

Zero tolerance for bad budgeting in public sector

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The Budget Speech delivered by the Minister of Finance on 24 February 2021 cast some light on what developments we can expect on the public procurement front in South Africa. The government spends close to a trillion rands on public procurement which accounts for approximately one-fifth of South Africa's gross domestic product, and is a significant feature of state operations and of allocative patterns in the broader economy.



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The [Public Procurement Bill](#), currently in the parliamentary process, is intended to address fragmentation in public procurement legislation – a much needed reform in order to provide certainty, curtail procurement irregularities and ensure the integrity and efficiency of public procurement in South Africa.

As it stands, the bill aims to repeal the Preferential Procurement Policy Framework Act, 2000, the Regulations of 2017, related procurement law as well as the preferential point system. The bill is intended to give substance to the requirements that public procurement must be fair, equitable, transparent, competitive and cost-effective per section 217(3) of the Constitution.

During the Budget Speech, the Minister noted that many of the public comments had been in favour of “zero-based budgeting”. It is thus important that suppliers contracting with government and public entities understand what zero-based budgeting is and what changes it may lead to in public procurement.



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Zero-based budgeting is a method of budgeting in which all of the proposed costs for the period of a transaction must be justified. In other words, the process of budgeting must start from a "zero base". A zero-based budget is built around what is needed to meet the entity's upcoming liabilities and needs. To date, many public entities and government departments

have been budgeting on an incremental basis – taking the previous year's budget and increasing it for the upcoming year.

Zero-based budgeting will be a more intensive budgeting process for tenderers and for public entities but it is expected to:

- decrease in fruitless spending by avoiding blanket increases;
- prevent wasteful expenditure due to the structured, interactive rationalised nature of the budget;
- facilitate good governance practices, visibility and accountability in public entities and government departments; and
- lessen the scope for corruption because expenses must be detailed and justified on an annual basis.

The implementation of zero-based budgeting will mean costs are assessed at the inception of the year and the transaction period.

The move to zero-based budgeting and the proclamation of the bill will hopefully decrease the number of delays and challenges to tender processes and administrative law reviews as well as the costly litigation and damages claims that come with those reviews. The bill also makes provision for a review process before a Public Procurement Tribunal which is also aimed at facilitating more efficient administrative law reviews.

The bill was gazetted for public comment in 2020 and has since been tabled in Parliament for consideration. However not much progress has been made following a presentation of an overview of the bill by the Parliamentary Budget Office in October 2020. In the budget though, the Minister announced National Treasury will be fast-tracking the Bill with the aim of tabling it before Cabinet during 2021.

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