

Study of Budget Making Process at District Level in Khyber Pakhtunkhwa

2015-2016

Citizens' Network for Budget Accountability



Centre for Peace and
Development Initiatives



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2015-16

Citizens' Network for Budget Accountability (CNBA)

&

Centre for Peace and Development Initiatives (CPDI)

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Acronyms

ADP	Annual Development Plan
BCL	Budget Call Letter
CNBA	Citizens' Network for Budget Accountability
CSO	Civil Society Organization
DHO	District Health Officer
DEO	District Education Officer
F&B	Finance and Budget
F&P	Finance and Planning
LGO	Local Government Ordinance
LGA	Local Government Act
MNA	Member of National Assembly
MPA	Member of Provincial Assembly
PFC	Provincial Finance Commission
RTI	Right to Information (Act)

Executive Summary:

Budget making is one of the most essential key that a government or any of its department can utilize towards realizing the developmental goals, poverty reduction objectives and growth oriented plans of a country. In the UN convention this year that reflected upon progress achieved by various countries on Millennium Development Goals, and pushed for more rigorous Sustainable Development Goals, realized that a country's progress on achievement of these goals is contingent upon its fiscal discipline, prioritizing of developmental needs according to the (scarce) resources, and efficient allocation and utilization of funds. Budgetary process is also one of the key elements in enabling a government towards provision of quality public services to its citizens'. Thus, given its importance, the budget making process ought to be participatory (reflecting ownership of concerned communities), transparent and inclusive. Moreover, it should be visible and accessible to all the concerned stakeholders, so that they may hold the respective public officials accountable for their actions and lack thereof.

Pakistan, which is still in a nascent phase in its struggle towards fiscal and budget transparency, fortunately, has got a very active and vibrant civil society that keeps it pushing towards this desired goal. In Khyber Pakhtunkhwa, we currently have Local Government Act 2012 revived, according to which, the district level governments do not have dedicated finance departments and they rely on financial department of the provincial government to plan the budgets for upcoming years. However, now, as the Pakistan Tehreek-e-Insaf led government has conducted its local body elections, its provincial government plans to revive the Local Government Act 2013, according to which, the respective districts will have their budget making powers reinstated. The present study, though, has been conducted when the respective departments were not reinstated as yet.

Provincial finance department, working under an incremental rule (every year each department's budget is increased by a certain percentage, without duly reflecting upon its needs) is responsible for budget preparation, coordination, examination, compilation, and release of funds, which is followed by a certain level of monitoring. The present report reflects upon budget making process in three departments, namely, education, health, and agriculture in the targeted districts. It analysis the extent to which the respective districts follow the budget making rules, policies, and procedures, and highlights the reported gaps and negligence that needs to be addressed.

The budget making process is comprised of a comprehensive cycle or steps which, among others, include; timely circulation of budget call-letters, timely submission of budgetary proposals and report on consultation with the concerned stakeholders. The analysis of this report shows that the district offices of the targeted departments exhibit serious lacunas in terms of their capacity to understand, let alone handle and report budget documents. This is mainly because of low education and lack of training of the concerned staff members. The present report shows that except for submission of estimates of expenditures, none of the other budget making steps are diligently followed by the respective district officials. Following the practice of keeping and maintaining secrecy around budget document, despite it being very important policy and procedural requirement, public consultations on proposed budgets and expenditures are not held. Finally, while the civil society shows its concern on these practices every now and then, there is no formal research and documentation process on their part that may put extra pressure on the respective authorities for correcting the errors. With production and publication of this report, we hope that some of this gap will be bridged.

Introduction:

Regardless of their status as developing or developed, all countries and societies at some point or the other face the challenge of meeting unlimited wants and needs with scarce resources. Matter of fact, at such crossroads many options have to be dropped in favour of others, as intelligent and transparent financial management is always instrumental in best possible utilization of the available resources. This smart management of resources is referred to as budget making. However, when the best practices for utilizing public money are ignored, intended objectives are often not achieved, targets are missed, and the process of growth and development is severely affected. It is in this backdrop that when political parties prepare their manifestos, and the government aim towards development of their people, they see budgets as the primary and one of most instrumental tools.

The recent concept of “value for money” originates from a similar background – unless the output and impact of a spending is justified, money should not be spent on it. And to ensure this value for money in public expenditure, the governments are required, by the law, to follow a prescribed process which spans across 12 months of the year and lays down deadlines for each step towards budget making process. This entire process is aimed at achieving five broader objectives, which include:

- i) To calculate total income and monitor expenditures
- ii) Set spending priorities and relate them with desired goals and objectives
- iii) Provide direction and coordination so that broader development plans of the governments can be turned into realities
- iv) Break down the chain of responsibilities to the budget managers and give them required resources
- v) Closely monitor progress against the pre-decided targets

Since in the given government structure in Pakistan, lowest tier of public management sits at district level, this is where decisions about public service deliveries are made. Such decisions, being directly correlated with the amount of budget earmarked for them, has direct bearing on access and quality of public service delivery that is made available to residents of the respective district. Keeping these facts in mind, the present study, carried out in Khyber Pakhtunkhwa probes the budget making process. A detailed questionnaire was developed and utilized for collection of data. All 25 districts of the province were approached and 22 of them provided with their responses. Most of the survey questions were close ended questions covering areas such as budget call letters, budget calendar, timely preparation of estimates of the expenditure, finalization of statement of new expenditure, submission of new development proposals, and availability of budget and research staff and access to modern technologies, including IT and internet, etc.

The survey has been conducted in three departments namely; agriculture, education and health. 28 questions were asked through the Questionnaire, comprising 17 objective and 11 subjective questions, out of which 15 important variables have been thoroughly investigated and analyzed in this Report. The study comprehensively covers all aspects of performance of a district government in terms of issuance of budget call letter, budget calendar, estimates of receipts and expenditure, statement of new expenditure (SNE), revised budget estimates, statement of excess and surrenders, posting of budget staff & their

capacity building, any research conducted for improvement, proposals for new development projects, meaningful pre-budget consultation, availability and use of computers, internet, website, making any pre-budget statement and citizen budget for public etc. All of these variables have been analyzed with the help of fact sheets and graphical presentations.

The Questionnaire has been developed keeping in view the Public Expenditure and Financial Accountability (PEFA) and Town and District Administration Budget Rules 2003 and as well as Open Budget Initiative (OBI) standards, to be in sync with international best practices for public sector budgeting and maintaining fiscal discipline, making it open, transparent, comprehensive, participatory, credible, predictable and subjected to parliamentary oversight. Citizens' participation at the initial stages of budget preparation is imperative, when it comes to taking important fiscal and economic decisions in Pakistan. Such participatory process will enable the public to know the fiscal limitations of the government, resources available and priorities given to their problems, sense of ownership and above all pros and cons of economic decisions.

As mentioned in the Executive Summary that KP is in transition from the devolved local government system under LGO 2001 to LGA 2013 (yet to be implemented) and presently experiencing the LGA 2012, promulgated by the ANP led coalition government, which is de-facto of the Local Bodies system of 1979. While appreciating the fact that lion share of the provincial budget is spent in the districts and thus this study is focused on the budget preparation process in district level departments, to assess the capacity and performance of districts. Issues of vital importance have been highlighted as a result of the solid evidence based facts and figures, emerged as a result of the primary data collected through the survey. The response and situation is at variance in the three departments under study i.e. agriculture, education and health in the districts, in terms of their budget making process. The inferences derived from the analysis have been translated into viable set of recommendations as a policy input from Citizens' Network for Budget Accountability (CNBA) led by Centre for Peace and Development Initiatives, (CPDI) for the consideration of government of KP, especially Finance and Planning and Development Departments.

Objectives of the Study:

Districts are directly associated with public service delivery network and influence the lives of common citizens' the most. Almost 60% of provincial budget is spent in districts. Education, health and agriculture are the main service providers at the districts' level. Effective financial management system and fiscal discipline is a key to the optimal use of the scarce financial resources for the service of public.

In the given backdrop, the objective of this study is to pin-point the weaknesses in the budget making process and make evidence based recommendations for policy reforms at appropriate forums.

The system SWOT analysis has identified visible gaps in the budget making process, calling for the attention of the government for reforms in the system. It includes both operational and capacity issues and necessitates policy measures to make the process effective and meaningful. Main contribution of this study is the firsthand knowledge about the state of affairs on ground about the budget making capacity of the districts, awareness among stakeholders by generating productive and meaningful dialogue, helping the district governments to streamline their performance and to persuade the stakeholders to beef-up their roles and responsibilities.

Methodology:

This comprehensive report about the district budget making processes in KPK is based on an elaborate primary data survey, by utilizing a structured questionnaire (primary data collection tool) developed by Centre for Peace and Development Initiatives (CPDI) and collection of data appropriate for statistical analysis. The survey was carried out through direct meetings with district officials and as well as by using Khyber Pakhtunkhwa Right to Information law. Total number of districts in KP is 25 and all 25 are covered in this survey. The survey instrument is predominantly based on the binomial Parametric scale (Yes/No) or multiple choice model to test the depth of the problems.

Three departments namely education, health and agriculture have been covered in the study. The survey comprises questions related to circulation of budget call letter (BCL), budget calendar, timely submission of budget proposals, meaningful pre budget consultation, availability of skilled budget staff & their capacity building and use of IT etc. DEOs education and their subordinate staff, DHOs and their staff and District Directors of agriculture and their staff such as Accountants, Budget and Account Officers, Senior Clerks, Field Assistants, Head Clerks, Office Assistants, Junior Clerks and Computer Operators have been interviewed in the three district level departments namely Education, Health and Agriculture. Districts wise departments covered are given in the table below;

Table 1: Districts with Departments covered in Survey

Serial No.	Name of District	Education	Health	Agriculture
1	Peshawar	Yes	Yes	Yes
2	Mardan	Yes	Yes	Yes
3	Swabi	Yes	Yes	Yes
4	Nowshehra	Yes	Yes	Yes
5	Upper Dir	Yes	Yes	Yes
6	Lower Dir	Yes	Yes	Yes
7	Swat	Yes	Yes	Yes
8	Malakand	Yes	Yes	Yes
9	Chitral	Yes	Yes	Yes
10	Buner	Yes	Yes	Yes
11	Kohistan	No	No	No
12	Batagram	Yes	Yes	Yes
13	Shangla	No	No	No
14	Mansehra	Yes	Yes	Yes
15	Lakki Marwat	Yes	Yes	Yes
16	Karak	Yes	Yes	Yes
17	Kohat	Yes	Yes	Yes
18	Abbottabad	Yes	Yes	Yes
19	Tank	Yes	Yes	Yes
20	Haripur	Yes	Yes	Yes
21	Tor Ghar	No	No	No
22	DI Khan	Yes	Yes	Yes

Serial No.	Name of District	Education	Health	Agriculture
23	Hangu	Yes	Yes	Yes
24	Bannu	Yes	Yes	Yes
25	Karak	Yes	Yes	Yes

In the analysis section, tables and graphs are generated for analyzing the variables for the three target departments (agriculture, education and health) in 22 districts of KP, deriving the district's status about budget preparation. The format of questions requires independent analysis. Number of districts has been mentioned in the departments and questions matrix, highlighting the number of districts falling in the specific indicator. The numerical values in each table represent the number of districts against each department and variable/response. Graphs have been incorporated for pictorial presentation of the situation. The questionnaire consists of closed ended questions, with 2-4 options. Secondary and tertiary close ended questions are also provided in the questionnaire for in-depth data analysis i.e. in case of BCL, a set of three questions under the variable (BCL) are asked from respondents. The aggregate outcome of the survey by district and department has been analyzed in the conclusion section.

Scope of the study is budget preparation in district governments' only. Some districts and some departments within districts did not share information, which is the limitation of this study. Besides the Questionnaire served on clerical staff have the probability of lack of knowledge about the situation and may also be the limitation of the study.

Receiving of Budget Call Letter and guidelines by concerned offices:

Following table depicts the standard procedure and respective timelines for sending out the budget call letters:

Table 2: Budget Calendar

S No	Process	Tentative Timeline	Remarks/Entity responsible
1	Budget Call Letter	August	By Finance Department
2	Budget Order	August	-Do-
3	First Quarter review of Development budget	October	By Planning & Development Department
4	Schedule of New Expenditure (SNE) Continued	October	Proposals routed through PAOs and examined in Finance Department
5	First edition or permanent budget	October/November	-Do-
6	Estimates of Receipts	December	-Do-
7	Revised budget estimates Current expenditure	December/January	-Do-
8	Second Quarter review of Development budget	January	By Planning & Development Department
9	Revised budget estimates Receipts	January/February	Proposals routed through PAOs
10	Proposals invited from departments for ADP	February	By Planning & Development Department
11	Revised budget estimates Development	March/April	-Do-

S No	Process	Tentative Timeline	Remarks/Entity responsible
12	Schedule of New Expenditure (SNE) Fresh	March/April	Proposals routed through PAOs
13	Release of revised budget current	April	By Finance Department
14	Third Quarter review of Development budget	April	By Planning & Development Department
15	Consultation with Parliamentarians, media, civil society, academia and business community	April	Jointly by Finance and Planning & Development Department
16	Release of revised budget development	April	By Finance Department
17	White Paper on Budget	May	Compiled by Finance Department
18	Federal Government indicates the share in the divisible pool and other major heads	May	Ministry of Finance
19	PFC decides on the Provincial-districts resource sharing formula	May	Provincial Finance Commission (PFC)
20	Indicative budget ceilings communicated to district governments	May	Districts already in the process of budget adjusts their budget size accordingly
21	Finance decides on the size of ADP	May	By Finance Department after adjusting the current budget requirement and share of districts
22	Annual Budget Statement	May	By Finance Department as part of summary financial data document
23	Approval by Cabinet	June	-Do-
24	Circulation of Economy measures	July	By Finance Department
25	Budget Releases	July	-Do-
26	Budget Execution	Round the year	Line Departments
27	Pre audit/internal audit	AGs and LMs	
28	DAC/PAC	P. Assembly	Provincial Assembly

Annual budget preparation in the public sector begins with the issuance of budget call letter or circular by the respective Finance Departments at the federal, provincial and district level. BCL is issued to Administrative Secretaries with copies to Heads of attached Departments and Deputy Commissioners in districts. The concerned Line Departments further circulate the BCL among their respective district tiers of offices. The call letter provides a calendar for key activities, timelines to be met, and policy parameters for preparation of budget proposals, and format in which districts may submit their budget proposals. BCL is required to be issued in September every year but most of the times it is either delayed or do not reach the departments on time and sometimes it is not issued even by the end of March. This study has tried to find out the weaknesses in timely communication of BCL, by approaching the officials in the three key departments in the districts in KP. The question asked is “Has Budget Call Letter (BCL) been received? The following two options are provided under this question:

- a) Yes, BCL has been received before 31st October 2014
- c) No, BCL is not received till 31st March 2015

The following position has emerged indicating number of districts falling under option a, b and c against the three departments.

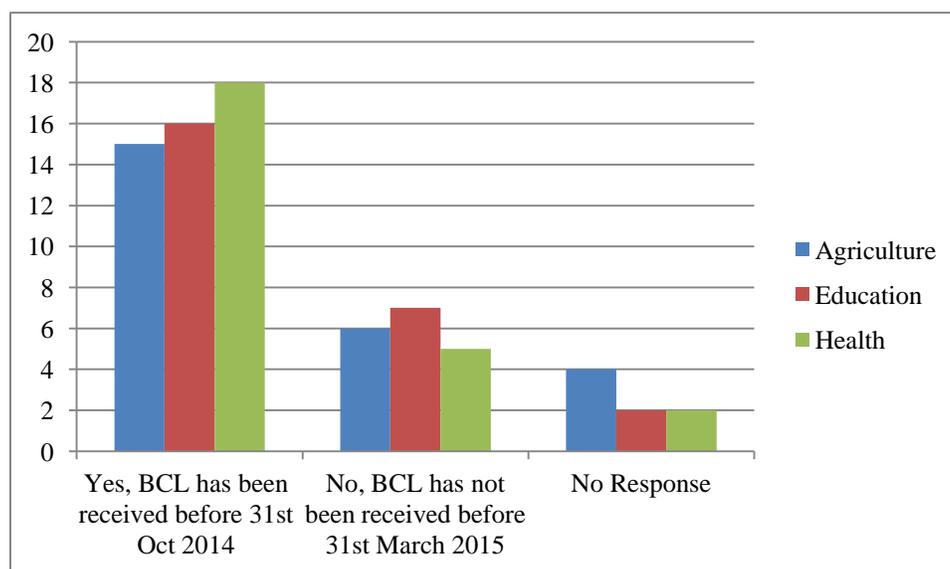
Table 2.1: (Receiving of Budget Call Letter by District Departments)

Department	Yes, BCL has been received before 31st Oct 2014	No, BCL has not been received before 31st March 2015	No Response
Agriculture	15	6	4
Education	16	7	2
Health	18	5	2

Table 2.1 shows that in 15 districts of KP, the agriculture department has received BCL on time i.e. before 31st October 2014, 6 districts have received it between 1st November 2014 and 31st March 2015, whereas in 4 districts, the respective authorities did not share any information. Similarly in case of education and health departments only 16 and 18 of the departments respectively, the BCL has been received on time. However in 7 and 5 districts in these two departments respectively, the BCL has been received quite late; between 1st November 2014 and 31st March 2015. It has also been pointed out that for each of these departments in 2 districts; no information about the BCL was provided even till 31st March 2015. This shows the continued secretive budget making processes in the respective districts. The below mentioned graph depicts the overall responses obtained more clearly.

Looking at this graph one realizes that there is significant improvement in the statistics if we compare them with last year’s figures – for instance, as compared to 15, 16, and 18 districts sending the budget letters on time this year, last year, only nine districts followed this practice. This trend is indicative of the fact that citizen’s involvement and follow up with the budget making process at the districts level is serving friendly pushes to the respective departments to be more open and follow the officially prescribed policies more diligently.

Graph 1: Budget Call letter



Submission of Schemes by CCBs (Copy to Evaluation Committee of Council):

On account of submission of schemes by CCBs, virtually no progress had been made by Agriculture department in 22 districts, and each of Education and Health departments in 20 districts. Altogether 3 district agriculture departments in, 5 district health, and 5 district education departments did not respond to repeated requests for access to relevant information. The respective responses in each department have been elaborated more clearly in the below mentioned table.

Table 3: Submission of Schemes by CCBs

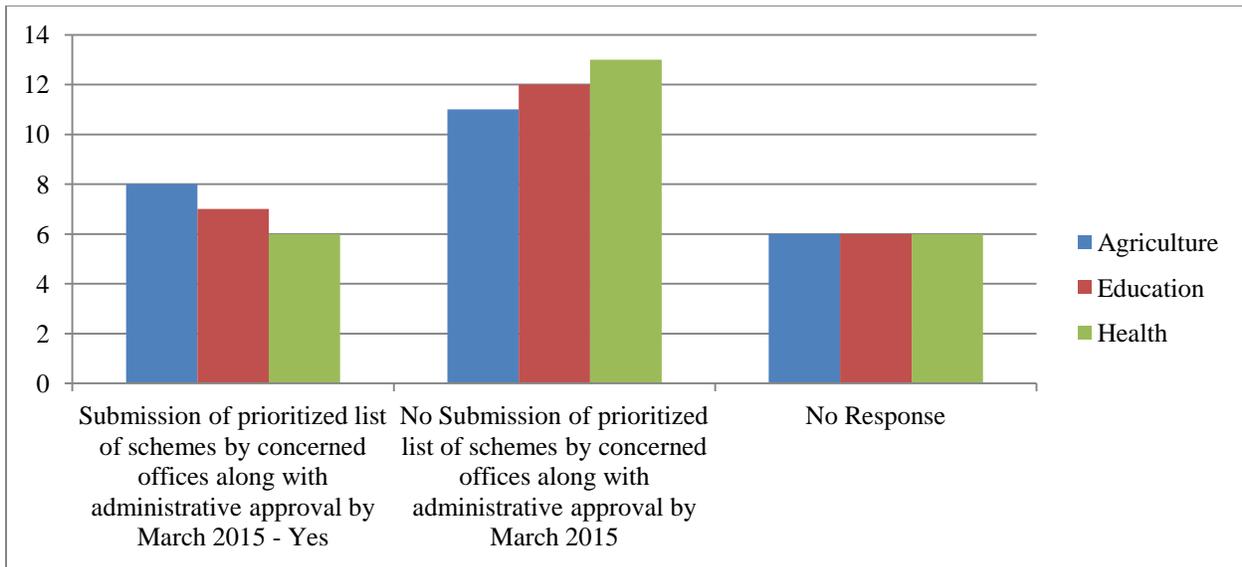
Department	Submission of Schemes by CCBs by March 2015 – Yes	No Submission of Schemes by CCBs by March 2015	No Response
Agriculture	0	22	3
Education	0	20	5
Health	0	20	5

Submission of prioritized list of schemes by concerned offices along with Administrative Approval /technical sanction for inclusion in ADP to provincial government:

When budget assessments are made keeping in sight needs of the communities living in the district and their demographic divides (total population, ratio of men, women, elderly, children and the youth, disables, etc.) the development schemes are prioritized in a way that may bring in maximum efficiency for utilization of the scarce resources. However, when selection and choice of such schemes is done on adhoc basis, the results are usually unwanted development schemes that are launched to maximize commissions of political dear ones.

In this regard, when CNBA members approached the respective district departments, mere 35-40 percent of them could gain access to the priority list of development schemes that the respective departments wanted to initiate in the coming year. In most cases, either no such list existed, or the respective departments were hesitant to share the pertinent information. A graphical presentation of the acquired data has been shared below:

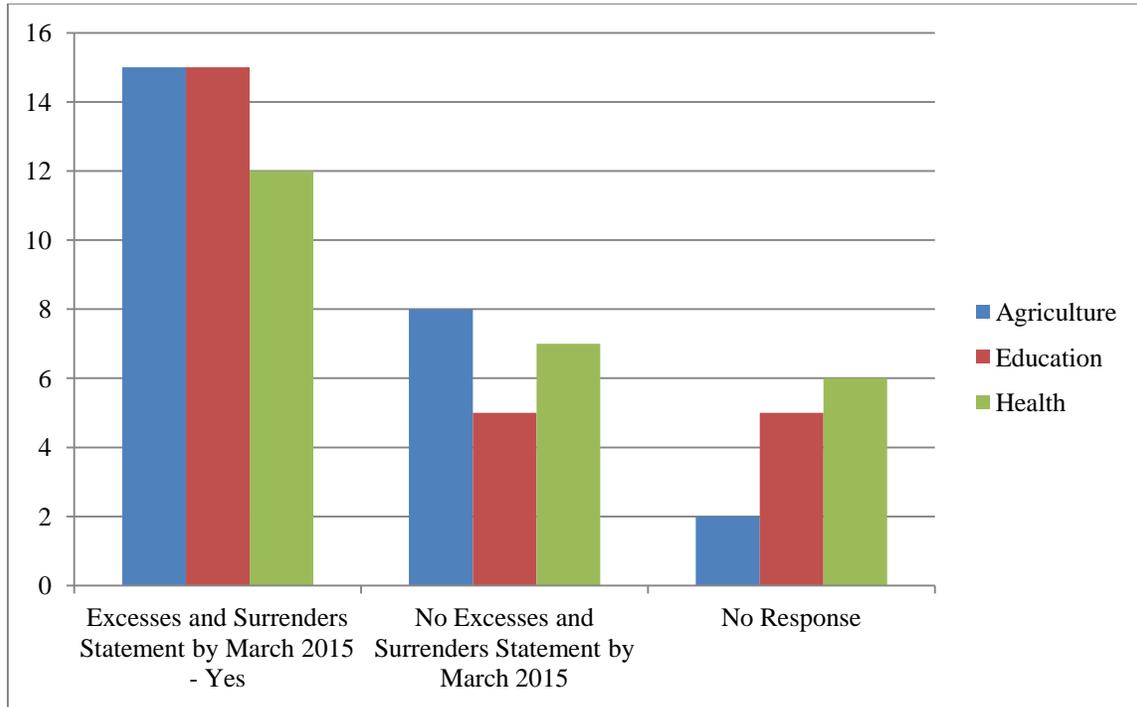
Graph 2: Submission of prioritized list of schemes



Excesses and Surrenders Statement

Excess and surrender statements, as the name reflects, shares information about the funds (if any) that were not utilized in the outgoing financial year, and that the concerned department either wants to utilize in the coming year, or wants to surrender back to the government so that allocations for other departments may be strengthened. Under the present research exercise, when approached for response, over 50 percent of all concerned departments shared that they had already prepared the excess and surrender statements, while they also provided field researchers' access to relevant data for verification. From rest of the districts, the respective departments had either not prepared such statements, or they failed to respond to request for the respective information.

Graph 3: Excess and Surrender Statement



Revised Estimates and Supplementary Budget if required

Since budget making is a delicate and strenuous process, sometimes projected estimates go wrong, and the respective departments sometimes need more funds to fund the ongoing and newly initiated activities. In this context, when accessed on whether the respective departments were vigilant enough to do revised estimates for more accurate estimation of needed funds, more than 50 percent of them stated that they had performed their revised estimates, about 20-25 percent did not feel the need to recalculate the future costs, while about 15-20 did not share the required information. The below mentioned tabulated information provide the exact number of responses gathered from the targeted departments.

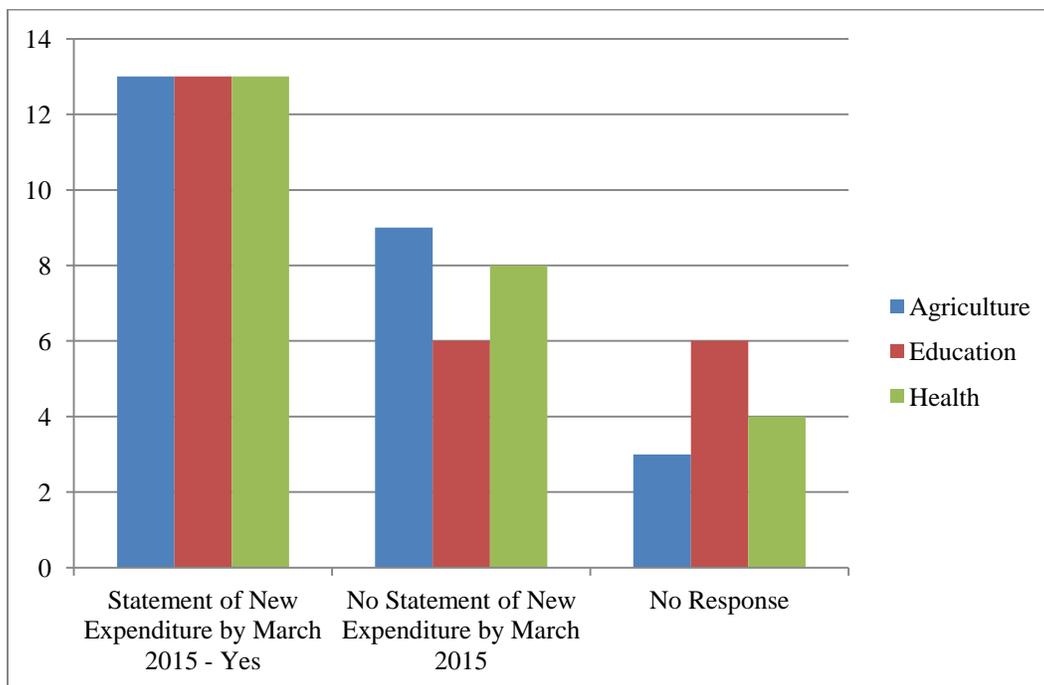
Table 4: Revised Estimates and Supplementary Budget if required

Department	Revised estimates and supplementary budget by March 2015 - Yes	No Revised estimates and supplementary budget by March 2015	No Response
Agriculture	17	5	3
Education	13	7	5
Health	15	5	5

Statement of New Expenditure

Statement of new expenditure, a term which seems self explanatory, comprises of calculations that reflect financial needs of the departments in the upcoming year. Such estimates not only account the recurrent expenditures, but also the development schemes or new programs that the respective department would like to initiate given that the required funds are provided by the provincial government. Without timely submission of the statement of new expenditure, it becomes difficult for the provincial financial departments to meet out such needs as they too have to prioritize the expenditure on their end. In this context, when approached for the information on whether the departments had prepared their statements of expenditures by March 2015 – when the due date for such submissions is on, only about half of the departments said that they had prepared these statements, while others had either not prepared them as yet, or they were not willing to disclose any information on it despite repeated requests. The below mention graphs depicts the ratios of these responses.

Graph 4: Statement of New Expenditures

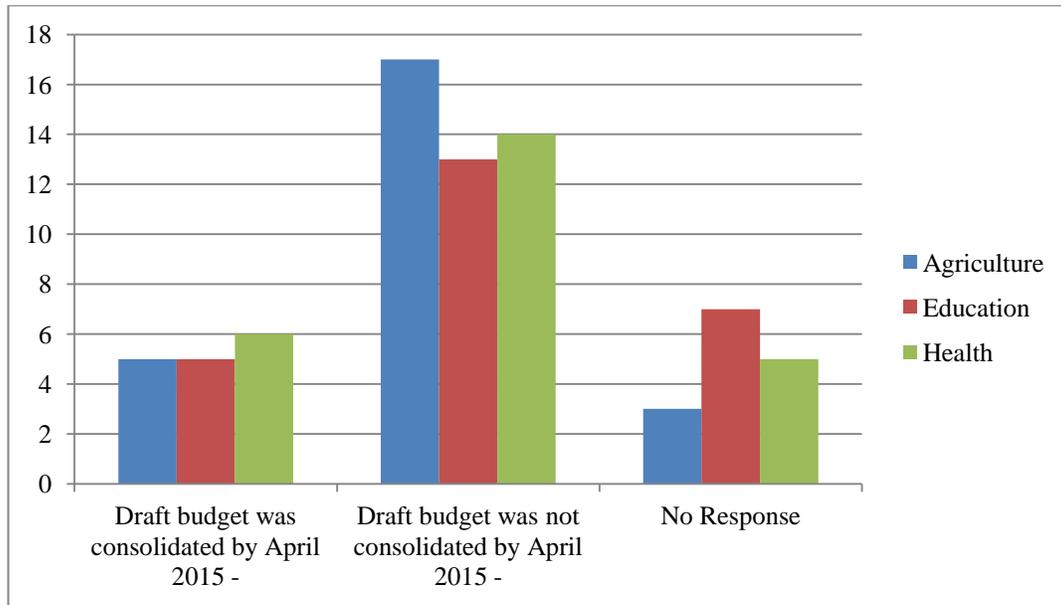


Consolidation of draft Budget (current and development) for next financial year. Finalization by Concerned department

The budget making policies stipulate that all the potential expenditures for new financial years should be estimated and consolidated by the month of April, so that the finance department could give its feedback in the month of May and the expenditures and allocations could be finalized for the budget that is presented in June. However, despite the seriousness of this activity and its role in determining the amount

a department will require for the next financial year, not many of concerned departments had consolidated their future financial needs. As we will discuss this in relatively greater detail in the conclusion and recommendation session, this negligence on part of public officials finds its roots lower education and capacity of the accounts staff responsible for such tasks at the respective departments. A graphical presentation of the details of responses obtained under given heading is given below.

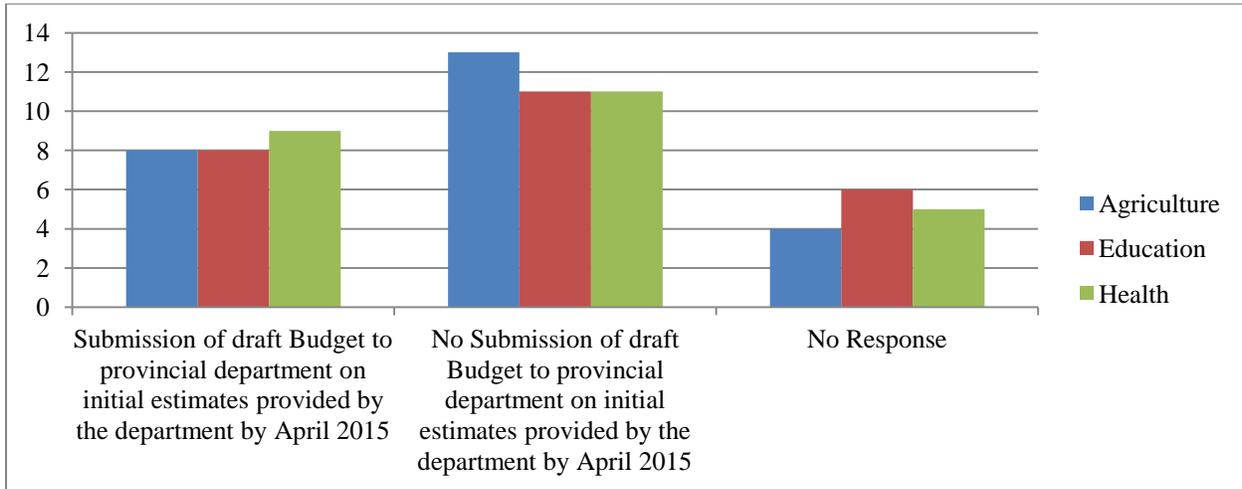
Graph 5: Consolidation of Draft Budget



Submission of draft Budget to provincial department on initial estimates provided by the department

Similar to the preparation of draft budget consolidated statements, deadlines for submission of draft budgets to the provincial financial departments were not followed diligently by about 50 percent of the respective departments. Matter of fact, this delay renders the respective financial departments unable to inculcate all financial needs for the next financial year, which results in either incomplete development schemes, or leaves the officials at the said departments unable to better meet out the emerging needs of their staff and communities concerned. Matter of fact, the situation in the targeted three departments is a good indicator of the realities in other departments of the district governments. It is however, yet to be seen if the newly installed local governments make any difference to it.

Graph6: Submission of draft budget to provincial department



Review of Draft Budget by District Department:

Although the respective departments were slow to submit their draft budgets to the provincial finance department, they did slightly better in terms of taking time out and sitting to discuss the drafts that they prepared for the next financial year, and to see if the quoted figures were correct to the best of their knowledge and estimation. In this regard, when approached with the request to share the desired information, slightly less than half of the departments said that they have reviewed the draft budgets, and also shared the relevant documents with CNBA’s field researchers. However, about one-fourth of the respondents said that they had not reviewed their budget drafts as yet, while another one-fourth did not reply at all. The below mentioned table provides details about responses gathered from the respective departments.

Table 5: Review of Draft Budget by District Department

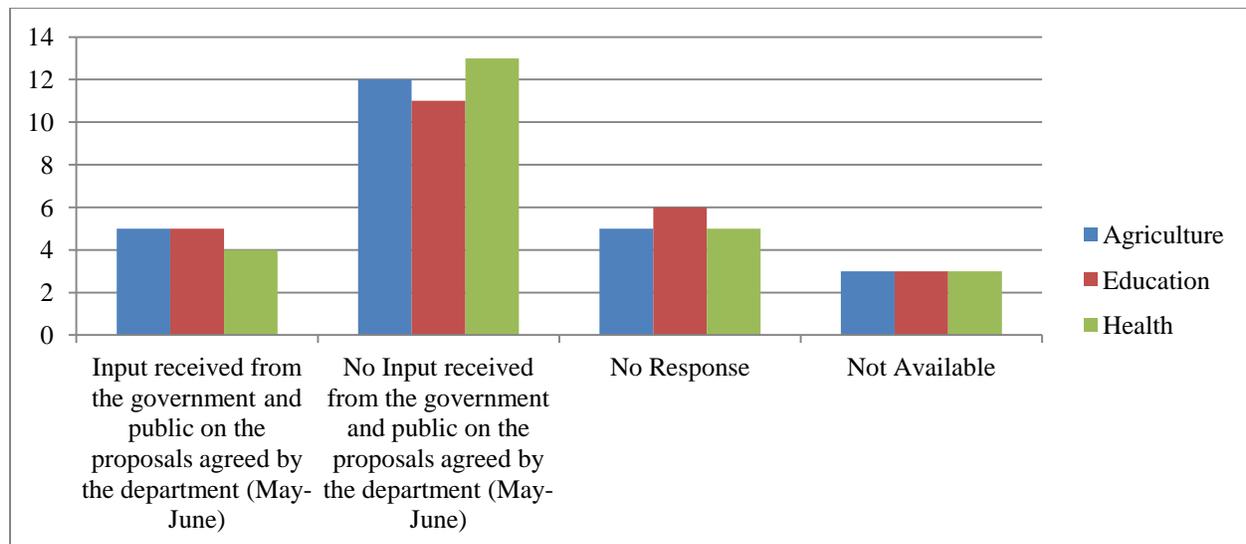
Department	Review of Draft budget by district department b/w 1 st May to 1 st June 2015	No Review of Draft budget by district department b/w 1 st May to 1 st June 2015	No Response	N/A
Agriculture	11	6	5	3
Education	11	6	5	3
Health	11	6	5	3

Input from Government and Public on the proposals agreed by the department

Since in most of the cases, the respective departments failed to produce and review the budget estimate documents, most of them were unable to receive any input either from the government or from their respective communities. Not having this input had two costs – first, the budget estimates for the next

financial year failed to inculcate the sense of ownership among the targeted communities, and secondly, their ability to meet out the needs of those very communities was compromised. On top of this, the respective departments lost the opportunity of strengthening the local budget accountability mechanism.

Graph 7: Input from Government and Public on the proposals agreed by the department

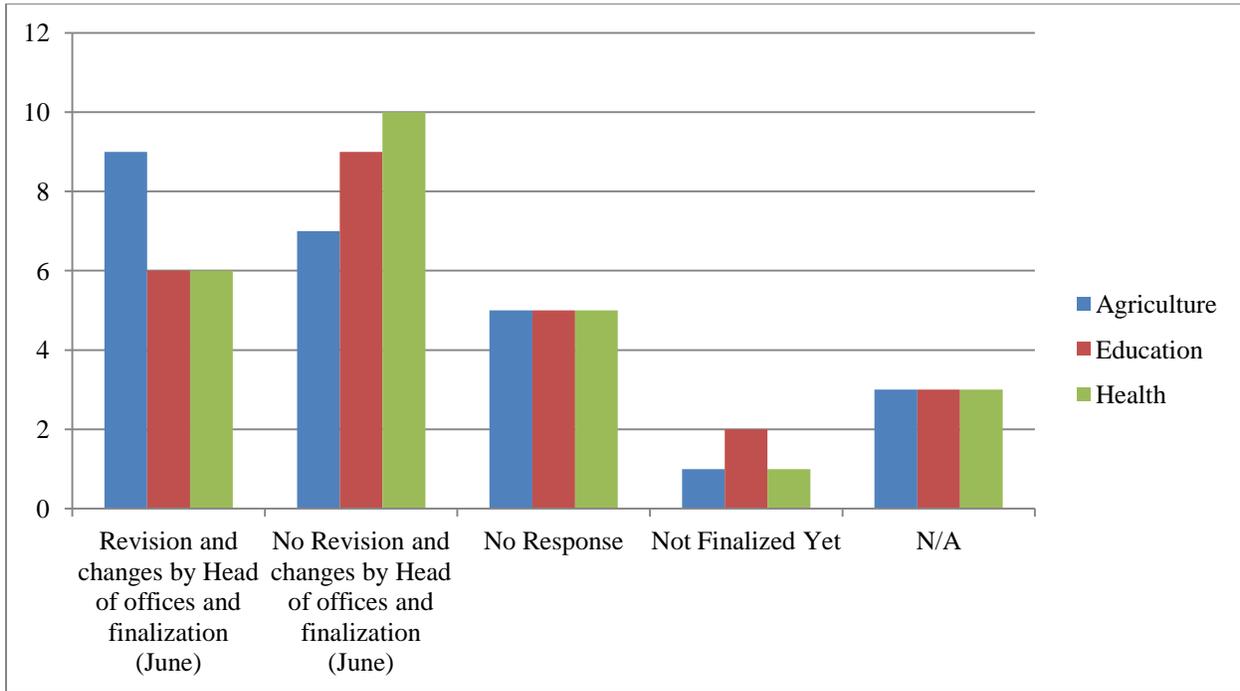


Revisions and Changes by Head of Offices and Finalization:

As discussed earlier, low capacity of accounts and finance departments at the respective departments not only affects timing and quality of information that are produced, but it also seriously affects serious schedules that cannot be compromised for timely preparation of the budgets. One such schedule is revision of the draft budget by head of the respective office. This revision mainly pertains to ensure that no important expenditure is missed, appropriate allocations have been made, and budget heads are correct and right in number. However, when budget making schedules are not prepared on time, hastily conducted activities compromise quality of discussion and supervision that is otherwise desired for such processes.

Looking at the below mentioned graph, one can correctly decipher that just like other many important activities, consultation with the head of the respective departments have not been conducted either in most of the offices. The biggest effect of such exercises is usually reflected in the lateral disagreements that prevail about allocation of expenditures. The detailed categorization of the data under respective details has been shown in the below mentioned graph.

Graph 8: Revisions and Changes by Head of Offices and Finalization



Submission of final Budget to provincial department based on final estimates provided by the Provincial Government:

Once the draft budgets are finalized, reviewed by the respective community representatives, and government's input is included, they are submitted to the provincial financial departments for approval. If such estimates are not submitted on time, there is a likelihood that either the sum of allocations of the previous year may get approved, or no allocation made at all. However, despite this serious threat of everything going on risk with regard to departmental finances, many offices in the district do not submit the desired information on time. The below mentioned table clearly shows the extent to which timely submission of budget estimates are done by the respective departments at the district level.

Table 6: Submission of final Budget to provincial department based

Department	Submission of final Budget to provincial department based on final estimates provided by the Provincial Government.	No Submission of final Budget to provincial department based on final estimates provided by the Provincial Government.	No Response
Agriculture	13	7	5
Education	12	7	6
Health	15	5	5

Strength of Budget Department:

The strength of a budget department is depicted by two important indicators – first their ability to follow the critical timelines, and secondly, from the strength or number of the staff member that possess right education and experience to deal with the financial matters. In this regard, when we look at the targeted departments in all 25 districts of Khyber Pakhtunkhwa, we get to know that in terms of their submission of final budgets to provincial departments, they do not seem to care much about it, or do not bother sharing information about it with the respective communities and public at large.

Matter of fact, this has a lot to do with the capacity of the respective departments. When the relevant details from concerned departments were shared, the CNBA came to know that most of these departments do not have more than 2-3 financial experts, only rarely did they have more than 3 officials who had the desired accounting and auditing acumen that were needed to perform their duties amicably. A detail on number of districts that shared the relevant information about their finance related staff is presented in the below mentioned table.

Table 7: Strength of Budget Department

Department	Number of Posted Staff in Budget Branch (Please collect a copy of staff list) available	No list about Number of Posted Staff in Budget Branch (Please collect a copy of staff list) available	No Response
Agriculture	14	6	5
Education	14	5	6
Health	13	7	5

Approval of Final Budget by Provincial Department:

Once the financial proposals of district level departments are approved, they are duly notified by the provincial finance department to the respective district level departments. It is important to keep a record of such notifications so that in case of anomalies in expenditures of the budget or allocation of monies, a concerned department may refer back to the notification document. However, despite the importance of keeping track of these notifications, about 35-40 percent of the departments did not keep such documents safe enough where they can be accessed as and when required. Moreover, practicing the secretive budget making practices, about 25 percent of the departments did not share any relevant information in this regard with our field researchers at all.

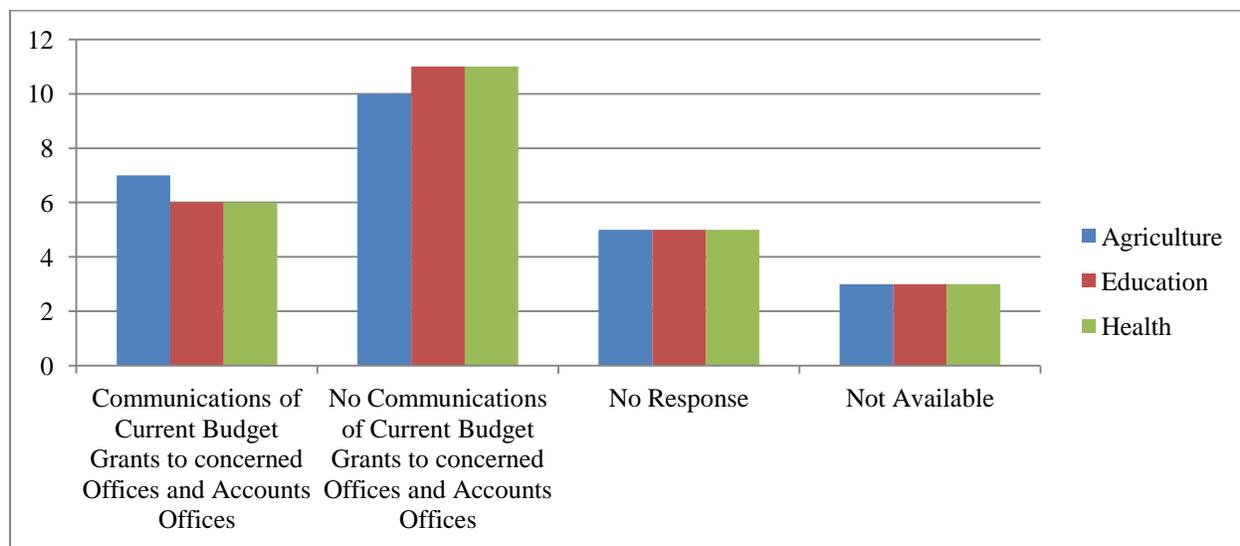
Table 8: Approval of Final Budget by Provincial Department

Department	Copy of Approval of Final Budget by Provincial Department is available	No Copy of Approval of Final Budget by Provincial Department is available	No Response
Agriculture	12	7	6
Education	10	9	6
Health	14	7	4

Communications of Current Budget Grants to concerned Offices and Accounts Offices:

Moreover, once the budgets are approved, or any decisions on them are made, it is important to communicate this to the sub offices present at tehsil or city/union council level – unless notifications carrying details about acceptance or rejection of budget proposals are sent to them, they cannot know as to whether they can continue with their pre-conceived development schemes or not. In this regard, with the targeted departments where approached with the request to share information on this account, about 45 percent of them admitted that they had not communicated the approved budgets to the concerned officials. The below mentioned graph shows the exact number of responses:

Graph 9: Communication of Budget Grants to Concerned Offices



Final Accounts of previous year:

Finally, the final accounts of the previous year are maintained, for auditing purposes, and for keeping the record of how particular department has evolved its policies, schemes, and its own growth to best meet out the needs of the communities concerned. Keeping insight the importance of maintaining last year's

accounts, more than 50 percent of the respondents said that they are not maintained in the desired manner. The below mentioned table provides the relevant details.

Table 9: Final Accounts of previous year

Department	Final Accounts Available for previous year	No Final Accounts Available for previous year	No Response
Agriculture	5	15	5
Education	5	13	7
Health	5	14	6

Conclusion:

Budget preparation is a year long process that culminates in June when the final and aggregate numbers are presented and approved after careful considerations. Given that respective departments at district level face serious capacity issues, preparation of budget on time always remain a challenge in Pakistan. Perhaps it is also because of the capacity issues that the respective officials hesitate to open up for transparent practices and public participation. Lack of accountability not only compromises accountability of the budget process, but it also affects its effectiveness towards meeting out needs of the larger public.

The findings of this report suggest, and once again reinforce that budget preparation process at districts' level is not satisfactory. Rules and procedures are generally not followed, compromising on quality, openness, credibility, transparency and community participatory approach. The assessment is basically meant for District Finance Departments and Executive District Officers (Finance & Planning). In their absence, the three departments (agriculture, education and health) are the representative sample from the districts, which presents district wise status of budget making process. The inferences derived from the study of the 3 departments can be extrapolated to all district level offices/departments. There is acute shortage of capacity of finance, budget and accounts knowing officials, lack of facilities and tools, lack of communication (one department has different response from others within a district for the same type of information, one has received from provincial government and the other did not) and lack of transparency in financial matters. Infancy of the local government political institutions is another reason for opaque financial management. The district level political leadership lacks capacity of financial and administrative affairs and vulnerable to power abuse.

After elections of the local government representatives, the district government system in KP is in transition from the 2001 system to 2012 local bodies system and thus many decisions pertaining to district governments are held-in-abeyance for the reason that the 2012 system would be replaced with LGA 2013. As such the local governments in KP are slowly becoming functional. The budget making process is not participatory and open to citizens and other stakeholders as yet.

The Questions have been clubbed into 4 categories namely; timelines in budget preparation (3 Questions), preparedness or timely submission of budgetary proposals (5 Questions), transparency and community participation (3 Questions) and district/departmental capacity (4 Questions). In terms of timeliness of budget preparation and submission of budget proposals, the performance of 15 out of the total 21 districts

under study is very weak. The performance of District Charsadda, D.I. Khan, Karak, Dir Lower, Mansehra and Peshawar is moderate/strong. In terms of submission of budget proposals, again the performance of 15 out of the total 21 districts under study is very weak. However the performance of District Charsadda, Battagram, Karak, Dir Lower, Mardan, and Kohat is moderate/strong.

The performance of all districts in terms transparency and public participation in budget making process is Very Weak. In terms capacity, the performance of 20 districts is Very Weak with District Kohat as the only exception of having moderate performance.

Recommendations:

A budget chalks out the detailed spending plan of a government, keeping in sight costs and benefits of various investments, needs of communities concerned, and future growth and development targets. Thus, they are not just financial numbers. Rather, they are among the strongest indicators reflecting on whether a country or community is on way to becoming sustainably developed or not. Public officials and local political representatives are responsible to respond to the aspirations of the citizens through prioritized allocation of available budgetary resources. Effective financial management contributes in effective service delivery and ensures economy, efficiency and effectiveness. The districts governments are the field formations of the provincial departments, directly associated with service delivery. They prepare budget both for receipts and expenditures, collect receipts round the year and incur expenditure in the same fashion. Their role is vital to the optimal utilization of resources in a cost effective manner, ensuring value for money and effective service delivery.

The district governments have a staff strength of 2, 47,505 (61% of total provincial employees) employees in KPK and consumes 60% of the recurring budget. There is acute capacity deficit in district level offices, in the fields of budget preparation and book-keeping. Findings of the study presents a dismal picture about implementation of budget rules and compliance to international best practices and standards, resultantly compromising on optimal and effective utilization of financial resources and quality of service delivery. This phenomenon leads to misuse of power and corruption, creating mistrust in public about the performance of public sector organizations, especially local governments.

In the given backdrop, following suggests are being shared for initiating reforms in budget making process, and for improvement in capacity of the public officials dealing with the budgetary responsibilities at district level.

- Capacity building of the district level offices is of vital importance both in terms of creation of designated posts and posting of skilled staff and their training and re-training in planning, budgeting, accounting, procurement and monitoring and evaluation.
- Finance Departments may adhere to the timeframe for Budget Call Letter (BCL) prescribed in the Budget Rules and ensure its timely circulation and delivery in the departments/offices. The BCL may also be placed on websites of finance departments concerned.
- The administrative secretaries/heads of attached departments/District heads of department may ensure adherence to the timeframe for initiating and completing different budget processes like (a) timely delivery of BCL to field offices (b) timely preparation of budget proposals and initiation of SNEs (c) firming-up revised budget estimates (d) firming-up excess and surrender statements (e) timely submission of development projects proposals (f) timely release of funds (g) timely utilization of funds (h) periodic progress review and mid-course correction and (i) reconciliation etc.
- The budget making process may be made participatory by consulting the stakeholders and seeking their feedback, views and suggestions. The target groups for Pre-budget consultations may include general public, public representatives, academia, media, civil society etc.

- The Citizens budget should be a document in layman language which may be regularly published and placed on website for citizens' information and feedback in each district.
- Departmental websites may be developed and regularly updated with useful information of public interest, such as BCL, budget allocations, funds released, actual utilization, development projects, and their implementation status, recruitment and procurement etc.
- The budget branch may be equipped with computers and provided with access to internet.
- The government may consider upgrading its research apparatus by posting experts for continuous research and development, so that to analyze the data and plan for effective return on investment, improvement in service delivery and strategic future planning.

List of CNBA Member

1. Centre for Peace and Development Initiatives (CPDI)
2. Centre for Governance and Public Accountability (CGPA)
3. Pak Women
4. IRIS
5. AWS - Awami Welfare Society
6. Sheeen Ghar Association Karak
7. Safar Welfare Organization
8. Progrowth
9. Community development organization
10. FRSO - Frontier Rural Support Organization
11. Saiban Development Organization
12. Pak Rural Development Program
13. RDO(Rural development Organization)
14. HUMDARD WELFARE ASSOCIATION PESHAWAR
15. Rural Community Development Program (RCDP)
16. YOUTH WELFARE & YOUNGER BLOOD DONOR ASSOCIATION
17. Young Welfare Society

Centre for Peace and Development Initiatives, (CPDI) is an independent, non-partisan and a not-for-profit civil society organization working on issues of peace and development in Pakistan. It is registered Under Section 42 of the Companies Ordinance, 1984 (XLVII of 1984). It was established in September 2003 by a group of concerned citizens who realized that there was a need to approach the issue of peace and development in a an integrated manner. CPDI is a first initiative of its kind in Pakistan. It seeks to inform and influence public policies and civil society initiatives through research-based advocacy and capacity building in order to promote citizenship, build peace and achieve inclusive and sustainable development. Areas of special sectoral focus include promotion of peace and tolerance, rule of law, transparency and access to information, budget watch, legislative watch and development.



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