

# The budget process

Dr. Sania Nishtar

Drawing attention to the budget process during the month of October may appear a little out of step specially when there are so many other governance-related storms whipping. A closer look however indicates otherwise. The budget process for a fiscal year starts in the month of October with the Ministry of Finance issuing budget calls to all the ministries and departments seeking detailed reports of expenditures and estimates of demands for grants. Subsequently, the standard momentum takes course with the process coming to fruition in June with the budget's presentation in the National Assembly. Rallying cries to reform the budget process when the process itself is well underway doesn't allow space for change. If change is being advocated for, now is the time to reiterate its importance so that the new parameters can be shaped in time.

The budget process and the budget itself are critical this year round. Pakistan's grinding fiscal crunch in the face of many existing competing priorities has been compounded by the unprecedented need to divert resources in the aftermath of the floods. Using the budget as a key instrument to signal the government's priorities is therefore an imperative in the face of these constraints.

Over the last few years a number of gaps have been pointed out in the existing budget process. Of these the most critical is lack of effective engagement of the parliament in the budget making process. There is a huge paradox evident in this. The budget is the most important piece of legislation, but legislators feel disempowered with respect to their role in this process. The parliament is almost a rubber stamp when it comes to the most important law. There are many determinants of this practice, of which process limitations—a factor amenable to reform—is one. Last week the Pakistan Institute of Legislative Development and Transparency (PILDAT) released a Budget Process Guide, a capacity building tool, which is worthy of being commented on within this context. The guide bases its recommendations on a review of case studies in other countries, which have some level of institutional similarity with Pakistan's system with reference to its budget process. Insights from case studies on Turkey, Canada and India's budget process have been triangulated with an in-country analysis, which draws on stakeholders' views and process analyses conducted by the organization over the last one year. Recommendations have the potential to increase the space for parliamentary engagement in the budget making process—increasing the duration of the parliamentary budget process from an average of 10 days at present to 60 days, active engagement of parliamentary Standing Committees, empowering the Finance Committee to conduct pre-budget consultations with stakeholders, creation of technical capacity at the parliamentary level for independent budgetary review and scrutiny of the defense budget, are the key recommendations.

The case study from Canada provides some useful insights for implementing these recommendations. For instance, it reaffirms the importance of engaging parliamentary committees but cautions that specialized committees with broad mandates should preferentially be engaged as opposed to departmental committees, which

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Governance

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Over the last few years a number of gaps have been pointed out in the existing budget process. Of these the most critical is the lack of effective engagement of parliament in the budget-making process. There is a huge paradox evident though this. The budget is the most important piece of legislation, but legislators feel disempowered with respect to their role in this process. The parliament is almost a rubber stamp when it comes to the most important law. There are many determinants of this practice, of which process limitations – a factor amenable to reform – is one. Last week the Pakistan Institute of Legislative Development and Transparency (PILDAT) released a Budget Process Guide, a capacity-building tool, which is worthy of being commented on within this context.

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mates from their regular ongoing work involving oversight of departmental policies and practices.

The finance committee's role has been regarded preeminent in the Canadian budget process system in terms of spearheading pre-budget consultations and engaging civil society stakeholders in this process – an insight relevant to Pakistan. Indeed one of the recommendations draws insights from this and calls for creating a sub-committee of the finance committee on budget issues. Such a structure must be complemented with grant of mandate to engage civil society actors, allowed sufficient time to hold pre-budget consultations and supported by efforts in parallel to build technical capacity within the parliament to conduct independent budgetary analyses. The latter has been captured in the recommendations in the call for creating a 'budget unit'. The Canadian experience has some valuable insights with reference to the latter, which can help avert turf rivalries.

Reform of the budget process must also create space to involve civil society stakeholders. As entities organised around shared interests, purposes and values, they can be an important countervailing power to the state. Think-tanks, policy institutions, NGOs, professional associations, communities, activists, support groups, volunteers, social enterprises, trade unions, cooperatives and academia can help set intra-sectoral and inter-sectoral priorities and strengthen analytical ability.

By allowing more time and meaningfully engaging all stakeholders, the budget process can be made more participatory and transparent. However, rigour at the process level needs to be applied all the year round with engagement of the FBR, the Budget Wing of the Ministry of Finance and parliamentary committees, given the strategic significance of the budget as being reflective of country plans. It must be appreciated that the objective of parliamentary engagement should be to help overcome certain fundamental budget anomalies, which are currently pervasive – and it is within this context that many questions emerge.

Would the parliament, currently dominated by the elite, subscribe to the notion of taxing certain elite sectors and broadening the tax net while those that benefit from the current policy sit in parliament and continue to wield great influence? Would the influence exercised through political party finance come into play in deliberating on such issues? Would they support easing the burden of indirect taxation which hurts the poor, who virtually have no voice in the parliament? Would tax evaders in the parliament support policy changes that are meant to address the loop holes that they exploit? Would the parliament support tough decisions that relate to reforming/privatising public sector enterprises, when this may entail thousands of their party workers losing jobs, while they are on their way to massive retrospective reinstatements on the other hand?

Would parliamentarians be committed to supporting allocations for procurement reforms, judicial reforms, transparency building measures in public finance management, actions for channelling cartel activity, when it is precisely these gaps in the system that are exploited by some non-bonafide elements within the political system? Would parliamentarians have the capacity and commitment to act as honest brokers, make a meaningful contribution in exercising oversight so that fiscal discipline is ingrained, debt remains within manageable levels, aid is used to build productive assets, development assistance doesn't become fungible, and mini-budgets and development cuts don't erode the budget away as the year passes?

As parliamentarians get drawn into the budget process – like they should – these questions will become part of the armamentarium of accountability parameters. There are some sane, progressive, liberal voices and clean hands in the parliament, which can join in the forces for change. With the media and civil society on their side, there might be place for hope.

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