

The Untold Budget Story - Analysing Federal Budget Through a Different Lens



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The Federal Budget 2018-19 worth PKR 6,175,139 million, with proposed Development Expenditure of PKR 1,152,105 million¹ is the talk of the town these days. This is the first time that a democratic government has presented six budgets in a row. The budget for 2018-19 is being praised and criticized for the same reason i.e. its populist nature. The increase of annual taxable income from PKR 400,000 to PKR 1,200,000 is a massive relief for the salaried class in particular. On other hand this tax liberation is feared to push a huge number of tax payers out of the tax net and drastically reduce the income-tax collection. Political hype around the issue of budget presentation by the outgoing government has also been one of the things attached to the budget discussion in relevant quarters. Traditionally, development budget, taxes, investment incentives and subsidies are the major topics of budget discussion in the country. Apart from which part of budget gets attention of media and analysts; there is a lot that still remains in shadows. The supplementary budget of ongoing year, the budget transparency, government's priority analysis in terms of nature of projects, geographic coverage, and historic analysis of budget data to assess government's performance in particular sectoral areas are some of the subjects that remain neglected during budget debate in Pakistan.

Supplementary budget 2017-18 with a volume of PKR 599,400.6 million² has been laid before the assembly for approval. It is pertinent to note that total volume of federal budget 2017-18 was PKR 5,191,826 million³. Thus, the volume of supplementary budget stands at more than 11% of the total budget estimates of 2017-18. This large amount of money warrants attention of the stakeholders. Supplementary budget is prepared to cater for the changes caused by various factors in proposed budget of ongoing year. The "Supplementary Demands for Grants and Apportionments 2017-18" includes "Technical Supplementary Grants" worth PKR184,309.36 million, "Token Supplementary grants" of PKR 2.71 million and "Regular Supplementary Grants" equaling PKR 415,088.53 million. The first two types of supplementary grants do not pose additional burden to the exchequer but the third category does⁴.

Leaving this technical discussion aside one can simply say, the supplementary budget is meant to fulfil i) either the additional requirement posed by new expenditure or receipts that were not planned at the start of the year, or ii) adjustments in budget from one heads to the other. Narrowing down the discussion to the development projects one can identify a number of projects in the Demands for Development Grants part of the budget that were planned for the year 2017-18 but remained deprived. On other hand the same budget book tells the story of the projects that were not part of the planning when 2017-18 budget was passed but still got resources allocated for execution. Analysis of the Revised

¹ Page #9 (Expenditure – Summary) Annual Budget Statement 2018-19.

² Page #iv "Supplementary Demands for Grants and Apportionments 2017-18"

³ Page #9 (Expenditure – Summary) Annual Budget Statement 2017-18

⁴ Page #iii (Introduction), Supplementary Demands for Grants and Apportionments 2017-18"

Development Estimates 2017-18⁵ reveals that 39% of total planned projects remained deprived of their share when budget was actually executed. For instance, a project for ‘upgradation of securities at national police academy’ had allocation of PKR 25,000,000 in Budget Estimate 2017-18 but in Revised Estimate the allocation was dropped⁶. On opposite, 36% of total number of development projects executed in 2017-18 were not part of Budget Estimate 2017-18 and were included in Revised Estimates. One of such examples is the project for ‘upgradation of regional passport office at Mandi Bahaudin’. This project had no allocation in Budget Estimate 2017-18 but the Revised Estimates carried an allocation of PKR 15,001,000⁷. It would be apt to say the supplementary budget presents the story of the deprived and the favorites. The need for supplementary budget arises due to deviation in original planning. This change in plans also leaves great impact on overall performance of different ministries and institutions. It is need of the hour that the government should avoid such deviations from the original budget plans.

Transparency is another important aspect that is neglected in budget discussions in Pakistan. Despite high claims of transparency and accountability, federal government has failed to take practical steps in right direction. One such example is the establishment of Pakistan Information Commission. The commission is an appellate body to be established under Right of Access to Information Act, 2017 that was enacted in October last year. The due date for the establishment of commission has already elapsed and there are no such indications from the government to establish the commission. The absence of any allocations for the said commission in 2018-19 budget indicates that government has no planning to establish the commission in next year.

Transparency in governance is still a dream in Pakistan so is true for budget as well. A lot is spoken all around about transparency in procedures, implementation and execution of projects but transparency of budget document itself remains in shadows. One of the reasons is that the budget book is seldom read in depth. A transparency analysis of development projects mentioned in the budget book 2018-19 by CPDI right after presentation of budget in the national assembly revealed that 21% of the development allocations did not meet the criteria of transparency. a) There are block budget allocations that do not speak anything about what would be done with that money? For instance, a project named ‘Mohmand area development project⁸’ with a budget allocation of PKR 36,000,000 is a block allocation with no mention of what type of development would this project be responsible to carry out. b) There are allocations that do not speak about where the money would be spent? One such example is of project for *construction of barracks*,

⁵ Analysis was carried out on the development projects listed in “Details of Demands for Grants and Appropriations” (volume III Development Expenditure) Federal Budget 2018-19

⁶ Project # ID9165 Page #2347 “Details of Demands for Grants and Appropriations” (volume III Development Expenditure) Federal Budget 2018-19

⁷ Project # ID9300 Page #2351 “Details of Demands for Grants and Appropriations” (volume III Development Expenditure) Federal Budget 2018-19

⁸ Project # MG1137 Page #2445 “Details of Demands for Grants and Appropriations” (volume III Development Expenditure) Federal Budget 2018-19

JCOs rooms, stores, office buildings and MI room with ward for FC troops⁹. PKR 54,948,000 have been allocated for this project in interior ministry budget but there is no mention of where these facilities will be provided. c) There are development projects that are of national level but geographic division of resources under that project are not at all explained in the budget book, such division could have helped to understand the geographic focus of the project in a better manner. For example, allocation for 'National Preventive Health Program¹⁰' 2018-19 is PKR 200,000,000. The budget book is silent about geographic division of resources on this project. This project could have been more transparent if its allocations were further segregated into provinces as has been done in the case of 'Role back Malaria Control Program¹¹' and 'Expanded program on immunization¹²' that have been geographically segregated to give clear picture of how much funds would be spent for these programs in a federating unit?

These budget books are not mere part of the office record; the parliamentarians are the first recipients of these books who are supposed to pass the budget in the assembly. If the budget books do not present clear details of the projects there will always be questions on the quality of budget debate in the parliament. Moreover, the stakeholders are supposed to read the same books and give their feedback but if the projects are not transparent then the only feedback that could be given would be "make the budget transparent". There is great need to increase budget transparency, this will help improve performance of the government in great deal and will help parliamentarians and stakeholders to provide better feedback on budget proposals.

The National Economic Council (NEC) is responsible to review the overall economic condition of the country and advise the government for balanced development. The article 156 (2) of the constitution describes function of the NEC in these words: "*The National Economic Council shall review the overall economic condition of the country and shall, for advising the Federal Government and the Provincial Governments, formulate plans in respect of financial, commercial, social and economic policies; and in formulating such plans it shall, amongst other factors, ensure balanced development and regional equity and shall also be guided by the Principles of Policy set out in Chapter 2 of Part-II*". There has been a great media upheaval about walkout of the opposition party members from the 2018-19 budget meeting of NEC on account of unjust and unequal distribution of federal development projects. The elections phenomenon may create confusion and illusion over the development picture. This is the time when the stakeholders should analyze the development projects in depth and see how development plans are being steered. Only dealing with data resolves this problem. CPDI, a budget research organization has made a try on the available budget data to see how development projects are been geographically

⁹ Project # PR1253 Page #2378 "Details of Demands for Grants and Appropriations" (volume III Development Expenditure) Federal Budget 2018-19

¹⁰ Project # ID9247 Page #2482 "Details of Demands for Grants and Appropriations" (volume III Development Expenditure) Federal Budget 2018-19

¹¹ Project #s ID8149, ID8150, ID8151, ID8233, ID8234, ID8235, ID8236 Page #2478 - 2479 "Details of Demands for Grants and Appropriations" (volume III Development Expenditure) Federal Budget 2018-19

¹² Project # ID8404, ID8405, ID8406, ID8407, ID8408 Page #2479-2480 "Details of Demands for Grants and Appropriations" (volume III Development Expenditure) Federal Budget 2018-19

spread. This analysis relies on the development projects listed in budget 2018-19¹³ that: a) either clearly mentioned the geographic location of implementation or b) could be identified in a specific geography due to nature of a project. This analysis of geographic share of development projects shows an interesting data where 10.85% of total projects are allocated in Punjab, with the cost of 11.37% of total development budget. 13.5% of projects are allocated in Sindh, with the cost of 14.47% of total development budget. 11.16% of projects are planned in KP with the cost of 9.94% of total development budget. Lastly, 19.75% of total projects is allocated in Balochistan, with the lesser cost of 4.85% of total development budget. Maximum number of projects are allocated for the province of Balochistan although total cost of projects allocated in Punjab is highest.

Budget provides an opportunity for the analysts to gauge the performance of government in different sectors over the years. This can be done by carrying out analysis of sector-wise and project-wise allocations and revised estimates over the tenure of the government. This analysis provides trends in government allocations responding to the public demands and demands during its tenure while giving an overview of what actually government could do to fulfill its promises. The analysis of the current government's sixth budget presents some interesting findings. Let us discuss the sector-wise analysis of the budget performance of current government¹⁴.

The ministry of water and power received an allocation of PKR 56438.981 million in terms of development budget for year 2013-14, when the current government presented its first budget. This was the time when country was facing major energy crisis. The allocated amount equaled 7.15% of the total development budget estimated (BE) for the said year. This allocation was reduced to PKR 52606.616 million in revised budget estimate (RE), equaling 6.13% of the total development budget. The fiscal year (FY) 2014-15 presents interesting facts; the development allocation for water and power stood at 5.08% of the total development budget estimates with an amount of PKR 42577.18 million. This allocation was sliced down to PKR 39167.083 million in revised budget but interestingly still remained 5.19% of total revised development estimates of the year. This means that despite the shortfall in overall development expenditure, the government managed to maintain the percentage share of the water and power sector during the year 2014-15. We saw a shift in governments priorities during the next three years when the share of the sector in total development budget was chopped to almost half with BE at 2.97% and RE at 3.63% in FY 2015-16 and BE at 2.75% and RE at 3.09% in FY 2016-17. The BE for FY 2017-18 saw a further decline to 2.59% share for water and power sector in total development budget that plunged to 0.18% in RE 2017-18. The ministry of water and power was split into two, this seems to have been the cause of decline in revised budget in 2017-18. The government has earmarked PKR 62,026.495 million for fiscal year 2018-19 for the newly established ministry of water resources. This amount equals 5.38% of

¹³ "Details of Demands for Grants and Appropriations" (volume III Development Expenditure) Federal Budget 2018-19

¹⁴ All the figures mentioned in this section of article have been taken from the Development "Demands for Grants" of the respective ministry in the mentioned year and the sector-wise percentages have been calculated against the total development budget mentioned in "Annual Budget Statement" of the respective year.

total federal development budget estimate for the said year. There have not been any allocations for power division in the development 'Demands for Grants' 2018-19 for now.

Pakistan is among the countries that are adversely affected by climate change. Germanwatch, a German think-tank advocating for the prevention of dangerous climate change, ranked Pakistan as 7th most affected country to climate change in its Global Climate Risk Index 2018 report¹⁵. The climate change needs immediate attention of the government. The budget figures don't present an enviable picture about government's development investments for ministry of climate change. Only PKR 58.762 million was earmarked by the then incoming government in FY 2013-14; this amount was only 0.007% of the total development budget of the year. This allocation was not only reversed in revised estimates of the same year but no further allocation was made in BE or RE of the FY 2014-15. Year 2015-16 was the first year that saw some development expenditure related to climate change. Government allocated PKR 39.752 million equalling only 0.004% of total development budget. This allocation was revised the same year to mere PKR 11.521, equalling 0.001% of the total revised development budget. The next two years 2016-17 and 2017-18 the budget estimates and revised estimates have remained below 0.1% of the total development estimates, with maximum allocation in BE 2016-17 at PKR 1027 million. The situation has not changed in 2018-19, when the budget estimate for development in climate change remains PKR 802.699 million at 0.07% of total development budget estimated for the said year. Government has limited fiscal space, but within the available resources the government must reorganise its priorities to give climate change a better place in budget allocations.

Budget is an important document that not only is required for the official record but is also very helpful in understanding government priorities and direction of development agenda. The budget books if accessed and analysed by citizens, can provide new dimension to public participation and transparency in functioning of the government. Now is the time that the budget no more remains a secret document or jugglery of numbers and becomes the reference book for development students and practitioners.

¹⁵ <https://germanwatch.org/en/download/20432.pdf>

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Centre for Peace and
Development Initiatives

☎ +92 51 831 27 94, 831 27 95

☎ +92 51 844 36 33

✉ info@cpdi-pakistan.org

f /cpdi.pakistan

📱 /cpdi_pakistan

📷 /cpdi_pak

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www.cpdi-pakistan.org