

BACKGROUND PAPER

**PARLIAMENTARY BUDGET REFORMS
IN PAKISTAN**

BACKGROUND PAPER

**PARLIAMENTARY BUDGET REFORMS
IN PAKISTAN**

PILDAT is an independent, non-partisan and not-for-profit indigenous research and training institution with the mission to strengthen democracy and democratic institutions in Pakistan.

PILDAT is a registered non-profit entity under the Societies Registration Act XXI of 1860, Pakistan.

Copyright ©Pakistan Institute of Legislative Development And Transparency PILDAT

All Rights Reserved

Printed in Pakistan

Published: February 2013

ISBN: 978-969-558-302-9

Any part of this publication can be used or cited with a clear reference to PILDAT.



Pakistan Institute of Legislative Development and Transparency - PILDAT

Head Office: No. 7, 9th Avenue, F-8/1, Islamabad, Pakistan

Lahore Office: 45-A, Sector XX, 2nd Floor, Phase III Commercial Area, DHA, Lahore, Pakistan

Tel: (+92-51) 111-123-345; Fax: (+92-51) 226-3078

E-mail: info@pildat.org; Web: www.pildat.org

CONTENTS

Preface

Introduction	07
Constitutional Provisions	09
Stages	09
Cut Motions	09
Voting on Demands for Grants	09
Schedule of Authorised Expenditure	09
Working Days of the Budget Session	09
Role of the Senate in the Budget Process	11
The Budget Process in Pakistan	12
The Budget Year	12
Budget Call Circular	12
Preparation of Estimates	12
Annual Development Programme (ADP)	12
- Resources Estimates	13
- Foreign Exchange Component of ADP	13
Effect to new Taxation Proposals	13
Schedule of Authorized Expenditure	13
Role of Parliamentary Parties	15
Role of Standing Committees	16
Recent Reforms	16
Required Reforms	16
Proposed Reforms to the Parliamentary Budget Process in Pakistan	18
1. The current Parliamentary Budget Process needs urgent Reforms	18
2. Pivotal Role of the National Assembly Standing Committee on Finance	18
3. The Duration of the Parliamentary Budget Process	18
4. Powers to Committees to Review Budget/ Demands for Grants	19
5. Each Standing Committee should hold Pre-Budget Public Hearings starting in October	19
6. An independent Budget Unit be established within the Parliament	20
Figures & Tables	
Table 1: Budget Sessions 1998-2012	10
Figure 1: Working Days of the Budget Sessions in National Assembly	10

PREFACE

The Parliamentary Budget Process in Pakistan is recognised as suffering from a number of weaknesses, highlighted by Parliamentarians, civil society groups and the media over the past several years. There is a need for reform of the Parliamentary Budget Process in Pakistan, to ensure that it is made more participatory, informed and effective, thus strengthening Pakistan's democracy and institutions.

Even though some reforms have been introduced during the on-going term in the National Assembly of Pakistan and some in the Provincial Assembly of the Punjab, smooth operationalisation of those, as well as more comprehensive reforms are required to enable Pakistan's elected representatives to carry out an effective scrutiny and oversight of public budget at the centre and the provinces.

PIL DAT has been working to strengthen the Parliamentary Budget Process in Pakistan since 2002. It helped facilitate a bi-partisan consensus that has resulted in the current movement forward on required reforms.

This paper provides a summary of the current status of Parliamentary Budget Process in Pakistan. The paper draws on earlier publications of PIL DAT on the subject to present the current status.

Acknowledgement

PIL DAT has used its own research and knowledge on the issue to provide background information and analysis in this paper. This paper is published with support from the Canadian High Commission, Islamabad under the project Roundtable Discussions on Reforming Parliamentary Budget Process.

The paper has been compiled by **Mr. Hammal Dostain**, Projects Manager PIL DAT, under the guidance and supervision of **Ms. Aasiya Riaz**, Joint Director, and **Mr. Ahmed Bilal Mehboob**, President PIL DAT.

Disclaimer

PIL DAT team has made every effort to ensure accuracy of the contents of this paper. Any error or omission, therefore, is not deliberate.

Islamabad
February 2013

Introduction¹

The budget of a country reflects the prioritisation of its fiscal, financial, economic and social objectives. The budget also reflects the policies a government wishes to pursue both, in the domestic and foreign arenas and the vision which it has for the future of the country. The allocations made in a budget make a strong impact on a country's socio-economic conditions during the year. Since budgets have increasingly become a part of the multi-year frameworks developed by government, impact of a budget is not limited to any one fiscal year. Instead it has a mid to long-term impact on the affairs of a state. In democracies, and especially in developing democracies, budgets and their outcomes largely determine the future of the elected governments who prepare, present and implement them.

Since a budget is an important phenomenon, it has a special place in the functions of a Parliament. It is one of the most important pieces of legislation that any Parliament debates and passes in any year. In view of this importance, the process of preparing, shaping, debating, approving, implementing and monitoring the execution of a budget also assumes a special significance in a democratic system. Governments often adopt special measures to make the budget process a widely participatory and informed one.

If the budget process allows Parliamentarians to have details of the budget, seek broader input from various segments of the society, have independent means and sources of budget analysis and have sufficient time to debate its various aspects, the budget process is usually considered to be an effective one. An effective budget process is more likely to result in a better budget, more attuned to its needs and aspirations of a country.

1. PILDAT Baseline Report 2010; Parliamentary Budget Process in Pakistan and Canada, can be accessed at <http://www.pildat.org/Publications/publication/Budget/BASELINEREPORTParliamentaryBudgetProcessinPakistanandCanada100210.pdf>

Constitutional Provisions²

In Pakistan, budget is governed by the Constitution and rules relating to Parliamentary procedure. The Constitution requires that the Federal Government presents an annual budget statement to the National Assembly in respect of each financial year, which begins on July 1st. The business of the National Assembly is governed by the Rules of Procedure and Conduct of Business in the National Assembly Rules 2007.

Essentially, Rules 182-197 govern the manner in which the National Assembly participates in the budgetary process. Prior to presentation to the National Assembly, the budget is discussed and approved by the cabinet.

The budget shall then be presented to the National Assembly by the Finance Minister on a date determined by the Leader of the House. No other business is allowed in the House on that day. After this, at least two days are set aside before any discussion of the budget commences. At least four (4) days must then be allocated for budget discussion

Stages

The stages of the discussion of the Budget in the National Assembly of Pakistan are as follows:

1. General Discussion on the Budget
2. Discussion on Appropriations
3. Discussion and Voting on Demands for Grants

The general discussion may deal with issues of principle and the budget as a whole, but may not give rise to any motions or any vote. The Minister then has a general right of reply.

Consideration of expenditure to be charged to the fund is limited to discussion and may not be voted up in accordance with the Constitutional provisions.

Cut Motions

Discussions on demands for grants made by various departments may be both discussed and voted upon, as these sums are not chargeable to the fund. Members may

advance motions in relation to individual grants to reduce (but not increase) the level of the grant sought. Such motions are known as “cut motions.”

Cut motions must be made in one of three forms:

- Disapproval of policy cuts: which seek the reduction of expenditure to Rs. 1 as a sign of policy disapproval
- Economy cuts: which seek to reduce the demand by a specified sum; or
- Token cuts: which seek to reduce the demand by Rs. 100 in order to raise a specific grievance

Cut motions are subject to a number of admissibility conditions which, amongst others, require that they relate solely to one demand, must not seek to increase or change the destination of the grant, must not relate to any charge to the fund and must not seek to amend or repeal any law. Admissibility is determined by the Speaker.

Voting on Demands for Grants

Demands for grants are not chargeable to the fund they may be voted upon. Each demand is discussed separately and cut motions are dealt with prior to any vote being taken.

Schedule of Authorised Expenditure

A schedule of expenditure is drawn up in the same form as the Annual Budget Statement, in so far as it relates to expenditure, and is approved and authenticated by the Prime Minister. The schedule is placed before the National Assembly but is not subjected to a vote.

According to the Rules of Procedure of the National Assembly, the Speaker allots days for the different stages of the Budget. It requires two days to lapse between the days the Budget is presented and the first day of the General Discussion. The Rules prescribe that not less than four days should be allotted for the General Discussion.

Working Days of the Budget Session

The Annual Budget Statement is generally presented at the National Assembly during the second week of June and is passed by the National Assembly by the beginning of last

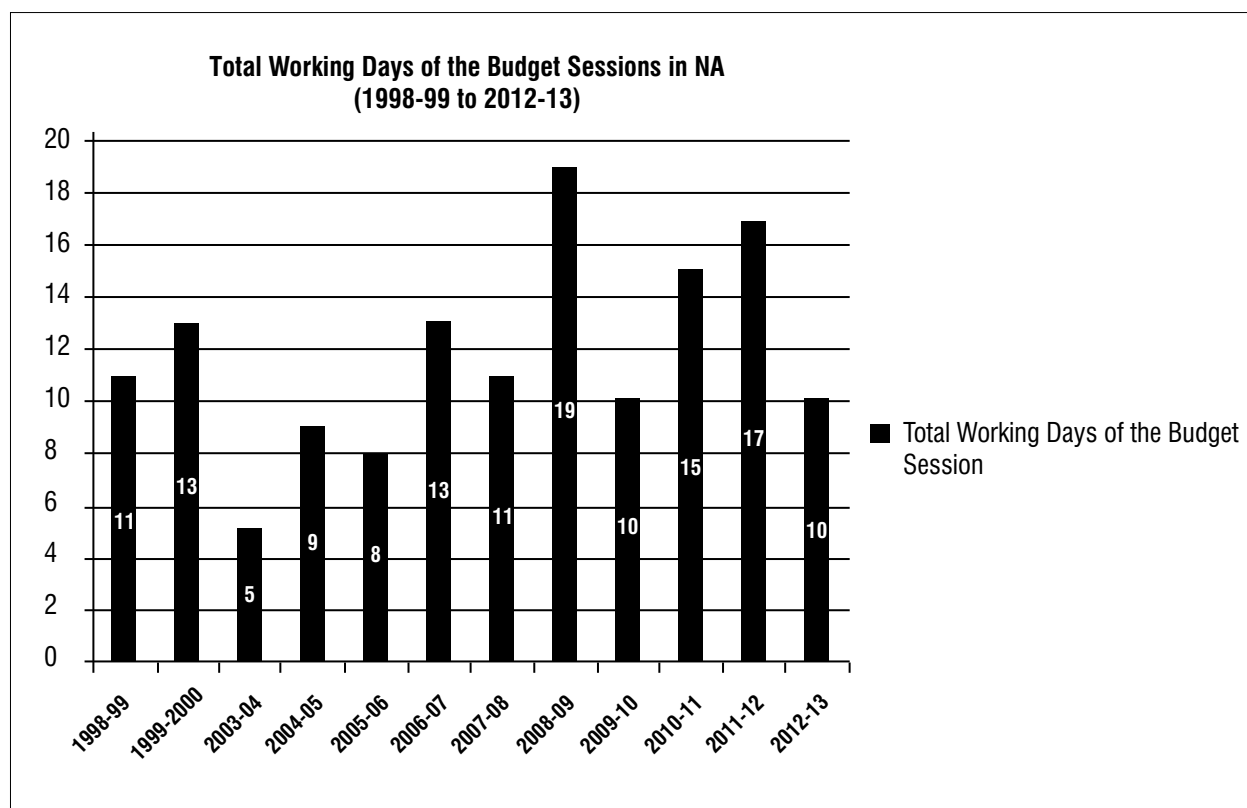
2. PILDAT Baseline Report 2010; Parliamentary Budget Process in Pakistan and Canada, can be accessed at <http://www.pildat.org/Publications/publication/Budget/BASELINEREPORTParliamentaryBudgetProcessinPakistanandCanada100210.pdf>

week of June. This process generally leaves fifteen (15) to twenty (20) calendar days and around twelve (12) to seventeen (17) working days for the various stages of budget debate in the National Assembly. The table below shows the number of days allocated for budget debate in the National Assembly in recent years.

Table 1: Budget Sessions 1998-2012

	1998-99	1999-2000	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total Working Days of the Budget Session	11	13	5	9	8	13	11	19	10	15	17	10
Number of Members Participated	80	66	48	191	132	183	187	229	170	161	139	147
Time Consumed in the Budget Sessions	17.00 hours	13.50 hours	09.40 hours	45.32 hours	34.20 hours	55.50 hours	45.22 hours	41.46 hours	42 hours	39 hours	35 hours	25.5 hours

Figure 1: Working Days of the Budget Sessions in National Assembly



Role of the Senate in the Budget Process

The Constitution prevents the Senate from taking an active role in the consideration of the budget.

Since 2003, it has been a requirement that the budget statement is copied to the Senate at the same time as its presentation to the National Assembly. The Senate may discuss the budget proposals and make recommendations to the National Assembly. Its recommendations are, however, non-binding.

The Budget Process in Pakistan³

The Budget Year

The budget year in Pakistan is from 1st July to 30th June. On issuance of a Budget Call Circular, by Ministry of Finance, the Budget Formulation Process starts in October each year where the original estimates are framed in minute detail by the agencies and departments, which collect the receipts and incur the expenditure, keeping in view the past actuals, current trends and future expectations and commitments. These estimates are submitted by the estimating authorities to their administrative Ministries and Divisions who, in turn, examine and pass these on to the concerned Financial Advisers with their recommendations. The Financial Adviser and Ministry of Finance, as recommended by the Administrative Ministries and Divisions, subject the estimates, to detailed scrutiny before they are finally accepted for inclusion in the budget.

Budget Call Circular

The procedure applicable to the preparation of the budget estimates for a financial year is indicated by the Ministry of Finance every year in a "Budget Call" issued to the administrative Ministries / Divisions and Departments of the Central Government. The circular contains comprehensive instructions for the preparation and scrutiny of the budget estimates. It also sets out the target dates by which the various stages of budget formulation are to be completed. Since time factor is important, emphasis is laid, among other things, on the strict observance of the budget time table at all stages of budget making.

Preparation of Estimates

The budget estimates for the ensuing year are formulated separately in respect of non-development/current expenditures and development expenditure. The estimates are supported by complete details.

As the budget is essentially based on the cash accounting system, the estimates are required to be prepared on the basis of what is expected to be actually received or paid for during the ensuing year and not merely the revenue

demand or the liability of expenditure falling due in that year.

According to the conventional classification, the budget is divided into two main sections, namely:

- i. Revenue Budget
- ii. Capital Budget

The revenue budget presents the current or day-to-day non-development expenditure, i.e., defence, debt, repayments and running of civil government and other activities which are financed from current revenues derived through taxes, duties and other miscellaneous receipts.

The capital budget is designed to create material assets which add to the economic potential of the country. Its main features are that it must involve construction of a work or acquisition of a permanent asset of public utility such as irrigation and industrial projects.

The capital expenditure is generally met from the revenue surplus, reserve funds and borrowing for specific or general purpose. The aforesaid two divisions of the Government budget are merged together to work out the resource estimates, which indicate the cash balance position of the Government at the beginning and end of the financial year.

Annual Development Programme (ADP)

The formulation of the Annual Development Programme is one of the most important aspects of the budget making. It is prepared by the Planning Commission in consultation with the Ministry of Finance and the Provincial Governments and approved by the National Economic Council. The provision for development expenditure is included in the budget on the basis of the Annual Development Programme.

The exercise for the preparation of the Annual Development Programme starts sometime in early November when keeping in view the overall requirements of the economy and plan targets, the size of the Annual Development Programme is fixed and communicated sector-wise to the executing agencies and the Provincial Governments by the Planning Commission. Within the

3. PILDAT Briefing Paper No. 1, Updated June 2008, The Federal Budget Process in Pakistan, can be accessed at <http://www.pildat.org/Publications/publication/budget/TheFederalBudgetProcessinPakistanRevisedJune2008.pdf>

overall allocations so intimated by the Planning Commission, the detailed sector-wise development programmes are formulated by the sponsoring agencies and finalised after detailed discussion with the Planning Commission. These allocations are then discussed and finalized in the meetings of the Priorities Committee in March / April, in April / May by the Annual Plan Coordination Committee and finally by the National Economic Council. The Annual Development Programme, as finally approved and incorporated in the budget, presents the blue print for action by the Federal and Provincial Government and indicates the financial allocations along with physical targets in respect of various development schemes.

a. Resources Estimates:

Since the successful implementation of the Annual Development Programme as an instrument of economic development largely depends upon the availability of resources, the determination of the size of the programme is preceded by a detailed exercise in resource estimation.

Ministry of Finance undertakes this exercise in coordination with the concerned Government agencies, particularly the Central Board of Revenue (CBR) and the Provincial Finance Departments. The components of resource estimates are:

- i. Public Savings, i.e., the excess of revenue receipt over current expenditure of the Federal and Provincial Government.
- ii. Net capital receipts of the Federation and the Provinces. (i.e. Recovery of loans, saving schemes and prize bond proceeds etc)
- iii. The Federal Government's estimates of:
 - Foreign economic assistance
 - Deficit financing (Bank Borrowing) to the extent the latter is warranted by the state of the economy.

As the development outlays in the provincial field are increasing and the provincial resources for this purpose are not adequate, the Federal Government render financial assistance to the Provincial Governments on a larger scale for implementation of their development programme.

b. Foreign Exchange Component of ADP

An Endeavour is made to estimate the foreign exchange

component of the Budget programme as realistically as possible. The expenditure in foreign exchange is shown separately from the expenditure in local currency, both in the revenue and capital budget.

This also serves as an indication to the administrative authorities that the budgetary allocation for foreign exchange expenditure is not available for expenditure in local currency.

Effect to new Taxation Proposals

The proposals for new, enhanced or revised taxation conceived as a part of the budget are given effect by means of a distinct legislation. This legislation is an integral part of the budget presentation and without it no tax can be levied, enhanced or revised.

Schedule of Authorized Expenditure

After the budget has been approved by competent authority, an authenticated Schedule of Authorized Expenditure is drawn up in the same form as the Annual Budget Statement, in so far as it relates to expenditure.

This schedule approved and signed by Prime Minister constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund in the annual Budget statement. The Schedule reflects the extent of expenditure to be made under a specific grant/appropriation. Following expenditures shall be charged upon the Federal Consolidated Fund:

- a. The remuneration payable to the President and other expenditure relating to his office, and the remuneration payable to:
 - i. The Judges of the Supreme Court
 - ii. The Chief Election Commissioner
 - iii. The Chairman and the Deputy Chairman (of the Senate)
 - iv. The Speaker and the Deputy Speaker of the National Assembly
 - v. The Auditor-General
- b. The administrative expenses, including the remuneration payable to officers and servants of the Supreme Court, the department of the Auditor-General and the office of the Election Commission and

the Secretariat of the Senate and the National Assembly;

- c. All debt charges for which the Federal Government is liable, including interest, sinking fund charges, the repayment or amortization of capital, and other expenditure in connection with the raising of loans, and the services and redemption of debt on the security of the Federal Consolidation Fund;
- d. Any sums required to satisfy any judgment, degree or award against Pakistan by any court or tribunal and;
- e. Any other sums declared by the Constitution or by Act of Parliament to be so charged.

Once the Budget proposal are prepared by the Ministry of Finance and approved by the cabinet, Minister of Finance, in consultation with Prime Minister and Speaker, will present it to the Assembly. A copy of the Budget is transmitted to the Senate at the same time when it is submitted to the National Assembly. The Senate may, within seven days, make recommendations thereon to the National Assembly. The National Assembly shall, consider the recommendations of the Senate and may pass the Budget with or without incorporating the recommendations of the Senate.

Role of Parliamentary Parties

The current National Assembly of Pakistan comprises members from ten (10) Parliamentary parties, with an additional seventeen (17) independent members.⁴ These parties are listed below in order of level of representation, with the Pakistan People's Party Parliamentarian (PPPP) as the largest single party in the National Assembly:

- Pakistan People's Party Parliamentarian (PPPP)
- Pakistan Muslim League-Nawaz (PML-N)
- Pakistan Muslim League (PML)
- Muttahida Quami Movement (MQM)
- Awami National Party (ANP)
- Muttahida Majlis-e-Amal Pakistan (MMAP)
- Pakistan Muslim League-Functional (PML-F)
- Quami Watan Party (QWP)
- National People's Party (NPP)
- Balochistan National Party-Awami (BNP-A)

Parliamentary parties do not generally make any organised advance preparation for budget debate. This is unsurprising given that until presentation to the National Assembly, the details of the Annual Budget Statement are kept confidential. Additionally, the parliamentary parties are not well-organised, motivated or equipped to carry out serious in-depth analysis of the budget or to present alternative proposals.

In consequence, the budget process within the National Assembly has become a somewhat ritualistic formality, during which parliamentarians use the budget debate to highlight constituency issues or matters of a general nature.

Some parliamentary parties do hold meetings during the two day break after presentation of the budget in the House. Financial experts brief about the debate on the content of the budget; any strategy to be adopted by the political parties is ordinarily provided to party members by its parliamentary leadership. Both the PPPP and the PML-N have adopted this practice in the past. There, however, is no evidence of more long term expert input into the parliamentary party mechanisms.

Parliamentarians receive little or no institutional or individual support from their parties or the government in

terms of budgetary input and in consequence have a minimal role in determining the financing of the state or its economic policies.

4. <http://www.na.gov.pk/en/party-stats.php>

Role of Standing Committees

In Pakistan's Parliament, both National Assembly and the Senate, amendments were made in the respective rules of procedures in the decade of 1990s to allow for wide powers to Standing Committee to debate legislation relating to, and oversee the working and performance of, the relevant Ministry or Division; to call witnesses, requisition official records, seek statements on oath and take up any matter within their jurisdiction, without reference by the House.

Clause 201 (4) of the National Assembly Rules of Procedure further defines committee powers as follows:

“A Committee may examine the expenditures, administration, delegated legislation, public petitions and policies of the Ministry concerned and its associated public bodies and may forward its report of findings and recommendations to the Ministry and the Ministry shall submit its reply to the Committee.”

Clause 201 (5) of the National Assembly Rules of Procedure allows Committees to receive public petitions on a variety of Issues:

“Public petitions may be presented on a bill which has been introduced, or any matter connected with the business pending before the House, or any matter of general public interest which is primarily the concern of the Government, provided that it is not one which fall within the cognizance of a court, nor shall it relate to a matter pending before any court or other authority performing judicial or quasi-judicial functions.”

There are currently forty four (44) National Assembly Standing Committees, each corresponding to a Federal Ministry or Division.

Recent Reforms

For the first time in Pakistan, after considerable bipartisan reform efforts by PILDAT over the years, Standing Committees in the National Assembly have now the power to scrutinise ministerial budget proposals before these are made part of the Federal Budget.

A recent reform, passed in the shape of an amendment to the National Assembly of Pakistan, has helped strengthen Standing Committees' role in effective scrutiny of departmental budget. The change in rules will now allow Standing Committees to scrutinise budgetary proposals before these are submitted to the Ministry of Finance.

According to the amendment, passed unanimously in the Rules of Procedures on Budget Process in the National Assembly of Pakistan on January 29, 2013:

“Each Standing Committee shall scrutinize and suggest amendments, if necessary, and recommend Ministry's Public Sector Development Program (PSDP) for the next financial year before the same is sent to the Ministry of Finance for inclusion in the Federal Budget for the next financial year. Each Ministry shall submit its budgetary proposals relating to Public Sector Development Program (PSDP) for the next financial year to the relevant Standing Committee not later than the 31st January of preceding financial year and the Standing Committee shall make recommendations thereon not later than the 1st March of the preceding financial year: Provided that where such recommendations are not made by the 1st March, the same shall be deemed to have been endorsed by the Standing Committees”.⁵

PILDAT believes that the amendment is a 'historic' development' in Parliamentary Budget Process of Pakistan, which will go a long way in strengthening the role of National Assembly - and of people's elected representatives - in duly exercising their power over the country's purse strings.

Required Reforms

Apart from the pre-budget stage, the Rules need to be amended to allow for Finance Bill to be referred to committees. The Rules of Procedure and Conduct of Business in the National Assembly do not appear to preclude standing committee consideration of aspects of the budgetary process. Rule 122 states that *“Upon introduction, a Bill, other than a Finance Bill, shall stand referred to the Standing Committee concerned with the subject matter of the Bill.”*

5. National Assembly of Pakistan, http://www.na.gov.pk/uploads/documents/1360646026_913.pdf

Whilst the rules do not require referral to a standing committee the rules do not preclude referral budgetary matters and consideration of demands and grants. However, as a matter of practice none of the standing committees consider themselves able to participate in the budget process.

Any consideration of the budget as a whole would logically fall within the purview of the Standing Committees on Finance and Revenue and Planning and Development, whilst individual committees would consider individual budgets of the relevant ministry/division within their respective subject areas.

There is also a need for the Provincial legislatures to amend their Assemblies Rules of Procedure to give suo moto powers to the committees to take cognizance of any matter relating to their area of work on their own similar to the provision in the National Assembly of Pakistan.

Proposed Reforms to the Parliamentary Budget Process in Pakistan

1. The current Parliamentary Budget Process needs urgent Reforms

In Pakistan, the Budget making remains an exclusive domain of the unelected executive. Elected representatives are intentionally kept out of the process on the pretext of secrecy because executives traditionally do not want to empower legislatures and then be answerable to them. Granted that the detailing of the budget and number-crunching has to be done by the bureaucrats and nobody has a quarrel with that but the broad policy decisions and direction of the budget need to reflect the policy of an elected government and that is where a broader involvement of the elected representatives is essential to make the budget making an inclusive process and not a prerogative of the few. Among the elected executive, it is only the Finance Minister and Minister of State in some cases who are somewhat involved in the budget-making. Even the cabinet which has to take the collective responsibility of all Government decisions is made to bless the Budget as a formality just a few hours before the budget is formally presented in the Parliament.

The current Parliamentary Budget Process which barely runs for around 2 weeks provides very little opportunity to the elected representatives to either shape or effectively review the budget; the parliament and more specifically the National Assembly is used by the un-elected executive as a rubber stamp on this important function of the legislature. The current process doesn't provide a significant role to Parliamentarians in the budget process for a meaningful input from the parliament.

There is a serious need for Parliamentarians to engage more effectively in Budget making process at its various stages. As representatives of the people, Parliamentarians should set their priorities reflecting in the Budget as per wishes of their constituents.

2. Pivotal Role of the National Assembly Standing Committee on Finance

The Standing Committee on Finance of the National

Assembly of Pakistan should lead the effort of reform in the Parliamentary budget process. The role of Finance Committee needs to be strengthened, especially in the budget process. The Committee on Finance and senior Parliamentarians from all parties should spearhead the reform effort. In view of the extremely important and specialised nature of the reforms, the Standing Committee on Finance may constitute *a Sub-Committee on Parliamentary Budget Process Reforms*.

The Standing Committee on Finance may undertake a comprehensive exercise of holding pre-budget public consultations in various cities of the country. The exercise may begin with advertisements in National newspapers by the Finance Committee inviting public and various interest groups such as the Chambers of Commerce, Civil Society Organizations, Trade Unions to forward their ideas and recommendations for the next budget in writing. The Committee then may travel to various cities of the country where it may hold open forums with the citizens and interest groups about the next budget. The Finance Committee should invite various experts to present their view points. Based on this exercise, the Committee may compile its report and recommendations and forward these to the Ministry of Finance for possible incorporation in the budget. This exercise may not only reinforces the position of the parliament as the paramount body that would articulate public views and concerns on subjects of public and national concern, it will provide a very useful insight into public issues. The committee may act as a very effective link between the people and the executive.

3. The Duration of the Parliamentary Budget Process

The Finance Bill constitutes the single most important legislation debated and passed by a legislature in any given year. This is the legislation which gets the least amount of serious attention in the Assembly in terms of its review and oversight as, unlike other legislations, it is never referred to a standing committee for serious analysis and scrutiny. The Budget and the associated documents constitute the single most important package of policy decisions that a parliament takes in a year but it is never given enough time or background details to give tangible feedback

As mentioned earlier, the Annual Budget Statement is generally presented at the National Assembly during the second week of June every year and is passed beginning of last week of June, which leaves around twelve (12) to seventeen (17) working days for the various stages of budget debate in the National Assembly.

The budget debate is an exercise to make parliament responsible for something it knows nothing of and has had no role in shaping or reviewing. Parliamentarians are provided something like 1500 to 2000 pages of finely-typed printed documents clogged with figures which are difficult to decipher even by professionals on the day the budget is presented. They have no institutional or individual support to get briefed on the budget and they get just 2 days to start debating the issue. This does not allow even the parliamentary parties sufficient time to study the budget, firm-up their respective positions and brief individual members on the parameters of the debate. The result is that Budget speeches cover almost anything and everything under the sun but hardly any analytical or serious review of the budget. Most of the speeches relate to the respective constituency problems and issues but seldom scrutinise the budget. The entire budget debate continues for on the average 12 days which averages around 34 hours. At no point any part of the budget is referred to a committee for detailed review and the entire exercise is carried out in the plenary sessions of a house of 342 where no meaningful analysis or dialogue can take place.

In contrast to the Parliamentary Budget Process of Pakistan, Indian Parliament follows a parliamentary budget process of 75 days duration. Soon after the general debate, the Demands for Grants for each ministry including those of the Ministry of Defence are referred to their respective standing committees called Departmentally Related Committees. It is in these committees that the budget goes through a serious, in-depth and mostly non-partisan scrutiny. Each Committee prepares a detailed report on its review of the Demands for Grants which is then presented to the plenary which eventually passes the budget at the close of the 75-days cycle.

Keeping in view of the importance of the Budget Process, it is proposed that as a first step, the duration

of the Parliamentary Budget Process in Pakistan should be extended to **minimum 60 days** starting **from May 1** and concluding on June 30. The Budget should be presented on first working day of May each year.

It is also worth mentioning that since provincial budget follows the federal budget process, reforms to increase the federal budget process will also need to be put in place. After federal budget is presented earlier than June, the provincial budget process can follow as the budget sessions period need to be increased from averaging 13 days in legislatures to **at least 30 to 45 days**. This would require budget to be presented to the legislatures in May every year so as to conclude the budget session before June 30.

4. Powers to Committees to Review Budget/ Demands for Grant

The existing rules of the provincial assemblies do not allow finance bill to be referred to the Standing Committees. The plenary as a whole is not in a position to review budget and its ministry-wise demands for grants which is needed for a careful review of budget. In other Parliamentary systems, after the presentation of budget, demands for grants are referred to Standing Committees which scrutinize individual ministerial demands for grants and report to the House by a fixed period after which the grants are voted on.

The Rules of Procedure and the Conduct of Business in the Provincial Assemblies should be amended to provide a role for the Standing Committees to review ministerial demands for grants once the budget is presented and prepare reports by a specified period and table those reports in the House. The debate on budget should resume in the light of reports by Committees.

5. Each Standing Committee should hold Pre-Budget Public Hearings starting in October

Currently, the rules of procedures in the National Assembly do not stop committees from holding pre-budget hearings relating to their Ministries/Divisions but a more pro-active role by the committees and a support infrastructure were required.

In order to bridge the gap between people and the Parliament, each standing committee should hold 3 to 5 days public hearings on ideas, views, and suggestions about the next budget from the stakeholders relating to the area of concern / expertise of each committee. The hearings should be publicised in the media and media be allowed to cover the hearings. This act alone will be the single most rewarding activity for the Parliament and Parliamentarians. Each hearing should be well-documented.

6. An independent Budget Unit be established within the Parliament

A number of developing countries have established an office of the Parliamentary Budget Officer, an independent office that looks at the Budget and National Economy from a stand point which is different from that of the executive and provides this information to the Parliamentarians. A number of parliaments around the world have their independent budget offices; Philippines established its Congressional Budget Office in 1990, Mexico in 1998, Uganda in 2001, Canada in 2006 and recently Afghanistan in 2007. Such an office provides an independent non-partisan analysis of the Budget to the Parliamentarians which can greatly assist them in reviewing the budget and forming an opinion on it.

In keeping with the growing trend in the world, Pakistani Parliament should initiate the establishment of an Independent Budget Unit within the Parliament staffed with experts who can provide unbiased information relating to the budget and an independent analysis of the budget for the benefit of the parliamentarians. A feasibility study be commissioned and a comparison of various Independent Parliamentary Budget Units existing in the world may also be considered.



Head Office: No. 7, 9th Avenue, F-8/1, Islamabad, Pakistan

Tel: (+92-51) 111 123 345 | Fax: (+92-51) 226-3078

Lahore Office: 45-A, Sector XX, 2nd Floor, Phase III Commercial Area, DHA, Lahore

Tel: (+92-42) 111 123 345 | Fax: (+92-42) 3569 3896

E-mail: info@pildat.org | Web: www.pildat.org