of government. The aim is to target predetermined spatial locations for maximum impact. South Africa continues to face significant spatial challenges, including fragmented development, dispersed developments, and socioeconomic 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) and improve the overall 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). Their involvement should promote a more coordinated approach to integrated planning across national, provincial and local government. Both provincial departments and municipalities should be encouraged to report on the extent to which government priorities have been integrated into their planning processes, as well as policy and budget documents.
- Any other relevant officials from provincial departments responsible for transversal functions, including those from Public Works on infrastructure-related matters.

8.5 Provincial Benchmarks

The National Treasury led provincial benchmark exercise has evolved since the 2002 MTEF. The main objectives of the Benchmark exercises are to assess the extent to which provincial draft budgets align with agreed sector priorities. These engagements also serve to identify possible risks within the budgets and recommend measures to mitigate them.

The main objectives of the Benchmark Exercise meetings planned to be held from **4 to 11 December 2025, which will also be informed by the Budget Reforms, including baseline interrogation** to:

- Assess provincial MTEF draft budgets including the extent to which the province's budget gives effect to the provincial, national and agreed sector priorities (baseline interrogation);

- 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 **18 November 2025** 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:

- Assess spending efficiencies and the extent to which recommendations from the previous spending reviews are being implemented.
- The impact of implementing personnel headcount and expenditure control measures (including public entities);
- PFMA compliance – focusing on irregular, fruitless and wasteful expenditure, and unauthorised expenditure;
- Management of accruals, including how cash management strategies can be used to address accruals and payables not recognised; and
- Debt owed by provincial departments and the strategies in place to address it.

The exercise will also focus on the financial health of public entities, investment in provincial economies, infrastructure, and procurement reform initiatives.

Critical dates for the provincial budget process are outlined in the table below. Provincial departments and public entities must adhere to the specific requirements of their respective Treasuries and provincial budget processes. These guidelines should therefore be read in conjunction with the Provincial Budget Process Calendar and Guide for Provincial Budget Formats (Estimates of Provincial Revenue and Expenditure / EPRE Guide).

9. PROVINCIAL BUDGET CALENDAR

ITEM	DATE
Provincial 2026 MTEF technical guidelines issued	14 July 2025
National Treasury issues 2026 MTEF database (provincial departments and public entities) to Provincial Treasuries	14 July 2025
MTEF Guideline workshop	22 July 2025
Technical Committee on Finance Lekgotla	27-29 August 2025
Provincial treasuries submit first draft 2026 Budgets to National Treasury: Database and Narratives (provincial departments and entities)	08 August 2025
Technical Committee on Finance meetings	Occurs every two weeks
Budget Council and Budget Forum meetings	TBA
Tabling of Medium-Term Budget Policy Statement	October 2025
Preliminary allocation letters issued to provinces – equitable share allocations	October 2025
Provincial treasuries submit 2nd draft 2026 Budgets to National	18 November 2025

ITEM	DATE
Treasury: Database and Estimates of Provincial Revenue and Expenditure (provincial departments and entities)	
Final conditional grant frameworks submitted to National Treasury by national departments	December 2025
Provincial benchmark exercise for 2026 Budget	4-11 December 2025
Preliminary conditional grants allocation letters issued to provinces	December 2025
Final PES allocation letters issued to provinces (February, after Cabinet sitting)	February 2026
Provincial Budgets tabled at Provincial Legislatures	March 2026

10. NATIONAL BUDGET CALENDAR

As mentioned before, the Cabinet has endorsed the following national budget calendar. Accounting Officers are requested to take note of these dates and ensure compliance.

ITEM	DATE
2026 MTEF guidelines presented to FOSAD	07 July 2025
Preliminary 2026 MTEF guidelines issued to institutions	08 July 2025
Institutions submit requests for budget programme structure revision and create new transfer items for the 2026 MTEF	10 July 2025
2026 MTEF submission workbooks issued to departments	16 July 2025
2026 MTEF guidelines and calendar presented to Cabinet	22 July 2025
Cabinet approved 2026 MTEF guidelines and Budget calendar published	23 July 2025
Fiscal strategy and budget reform discussion with institutions (Virtual)	25 July 2025
Conditional Grant change proposal submission	30 July 2025
2026 MTEF Submission from institutions submissions	30 July 2025
Fiscal Framework public engagement (virtual)	15 August 2025
MTEF process concludes: Recommendations tabled to MINCOMBUD	Sep/Oct 2025
Budget Council and Budget Forum (after MINCOMBUD and before Cabinet)	October 2025
MINCOMBUD and Cabinet approval of 2026 MTEF	October 2025
Tabling of the Medium-Term Budget Policy Statement (MTBPS)	November 2025
Preliminary allocation letters issued to departments	November2025
Cabinet approved allocations letters distributed to departments	December 2025
Budget tabled in Parliament	February 2026

11. CONCLUSION

The 2026 MTEF Technical Guidelines for National and Provinces represent an important shift in how South Africa plans, prioritises, and allocates public resources. Grounded in the lessons of previous budget cycles and the outcomes of the Budget Reform Project, these guidelines are designed not only to enhance procedural compliance but to elevate the quality and credibility of budget submissions across government.

The reforms embedded in this document—ranging from baseline efficiency reviews to digital integration—signal a deliberate move away from incremental budgeting towards a system that is more strategic, transparent, and results-driven. Importantly, these reforms are not abstract exercises. They are intended to restore fiscal discipline, reallocate limited resources towards high-impact programmes, and ultimately improve service delivery to South Africans.

Departments are called upon to treat these guidelines as more than a set of instructions. They are a reflection of Cabinet's expectations, the public's demand for better governance, and a shared national commitment to making every rand count. Accounting Officers, CFOs, and programme teams must lead this transformation with diligence, integrity, and urgency.

ANNEX A: COMPONENTS OF THE SUBMISSION

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

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 2026 MTEF database to the National Treasury by **08 August 2025**.

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; recommendations of programmes to be considered for the TARS process must be provided.
- 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.
- Communication budget: provided a detailed breakdown of department's communications budget.
- Ranking of priorities: Indicate if the priority meets the ranking criteria (urgency and implementation readiness) and by order of importance in line with Strategic Priority 1 in the MTDP.
- Cross-cutting priorities: discuss reprioritisation towards gender, STI and climate change related interventions and intended policy outcome, if applicable.

1.1 Human resources

- The human resources narrative must be in respect of the information that will be contained in the Human Resource Budget Plan (HRBP), which forms part of the data submissions. It should explain the provincial departments' plans and intentions regarding the management of the department headcount, recruitment plans and human resource development plans within the compensation of employees' expenditure ceilings over the 2026 (MTEF). Moreover, it should be noted that there is currently a three-year wage agreement (2025 Wage Agreement) in place that ranges from 2025/26 to 2027/28. Departments are advised to note the contents of this wage agreement when costing and budgeting for any additional staff.
- Further communication on detailed parameters as it relates to compensation budgets will be communicated through the 2026 MTEF Guidelines for the Costing and Budgeting for Compensation of Employees. This guide must be used for the preparation of expenditure estimates for the 2026 MTEF when costing compensation of employees.
- All National Treasury guidelines can be found at: http://www.treasury.gov.za/publications/guidelines/.
- Over and above the points mentioned earlier, the HRBP will require the inclusion of information on key changes effected and envisaged on the department's personnel profile, including the related department's personnel expenditure and headcount.

1.2 Public Institutions

- Provincial Public Institutions including schedule 3C, 3D public entities are required to:
  - adhere to the principles of the 2026 MTEF as articulated in section 3 above.
  - provide narration of functions performed by the institution, financial commitments, and the human resource plan. They must give a summary of the financial status and policy imperatives of the public institutions.
  - demonstrate how they will address any cost pressures within existing baselines - given that there are no additional funds available for allocation.
  - submit their budget templates in the formats provided.
  - seek National Treasury approval in instances where the institution intends spending from reserves as per the relevant instruction note on surplus retention.

1.3 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 2026 MTEF databases including any other relevant databases used by the provinces. The 2026 MTEF databases template will be distribute together with these guidelines.

First draft budget submissions must be received by the National Treasury by **08 August 2025**. These data submissions inform budget engagements at functional and sub-functional group meetings.

When working with the **2026 MTEF databases**, note that:

- The 2026 MTEF: Provincial departments and public 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/or detailed baseline analysis must be included in the department's MTEF databases. This must be done at the lowest economic classification level (SCOA item level 4) to allow for analysis.

1.4 Costing assumptions

- 2026/27 financial year: per cent CPI - 4.14%
- 2027/28 financial year: per cent CPI - 4.36%
- 2028/29 financial year: per cent CPI - 4.49%

Provincial departments and its public institutions must apply their discretion when using these assumptions, taking into consideration circumstances that may be unique to them. If the outcomes are different from the forecasted estimates, institutions will need to absorb any resultant differences within their budget baselines. Discretion cannot be applied to compensation of employees as it is subject to a separate process.

1.5 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 **18 November 2025**:

1.6 Conditional grant change proposal

The Provincial Treasuries to note: The conditional grants review was concluded with proposed reforms for specific conditional grants in consultation with relevant stakeholders over the course of the 2024/25 financial year. For the 2025/26 financial year, the National Treasury remains committed to continue in consultation with relevant departments on the implementation of the proposed reforms to their conditional grants, many of which are envisaged to come into effect in the outer years of the 2026 MTEF.

Notwithstanding the above, to propose any changes to the structure of conditional grants for implementation in 2026/27, a submission must be made to the National Treasury by 30 July 2025 as part of the budget narrative, clearly indicating how these are aligned with the reform proposals discussed in 2024. It is important to consult with analysts from the

Public Finance unit of the National Treasury and the relevant officials of the Intergovernmental Policy and Planning unit (DoRA team), before submitting the proposal. It is crucial for departments proposing changes to the structure of conditional grants to consider the resources and capacity required to manage and support grant implementation, including monitoring and oversight of transferred funds and providing support for provinces and municipalities in implementing grant-funded projects. Any proposal that does not meet these requirements will not be considered during the grant framework meetings in October-November 2025.

While we acknowledge the important role currently played by indirect grants in the conditional grants system, their ambiguous policy and legal position remain a concern. Thus, as work is currently underway to develop a clear policy framework to clarify their role and how they should be managed, the creation of new indirect grants will not be considered in the 2026 Budget.

Section 26(2)(a) of the Division of Revenue Act, 2025, requires the submission of all draft conditional grant frameworks and allocations to the National Treasury by 3 October 2025, irrespective of any proposed changes to grant structures. Section 26(2)(d) requires that any amendments to the allocation criteria of existing conditional grants must be approved by the National Treasury before provisional allocations and draft frameworks are submitted. Final grant frameworks and allocations must be submitted by 28 November 2025, signed by the accounting officer in accordance with Section 26(2)(e), or a delegated official as provided for in section 34(5).

In the event of new legislation or amendments resulting in changes to funding arrangements, requests for rescheduling or changes to funding must be presented as part of the budget submission to the National Treasury. The budget process will determine the acceptance of such submissions, and it is essential to consult relevant officials within the Public Finance and Intergovernmental Relations branches before submission. These procedures are critical, as changes to funding arrangements will only be considered through the official budgeting process.

2. TECHNICAL AND FUNCTIONAL GROUP

Reconfiguration of the technical and function groups

To support the focused ranked prioritisation as well as the TARS process, there will be a change in the usual deliberations between institutions. The focus of the discussions must be on the trade-offs and motivation for the order of ranking by each department for their list of priorities. Moreover, institutions will be afforded an opportunity to present their underperforming programmes to be considered for the TARS process.

Function groups composition

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, Military Health Services

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,
	Public sector pensions	National Treasury (Pensions direct charge programme)
	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, Energy and Electrification (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, Tourism, Small Business Development, Public Works and infrastructure (Programme 4) provincial economic development
	Labour affairs and works programmes	Employment and Labour, Public Works and Infrastructure (Programme 3), Expanded Public Works Programmes, Cooperative Governance, Employment Creation Facilitation Fund
	Agriculture and rural development	Forestry, Fisheries and the Environment, Agriculture, Land Reform and Rural Development
	Economic regulation and infrastructure	Energy and Electrification (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, Denel 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, Information Regulator, Judicial Inspectorate for Correctional Services, Legal Aid South Africa, Public Protector of South Africa, South African Human Rights Commission, Special Investigating Unit
	Home affairs	Home Affairs
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)

2026 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