

*Report on*

# **Provincial Budget Analysis & Budget Conferences in Pakistan**



Participatory  
Development  
Initiatives[PDI]

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Development Initiatives [PDI]**

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## Contents

1. Introduction and Background	3
2. Objectives of the Budget Review and Conference	
3. Review Process	6
3.1 Collection and Analysis of the Budget Documents	6
3.2 Budget Conferences in All the Four Provinces of Pakistan and AJK	6
4. Key Points of the Presentations on the Provincial Budgets	6
4.1 Budget Making Process	6
4.2 Key Issues in Budget Making Process	9
5. Overview and Analysis of the Provincial [and AJK] Budgets in Pakistan	10
5.1 Sindh Budget 2008-09	10
5.2 Key Issues in Sindh Budget	13
5.3 Balochistan Budget 2008-09	13
5.4 Key Issues in Balochistan Budget	15
5.5 Analysis of NWFP Budget 2008-09	16
5.6 Key Issues in NWFP Budget	17
5.7 Analysis of Punjab Province Budget 2008-09	17
5.8 Key Issues in Punjab Budget 2008-09	18
5.9 Azad Jammu and Kashmir Budget 2008-09	19
5.10 Key Issues in AJK Budget	19
6. Key Issues in District Budgets	20
7. Recommendations for Future Planning	20

## **1. Introduction and Background**

Economic policies of any country directly or indirectly affect the common people of the country. When the economic decisions are taken without participation of the common people, the negative impacts of such decisions surpass the positive ones. People's participation in the economic decision making is important because being involved in different economic activities at the grassroots levels, the common people can have the realization of the benefits or losses of any economic decision. As a result, their input in the decision making authenticates the validity and effectiveness of any economic decision, program, or project.

Besides, people's participation in such decision making also directly and indirectly encourages the common people to monitor the implementation on such decisions when they have feeling of ownership of such an important process. This reduces the chances of the mismanagement at the implementation level of any decision, project or program meant for the betterment of the common people.

In Pakistan, despite the fact that the economic policies including budgets largely affect the common people; they have been largely excluded from the policy and budget making process. This situation is having negative impact on the lives and livelihoods of the common people.

Budget analysis and budget advocacy are now widely regarded as a central component of a growing arsenal of approaches developed by civil society organizations for fostering government accountability. Independent budget analysis has a number of parallels with existing practices fostered by civil society organizations that are designed to expand societal deliberation in public policy formulation.

Action Aid International started the Economic Literacy and Budget Advocacy Group (ELBAG) as a "learning process" with the purpose of creating an international community of learning, which can spearhead a learning movement around budgets and economic policies to break the barriers of knowledge and bring about changes in favor of the poor and the excluded groups across different parts of the globe. Economic Literacy and Budget Advocacy Group (ELBAG) has also been active in Pakistan since last four years.

The main objective behind formation of Economic Literacy and Budget Analysis Group (ELBAG) in Pakistan is to spread literacy about budgets and economic policies adopted by the federal, provincial and local governments in Pakistan through the campaign by components organizations.

It is also aimed at enabling the poor and excluded communities to understand the significance of public policies and budgets for their life and ask questions around these to the people who govern them. In this manner, ELBAG would be able to democratize knowledge about budgets and economic policies and empower people to seek a better deal for themselves at various levels of governance.

## **2. Objectives of the Budget Review and Conference**

The long term goal of the provincial budget analysis and conferences on the provincial budgets was to promote transparency in governance and development processes while the strategic objective of the project was to enhance transparency in governance and development processes through promoting economic literacy of ELBAG Circles. Following were the short term objective:

- Identifying gaps in the district government budgets
- Overview and analysis of the Provincial Budgets
- Sharing discussions on specific steps for budget advocacy by ELBVAG Circles and DA Partners
- Enhancing ELBAG Circles Economic Literacy
- Identifying Areas for budget advocacy in 2009

### **3. Review Process**

#### **3.1 Collection and Analysis of the Budget Documents**

Budget books of all the provinces i.e. Sindh, Balochistan, NWFP and Punjab as well as Azad Jammu and Kashmir were collected from the respective provinces. Those budget books also included the document of Public Sector Development Program which carries the details of public sector development in the respective provinces. The budget documents were analyzed looking at the sources of incomes and expenditure, types of expenditure including non development and development expenditure as well as salary and non salary expenditure. The analysis of the development and non development expenditures showed the disparities in both expenditures. Besides, sectoral analysis was also carried out to review the budget allocations in different sectors.

#### **3.2 Budget Conferences in All the Four Provinces of Pakistan and AJK**

Following the preparation of the presentations on the basis of the analysis of the provincial budgets, budget conferences were organized by Actionaid International Pakistan in the capital cities of the provinces including Karachi, Peshawar, Lahore, Quetta and Muzafarabad in November and December 2008. The conferences were participated by a large number of Actionaid DA Partners, civil society activists, experts, political leaders, economists and community representatives.

There were two sessions of the conferences. In the morning sessions district level ELBAG groups shared their district budget highlights and their efforts as well as future planned steps of budget advocacy. In the second session, a brief on all the district presentations and a full-fledged presentation on the provincial budget was made. This presentation was followed by discussions and recommendations.

### **4. Key Points of the Presentations on the Provincial Budgets**

#### **4.1 Budget Making Process**

The budget making processes at the federal and provincial level are very similar. Budget making as an annual process can be identified beginning formally with the call letter. However it starts in a different way which needs to be recognized. Any budget making actually begins with policy making. It is with policy decisions that government agencies lay out their priorities for allocating resources and incurring expenditures. Formal budget making is a process in which funds are allocated to the policy priorities.

Policy making in turn does not always happen as a deliberate or clearly identifiable process. In most sectors policy making takes place continually. Once in a while, and in some sectors periodically, policy making takes the form of producing a policy document. Policy making can be seen as falling into two categories – implicit and explicit. The most significant example of the first category of policy making is the roll out of health projects and initiatives over a period of time. These projects might not be predictable from any formal policy document but they are components of government's health policy. Policy keeps shifting and changing with the passage of time.

Prior to the commencement of the fiscal year, as part of the general budget making, new capital expenditures are planned in the form of projects. The list of projects can be read in more than one ways. It is a list of development interventions selected to give

effect to the development policy but it is also resource allocation for short term development objectives. The ADP also sets out the tasks and activities for public sector managers. The way in which ADP is laid out means that a lot of the thinking behind the development priorities does not become manifest easily. Most of the thinking which has gone into project selection and prioritization is contained in individual project documents.

Simultaneous to preparation of annual development program is preparation of revenue and expenditure estimates by the ministry of finance. The process is set off by the budget call letter. Finance Division, and the finance department at the provincial level, set out policy priorities for the ministries and departments in the call letter. This is an important document though not used to its fullest potential in the country. The recurrent budget estimates are prepared on incremental basis.

Departments prepare estimates of revenue and expenditure on an incremental basis. These are submitted to the finance division, or finance department in case of provinces, in January. The development budget estimates are similarly submitted to planning commission (or planning departments or planning board as the case may be). The recurrent estimates are studied in the finance division while the Planning Commission reviews the proposed allocations in PSDP. The final review is carried out by the finance division.

In the month of March revised estimates are prepared by the ministries and departments and submitted to finance. This provides an early picture of resources, their utilization and any demand prior to the end of the fiscal year. Priorities Committee meeting takes place in the month of April. The meeting is chaired by the Planning Division and attended by all the line ministries and provincial governments. Projects are evaluated and prioritized for allocation for resources. This is followed by the meeting of Appropriations Committee in the month of May. All the line ministries and provinces are again invited to this committee. The meeting is chaired by Finance Division. Sector allocations are discussed in this meeting. As a result of these discussions proposals for sector allocations are finalized by Finance Division.

In the month of June the National Economic Council meets. The council is a constitutional forum chaired by the Prime Minister with representation from the provinces. It plays the important role of setting economic and budgetary priorities for the country. The federal budget proposals are presented in the meeting. Main features of the provincial budgets are also discussed. The ECNEC (Executive Committee of the National Economic Council) meets more frequently with the Finance Minister in the chair. Its job is to periodically assess the economy and take decisions in accordance with the economic policy of the government. Among other things it approves large federal and provincial projects on the recommendation of the Central Development Working Party and the provincial planning machinery, as the case may be.

The final step in budget preparation is submission of the Annual Budget Statement in the National Assembly in accordance with article 120 of the Constitution. A similar process is followed at the provincial level with only difference that instead of the formal Priorities Committee and Appropriations Committee, Provincial P&D and Finance carry out reviews of the budgetary proposals of the departments. The budget proposals of the ABS are laid before the assembly in the form of the Finance Bill. This is the instrument which creates the legal basis for taxation and expenditures by the government.

The bill is discussed in the assembly and members debate not only the budget proposals but also the government policies connected with those proposals. A mechanism to bring the attention of the house to a certain policy or functioning of government agency and have a debate is to move a cut motion. The primary purpose of the cut motion is not to reduce the proposed allocation to a ministry by a token amount but to create an occasion for debate using the parliamentary procedures.

The assembly deals with all the cut motions and the debate in the house and finally votes on the budget. Once the finance bill receives the support of a simple majority of the members of the assembly it is sent to the head of the government and receiving his signatures it becomes the Finance Act for the fiscal year. At this stage the head of the government signs the schedule of expenditure authorizing officials carry out the expenditures in accordance with the powers delegated to them and thus implement the budget. Budget execution or implementation is nothing but carrying out the sector or general development policy.

Budget execution takes place at various levels in each department depending upon the nature and size of the expenditure. Officials are empowered to carry out expenditures in accordance with the powers set out in the Delegation of Powers instrument in force at the time. Accounts are maintained in formats laid down federally for uniformity and ease of comparison. Most of the accounting records are manual but under the ongoing reform of the accounting systems are being increasingly computerized.

Post audit of the accounts is conducted by independent auditors. The audit reports are placed before the assembly and the Public Accounts Committee carries out deliberation on the reports. The committee, in accordance with the nature of each case, decides to hold the officials accountable for audit findings and may even order action including administrative or criminal action against officials. At the local level budget making takes place in the following steps (the description is exact for the district government; a similar but comparatively simpler method is followed in the TMAs):

Policy making at the local level is a shared domain. The province and even federal government in many cases prescribe policy which local government follow and implement. The budget call letter is issued at the end of the month of September to initiate work on budget preparation for the following fiscal year. The call letter is issued by the Finance and Planning Office for the district government. It is noteworthy that unlike the federal and provincial levels the F&P sit in one agency at the local level.

The offices of the district government work out their estimates for revenues and expenditures in their sectors. This includes work on proposals for development projects. In the month of January an invitation is made for Citizen Community Boards (CCB) led development. The estimates and proposals are submitted in the month of March to the F&P Office. In the month of March revised estimates are prepared by the departments revealing the utilization and demand for resources in the remaining part of the fiscal year.

The F&P Office prepares the draft budget, including the proposed projects and CCB schemes, and submits it to the council in the month of June. Council debates the proposed budgets and once it is approved it is submitted in the form of schedule of expenditures to the Nazim. The Nazim authenticates the schedule signaling initiation of work on the budget.

District Accounts Offices keep records of the expenditures and revenue collection. An independent audit is conducted on annual accounts once they are prepared. This

happens with a time lag. The audit report once finalized is presented to the council where it is debated by the Zila Accounts Committee.

#### **4.2 Key Issues in Budget Making Process**

Pakistan's budget making is led by the executive. Estimates of expenditures and revenues are prepared by different departments. Policy priorities are laid down by the ministries. Budget proposals are drawn up by the departments led by Finance. The elected houses review the proposals, make minor amendments and approve them largely untouched. In the parliamentary system the government budget proposal is seen as a test of its strength in the legislature. This translates into emphasis on carrying the budget proposals through with the minimum of debate and amendments. The role of the legislature even in approval is thus politically curtailed.

After the end of the financial year, with a considerable time lag, the legislature looks at the audited accounts. The purpose of accounts committee deliberations is not well understood. The reports do not provide information whether the appropriations carried out by the legislature have been utilized for the objectives for which they were sanctioned or not. Mostly audit reveals cases of illegality or procedural errors. The audit, committee deliberations and the media attention all work towards creating hype around minor or serious wrongful behavior.

A much more important function of analysis and performance evaluation is oft not carried out. In fact the atmosphere in which audit and accounts committee function is geared towards application of rules and sifting evidence for identification of criminal liabilities, if any, where a positive and open performance evaluation is not possible. Departments will not feel comfortable in bringing their own weaknesses before the committee. Very little if any input goes into budget making as result from the committee process. Other parliamentary committees also lack the institutional capacity to lead or play an important role in budget making.

The process at the provincial level is a replica of the federal process. Nearly the same provisions, in the same language, define the budget process in the constitution, substituting Provincial Assembly for National Assembly; all provisions apply mutatis mutandis. The Public Accounts Committee performs similar functions for the audited accounts of provincial appropriations. In some cases the absence of follow through makes these expected changes unlikely.

At the local level the council committees are a recent creation. They lack experience or institutional wherewithal to carry out a good performance evaluation of the local departments. The committees as such do not provide any input into the budget making process.

The participation of the civil society in the budget making and other important decisions making processes is also very much limited in Pakistan. In Pakistan the economic policy decisions are taken by the nexus of civil military bureaucracy, ruling clique and multilateral institutions in Pakistan with no participation of civil society, opposition political parties, academia and other important segments of the society.

Mega projects under Public Sector Development Program are initiated under political considerations without properly looking into the merits and demerits of such projects. In many cases projects are initiated without preparation of their feasibility report and PC-1 especially in the case the project is initiated on the instructions of Prime Minister, president or other influential government leader.

In majority of cases the Cabinet takes important decisions in place of the Parliament. Such decisions include the decisions on trade policy, investment, industry agriculture etc. Parliament is the supreme body but the economic decisions made by the parliament are also modified by the Economic Coordination Committee of the cabinet. Similarly, the multilateral lending agencies have also greater influence on the decision making in Pakistan. Tying aid to specific projects by the lending adversely affects the economic situation of the country. For example equipments and materials are to be purchased from the lender and consultants are also hired from the donor country or institutions. Similarly Structural adjustment Programs, privatization and liberalization programs also affect the economy and hit the jobs and livelihoods of the common people. Projects and programs are not usually formulated in the national interest.

Similarly, there is no real civil society involvement and participation in the budget making process. So-called discussions are held with only Chamber of Industries and Chamber of Agriculture. Assembly Members are not involved as they are handed over the documents on the day when the budget is presented in the assembly. Only two days are given to go through these technical documents. When the opposition members raise their voice during the budget sessions ruling party members are compelled to oppose the suggestions and objections of the opposition members even if the suggestions are valuable.

## **5. Overview and Analysis of the Provincial [and AJK] Budgets in Pakistan**

### **5.1 Sindh Budget 2008-09**

Sindh is the backbone of Pakistan economy as it handles over 90% of country's trade and constitutes over 29% of country's GDP. It has tremendous amount of natural and human resources. Hence it is unfortunate that despite these resources and a most strategic location with a coastline of over 300 kilometers; Sindh continues to confront massive human and infrastructure development challenges.

According to the analytical review of Sindh Budget 2008-09 documents the Estimated Revenue Receipts for Fiscal Year (2008-09) from Divisible Pool are Rs. 102.4 billion. This is 29% higher than Revised Estimates of outgoing year. However, the Estimates under Oil and Gas Receipts show negative growth where as these had been growing at a rate of over 26% in last five years. Total Transfers expected from Federal Government are Rs. 177.5 billion showing a growth of 19%. Provincial Own Receipts have been pitched at Rs. 30 billion with an increase of over 12.5% over Revised Estimates of outgoing year.

On the Expenditure side, an attempt has been made to contain the current expenditures. Current Revenue Expenditure has been estimated at Rs. 180.9 billion with an increase of 11 % over Revised Estimate of Rs. 163.8 billion. The Current Capital Budgets have usually remained in deficit, as heavy payments are made on foreign and domestic borrowings. The Current Capital Receipts are Rs. 14.5 billion as against the Current Capital Expenditure of Rs. 9.5 billion. The shares of Local Governments have been worked out to be Rs. 77.9 billion on the basis of existing PFC Award.

The total size of Development Portfolio adds to Rs. 89.3 billion as under:

- Provincial ADP Rs. 55.0 billion
- District Governments Rs. 12.0 billion

- Federal Development Grants Rs. 12.7 billion
- Foreign Project Assistance Rs. 9.09 billion
- DERA Rs. 0.51 billion

This Development Portfolio is 23% higher than Revised Development Budget of Rs. 72-3 billion for 2007-08. In terms of Provincial and District ADP, Sindh Government has allocated Rs. 67 billion as against Rs. 50 billion of 2007-08 with 34% increase. In terms of Sectoral allocation; the biggest share of 16% has gone to Transport & Communication sector (which includes significant allocation for farm to market roads), where budget has been raised to Rs. 9 billion against of budget Rs. 7.66 billion for 2007-08. Through this allocation 586 schemes covering a road network of 1200 kms, improvement in 500 Kms and 10 bridges are being taken up. 45 schemes are expected to be completed.

The Allocation for MPAs under Priority Program has been raised from Rs. 5 to Rs. 10 million. Rs. 1 billion have been allocated for Village Electrification and Provision of Sui Gas to villages in next Budget. Besides, a Sindh Heritage Fund of Rs. 1 billion has also been launched. For this an allocation of Rs. 200 million has been made. According to the budget documents this Fund will be managed through a Board comprising public and private sector people having a background of this subject.

	BE 2008-09	%
Total Federal Transfers	143,192.214	56.014
Total Provincial Revenue and Capital Receipts	64,811.403	25.353
Grants [All Federal grants and Foreign Grants]	47,631.838	18.633
Total Provincial Consolidated Fund	255,635.455	100.000
Total Expenditure	267,764.570	104.745
<b>Deficit</b>	<b>12,129.115</b>	<b>4.745</b>

Allocations have also been made in the provincial budget for some new poverty reduction and skill development programs. For examples the government has initiated a massive skill development program called, “Benazir Bhutto Shaheed Youth Development Program”. This is an urgent relief measure for Skill Development of poor semi -literate and educated youth in Sindh for enhancing their employability. Sindh Government has plans to train more than 100,000 youth within two years in fields linked to market demand, both local and international. Programs for training of 61,000 youth have been finalized.

#	Sectors/subsector	Ongoing	New schemes	Allocations 2008-09	%
1	Agriculture proper	23	17	2,292.500	4.174
2	Food Storage	2	1	175.000	0.319
3	Animal Husbandry	21	9	1,604.315	2.921
4	Fisheries	9	5	801.361	1.459
5	Forest	7	4	296.000	0.539
6	Wildlife	1	2	40.000	0.073
7	Coastal Development Authority	7	6	218.000	0.397
8	Industries	10	5	1,129.394	2.056
9	Mines and Mineral Development	24	6	1,581.237	2.879

10	Water & Power	75	52	3,400.000	6.191
11	Physical Planning & Housing	74	173	3,637.037	6.622
12	Transport & Communication	362	224	9,000.000	16.387
13	Education	83	25	4,700.000	8.558
14	Health	62	21	2,977.936	5.422
15	Sports & Youth Affairs	5	8	238.000	0.433
16	Culture & Tourism	28	6	252.000	0.459
17	Manpower & employment	10	3	370.000	0.674
18	Auqaf	8	6	130.000	0.237
19	Statistical & Economic Research	12	18	1,704.033	3.103
20	Science & IT	12	2	860.217	1.566
21	Women Development	11	5	172.950	0.315
22	Environment	6	3	150.000	0.273
23	Special Projects	72	19	5,923.193	10.785
24	Allocation for Emergent works/Disaster Management Authority	1	0	500.000	0.910
25	Allocation for Priority Program	1	1	1,950.000	3.550
26	Special Packages	26	6	6,065.241	11.043
27	Thar Package	3	0	50.963	0.093
28	Population welfare program	1	0	23.623	0.043
29	Matching Allocations for Federal directives	12	9	2,504.000	4.559
30	Allocations for CCB schemes	0	78	150.000	0.273
31	Antiquities	6	7	425.000	0.774
32	Allocations for directives	0	1	1,600.000	2.913
	<b>TOTAL Provincial</b>	<b>974</b>	<b>722</b>	<b>54,922.000</b>	<b>100</b>
<b>B</b>	<b>District Program</b>			<b>12,000.000</b>	
	<b>GRAND TOTAL</b>	<b>974</b>	<b>722</b>	<b>66,922.000</b>	

To take up Skill Development on sustainable and institutional basis, the government has decided to set up Sindh TEVTA for undertaking modern technical training in accordance with market demand and to raise employability as well as preparing for wide scale industrialization in Sindh. Allocations have also been made for this program.

<i>Schemes</i>	<i>Nos.</i>	<i>%</i>	<i>Allocations</i>	<i>%</i>
New Schemes	723	42.55	28,934.988	52.61
Ongoing Schemes	976	57.45	26,065.012	47.39
Total Schemes	1699	100.0	55,000.000	100.00
District Program			12,000.000*	
Total ADP			77,000.000	

\* This is single line allocation for District Program which would be carried out District Government

A third major intervention will be providing Housing to the Poor. Federal Government has announced construction of 1 million houses for the poor and retired government employees. Government of Sindh has evolved its own program and under this Sindh Government has decided to provide 100,000 houses within two to three years.

A fourth major intervention is towards, "Revitalization of Rural Economy and a Rural Reform Program". This is a multi pronged program to be implemented with support of Asian Development bank. One of the key activities of these major intentions would be the distribution of government land among landless women haris.

### 5.1.1 Key Issues in Sindh Budget 2008-09

- Despite a large number ongoing schemes being uncompleted a large number of new schemes have been initiated in the budget. This shows the trend of change in the programs and policies with the change in the government. This usually results in inordinate delays in the project completion and also wastage of the public resources.
- The major chunk of resources goes to special packages and Block allocations. Around 6 billion which 11 percent of total ADP 2008-09 are given to special packages. In special packages, districts like Nawabshah, Larkana, Khairpur and Tharparkar are given special priorities as president, CM are from these districts or former PM and former CM [Arbab] were from these district. Development allocations should be made equally in all the districts;
- A large number of new schemes are included despite the fact that ADP is already overburden with ongoing schemes. This is also quite obvious from the figures that 723 new schemes were added into ADP 2008-09 and 976 were already ongoing. While in terms allocations 43 percent allocation are made to ongoing schemes and 57 percent to new schemes. This shows that government is allocation little resources to ongoing schemes as compare to new schemes.
- Sindh gets over 75 percent from federal sources and 25 percent from own sources. This exhibits that dependency on the Sindh is quite higher on federal resources. In this regard, sales tax and other provincial taxes should be given to the province to enhance the resources base.
- Current expenditures account around 71 percent of total expenditures, which is quite higher. This also exposes that Rs. 2.44 are spent to provide Rs. 1.00 Development expenditures. The army of ministers is appointed by the provincial government which is consistent burden on provincial kitty while its contribution for the development of the Sindh province is little. Besides, annually new vehicles are added to provincial government which mostly controlled by the bureaucrats and ministers.
- It is worthy to mention that impact of assessment of development schemes is not conducted, which is negatively affecting the development of the province. Therefore, it is strongly suggested that impact assessment should be carried by third party monitoring.

### 5.2 Balochistan Budget 2008-09

Balochistan is Pakistan's largest province in terms of area (44% of the total land mass) but the smallest in terms of population (5% of the total population). It has a total population of 6.5 million (1998 census) over two thirds of which resides in rural areas. Half of its urban population is concentrated in Quetta (provincial capital), Khuzdar, Turbat, Hub and Chaman. The rural area primarily consists of scattered settlements of sparse populations. The average population density of the province is 19 persons per sq k.m and varies greatly across districts.

#	Sectors/subsector	Ongoing	New schemes	Allocations 2008-09	FPA	Total	%
1	Agriculture	11	0	142.088		142.088	0.902
2	Livestock	5	0	47.653		47.653	0.303
3	Forestry	3	0	36.702		36.702	0.233
4	Fisheries	1	0	12.000		12.000	0.076
5	Industries	4	0	42.560		42.560	0.270
6	Minerals	6	0	154.438		154.438	0.981

7	Manpower	2	0	18.194		18.194	0.116
8	Sports	2	0	31.267		31.267	0.199
9	Culture	3	0	45.507		45.507	0.289
10	Tourism	1	0	10.000		10.000	0.064
11	Physical Planning & Housing	18	0	254.192	-	254.192	1.614
12	Roads	196	0	3,306.528	1,511.190	4,817.718	30.598
13	Water	47	0	554.179	400.000	954.179	6.060
14	Information technology	1	0	8.260	-	8.260	0.052
15	Education	41	0	588.754	1,630.040	2,218.794	14.092
16	Health	19	0	211.181	78.706	289.887	1.841
17	Public Health Engineering	14	0	264.072	-	264.072	1.677
18	Social Welfare	1	0	37.208	-	37.208	0.236
19	Environment	3	0	6.482	50.000	56.482	0.359
20	Local Government	3	0	30.101	100.000	130.101	0.826
21	Women Development	1	0	1.000	28.000	29.000	0.184
22	B.D.A.	77	0	1,184.358	-	1,184.358	7.522
23	Q.D.A.	1	0	25.000	-	25.000	0.159
24	G.D.A.	1	0	10.250	-	10.250	0.065
25	BCDA	3	0	41.600	-	41.600	0.264
26	Power	3	0	54.417	-	54.417	0.346
27	Special Program	3	0	550.000	-	550.000	3.493
28	St D: & RES	1	0	49.650	-	49.650	0.315
29	Other Schemes	5	0	789.737	190.000	979.737	6.222
30	New Initiatives	0	1	3,250.000	-	3,250.000	20.641
	<b>TOTAL</b>	<b>476</b>	<b>1</b>	<b>11,757.378</b>	<b>3,987.936</b>	<b>15,745.314</b>	<b>100.000</b>

According to provincial government estimates, in 2003 poverty levels were between 41% and 47%<sup>4</sup>. The level of rural poverty is much higher than urban poverty. If poverty is considered as overall human deprivation comprising limited opportunities, social exclusion, and vulnerability to exogenous shocks, a much larger proportion of the population would fall in this category. In addition to low income, poor households are characterized by low levels of education, lack of safe water, and unmet needs for health and welfare services.

According to the analytical review of Balochistan Budget 2008-09 for the fiscal year 2008-09, the total receipts are estimated to be Rs. 62.385 billion and the expenditure at Rs. 71.191 billion. On the receipt side, revenues, including share of the province in the Federal Consolidated Fund as determined under the National

<b>Table : 5</b>		
<b>Types of Expenditure in Balochistan Budget 2008-09</b>		
<i>In Millions</i>		
Types of Expenditures	2008-09	%
Current Revenue Expenditure	47,521.726	48.63
Current Capital and Public Account Expenditures	34,446.702	35.25
Annual Development Expenditures	15,745.320	16.11
<b>Total Expenditures</b>	<b>97,713.748</b>	<b>100.00</b>
Budget Deficit	14,448.001	14.79

Finance Commission Award, Straight Transfers pertaining to revenues of the province collected by the Federal Government on mineral resources, grants and subventions from the Federal Government, and the taxes, fees and other revenues collected by the province are estimated at Rs. 51.527 billion, capital receipts at Rs. 6.228 billion, and, foreign project assistance of Rs. 4.630 billion, a total of Rs.

62.385 billion. Expenditures are estimated at Rs. 71.191 billion including current expenditure of Rs. 47.522 billion, capital expenditure of Rs. 7.924 billion and development expenditure of Rs. 15.745 billion.

There is an overall deficit of Rs. 8.806 billion in the budget. This deficit is partly met from other resources like unfunded receipts and loans from the Federal Government and borrowing from the State Bank of Pakistan.

The budget for the financial year 2008-09 is estimated at Rs.71.191 billion with Rs. 47.522 billion as Current Expenditure. Rs.11.757 billion is the Provincial PSDP and capital expenditure is Rs.7.924 billion. The total current revenue receipts are estimated at Rs.51 .527 billion and capital receipt are of Rs.6.228 billion

The size of PSDP 2008-09 has been fixed at Rs.11.757 billion and Rs.3.988 billion is the FPA component. A total number of 477 schemes (all ongoing except the New Initiatives of which Rs.3 billion will be funded through Prime Ministers (Special Program) have been included in the PSDP of 2008-09.

<b>Table: 6</b>		
<b>Sources of Income in Balochistan Budget 2008-09</b>		
	<i>In Millions</i>	
RECEIPTS	2008-09	%
Federal Transfers	34,442.641	41.365
Revenue Receipts [Includes Tax and Non-Tax revenues etc]	17,084.108	20.518
Capital receipts and Public Account Receipts [including floating debt, recoveries of loans and advances, grants etc	31,738.998	38.118
<b>Total Receipts</b>	<b>83,265.747</b>	<b>100.00</b>

Sector/organization-wise PSDP expenditure (excluding FPA) during the period 1999-2000 to 2007-08 is shown in the following Table. While roads, education and health are sectors, BDA, BCDA, GDA are organizations that are implementing projects in different sectors (mainly roads). The Special Program refers to funds committed under programs packages announced by the Governor and the Chief Minister. Funds for Poverty Alleviation are block allocations held by the P&DD and released for purposes identified by the P&DD during the course of the fiscal year.

### 5.2.1 Key Issues in Balochistan Budget

- Only single line allocation for new initiatives has made for current fiscal year which is about 20 percent of total ADP size. This indicates the politicization of the budget. It seems that this amount may be granted to different elected representatives in the name of development schemes in their respective constituencies
- Around 80 percent ADP allocations are made to ongoing schemes. It can be assumed as a good trend to complete the ongoing schemes before initiating new schemes. Ongoing schemes have received full attentions from ADP as to complete the ongoing schemes on priority basis. Despite change of government policy focus has remained unchanged;
- Road sector got the highest percentage of allocation from ADP 2008-09 [30 %]. This has been done despite the fact that federal government also claims that it is also making huge investments in the road sector through NHA

- The second and third highest allocations are made to Education [14%] and water [6], which can be considered as a good initiative
- Special Program is also able to get around 6 % from of the development budget, which has politicized the budget allocations.
- There is need to generate more resources for the province as the size of ADP is too short to match the requirements of development needs. Efforts shall be made to get maximum share federal government against Gas development surcharge, straight transfers and other development grants. Efforts shall also be made to generate more own resources through concerted efforts

### 5.3 Analysis of NWFP Budget 2008-09

The total outlay of the surplus budget of NWFP is Rs 170.904 billion for the fiscal year 2008-2009. No new taxes were introduced in the budgetary estimates for the coming fiscal year. The budgetary proposals for fiscal year 2008-09 are higher to the tune of Rs 61.886 billion as compared to the budget estimates for the outgoing fiscal year which were estimated at Rs 109.017 billion and Rs 60.412 billion of the revised estimates of Rs 110.491 billion.

In the ongoing financial year, a sharp increase of Rs 3.426 billion was reported in the current expenditure, which was estimated at Rs 114.507 billion but increased to RS 117.933 billion in the revised estimates. However, the successive government had reduced the total expenditure from Rs 107,663.309 million to Rs 99,292.363 million in the current financial year 2007-2008.

The total current expenditure against the total revenue of Rs 170.904 billion is estimated in the New Year budget at Rs 170.559 billion, thus paving the way for a surplus amount of Rs 345 million.

#	SECTORS	ALLOCATIONS	%
1	Elementary and Secondary Education	4,158.734	10.01
2	Higher Education	1,348.646	3.25
3	Health	4,316.917	10.39
4	DWSS	1,050.145	2.53
5	Social Welfare	99.551	0.24
6	Auqaf, Hajj, Relig. & Minority Affairs	35.100	0.08
7	Roads	6,990.890	16.83
8	B&H	802.048	1.93
9	Urban Development	174.820	0.42
10	Water	1,278.636	3.08
11	Agriculture	715.428	1.72
12	Forestry	527.326	1.27
13	Environment	26.684	0.06
14	Sports, Tourism	263.524	0.63
15	Power	569.969	1.37
16	Industries	1,241.354	2.99
17	Reg. Development	6,703.090	16.13
18	Research & Development	82.371	0.20
19	Science & Tech and Inf. Technology	140.158	0.34
20	Tameer-e-Sarhad Programme [TSP]	1,240.000	2.98
21	Population Welfare	468.000	1.13
22	Special Programmes	8,093.544	19.48
23	District ADP	1,218.000	2.93
	<b>TOTAL ADP 2008-09</b>	<b>41,544.935</b>	<b>100.00</b>

The budget has a development outlay of Rs41.545 billion. Law and order had been given priority in the budget and Rs6.559 billion would be provided to police showing an increase of 27 percent against the previous year besides Rs2 billion had been allocated to be used as wheat subsidy so as to ease the wheat and wheat flour shortage crisis in the province. The Rs41.545 billion annual development program (ADP) is comprised of a total of 901 projects out of which 297 projects were new while 604 projects were old ones. The province's own share in the ADP has been estimated at Rs27.148 billion as against last year's estimates at Rs21.945 billion. About Rs4.167 billion foreign- assistance is also a part of the ADP. About 43.50 percent funds have been allocated for social sector. For education 20.29 percent, 14.51 percent for health, 16.48 percent for roads, 4.70 percent for agriculture and 19.60 percent for regional development have been given.

According to the budget documents in the education sector, the government would provide Rs200 per month scholarship to girl students of class 6 to Matric level and this facility was available to only seven districts in the past which would be extended to all the 24 districts of the province. In addition, 200 new primary schools would be established while 200 schools would be upgraded and 20 new government colleges would also be established. 975 new posts would be created in the health sector in the new fiscal year. About Rs500 million were allocated for the agricultural sector development and for the infrastructure development Rs825 million would be spent. The total revenue had been estimated at Rs170.904 billion while the total expenditure were Rs170.559 billion

### **5.3.1 Key Issues in NWFP Budget**

- The current expenditure is higher [ 76% ] than the development expenditure [ 24% ] of the province in the budget 2008-09
- A big chunk of budget allocation [ 6% ] goes to maintaining the law and order situation in the province where the poverty is basically key issue
- Wheat subsidy has big share in the budgetary allocations. It is about 38 percent of the total allocations only to ensure that the citizens of NWFP receive wheat at the time of need. There is need to allocate such amount on the programs of self sufficiency in wheat and other food items
- A big chunk of budget of the Public Sector Development Program is allocated in the name of Special Program [19.50%], which usually is under the discretion of the Chief Minister to announce any fund or program for any area and for any purpose. Such funds are usually used for political purposes
- A big chunk of budgetary allocations in irrigation sector go to the construction of the houses and offices of the officers which is being done in the name of development

### **5.4 Analysis of Punjab Province Budget 2008-09**

Despite lack of a coastline, Punjab is the most industrialized province of Pakistan; its manufacturing industries produce textiles, sports goods, machinery, electrical appliances, surgical instruments, metals, bicycles and rickshaws, floor coverings, and processed foods. In 2003, the province manufactured 90% of the paper and paper boards, 71% of the fertilizers, 65% of the sugar and 40% of the cement of Pakistan.

Despite its dry climate, extensive irrigation makes it a rich agricultural region. Its canal-irrigation system established by the British is the largest in the world. Wheat and cotton are the largest crops. Other crops include rice, sugarcane, millet, corn,

oilseeds, pulses, fruits, and vegetables. Livestock and poultry production are also important.

The total revenue budget of Punjab province for the year 2008-09 is Rs 389.896 billion. The budget carries a revenue surplus of Rs 133 billion and the expenditure is estimated at Rs257 billion. The subsidy package included Rs13 billion for cash handouts, and food price and healthcare subsidy to the poor. Rs540 million had been set aside for setting up dialysis centres in the province.

According to the budget documents the government will launch a low-cost housing scheme for the poor with a sum of Rs1 billion and allow a subsidy of Rs100,000 per unit for the purchase of tractors to farmers with less than 12.5 acres of land under the Green Tractor Scheme, to be re-launched with a sum of Rs1 billion. Landless, educated farmers will be given 60,000 acres of state land on lease for increasing production of vegetables and bringing down their prices.

The size of the Annual Development Program is Rs160 billion. The development program would be financed from the revenue surplus of close to Rs133 billion, capital account surplus of Rs13.593 billion, net public account surplus of Rs1.22 billion and foreign assistance (loans) of Rs12.237 billion.

The budget outlay for the next financial year is almost nine per cent higher than the outgoing year's original estimates of Rs356 billion and 19 per cent higher than the revised estimates of Rs315.602 billion. Punjab is projected to receive Rs285 billion in federal transfers, which is around 25 per cent more than budgetary estimates and almost 30 per cent higher than the revised estimates for the outgoing year. The hike in federal transfers to the provinces is projected on the basis of an increase in the tax revenue target of the federal government as well as in the provincial share in the divisible pool under the National Finance Commission (NFC) award.

The provincial own tax revenue income has been estimated at Rs40.362 billion, up by eight per cent from budgetary estimates of Rs37.315 billion and 31 per cent from the revised estimates of Rs30.627 billion. The provincial own non-tax revenue is estimated at Rs64.528 billion, down by about 30 per cent from the budgetary estimates and above one per cent from the revised estimates for the current year.

The expenditure for the next fiscal is five per cent higher than the original estimates of Rs243.487 billion and about 10 per cent higher than revised estimates of Rs232.187 billion for the ongoing year.

#### **5.4.1 Key Issues in Punjab Budget 2008-09**

- Budgetary allocations contain huge amount of subsidies. If those subsidies directly go to the poor people, there is no harm, however, usually different corporations and agencies receive benefit of these subsidies in the name of providing relief to the poor
- A huge allocation has also been made for the construction of the houses and offices of deferent officials in the name of development in different sectors of the province
- More allocations have been made to the new schemes as compared to the ongoing schemes despite the fact that the number of ongoing schemes is much higher than the new ones
- A block allocation has been made in the name of special infrastructure with no clarity about the titles of the schemes. It seems that this amount would

also be under the discretion of Chief Minister. Such amounts are usually used on the political basis.

## **5.5 Azad Jammu- Kashmir Budget 2008-09**

The state of Jammu and Kashmir having an area of 84,471 square miles lies in the North East of Pakistan and North West of India. Russia, China and Afghanistan also border it towards the North. Area wise, the State of Jammu and Kashmir was the largest state in the sub-continent of Indo-Pak among the 562 princely states of the Sub-continent at the time of its division, and still claims the same status. Its area is almost equal to the total area of Belgium, Denmark, Holland, Austria and Albania, all put together, although it is slightly smaller than Great Britain.

The total budget of Azad Jammu and Kashmir for 2008-09 is Rs. 29.97 billion. The budget proposes Rs20.417 billion for non-developmental expenditures and Rs 9.555 billion, including a foreign component of Rs800 million, for development activities.

The income during the next year is estimated at Rs15.817 billion, including Rs7.5 billion from local resources such as provincial excise, stamps, forests and electricity charges, Rs779 million water use charges of Mangla Dam, Rs2.438 billion from the AJK Council as its share of taxes collected from the AJK territory and Rs5.1 billion from the federal government as AJK's share in federal taxes. The budget deficit is amounted to Rs4.6 billion and according to the budget documents it would be met by funds to be provided by the federal government.

As for as sector-wise details of development allocations are concerned Rs3.087 billion had been earmarked for transport and communication sector, Rs1.355 billion for local government and rural development program, Rs1.21 billion for electricity and hydropower generation, Rs1.09 billion for foreign-funded projects, Rs640 million for education, Rs552 million for physical planning and housing, Rs400 million for health services, Rs300 million for forests, Rs140 million for sports, Rs100 million for tourism, Rs100 million for industries, Rs52 million each for agriculture, Rs50 million for fisheries and wildlife, Rs50 million for animal husbandry, Rs45 million for Azad Kashmir Mineral and Industrial Development Corporation and the Small Industries Corporation, Rs40 million for civil defense, Rs35 million for water and irrigation, Rs34 million for planning and development, Rs30 million for social welfare, Rs25 million for environment and Rs 20 million for information and media development and Rs20 million for information technology

### **5.5.1 Key Issues in AJK Budget 2008-09**

- The AJK budget especially, the Public Sector Development Program is silent on the earthquake rehabilitation issues
- There is no any significant increase in allocations for annual development plan or areas of high priority for the people of AJK.
- Most of the provinces and in some cases even district governments in Pakistan have updated data, budgets available online, but the AJK website has not been updated since last many years or at least there is no data available regarding budgets, ADP and other fiscal data i.e. AJK receipts and transfers from government of Pakistan.
- Revenue deficit is quite high in the budget and there is need to generate own resources to come out of the dependency on the federation

## 6. Key Issues in District Budgets

Although the district budget of each district is riddled with different issues. However there are some general issues which are common in all the district budgets of Pakistan. Some of such key issues are as under:

- Non development budget [including salary and non salary] budget is higher than the development budget [90-10 percent] in almost all the district government budgets in Pakistan
- There is no authority to the district government to make any change in the salary and non salary budgets or divert any amount from that budget to the development sector
- There are no proper criteria for the distribution of the budget within district in different sectors
- MNA MPA budget allocation and expenditure has no coordination with the district level planning and those are carried out in isolation, sometimes with depletion
- There is also no proper link and coordination between the budget planning and expenditure of the district government, TMAs and Union Councils
- Lack of capacity of the among the planners and budget makers of the district government
- There is no proper mechanism of the people's participation in the budget  
There is no proper criteria about distribution of the budget allocations among different *tehsils* and Union Councils

## 7. Recommendations for Future Planning

- In addition to efforts to influence budget policies, independent budget groups should undertake other related activities designed to promote awareness of budgets, improve budget transparency and deepen participation in the budget process.
- Awareness-building work should also focuses on legislators and civil society organizations with a view to improving understanding of the importance of budgets as a critical policy instrument and building budget literacy.
- Budget groups should pursue this objective through training and capacity-building initiatives to broaden the range of actors and organizations that are engaged in deliberations on budget priorities.
- It has been observed that a small proportion of legislators are actively involved in budget debates, partly on account of limited understanding of the significance of the budget and lack of familiarity with technical content. Budget groups should assist legislators in becoming more conversant with budgets in several ways: by organizing special training seminars, providing information about budget policies in an accessible form, and responding to queries about the nature and content of budget proposals.
- ELBAG Groups should provide legislators with short summaries of the main departmental reports before the budget debate, containing information on various aspects of budget policies and implementation, to enable them to play an active role in budget review and approval.
- Capacity building efforts should extend beyond legislators to include a wider range of civil society organizations. Budget groups should conduct training for their partners and other NGO representatives by conducting

budget literacy workshops to assist them in understanding budgets and their policy implications.

- While focusing on long-term public education on budget issues, ELBAG Groups should develop various training packages for the general public and citizen leaders to promote budget awareness and strengthen capacity for budget monitoring
- ELBAG should conduct training for elected local government representatives on creating understanding of the budget process as well as budget tracking.
- ELBAG should train community monitors in budget tracking in the districts to properly track the budgets at local level.
- There is also need to produce specialized information products on different aspects of the budget. ELBAG Groups should produce accessible information on budget analysis from the vantage point of the poor, focusing on sectors and programs that are oriented to their needs.
- ELBAG Groups can contribute to enhanced budget transparency by publishing budget data in summary or complete form through publications or on the internet.
- Improving budget transparency is closely linked to anti-corruption efforts. ELBAG groups can identify cases where public resources have been misused by placing government budget data in the public domain.
- A further area where budget groups need to make contribution is in broadening participation in the budget process, especially on the part of poor and marginalized people who lack voice and access. The production of a simple citizen's guide to the budget can further broadened civil society participation in budget dialogue at the local level.
- ELBAG Groups can increase citizen engagement in the budget process through training and information activities for the general public and civic leaders