



Centre for Peace and
Development Initiatives

Policy Brief on Participatory Budgeting



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1 Introduction:

In modern governance, the budget of the state is one of the important policy documents which reflect its social and economic priorities and sets the direction of the economy. It is basically the government financial plan describing the proposed expenditure and the means of financing them. The budget document also depicts the government's political and development agenda over the fiscal year. The resource allocation and decisions made in the budget have a strong impact on the socio-economic outlook of the society and in this regard, budget is crucial in determining the future of the sitting governments especially in developing countries and growing democracies.

In Pakistan, budget making is a complex and multi-step process that involves several stakeholders and institutions at the federal and provincial levels. The limited capacity of the government institutions to implement development projects is one of the major challenges in the budget making process in Pakistan. Despite significant investment in infrastructure and human resources, many government institutions lack the technical expertise and management capacity needed to effectively implement development projects. This has led to delays and cost overruns, which have undermined the government's ability to achieve its development objectives. In addition to these challenges, there are also concerns about the government's ability to mobilize revenue and manage public debt. Pakistan has a relatively low tax-to-GDP ratio, which has limited the government's ability to generate revenue and finance its spending plans. At the same time, the government has relied heavily on external borrowing to finance its development projects, which has increased the country's debt burden and raised concerns about the sustainability of its fiscal policies.

Lack of transparency and accountability is one of the key challenges in the budget making process in Pakistan. In recent years, there have been concerns about the government's failure to disclose information about budgetary allocations and expenditures. This lack of transparency has raised questions about the efficiency and effectiveness of government spending and has eroded public trust in the budgetary process. It is quite understandable that as far as budget technicalities and statistics are concerned, mainly it remains the job of the government officials (executives) however, budget are best formulated when approved through a participatory process (consultative process) with parliamentarians and civil society. In order to ensure transparency, accountability and participation in the budget makings, the proactive and meaningful engagement of parliamentarians and civil society should take place at early stage of budget preparations, approval and oversight. The role of public representatives (Parliamentarians) is very crucial in the whole budget making exercise (budget cycle). There should be provisions in the rules of procedures that ensure that the pre- budget consultative process should take place so that the parliamentarians can provide their input at this early stage of budget making exercise. The process also ensure that the parliamentarians should have ample time to scrutinize spending and revenue details in the budget draft to see if they are consistent with the Government's Goals and needs of the people. Moreover, the role of standing committees in both of National Assembly and Senate needs to be enhanced in the budget making process to make the whole process more consultative and participatory.

2 An overview of budget making process in Pakistan:

The Budget making process at federal and provincial level are more or less same. In Pakistan, the fiscal year starts on July 1st and ends on June 30th. The budget proposals made by the Finance Ministry that are considered and approved by the Cabinet are presented before the Parliament in the 2nd week of June. There is no formal provision in the Public Finance Management Act 2019 (Chapter II: Budget Management, Budget Preparation and Presentation) for a pre-budget discussion or consultation on the part of the Ministry to engage the public or the Parliament on fiscal matters and issues. Although , section 3 (1) of the Public Finance Management Act 2019 provides that the Finance Division shall publish the budget strategy paper and as well as place it on its official website and after getting its approved the Finance Minister shall discuss the budget strategy paper with the Finance and Revenue Committees of the National Assembly and Senate. But still the scope of consultation is very limited as far as the pre-budget discussion with public and other stakeholders is concerned.

After getting budget proposal approved from the Cabinet, the Finance Minister on behalf of the Government delivers budget speech in the National Assembly. No other business is allowed in the House on that day. The stages of the discussion of the Budget are as follows:

- 1) General Discussion on the Budget
- 2) Discussion on Appropriations
- 3) Discussion and voting on Demands for Grants

According to the Rules of Procedure of the National Assembly, the Speaker allots days for the different stages of the Budget. It requires two days to lapse between the days the Budget is presented and the first day of the General Discussion. The Rules prescribe that not less than four days should be allotted for the General Discussion. Any member can move a cut-motion to reduce the amount of demand. Each Demand for Grant is discussed and voted upon. Consequently, a Vote of Account is taken and the Finance Bill is passed. The Budget is submitted to the Senate for recommendations. The Senate can make recommendations on the Budget to the National Assembly within seven days. These recommendations are not binding on the National Assembly. Same procedure is carried out in the respective provincial assemblies. However, there is no role of Senate at provincial level because there is a unicameral system of legislation at provincial level.

Overview of Budget Cycle

The government's budget cycle usually consists of six stages broadly categorized in the following table:

1	Setting of budget policy and priorities	The first stage of budget cycle usually covers setting of budget priorities, policies and initiatives by the National/Provincial Cabinet.
2	Budget Preparation	This stage includes the preparation and submission of budget estimates of expenditure and receipts by spending departments and subsequent review and consolidation of estimates by the Ministry of Finance/Finance Department.
3	Authorization	This stage involves submission of the Annual Budget Statement before the National/Provincial Assembly. This consists of two stages: approval by the National/Provincial Assembly after it is debated/discussed in the Assemblies, and authentication by the Prime Minister/Chief Minister. The approved budget is referred to as

		the 'Schedule of Authorized Expenditure' (SAE), which is then submitted to the President/Governor for assent
4	Execution	This stage refers to the communication of the budgets to the spending ministries, administrative departments and respective Accountant General office/Accountant General of Pakistan Revenue by Ministry of Finance/Finance Department
5	Reporting and Monitoring	In this stage, actual expenditure/revenue are recorded and reported by the spending departments to facilitate monitoring of progress against budget allocations throughout the fiscal year. Expenditure is recorded by Accountants General/Accountant General Pakistan Revenue.
6	Periodic Review	This covers periodical review of financial performance and the achievement of policy objectives by spending departments. This also includes audit reviews by Auditor General's office and review by Public Accounts Committee. Standing Committees of the Parliament and provincial assembly are also authorized to review expenditures of the ministries under their jurisdiction

3 Participatory budgeting and budget processes in Pakistan:

Participatory budgeting is an approach to budgeting that involves citizens in the decision-making process of allocating public funds. This approach has gained popularity in recent years as a way to promote transparency, accountability, and citizen engagement in the budgeting process. Participatory Budgeting began in Brazil to overcome the long history of patronage politics, social inequity and corruption. Government, civil society, and political parties were mobilized to experiment with participatory budgeting as a way to improve government transparency and to increase citizens participation in government decisions. Participatory budgeting began in 1989 in the municipality of Porto Alegre when the Worker's Party won the mayoral elections. The new government was credited with shifting priorities to better support the poorest parts of the city, improving services, improving infrastructure, strengthening governance, and increasing citizen participation. It was a real success in terms of involving people typically left outside of the political process. Since then, participatory budgeting has spread throughout Brazil and nearly 140 municipalities and five states have implemented the same program. Today, over 27 countries are implementing some kind of participatory budgeting program.

Advantages of participatory Budgeting:

- improved transparency and accountability
- empowered citizens
- increase social justice by providing a platform for traditionally excluded members of society
- increase government efficiency
- informed decision making
- consolidate democracy

However, implementing participatory budgeting at the federal and provincial level in Pakistan faces various challenges. This policy brief covers the challenges faced in implementing participatory budgeting at the federal and provincial level in Pakistan. It will also suggest possible solutions to these challenges and highlight the benefits of participatory budgeting.

3.1 Limited role of Parliament

Pakistan legislative experience shows that there is a limited role of the Parliament in the whole process of budget making. Firstly, the Public Finance Management Act 2019 does not provide any provision for pre-budget consultations with stake holders (Public) or Parliament on setting the priorities on allocating the public funds. Secondly, the time allocated for the debate/discussion on the budget when it is presented in the National Assembly is too short. Mostly, in the second week of June, the budget is presented in the National Assembly and get it gets passed in the last week of June every year.

Hence, providing a very short span of time frame for various stages of budget approval. Thirdly, the whole process of budget making is dominated by the bureaucrats who are not elective representation of the people. The public representatives who are elected through power of vote are kept out the loop and the budget making becomes entitlement of the few. In addition to these challenges, individual parliamentarians and the Parliament as an institution, lack the infrastructure to give research and analysis support for an effective Budget debate in the Parliament. Moreover, the whole process seems to be ritualistic one, The Standing Committees both of National Assembly and Senate, which are mostly formed in line with the Ministries and Divisions, have not been assigned any role in the Budget process. Even the Standing Committees on Finance does not play any role in the Budget process.

(A major difference between the Pakistani Budget Process and India is the role played by Parliamentary Committees. In India, committee reviews provide an opportunity for the Parliament to examine in detail, the Government's budget proposals and thesible impact on future financial management)

3.2 Inadequate institutional and legal frameworks

The absence of adequate institutional and legal frameworks is another challenge in implementing participatory budgeting at the federal level in Pakistan. There is a lack of clear guidelines, procedures, and mechanisms for citizen participation in the budgeting process. The legal framework is also weak, and there are no strong laws or regulations that mandate citizen participation in the budgeting process.

However, in this regard, the government of Pakistan enacted a law in 2019 known as Public Finance Management Act 2019 to strengthen financial management in public sector. The Act aims to ensure transparency, accountability and efficiency in the use of public funds at the federal and provincial level. In KP, there have been efforts to introduce participatory budgeting as way to increase citizen participation in the budget process. The KP government has launched a programme called the "KP Citizen Budget Portal" which is an online platform that allows citizen to access information about the budget and provide feedback on how public funds should be allocated. Overall, these efforts to introduce participatory budgeting and increase citizen participation in the budget process in KP are positive steps towards greater transparency and accountability in the management of public resources.

3.3 Lack of political will and commitment

One of the main challenges in implementing participatory budgeting at the federal level in Pakistan is the lack of political will and commitment. The political leadership is often hesitant to give up their control over the budgeting process, as it may result in a loss of power and influence. Therefore, despite the provisions for participatory budgeting in the 18th amendment to the Constitution of Pakistan, there has been little progress in implementing it at the federal level. The 18th amendment devolved several powers and responsibilities from the federal government to the provinces. One of the provision included in the 18th amendment was related to participatory budgeting. Under the 18th amendment, the provinces of Pakistan are required to allocate a certain percentage of their budgets to local governments. These local governments, in turn are required to involve citizen in budget making process through a process of participatory budgeting. The exact provisions for participatory budgeting under the 18th amendment may vary from province to province, as the implementation of the 18th amendment is the responsibility of provincial governments. However, the overall goal is to increase citizen participation and accountability in budget making process.

3.4 Limited awareness and capacity of citizens

Another challenge is the limited awareness and capacity of citizens to participate effectively in the budgeting process. Citizens are often not aware of their rights and responsibilities in the budgeting process, which hinders their ability to engage meaningfully. Moreover, there is a lack of capacity-building programs to enhance the knowledge and skills of citizens in budgeting and public finance.

3.5 Political instability and security concerns

Political instability and security concerns are also challenges in implementing participatory budgeting at the federal level in Pakistan. The country has experienced frequent political instability and security concerns, which can hinder the participation of citizens in the budgeting process. Moreover, security concerns may also lead to a restriction of freedom of expression and assembly, which are crucial for citizen participation. When there is a political instability in the country, it can lead to uncertainty and lack of clarity about government policies and priorities. This can make it challenging for the government to make informed decision about how to allocate resources and set budget priorities. Moreover, when security is a concern, the government may need to allocate more resources towards defense and security related expenditures which can be classified and that could lead to restrict citizen's access to information and participation in the budget making process.

3.6 Limited resources and technical expertise

The lack of resources and technical expertise is another challenge. Participatory budgeting requires significant resources and technical expertise to ensure effective citizen engagement and the meaningful integration of citizen inputs into the budgeting process. In addition, the lack of technical expertise on participatory budgeting can also hinder the ability of government officials to implement the suggestion and demands of citizens effectively. If government officials do not have the necessary technical expertise to execute the proposed projects, the participatory budgeting process may not be successful in achieving its objectives. However, the government often lacks the designated resources and technical expertise to implement participatory budgeting effectively.

3 Conclusion :

The above analysis reflects that the budget making process is rather less participatory both at Federal and provincial level. On the basis of the conclusion drawn from the analysis, the following policy recommendation are proposed to make the budget process more participatory and transparent.

1. The role of the parliament should be enhanced in the budget making process. The Rules of the Procedures may be amended to allow the pre-budget consultation with Parliamentarians and public. In order to achieve this, the presentation of the budget in the National Assembly should be moved from June to February to allow for sufficient analysis by the parliament.
2. The National Assembly of Pakistan should hold a pre-budget session at any time before February each year to allow parliamentarians to present their recommendations for inclusion in the budget on the floor of the house. The compiled recommendations should be sent to the Ministry of Finance by the end of February each year to allow the Ministry time for consideration in the budget proposals.
3. It is recommended that the research infrastructure of the National Assembly be upgraded to give research and analysis support to individual Parliamentarians and Parliament as an institution for an effective budget debate in the Parliament. This would decrease the dependency of Parliament on bureaucracy (government officials) as far as the budget technicalities are concerned.
4. Keeping in line with the international growing trends, Pakistan Parliament should consider the establishment of an independent parliamentary budget office. This independent unit looks at budget and be able to provide unbiased information and relating to the budget and independent analysis for the benefits of parliament.
5. The Rules of the Procedures should be amended to ensure the pro-active role of standing committees of both houses i.e. National Assembly and Senate. The Standing Committee on Finance should play an active role at budget preparation stage and conduct public hearings in order to acquire broader stakeholder buy-in.
6. The most important step in implementing participatory budgeting is to establish a legal framework that ensures participation of public and various interest groups and stakeholders such as Chambers of Commerce, Civil Society Organisations (CSOs), and Trade Unions to propose their thoughts and recommendations for the next budget draft. The role of Standing Committee on Finance is very crucial in this context and the legal frame work should provide provisions to strengthen the committees to take this exercise. The government should pass legislation that requires all levels of government to involve citizens in the budgeting process.
7. Citizens need to be educated about the budgeting process and how they can participate effectively. The government should conduct awareness campaigns and provide training to citizens, civil society organizations, and government officials to build their capacity to engage in the process effectively.
8. Use of technology is another innovative approach for participatory budgeting. The government can leverage technology to increase citizen participation in the budgeting process. Online

platforms and mobile applications can be used to facilitate the submission of proposals and provide a space for citizens to discuss and prioritize their ideas.

9. 10. Media can play its role as a key stakeholder in making the budget making process more effective and participatory. Media support the citizen groups and organization is also crucial as many times media portray or highlight the budget issues in its coverage. Media can provide a platform for citizen dialogue where citizens can express their opinions, concerns and ideas to related to participatory budgeting. This can be done through interviews, opinion pieces and social media platform
10. It is important to monitor and evaluate the participatory budgeting process to ensure that it is effective and efficient. The government should establish a monitoring and evaluation framework to assess the impact of participatory budgeting on transparency, accountability, and citizen engagement.

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