



2027 MTEF  
**MEDIUM TERM  
EXPENDITURE FRAMEWORK**

Technical Guidelines



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

A **NATION**   
THAT **WORKS**  FOR ALL





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## **1. INTRODUCTION**

### **1.1. Purpose of these guidelines**

These guidelines are issued in terms of section 27 (3) of the Public Finance Management Act, 1999 (PFMA), which prescribes the format and approach that departments and public institutions must follow when preparing their submissions for the 2027 Medium-Term Expenditure Framework (MTEF). These guidelines aim to strengthen fiscal discipline, enhance allocative efficiency, and improve the effectiveness of public spending.

The 2027 MTEF builds on reforms introduced in previous budget cycles. It enhances the technical and policy processes that underpin budget processes as well as the way in which political priorities are translated into budget deliverables. It also improves broader consultation with civil society and parliament. The guidelines seek to support more credible and consistent budget outcomes, with clearer frameworks for decision-making, implementation monitoring and accountability.

These guidelines and the accompanying budget calendar have been formally approved by Cabinet.

### **1.2. Strategic Orientation of the 2027 MTEF**

The guidelines reaffirm the government's commitment to a disciplined and transparent budget process that supports South Africa's long-term fiscal objectives and national development priorities. The 2027 MTEF responds to calls for public resources to be used more effectively, maximising value for money while maintaining macroeconomic stability.

In pursuit of the objectives above, the budget process will strengthen the emphasis on setting priorities, conducting rigorous baseline analysis, and managing trade-offs explicitly. Departments will be expected to demonstrate how their proposed allocations contribute to national development outcomes, while remaining within the limits of the fiscal framework.

The 2026 MTEF guidelines introduced the Targeted and Responsible Savings (TARS) initiative. This identifies low-priority or underperforming programmes for reduction or closure in order to enhance fiscal sustainability and service delivery, with savings re-allocated to priority spending. The Programme Assessment Matrix (PAM) was introduced as a mechanism to evaluate programme performance. As government institutionalises the PAM, departments must have performance measures focused on outputs instead of activities. The guidelines also aim to strengthen alignment within government, to ensure that national priorities are credibly translated into provincial and municipal budgets and service delivery outcomes, particularly in areas of concurrent legislative competence. Collaboration across spheres of government is required to implement the TARS.

### **1.3. Who should use these guidelines**

The guidelines apply to all departments, constitutional institutions, trading entities, 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 spending demonstrates value for money and is aligned with national government priorities and consistent with fiscal sustainability. Accounting Officers must ensure that their departmental submissions adhere to procedural requirements and to the government's policy direction.

Budget submissions must include an assessment of existing baselines that reflects actual service delivery outputs and policy commitments. They should map the costs drivers for programmes and clarify whether maintaining the baseline means maintaining service levels or adjusting them.

CFOs must lead and coordinate the development of technical baseline analysis that assesses what the current budget buys, costs policy priorities, and integrates spending review findings into departmental submissions.

Accounting Officers must work collaboratively with programme managers to ensure that budget estimates are evidence-based and prepared with sufficient technical depth to withstand rigorous scrutiny during bilateral engagements and meetings of functional groups and the Technical Committee on the Budget (TCB).

Separate, tailored guidelines will be issued to the provinces. However provincial treasuries, provincial departments, and intergovernmental structures such as the Technical Committee on Finance, Budget Council and Budget Forum are encouraged to refer to these guidelines to support coordination of fiscal planning and strengthen the credibility of provincial and local government budgets.

## **2. PRIORITISATION FRAMEWORK**

To strengthen the discipline of resource allocation and improve the alignment between policy priorities and expenditure decisions across government, the budget process will be guided by a limited and explicitly ranked set of national priorities derived from Medium-Term Development Plan (MTDP) 2024-2029. These priorities will serve as the primary reference point for all allocation decisions.

Departments must rank their programmes clearly in order of importance, taking into account their strategic contribution, expected impact, and implementation readiness. The classification of programmes as priorities must be supported by credible evidence including performance information, expenditure trends, evaluation findings, and implementation data. Priority proposals will be subject to detailed scrutiny during budget engagements.

This approach is intended to prevent the over-classification of programmes as priorities and to ensure that scarce fiscal resources are directed toward interventions that deliver the greatest national impact.

## **3. MACRO-ECONOMIC AND FISCAL POLICY ENVIRONMENT**

### **3.1. Macro-economic context**

The 2026 Budget Review projects economic growth to rise gradually from 1.6 per cent in 2026 to 2 per cent by the end of the MTEF period. This is underpinned by continued

progress in structural reforms, improving confidence, lower interest rates, and higher investment.

A lower inflation target, improved public financial management, and favourable global factors supported investor confidence and helped reduce borrowing costs during 2025 and early 2026. However, the conflict in the Middle East since the end of February 2026 has intensified geopolitical risks. Financial and commodity markets have become more volatile, the inflation outlook has deteriorated, and global growth prospects have weakened. Rising bond yields and weaker currencies have increased the risk of debt distress in emerging markets. These developments feed into South Africa's domestic economy through higher risk premia, exchange rate volatility, and renewed pressure on fuel and food prices.

A prolonged escalation of the conflict could entrench a stagflationary environment of high inflation and low growth, tightening domestic financial conditions and delaying interest rate cuts or prompting further hikes. This could weigh on economic growth and borrowing costs and force difficult trade-offs to ensure government stays on track to reduce the public debt and restore the public finances to health, while protecting public services and infrastructure investment.

### **3.2. Fiscal strategy**

After more than a decade in the fiscal wilderness, with rising debt consuming a growing share of national resources, South Africa is restoring the health of its public finances. The 2026 Budget marked the achievement of important fiscal policy goals with public debt as a share of GDP stabilising in 2025/26. Government achieved a primary budget surplus – where revenue exceeds non-interest spending – for the third consecutive year.

Medium-term fiscal policy is anchored by a primary surplus which continues to grow over the next three years, reducing the public debt-to-GDP ratio and placing the public finances on a sustainable path.

Government continues to balance debt reduction with protecting public services and supporting the economy by shifting expenditure away from consumption spending toward infrastructure and capital investment.

The 2026 Budget signalled a fundamental shift in the effort to fix local government. For over a decade, intergovernmental flows have masked financial weaknesses in subnational government. Government is now moving from oversight to active structural intervention to address those challenges.

As discussed in the 2026 Budget Review, National Treasury is developing a principles-based fiscal anchor to strengthen South Africa's fiscal sustainability, transparency, and credibility.

## **4. DECISION MAKING FRAMEWORK FOR TRADE-OFFS**

Reforms are under way to improve the quality of public spending. Building on the introduction of TARS in the 2026 MTEF budget process, the PAM will be used to identify programmes that are inefficient or no longer fit-for-purpose. These will be rationalised or phased out.

Budget decisions will be guided by a standardised set of criteria. These include the contribution of programmes to economic growth and employment, the protection of

essential service delivery outcomes, value for money, equity considerations, and the readiness of institutions to implement funded interventions.

Departments must explicitly demonstrate how these criteria have informed their reprioritisation proposals and budget submissions. Where competing demands arise, the criteria will provide the basis to resolve trade-offs in a structured and transparent manner.

- A systematic review of Schedule 3A public entities will be undertaken to assess their legislative mandates, cost structures, performance, and financial sustainability, with a view to determining value for money. In considering requests under section 53(3) of the PFMA, the National Treasury may apply differentiated approaches that reflect each entity's developmental mandate, associated liquidity needs, provisions in enabling legislation on the retention and carry-forward of unencumbered funds, and specific investment requirements.
- Where appropriate, the National Treasury may require public entities to deposit surplus or idle funds into the Public Corporation Accounts, unless specifically exempted, or to surrender them to the National Revenue Fund. The findings of these assessments will inform decisions on the consolidation, restructuring or, where necessary, closure of entities.
- This analysis will ensure compliance with the PFMA and Treasury Regulations. It will confirm that the public entity landscape supports national priorities while delivering measurable value for money. These measures will also strengthen oversight of public finances pending the finalisation of proposed amendments to the PFMA.
- National and provincial governments will be required to submit proposals under the TARS process by identifying inefficiencies and reallocating resources toward high-impact service delivery programmes.
- Consultation between national and subnational spheres will be heightened to strengthen intergovernmental integration and encourage early alignment of priorities.
- The MTDP 2024-2029 mandates the DPSA and National Treasury to lead the implementation of the personnel expenditure review (PER) to manage the public wage bill and stabilise it by 2029/30, while advancing a capable and ethical public service. In this context, departments are required to implement workforce strategies that improve productivity, enhance skills, and align staffing with service delivery priorities.
- As part of the 2027 MTEF process, departments must prioritise interventions in support of the mid-term targets of the MTDP 2024-2029.
- Conversely, those components of the baseline that are no longer reflected in the MTDP should be considered for TARS reductions. The MTDP as approved by Cabinet will thus be the primary planning input into the budget process, which National Treasury will continue to manage.
- The utilisation of the PAM to assess what the existing budget baseline buys will be extended beyond departmental budget programme structures to focus on specific service delivery programmes, including conditional grants and public entities. Guidance on assessing baselines is provided in section 6.

**Box 1: Next steps on reforms to address inefficiencies**

The National Treasury recognised the need for a comprehensive review of the budget process with the objective of identifying and implementing reforms to enhance the efficiency, transparency, and effectiveness of the budget process. The 2027 MTEF will continue the critical reforms which emanated from the review:

- **Early retirement:** The final phase of the Incentivised Early Retirement Programme, officially commenced on 01 April 2026, and is scheduled to close for applications on June 30, 2026. This is a critical component of the government's broader fiscal strategy to rejuvenate the public service and manage the wage bill by allowing voluntary exit without the usual financial penalties.
- **Ghost Employees:** The ghost worker audit targeting payroll fraud and irregular payments has identified 4 319 high-risk cases using data from the government's Personnel and Salary Administration system (PERSAL). The Department of Home Affairs (DHA) conducted an additional analysis using the National Population Register (NPR), the results of which are being finalised. All flagged cases will be required to complete online verification using a platform developed in partnership with the DHA. The online verification platform has been tested and is ready to be rolled out to all national and provincial departments in June 2026. A PFMA Instruction Note will be issued, effective from 15 June 2026 providing Accounting Officers with the necessary guidance to support their departments in undertaking the online verification.
- **Social grant verification work:** Since 2025/26, allocations to the South African Social Security Agency (SASSA) have been made conditional on the agency strengthening biometric and income verification processes and conducting more frequent eligibility reviews for social grants. By 31 March 2026, SASSA had verified the bank accounts of approximately 6 million beneficiaries and cross-checked a further 8 million clients against credit bureau records. About 169 049 beneficiaries did not respond to requests for review and were subsequently referred to the Fraud and Compliance unit for further investigation. As a result, these grants lapsed or were cancelled, generating annual savings of R155.3 million. Over the medium term, the agency will continue to intensify efforts to combat fraud and corruption, while ensuring that eligible beneficiaries remain protected.
- **Conditional Grants review:** The National Treasury continues to roll out the conditional grant reforms introduced during the 2024 review process, all of which have been consulted on and endorsed by the relevant departments. Some of these reforms will be fully implemented in the 2027/28 financial year while others will be phased into the outer years of the MTEF as departments finalize the necessary operational processes to prepare their systems for the upcoming transitions.
- **Public sector wage bill:** The 2027 MTEF process will also incorporate reforms mandated by the Public Administration and Management Amendment Act (Act 7 of 2026), once it takes effect, to harmonise remuneration and conditions of service across all spheres of government, including public entities and State-Owned Companies. The reforms aim to support a more sustainable, fair, and equitable wage framework across government institutions. Government will also continue to explore measures to implement the Personnel Expenditure Review recommendations over the medium term, including engagement with organised labour in the Public Service Coordinating Bargaining Council on matters affecting conditions of service. This approach shifts the focus from short-term containment to longer-term structural reform of the public service.

#### 4.1. Budget Structures, Processes and Timelines

Digitisation of the [budget calendar](#) will be rolled out to departments with live updates and notifications provided for all the phases of the budget cycle throughout the year, allowing the process owners direct access to the calendar.

Cabinet endorsement of the Budget process calendar and the medium-term expenditure framework guidelines implies that the process must start earlier than it did in previous years to support a more disciplined and credible MTEF process.

The mandate of the Technical Committee on the Budget has broadened. The committee now meets throughout the budget process cycle. It advises the Ministers' Committee on the Budget, which reflects the composition of Government of National Unity (GNU).

Gender, science and innovation and climate priorities must be included in the function and technical groups' discussions.

#### 4.2. Infrastructure Reforms

This budget cycle reinforces government's commitment to leveraging public infrastructure investment to support higher economic growth and service delivery. National Treasury will continue to implement infrastructure reforms aimed at increasing private sector participation in the delivery and financing of public infrastructure, alongside efforts to strengthen public investment management. Together, these measures will enhance value for money and lead to better infrastructure delivery outcomes. This approach will increase the scale and effectiveness of public spending.

The [Budget Facility for Infrastructure](#) (BFI) has been reconfigured to run quarterly windows, enabling more responsive fiscal support for large-scale infrastructure projects and programmes that require this to advance. Through robust appraisal review processes, the BFI will continue to build a credible and investable portfolio of projects and programmes. The process will also determine the appropriate fiscal instruments required to support worthwhile interventions. The facility will maintain close collaboration with development financiers and other funders to reduce pressure on the fiscus and crowd-in non-fiscal funding.

Oversight and accountability mechanisms will be strengthened through more transparent, timely and efficient reporting thereby improving data quality and compliance with reporting requirements. Greater emphasis will also be placed on assessing spending readiness, particularly through the BFI, to minimise the risk of underspending on allocated budgets. This will ensure that scarce fiscal resources are directed towards projects and programmes that demonstrate the capacity to spend effectively and deliver measurable outcomes. In parallel, government will reinforce sound project management, governance and implementation practices across the infrastructure value chain to enhance delivery performance and long - term asset sustainability.

## 5. PRINCIPLES FOR THE 2027 MTEF

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

- National departments must use PAM to assess programmes and public entities and evaluate their effectiveness and performance.
- National departments must ensure that policy proposals with provincial and municipal implementation implications are fully costed and aligned with the fiscal framework to avoid unfunded mandates.
- The 2027 MTEF will be anchored in government’s commitment to stabilise and gradually reduce the debt-to-GDP ratio. Achieving this requires maintaining a primary surplus, where revenue continues to be higher than non-interest spending by a sufficient margin to prevent further debt accumulation. It also requires that any materialisation of fiscal risks is managed in a manner that is fiscally neutral.
- The estimated cost of the temporary fuel levy relief from April to June 2026 amounts to R17.2 billion in foregone tax revenue for 2026/27. The relief is a response to the high global oil prices resulting from the conflict in the Middle East that began in late February. If this is prolonged, the 2027 MTEF budget process will institute the necessary steps to ensure that the fiscal trajectory as presented in Budget 2026 remains on course.
- 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 or pressure that might arise if fiscal risks from the current geopolitical tensions materialize.
- Any budget pressures or new funding requirements must first be addressed through reprioritisation within 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 specific programmes must be offset by reprioritization. This may include reprioritisation across departments or entities.
- Spending pressures arising from the downward inflationary adjustments instituted for budgets other than compensation of employees in the 2026 Budget due to government’s adoption of a lower inflation target should be assessed and dealt with as part of the budget process.
- Compensation budgets must remain within the limits set in the 2026 Budget. This implies that departments will need to manage the overall size of the establishment to remain within the unit cost of their workforce.
- Salary adjustments across public institutions should be aligned with the public service wage bill management strategy. Departments and entities must consider the medium-to-long-term implications of remuneration decisions on future budget allocations.

## **6. STRENGTHENING BASELINE ANALYSIS**

Departments must undertake their own internal baseline analysis as part of the 2027 MTEF submissions, to budgets reflect the most urgent needs, deliver value for money, and align with MTDP priorities.

### **6.1. Programme Assessment Matrix (PAM)**

The Programme Assessment Matrix will be institutionalised as a central tool for evaluating programme performance and informing reprioritisation decisions. National Treasury will issue standard methodologies, minimum data requirements, and benchmarking guidelines to support its application.

Departments will be required to apply the PAM consistently and rigorously, supported by credible financial and performance data. Quality assurance processes, including independent validation where necessary, will be introduced to ensure the reliability of assessments.

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.

### **6.2. Targeted Responsible Savings (TARS)**

The TARS process is a key mechanism to identify inefficiencies and reallocate resources toward higher priority interventions. Departments must identify underperforming or non-essential programmes and propose credible savings that can be redirected to priority areas.

Proposed savings must be supported by detailed analysis and must not compromise essential service 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 subjected to deeper review.

### **6.3. Capacity Support and Data Enablement**

The guidelines recognise that there are varying levels of analytical and technical capacity across departments. To address these constraints, National Treasury will provide centralised datasets, analytical tools, and technical guidance to support departments in undertaking baseline analysis and costing.

In addition, training initiatives and communities of practice will be established to strengthen analytical capabilities across government. Departments must identify any capacity constraints in their submissions and outline measures to address these limitations.

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.

#### 6.4. 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 their options, organs of state should participate in transversal term contracts to achieve economies of scale and savings from bulk negotiations. There are currently **63** transversal contracts arranged by the National Treasury with an estimated spend of R73 billion across all three spheres of government including public entities. A link to access [transversal contracts](#) is available on the National Treasury website

#### 6.5. 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. INTERGOVERNMENTAL ALIGNMENT

Improving alignment between national, provincial and local government priorities remains a key objective of the budget process. To achieve this, structured mechanisms for joint planning and coordination will be strengthened across spheres of government.

Where conflicts arise, these will be resolved through established intergovernmental forums, including the Budget Council, Budget Forum, and the Technical Committee on the Budget. Conditional grant frameworks will also be used, where appropriate, to enforce alignment and ensure that national priorities are effectively implemented at subnational level.

Cross-cutting priorities, including gender, climate change, and science and innovation, must be fully integrated into core budgeting processes. Departments are required to reflect these priorities in programme design, budget allocations, performance indicators, and technical discussions, and to explain the reprioritisation undertaken in support of the relevant policy objectives. For participating departments, submissions must clearly set out the policy imperative being addressed and the associated budget implications.

These priorities should no longer be treated as stand-alone pilot initiatives but must meaningfully inform budget prioritisation and allocation decisions where applicable.

## 8. 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. This must confirm that the submission is the expression of the department's strategic direction with regards to any budget baseline changes that have resulted from the budget deliberations of its executive management.

A comprehensive submission is required that covers all the expenditure proposed for appropriation for a vote, including transfers to institutions and other spheres of government within the budget vote.

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 (with the exception of constitutional institutions). An endorsement letter from the accounting officer of the executive department must be submitted.

## 9. BUDGET CALENDAR

Accounting Officers are requested to take note of these dates and ensure compliance.

For items that currently show the month without a date an update will be provided on the online version of the [budget process-calendar](#) as soon as it is available (click link to access)

ITEM	DATE
2027 MTEF guidelines presented to FOSAD	01 June 2026
2027 MTEF guidelines and calendar presented to Cabinet	03 June 2026
MTEF guidelines issued to departments	04 June 2026
2027 MTEF submission workbooks issued to departments	08 June 2026
Fiscal strategy and guideline info session with institutions (virtual)	June 2026
Conditional Grant change proposal submission	26 June 2026
2027 MTEF Submission workbooks received from departments and institutions	26 June 2026
Submission of large-scale infrastructure proposals for Budget Facility for Infrastructure (BFI) - Quarter 2	05 July 2026
Fiscal Strategy public engagement	July/Aug 2026
TCB recommendations tabled to MINCOMBUD	Aug/Sep 2026
Budget Council and Budget Forum (after MINCOMBUD and before Cabinet)	October 2026
Submission of large-scale infrastructure proposals for Budget Facility for Infrastructure (BFI) - Quarter 3	2 October 2026
Provisional conditional grant frameworks and allocations submission by departments	2 October 2026
Technical Committee on Finance and Technical Budget Forum	October 2026

ITEM	DATE
MINCOMBUD and Cabinet approval of 2027 MTEF	October 2026
Tabling of the Medium-Term Budget Policy Statement (MTBPS)	October 2026
Final conditional grant frameworks and allocations submission by departments	27 November 2026
2027 Estimates of National Expenditure (ENE) Guidelines, including chapter template, and data workbooks issued to institutions	November 2026
Preliminary allocation letters issued to departments	November 2026
Submission of ENE data workbooks (including human resource budget planning) and chapters by institutions	December 2026
Public entities submit MTEF board-approved budgets	December 2026
Submission of large-scale infrastructure proposals for Budget Facility for Infrastructure (BFI) - Quarter 4	08 January 2027
Cabinet approved allocations letters distributed to departments	January 2027
Submission of the 2027 Division of Revenue Bill to the Financial and Fiscal Commission (14 days before the tabling of the Budget)	February 2027
Budget tabled in Parliament	February 2027
2027/28 cash flow projections circular, including template, issued to departments	February 2027
Departments submit cash flow projections for 2027/28	26 February 2027
Approved 2027/28 cash flow projections issued to departments	March 2027

## 10. CONCLUSION

The 2027 MTEF Technical Guidelines serve as a vital blueprint for reinforcing fiscal discipline, improving allocative efficiency, and driving spending effectiveness across all spheres of the South African government. Set against a volatile global economic backdrop and constrained domestic growth, these guidelines shift the budgeting paradigm away from passive oversight toward active, structural intervention and rigorous baseline analysis.

By institutionalising analytical tools including the PAM and TARS processes, National Treasury establishes a clear expectation: public institutions must systematically phase out underperforming or redundant programs to fund critical national priorities within existing fiscal limits. Furthermore, the introduction of structural infrastructure reforms, automated processes, and standardized personnel management strategies underlines a broader commitment to optimizing the quality of public spending and mitigating systemic fiscal risks.

Successful implementation of the 2027 MTEF relies on collaborative, evidence-based planning between Budget Analysts, Accounting Officers, Chief Financial Officers, and program managers. Adhering to the timelines and analytical steps detailed in these guidelines will ensure that public resource allocation directly advances the mid-term targets of the MTDP 2024-2029, securing South Africa's long-term fiscal sustainability and delivering measurable value to its citizens.

## ANNEXURE 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:

- 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 to addressing cost pressures.
- Ranking of priorities: Indicate if the priority meets the ranking criteria (urgency, strategic contribution, expected impact and implementation readiness) and by order of importance in line with the MTDP. For each ranked priority, departments must provide relevant programme, the output or service delivery result to be delivered.
- 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)**

#### 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 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 2027 (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 2027 MTEF Guidelines for the Costing and Budgeting for Compensation of Employees. This guide must be used for the

preparation of expenditure estimates for the 2027 MTEF when costing compensation of employees.

- All National Treasury guidelines can be found at: <http://www.treasury.gov.za/publications/guidelines/>.
- The HRBP will in addition 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

- Public Institutions including schedule 2 public entities are required to:
  - adhere to the principles of the 2027 MTEF as articulated in section 5 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 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:

- 2027 MTEF workbook for the national government departments,
- 2027 Human Resource Budget Plan workbook,
- 2027 MTEF Budget Planning Baseline tool for public institutions
- 2027 MTEF Tagging workbook (where applicable)

When working with the workbooks, note that:

- The 2027 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 2029/30 baseline (outer year of the 2027 MTEF) has been calculated and pre-populated in the departments' MTEF workbooks. To calculate the 2029/30 baseline, non-recurrent allocations ending in 2028/29 were excluded from the 2028/29 baseline calculation purposes, and technical adjustments were also applied where applicable.

### 1.3.1. Inflation assumptions

- 2027/28 financial year: per cent CPI - 3.2%
- 2028/29 financial year: per cent CPI - 3.1%
- 2029/30 financial year: per cent CPI - 3.0%
- 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.

### 1.4. Other submissions

Separate submissions in respect of the following elements will also be considered in the 2027 Budget process:

#### 1.4.1. Conditional grant change proposal

##### 1.4.1.1. Requirements for Structural Changes (2027/28)

To propose any structural modifications to conditional grants for the 2027/28 cycle, departments must submit detailed proposals as part of their budget narrative by **26 June 2026**. These submissions must explicitly demonstrate alignment with the 2024 reform framework. Before submission, it is essential to consult with analysts from National Treasury's Public Finance unit and the Intergovernmental Policy and Planning (DoRA) team.

Furthermore, proposing departments must carefully evaluate and account for the administrative capacity and resources required to manage grant implementation. This includes ensuring adequate capabilities for the oversight and monitoring of transferred funds, as well as providing hands-on support to provinces and municipalities executing grant-funded projects. Any proposal failing to meet these strict prerequisites will be excluded from the grant framework meetings in October and November 2026.

##### 1.4.1.2. Policy Restrictions and Statutory Deadlines

Due to ongoing policy and legal ambiguities surrounding indirect conditional grants, a clear management framework remains a work in progress. Consequently, the creation of any new indirect grants will not be considered for the 2027 MTEF period.

Regardless of whether structural changes are being proposed, the statutory deadlines under the Division of Revenue Act (DoRA), 2026, must be strictly adhered to:

- **2 October 2026:** In accordance with Section 26(2)(a), all draft conditional grant frameworks and allocations must be submitted to the National Treasury.
- **Prior Approval Requirement:** Under Section 26(2)(d), any amendments to the allocation criteria of existing conditional grants must receive explicit National Treasury approval *before* draft frameworks or provisional allocations are finalized.
- **27 November 2026:** In line with Section 26(2)(e), final grant frameworks and allocations must be formally submitted, bearing the signature of the accounting officer or a properly delegated official.

#### 1.4.1.3. *Adjustments from New Legislation*

In the event of new legislation or amendments resulting in changes to funding arrangements, requests for rescheduling must be brought directly into the official budget process as part of the formal budget submission. Departments must consult relevant officials within both the Public Finance and Intergovernmental Relations branches before making such submissions as changes to funding arrangements will not be considered outside of this official channel.

## 2. TECHNICAL STRUCTURES

### 2.1. **The senior technical structures in the budget process are the Technical Committee on the Budget (TCB) and the Technical Committee on Finance (TCF):**

- TCB is a committee of senior officials from National Treasury, The Presidency, Public Service and Administration, Cooperative Governance, Basic Education, Social Development, Forestry, Fisheries and the Environment, Agriculture, Home Affairs and Tourism that engages with budget related matters throughout the year and makes recommendations to MINCOMBUD regarding budget allocations in the medium term expenditure framework, taking into account government priorities, funding available, alternative funding sources and the division of revenue amongst the three spheres of government.
- TCF is a committee of the heads of all provincial treasuries and is chaired by the DDG of the Intergovernmental Relations division of the National Treasury. The TCF considers intergovernmental finances and the division of revenue and makes recommendations to the Budget Council and Budget Forum

### 2.2. **The process of generating final budgetary recommendations to TCB includes the following elements:**

- National Treasury appoints a *coordinator* from the Public Finance division for each technical group, who will be responsible for engaging with budget institutions and preparing reports to the TCB for each technical group.
- Budget *bilaterals* are convened between National Treasury and senior finance and programme officials in each institution.
- *Technical group* meetings are held, in which relevant departments, public entities and provincial structures participate. Technical groups are aligned with particular outcomes specified in the MTDP. The technical group considers submissions by institutions and discusses the reallocation of resources within the group.
- In function areas with a significant concurrent powers (such as health, basic education, human settlements and municipal infrastructure), a *function 10x10*, composed of heads of department of the nine provincial and one national lead department in the function together with their finance counterparts, may be convened as a substitute for or complement to the work of the technical group. Where resource allocation decisions are recommended that alter the division of revenue across the three spheres of government, a function 10x10 may be required.

- The National Treasury may also convene *function group hearings* or other meetings involving senior officials from relevant institutions and experts from the relevant field. In this setting, several technical groups may be brought together to consider submissions by institutions and discuss the allocation of resources across the function as a whole.
- 2.3. Technical group coordinators will make input to a final function group report on the outcome of the process. These reports will be presented to TCB, which will make final recommendations to MINCOMBUD and then to Cabinet.

### **3. POLITICAL STRUCTURES**

#### **3.1. The Ministers' Committee on the Budget**

- MINCOMBUD has been constituted as a Committee of Cabinet, chaired by the Minister of Finance. Its members are appointed by the President on the recommendation of the Minister of Finance. MINCOMBUD may invite other members of Cabinet or senior officials to attend and/or present on issues of relevance to its mandate. In addition to political office bearers, MINCOMBUD meetings are attended by the Directors-General constituting the TCB. Senior officials of National Treasury attend as determined by the Director General: National Treasury. The Director-General: National Treasury ensures that the National Treasury provides administrative services for the proper functioning of MINCOMBUD.
- The functions of MINCOMBUD are to:
  - Consider and advise Cabinet on budget allocations to be included in the national budget, MTEF and the division of revenue framework.
  - Consider matters related to the determination of expenditure allocations, including the economic assumptions underpinning the budget, fiscal policy objectives and tax proposals.
  - Recommend, in terms of section 30(2)(b) of the PFMA, items of unforeseeable and unavoidable expenditure to be included by the Minister of Finance in the national adjustments budget. When performing this function, the President and the Deputy President chair MINCOMBUD, and constitute the “(MINCOMBUD)/Treasury Committee”.
- It is a standing protocol of MINCOMBUD that its members do not participate in the committee in order to further the specific objectives of the portfolios for which they have responsibility. Rather, MINCOMBUD members are expected to take a “whole of government” view in their deliberations.

#### **3.2. Budget Council and Budget Forum**

- The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Budget Council consisting of the Minister of Finance and the MEC for Finance of each province. The Chairperson of the Financial and Fiscal Commission may also attend the Budget Council. The Minister of Finance is the chairperson of the Budget Council.

- The Act defines the Budget Council as a body in which the national government and the provincial governments consult on any fiscal, budgetary or financial matter affecting the provincial sphere of government.
- The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Local Government Budget Forum comprising of the Minister of Finance (who is the chairperson), the MEC for Finance of each province and five representatives of the South African Local Government Association (SALGA) at national level as well as one representative of SALGA from each province. The Act defines the Budget Forum as a body in which the national government, the provincial governments and organised local government consult on any fiscal, budgetary or financial matter affecting the local sphere of government.

### **3.2.1. Joint MINMECs**

From time to time, the Minister of Finance in consultation with the Cabinet member responsible for another portfolio may convene a Joint MINMEC to consider sector budget issues and make recommendations to MINCOMBUD. A Joint MINMEC is comprised of the Minister of Finance, Members of the Executive Council of Finance from nine provinces and their counterparts at national and provincial level from the relevant department.

## **4. TECHNICAL AND FUNCTIONAL GROUPS**

### **4.1. Reconfiguration of the technical and function groups**

There will be a change in the usual deliberations between institutions, designed to support the focused ranking of priorities and the TARS process. Each department will need to motivate the rankings for its list of priorities and the trade-offs. Institutions will also be afforded an opportunity to present their underperforming programmes to be considered for the TARS process.

## 4.2. 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, 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
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,
	Post Retirement Medical Subsidies, Public Sector Pensions and Related Payments	National Treasury (Public Sector Pension and Related Payments Act Direct Charge)
	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, Electrification and Energy and (electricity distribution functions), Provincial Human Settlements, Provincial Public Transport, Local Governments, National Treasury (limited to conditional grants)

<b>FUNCTION GROUP</b>	<b>TECHNICAL GROUP (FUNCTION SUB-GROUP)</b>	<b>KEY DEPARTMENTS AND OTHER INSTITUTIONS</b>
Economic development	Industrialisation and Exports	Trade, Industry and Competition, Mineral Resources, Tourism, Small Business Development, Public Works and Infrastructure (Programme 4) provincial economic development
	Agriculture and rural development	Forestry, Fisheries and the Environment, Agriculture, Land Reform and Rural Development
	Labour Affairs and Works Programmes	Employment and Labour, Public Works and Infrastructure (Programme 3, Cooperative Governance, Community Works Programme
	Economic Regulation and Infrastructure	Electricity and Energy and (remaining Energy functions), Transport, Forestry, Fisheries, and the Environment (environmental regulation), Communications and Digital Technologies, Water and Sanitation (water resources), Provincial (Roads only) and Local Governments,
	Innovation, Science, and Technology	Science and Innovation
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

FUNCTION GROUP	TECHNICAL GROUP (FUNCTION SUB-GROUP)	KEY DEPARTMENTS AND OTHER INSTITUTIONS
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, 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 2)

**2027 MTEF**  
**MEDIUM TERM**  
**EXPENDITURE FRAMEWORK**  
**Technical Guidelines**

Private Bag X115, Pretoria, 0001 | 40 Church Square, Pretoria, 0002 | Tel: +27 12 315 5944 | [www.treasury.gov.za](http://www.treasury.gov.za)



**national treasury**

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National Treasury  
REPUBLIC OF SOUTH AFRICA