

BASELINE REPORT

January 2010

Parliamentary Budget Process in Pakistan and Canada



*Parliamentary Centre
Le Centre parlementaire*

PILDAT
Pakistan Institute of
Legislative Development
And Transparency

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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.

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Abbreviations and Acronyms

ACCA	Association of Chartered Certified Accountants
ADP	Annual Development Programme
ANP	Awami National Party
BNP-A	Balochistan National Party - Awami
CSO	Civil Society Organisation
DFAIT	Department of Foreign Affairs and International Trade (Canada)
FATA	Federally Administered Tribal Areas
FBR	Federal Board of Revenue
MMAP	Muttahida Majlis-e-Amal Pakistan
MQM	Muttahida Quami Movement
NEC	National Economic Council
PILDAT	Pakistan Institute of Legislative Development And Transparency
PML	Pakistan Muslim League
PML-N	Pakistan Muslim League – Nawaz
PML-F	Pakistan Muslim League – Functional
PPPP	Pakistan Peoples Party Parliamentarian
PPP-S	Pakistan Peoples Party – Sherpao

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FOREWORD

The priorities of any nation are reflected in its policies and strategies. The national budget, representing the government's fiscal, financial and economic objectives, serves as the most important policy document of a country. The national budget-making process is the single most important entry point for influencing governmental priorities.

Pakistan's current budgetary process has, for various historical reasons, attracted little input from parliamentarians, political parties or wider civil society. The budget process has, in consequence, become solely the domain of the government, leaving little scope for analysis or accountability.

The purpose of this Baseline Report is to describe the current baseline conditions of the budgetary process in Pakistan in order to enable the partners in this project to identify weaknesses and the possibilities for strengthening and change. The report seeks to address the lack of parliamentary and political party scrutiny of the budget process.

Whilst it is recognised that there is no single "right way" to manage a budgetary process, the report examines the budgetary process adopted by Canada in order to identify useful practices and models which may be utilised within Pakistan. Canada has been identified as a suitable model due to its historical background, the structure of its legal system and its federal nature.

With this in mind, emphasis needs to be placed upon the possibility of increasing Parliamentary input and scrutiny through the use of existing Parliamentary committee structures. In order to ensure that the Parliamentary committees are able to undertake these functions effectively, it is imperative to provide orientation, briefings, increased technical and administrative support and other resources to committees.

Acknowledgments

This Baseline Report, prepared jointly by PILDAT and Parliamentary Centre, Canada, is part of the *Parliamentary and Political Party Strengthening Project* which is funded through Canada's Department of Foreign Affairs and International Trade (DFAIT). The project is implemented jointly by the Parliamentary Centre, Canada and PILDAT. The overall goal of the project is to strengthen the role played in Pakistan by Parliamentary committees and political party caucuses in the national budget making process, including pre-budget public consultations and citizen engagement.

Disclaimer

The PILDAT and its team of researchers as well as the Parliamentary Centre Canada have made every effort to ensure the accuracy of the content of this report and any omission or error is not deliberate. The content of this report does not necessarily reflect the views of Canada's Department of Foreign Affairs and International Trade (DFAIT).

Islamabad
January 2010

Project Background

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.

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.

Following the reinstatement of democracy in Pakistan and in the aftermath of the parliamentary elections in February 2008, strengthening the institution of Parliament is more pertinent than ever. The need for credibility, accountability and transparency is paramount. This need for reform was identified during a Canadian Department of Foreign Affairs

and International Trade (DFAIT)-supported Democracy Council Mission to Pakistan in April 2008. Recommendations by the Mission led to this project Parliamentary and Political Party Strengthening in Pakistan. The project, funded by DFAIT, focuses on strengthening the parliamentary budget process and making it more participatory, not only of the parliamentary parties, but also by citizens, citizens' groups and the media. It is in this respect, that the Ottawa-based Parliamentary Centre and the Pakistan Institute of Legislative Development and Transparency - PILDAT, with the support of the DFAIT, have undertaken the project, with the aim of assessing and improving upon the role of the Parliament in the budgetary process in Pakistan.

Objectives of the Baseline Report

This report is an attempt to record the existing Parliamentary budget processes in Pakistan and Canada, covering the administrative and parliamentary procedures followed and outlining the role of any non-governmental actors, such as political parties, civil society groups, the private sector and the media.

Demonstrating the current status of the Parliamentary budget process in both countries is vital to understanding the context of participation by Parliamentarians in budget processes. An explanation of the Canadian model will allow comparisons and differences to be highlighted and will facilitate the mapping of a potential model for a reformed Pakistani system. It is hoped that this information will allow identification of potential improvements to the Pakistani system and how a transition to that improved system can be effected.

The baseline information identified can then be used as a point of reference in order to assess and measure progress as the project progresses. This baseline report will serve as a starting point for various activities planned in accordance with the project; in identifying weaknesses in the current system; building a model for reform; preparing Parliamentarians and others for operation of a reformed system; and involving non-parliamentary interest groups through consultation exercises.

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Parliament of Pakistan

Introduction

The Constitution of Pakistan provides for a federal, Parliamentary form of government, with a bicameral legislature. The Constitution¹ stipulates a Parliament or *Majlis-e-Shoora* consisting of the President and two Houses; the National Assembly and the Senate.

Structure and Formation

The National Assembly of Pakistan

The National Assembly of Pakistan is composed of representatives from each of Pakistan's four provinces, Punjab, Balochistan, Sindh and the North West Frontier Province ("NWFP"), as well as the Federally Administered Tribal Areas (FATA) and the Federal Capital. The National Assembly comprises 342² seats. 272 general seats are allocated to the four provinces on the basis of population share and are elected by way of universal adult suffrage. 60 seats are reserved for women and 10 are reserved for non-Muslims. Members against these reserved seats are elected out of party lists in accordance with the share of general seats achieved by each political party. The same procedure exists for members to be elected for the reserved seats for non-Muslims.

The term for the National Assembly is five years. However, the term of the National Assembly may be curtailed by the President upon the advice of the Prime Minister. The tenure of a Member of the National Assembly (MNA) is for the duration of the Assembly, whether complete or not, and ends upon death or resignation.

The Prime Minister acts as the Leader of the House and represents the government in the National Assembly, along with members of the cabinet. The Leader of the Opposition in the House represents the majority of the members in the opposition. A secretariat, headed by a Secretary, supports the National Assembly.

Currently, there are forty one (41) standing committees of the National Assembly, each corresponding to a Ministry or a Division. The purpose of each standing committees is to debate legislation relating to, and oversee the working and performance of, the relevant Ministry or Division. The number of standing committees is likely to change with the

change in the number of Ministries and Divisions.

Standing committees have wide powers to call witnesses, requisition official records, seek statements on oath and take up any matter within their jurisdiction, without reference to the House. In addition there are certain House committees and special committees. Each committee has approximately seventeen (17) members, who elect a chairperson. The Minister of the concerned Ministry is an ex-officio member of the committee. A secretariat official serves as secretary and ordinarily has responsibility for several committees. There is no dedicated research or administrative staff for standing committees, save for the Public Accounts and the Kashmir Committees.

The Senate of Pakistan

Unlike the National Assembly, membership of the Senate is not based upon the relative populations of the provinces. The Senate is made up of a total of one hundred (100) seats. The four provinces are therefore equally represented with twenty two (22) seats each. In addition, FATA has eight (8) seats and the Federal Capital four (4). Of the twenty two (22) seats allocated to each province, fourteen (14) are general; four (4) are reserved for women and four (4) for technocrats. Similar allocations of general and reserved seats are made in relation to FATA and the Federal Capital.

In accordance with Article 59 (2) of the Constitution, elections in the Senate for seats allotted to each Province are held according to 'the system of proportional representation by means of the single transferable vote.' Unlike the National Assembly, the Senate is not subject to dissolution and the term of each member is six (6) years, as under Article 59 (3). Half of the Senators (50) retire every 3 years and new members elected in their place.

The highest office held in the Senate is that of the Chairman, followed in authority by the Deputy Chairman. The term of office of both offices is 3 years, under Article A secretariat headed by a Secretary supports the National Assembly.

There are 42 Standing Committees of the Senate each corresponding to a Ministry or a Division or a group of such Ministries / Divisions. The standing committees are supposed to debate legislations relating to the concerned Ministry / Division and oversee the working and performance of that Ministry / Division. The standing committees have powers to call witnesses, requisition official records and seek statements on oath. In addition

¹ Article 50, Constitution of the Islamic Republic of Pakistan

² Article 51, Constitution of the Islamic Republic of Pakistan

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there are certain house committees and special committees. Each committee has approximately 12 members, who elect a chairperson. The concerned Minister is an ex-officio member of the committee. One secretariat official serves as secretary a group of committees. There is no dedicated research or administrative staff for each standing committee.

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Parliamentary Budget Process in Pakistan

The Parliamentary process operated in dealing with the budget is governed by the Constitution and rules relating to Parliamentary procedure.

Constitutional Provisions

In Pakistan's legal system, various provisions relating to the budget appear in the constitution.

The budget when proposed is a Bill before the Parliament and once passed is an Act of Parliament. The Constitution sets out provision in relation to bills generally, bills relating to financial matters and the budget specifically.

Procedure for Bills Generally

The procedure for general bills establishes that a bill can originate in either the National Assembly or Senate. Once passed by the House in which it originates it is transmitted to the other House and, if passed without amendment, is passed to the President for assent.³ Where a bill is rejected, amended or otherwise not passed within ninety (90) days by the other House it is referred to a Mediation Committee, which is required to formulate an agreed bill likely to be passed by both Houses. If that bill is then passed by both Houses it is passed to the President for assent.⁴ The President must give assent within thirty (30) days or return the bill to the Parliament with a request that it be reconsidered.⁵ Once reconsidered and passed by both Houses (and even if it remains un-amended) the President shall give assent.⁶ Once it receives Presidential assent the bill becomes law.⁷

Procedure for Money Bills

Money bills, which are defined⁸ as bills containing provisions dealing with:

- Tax
- The financial obligations of the government and federal borrowing
- Matters concerning the Federal Consolidated Fund

- Matters concerning the Public Account; and
- Federal or provincial audits

Money bills, unlike general bills, may only be introduced in the National Assembly.⁹ However, in 2003 the Constitution was amended to require a money bill to be copied simultaneously to the Senate, which has seven (7) days in which to make non-binding recommendations.¹⁰

It should be noted that Parliament alone has the power to levy any federal tax.¹¹

Bills Requiring Government Consent

Any bill (whether a general or money bill) which involves expenditure from the Federal Consolidated Fund or Public Account or would affect the coinage or currency of Pakistan can not be introduced into parliament without the consent of the federal government.¹²

The Budget

The Constitution requires that the federal government presents an annual budget statement to the National Assembly in respect of each financial year.¹³ The budget statement is an estimate of receipts and expenditure for that year and is required to show separately expenditure charged to the Federal Consolidated Fund which are:

- Described by the Constitution to be chargeable to the fund¹⁴
- Otherwise chargeable to the fund

The budget statement is required to distinguish between revenue and other expenditure.

The Powers of the National Assembly on Budget Issues

The powers of the National Assembly vary depending upon the source from which the expenditure will be funded.

The Constitution provides for a Federal Consolidated Fund and Public Account.¹⁵

The Federal Consolidated Fund is made up of all revenues received and loans raised by the federal government.¹⁶ The

3. Article 70(1)

4. Articles 70(2) and (3)

5. Article 75(1)

6. Article 75(2)

7. Article 75(3)

8. Article 73(2)

9. Article 73(1)

10. Article 73(1) and (1A)

11. Article 77

12. Article 74

13. Article 80(1)

14. Article 81 of the Constitution describes expenditure such as the salaries of the President, Chief Justice and Speakers of the National Assembly and Senate, administration expenses of the supreme court, auditor general's office, election commission and secretariats of the National Assembly and Senate, and government debt as chargeable to the fund

15. Article 78

16. Article 78(1)

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Public Account is made up of all other monies received by the federal government or Supreme Court.

The elements of the budget relating to expenditure charged upon the Federal Consolidated Fund may be discussed in the National Assembly but can not be put to a vote.¹⁷ Whether an item is chargeable to the fund is authenticated by the Prime Minister in a prepared schedule. The schedule is presented to the National Assembly but not open to discussion or a vote.¹⁸

Other expenditure, not chargeable to the fund, is presented in the form of demands for grants and may be debated and voted upon.¹⁹ Demands for grants must have the support of the federal government.²⁰

17. Article 82(1)
18. Article 83
19. Article 82(2)
20. Article 82(3)

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National Assembly Rules of Procedure and Conduct of Business

The business of the National Assembly is governed by the Rules of Procedure and Conduct of Business in the National Assembly Rules 2007. Specific rules relate to the budget process.²¹ Essentially these rules govern the manner in which the National Assembly participates in the budgetary process. Prior to presentation to the National Assembly the budget is discussed by the cabinet and approved.

The rules then provide that the budget shall be presented to the National Assembly by the Finance Minister on a date determined by the Leader of the House.²² No other business is to be transacted on budget day. There then follows a period of at least two days before any discussion of the budget.²³ At least four (4) days must then be allocated for budget discussion.²⁴

Budget discussions are dealt with in three stages:

- A general discussion of the budget as a whole
- Discussions on appropriations (in respect of expenditure charged to the fund); and
- Discussions and voting on demands for grants²⁵

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.²⁶

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 outlined above.²⁷

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

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 grievance²⁸

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.²⁹

Budget Sessions 1998-2009

	1998-1999	1999-2000	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Total Working Days of the Budget Session	11	13	5	9	8	13	11	19	10
Number of Members Participated	80	66	48	191	132	183	187	229	170
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

21. Rules 182-197
22. Rules 182(1) and 184
23. Rule 187
24. Rule 187
25. Rule 186
26. Rule 188
27. Article 82(1)
28. Rule 189.
29. Rule 190

Admissibility is determined by the speaker.³⁰

Voting on Demands for Grants

As 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.³¹

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.³² The schedule is placed before the National Assembly but is not subjected to a vote.

Role of the Senate in the Budget Process

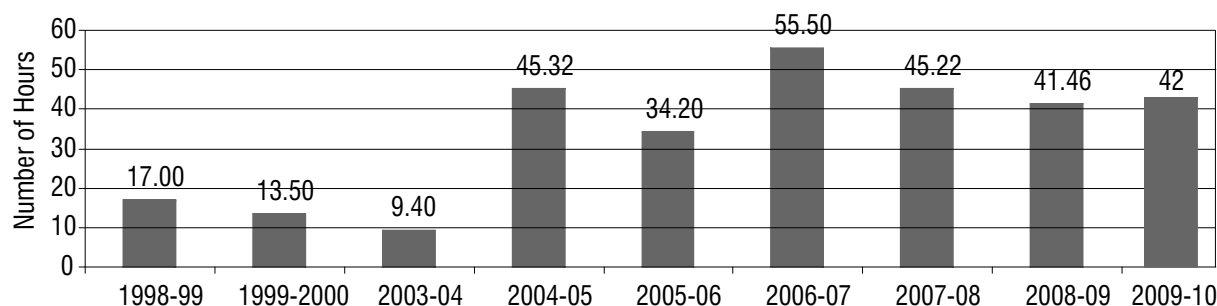
As was discussed above, the Constitution prevents the Senate from taking an active role in the consideration of the budget. Since 2003 it has been a requirement that the budget statement is copied to the Senate at the same time as its presentation to the National Assembly. The Senate may discuss the budget proposals and make recommendations to the National Assembly. Its recommendations are, however, non-binding.³³

The Budget Process in Practice

Budget Debate in the National Assembly

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 week of June. This process generally leaves fifteen (15) to twenty (20) calendar and around twelve (12) to seventeen (17) working days for the various stages of budget debate in the National Assembly. The table on Budget Sessions 1998-2009 shows the number of days allocated for budget debate in the National Assembly in recent years.

Time Consumed in the Budget Sessions



30. Rule 191
 31. Rule 194
 32. Rule 83
 33. Article 73(1)

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The Budget Cycle

Preparation of Estimates

Having discussed the position of the budget in Parliament it is necessary to examine the process by which the budget statement is formulated and the work undertaken by government prior to its presentation.

The budget year in Pakistan runs from July 1 to June 31. The budget preparation process begins in October of the preceding year with the issue of what is termed a "budget call" circular by the Ministry of Finance to all government departments and agencies. 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.

Each department then prepares an estimate of proposed receipts and expenditures for the coming financial year, based upon past trends and performance. These estimates are submitted to each department's administration and are then passed to the Ministry of Finance. If the estimates are accepted they are then included in the proposed budget.

At the same time, revised estimates for the current financial year are also prepared, setting out previously authorised expenditure and estimates of the expenditure that can reasonably be expected to be incurred. Where that estimate exceeds the authorised expenditure details must be provided of the excess, how the excess will be met and the required authorisation for the additional spending. Excesses may be met through savings in existing grants, appropriation from other grants or a supplementary grant.

The budget estimates for the next budget year are formulated separately in respect of non-development/current expenditures ("revenue") and development expenditure ("capital").

Revenue and Capital Budget Estimates

According to conventional classification, the budgetary estimates are divided into two main sections, namely:

a) Revenue 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 difference between revenue receipts and current/non-development expenditure, results in revenue surplus for the year which is transferred to the capital budget. Any deficit in the revenue budget is met through borrowings.

b) Capital Budget

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. With ever-increasing investment to promote economic development, the capital budget is assuming increasing importance.

The capital expenditure is generally met from the revenue surplus, reserve funds and borrowing for specific or general purposes.

Both revenue and capital budget estimates are combined to form a single budget estimate.

Capital Expenditure - The Annual Development Programme (ADP)

Provision for capital/development expenditure is included in the budget on the basis of the Annual Development Programme (ADP). This programme allows for more centralised oversight of the capital budget rather than the more diverse estimates provided by departments in relation to revenue.

The ADP is prepared by the Planning Commission. The Commission is a statutory body with overall responsibility for planning to meet the government's social and economic development objectives. Established in 1958, it is made up of eleven (11) members and is chaired by the Prime Minister. The Planning Commission works under the direction of a policy board, again headed by the Prime Minister and whose membership includes ten (10) federal ministers.

In preparing the ADP, the Planning Commission consults with the Finance Ministry. The ADP prepared must ultimately be approved by the National Economic Council (NEC). The NEC is a cabinet committee, chaired by the Minister for Commerce.

The formulation of the ADP is one of the most important aspects of the budget making process. The ADP may only include expenditure for projects which have themselves

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been approved by the NEC's executive committee, having been scrutinised by the Development Working Party. The ADP, as finally approved by the National Economic Council, is reflected in the budget in respect of capital expenditure.

The exercise for the preparation of the ADP begins in early November. By keeping in view the overall requirements of the economy and plan targets, the total potential size of the ADP is fixed and communicated sector-wise to the various agencies and the Provincial Governments by the Planning Commission. The Planning Commission provides maximum allocations for each agency. Within the overall allocations provided by the Planning Commission, detailed sector-wise development programmes are formulated and, following discussion with the Planning Commission, submitted. These allocations are then discussed in meetings of the Priorities Committee in March/April, the Annual Plan Coordination Committee in April/May and finally by the NEC itself. The ADP, as finally approved and incorporated in the annual budget statement, represents the blue print for action by the Federal and Provincial Governments and indicates the financial allocations along with physical targets in respect of various development schemes.

Resources Estimates

Setting the maximum size of the ADP is vital to the country's accurate budgeting and is dependent upon an accurate review of available resources. This involves a detailed exercise in resource estimation, undertaken by the Ministry of Finance in conjunction with government agencies. The Federal Board of Revenue (FBR) and the Provincial Finance Departments play a prominent role in this process. The component elements of resource estimates are made up of the following:

- i. Public savings i.e. the excess of revenue receipt over current expenditure of the federal and provincial governments;
- 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:
 - a. Foreign economic assistance
 - b. Deficit financing i.e. bank borrowing

Foreign Exchange Component of the ADP

Side by side with the finalisation of the ADP, effort is made to estimate the foreign exchange component of the 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 budgets. 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.

The Defence Budget and the Role of the Parliament

The position in relation to the defence budget is a further particular weakness in the budgetary process, due to the unique role of defence within the state apparatus in Pakistan.

Following Pakistan's war with India in 1965, the bureaucracy within the Ministry of Defence took the step of preventing any information being provided to the Parliament in relation to defence budgeting on the grounds of national security. The only information provided in the Annual Budget Statement in relation to defence was a single lump sum figure amounting to the total defence budget. No breakdown of allocation between the services, or of individual allocations, was provided. This approach was not challenged by the National Assembly.

The 2008-09 budget provided, for the first time, some details in relation to the breakdown of the defence budget. This change resulted from the reestablishment of civilian government shortly before the presentation of the Annual Budget Statement and the initiative of the Ministry of Finance. The PPPP promised to build on this trend of transparency in the succeeding years. Presently, the federal budget 2009-10 does indicate some, albeit small, progress.

The Role of Parliamentary Parties

In this section we examine the participation of the various parliamentary political parties in the budget process. For these purposes we use the term "parliamentary party" to mean a group of MNAs or Senators belonging to any one political party. This is equivalent to the term 'caucus' used in the Canadian system.

The current National Assembly of Pakistan comprises members of ten (10) parliamentary parties, with an additional sixteen (16) independent members. 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)
- Pakistan People's Party-Sherpao (PPP-S)
- 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 between presentation and debate are briefed by financial experts on the content of the budget and devise a strategy for budgetary debate. Any strategy adopted is ordinarily provided to party members by its parliamentary leadership. Both the PPPP and the PML-N have adopted this practice in the past. However, there 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.

The Role of Standing Committees

There are currently forty one (41) National Assembly Standing Committees, each corresponding to a Federal Ministry or Division. These standing committees' given the specificity of their remits, would be ideally placed to carry out in-depth analysis, review and scrutiny of the budget

relating to their respective remits. However, the current structure and practice excludes standing committees from any role in the budget process.

Unlike other legislation, the Finance Bill is not referred to any committee. Despite repeated calls for a role for standing committees neither the National Assembly Standing Committee on Finance, nor any other committee, has ever considered any aspect of the budget in its deliberations.

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.*"

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.

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Pre-budget Consultation with Civil Society

Civil society engagement in the parliamentary budget process has been minimal. This is due in part to a lack of will on the part of civil society groups, particularly in the light of the unstable nature of Pakistan's democracy. Pakistan's state apparatus has had ambivalent relations with civil society at various points in its history. However, civil society participation has also been significantly hampered by the restrictive nature of the budgetary process itself.

There is no formal or informal engagement between government and the electorate or particular interest groups. No pre or post budget consultation process is held.

Despite this, some civil society organisations (CSOs) have attempted to participate and raise awareness by holding briefing sessions prior to the budget debate in the National Assembly. These interventions are rare and are limited by the short time scales involved and lack of available information.

CSOs, such as the Chambers of Commerce and Industry, Association of Development Economists, etc. have held pre-budget seminars and consultations. These seminars provide a platform to these interested groups within society to voice their opinions and put forward suggestions for the next budget but, due to the time-frame of the budget presentation and debate in the National Assembly, these seminars do not have capacity to discuss the Annual Budget Statement once presented to the National Assembly.

The private sector has also shown some presence in the general debate relating to the federal budget. For instance, the brokerage houses under the Stock Exchanges in Pakistan have taken strong positions on taxation policy affecting business and succeeded in modifying the budget through direct interaction with the executive. As Parliament has been perceived as having a very limited role in the budgetary process the private sector has shown little interest in any direct engagement with Parliamentarians.

Many leading newspapers hold high-profile pre-budget seminars and, in recent years, independent television channels have discussed the budget extensively on popular talk shows. The Geo TV, in particular, was active in producing an alternative budget in 2008, utilising the expert

input of the previous finance minister. However, this was essentially an exercise in calculating, prior to the budget announcement, the total available funds, rather than any critique of or alternative to the government's spending policies.

Canadian Parliamentary Budget Process

The baseline report notes that the Constitution of Pakistan provides the National Assembly with supreme authority in adopting the national budget but in practice the role played by Parliament is a “ritualistic formality,” with parliamentary parties and individual parliamentarians paying scant attention to the budget.

In Canada too, there is a substantial gap between the constitutional theory of Parliamentary supremacy and the reality of executive dominance. Although some aspects of the Canadian budget process could be described as ritualistic formality, debate of the budget remains the single most important item on the annual parliamentary calendar and has huge political significance.

Budgets make or break Canadian governments more often than any other aspect of their performance. As a result political parties prepare for the budget very carefully and all Members of the House participate to one degree or another. Moreover MPs and political parties have substantial resources available to them as they go about this important part of their parliamentary business.

The purpose of this section is to help identify where Pakistani budget processes might benefit from “the useful and relevant practices of the Canadian parliamentary budget process.” We will also identify some Canadian practices that are not so useful or relevant and that the

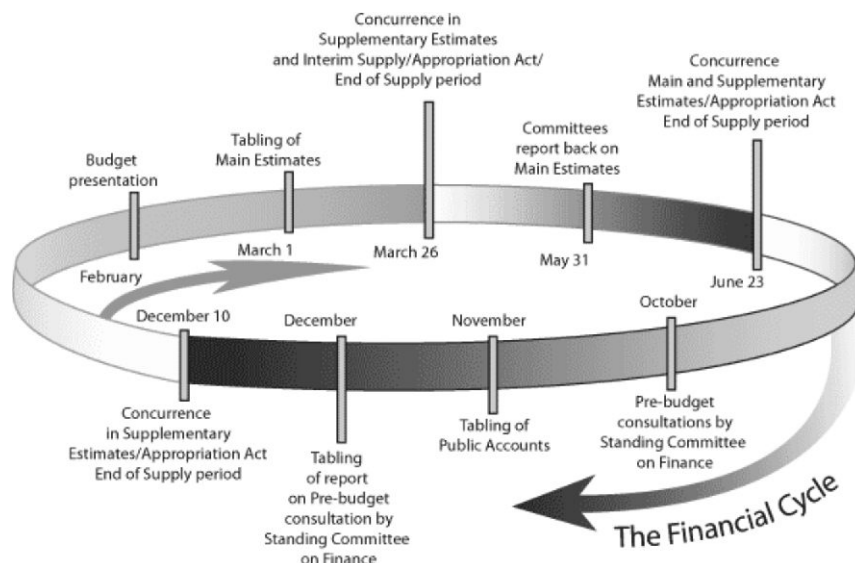
Parliament of Pakistan might do well to avoid. In describing Canadian practices we will be referring to the elected House of Commons and not the appointed Senate, though the Senate (particularly its committees) plays a useful role in the budget process.

Provide Adequate Time for Parliament to Consider the Budget

Time is the most precious parliamentary resource and that has become only truer as the size and complexity of government has grown. As noted earlier in the Baseline Report, the very limited time allocated to parliamentary consideration of the Budget is one of the main constraints on the Pakistan Parliament playing the role it should in the budget process. Unless that is addressed, none of the other reforms may have much impact or relevance.

Canadian parliamentary practice provides substantial time for consideration and debate of the budget, though opposition MPs sometimes complain that more time is needed. The involvement of the Canadian Parliament in the budget process starts well before the presentation of the budget by the Minister of Finance in February.

The process usually starts in October, when the Finance Committee of the House of Commons holds public consultations in Parliament and across the country on the forthcoming budget. Normally, the Committee reports the findings and recommendations from these consultations to the House before the adjournment of the fall sitting in December, allowing sufficient time for the Government to



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consider Committee views before tabling its budget in February. It is unusual for the Committee report to have a major impact on the budget but the Government is sensitive to trends in public opinion that are discovered and reported by the Committee.

Stage two of the Parliament's engagement in the budget process is the budget debate which begins with the Budget Speech of the Minister of Finance. This usually takes place in February, with the speech being delivered in a late afternoon sitting after the financial markets have closed. The budget debate then follows, beginning with the reply to the Minister's speech by the finance critic of the Official Opposition. In addition to this first day of the Budget Debate, House Standing Orders provide for a maximum of four (4) additional days although the four (4) days do not have to be consecutive and, if few members wish to speak, the debate can be less than four (4) days.

The third and final stage of Parliamentary consideration of the budget begins on or before March 1st when the Government submits its expenditure plans to the House in the form of the "Main Estimates." The Estimates outline spending for departments, agencies and programmes and contain the proposed conditions governing spending that Parliament will be asked to approve.

The Estimates are referred department by department to the relevant Standing Committees which normally have from the beginning of March until June 23 to complete their work. Some Committees such as the Finance Committee and the Government Operations Committee devote substantial time to the Estimates while others devote much less time. Regardless of the time spent in reviewing the Estimates, House Standing Orders provide that they will be deemed to have been passed by June 23.

In addition to these main stages in the budget process, time is also allocated for Interim Supply which provides the Government with funds to conduct its activities from the beginning of the fiscal year on April 1 to June 23 and for the Supplementary Estimates which seek parliamentary approval for use of funds additional to or different from those authorized in the Main Estimates. The Supplementary Estimates are normally submitted for parliamentary approval in December as well as during the last supply period of the fiscal year ending on March 31st.

There are two striking differences between the Pakistani and Canadian parliamentary budget practices when it

comes to time allocation. In Canada substantially greater time is allocated to the process as a whole but much of that time is allocated to committees rather than the House as a whole. However, it should be noted that the proceedings in committee are fed by MPS and the parties into question period and the media and thus become part of the wider political debate about budget policies and priorities.

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Strengthen the Role of Parliamentary Committees

The value of increasing the time Parliament devotes to consideration of the budget depends in part on strengthening the role of Parliamentary committees. In this area, the Canadian experience is mixed. The practice of pre-budget consultations by the Finance Committee is one of the most useful and relevant parliamentary innovations introduced over the past twenty five (25) years. On the other hand, committee review of the estimates has proven to be one of the least constructive or useful parts of parliamentary business.

The practice of referring departmental estimates to standing committees was begun in the 1960s as a way of providing an opportunity for Parliamentarians to take a detailed and in depth look at spending proposals, thereby helping to fight waste and increase value for money in government. Prior to that time, Parliamentary consideration of the budget took place in committee of the whole which remains the practice of the Parliament of Pakistan.

While a good idea in theory, committee review of the Estimates has proven to be a disappointment in practice. Instead of examining and debating the details of proposed spending, as well as the thinking behind it, committee meetings have become part of the political battle between government and opposition parties, generally consisting of partisan attacks and counterattacks. Opposition MPs use their time to show that the government is incompetent or worse and government MPs attack the opposition for opposing programmes needed and wanted by the Canadian people. Efforts to make the process more relevant and useful in a substantive way have consistently failed because of the underlying political dynamic.

There are two House of Commons committees that stand out as exceptions to this situation we have just described. The first of these is the Public Accounts Committee (PAC) which has a long history and comparatively strong record in the annals of the Canadian House of Commons. Among the factors making the committee somewhat more effective and constructive than the average standing committee, we would mention three:

1. The PAC is chaired by an opposition MP
2. There is a close relationship between the Committee and the widely respected Office of the Auditor General;

and

3. The monitoring of past expenditures in the public accounts seems to arouse somewhat less partisanship than the review of proposed spending in the Estimates.

The other committee that plays a comparatively constructive role in the budget process is the Committee on Government Operations and Estimates. The committee was established partly to compensate for the dismal performance of standing committees in reviewing departmental estimates. Like the Public Accounts Committee, it is chaired by an opposition MP. It has also been given a special mandate and broad responsibilities relating to the supply process and financial reporting to the Parliament. Its scope extends to the whole of government but the Committee is specifically mandated to focus on agencies and departments whose operational responsibilities extend across government.

The conclusion to be drawn from this brief review of Canadian experience with committees in the budget process might be summed up in the following way: specialized committees with explicit, broad mandates to oversee public accounts and government operations have been more useful and relevant than the departmental standing committees that mix their work on the estimates with their ongoing oversight of departmental policies and practices.

Ensure Early and Continuous Public Consultation In the Budget Process

As noted earlier, pre-budget consultations by the Finance Committee has proved to be one of the most useful innovations in Canadian parliamentary practice over the past quarter century. Prior to the 1980s, preparation of the budget was a secretive affair conducted behind the scenes by government ministers and officials led by the Ministry of Finance. While great care is still taken to keep secret those provisions of the budget where individuals might benefit from inside knowledge, the budget process as a whole is now much more open and public. At least some of the credit for this positive change belongs to the Finance Committee of the House of Commons.

In terms of the budget-making process, the Standing Committee on Finance has a pre-eminent position in the House. Its members include the finance critics of the opposition parties who are among the most senior and

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influential politicians in their parties and deeply knowledgeable on financial and budgetary matters. Similarly, the government will assign some of its most capable members to the Committee and will monitor its work very closely. Unlike the departmental standing committees, the Finance Committee is responsible for reviewing overall government finances and budget decisions. To that end, the Committee holds pre-budget consultations that take a team of parliamentarians from all political parties across the country to solicit the budget views of experts, interest groups and the general public. The consultation process is carefully designed and implemented by committee staff under the direction of the Committee to ensure thoroughness, fairness and balance in the information and views gathered by the Committee. The findings and recommendations are carefully analysed by staff and debated by the Committee which then presents its report to the House of Commons. The Committee also examines the budget in great detail after it has been presented by the Government to the Parliament, conducting public hearings in the Parliament and inviting witnesses to testify.

Public consultation of this kind is one of the most important responsibilities of the Canadian House of Commons and its members. It is a process that depends for its success on active and influential civil society organizations and engaged citizens who see Parliament as a bridge between themselves and the government. To be carried out effectively, it requires that the Finance Committee and others be well organized and supported by professional administrative and research staff. However, it is also a good entry point for a relatively weak Parliament that is determined to become more relevant and useful to the people of the country.

The process of engaging citizens, experts and interest groups in the budget process raises the profile of the Parliament. It also strengthens the capacity of MPs to understand the issues facing the country and thereby serve as effective representatives. Accordingly, starting the practice of pre-budget consultations by the Finance Committee might be one of the most useful early steps the Pakistan Parliament could take to strengthen its role in the budget process.

Strengthen Research and Other Services in Support of the Budget Process

The capacity of Parliaments and parliamentarians to do their work is a function of the resources available to them. Of those resources, none is more important than research and information. Without these vital sources of knowledge, Parliament will always remain at a huge disadvantage in its relations with government and crippled in its capacity to hold government to account.

In this regard, the Canadian House of Commons is a reasonably well equipped representative body. Over the past forty (40) years, the Library of Parliament has grown into a highly professional research and information organization providing services to Parliamentary committees and individual members of both the House of Commons and the Senate.

During the same period, caucus research offices have been developed to serve the partisan needs of the political parties in the Canadian House of Commons. These services together with the administrative support services made available to MPs and Committees by the House of Commons are now generally regarded as basic operating equipment of a modern Parliament.

Notwithstanding these professional services, a consensus has grown among experts and Parliamentarians in Canada that the House of Commons is not in fact well equipped to oversee government finances. The Finance Committee of the House of Commons as well as the other standing Committees typically have 2-3 researchers available to them while, by comparison, there are hundreds of economists, accountants and other experts within the Ministry of Finance and other parts of government. There is growing concern that financial information provided by government is often skewed for political purposes and that Parliament needs its own independent capacity to evaluate that information. Parliaments elsewhere in the world have been coming to the same conclusions as shown by the growing interest in establishing parliamentary budget offices.

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The Parliamentary Budget Officer

In Canada the Parliamentary Budget Officer (PBO) was established in December 2006 as part of the Federal Accountability Act and, following an extensive international search, an outstanding economist with long experience in the federal government was appointed to the position.

The mandate of the PBO is to provide independent analysis to the Parliament about the state of the nation's finances, government estimates and trends in the national economy and the general consensus is that over the course of the last three years it has done so brilliantly. However both the office and the Budget Officer himself have attracted powerful enemies in the government and the Parliament as a result of being somewhat too independent. This struggle has come to a head over the decision to locate the PBO in the Library of the Parliament and insistence by the House of Commons that the Budget Officer report to the Librarian of Parliament. Unhappy with the response of the Budget Officer to these demands, the government has slashed the budget of the office to the point where it seriously undermines its ability to meet the mandate. In these circumstances, it is hardly surprising that the future of the Budget Officer himself is very much in doubt.

What lesson should be drawn from this unfortunate experience? Opinions on that question differ widely. Some believe that the Budget Officer has failed to understand that his role is to support the Parliament not act as an independent office reporting to the Parliament. Others believe that the Budget officer has been absolutely right to stand his ground because he will not be able to provide the kind of independent advice that the Parliament needs if his office is located within the Library of the Parliament.

So far as the Parliament of Pakistan is concerned, the Canadian experience stands as a warning to think through very carefully the mandate and powers of such an office and then make sure to give it the resources and authority that are necessary to carry out that mandate effectively. Otherwise, it would be better not to establish a Budget Office at all but instead direct the resources to building the capacity of the Parliamentary Library.

Ensure Effective Parliamentary Oversight of the Budgets of the Ministry of Defence and the Armed Forces

It is in this area of reform that the greatest contrast exists

between the parliamentary budget practices of Canada and Pakistan. Whereas the Ministry of Defence and the Armed Forces of Pakistan have until recently essentially been exempted from oversight by and accountability to the Parliament, in Canada the security services are treated essentially like any other part of government when it comes to Parliamentary oversight of their budgets.

There are special provisions for excluding information provided to parliament on grounds of national security and unfortunately Canada has not yet established a satisfactory Parliamentary procedure for dealing with these exceptions but these are small marginal matters when it comes to the national budget. In general, Canadian Parliamentarians and the public at large are informed about governmental expenditures on defence and the armed forces, as well as the purpose of those expenditures.

This is an area in which the Canadian experience may not be of much relevance because the differences between the Parliamentary practices in the two countries arise from vastly different political histories and contexts. From the earliest days of Canada's history as an independent country, it has been understood that its militias, police and armed forces must be under effective civilian authority and by and large they have been. By contrast, the Armed Forces of Pakistan have from the beginning played a dominant role in the political life of the country with civilian authorities often being accountable to and controlled by them. This undemocratic situation is now beginning to change slowly and in a positive direction but what is required for success is less technical understanding of how to control the security than political will and ability to do so. That can not be learned from Canada or anywhere else.

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Key Areas of Improvement in Pakistani Parliamentary Budget Process

The account given above reveals the limitations and lack of transparency evident in the current budgetary process in place in Pakistan. Since the move to civilian rule and the restoration of democracy there is an opportunity to reform the existing system. Below is a list of basic steps that can be taken to begin the process. The political and parliamentary leadership should be encouraged to seriously consider introducing meaningful reforms well ahead of the beginning of the next budget cycle.

1. The duration of the parliamentary budget process should be extended to a minimum of sixty (6) days, to allow for familiarisation, consideration and proper debate. The budget session should therefore begin on the first working day of May and conclude on June 30.
2. Each National Assembly standing committee should receive details of relevant demands for grants and a briefing from the concerned Ministry.
3. The standing committees should be given a period of two to three weeks in order to consider and debate grants and prepare reports of their views to the House. Reports should be presented in advance of the budget debate on the relevant items.
4. The National Assembly Standing 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 consider constituting a Sub-Committee on Parliamentary Budget Process Reforms.
5. The Finance and other relevant standing committees should be encouraged to hold pre-budget consultations with the public and other interest groups, both in the federal capital and provincially.
6. Like all other departments and Ministries, the budget of the Ministry of Defence should be made available to the Parliament and public. The demands for grants made by the Ministry of Defence should be reviewed by the Standing Committee on Defence.
7. In keeping with growing international trends, Pakistan's Parliament should consider the establishment of an Independent Budget Analysis Unit within the Parliament and staffed by experts able to provide unbiased information relating to the budget and independent analysis for the benefit of Parliamentarians.
8. Each Ministry / Division should send their Annual Report for the preceding year to the Parliament. This report should be reviewed and considered by the relevant standing committee in its review of the demands for grants.

Parliament should consider reforms well in advance of the budget session for 2010-2011 in order to have a reformed system in place early in the budget cycle for that year.

APPENDICES

APPENDIX A

Articles of the Constitution of the Islamic Republic of Pakistan Relating to the Budget

(Excerpts from “The Constitution of the Islamic Republic of Pakistan as modified up to the 31st July 2004 and published by the National Assembly of Pakistan on 31st July 2004)

73. PROCEDURES WITH RESPECT TO MONEY BILLS

- (1) Notwithstanding anything contained in Article 70, a Money Bill shall originate in the National Assembly: Provided that simultaneously when a Money Bill, including the Finance Bill containing the Annual Budget Statement, is presented in the National Assembly, a copy thereof shall be transmitted to the Senate which may, within seven days, make recommendations thereon to the National Assembly.
- (1A) The National Assembly shall, consider the recommendations of the Senate and after the Bill has been passed by the Assembly with or without incorporating the recommendations of the Senate, it shall be presented to the President for assent.]
- (2) For the purposes of this Chapter, Bill or amendment shall be deemed to be a Money Bill if it contains provisions dealing with all or any of the following matters, namely:
 - (a) the imposition, abolition, remission, alternation or regulation of any tax;
 - (b) the borrowing of money, or the giving of any guarantee, by the Federal Government or the amendment of the law relating to the financial obligations of the Government;
 - (c) the custody of the Federal Consolidated Fund, the payment of moneys into, or the issue of moneys from the Fund;
 - (d) the imposition of charge upon the Federal Consolidated Fund, or the abolition or alteration of any such charge;
 - (e) the receipt of moneys on account of the Public Account of the Federation, the custody or issue of such moneys;
 - (F) the audit of the accounts of Federal Government or a Provincial Government; and
 - (g) any matter incidental to any of the matters specified in the preceding paragraphs.
- (3) A bill shall not be deemed to be a Money Bill by reason only that it provides-
 - (a) for the imposition or alteration of any fine or other pecuniary penalty, or for the demand or payment of a licence fee or a fee or charge for any service rendered; or
 - (b) for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.
- (4) If any question arises whether a Bill is a Money Bill or not, the decision of the Speaker of National Assembly thereon shall be final.
- (5) Every Money Bill presented to the President for assent shall bear a certificate under the hand of the Speaker of the National Assembly that it is a Money Bill, and such certificate shall be conclusive for all purposes and shall not be called in question.

77. TAX TO BE LEVIED BY LAW ONLY

No tax shall be levied for the purposes of the Federation except by or under the authority of Act of 1 [Majlis-e-Shoora (Parliament)]

80. ANNUAL BUDGET STATEMENT

- (1) The Federal Government shall in respect of every financial year cause to be laid before the National Assembly a statement of the estimated receipt and expenditure of the Federal Government for that year, in

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this part, referred to as Annual Budget Statement.

- (2) The Annual Budget Statement shall show separately
- a. The sums required to meet expenditure described by the Constitution as expenditure charged upon the Federal Consolidated Fund and,
 - b. The sums required to meet other expenditure proposed to be made from the Federal Consolidated Fund. And shall distinguish expenditure on revenue account from other expenditure

81. EXPENDITURE CHARGED UPON FEDERAL CONSOLIDATED FUND

The following expenditure shall be expenditure 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
 - 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 Chief Election Commission and the Secretaries 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 service and redemption of debt on the security of the Federal Consolidated Fund;
- (d) Any sums required to satisfy any judgment, decree or award against Pakistan by any court or tribunal, and
- (e) Any other sums declared by the Constitution or by Act of [Majlis-e-Shoora (Parliament)] to be so charged.

82. PROCEDURE RELATING TO ANNUAL BUDGET STATEMENT

- (1) So much of the Annual Budget Statement as relates to expenditure charged upon the Federal Consolidated Fund may be discussed in, but shall not be submitted to the vote of.
- (2) So much of the Annual Budget Statement as relates to other expenditure shall be submitted to the National Assembly in the form of demands for grants, and the Assembly shall have power to assent to, or to refuse to assent to, any demand, or to assent to any demand subject to a reduction of the amount specified therein: Provided that, for a period of ten years from the commencing day or the holding of the second general election to the National Assembly, whichever occurs later, a demand shall be deemed to have been assented to without any reduction of the amount specified therein, unless by the votes of a majority of the total membership of the Assembly, it is refused or assented to subject to a reduction of the amount specified therein.
- (3) No demand or a grant shall be made except on the recommendation of the Federal Government.

83. AUTHENTICATION OF SCHEDULE OF AUTHORISED EXPENDITURE

- (1) The Prime Minister shall authenticate by his signature a schedule specifying:
- (a) The grants made or deemed to have been made by the National Assembly under Article 82, and
 - (b) The several sums required to meet the expenditure charged upon the Federal Consolidated Fund but not exceeding in the case of any sum, the sum shown in the statement previously laid before the National Assembly.
- (2) The schedule so authenticated shall be laid before the National Assembly, but shall not be open to discussion or vote thereon.
- (3) Subject to the Constitution no expenditure from the Federal Consolidated Fund shall be deemed to be duly authorized unless it is specified in the schedule so authenticated and such schedule is laid before the National Assembly as required by clause (2).

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84. SUPPLEMENTARY AND EXCESS GRANTS

If in respect of any financial year it is found:

- (a) That the amount authorized to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon some new service not included in the Annual Budget statement for that year; or
- (b) That any money has been spent on any service during a financial year in excess of the amount granted for that service for that year;

The Federal Government shall have power to authorize expenditure from the Federal Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not, and shall cause to be laid before the National Assembly. Supplementary Budget Statement or, as the case may have, an Excess Budget Statement, setting out the amount of that expenditure and the provisions of Articles 80 to 83 shall apply to those statements as they apply to the Annual Budget Statement.

85. VOTES ON ACCOUNT

Notwithstanding anything contained in the foregoing provisions relating to financial matters, the National Assembly shall have power to make any grant in advance in respect of the estimated expenditure for a part of any financial year, not exceeding four months, pending completion of the procedure prescribed in Article 82 for the voting of such grant and the authentication of the schedule of authorized expenditure in accordance with the provision of Article 83 in relation to the expenditure.

APPENDIX B

Rules of Procedure and Conduct of Business in the National Assembly on Financial Matters

(Excerpts from the “Rules of Procedure and Conduct of Business in the National Assembly-2007”)

182. BUDGET

- (1) The Budget shall be presented to the Assembly on such day and at such time as the Leader of the House may appoint.
- (2) No demand for grant shall be made except on the recommendation of the Government.

183. DEMANDS FOR GRANTS

- (1) A separate demand shall be made in respect of the grant proposed for each Ministry or Division: Provided that the Government may cause to be included in one demand, grants proposed for two or more Ministries or Divisions or a demand to be made in respect of expenditure, which cannot readily be classified under a particular Ministry or Division.
- (2) Each demand shall contain a statement of the total grant proposed and a statement of the detailed estimate under each grant divided into items.

184. PRESENTATION OF THE BUDGET

The Budget shall be presented by the Minister for Finance or, in his absence, any other Minister authorized by the Leader of the House, hereafter in this Chapter referred to as the Minister-in-Charge: Provided that on the day the Budget is presented, no other business, including questions, calling attention notices, question of privilege and adjournment motion, shall be transacted except introduction of Finance Bill.

185. NO DISCUSSION ON THE DAY OF PRESENTATION

There shall be no discussion on the Budget on the day on which it is presented to the Assembly.

186. STAGES OF DISCUSSION OF THE BUDGET

The Budget shall be dealt with by the Assembly in the following stages, namely:

- a) General discussion on the budget as a whole.
- b) Discussion on appropriations (in respect of charged expenditure) and
- c) Discussion and voting on demands for grants (in respect of expenditure other than charged expenditure), including voting on motions for reduction, if any.

187. ALLOTMENT OF DAYS

The Speaker shall, in consultation with the Minister-in-Charge allot days for the different stages of the budget referred to in Rule 186: Provided that at least two days shall elapse between the days the budget is presented and the first day allotted for the general discussion on the Budget.

Provided further that at least two days shall elapse between the day the Budget is presented and the first day allotted for the general discussion on the Budget: Provided further that not less than four days shall be allotted for the general discussion on the Budget.

188. GENERAL DISCUSSION ON THE BUDGET

- (1) On the days allotted for general discussion on the Budget, the Assembly may discuss the Budget as a whole or any question of principle involved therein, but no motion shall be moved at this stage nor shall the Budget

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be submitted to the vote of the Assembly.

- (2) The Minister-in-Charge shall have a general right of reply at the end of the discussion.
- (3) The Speaker may, if he thinks fit, prescribe a time limit for speeches.

189. CUT-MOTIONS

Any member may move a cut-motion to reduce the amount of demand in any of the following ways:-

- (a) that the amount of the demand be reduced to Re. 1" representing disapproval of the policy underlying the demand. Such a motion shall be known as "Disapproval of Policy Cut". A member giving notice of such a motion shall indicate in precise terms the particulars of the policy, which he proposes to discuss. The discussion shall be confined to the specific point or points mentioned in the notice and it shall be open to members to advocate an alternative policy;
- (b) "that the amount of the demand be reduced by a specified amount" representing the economy that can be effected. Such specified amount may be either a lump-sum reduction in the demand or omission or reduction of an item in the demand. The motion shall be known as "Economy Cut". The notice shall indicate briefly and precisely the particular matter on which discussion is to be raised and speeches shall be confined to the discussion as to how economy can be affected;
- (c) "that the amount of the demand be reduced by Rs.100" in order to ventilate a specific grievance which is within the sphere of the responsibility of the Government. Such a motion shall be known as "Token Cut" and discussion thereon shall be confined to the particular grievance specified in the motion.

190. CONDITIONS FOR ADMISSIBILITY OF CUT-MOTION

In order that a notice of motion for reduction of the amount of demand may be admissible, it shall satisfy the following conditions, namely,

- (a) It shall relate to one demand only;
- (b) it shall not seek to increase a grant or alter the destination of a grant;
- (c) it shall not relate to expenditure charged on the Federal Consolidated Fund;
- (d) it shall be clearly expressed and shall not contain arguments, inferences, ironical expressions, imputations, epithets or defamatory statements;
- (e) it shall be confined to one specific matter which shall be stated in precise terms;
- (f) it shall not reflect on the character or conduct of any person whose conduct can only be challenged on a substantive motion;
- (g) it shall not make suggestions for the amendment or repeal of any existing law;
- (h) it shall not refer to a matter which is not primarily the concern of the Government;
- (i) it shall not relate to a matter which is under adjudication by a court of law having jurisdiction in any part of Pakistan;
- (j) it shall not raise a question of privilege;
- (k) it shall not revive discussion on a matter which has been discussed in the same session and on which a decision has been taken;
- (l) it shall not anticipate a matter which has been previously appointed for consideration in the same session; nor shall it relate to a trifling matter; and
- (m) it shall not relate to any matter which is pending before any court or other authority performing judicial or quasi-judicial functions:

Provided that the Speaker may, in his discretion, allow such matter being raised in the Assembly as is concerned with the procedure or subject or stage of enquiry if he is satisfied that it is not likely to prejudice the consideration of the matter by such court or authority.

191. SPEAKER TO DECIDE ADMISSIBILITY OF CUT-MOTION

The Speaker shall decide whether a cut-motion is or is not admissible under these rules and may disallow any cut-

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motion if in his opinion, it is an abuse of the right of moving cut-motion or is calculated to obstruct or prejudicially affect the procedure of the Assembly or is in contravention of any of these rules.

192. NOTICE OF CUT-MOTIONS

If notice of a cut-motion has not been given two clear days before the day on which the demand is taken up for consideration any member may object to the moving of the motion and the objection shall prevail unless the Speaker allows the motion to be made.

193. AMENDMENT TO CUT-MOTION

No amendment to a cut-motion shall be permissible.

194. VOTING ON DEMANDS FOR GRANTS

- (1) Each demand for grant referred to in clause (iii) of rule 186 shall be discussed separately.
- (2) Before a question is put in respect of a demand for grant, all cut-motions in respect of that demand shall be discussed and voted upon.
- (3) When several cut-motions relating to the same demand are tabled they shall be discussed in the order in which the heads to which they relate appear in the budget.
- (4) On the last of the days allotted under rule 187 for the stage referred to in clause (iii) of the rule 186 at the time when the meeting is to terminate, the Speaker shall forthwith put every question necessary to dispose of all the outstanding matters in connection with the demands for grants.

195. SCHEDULE OF AUTHORIZED EXPENDITURE

The schedule of authorized expenditure, when authenticated under clause (1) of Article 83 or Article 84, shall be laid on the Table but shall not be open to discussion or vote thereon.

196. VOTE ON ACCOUNT

- (1) A motion for vote on account shall state the total sum required to be voted and the various amounts needed for each Division, Department or item of expenditure which compose that sum shall be stated in a schedule appended to the motion.
- (2) Amendment may be moved for the reduction of the whole demand for grant or for the reduction or omission of the items of which the demand is composed.
- (3) Discussion of a general character may be allowed on the motion or any amendments moved thereto but the details of the grant shall not be discussed further than is necessary to develop the general points.
- (4) In other respect, a motion for vote on account shall be dealt with in the same way as if it were demand for grant.
- (5) The schedule referred to in sub-rule (1) shall also separately specify the several sums required to meet the expenditure charged on the Federal Consolidated Fund.

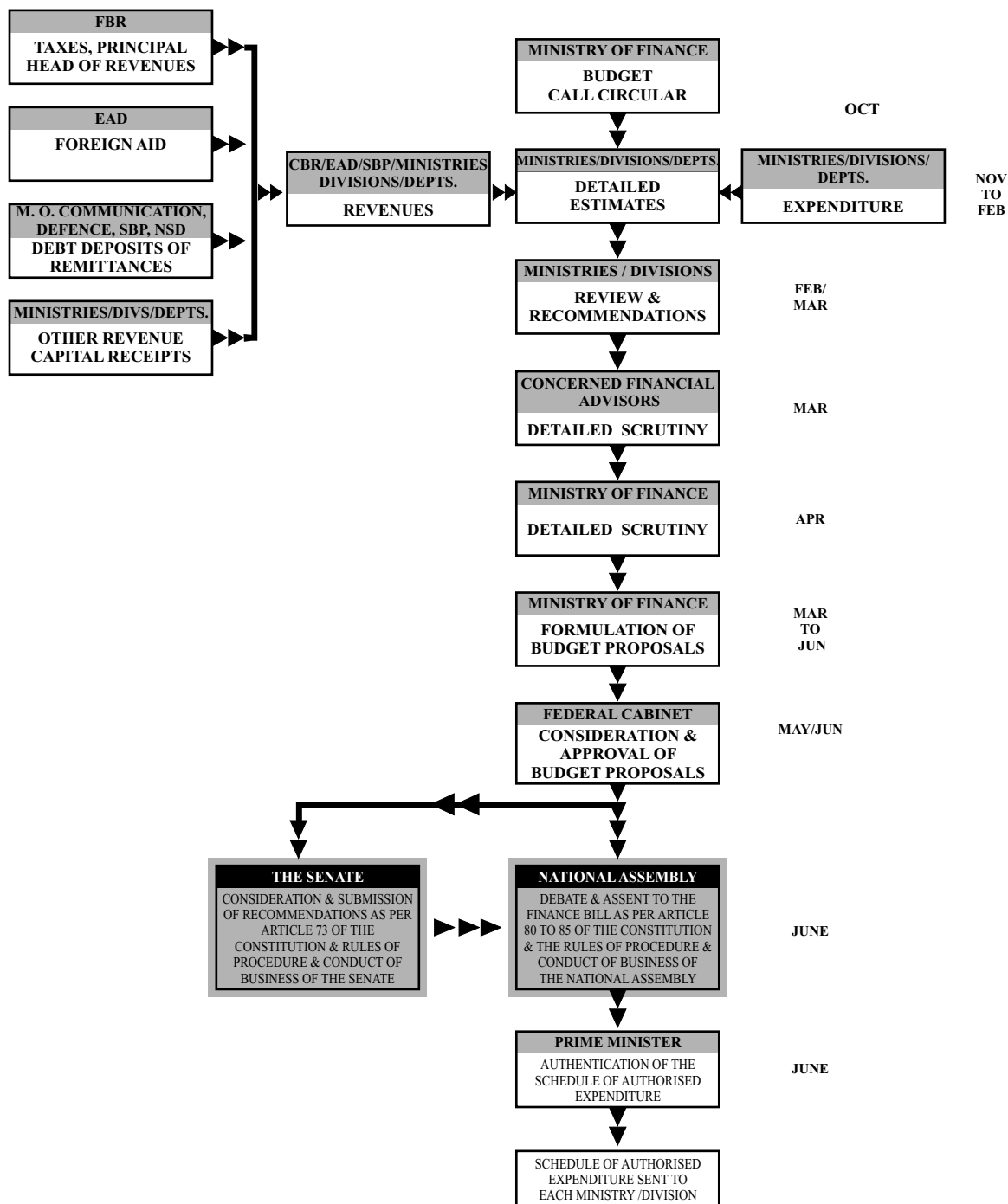
197. PROCEDURE FOR DEALING WITH SUPPLEMENTARY AND EXCESS DEMANDS

The procedure for dealing with supplementary estimates of expenditure and excess demands shall, as far as possible, be the same as prescribed for the Budget except that, if, on a demand for a supplementary grant, funds to meet the proposed expenditure on a new purpose are available by re-appropriation, a demand for the grant of a token sum may be submitted to the vote of the Assembly and if the Assembly assents to the demand, funds may be made available.

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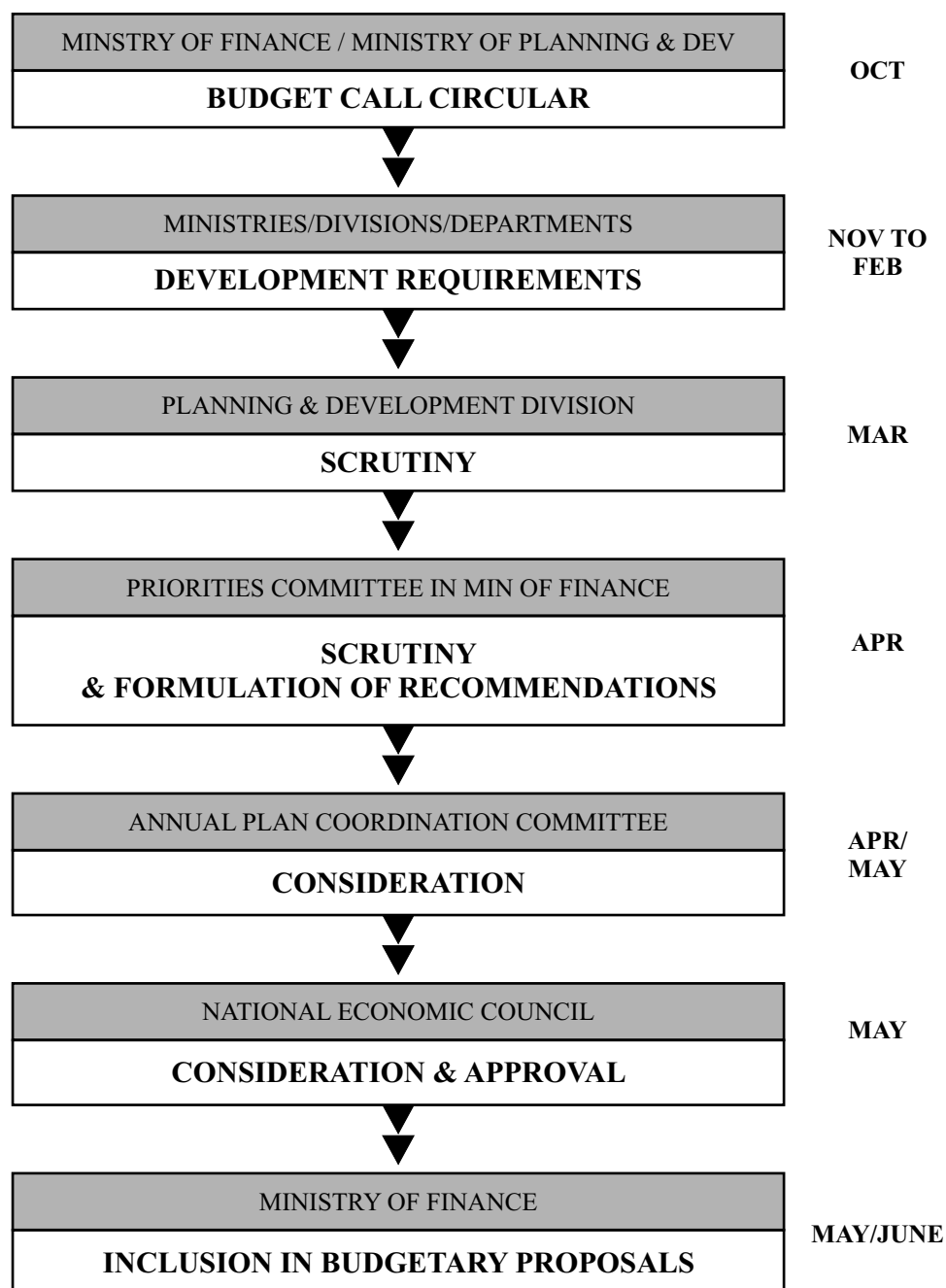
APPENDIX C

**Figure 1
THE FEDERAL BUDGET PROCESS AT A GLANCE**



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Figure 2
ANNUAL DEVELOPMENT PROGRAMME (ADP)
FORMULATION PROCESS AT A GLANCE



APPENDIX D

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