



## **PROVINCIAL TREASURY CIRCULAR NO. 44 OF 2025**

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**TO:**

**DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA  
SECRETARY OF THE MPUMALANGA LEGISLATURE  
HEADS OF DEPARTMENTS  
CHIEF EXECUTIVE OFFICERS OF PUBLIC ENTITIES**

**CHIEF FINANCIAL OFFICERS OF DEPARTMENTS  
CHIEF FINANCIAL OFFICERS OF PUBLIC ENTITIES**

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## **SUBJECT: FIRST DRAFT BUDGET SUBMISSIONS FOR 2026 MTEF**

In terms of Treasury Regulation 5.1, the Accounting Officer of an institution must prepare a plan that is consistent with the period covered by the Medium-Term Expenditure Framework (MTEF) for approval by the executive authority.

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

- The 2026 MTEF will be anchored in government's commitment to stabilise and gradually reduce the debt-to-GDP ratio.
- Additions to the overall fiscal envelope will only be considered for priority interventions if fiscal space has been created through the Targeted and Responsible Savings (TARS) process.
- Any budget pressures or new funding requirements must first be addressed through existing baselines. Programmes that have consistently underperformed or failed to achieve expected outcomes should be considered for reprioritisation or reallocation.
- Any additional funding requirements for a specific programme must be offset by reprioritisation; this may include reprioritisation across departments or entities.
- Compensation budgets must remain within the limits set in the 2025 Budget. This implies that departments will need to manage the overall size of the establishment to offset the unit cost of their workforce.
- Salary adjustments across public institutions must be aligned with the public service wage bill management strategy. Departments and entities must consider the medium- and long-term implications of remuneration decisions on future budget allocations.

- Early Retirement Programme is intended to provide a voluntary exit path for eligible employees, helping to manage the public service wage bill and create efficiencies

To support a more strategic and evidence-based budget process, the departments and public institutions are expected to undertake their own internal baseline analysis as part of the 2026 MTEF submissions. This is critical in ensuring that departmental budgets reflect the most urgent needs, deliver value for money, and remain aligned with the provincial and national priorities of the Medium-Term Developmental Plan (MTDP) with emphasis on Strategic Priority 1: Driving Inclusive Growth and Job Creation. Departments and public institutions should undertake a structured review of their baseline allocations by conducting the following steps:

- Step 1: Disaggregate the Baseline by Programme and Subprogramme
- Step 2: Assess Alignment with the MTDP and Departmental Strategic Plan
- Step 3: Evaluate Performance and Delivery Outcomes
- Step 4: Identify Cost Drivers and Spending Trends
- Step 5: Assess Efficiency and Value for Money
- 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.
- Step 7: Document and Submit Finding

## **COSTING ASSUMPTIONS**

In budgeting for non-personnel expenditure items within the department's budget baseline, the following projections can be utilised to inform the provisions that departments choose to make for general price increases over the 2026 MTEF period:

### *Consumer Price Index (CPI)*

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

When budgeting for compensation of employees, provincial departments must also make sure that sufficient provision is made for pay progression of 1.5 per cent in each of the 2026 MTEF financial years. Housing allowance must also be increased by CPI while medical contributions are increased by medical price.

Attached to this circular are the following guidelines which must be consulted for more details in preparation of expenditure estimates for the 2026 MTEF:

- 2026 MTEF Technical Guidelines for provinces
- 2026 MTEF Technical Guidelines for Costing and Budgeting for Compensation of Employees
- EPRE Provincial Budget Formats Guide 2026

**Submission Requirements**

All departments and public institutions are requested to submit a **baseline analysis narrative report** supported by the completed **2026 MTEF Database (excel and the signed summary hard copy)** as well as **detail cost per head** on or before **01 August 2025**. June IYM figures must be captured on the revised estimate.

The budget submission of provincial departments and public institutions to the Provincial Treasury must be submitted by the Accounting Officer of the department and accompanied by a **signed covering letter** confirming that the submission is the expression of the department's strategic direction with regards to any budget baseline changes that have resulted from budget deliberations of its executive management.

The Provincial Treasury will be conducting the 2026 MTEF Budget Preparation Workshop to assist all votes and public entities on *24 July 2025* commencing with technical guidelines discussions and ending with a demonstration of the key changes on the databases to technical officials.

Your co-operation in this regard is highly appreciated.



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**MS. GUGU MASHITENG**  
**HEAD: PROVINCIAL TREASURY**  
**DATE: 21-07-2025**