



PROCESS AND STRUCTURES FOR THE 2016 BUDGET

1. The budget process aims to ensure that resources are allocated to meet South Africa's political priorities and to improve the quality and effectiveness of spending within sustainable fiscal limits. Through the budget process, a large number of public institutions plan, collaborate, negotiate and decide together on a comprehensive plan for spending public resources over the next three years.
2. This memorandum explains the processes that will be followed within the national executive to arrive at the tabling of the 2016 Budget in parliament. It also describes the political structures that will lead this process and the parameters that will define expenditure control and decisions to allocate resources. Greater detail is given in the *MTEF technical guidelines: For the Preparation of Expenditure Estimates for the 2016 Medium Term Expenditure framework (MTEF)*.

FISCAL CONSTRAINTS AND EXPENDITURE PLANNING

3. The 2016 Budget will be prepared in a constrained fiscal environment. Government has committed itself to explicit limits on aggregate expenditure over the next two years. As a consequence there will be no general addition to baselines in 2016/17. The budget process for the first year of the framework will seek to align existing budgets more closely with policy objectives and unanticipated cost pressures.
4. In effect, this implies shifting towards a *two-year budget cycle* in which fiscal space is available in the year after the next appropriation. The 2016/17 appropriation will reflect estimates published in the 2015 Budget, subject to technical adjustments and targeted allocations that respond to the public-sector wage settlement. There may be scope to begin augmenting baselines to support Medium Term Strategic Framework (MTSF) priorities from 2017/18 onwards. The outcome of the public sector wage negotiations has significantly constrained the envelope even in the outer years of the framework. Depending on economic growth and revenue outcomes, it is expected that resource constraints will be less binding from 2018/19 onwards.
5. In this context, government will seek to improve the effectiveness of long-term expenditure planning. Allocations will be restrained in the outer years of the framework to preserve fiscal space for new policy priorities. The 2016 Budget process will give greater focus and structure to identifying these priorities, developing implementation plans and generating realistic cost estimates. In-depth assessments of baseline allocations will also be undertaken to shift resources within existing envelopes.
6. Efforts to contain compensation budgets will receive particular attention. Resources will not be made available for the expansion of funded posts in 2016/17, and possibly beyond. Where non-critical funded posts have not been filled for an extended period of time, resources may

be withdrawn. The Department of Public Service and Administration and National Treasury will work together to strengthen controls on compensation expenditure and limit the scope for new appointments and “grade creep”. National Treasury will establish explicit limits on personnel expenditure within each budget vote and these will be strictly enforced within the financial management and HR systems environment. Benchmarks for provincial spending on personnel will also be closely monitored to sustain controls already in place.

OBJECTIVES AND SCOPE OF THE BUDGET PROCESS

7. The substantive objectives of the budget processes are:
 - *Fiscal sustainability*: achieving an appropriate balance between revenue, expenditure, the debt level and other fiscal aggregates in a manner that promotes economic stability over the economic cycle and ensures a sustainable fiscal position.
 - *Effective allocation of resources*: achieving an allocation of limited resources that reflects the political and policy priorities of government and which takes account of evidence of programme effectiveness.
 - *Value for money*: resource allocation through the budget and new approaches to procurement must contribute to the constitutional requirement that “efficient, economic and effective use of resources must be promoted”.
8. Process objectives for the 2016 MTEF include:
 - Extending the quality of *long-term expenditure planning* by giving greater weight to resource allocation in the outer years of the framework.
 - Improving the *political and technical interface* in relation to the budget, so that political priorities are translated into budget allocations, while ensuring that technical analysis and evidence informs political prioritisation.
 - Strengthening *intergovernmental engagement* to improve budgeting for areas of concurrent national and provincial legislative competence and functions assigned to local government, as required by the Constitution.
9. The budget process is organised to allocate resources across four dimensions:
 - (a) The principle of *function budgeting* which clusters institutional activities and resource allocation around policy objectives or outcomes.
 - (b) The *economic allocation* of spending, which balances resources between the purchase of inputs such as human capacity (compensation), physical assets (capital spending) or goods and services.
 - (c) The Constitution requires that resources are shared equitably between the three spheres of government. The budget includes a process of *intergovernmental fiscal planning* through which national, provincial and local government cooperate to design intergovernmental fiscal instruments and allocate resources towards common objectives.

- (d) A *consolidated budget* approach to the public finances which integrates departmental budgets of national and provincial government with the financing of agencies, entities and other institutions that are largely funded by the fiscus.

FIGURE 1: FOUR DIMENSIONS OF THE BUDGET

OUTCOMES	FUNCTIONAL	ECONOMIC	INPUTS
	<ul style="list-style-type: none"> ▪ Health ▪ Education ▪ Social protection ▪ Safety and security ▪ Economic affairs ▪ Human settlements ▪ Rural development and agriculture ▪ General public services 	<ul style="list-style-type: none"> ▪ Compensation of employees ▪ Interest payments ▪ Capital spending ▪ Goods and services ▪ Transfers and subsidies 	
SPHERES	INTER-GOVERNMENTAL	CONSOLIDATED	INSTITUTIONS
	<ul style="list-style-type: none"> ▪ National ▪ Provincial ▪ Local <p><i>Equitable share, conditional grants and indirect grants</i></p>	<ul style="list-style-type: none"> ▪ Departments ▪ Agencies ▪ Funds and trading accounts ▪ Business enterprises ▪ Authorities, councils, commissions <p><i>All institutions that depend on the fiscus for income</i></p>	

10. **Function-budgeting** serves two purposes:
- It is a method of categorising expenditure based on the policy objectives which the expenditure is intended to achieve.
 - It is a framework in terms of which the budget process is organised. The process of planning, collaborating, negotiating and deciding on resource allocation is aligned within a function group categorisation of expenditure.
11. Classifying resource allocations according to their purpose shifts the focus of budgeting from line items to outcomes. This implies a discussion of the relationship between allocations and the design of policy frameworks, institutional arrangements and delivery models that seek to achieve a particular outcome. It takes budgeting beyond a focus on individual administrative units, recognising that policy outcomes require cooperation between complementary stakeholders.

TABLE 1: FUNCTION AND TECHNICAL GROUPS

FUNCTION GROUP	TECHNICAL GROUPS	NDP CHAPTER	MTSF OUTCOMES
1. BASIC EDUCATION	1 Basic education	9	1, 5
	2 Arts, sport, recreation and culture	15	14
2. POST-SCHOOL EDUCATION AND TRAINING	3 Post-school education and training	9, 3	5
3. HEALTH	4 Health	10	2
4. SOCIAL PROTECTION	5 Social development and welfare services	11	13
5. DEFENCE, PUBLIC ORDER AND SAFETY	6 Defence and state security		
	7 Police services	12, 14	3
	8 Law courts and prisons		
6. ECONOMIC AFFAIRS	9 Industrial development and trade	3, 5, 7	
	10 Employment, labour affairs and social security funds	11	4, 10, 5, 13
	11 Science, technology, innovation and the environment	9	
	12 Economic infrastructure and network regulation	4	6
7. HUMAN SETTLEMENTS AND MUNICIPAL INFRASTRUCTURE	13 Human settlements and municipal infrastructure	8, 13	8, 9, 12
8. AGRICULTURE, RURAL DEVELOPMENT AND LAND REFORM	14 Agriculture, rural development and land reform	6, 3	7
9. GENERAL PUBLIC SERVICES	15 Executive and legislative organs		
	16 General public administration and fiscal affairs	13, 14	12, 9
	17 Home affairs		
	18 External affairs and foreign aid	7	11
MTSF OUTCOMES		NDP CHAPTERS	
[1] Quality basic education		[1] Key drivers	
[2] A long and healthy life for all South Africans		[2] Demographic trends	
[3] All people in South Africa are and feel safe		[3] Economy and employment	
[4] Decent employment through inclusive economic growth		[4] Economic infrastructure	
[5] A skilled and capable workforce to support an inclusive growth path		[5] Transitioning to a low carbon economy	
[6] An efficient, competitive and responsive economic infrastructure network		[6] Inclusive rural economy	
[7] Comprehensive rural development and land reform		[7] Positioning South Africa in the world	
[8] Sustainable human settlements and improved quality of household life		[8] Human settlements	
[9] Responsive, accountable, effective and efficient developmental local government		[9] Improving education, innovation and training	
[10] Protect and enhance our environmental assets and natural resources		[10] Promoting health	
[11] Create a better South Africa, a better Africa and a better world		[11] Social protection	
[12] An efficient, effective and development oriented public service		[12] Building safer communities	
[13] An inclusive and responsive social protection system		[13] Building a capable state	
[14] Nation building and social cohesion		[14] Promoting accountability and fighting corruption	
		[15] Transforming society and uniting the country	

12. Table 1 shows how the nine function groups are defined in the 2016 Budget process. The function groups are structured to align as far as possible to the 14 outcomes identified in the 2014-2019 MTSF. The function groups also facilitate a discussion of a relationship between budgets and the vision contained in the National Development Plan (NDP).
13. Where appropriate, function groups are subdivided into technical groups for purposes of discussion and engagement during the technical phase of the budget process. The *MTEF technical guidelines* contain more detail, including the assignment of budget institutions to specific groups.

14. In order to realise the policy outcomes represented by function groups, government must purchase inputs that can be distinguished by an **economic classification** of spending. The major elements of this classification are compensation of employees, payments for capital assets (capital spending), interest payments, goods and services, and transfers and subsidies.
15. The allocation of resources between these purchases is a critical issue in the budget. Government seeks to shift the composition of spending towards capital, and limit the growth of consumption spending, which includes wages and goods and services. Some policy decisions, such as the public sector wage agreement, limit the achievement of this objective.
16. To ensure proper attention to the critical elements of the economic classification, the 2016 Budget process will also include a number of technical groups structured around the economic classification of payments. These groups will be co-convened by National Treasury and relevant line departments, as reflected in table 2, and will include participants from appropriate departments. They will prepare analytical reports and recommendations to MTEC.

TABLE 2: TECHNICAL GROUPS ON INPUTS

TECHNICAL GROUP	FOCUS	CO-CONVENOR
1. COMPENSATION OF EMPLOYEES	Limiting the growth of compensation of employees pressures on budgets across government and achieving value-for-money in the use of human resources.	DPSA
2. CAPITAL SPENDING AND MAINTENANCE	The allocation of resources to capital projects and maintenance of existing infrastructure.	EDD/PICC
3. RESEARCH, DEVELOPMENT AND INNOVATION	The allocation of resources across all departments, all spheres of government and public entities and agencies that purchase policy research, develop technology and contribute toward innovation.	DST
4. PROCUREMENT	Value-for-money, planning and cost containment in the purchase of goods and services across government. Balancing these objectives with the developmental goals of procurement policy and considering the implications of the latter on resources.	CPO/DPME

17. Several function groups deal with areas of concurrent power that are funded through the system of **intergovernmental fiscal relations** between the national, provincial and local spheres of government. *Basic education* (group 1) and *health* (2) are financed through a combination of the provincial equitable share, conditional grants to provincial governments, and national spending. The *human settlements and municipal infrastructure function* (7) also requires effective fiscal relations between national, provincial and local spheres.
18. Most other function groups involve some degree of intergovernmental cooperation. The Budget process must ensure:
 - Alignment between the national budget processes and nine provincial budget processes.
 - Alignment of national sector-departments in the execution of mandates and the design of fiscal instruments at provincial and local level.

- That intergovernmental fiscal transfers are structured to achieve common policy objectives in the most cost effective manner.
 - That provincial and local governments have sustainable funding so that they can continue to deliver on their mandates.
 - That all three spheres of government contribute adequately to the funding of concurrent functions in line with public priorities. Where allocations from one sphere displace rather than complement resources allocated by another sphere, this can erode the effectiveness of intergovernmental fiscal cooperation.
19. In addition to examining the budget from a function or economic perspective, the budget process must therefore also consider whether the constitutional requirement for an equitable division of revenue between the three spheres has been met. The national budget process must therefore include extensive engagement with other spheres to ensure that shared priorities are agreed upon. The budget process relies on a number of intergovernmental fiscal structures to achieve this. These include the Budget Council and Budget Forum, which consider all the decisions made in the course of the budget process that have intergovernmental implications.
20. While national revenue must be shared across three spheres of government, the budget is consolidated to include public entities and social security funds that receive their revenue from the fiscus and other sources. Over 180 agencies are incorporated into the **consolidated budget** framework. In several instances these entities build up surpluses or risks on their balance sheets which have direct consequences for the fiscal position of government. The policy mandates and associated financial programmes of these institutions should be properly integrated into the budget process.
21. Several imbalances associated with *earmarked taxes* have emerged in the fiscal system, and will be subject to comprehensive scrutiny during the budget process. These include:
- The surpluses accumulating in the sector education and training authorities and the National Skills Fund, which receive funding directly from the skills development levy.
 - Large and accumulating liabilities at the Road Accident Fund, which receives income from fuel levies.
 - The large and accumulating surplus at the Unemployment Insurance Fund, which receives income from UIF contributions.
22. The budget process must also take account of risks and opportunities on the broader public sector balance sheets. While some of these fall outside government's budget proper, their evolution can have significant consequences for fiscal sustainability. Public entities listed in the Public Finance Management Act, Act 1 of 1999 (PFMA) will be expected to participate fully in budget discussions through the normal processes described below.

23. The budget process will also consider funding pressures arising in state-owned companies. Funding pressures that relate to the need for subsidies to support ongoing developmental activities or non-commercial public policy objectives will be addressed in function and technical group discussions. MTEC will also hold a special hearing to consider any request for capital allocations. In general, a capital allocation should enable a SOC to expand its activities, and should not reflect the build-up of operational losses on the back of an unsustainable business model or the accumulated impact of unfunded developmental mandates. Requests for capitalisation will also need to be accompanied by clear proposals from the sponsoring line department regarding the disposal of non-core assets or other measures to finance the capital allocation.

EXPENDITURE CONTROL FRAMEWORK

24. During the 2016 Budget process, decisions about resource allocation will take place within a constrained fiscal environment. Government has committed itself to an explicit expenditure ceiling, set out in Budget 2015, as reflected in table 3.
25. Non-interest expenditure financed from the National Revenue Fund must remain within these limits. This includes allocations to national departments, as well as the provincial and local elements of the division of revenue. The outcome of the public sector wage negotiations and the potential for higher than anticipated inflation will add to the pressure on these budgets.

TABLE 3: EXPENDITURE CEILING FOR THE 2016 MTEF

R billion	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*
National departments	420.0	453.2	491.4	523.0	553.8	586.1	
Provinces	380.9	410.6	439.7	468.2	496.3	526.4	
Local government	76.4	82.8	89.1	99.8	103.9	110.0	
Non-interest allocations	877.4	946.6	1 020.1	1 090.9	1 154.0	1 222.5	
Unallocated reserves				5.0	15.0	45.0	
Main budget non-interest expenditure	877.4	946.6	1 020.1	1 095.9	1 169.0	1 267.5	
<i>Growth rate over previous year</i>	7.9%	7.9%	7.8%	7.4%	6.7%	8.4%	

* To be determined

26. The expenditure control framework for the 2016 Budget will be structured as follows in order to achieve government's fiscal commitments:
- The expenditure ceilings contained in table 3 will remain in place for 2016/17 and 2017/18.
 - For national government:
 - *Departmental Expenditure Limits*, based on current allocations, will establish the aggregate upper limit of expenditure for each department.
 - Within each departmental expenditure limit, a *personnel budget envelope* will be established on the assumption that funded personnel headcounts do not expand over the next two years.

- Decisions about reprioritised resource allocation as well as any augmentation of resources above these limits will be subject to thorough scrutiny informed by analysis of national spending profiles.
 - c) For provincial government, National Treasury will evaluate spending against benchmarks to help inform decisions about resource allocation. Provincial Treasuries will be requested to design their budget processes using the same principles guiding the national process.
27. Three factors that affect baseline allocations will be concluded before the tabling of the MTBPS in October, but are currently undecided. These are:
- (a) The allocation of *unallocated reserves* of R15 billion in 2016/17 and R45 billion in 2017/18.
 - (b) The determination of the *expenditure ceiling* for the new outer-year of the framework (2018/19).
 - (c) The balance between spending allocated to existing programmes within current baselines and the resources held back as *unallocated reserves* in 2018/19.

Decisions about these factors will be recommended to Cabinet by MINCOMBUD before the tabling of the MTBPS. To enable budget preparation before then, each vote will be assigned a *planning baseline* for 2018/19, and a similar estimate will be established for provincial and local government. While required for planning purposes, these initial baseline estimates are likely to change as decisions are taken by political structures in respect of the fiscal framework, or taking account of outcomes of the resource allocation framework. A final indicative baseline for 2018/19 will be issued in preliminary allocation letters, to be distributed shortly after the tabling of MTBPS.

RESOURCE ALLOCATION FRAMEWORK

28. The resource allocation framework seeks to achieve better alignment of existing budgets to policy priorities and create the space for strategic decisions within the expenditure control framework.
29. Resource allocation decisions will be guided by the MTSF, the NDP and the outcomes of the Cabinet Lekgotla in July. In addition, technical engagement around resource allocation will take account of:
- Departmental strategic plans, annual performance plans and budget review and recommendations reports tabled in parliament.
 - The 2015 MTEC report and other analytical work produced during the last budget process.

- Expenditure and performance reviews, evaluations and performance dialogues conducted over the last year by the Department of Planning, Monitoring and Evaluation and National Treasury and other evidence of programme effectiveness.
30. Particular attention will be given to reforms to institutional arrangements, policy frameworks and delivery models that would promote more effective achievement of value-for-money in the execution of policy objectives. Economic composition of expenditure considerations will also be taken into account, as well as the implications of proposals for the division of revenue.
31. Resource allocation will be structured in terms of the following “windows” or opportunities to shift or augment allocations. The process and criteria attached to each window are given greater substance and detail in the *MTEF technical guidelines*.

(a) Adjustment in 2015/16:

Most of the R5 billion contingency reserve in the current fiscal year will be required to fund wage bill pressures arising from the public sector salary negotiations. As a consequence, the resources available to finance unforeseeable and unavoidable expenditure or roll-overs will be very limited. During 2015/16, there is very little scope to allocate resources in the adjustments budget, and in some cases departmental appropriations could be reduced to finance shortfalls arising from the public sector wage agreement.

(b) Realignment of 2016/17 baselines

Departments should reconsider their 2016/17 baseline, as contained in the allocation letters issued last year. Realignment of the baseline should seek to achieve better correspondence between resources and policy objectives in the light of outcomes for the last fiscal year and in relation to emerging cost pressures. Departments will lead this process, assisted by National Treasury budget analysts and the DPME.

(c) Reprioritisation within 2017/18 baseline and 2018/19 planning baseline

Treasury budget analysts will assist departments to reprioritise resources in the outer years of the framework, to achieve a better correspondence between resources and policy objectives. In addition, to give stronger focus to reprioritisation, departments must seek to identify resources amounting to 3 per cent and 5 per cent of their baselines in the two outer years of the framework respectively.

Amounts identified for reprioritisation will be allocated to the departments that identify them. The intention is to support new policy objectives contained in the MTSF by phasing out commitments to programmes that are no longer priorities, or by finding cost savings within the budgeted baseline. Departments will lead this process, assisted by National Treasury budget analysts and the DPME. Reprioritisations that shift resources across the division of revenue (for instance towards or away from conditional grants) will need to be scrutinised in the appropriate intergovernmental structures.

(d) Augmentation window for new allocations beginning in 2017/18

Resources available for new programmes from 2017/18 onward will be allocated on the basis of proposals submitted by executive authorities during the course of the 2016 Budget process. Explicit proposals will be required for new projects that demonstrate achievement of MTSF objectives that are not currently funded, and the upscaling of current programmes that have proven successful, or for urgent cost pressures. Among the criteria for evaluating these proposals will be the extent to which a department can demonstrate results in shifting resources within its existing envelope towards new policy proposals, as envisaged in paragraph (c) above.

Initial submissions will take the form of concept documents. Each proposal document should be submitted through the national department and be no more than five pages in length and must include a realistic ball-park costing of the proposal. A detailed specification of the format for bids is contained in the *MTEF technical guidelines*. An adjudication process will be undertaken during the course of the year, led by MTEC and concluding in recommendations to MINCOMBUD and Cabinet.

32. All resource allocation decisions will be presented to Cabinet for approval on recommendation of MINCOMBUD. Resource allocation decisions that involve a change to the division of revenue will also need to be discussed in the Budget Council and Budget Forum prior to Cabinet approval. This includes the redirection of resources from direct conditional grants to indirect grants or vice versa.

TECHNICAL STRUCTURES

33. The senior technical structures are the Medium Term Expenditure Committee (MTEC) and the Technical Committee on Finance (TCF):
 - MTEC is a committee of senior officials from NT, DPME, COGTA and DPSA that 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, Budget Forum and MTEC.

34. The process of generating final recommendations to MTEC includes the following elements:
- National Treasury appoints a *coordinator* for each technical group, who will be responsible for engaging with budget institutions and preparing reports to the MTEC for each technical group.
 - Budget *bilaterals* are convened between National Treasury and senior finance and programme officials in each 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 MTSF. The technical group considers submissions by institutions and discusses the reallocation of resources within the group as a whole.
 - In function areas with a large degree of concurrent powers (such as health, basic education and 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, will be convened as a substitute or complement for the work of the technical group. Where resource allocation decisions are recommended that alter the division of revenue across the three spheres of government, a function 10x10 will be required.
 - *Performance dialogues*, convened by the Department of Planning, Monitoring and Evaluation (DPME) together with the technical group coordinators will be held for each technical group.
 - MTEC may also convene *function group hearings*, *DG's budget forums on budget policy* or other meetings involving senior officials from relevant institutions and experts from the relevant field. In this setting, several technical groups may be brought together to consider submissions by institutions and discuss the allocation of resources across the function as a whole.
35. Technical group coordinators will prepare a final report on the outcome of the process. These reports will be presented to MTEC, which will make final recommendations to MINCOMBUD and then to Cabinet.

POLITICAL STRUCTURES

The Ministers' Committee on the Budget

36. MINCOMBUD has been constituted as a Committee of Cabinet, chaired by the Minister of Finance. Its members were appointed by the President on recommendation from the Minister of Finance. A list of the members of MINCOMBUD is contained in Annexure 1. MINCOMBUD may invite other members of Cabinet or senior officials to attend and/or present on issues of relevance to its mandate. In addition to political office bearers, MINCOMBUD meetings are attended by the Directors-General of National Treasury, the Presidency, and the Departments of Planning, Monitoring and Evaluation and Cooperative Governance. Senior officials of

National Treasury attend as determined by the Director General: National Treasury. The Director-General: National Treasury ensures that the National Treasury provides administrative services for the proper functioning of MINCOMBUD.

37. 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”.
38. 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.

Budget Council and Budget Forum

39. 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.
40. 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.
41. The Intergovernmental Fiscal Relations Act (97 of 1997) establishes a Local Government Budget Forum comprising of the Minister of Finance (who is the chairperson), the MEC for Finance of each province and five representatives of the South African Local Government Association (SALGA) at national level as well as one representative of SALGA from each province. The Act defines the Budget Forum as a body in which the national government, the provincial governments and organised local government consult on any fiscal, budgetary or financial matter affecting the local sphere of government.

Joint MINMECs

42. 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.

Annexure 1

COMPOSITION OF MINCOMBUD: 2016 BUDGET

Chair and convenor

1. Minister of Finance, Mr. Nhlanhla Nene

Given their importance to the budget process, Ministers responsible for the following portfolios are ex-officio members of MINCOMBUD:

2. Planning, Monitoring and Evaluation, Mr Jeff Radebe
3. Public Service and Administration, Mr Nathi Mthethwa (Acting)
4. Cooperative Governance and Traditional Affairs, Mr Pravin Gordhan
5. Public Enterprises, Ms Lynne Brown
6. Chair of the Economic Cluster, Mr Gugile Nkwinito
7. Chair of the Social Cluster, Ms Bathabile Dlamini

Additional members appointed by the President on recommendation from the Minister of Finance

8. Dr Rob Davies, Minister of Trade and Industry
9. Dr Aaron Motsoaledi, Minister of Health
10. Ms Naledi Pandor, Minister of Science and Technology
11. Ms Nomvula Mokonyane, Minister of Water and Sanitation
12. Mr Mcebisi Jonas, Deputy Minister of Finance

When it is executing its Treasury Committee function and at other times at the discretion of the President, the President chairs MINCOMBUD.

In addition to political office bearers, MINCOMBUD meetings are attended by the Directors-General of National Treasury, the Presidency, and the Departments of Planning, Monitoring and Evaluation, and Cooperative Governance. Senior officials of National Treasury attend as determined by the Director General: National Treasury.

MINCOMBUD may also invite other members of Cabinet or senior officials to attend and/or present on issues of relevance to its mandate.