2026 MTEF

MEDIUM TERM EXPENDITURE FRAMEWORK

Technical Guidelines

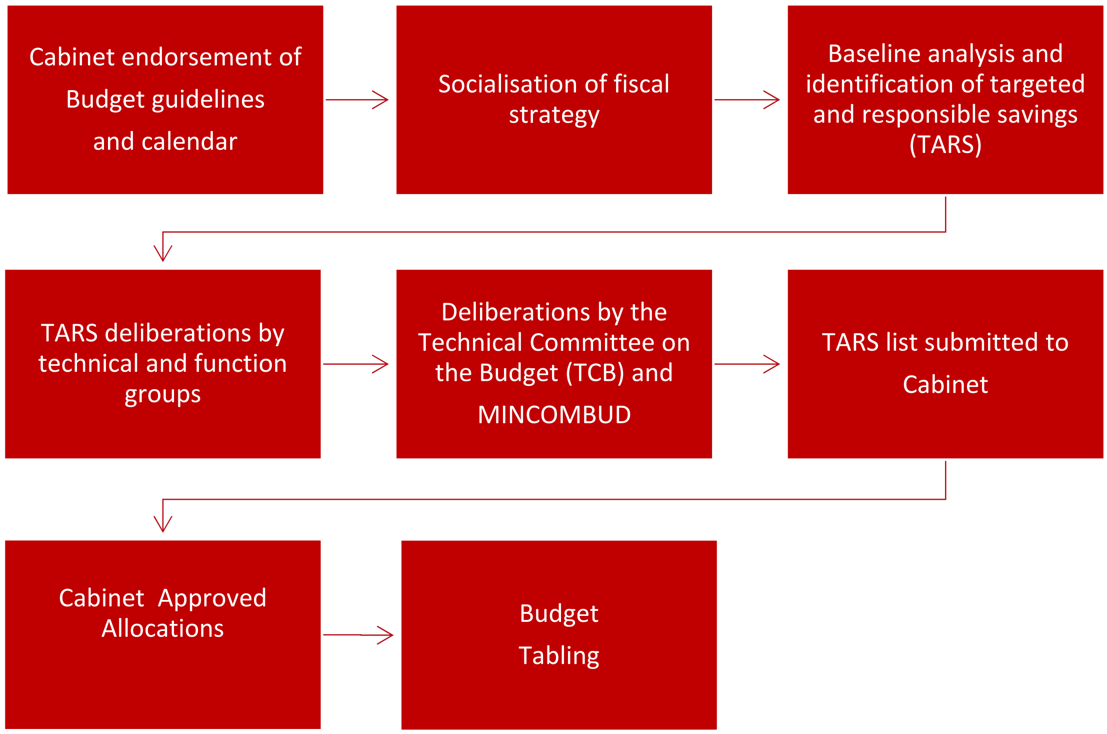
national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

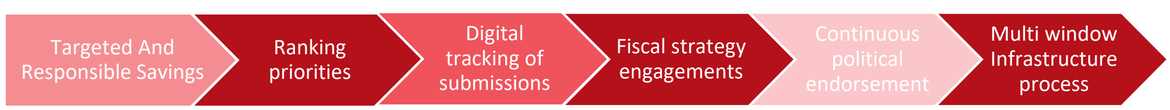
G20
SOUTH AFRICA 2025

2030
NDP

SCHEMATIC DIAGRAM OF THE BUDGET PROCESS



KEY CHANGES



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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) Guidelines are issued to make such prescriptions and provide national government departments and other public institutions with guidance on how to prepare their medium-term estimates for the 2026 Budget. The guidelines reaffirm the government's commitment to a more disciplined, transparent, and strategically aligned budget process that supports South Africa's long-term fiscal objectives and national development priorities.

Importantly, the guidelines outline the economic environment under which the MTEF is formulated, and incorporate 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 budget calendar have been formally approved by Cabinet.

2. WHO SHOULD USE THESE GUIDELINES

These guidelines are intended for use by all national departments, constitutional institutions, and 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, costing, and execution of budgets.

In terms of the PFMA, Accounting Officers bear the ultimate responsibility for ensuring that budget submissions are credible, aligned with national 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, functional groups, and the Technical Committee on the Budget (TCB) meetings.

These 2026 MTEF guidelines 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 May 21 budget forecast South Africa's real GDP growth is forecast to be 1.4 per cent in 2025. The outlook is constrained by persistent logistics 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 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 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 risk. 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. Incrementalism 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.

This initiative forms part of the broader budget reform agenda aimed at ensuring that the national budget reflects 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 priorities set out in the MTDP. The identification process will include a collaborative effort of analysis by both the National Treasury analysts and the departments selecting and ranking programmes by order of importance with final approval by Cabinet. After the approval by Cabinet the selected programmes will, if required, undergo spending reviews, with the intent to start de-implementation of the programme 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. The Minister of Finance will announce the selected programmes in the 2025 Medium Term Budget Policy Statement (MTBPS). The findings from the TARS process will be presented to Cabinet and based on the findings, Cabinet might choose to close, scale back, or, in some cases, retain programmes with efficiency enhancements, with the aim to redirect the funds towards current spending pressures.

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 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-informed approach to analysing and managing the budget baseline.

Detailed baseline analyses remain critical in preparation of MTEF plans. Joint work between departments and the National Treasury aims 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. Departments that have previously participated in spending reviews must draw on the evidence and recommendations from those reviews when preparing their budget submissions.

Departments are therefore expected to:

- Demonstrate using performance indicators the progress made and the value for money
- 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 here.
- Detail 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

The Government published a fiscal anchors discussion document on 12 of March 2025. The assessment of fiscal anchors is based on the premise that governments 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 fiscal framework including its underlying economic assumptions, budget constraints, and strategic intent of the fiscal framework. The National Treasury will consult widely on the macroeconomic assumptions and constraints with the key stakeholders, including the 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:** We are enhancing government officials' capacity to analyse departmental baselines in greater depth and support more substantive, evidence-based engagements throughout the budget process.

4.4 Planning and budget alignment

As part of the 2026 MTEF process, departments 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 MTDP, this should be given priority focus 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: BFI Circular

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. Departments and public institutions should be guided by the following policy principles when preparing their budget submissions:

- 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 some 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, create efficiencies. Government remains committed to implementing the 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-informed budget process, 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 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 do 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 identify the main cost drivers. Look for 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. Benchmark, 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 submission to the National Treasury.

It is important to note that a similar exercise will be conducted by 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 primary budget submission of a national department 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 a vote, including transfers to institutions and other spheres of government within the budget vote, 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 national department, in collaboration with all institutions that report to that executive authority. An endorsement letter from the accounting officer of the executive department must be submitted.

Departments selected to participate in the Gender Responsive Budgeting (GRB), Science Technology and Innovation (STI) and Climate Budget Tagging (CBT) 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).

8. 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

9. CONCLUSION

The 2026 MTEF Technical Guidelines 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 reflect 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 public institution, 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 department's rationale for expenditure recommendations over the medium term. It must be a comprehensive report that includes the following elements:

- A detailed budget baseline analysis and/or spending reviews efficiency gains which: must provide an explanation of the rate of efficiency realization that informed the budget impact contained in the excel workbook; 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.
- Strategic reallocations: must provide an explanation of the proposals to reallocate spending between programmes or economic classifications with a view of addressing cost pressures.
- 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. **(This is only applicable to selected pilot departments)**

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 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.

Public Institutions

- Public Institutions including schedule 2 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.

1.1 Excel workbooks for data submissions

Information contained in the department's budget explanatory narrative report in the section above must be supported by relevant data workbooks. The following are the three workbooks:

- 2026 MTEF workbook for the national government departments,
- 2026 Human Resource Budget Plan workbook,
- 2026 MTEF Budget Planning Baseline tool for public institutions
- 2026 MTEF Tagging workbook (where applicable)

When working with the workbooks, note that:

- The 2026 MTEF: Departments and public institutions 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 workbooks. This

must be done at the lowest economic classification level (SCOA item level 4) to allow for analysis.

- For estimation and planning purposes, the 2028/29 baseline (outer year of the 2026 MTEF) has been calculated and pre-populated in the departments' MTEF workbooks. To calculate the 2028/29 baseline, non-recurrent allocations ending in 2027/28 were excluded from the 2027/28 baseline calculation purposes, and technical adjustments were also applied where applicable.

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%
- A separate communication on the GRB , STI and Climate Change pilot workbooks will be sent to the selected departments.

National departments and 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.

1.2 Other submissions

Separate submissions in respect of the following elements will also be considered in the 2026 Budget process:

Conditional grant change proposal

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.

Budget programme structure change proposals

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

A formal request for budget programme structure changes, as well as any requests to create new transfer items, must be submitted to the National Treasury by **10 July 2025**, in the format provided by the National Treasury.

On approval of the budget programme structure change, the National Treasury will provide the department with an updated and customised 2026 MTEF Submission workbook to complete. The new workbook template will be in the format of the newly approved budget programme structure.

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

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national treasury

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