

SIGNIFICANCE OF BUDGET ACCOUNTABILITY FOR ECONOMIC JUSTICE

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Introduction

This booklet describes and elaborates government's budgetary decision making processes which are shaped within competing priorities for resource allocations. Such processes and priorities have serious implications for economic justice in society. The critical role of budget as a tool for resource mobilization i.e., generating revenues for the proposed expenditures has been extensively explored both in theory as well as in applied research. However, linking the budgetary processes with economic justice has not been seriously debated amongst the people and policy circles especially in the case of Pakistan.

The issues of governance, transparency, and accountability have been in the limelight from a long time now. A vast literature is available on the interconnections and interdependence among economic growth and development and wellbeing with the governance and its composite elements. More importantly, the influential and path breaking work of Nobel Laureate Amartya Sen has provided the modern philosophical and economic underpinnings for explaining the rights and their connections with the capabilities and functionings of citizens for human development. This approach, adopted specially by development organizations, has been influential in justifying the claims of the poor and vulnerable segments of society on the government's fiscal commitments and allocations in order to realizing their capabilities to live a life with dignity, respect, and freedom. Take one step further, the budgetary allocations for pro-poor, gender responsive budgeting, social safety nets and other related dimensions of public fiscal action are and should be taken as the responsible obligations on governments towards the constitutionally protected fundamental rights.

The chapter 1 of this booklet outlines the importance and procedure of the budget making process in Pakistan at the federal and provincial levels. It is customary in Pakistan to analyse the budget as a standalone document. However, in order to understand its background, the rational of fiscal choices and their implications for economic justice, one has to go deeper in the institutional and constitutional realities. Other factors worthy of serious analysis are socio-economic priorities of governments, policy space, and general economic situation in which a budget is made. It is argued that the budget is not only an economic document but a tool of government in performing its constitutional, social and political responsibilities (implied by the social contract and enshrined in the specifically stated fundamental social, economic, and political rights stated in the constitution) towards the citizens of Pakistan. It is closely linked with other macroeconomic policies specially the fiscal and monetary ones which in turn are guided by the macroeconomic objectives of the government.

This chapter also discusses the role of Civil Society Organizations (CSOs) in Pakistan in the context of budget process. CSOs in Pakistan are increasingly realizing the critical importance and various dimensions of the budgetary decisions of governments, the surrounding political economy and their linkages with the realization of collective wellbeing of the society specially that of the poor and vulnerable communities. The concerns of CSOs about the wellbeing of people motivate them to raise questions and seek answers about the economic policies and budgetary decisions. However, there is an immense need for the civil society to raise its awareness levels about the new budgetary process (after the implementation of Post-Gender Responsive Budgeting under Medium Term Budgetary Framework, Poverty Reduction Strategy Paper's commitments), specially in the formulation, authorization, execution, and the oversight, and most importantly the impact evaluation for drawing lessons and build upon its knowledge for greater impact in the next budget year. This is important because: even when public funds have been allocated to specific programs for the marginalized and the poor, women and children, or the disabled, inefficient and ineffective management of expenditure and program can result in funds never reaching the intended beneficiaries and thus failing to achieve the desired outcomes of economic justice.

The lack of political power among the marginalized people to hold their government accountable (for not

effectively performing the constitutional responsibilities) is another factor in poor budget execution (i.e., after the budget is passed, how money is actually raised and spent). CSOs, during different phases of the budgetary cycle, should mobilise and raise a voice as responsible members of the society where such discriminations takes place (no matter by commission or by omission).

Apart from the federal budget, another very important document that is not only important for understanding the budget process, but also for analyzing the likely future pro-poor expenditures by the government in Pakistan, is housed in the Finance Division and that is Poverty Reduction Strategy Paper. Alongside, some other documents specially the Medium Term Budgetary Framework (MTBF, prepared by Finance Division), Medium Term Development Framework (MTDF, prepared by Planning Commission), and Medium Term Expenditure Framework (MTEF, prepared by Finance Division) need special mention in order to grasp the full spectrum of institutions and policies involved in budgetary allocations.

In Chapter 2, this booklet has given a historical perspective on the government's policy commitments and subsequent actions related with pro-poor expenditures (through the Poverty Reduction Strategy Papers (PRSPs) over the years). Gender Responsive Budgeting (specially with reference to its impact on the MTBF Budget Call Circular, and reporting of outcomes disaggregated by gender) has also been discussed in order to understand the policy environment and spaces for raising voice. PRSPs have acted as a strategic commitment of the Government of Pakistan to consistently focus on 17 pro-poor sectors including education, health, social safety nets, and income support programmes. On the other hand, the Gender Responsive Budgeting (GRB) is a powerful tool for mainstreaming gender dimension into all stages of the budget cycle (specially in the federal and provincial budgets) and for measuring progress on national and international gender related commitments. In general, gender responsive budgeting aims at analyzing the differential impacts of a state's national and local expenditure as well as revenue policy on women and girls, and men and boys, respectively.

However, it is important to know that gender-responsive budgets are not separate budgets for women or for men, but rather are analyses of actual budgets through a gender lens. The government, with the support of its development partners, initiated a Gender Responsive Budgeting Initiative (GRBI) in 2005, and after its completion in 2007, it was merged with the monitoring poverty reduction strategy project where it continues to function. Furthermore, the links between PRSP and MDGs have been identified and reported so that the CSOs can effectively use this booklet for the same purpose. PRSPs act as medium term commitments to spend money and achieve certain poverty related outcomes in 17 pro-poor sectors – while the federal budget is a short term annual plan that helps materialise the PRSP commitments in a specific year.

Chapter 3 relates to the international best practices related to the budget accountability. It specially mentions the importance of accountability in governance and discharge of responsibility by public officials and institutions. This has become a norm in the international practices related to governance research and advocacy to attach high importance to accountability for democratic governance. In short, the more effective and responsible contributions of civil society organizations, parliaments, and other stake holders to the budget process help strengthen transparency and accountability in the management of public finance.

In well functioning democratic systems of government, effective parliaments and their active members perform the very basic and important accountability functions embedded in their representative (being representative of the people who elected them), legislative (making rules and laws that provide a legal and constitutional cover as well as direction to policies and actions) and oversight (monitoring the impact and correcting the flaws) responsibilities. It follows that if good governance is to be promoted, through the expansion of voice and accountability, then the budgetary process should be a prime target for change. This will not be easy, because the vested interests that have benefited from traditional practices will stand in the way. But changes have begun to occur. At international level there are various independent or group of organistaions that are working for promoting budget accountability, and transparency. This chapter specially mentions the efforts of the International Budget Partnership (IBP) that collaborates with civil society around the world to analyze and influence public budgets in order to reduce poverty and improve the quality of governance. The other important program Economic Literacy for Budget Accountability and

Governance (ELBAG) has also been highlighted.

Chapter 4 is largely connected to analyse the state of participation of parliamentarians and the civil society organisations engaged in the budgetary process. The parliamentarians play two important roles. Firstly, they are representatives of people and are also involved directly and indirectly with the budget process. No budget in democratic government can be enacted without the parliamentary approval. Secondly, the parliamentarians perform the oversight role – keeping an eye on the realisation of the budgetary objectives.

Chapter 4 also notes the contribution of civil society organisations including the Actionaid Pakistan, Omar Asghar Khan Foundation, Sustainable Development Policy Institute, and Centre for Development and Participatory Initiatives have played active role in the budget cycle both at federal and provincial level. Now there is increasing emphasis on the district level budget work by CSOs because local realities and problems should guide the provincial and federal resource allocations and budgets. This is also the evidence of emerging trend of bottom-up approach to budgeting, rather than the traditional top-down approach. However, there is a need for more involvement in the budget cycle. Similarly, after the 18th amendment as more autonomy and ministries are being transferred to provinces from the federation, there is greater room for action and promoting local socio-economic goals. This chapter also identifies the places where the CSOs can chip in, and also mentions the importance of coordinated efforts specially with the parliamentarians and media.

The last chapter, the chapter 5, draws conclusions from this research-based booklet. Some recommendations are also presented for future work in the field of budget accountability and economic justice.

Chapter 1

The Budget Making Process in Pakistan

In Pakistan, the meteorological and economic temperature is usually high during the months of June and July, because it is a season of hot summer on one hand and of announcement of federal and provincial budgets on the other. General public is concerned about both, perhaps more about the budgets because the weather temperatures begin to settle down in coming months but the same is not true for the budget.

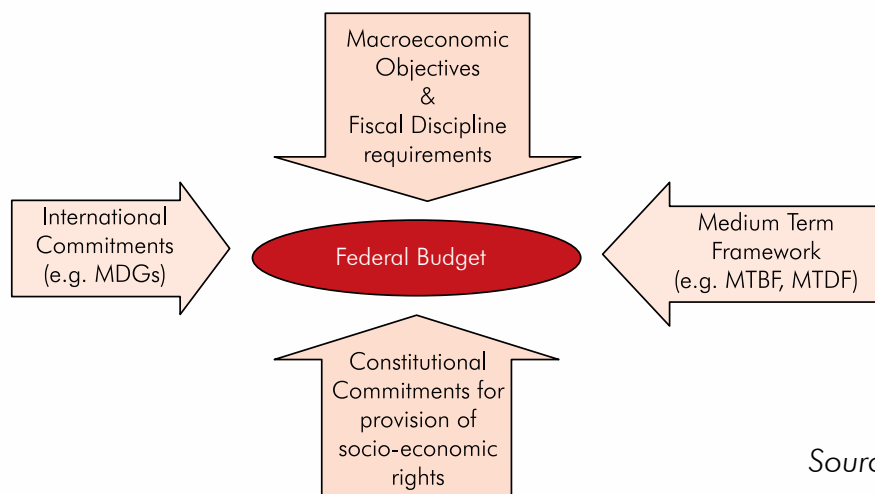
Budget is a government's annual financial plan describing the proposed expenditures and the means of financing them in the forthcoming financial year. All stakeholders, be it the general public or their representatives in the legislatures, entrepreneurs and corporate heads in the private sector or their employees, civil society organizations or labour unions and collective bargaining agents, current employees or retired pensioners of public and private sectors; keep a close and eager eye on the budget. Every stakeholder views and analyses the budget with the question "what is there in the budget for me and us?"

The federal budget is very important document from the perspectives of economy, social and economic wellbeing, taxes, subsidies and reliefs on one hand the national and international commitments and obligations of the government on the other. It reveals the priority areas of spending, size of government, social sector development, infrastructure development, special schemes and much more.

1.1- Budget: what is it, for whom, and for what?

Although it is customary in Pakistan, especially among less informed groups, to analyse the budget as a standalone document, but in order to understand its background, fiscal choices made and their full implications, one has to go deeper in the institutional and constitutional realities, socio-economic priorities of governments, policy space, and general economic situation in which a budget is made. More specifically, the budget is not only an economic document but a tool of ruling government for performing its constitutional, social and political responsibilities (implied by the social contract) towards the citizens of Pakistan. The following diagram illustrates the link between policy, programs, budget, projects and outcomes.

Figure 1.1 – Link between Macroeconomic Policy Environment and Budget



Source: Author

The federal budget is closely linked with other macroeconomic policies specially the fiscal and monetary ones, which in turn are guided by the macroeconomic objectives of the government. Although ultimate macroeconomic objectives of different governments e.g. poverty reduction, promotion of economic growth, reducing unemployment etc. are very similar – elected or otherwise – but the tools and fundamental principles selected by respective governments for policy making and its implementation are very different. Viewed from this perspective, the budget is, perhaps, a government's most important tool used for coordinating the macro economic policies in one year that is also linked to past and the future. Today's fiscal choices cannot be aloof from the choices made in last year, more so for the next year as well.

Civil Society Organisations (CSOs) in Pakistan are increasingly realizing the critical importance and various dimensions of the budgetary decisions of governments, the surrounding political economy and their linkages with the institutional forms and functions. The concerns of CSOs about the wellbeing of people motivate them to raise questions and seek answers about the economic policies and budgetary decisions. It is well known that the budget cuts (directly or indirectly) tend to have negative impact on social and economic programmes that benefit the poor and vulnerable as other actions like external debt and interest servicing by the government, the public sector wage bill, or military and security related expenditures are more likely to have "first claim" on scarce public funds. Seeking a balance among these often confronting choices, specially in difficult years, is that challenge which any government, specially that of a developing economy and Pakistan being no exception here, has to face. CSOs advocate that while responding to these challenges, the government should be reminded of and pressurized (if needed) to fulfill its constitutional and political responsibilities to the citizens of Pakistan specially the marginalized and vulnerable.

Budgets (specially the federal budget) translate a government's policies, political and constitutional commitments into decisions on how much revenue to raise, how to raise it, and how to use these funds to meet the country's competing needs, from internal and external security to improving health care to alleviating poverty. In democratic setups, where there are pressures on government and political parties to remain people focused, a public financial system that functions well is crucial to developing and maintaining peoples' and investors' confidence in the overall economic environment for sustained economic growth. In many countries, economic problems are worsened, instead of being addressed and solved, by inappropriate policies and faulty budget choices. Given its wide-ranging implications for a country's people, the budget should be fulfilling the requirements of economic justice and accountability, and also as a policy initiative that strengthens peoples' belief and confidence in democratic systems.

Further, even when public funds have been allocated to specific programs for marginalized and poor, women and children, or the disabled – in order to realize the objectives of desired economic justice – weak expenditure and program management can result in funds never reaching the intended beneficiaries and thus failing to achieve the desired outcomes. The lack of political power among these marginalized people to hold their government accountable is another factor in poor budget execution (i.e., after the budget is passed, how money is actually raised and spent).

Functions of Budget

The budget performs three basic functions in the macro economy:

- Stability function
- Allocative function
- Income distributive function

The macroeconomic stability function is related to control of inflation to ensure price stability, control of fiscal deficits etc.

The allocative function relates to the allocation of resources towards more productive sectors, and the income distribution function addresses the inequality of income through taxes and subsidies.

1.2- Who makes it and how?: Elements of Budget Cycle

In the forgoing discussions about what, for whom, and for what about the budget document, we noted that many people are interested in the budget because they want to know *what is in it for us?* There are many heated debates, conflicting opinions, post-budget seminars and discussions in order to assess the likely impact of the budgetary decisions on stakeholders after the budget has been presented in the parliament by the finance minister. Preparation of budget does not take place in one or two months nor it is approved at once by the national assembly before becoming a legal document. Budget preparation is a year long exercise!

Before going into the discussion and details of the preparation of the budget, it would be helpful to visualise the process as a whole. This conceptualisation would be beneficial not only for all stakeholders, but also for the CSOs who advocate for economic justice and accountability for strengthening democracy in Pakistan, specially in the socio-economic and political spheres.

It is critical for civil society organizations to engage in all stages in the budget cycle not only because they can contribute valuable technical skills to the process but they also have connections with the community that enable them to bring critical information about the general public's needs and priorities to budget debates. In addition to representing the concerns of marginalized people, civil society can strengthen and support the ability of the poor and most vulnerable to participate in the budget process and advocate for themselves.

1.3- The Generic Budget Cycle

The budget is more than just a single document—it is a year-long cycle whose different phases offer various stakeholders and the civil society varying access points to influence how public resources are raised and spent and, ultimately, the budget's desired outcomes. This “budget cycle” can be broken down into four major stages:

- **Budget Planning, Preparation and Formulation—** In this stage, the executive branch of the government specially the finance division puts together the various components to formulate a proposed budget document.
- **Approval—** In this stage, the legislature debates, changes (if it has the power and motivation to do so), and approves the budget
- **Execution (implementation, monitoring, and control)—** in this stage, the government implements the policies in the budget
- **Oversight (auditing and legislative assessment)—**when the national audit institution and the legislature account for and assess the expenditures made under the budget.

For a diagrammatic view, please see page 10

1.4- The Budget Cycle in Pakistan

The main stages in the budget cycle in Pakistan are more or less very similar in respect of both Federal and Provincial budgets, and also at the local district level, with minor modifications. Any typical government's budget cycle usually consists of six stages broadly categorized as follows:

i. Setting of budget policy and priorities

This is the first stage of budget cycle. It comprises of setting of budget priorities, policies and initiatives by

the National cabinet in the case of federal budget, and by the Provincial Cabinet in the case of provincial budget. In the case of federal budget, two Budget Strategy papers are prepared by the finance division for approval by the federal cabinet in the month of October, and March respectively and once approved by the cabinet they become the foundation stone for further budget processes. The federal budget strategy paper is a requirement under the medium term budgetary framework. However, it is not put in the wider public domain. There is no such practice at the provincial and district level. However, consultation process for budget priorities between the provincial cabinets and finance departments take place.

ii- Budget Preparation and formulation

In this stage, the spending departments like education, health, food etc. prepare and submit the budget estimates of expenditure and receipts for subsequent review and consolidation of estimates by the Ministry of Finance at the federal level and Finance Department at the provincial level. At the local/district level, the budget revenue and expenditures are dealt at the level of Executive District Officer finance and District Coordination Officer.

iii. Authorization

In this stage the Annual Budget Statement is tabled before the National Assembly in the case of federal budget and the Provincial Assembly in the case of provincial budget. The budget consists of both the development and non-development expenditures, and asks for the approval of legislature for authorising the executive branch of the government to raise revenues for meeting those proposed expenditures. This stage may be thought of as consisting of two stages: i- approval by the National or Provincial Assembly, as the case may be, after it is discussed in the Assemblies, and ii- authentication by the Prime Minister/Chief Minister. The approved budget is referred to as the 'Schedule of Authorized Expenditure' (SAE), which is then submitted to the President of Pakistan or the provincial Governor for final assent.

iv. Execution and implementation

In this stage, the collecting and spending departments are communicated with the approved ceilings etc. All administrative departments and respective Accountant General office/Accountant General of Pakistan Revenue are communicated about these things by the Ministry of Finance in case of federal divisions and by the Finance Department in case of the provincial departments. Hence, it supports the spending departments to carry out their planned activities and incur expenditure within the authorized limits.

v. Reporting and Monitoring

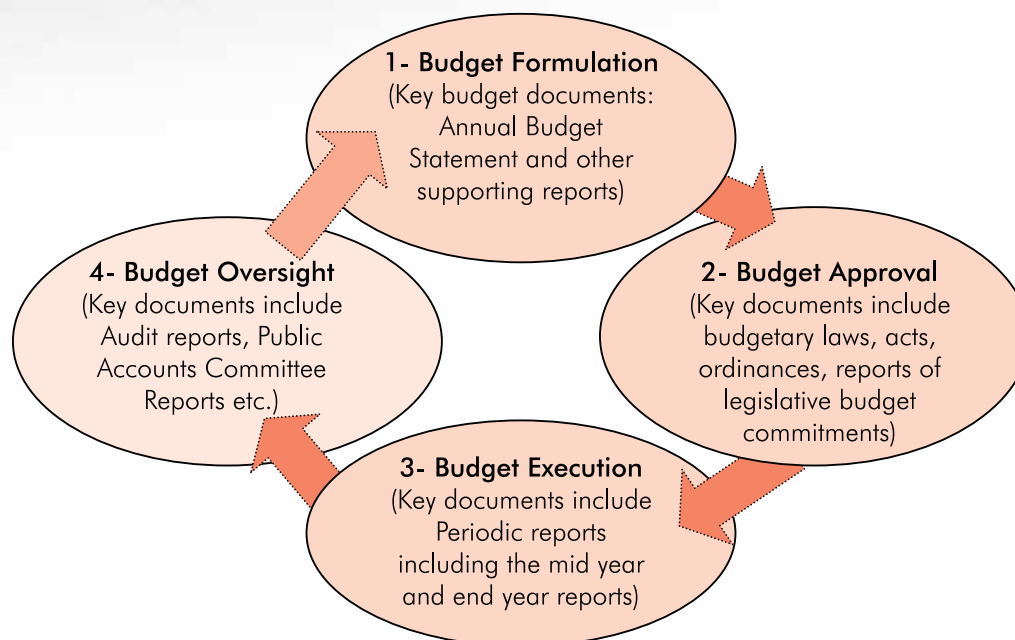
In this stage, actual expenditures and revenues are initially recorded and then reported by the spending departments against budgetary allocations throughout the fiscal year. This helps in identification of the extent to which the allocated funds have been utilised or not. Further, the new medium term budgetary framework requires not only expenditure reports but also the outputs and outcomes achieved or progress on them. Such initiatives provide information for monitoring the results and outcomes of the expenditures. Usually the data are also gender disaggregated because of the gender budgeting reforms that can be helpful in analysing the gender impact of the budgetary measures.

vi. Periodic Review

This stage includes the periodical review of financial performance and the achievement of policy objectives by spending departments. This also includes audit reviews by Auditor General's office and review by Public Accounts Committee. Standing Committees of the Parliament and provincial assembly are also authorized

to review expenditures of the ministries under their jurisdiction.¹

Figure 1.2 –Illustration of a Generic Budget Process



Source: Adapted from internationalbudget.org

1.5- Details of the Budget Cycle in Pakistan

The process of preparation of federal budget passes through both executive and legislative components of government in Pakistan. Functions and business of each Ministry / Division of the federal government are stipulated under the Rules of Business, framed in accordance with Articles 90 and 99 and the Articles 73, 77, 80-84 offer constitutional frameworks relating to the budget in the Constitution of the Islamic Republic of Pakistan.

1.5.1 The Executive Machinery

The bureaucratic-executive machinery of the state takes most of the responsibility of formulation of the budget document. The executive arms of the government remain involved in the budget process for about seven to eight months before finally giving their documented proposals to the legislative machinery i.e. parliament. The main divisions of the executive machinery involved in preparation of federal budget at various stages of its development are:

- i. Finance Division
- ii. Revenue Division
- iii. Planning and Development Division
- iv. Economic Affairs Division

The details about each of the above mentioned executive arms of the government are as under:

i. Finance Division

It is the most important arm of the executive in budget making in Pakistan. It deals with three basic issues

¹ For details, Please see. Dawood Ahmad and Aizaz Asif (2007), p. 13.

of current expenditure, domestic borrowing and foreign private borrowing. It remains actively involved with other departments and ministries and produces eight important documents regarding Federal budget in the country. Moreover, Finance Division maintains financial discipline through financial advisors organization attached to all the other ministries and spending agencies. The documents prepared by the finance division are as under:

- **Budget speech** to be delivered by finance minister before the members of the national assembly in June each year both with and without the tax proposals.
- **Annual Budget Statement**
- **The demand for grants for Current expenditure**
- **The demand for grants for Development expenditure**
- **The Budget in brief**
- **Estimates of federal receipts**
- **The pink Book providing detailed item-wise** expenditure of the budget reflecting details of demands for grants and appropriations.
- **Economic Survey** providing provisional estimates of last year's performance of various sectors of the economy and causes of the performance as well.

ii- The Revenue Division

It is primarily concerned with levy and collection of federal taxes. Generally it does not formally call for proposals; however, government bodies and private sector voluntarily send in their proposals in line with their respective interests. The Revenue Division or federal board of revenue (FBR) is responsible for drafting the Finance Bill.

iii- Planning and Development Division

Planning and Development Division houses the all important Planning Commission of Pakistan. Practically Ministry of Planning and Development and the Planning Commission are the same thing. It is responsible to plan an assessment of external assistance required both from governments and multilateral agencies. Moreover, it is also responsible for management of external Public Debt. It regularly contributes to the preparation Development Budgets both for medium and long term (in line with its traditional role). It prepares two important documents of Public Sector Development Program (PSDP) and the Annual Plan document. Occasionally, it also issues a medium term planning document as well.

iv-. Economic Affairs Division

Economic Affairs Division is responsible for making assessment of requirements for external assistance (both economic and technical) from various countries and institutional organizations. It also carries out the program preparation and negotiation for afore mentioned purposes. It also conducts reviews and appraisals of international and regional economic trends and their impact on the national economy. Due to dynamism prevailing in the global economy it also extends proposals concerning change in international economic order.

1.5.2 The Political Machinery

The political involvement in the budget process is usually overshadowed by the executive control. The functions of legislative component of government in budgetary process are explained from Article 80 to 88 of the constitution. The political involvement starts when Annual Plan Coordination Committee meets in May, nearly seven months after the issuance of Budget Call Circular from the Finance division.

Parliamentary involvement at federal level is not very effective, as it is impossible to expect improved and enhanced role played by parliamentarians without strengthening their position in the process of budget making. Parliamentary discussions usually just span over merely two to three weeks to deliberate on all documents that have been prepared by the executive machinery in seven to eight months.

1.6 Time Line of New Budget Process in Pakistan (Federal and Provincial)

Early October	By using financial programming framework initial work about developing a future outlook starts. All four divisions participate at the federal level.
Mid October	Development of Budget Strategy Paper 1 starts that is presented before the federal cabinet for approval in November. (These two initial steps happen only in the federal budget, although the reforms are under process at the provincial level as well.)
Mid October	Issuance of Budget Call Circular (BCC) from the Finance Division to the other three Divisions involved in the Budget Process. Preparation of Budget document starts. This and the following steps are almost similar in the case of provincial as well as the federal budgets.
Mid November	Finance advisors (representing Finance Division) in each ministry receive current budget guidelines by this time.
1st of December	Spending Agencies submit their proposals to the Planning Commission regarding development expenditure to be included in the annual Development Program (ADP).
Mid December	Ministries and Divisions submit their Current Budget Proposals to Finance Advisors.
1st of January	Budget Orders are sent in to the Accountant General's Office by this time.
3rd week of January	Finance Division and Planning and development Division jointly hold mid Year's review of on going Development Budget as well the estimates of the following year's Development Budget.
1st Week of March	Last date for submitting Current Expenditure estimates to the Budget Wing of the Finance Division.
1st and 2nd Week of April	Finalization of Public Sector Development Program (PSDP), the so called Development Budget in "Priorities Committee" jointly chaired by Finance Division and Planning and Development Division.
End April	All Divisions send in fair copies of Development budget, counter signed by technical / programming section to the budget Wing of Finance department.
Early May	Annual Plan Coordination Committee meets, where Deputy Chairman of Planning Commission chairs the meeting while Provincial Planning and Development ministers also attend the meeting for their input.
End May	Meeting of National Economic Council headed by the Prime Minister and

attended by federal cabinet members and the Provincial Chief Ministers.

Early June

Special Cabinet meeting finalizing Current and development Budget and the Revenue estimates.

Late in June

Usually two to three weeks before the 30th of June (the last day of Fiscal Year) a number of Budget related documents are presented before the Members of the Parliament for discussion and subsequently offering its assent to the budget before 30th June.

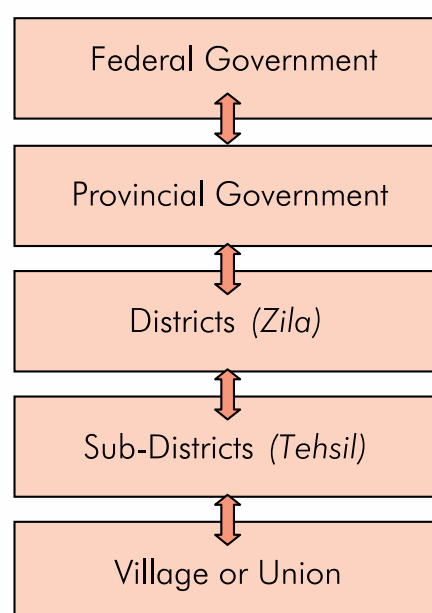
1.7 Preparation of Annual Development Program (ADP)

Annual development plan is an extremely important component of federal budget describing details of development initiatives finalized by government in the coming fiscal year. It determines the scope of capital formation in the country and is registered as development expenditure in federal budget. The preparation of ADP starts with Budget Call Circular issued by ministry of Finance / Ministry of Planning and Development in October. Then, from November to February ministries / Divisions / departments prepare their respective development requirements. The proposed development related requirements are then submitted to Planning and Development Division for scrutiny in the month of March. The proposals duly scrutinized by Planning and Development Division are submitted before the Priorities Committee of ministry of Finance in April and then the recommendations made by the Committee are put before Annual Plan Coordination Committee in April /May. Annual Plan Coordination Committee sends its considerations to National Economic Council (NEC) for approval in May /June. Finally, Ministry of Finance in June incorporates approved allocations by NEC in the budgetary proposals to be presented before the parliament.

1.8- Budget at the District and Local Levels

Before highlighting the budgetary process at the district and local levels, it seems pertinent to keep in mind the political and administrative classifications in Pakistan. It will help readers the big picture in mind:

Figure 1.3 – Administrative Divisions in Pakistan



The above figure illustrates the top (federal) tier and the basic (village or union) tier. As the provinces depend on the federal government for revenues, so do the local tiers (district and below) depend on the

provincial governments for meeting the expenses. Here we present the process and the time line for district level (also applicable to lower level) budgeting.

Table 1.1 - Annual Budget Cycle for Local Governments, Pakistan

Month	Budget Activity
Jul-Sep	Consultation with stakeholders and priorities identified by the council
Sep	Budget call letter issued, accompanied by forms for estimation of receipts and expenditures also issued with call letter
Oct	Guidelines identifying priority areas for Citizen Community Boards (CCBs) issued by Technical Municipal Administration
Sep-Feb	Consolidation of estimates of revenue and expenditure Identification of development projects and preparation of project outlines
Dec	CCB project proposals submitted department staff
1 Mar	All estimates, development project outlines, and CCB proposals submitted to Budget and Development Committee
Mar	Finalization by Budget and Development Committee (including revised estimates for the current year) Approval of Annual Development Program by the Budget and Development Committee
1 Apr	Draft budget submitted to council
Apr	Review of draft budget by the council including taxation proposals
1 May	Public opinion sought on taxation proposals
1 Jun	Public opinion and government vetting received
May-Jun	Revision by Head of Offices and finalization by the Budget and Development Committee
Jun	Submission of final budget to the council
Before 30 Jun	Approval of final budget by the council
Jul	Communication of grants to concerned offices and accounts offices Intimation of project approval or nonapproval

Source: Raza Ahmad and Erin Thébault Weiser (2006)

This chapter has highlighted the main processes of the federal, provincial, and the district level of the budgetary process in Pakistan. We noted that although the budget process in Pakistan is dominated by the executive machinery of the government however some spaces are available for civil society organization to participate in the budget process. The practice of budget work by the CSOs at local levels in Pakistan is strategically connected to the local governments which have been out of place for some time. At the federal and provincial levels, the budget work is more or less present that needs to be further strengthened for achieving the fruits of democracy in the form of economic justice.

Chapter 2

Pro-poor and Gender Sensitive Budgeting: Analysis of Main Trends and Budgetary Allocations in Pakistan

As noted in the chapter 1, the budget is not only a product but a process as well. It is the process of aligning the overall medium term macroeconomic goals with the sector specific actions and allocations on yearly basis, within the socio-political environments and amidst various 'first claims'. Apart from the federal budget, another very important document that is not only important for understanding the budget process, but also for analyzing the likely future pro-poor expenditures by the government in Pakistan, is housed in the ministry of finance and that is Poverty Reduction Strategy Paper. Alongside some other documents specially the Medium Term Budgetary Framework (prepared by finance division), Medium Term Development Framework (prepared by Planning Commission), and Medium Term Expenditure Framework (prepared by finance division) need special mention in order to grasp the full spectrum of institutions and policies involved in budgetary allocations.

Box 2.1 – Constitutional Rights related to Social and Economic Well being in Pakistan **Article 38. Promotion of social and economic well-being of the people.**

The State shall :

- (a) secure the well-being of the people, irrespective of sex, caste, creed or race, by raising their standard of living, by preventing the concentration of wealth and means of production and distribution in the hands of a few to the detriment of general interest and by ensuring equitable adjustment of rights between employers and employees, and landlords and tenants;*
 - (b) provide for all citizens, within the available resources of the country, facilities for work and adequate livelihood with reasonable rest and leisure;*
 - (c) provide for all persons employed in the service of Pakistan or otherwise, social security by compulsory social insurance or other means;*
 - (d) provide basic necessities of life, such as food, clothing, housing, education and medical relief, for all such citizens, irrespective of sex, caste, creed or race, as are permanently or temporarily unable to earn their livelihood on account of infirmity, sickness or unemployment;*
 - (e) reduce disparity in the income and earnings of individuals, including persons in the various classes of the service of Pakistan;*
- (contd...)*

Source: Constitution of Pakistan (As modified up to 20th April 2010). Available at www.na.gov.pk. Accessed on 20th March 2011.

The excerpt from the constitution of Pakistan relate with the principles of policy. It shows that the government is responsible to make such policies that promote economic wellbeing, apart from other commitments as well. The rights to compulsory and free education are also known in the public domain. Hence, there is always a realisation on the part of the government to fulfil its responsibilities and commitments to people of Pakistan.

2.1- Linking the fundamental rights with economic policy and budget

There is vast literature available on the interconnections and interdependence among economic development and wellbeing with the governance and its composite elements. More importantly, the influential and path breaking work of Nobel Laureate Amartya Sen has provided the modern philosophical and economic underpinnings for explaining the rights and their connections with the capabilities and functionings of citizens for human development.² This approach, adopted specially by development organizations like UNDP, has been influential in justifying the claims of poor and vulnerable human beings on their government's fiscal commitments and allocations, in order for realizing their capabilities and function as active citizens. Budgetary allocations for pro-poor, gender responsive budgeting, social safety nets and other related dimensions of public fiscal action are and should be taken as the responsibilities of governments towards the constitutionally protected fundamental rights.

Fundamentally, the legal framework that authorizes the executive machinery of the state to make economic policies and sets other parameters for decision making plays a critical role in the whole exercise of public policy making, its implementation and monitoring, and its impact. According to the Fiscal Responsibility and Debt Limitation Act (FRDLA) 2005, *social and poverty related expenditures are not to be reduced below 4.5 percent of GDP in any given year. Further, budgetary allocations of health and education will be doubled as a percentage of GDP during the next ten years ending in June 2013.*³

In order to fully appreciate the public policies about the social sector, and the pro-poor and gender related issues in Pakistan we need to learn the institutional settings and initiatives with the resultant expenditures to achieve certain outcomes.

2.2- Poverty Reduction Strategies in Pakistan: A Brief History⁴

Seen in a historical perspective, it was realized in late 1990s, and specially early 2000, that the process of economic development in Pakistan has not been able to reduce the incidence of poverty. Rather it was observed in 1990s that absolute poverty increased in Pakistan (Pervez Tahir et. al 2005). The Poverty Reduction Strategy Paper (PRSP) Secretariat, which primarily is responsible for preparing the PRSP after consultations with the stakeholder, is housed in the Ministry of Finance was established in 2000 to prepare a holistic anti-poverty strategy for Pakistan. It also provides secretarial support to the National PRSP Implementation Committee. The Committee, headed by the Federal Secretary Finance, comprises secretaries of Federal and Provincial PRSP partner government agencies to oversee the implementation of Pakistan's PRSPs.⁵

Pakistan adopted an interim Poverty Reduction Strategy (I-PRS) to address the national and international concerns for poverty and the poor in November 2001. Later, in 2003, this interim poverty reduction strategy was further evolved into a final Poverty Reduction Strategy Paper (PRSP- I) which was implemented till the end of fiscal year 2005-06. Currently the government of Pakistan is in the process of implementing the PRSP II that spans the period 2007-08 to 2010-2011. In the PRSP-I, the focus was on four pillars:

- i- Accelerating economic growth,
- ii- Improving governance and devolution,
- iii- Investing in human resources, and

² For details, please see, Overseas Development Institute (2001).

³ Fiscal Responsibility and Debt Limitation Act 2005.

⁴ For a detailed analysis of PRSPs, Please see, Poverty Reduction Strategy Papers: An Evaluation by Strengthening Democracy through Parliamentary Development, United Nation Development Programme, Pakistan 2009.

⁵ http://www.finance.gov.pk/prsp_sectt.html

iv- Targeting the poor.⁶

It was hoped during the preparation and implementation of PRSP-I that in order to address the problem of poverty, the government shall enhance and monitor the public spending in pro-poor sectors like basic health, education, law and order etc. During that time 17 priority sectors were chosen (as pro-poor sectors), which continue till now, in PRSP-II with some small amendments.

The PRSP-II was approved in late 2008 for a period of three years, and now it comprised on nine pillars (instead of four in PRSP-I). These pillars were:

- i- Macroeconomic stability and real sector growth
- ii- Protecting the poor and vulnerable,
- iii- Increasing productivity and value addition in agriculture,
- iv- Integrated energy development programme,
- v- Making industry internationally competitive,
- vi- Human development for 21st century,
- vii- Removing infrastructural imbalances through public private partnerships,
- viii- Capital and finance for development, and
- ix- Governance for a just and fair system.

No poverty reduction strategy can be successful if it fails to monitor and evaluate the outcomes. Efficient and effective implementation of the poverty reduction strategy with its continuous monitoring and evaluation specially related to the impact, and regular feedback to policymakers and stakeholder for appropriate adjustment hold very critical importance for general public and the civil society organizations. The PRSP-II also constituted a set of input (expenditures), intermediate and output indicators in 17 pro-poor sectors. These 17 pro-poor sectors are lumped into five broad categories, as shown below:

Table : 2.1 – PRSP-II Pro-poor Sectors

5 Broad Classifications	Pro-poor Sector
Market Access and Community Services	Roads, Highways, & Bridges Environment/ Water Supply & Sanitation
Human Development	Education Health Population Planning
Rural Development	Agriculture Land Reclamation Rural Development People's Works Programme-I People's Works Programme-II
Safety Nets	Subsidies Food Support Programme Social Security & Welfare Natural Calamities & Other Disasters Low Cost Housing
Governance	Justice Admin Law and Order

Source: PRSP Progress Report 2009-10

⁶ Ibid, p. 01.

The monitoring of each intermediate indicator is done on the basis of outputs and outcomes which also belong to the broad categories mentioned in the table above. For details please see the PRSP-II document, Chapter 13. The quarterly, bi-annual and annual progress reports on PRSP achievements and performance are published on the website of ministry of finance. CSOs and other stakeholders should keep track of the information that the federal government as well as the provincial governments release about the progress of PRSP.

2.3- Consultation Process during PRSP-II Preparation: The role of civil society organisations

Consultation process holds the key to solve many public policy crises. Specially, the involvement of civil society organisations as well other stakeholders in preparation of the PRSP-II proved to be very helpful for CSOs as well as the government to join hand and plan together. During the formulation process of the Poverty Reduction Strategy in 2007, a detailed round of consultations at federal, provincial, and district levels, and with communities all over Pakistan was held. The objective of this consultation process was to ensure participation of line ministries and departments, development partners, civil society, parliamentarians, and also the poor communities in policy formulation. This process also helped communicate the expectations of the stakeholders to those who planned PRSP-II. Federal and Provincial workshops, research studies like Reducing the Gender Gap/Engendering PRSP II were arranged. Further the Thematic Working Groups (TWGs), consisting of sector specialists from varied backgrounds, officials from concerned ministries/ departments, experts from international development organizations, civil society and academia, critically analyzed the monitoring indicators developed indicators for the PRSP-II M&E framework.

To institutionalize the role of Parliamentarians in formulation of PRSP-II, a consultative workshop to share the Draft PRSP-II was also arranged. During the workshop, the Parliamentarians stressed the need for legislative oversight of government policies in general and of the budget process in particular to ensure that government is effectively working towards poverty reduction. In addition, focus on key areas of human development while giving utmost importance to education, health and access to clean drinking water for the marginalized was also stressed.

Box 2.2: Monitoring and Accountability in PRSP-II

As part of the Poverty Reduction Strategy (PRS) initiative, Pakistan has been developing results-based monitoring and evaluation (M&E) systems to track PRS implementation and its impact on poverty. The process supports decision-making, fosters accountability, and promotes dialogue.

In order to provide maximum assistance to policymakers, the improved M&E framework established for this strategy has the following characteristics: Comparability with the PRSP-I M&E framework, Continuity of PRSP-I institutional framework, Aligned with MDGs, Feasibility, Gender disaggregated data.

(Excerpts from PRSP-II Document, Chapter 13 - Results-Based Monitoring and Evaluation of PRSP-II)

Box 2.3: PRSP II – Monitoring Systems

The Gender Indicators in the PRSP (II) document include: percentage of micro credit to women; percentage of zakat funds to women; number of women in civil service; ratio of literate females to males of 15-24 years; share of women in wage employment in the non-agriculture sector; and proportion of seats held by women in Parliament: National Assembly, Senate..... The Gender Equality Matrix in the PRSP is not integrated into the monitoring of the ongoing PRS implementation. Missing are an indicator for the proportion by gender of those working as unpaid family workers, the non-inclusion of male comparators with female indicators in the Gender Equality Matrix and output indicators.

(Excerpts from “Reducing the Gender Gap/ Engendering PRSP-II by Khawar Mumtaz – Shirkat Gah, Lahore)

Note for CSOs: There is much information available about the progress of PRSP-II. For the sake of an update, a table from PRSP-II progress report for the year 2009-10, page 17 is reported here to **connect the CSOs with the PRSP-II's** progress.

Table 2.1 PRSP Budgetary Expenditures and Percentage Change between FY 2008/09 and FY 2009/10

(Million Rs)

Sector	Expenditures (in Millions)		Percentage Change	% age distribution of sub-sectors in broad categories	
	FY 2008-09	FY 2009-10		2008-09	2009-10
Market Access and Community Services	121,817	123,915	1.72	12.47	10.99
Roads, Highways, & Bridges	99,613	98,456	-1.16	81.77	79.45
Environment/ Water Supply & Sanitation	22,204	25,459	14.66	18.23	20.55
Human Development	329,437	377,508	14.59	33.71	33.49
Education	240,378	259,298	7.87	72.97	68.69
Health	83,714	111,162	32.79	25.41	29.45
Population Planning	5,345	7,048	31.86	1.62	1.87
Rural Development	139,341	167,367	20.11	14.26	14.85
Agriculture	88,912	104,815	17.89	63.81	62.63
Land Reclamation	2,738	1,990	-27.32	1.96	1.19
Rural Development	16,362	20,391	24.62	11.74	12.18
People's Works Programme-I	3,329	8,417	152.84	2.39	5.03
People's Works Programme-II	28,000	31,754	13.41	20.09	18.97
Safety Nets	272,782	303,863	11.39	27.91	26.96
Subsidies	220,567	234,926	6.51	80.86	77.31
Food Support Programme	12,420	0	-100	4.55	0
Social Security & Welfare	29,129	54,561	87.31	10.68	17.96
Natural Calamities & Other Disasters	10,083	12,548	24.45	3.7	4.13
Low Cost Housing	583	1,828	213.55	0.21	0.6
Governance	113,851	154,635	35.82	11.65	13.72
Justice Admin	9,193	10,996	19.61	8.07	7.11
Law and Order	104,658	143,639	37.25	91.93	92.89
Total	977,228	1,127,288			

Source: PRSP Progress Report 2009-10. Ministry of Finance.

The civil society organisations may discover various variations and departures from the projected / committed allocations to different sectors in the original PRSP. There is an utter need to analyse the sector specific allocations, actual expenditures, utilization, and most importantly the impact at the grass roots level. Moreover, how the expenditures within the category of each sector are allocated for example for salaries and employee related expense, utilities, buying raw materials etc. should be critically analysed keeping in view the implications for economic justice.

The above table shows that Pro-poor expenditure in all 17 sectors, during 2009-10 substantially rose from Rs. 977,228 million to Rs. 1,127,288 Million, a 15.36% increase. Social protection and provision

of social safety nets have a major role to play in promoting pro-poor growth and tackling exclusion and inequality. Recognizing the urgent need to protect the poor and the vulnerable from wheat and sugar price hikes, the Government has undertaken some new initiatives as well as strengthened earlier initiated in this regard. Pakistan has a fairly elaborate network of direct and indirect social protection mechanisms and direct actions like Benazir Income Support Program. However, the real effectiveness of such network, again, requires local participation and that would be activated once the CSOs start taking interest in the impact and outcome analysis of the budget and related policies.

The civil society organizations may find very critical information in the periodical PRSP progress reports about the pro-poor sectoral shares in expenditures and its impact and outcome in terms of the service delivery etc. These progress reports are issued every quarter, six months, and on yearly basis from the Poverty Reduction Strategy Secretariat, Ministry of Finance, Government of Pakistan.

2.4- Gender Responsive Budgeting: A Tool for More Accountable and Transparent Budgetary and Planning Process

The gender responsive budget initiatives are now highly acknowledged as an important tool for analyzing the gap between expressed commitments by governments and the outcomes disaggregated by gender. Gender responsive budgets and other participatory budget initiatives share the goals of developing such an inclusive budget process that is guided by a commitment to pro-poor growth within existing fiscal capabilities. In this way, gender responsive budgeting shares with other participatory initiatives, the goal of widening governance and accountability structures by giving voice to those previously marginalized from fiscal policy decision-making.

Accountability is one of the key aspects that motivate initiatives like gender responsive budgeting. As we noted earlier, in chapter 1, accountability is an important aspect of governance involving power and authority relationships of governors to the governed. Other components of accountability are the ability to inspect and establish the truthfulness of claims (transparency) as well as the credibility of government policies over time. Women, particularly the poorest women in a society, usually lack access to and hence cannot influence the decision-making about fiscal policy. Gender responsive budgets were developed as a tool for incorporating the women's voices into the budget and fiscal policy.

Box 2.4 - THE AUSTRALIAN GENDER BUDGET MODEL

The experiments with gender-sensitive budgets throughout the world fall into two broad models: either being "inside government" or "community based" in terms of their location and primary institutional arrangements. Each model has different strengths and weaknesses (see Debbie Budlender and Rhonda Sharp 1998 and Rhonda Sharp 2001 for a discussion). Inside government models (for example, Australia, Scotland, Barbados, France) have the advantage of being able to access a range of information and data about government budgets and policy not readily available to community groups, information potentially crucial for an informed assessment of the gender impact of the budget. They also have the capacity to make a direct input into the budgetary decision-making processes within the bureaucracy with a view to bringing about changes in policy, processes, and resource allocations. Community-based gender budget exercises (for example, the South African, Tanzania, and the UK women's budget initiatives) face significant data and resource constraints yet can prove crucial in fostering democratic debate about the budget and in making more substantive criticisms about the gender bias of economic and social policies of government than those conducted within government.

Rhonda Sharp and Ray Broomhill (2002). Budgeting For Equality: The Australian Experience. Feminist Economics 8(1), 2002, 25–47

Gender responsive budgeting (GRB) is an approach to mainstream the gender dimension into all stages of the budget cycle. Starting with the equalization in entitlements to the fundamental rights, as discussed in earlier in Chapter 2, it can be visualized that the governmental policies for far-reaching and sustainable socio-economic development cannot ignore women development. The federal government, with effective engagement of civil society organizations as well as multilateral agencies specially UNDP, UNIFEM etc. has been taking several initiatives in political, legislative, economic domain of public policy in Pakistan. One of the most important among these was Gender Responsive Budgeting Initiative (GRBI) a UNDP and other donors funded project (2005-07). Gender responsive budgeting, in Pakistan, besides others, aimed at

- Formulating the budget in a gender-responsive way
- Linking gender-responsive policies with adequate budgetary funds
- Executing the budget in a way that benefits women and men, girls and boys equitably
- Monitoring the impact of expenditure and revenue raising from a gender perspective ⁷

The following tools are applied in the gender based budgeting.

Tool 1: Gender aware policy appraisal

Tool 2: Gender Aware Benefit Incidence Analysis

Tool 3: Gender Aware Beneficiary Assessments

Tool 4: Gender Aware Public Expenditure Tracking Surveys

Tool 5: Gender-disaggregated analysis of the impact of the budget on time use

Tool 6: Gender Aware Revenue Incidence Analysis

Tool 7: Gender Budget Statements

Box 2.5- Gender Budget Statements

A gender budget statement (GBS) is an accountability tool which a government uses to inform parliamentarians and members of civil society about its initiatives for advancing gender equality. The tool is linked to the budget because unless adequate money is allocated to implement policies, programs and projects, they will not be effective. The GBS thus shows accountability in terms of intention to do something and shows the government in putting money behind the intention.

Muhammad Sabir (2009). Gender Budget Statement 2008-09, Strengthening PRS Monitoring, MoF, Pakistan.

Gender Budgets: A Capability Approach

However, gender budgets focus mainly on the utilization of public resources with the objective of gender equity and the efficiency of gender policy, and do not expand into the multidimensional notion of well-being that those policies enable women and the community to achieve. Although mindful of the great contribution made by traditional gender budgets, we believe that an auditing model may be developed to adopt a multidimensional notion of well-being. This is a sharp difference between well-being gender budgets and traditional gender budgets because it implies a change of vision on the individual, a shift of focus from means to ends, a widening of the equal opportunity space and a change in political perspective. In accord with Sen and Nussbaum's capability approach, individual well-being is here defined by a vector of functionings, while gender inequalities may be seen in a social space where men and women are differently (dis)advantaged in terms of access to freedom, resources, education, health and agency throughout their lives.

Tindara Addabbo; Diego Lanzi, Antonella Picchio (2010). Gender Budgets: A Capability Approach. Journal of Human Development and Capabilities. 11: 4, pp 479 — 501

⁷ <http://www.prsm.gov.pk/grbdoc.html>

As part of its commitment to introducing gender-responsive budgeting, both the Finance Division and Finance Department as well as Government of Punjab have introduced gender-responsive amendments in the government's Budget Call Circular (BCC). The gender sensitive amendment in the MTBF Budget Call Circular now requires that the mission and objectives clearly specify gender commitments and that input, output and outcome indicators are disaggregated on gender basis. Gender responsive amendments in BCC help institutionalize a gender perspective in the government's established budgetary procedures.⁸

2.5- Linking PRSP and Millennium Development Goals (MDGs) with Medium Term Development Framework (MTDF), and Medium Term Budgetary Framework (MTBF)

Millennium Development Goals have attained a kind of bench mark position for comparison of tracking the progress and performance of countries towards agreed upon targets. The United Nations (UN) Millennium Summit, in September 2000, adopted Millennium Declaration to pursue a set of targets with corresponding indicators which are now known as the Millennium Development Goals (MDGs). These goals or targets are to be achieved by 2015 with the base year of 1990. The goals are:

- i. Eradicate extreme poverty and hunger.
- ii. Achieve universal primary education.
- iii. Promote gender equality and empower women.
- iv. Reduce child mortality.
- v. Improve maternal health.
- vi. Combat HIV/ AIDS, malaria, and other diseases.
- vii. Ensure environmental sustainability.
- viii. Develop a global partnership for development.

Within these 8 goals or targets, there 18 sub-targets, which in turn were further divided into 48 indicators. Pakistan adopted 16 (out of 18) sub-targets, and 37 indicators. The Centre for Poverty Reduction and Social Policy Development (CPRSPD), formerly Centre for Research on Poverty Reduction and Income Distribution (CRPRID), in the Planning Commission is responsible for monitoring the progress towards achieving MDGs, while the Poverty Reduction Strategy Secretariat in MoF is responsible for achieving the pro-poor targets committed in PRSP – which is, some how or the other, is linked to MDGs as well.

The PRSP-I was clearly aligned, at least on paper, to the MDGs. It had a separate section "*Aligning PRSP with Millennium Development Goals*". This section dealt with the commitment of the government for achieving the MDGs. The PRSP-II has taken one step further by devoting a whole chapter 14 i.e. "*Costing of Millennium Development Goals (MDGs)*" to establish the strategic link between PRSP-II commitments / disbursements and the achievement of MDGs. In this way the PRSP-II is the policy document for achievement of MDGs as well. PRSP-II's costing framework is based on the Millennium Development Goals (MDGs) Costing Report, a study jointly undertaken by Ministry of Finance and UNDP (2007), which costed three social sectors – education, health and water and sanitation. Budgetary expenditure/PRSP allocations for these three social sectors were illustrated in detail in PRSP-II document, alongside MDGs costing. The goals/targets of PRSP are fully aligned with the Medium Term Development Framework (MTDF) and the MDGs.⁹

⁸ For details, Please see PRSP-II, Chapter 9.

⁹ From PRSP-II report, p. 291.

Total proposed PRSP-II allocations, MDG costing estimates and resource gap in all three social sectors (Rs. Million)

Fiscal Year	Education		Health		Water & Sanitation		Total resource gap in three social sectors
	PRSP Allocation	MDG Costing	PRSP Allocation	MDG Costing	PRSP Allocation	MDG Costing	
2005/06 (Actual)	141702	150596	39203	53946	10338	40853	-54152
2006/07 (Actual)	162084	176672	53166	63455	16619	44383	-32641*
2007/08 (Actual)	182646	206863	61127	73922	19817	48112	-65307*
2008/09	195602 -	247910	43,935	86323	9074	52323	- 137945
2009/10	260566	291043	62,116	101084	11003	56823	- 115265
2010/11	348782	341308	88,244	118352	13407	63122	-72349
2011/12	471338	364972	126,563	126033	16492	68733	54655
2012/13	639956	388789	182378	133760	20384	74544	245625

Source: PRSP-II Proposal Document. Chapter 14.

*Resource gap adjusted according to actual figures.

2.6- Achievement of MDGs

Having said all this about the formulation, implementation, and monitoring of the PRSP-II, its high time now to see the impact of the pro-poor allocations and expenditures and gender sensitive budgeting on the achievement of MDGs. Although it is correct that we should not associate the Pakistan's achievement level in MDGs only with the PRSP-II because there are non-PRSP initiatives as well which include the philanthropy, Corporate Social responsibility, or other international support to the social service organisations. Following table gives the situation of Pakistan in 2010 about achievement of the MDGs.

Table 2. 5 - MDGs: Status of Pakistan

MDGs and Targets	Indicators for Pakistan
1. Eradicate Extreme Poverty and Hunger	
Proportion of population below the calorie based food plus non-food poverty line*	Lag (worsened since 2006)
Prevalence of underweight children under 5 years of age	Lag (worsened since 2006)
Proportion of population below minimum level of dietary energy consumption	Lag (worsened since 2006)
2. Achieve Universal Primary Education	
Net primary enrolment ratio (%)	Lag
Completion/survival rate: 1 grade to 5(%)	Lag
Literacy rate (%)	Lag
3. Promote Gender Equality & Women Empowerment	
Gender parity index (GPI) for primary and secondary education	Slow
Youth Literacy GPI	Slow
Share of women in wage employment in the non-agricultural sector	Slow
Proportion of seats held by women in national parliament	Ahead
4. Reduce Child Mortality	
Under-five mortality rate	Lag
Infant mortality rate	Off Track
Proportion of fully immunized children 12-23 months	Lag
Proportion of under 1 year children immunized against measles	On Track
Proportion of children under five who suffered from diarrhea in the last 30 days and received ORT	Ahead
Lady Health Workers' coverage of target population	On Track
5. Improve Maternal health	
Maternal mortality ratio	Lag
Proportion of births attended by skilled birth attendants	Lag
Contraceptive prevalence rate	Lag
Total fertility rate	Lag
Proportion of women 15-49 years who had given birth during last 3 years and made at least one antenatal care consultation	Lag
6. Combat HIV/AIDS, Malaria and other diseases	
HIV prevalence among 15-24 year old pregnant women (%)	Ahead

HIV prevalence among vulnerable group (e.g., active sexual workers) (%)	Ahead
Proportion of population in malaria risk area using effective malaria prevention and treatment measures	Lag
Incidence of tuberculosis per 100,000 population	Lag
Proportion of TB cases detected and cured under DOTS (Direct Observed Treatment Short Course)	Ahead
7. Ensure Environmental Sustainability	
Forest cover including state owned and private forest and farmlands	Lag
Land area protected for the conservation of wildlife	On Track
GDP (at constant factor cost) per unit of energy use as a proxy for energy efficiency	Slow
No. of vehicles using CNG	Ahead
Sulphur content in high speed diesel (as a proxy for ambient air quality)	Lag
Proportion of population (urban and rural) with sustainable access to a safe improved water source	Lag
Proportion of population (urban and rural) with access to sanitation	Lag
Proportion of Katchi Abadis (slums) regularized	-
8. Develop a Global Partnership for Development	
N.a.	N.a.

♣ Based on data available till 2005-06

Source: Pakistan MDG Report 2010, p. 14

The above table shows that Pakistan is ahead in 6 indicators, on track on 2 indicators, and slow in 4. Sadly, Pakistan is lagging behind in 20 indicators. The underachievement of MDGs in most of the cases in Pakistan is attributed to the financing constraints, weak ownership and faulty implementation of the public sector programmes. CSOs can play a pivotal role in this regard by becoming proactive in voicing the peoples' demand for better and improved health service delivery, and quality education at all levels of education. After 18th Amendment and other reforms like handing over some social and human capital related ministries to the provinces call for even more proactive approach by the CSOs so that the local and provincial capacity is enhanced to effectively use available resources for fast achievement of these goals.

Chapter 3

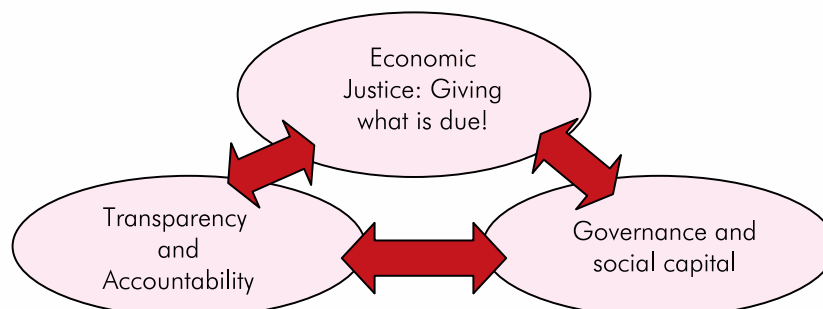
Budget Accountability - International Practices, Participation and Economic Justice

Accountability is a very important and basic element of good governance in all areas of public action including the public finance and budgetary process. In their famous article 'Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008',¹⁰ Daniel Kaufmann et al, have reported six dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.¹¹ Inclusion of voice and accountability in the composition of governance speaks for itself. The similar practice of attaching the concept of accountability with that of democratic process, good governance, and other related themes like economic justice and social inclusion is followed by various multilateral organisations as well as national governments, Pakistan being no exception here.

3.1- Linking Budget Accountability, Governance, and Economic Justice

It is now well recognised that accountability is a basic value for any well functioning political system, specially for democracy. As an established norm and right, citizens have the right to know what actions have been taken in their name, and they should have the means to force corrective actions when government acts in an illegal, immoral, or unjust manner. Individual citizens should have the ability to have some redress when their rights are abused by government or they do not receive the benefits to which they are entitled. (World Bank , 2007). This has become a common knowledge and practice in the field of governance research and advocacy to attach high importance to accountability for democratic governance. In short, the more effective and responsible contributions of civil society organizations, parliaments, and other stake holders to the budget process help strengthen transparency and accountability in the management of public finance.

Figure 3.1
Linking Budget Accountability, Governance, and Economic Justice



¹⁰ World Bank, Policy Research Working Paper 4978, June 2009

¹¹ For more details please see The Worldwide Governance Indicators: Methodology and Analytical Issues by Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi. Policy Research Working Paper 5430, September 2010

The above figure illustrates the linkages among the three concepts most emphasized in this booklet. The economic justice which requires the distributive justice in economic sphere, depends upon the recognition that it is not possible without achieving transparency (being open about our public action decisions that affect other fellows that directly or indirectly) alongside ensuring the governance. The concepts are mutually supportive, and strengthen each other. However, if any of these is weak – other cannot live on their own. In well functioning democratic systems of government, effective parliaments and their active members perform the very basic and important accountability functions embedded in their representative (being representative of the people who elected them), legislative (making rules and laws that provide a legal and constitutional cover as well as direction to policies and actions) and oversight (monitoring the impact and correcting the flaws) responsibilities.

Conventionally, three entities i- parliament, ii- civil society, and iii- media have played central roles in promotion of economic justice as an explicit goal of policy decisions and budgetary allocations. In the perspective of Pakistan, a more successful role of parliamentarians in the first place when the budget proposal are tabled in the national assembly in Pakistan in the budget process will reinforce public representatives' scrutiny and open debate on the objectives and performance of government in the management of public funds and, therefore, would help create the conditions for greater government accountability specially in the field of public finance. However, it should also be noticed that in many developing countries and also in Pakistan, parliaments' role in public budgeting is largely passive and often falls short of the expected functions, partly as a result of executive predominance, but also because of their own deficiencies. Institutional arrangements and political economy considerations largely explain why parliaments have not exploited the full scope of their budgetary powers in a purposeful manner.

The primary challenge of the governance of the budget process specially in emerging and developing economies is how to balance the advantages of strong executive authority required for ensuring fiscal discipline while at the same time providing the institutional and legislative checks and balances that guarantee effective accountability. It may be suggested that to ensure fiscal discipline, governments should continue to dominate in the drafting and execution of the budget, parliaments should more systematically oversee and scrutinize governments to enforce political accountability.¹²

Taking this argument further, one has to believe that as democratic progress takes place and people's participation and ownership increases in economic, social and political sphere so does theory demand for transparency in all governmental endeavours be it budget or monetary policy. Media and civil society organization find themselves as natural allies for ensuring more space for their activities and development. In case of Pakistan, we can see that the pressure from media and civil society has increased over time on the ruling government as well as other governmental functionaries to remain transparent and accountable in what they do. Similar case is true for the fiscal and budgetary processes.

3.2- Expanding Voice through the Budgetary Process

Any decision related to the allocation of scarce resources necessarily involves a decision as to whose interests are to be given preference over the interests of others. But a similar confrontation of interests also arises in the context of financing the expenditure. For example, when the government wants to raise a certain amount of revenue, it will find that there are many alternative ways of doing so, each with its own distribution of tax incidence. Some groups will sacrifice more than others, in terms of paying taxes, depending on which alternative is chosen. Similarly, when the government wants to run a deficit budget, it will find that there are several alternative ways of financing the deficit, and each financing mechanism will entail its own distribution of welfare among the people.

¹² Budget Institutions and Fiscal Responsibility: Parliaments and the Political Economy of the Budget Process in Latin America. Carlos Santiso World Bank Institute Washington, D.C. 2005

3.3- Transparency and participation

Even though a particular department may be officially the home of a budget – for example, the Ministry of Finance in the case of national budgets - the whole process of formulating as well as implementing the budget is actually a collective enterprise involving a large number of individuals and agencies. Given the veil of secrecy behind which budget work normally takes place, it is practically impossible for outsiders to know who is responsible for what. This lack of transparency about the budgetary process is a serious stumbling block towards ensuring greater accountability. Legislative and executive actions are needed to make the budgetary process more transparent so that responsibilities can be more clearly assigned and the culpability for failure more easily attached to specific agencies and individuals. European Union, OECD and the IMF for clarifying the requirements of a transparent budget. Of special significance is the IMF code of Good Practices for Fiscal Transparency, which gives detailed practical guidelines to establish a sound and viable transparency framework for fiscal policy. The codes are designed to fulfill the following specific objectives: (a) roles and responsibilities in government should be clear, (b) information on government activities should be provided to the public, (c) budget preparation, execution and reporting should be undertaken in an open manner, and (d) the integrity of fiscal information should be subjected to independent scrutiny.¹³

3.4- Knowledge

Knowledge is specially important in the context of expanding accountability in the budgetary process. Anyone who has looked into a budget document immediately knows how difficult it is to decipher its contents, unless one already happens to be one of the cognoscenti. But if people do not understand the budget, there is little chance that they would be able to either influence the content of the budget or to hold the budget-makers accountable for what it contains and how it is implemented. (Osmani 2002)

Box 3.1: Democratizing Macroeconomic Decision-making

The desire to make budgets more participatory and transparent is part of a larger agenda to 'democratize' the formulation of macroeconomic policy frameworks. The design of macroeconomic frameworks and policies which take into account the voices and interests of women and poor people is critical in the fight against gender inequality and poverty. Macroeconomic policy-making often remains sheltered from broad public scrutiny and debate. This is due in part to the belief that macroeconomics is both a natural subject, devoid of social content, and a technical subject best left to experts. However, the technical content of macroeconomic policies often disguises their social content, these policies are enacted without a context of institutional structures and power relations among economically differentiated social groups. Macroeconomic policies also produce a variety of social outcomes by determining which groups get what out of the economic pie. Scrutinizing public budgets is an important step towards understanding the social content of macroeconomic policies currently in place and democratizing the process of macroeconomic policy-making.

UNDP, Budgets as if People Mattered (2000)

3.5- Budgets and Accountability: Some International Campaigns and Best Practices

At international level there are various independent or group of organizations that are working for promoting budget accountability, and transparency. We would, for example, mention two such initiatives in details.

- i- International Budget Partnership (IBP)
- ii- Economic Literacy and Budget Accountability for governance (ELBAG)

¹³ Osmani, S.R. (2002), Expanding Voice And Accountability Through The Budgetary Process. A background paper prepared for UNDP's Human Development Report 2002.

3.5.1- The International Budget Partnership¹⁴ collaborates with civil society around the world to analyze and influence public budgets in order to reduce poverty and improve the quality of governance. In order to foster more open, participatory, and accountable public budgeting, the IBP partners with civil society organizations around the world, leveraging their knowledge of their country's political context, their experience navigating policy processes for social change, and their relationships with the public in order to transform their country's budget system.

What Does the IBP Do?

In order to achieve its goals, the IBP works in five major areas:

- Building budget analysis and advocacy skills through training and technical assistance
- Measuring and advancing transparency, accountability, and public participation in the budget process
- Contributing to strong and sustainable organizations by providing financial assistance for civil society budget work
- Enhancing knowledge exchange among civil society budget groups and other public finance stakeholders by acting as a hub of information on civil society budget work
- Building vibrant international and regional budget networks

The IBP's work in these areas is channeled primarily through two major initiatives — the Open Budget Initiative and the Partnership Initiative — that are assisted by two service programs — Training and Communications.

What Is the Impact of this Work?

The IBP and its civil society partners contribute to reforms in how governments around the world manage public funds so that:

- **budget processes** (how budgets are proposed, debated, implemented, and evaluated) are more transparent and open to public input;
- **budget policies** (who will pay what taxes, or how much money will go to specific programs) effectively address the needs of the poor and marginalized; and
- **budget rules, regulations, and institutions** are stronger and better able to resist corruption and mismanagement and ensure more effective and efficient use of public resources.

Box 3.2: Impact of Civil Society Budget Work

In Mexico, civil society budget work has led to substantial increases in federal funding to eliminate rural maternal mortality.

In South Africa, civil society work with Parliament effectively pressured the government to increase spending on child support for poor and low-income families, the core grant in the social safety net. The work has resulted in policies to expand eligibility and increase the size of the grant and improvements in outreach so that 80 percent of the children eligible for the grant now receive it.

In India and Uganda, civil society monitoring of district-level or local-level budgets has led to substantial reductions in corruption associated with public service provision in health and education. In Argentina and Kenya, civil society engagement in the budget has improved the effective engagement of the legislature and supreme audit institution in budget oversight.

In Pakistan, civil society has used budget monitoring tools to track the rate and quality of spending related to earthquake reconstruction relief funds. This work has drawn attention to significant problems in the management of reconstruction funds and the implementation of reconstruction plans.

<http://www.internationalbudget.org/who-we-are/?fa=history>

¹⁴ This section related with the international budget partnership draws information from the website of concerned organization at www.internationalbudget.org.

Furthermore, the IBP publishes an Open Budget Survey. Recently it has published 2010 edition, which also has Participation from Pakistan (Omar Asghar Khan Foundation). The International Budget Partnership's (IBP) Open Budget Survey assesses the availability in each country of eight key budget documents, as well as the comprehensiveness of the data contained in these documents. The Survey also examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAI), as well as the opportunities available to the public to participate in national budget decision-making processes. In 2010, Pakistan has a score of 38 out of 100 on Open Budget Index that places it below Sri Lanka, India, Bangladesh, and Nepal in the South Asian region. The government needs to be more transparent.

The Open Budget Survey is not a perception survey or an opinion poll. The Survey uses internationally accepted criteria to assess each country's budget transparency and accountability. The Survey is compiled from a questionnaire completed for each country by independent budget experts who are not associated with the national government. Each country's questionnaire is then independently reviewed by two anonymous experts who also have no association to government. Scores assigned to certain Open Budget Survey questions are used to compile objective scores and rankings of each country's relative transparency. These scores constitute the Open Budget Index (OBI).

3.5.2- Economic Literacy and Budget Accountability for Governance (ELBAG)

In order to develop people centered and rights based governance at levels of public management, there is a strong need to promote literacy of economic rights and obligations. Thus, to make economic decision making and budget processes more favorable to the poor and excluded people, enabling processes that place them in a better position to understand and access their rights and in the process hold governance to account, become most necessary. In this context, Economic Literacy and Budget Accountability in Governance (ELBAG) is a process which enables communities to demand accountability from governments and international institutions and to reclaim rights and challenge injustice.

ELBAG is a community learning process aimed at breaking the barriers of information, knowledge and control, which ultimately make up power. The objective is to bring about changes in favour of poor and marginalized people, increase their participation in economic and budgetary processes, reduce inequality and poverty and promote transparency, accountability and basic rights. ELBAG has three objectives:

- Social mobilization,
- People centered lobbying,
- Access to information, Bag of tools.

There are number of other organisations spread various parts of the world which are engaged in budget work. Some of these organisations include:

3.5.3- The Centre for Budget and Policy Studies, India

The Centre for Budget and Policy Studies (CBPS) examines issues of poverty, gender and the environment in the budget process by looking at the discrepancies between what is planned at the national level and what is actually executed at the state level.

3.5.4- CIDE, Mexico

El Centro de Investigación y Docencia Económicas (CIDE) is an academic and research institution that conducts analyses of different aspects of the budget, including fiscal decentralization, social policy and local-level finance.

3.5.5- CGBA, India

Founded in 2002, the Centre for Budget and Governance Accountability (CBGA) is a New Delhi-based civil society organization that promotes transparent, accountable, and participatory governance, and

a people-centered perspective in the preparation and implementation of budgets. CBGA attempts to deepen budget work at the national level by analyzing the central government's budget in the context of overall macroeconomic policies and from the perspective of marginalized sectors of society.

Note:

It is not possible to list all of these international organizations contributing to the budget work in this booklet. However, those interested may find very interesting experiences from different continents about the budget work in the book "Lessons from the Field - The Impact of Civil Society Budget Analysis and Advocacy in Six Countries - Practitioners Guide" by Paolo de Renzio and Warren Krafchik. And also "A Taste of Success - Examples of the Budget Work of NGOs", The International Budget Project October 2000.

Chapter 4

State and Analysis of Participation in Budget Process in Pakistan

The civil society organisations and the Parliaments are very significant and organized stake holders in the whole process of budget making and its implications for economic justice. Both of these groups can and do participate in public decisions and debates about the budget and budgetary process in Pakistan. We have specially mentioned these two important stakeholders because the parliamentarian are elected representatives of people, and the civil society organistaion have the capability of raising the voice and advocacy. It is said that CSOs don't have votes but voice.

4.1 - The Participation of Parliament in Budget Process

The parliament specifically plays an oversight role in the budget process. The parliamentary oversight of government finances can be separated into two broad phases, one is the approval of the revenue proposal put forth by the executive machinery of the government, and second is of monitoring the expenditures.

To ensure accountability and transparency, parliamentarians have the right to scrutinize the budget in accordance with the rules of procedure and conduct of business. For instance, according to the Rule 189 of Rules of Procedure and Conduct of Business, Parliamentarians can exercise three types of cut-motions:

- Disapproval of Policy Cut: This allows a member to represent his / her disapproval for a specified policy and also provides other members the opportunity to advocate an alternative policy
- Economy Cut: This allows either a lump-sum reduction in the demand or the omission or reduction of an item in the demand
- Token Cut: This allows members to express a specific grievance within the sphere of Government responsibility.¹⁵

According to the Article 77 in the provisions of the Constitution, only the Parliament has the authority to levy taxes for the Federation. There has been much debate about the ineffective role of parliament in Pakistan in the budget process. As seen in the chapter 1, the budget preparation process in Pakistan is dominated by the executive part of the government. However, now under the MTBF project the MoF prepares Budget Strategy paper and gets its approval from the cabinet twice in a fiscal year. (Please see www.mtbfpakistan.gov.pk for more details).

The table below gives a snap shot of the effective or ineffective role of parliamentarians in Pakistan in the budget authorization debates in national legislature.

¹⁵ Nazeer Ahmed, (2008)

Table: 4.1 - A Measure of Parliamentary Interest in Budget Making in Pakistan

Year	Total Working days of budget session	Number of Members Participated	Time consumed in the budget session (in Hours)
1998-99	11	80	17
1999-00	13	66	13.5
2003-04	5	48	9.4
2004-05	9	191	45.32
2005-06	8	132	34.20
2006-07	13	183	55.5
2007-08	11	187	45.22
2008-09	19	229	41.46
2009-10	10	170	42

Source: Dawn – Lahore, Tuesday, July 7, 2009

Parliamentarian's interest in budgetary process is debatable. According to some critics it arises from their own lack of interest in the budget, while others hold a view that it is the result of clash between executive and legislative branches of the government. The absolute number of parliamentarians' participation may not look as bad as the proportion of the House in this participation would be.

4.2- Participation for Civil Society Organisations in Budgetary Process in Pakistan

Following are some real case stories of the civil society organisations' participation in the budget process and the resultant outcomes. It can be noted that the CSOs have started to discover spaces for their effective role in the budget process.

Box 4.1- Earthquake Reconstruction In Pakistan: The Case Of The Omar Asghar Khan Development Foundation's Campaign

On 8 October 2005 a devastating earthquake shook the Hazara region and the Azad Kashmir province in Northwest Pakistan, destroying huge numbers of shelters, livelihoods, and lives in an already marginalized region of this poor country. The magnitude of the destruction led to a flood of donor money for reconstruction and rehabilitation in the affected areas. But three years later the slow pace of reconstruction meant that many people were still without adequate housing or critical public infrastructure, despite government pronouncements to the contrary. It was in this context that a large coalition of CSOs and citizens embarked on a campaign to jump start Pakistan's efforts to rebuild. The campaign was led by the Omar Asghar Khan Development Foundation, a civil society organization (CSO) that engages people in the Northwest region in efforts to secure their human and livelihood rights. The outcome was a rapid increase in the rate of construction in the housing, health, water supply, and sanitation sectors.

The Foundation's Campaign

*The Omar Asghar Khan Development Foundation launched a campaign in 2007. After a long struggle, the results started to flower:
Pace of Work Overall Accelerated After October 2008*

Prior to June 2008, 9 percent of total projects were completed, 12 percent were under construction, and 52 percent were in the tendering/planning stage.

By August 2009, 28.5 percent were completed, 31.6 were under construction, and 39.9 were in tendering/planning.

The foundation significantly improved the results in housing, water and sanitation, health and education.

In a word, the Foundation facilitated, and the media communicated the voice of the people. Armed with a strong, broad-based coalition and evidence from sound analysis and research, the campaign challenged the claims and policies of the state and, in the process, made a difference.

Source: www.internationalbudget.org

4.3- CSOs in Budget Work - Pakistan

There are several organisations in Pakistan who have contributed to the budget process. Some of these organisations include:

- i- Sustainable Development Policy Institute – It is Islamabad based organisation that participates in the budget work specially pre and post budget seminars are arranged by it which helps exchange ideas about the budget and its implications on various sectors of the economy.
- ii- Centre for Participatory Development Initiatives- it is also Islamabad based organisation and specialises in the participatory development.. It collaborates with other organisation for conducting researches, advocacy, and budget work. It publishes “budget watch”.
- iii- Shirkat Gah – it is a Lahore based established organisation that has been involved in the gender related advocacy since a long time, apart from some other initiatives as well. It conducted a research study related with engendering the PRSP-II during the consultation process.
- iv- Consumer Rights Commission of Pakistan has also been involved budget work, apart from its main area related to the consumers’ protection.
- v- Action-aid Pakistan- it has been committed to generate useful knowledge that could then be used by CSOs in their advocacy about the budget.
- vi- Pakistan Institute of Legal Development and Transparency (PILDAT) – It is an Islamabad based organisation that works very closely for the capacity building of the legislature for various purposes including the budget oversight by the parliament.

Most of the above mentioned organisations are related to the federal and provincial level budgets. There are some organisation that specialise in the local (tehsil and district) level budget work as well. Some of these include:

- vii- Malhar Development organisation from District Sanghar – Sindh. This organisation has done budget tracking of the district level budget specially in education,
- viii- Budget Accountability Forum, Multan – It is an active organisation in the field of advocacy and budget tracking, and budget analysis.
- ix- Hirrak Development Centre, Kot Addu, Muzaffar Garh – It has also done some budget analysis at the local level.

Chapter 5

Conclusions

This booklet has been written to familiarize the stakeholders to the idea of budgetary process in Pakistan, budget accountability and its link with the economic justice. The budget is not only a document but a process to raise revenues and spend them for meeting the national and international commitments, often stated in constitutional documents.

- 1- Budget is a government's annual financial plan describing the proposed expenditures and the means of financing them in the forthcoming financial year. All stakeholders, be it the general public or their representatives in the legislatures, entrepreneurs and corporate heads in the private sector or their employees, civil society organizations or labour unions and collective bargaining agents, current employees or retired pensioners of public and private sectors, keep a close and eager eye on the budget. Every stake holder views and analyses the budget with the question "what is there in the budget for me and us?" The federal budget is very important document from the perspectives of economy, social and economic wellbeing, taxes, subsidies and reliefs on one hand the national and international commitments and obligations of the government on the other. It reveals the priority areas of spending, size of government, social sector development, infrastructure development, special schemes and much more.
- 2- The principles of good governance require transparency, and accountability in all the spheres of public action, Same is true in the management of fiscal affairs and budget process. In Pakistan, mainly because of the post Medium Term Budgetary reforms and the gender sensitive budgeting, the budgetary process is become more open and outcome oriented. From the management of the public funds perspective, its an important step. However, the role of civil society in the oversight and specially at the implementation stage is not very strong. At the implementation stage the timely availability of data about the status of results and outcomes produced are not immediately available to the general public. Hence, the CSOs can only see what has happened after a time lag, and cannot affect the implementation right in time.
- 3- The Government of Pakistan, through its Ministry of Finance involved many stakeholders in the consultation process including CSOs, NGOs, academicians, and other stake holders like international donor agencies during the formulation phases of Poverty Reduction Strategy Paper-II. It developed thematic working groups of experts from public and private sectors to deliberate upon the indicators of monitoring the outcomes and achievements of meeting the targets of PRSP-II. These steps helped the civil society to actively get engaged in the budget work.
- 4- There are 17 pro-poor sectors in the PRSP-II framework, and the expenditures and their outcomes are periodically reported and assessed by the government. Similarly, in the MTBF the government seems to be committed to move towards more transparency in its operation but the full disclosure policy is not adopted specially about the budget strategy paper.
- 5- The treatment of pro-poor sectors in the PRSP-II as having direct or indirect achievement of the MDG targets and goals is not quite correct. Although the MDGs are partly achievable through the pro-poor budgetary and PRSP-II framework expenditures, but the funds allocated for health and

water specially are just not adequate for achieving the MDG results. It is one of the reasons that Pakistan is lagging behind in half (i.e. 19 out of 38) of the indicators. This underachievement has negative implications for the poor and vulnerable households.

- 6- The international practices in the domain of budget accountability and transparency are quite developed in some of the countries. The international Budget Partnership (IBP), located in USA joins hands with organizations in more than 90 countries around the globe to assess the budget transparency through its Open Budget Survey. In 2010, Pakistan has a score of 38 out of 100 on Open Budget Index that places it below Sri Lanka, India, Bangladesh, and Nepal in the South Asian region. The government needs to be more transparent.
- 7- The civil society organizations in Pakistan are engaged in the annual and medium term budgetary process off and on. Usually there are pre and post budget seminars but the effect is very minimal. Some of the organizations that have been involved in the budget work at various phases of the budget include Omar Asghar Khan Foundation, Sustainable Development Policy Institute, Centre for Participatory Development Initiatives, Shirkat Gah, and Actionaid Pakistan etc.
- 8- Lastly, the legislature oversight function is also not very effective in the case of Pakistan. There are many reasons behind it, which include the lack of capacity of the parliamentarians to engage in the budget related activities. Although there are some organizations like Pakistan Institute for Legal Development and Transparency, and Pakistan Institute of Parliamentary Services, but there is immense need for more activities on this front.

Suggestions for future actions

- 1- There is a need for some CSOs specializing in budget work, that may position itself and specialise in the participation in the budget work. They should be working partly or wholly on the issues related to public finance specially the budget work.
- 2- Pakistan is in the process of developing the democratic culture which can be further strengthened if the CSO's work is given importance during the budget making process.
- 3- The need to build the capacity of CSOs to understand the budget process, identify the points of entry and interaction in the budget cycle is also felt. Without an informed base of CSOs, we cannot hope for the budget work to get started in Pakistan in a big way.
- 4- Some CSOs should specialise in the field of social audit. A social audit is an accountability tool to understand, measure, verify, report on and to improve the performance of the governments. A social audit helps to narrow gaps between vision/goal and reality, between efficiency and effectiveness. It values the voice of stakeholders, including marginalized/poor groups whose voices are rarely heard. Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in local bodies.

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ActionAid is an anti-poverty agency whose aim is to fight poverty worldwide. Formed in 1972, for over 30 years we have been growing and expanding to where we are today—reaching out to over 13 million of the world's poorest and most disadvantaged people in more than 40 countries worldwide, helping them to fight for and gain their rights to food, shelter, work, education, healthcare and voice in the decisions that affect their lives.

Since its inception in 1992, ActionAid Pakistan has been working in partnership with local civil society organizations, community groups and marginalized people to fight poverty and violations of human rights. We focus on challenging patriarchy and inequality and promoting, democratic, accountable and responsive governance.

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