

The key to practical democracy is the active involvement of the citizens in every aspect of governance; and budgets as an imperative instrument of governance are no exception. However, the budget-making process in Pakistan has been closed and largely opaque since the time of independence

## District Budget - Punjab

Study of Budget Making  
Process at District Level

Citizens Network for Budget Accountability



Centre for Peace and  
Development Initiatives



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# Studying Budget Making Process at District Level (2013-2014)

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**Citizens Network for Budget Accountability (CNBA)**

**&**

**Centre for Peace and Development Initiatives (CPDI)**

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## Executive Summary

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The report is based on the survey conducted in the Punjab to study the budget making process at district level. The Punjab district governments have well laid out rules and procedures for the formation and approval of budget. This study is an investigation to determine the level of compliance of district governments to procedures and timelines enshrined therein. Generally, budget cycle is considered to be consisting of 4 stages: Preparation, approval/enactment, execution and accountability/audit. The report essentially studies the first stage, i.e.; preparation of budget.

The survey results revealed very disturbing trends in budget formulation. Of 36 districts only 2 districts issued Budget Call letters before the stipulated date, i.e. September. Similar irregularities were observed throughout the budget making process.

There was very low level of peoples' participation in budget making process. Citizens are required to be consulted before issuance of BCL, and during the preparation of budget proposals. Districts governments have a poor show in this area. Only 3 districts in the Punjab consulted Civil Society representatives and Citizens at some stage of the budget making process.

The budget branches of the EDO/F are in depleted conditions. There is a vast gap between sanctioned and posted strength and numbers of posts are lying vacant. Overall, of 489 sanctioned posts in budget branch only 219 were filled. There were only 2 districts where budget branch were working to full strength.

Many of the procedures as given in District Budget Rules 2003 were either by passed or ignored. For example, in 5 districts, estimates of expenditures and receipts were prepared and submitted, although BCLs were not issued. Where it was issued, BCL was not accompanied by some important components as mentioned in the budget rules. By the time of survey, April 2013, 26 districts have issued BCL. Of these 26 districts, vision/mission of the district government was mentioned only in 6 BCLs and only 19 BCLs were sent with detailed budget calendar.

An important yardstick for information dissemination would have been a good interactive and updated website. The survey results show that only 6 districts have functional websites. There were no districts where budget figures for last 3 years could be found. Districts are also shy of posting their project expenses regularly on their websites.

One logical corollary from these survey results is that districts governments have no political oversight ever since the local government system was dissolved in the Punjab in 2010. Due to the absence of such oversight, there is a widespread feeling among district officials that they are not accountable to peoples' representatives. This feeling is reflected in many cases when survey team approached to district officials for this survey. Local government elections are the only solution available to make executive branch accountable and to increase peoples' participation in the budget making process. The popular demand from civil society as well as courts orders to release schedule of local government polls have been consistently ignored by the Punjab government. This study reiterates that local government elections are conducted in the Punjab and local governments are placed in the districts to oversee the performance of executive branch.

# Introduction

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The key to practical democracy is the active involvement of the citizens in every aspect of governance; and budget as an imperative instrument of governance is no exception. However, the budget-making process in Pakistan has been closed and largely opaque and people in general have little opportunity to participate in the process that affects the quality of their lives directly.

Budget transparency has in recent decades come to be seen as a pillar of good Governance around the world, but in Pakistan, still a lot of work needs to be done in this domain. Budget making process in Pakistan is wrapped in curtains of secrecy. No major steps have been taken by any of the governments or political parties to make this process participatory or peoples oriented.

*Budget Transparency (BT) is defined as the full disclosure of all relevant fiscal information in a timely and systematic manner. BT is a precondition for public participation in budget processes. The combination of BT and public participation in budget processes has the potential to combat corruption, foster public accountability of government agencies and contribute to judicious use of public funds (OECD, 2002).*

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In Pakistan, every decision whether it is budget making or any other economic policy decision, is taken either by the ruling party and political elite or the bureaucrats. There is no active involvement of general public, civil society organizations, opposition political parties, academia or think tanks. Budget making at federal, provincial and district levels, directly or indirectly, affect the citizens of the country. However, if these decisions are taken without participation of the common people, chances are that the negative impacts of such decisions outshine the positive impacts.

People's participation in the economic decision making is important because being involved in such decision making at the grassroots levels, the common people can have the realization of the benefits or losses of any economic decision that the authorities take. As a result, their input in the decision-making authenticates the legitimacy and effectiveness of any economic decision, program, or project.

## Purpose of the Study

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A study was conducted by Citizens Network for Budget Accountability (CNBA)<sup>1</sup> to monitor the process of budget making at the District level. The main aim of this study was to collect research based evidence whether the district governments of the Punjab are following the timelines and required procedures for the budget making process. The District Government Budget Rules 2003 lay a clear outline for different timelines and procedures to follow, including a clear requirement for people's participation in Budget Making Process.

There is a dearth of such researches in Pakistan. Some similar studies can be found at federal budget level especially those commissioned by Open Budget Initiatives (<http://internationalbudget.org/what-we-do/open-budget-survey/country-info/?country=pk>), but there is paucity of similar exercises on district budgets in Pakistan. This study will not only fill this gap but would also help district government to gauge their performance viz-a-viz other districts and push them to take immediate steps to rectify the process where required.

The study is based on a survey instrument – District Budget Survey (DBS). It is a comprehensive study of the Budget making process in districts of the Punjab. It assesses whether the district governments provide their citizens with timely, comprehensive and useful budget information and whether the public has opportunities to participate in the budget making process.

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<sup>1</sup> Refer to the end of the annex

# Methodology

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District Budget Survey is a comprehensive study of the Budget making process in the Punjab. It consists of observation and interviews with the government departments/officials including Executive District Officer (EDO) Finance & Planning and District Officer (DO) Budget. An extensive questionnaire, developed by CPDI, was used as the core basis for the analysis.

The survey is against four broad objectives

- Peoples' participation in budget making process
- District government following the procedures
- District government meeting the timelines and
- Openness of the district government in its budget making process.

The survey instrument consisted of questions related to the budget guidelines, budget cycle, budget documents, participation of citizens in budget making process, strength of budget branch and functionality of district website. The main respondents were Executive District Officer (EDO) Finance & Planning and District Officer (DO) Budget but in some cases where EDO and DO were not available, the staff of the budget branch participated in this exercise.

Centered on the survey forms filled and data gathered from each district, this comprehensive report is prepared. Scores assigned to thirty district budget questions (see Annex A1. Survey Statistics) were used to compile objectives scores and rankings of each district's relative performance in terms of transparency, public participation, staff quality and timelines followed. These scores constitute the "*District Budget Performance Index*".

# District Budget

The District Government Budget Rules 2003 provide every detail for preparing annual budget. Following table is prepared on the basis of timelines as mentioned in these rules. The survey instrument used during this study is based on these timelines and procedures.

Table 1: Budget Calendar

July-September	(i) Consultation with stakeholders and priorities identified by the council
September	(i) Budget Call Letter is issued (ii) Forms for estimates of receipts and expenditures are also issued with BCL
October	(i) Guidelines identifying priority areas for CCBs is issued
September-February	(i) Consolidation of estimates of revenue and expenditure (ii) Identification of Development projects (iii) Preparation of project outlines
December	(i) CCB project proposals submission
1 <sup>st</sup> March	(i) Estimates, Development projects and CCB proposals submission to Budget and Development Committee
March	(i) Finalization by BDC
1 <sup>st</sup> April	(i) Draft budget submission to council
April	(i) Review of draft budget including taxation proposals
1 <sup>st</sup> May	(i) Public opinion sought on taxation proposals
1 <sup>st</sup> June	(i) Public opinion
May-June	(i) Revision and changes by Head of Offices and finalization by the Budget and Development Committee
June	(i) Submission of final budget to the Council
Before 30 <sup>th</sup> June	(i) Approval of final budget by the council
July	(i) Communication of grants to concerned offices and accounts offices (ii) Intimation of project approval or non-approval
October	(i) Final Accounts for previous fiscal year

Source: District Budget Rules 2003

## Budget Call Letter

The very first step in the formation of any budget, either federal or district level, is the issuance of the Budget Call Circular (BCC) or Budget Call Letter (BCL). BCL is an official notification issued by the department of finance to other departments inviting them to formulate and submit budget estimates for the coming fiscal year. It also explains the procedure for the preparation of the budget estimates. BCL comprises of instructions and guidelines for preparing budget estimates and calendar of budget related activities. BCL is also accompanied by number of forms on which line departments draw their budget estimates for next fiscal year.

According to the budget calendar, the BCL should be issued in September each year. The study revealed that in many districts, it could not be issued even by the end of April. Following is a quick view of the districts' performance in term of issue of BCL.

Table 2: Budget Call Letter

BCL issued till September, 2012	BCL issued between Oct-Nov, 2012	BCL issued between Dec-Feb, 2013	BCL issued between Mar-April, 2013	BCL issue date not shared	BCL not yet issued
Mandi Bahuddin Muzaffargarh	Bhawalnagar Jhang Kasur	Gujranwala Gujrat Khanewal Lahore Nankana Sahib Okara Pakpattan Sahiwal	Attock Hafizabad Khushab Mianwali Narowal Sheikhpura	Bhakkar Layyah Lodhran Multan Rahimyar Khan Rajanpur Toba Tek Singh	Chakwal Chiniot DG Khan Jhelum Rawalpindi Sargodha Sialkot Vehari

\* The data of two districts, Bhawalpur and Faisalabad, could not be collected. The EDO Bhawalpur refused to answer the questions.

According to the Vehari officials, budget call letter was released on 2<sup>nd</sup> July 2012. When asked to share a copy of BCL, survey team was provided the copy of last fiscal year's BCL dated 15<sup>th</sup> December 2011



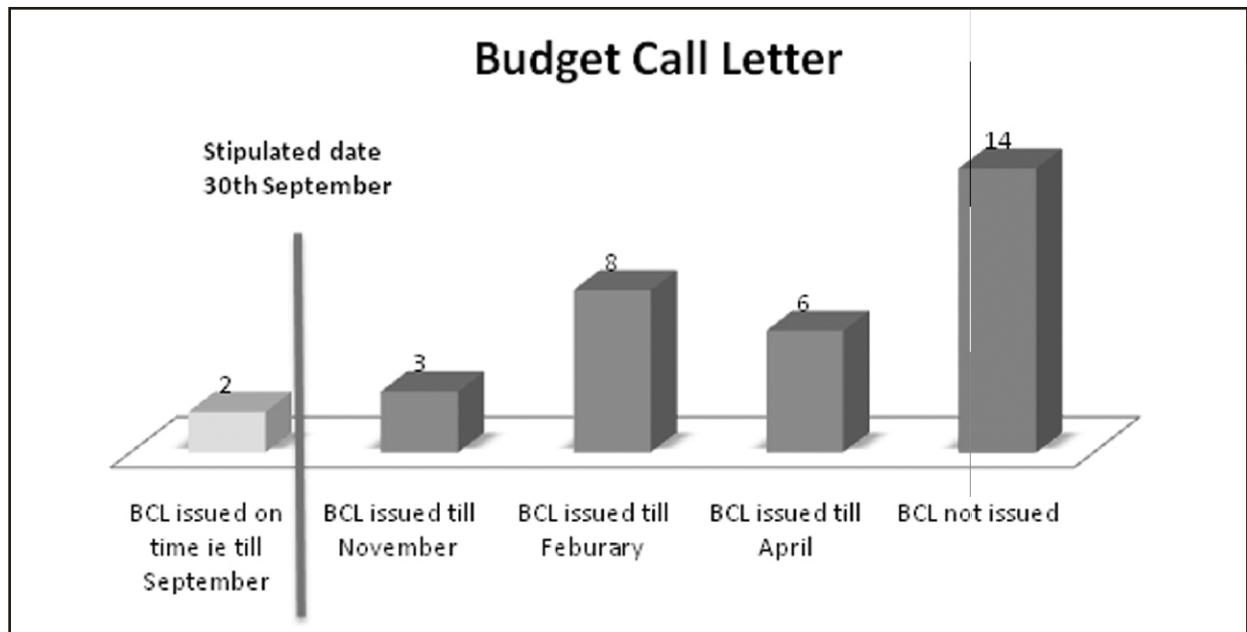


Figure 1: Budget Call Letter

\* The data of two districts, Bhawalpur and Faisalabad, could not be collected. The EDO Bhawalpur refused to answer the questions.

## Estimates of Expenditure

As per budget rules, estimates of both development and non-development budgets are made after the issue of BCL. It was observed that some districts have submitted estimates before issuing the BCL. These districts are Chakwal, Layyah and Rajanpur.

Table 3: Estimates of Expenditure

Submitted	Not submitted	
Attock	DG Khan	Chiniot
Bhawalnagar	Hafizabad	Gujrat
Bhakkar	Jhang	Jhelum
Chakwal	Khanewal	Kasur
Gujranwala	Mianwali	Lahore
Khushab	Narowal	Mandi Bahuddin
Layyah	Okara	Nankana sahib
Lodhran	Pakpattan	Rawalpindi
Multan	Rahimyar Khan	Sargodha
Muzaffargarh	Sahiwal	Sialkot
Rajanpur	Vehari	Toba Tek Singh
Sheikhupura		

\* The data of two districts, Bhawalpur and Faisalabad, could not be collected. The EDO Bhawalpur refused to answer the questions.

## Estimates of Receipts

As mentioned before, BCL needs to be issued before the submission of receipts, but it was witnessed that some district governments by-pass the BCL stage and started making budget estimates. These include Chakwal and DG Khan. Following table shows the status of the estimation of receipts by district departments to EDO/ F&P

Table 4: Estimates of Receipts

Submitted	Not submitted	
Attock	Bhakkar	Hafizabad
Bhawalnagar	Chiniot	Gujrat
Chakwal	Jhang	Jhelum
DG Khan	Khanewal	Kasur
Gujranwala	Mianwali	Lahore
Khushab	Narowal	Layyah
Lodhran	Okara	Mandi Bahuddin
Multan	Pakpattan	Nankana Sahib
Muzaffargarh	Rahimyar Khan	Rawalpindi
Sheikhupura	Rajanpur	Sargodha
	Sahiwal	Sialkot
	Vehari	Toba Tek Singh

\* The data of two districts, Bhawalpur and Faisalabad, could not be collected. The EDO Bhawalpur refused to answer the questions.

## Capacity of Budget Branch

The competent and motivated Budget staff is essential for an accurate and error free budget making process. The study gauged the effectiveness of the Budget Branch through a number of parameters and indicators including the number of people working, availability of research staff, availability of computers and internet and trainings taken by the staff in the last three years. Weights were assigned to these parameters (see annex 2i. Competitiveness of the Budget Branch) and scores are calculated as shown in following table:

Table 5: Competitiveness of Budget Branch

Competitiveness of the Budget Branch				
Poor	Average	Good	Very Good	Excellent
Gujrat Rahimyar Khan	Narowal Sheikhupura	Bhawalnagar Chakwal Chiniot Hafizabad Khanewal Khushab Lahore Layyah Muzaffargarh Rajanpur Rawalpindi Sahiwal Sialkot Vehari		Attock Bhakkar DG Khan Gujranwala Jhang Jhelum Kasur Lodhran Mandi Bahuddin Multan Mianwali Nankana Sahib Okara Pakpattan Sargodha Toba Tek Singh

**Excellent:** score above 80 of 100; **Very Good:** score between 71 and 80; **Good:** score between 61 and 70; **Average:** score between 50 and 60; **Poor:** score below 50

\* The data of two districts, Bhawalpur and Faisalabad, could not be collected. The EDO Bhawalpur refused to answer the questions.

## Public Participation

It is the duty of the district government to arrange pre-budget seminars and consultation sessions with the general public. Representatives of civil society, private sector, non-government organizations, academia and other stakeholders should also be invited in such consultations. District governments are required to incorporate this feedback in final budget. It was observed during the study that district officials paid no attention towards public participation in budget making process. Not only this, even the timetables and pre budget statements are also not released for the general public.

Citizen Budget, which is an easy to understand and simplified budget statement released for the public consumption, was claimed to be released by district Kasur, Gujrat, Okara and Pakpattan. The copy was not provided despite several requests. Remember it was CITIZEN BUDGET.

Few district governments have planned to release Citizen's Budget this year and have an idea what needs to be included in the document. According to the official of Gujrat, the Citizen Budget includes Budget process, revenue estimates, estimate of expense and sector specific information, but again, no proof was provided of any such document.

The pre-budget consultations held by most of the districts were with elected representatives and government officials. Very few had consultations with non-government and civil society organizations were organized.

Table 6: Public involvement

Citizen's Budget Planned	Pre-budget Statement for public	Pre-Budget Consultations with Civil Society and Citizens held
Jhang Sahiwal Toba Tek Singh	-	Bhakkar Mandi Bahuddin Mianwali

\* The data of two districts, Bhawalpur and Faisalabad, could not be collected. The EDO Bhawalpur refused to answer the questions.

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