

PILDAT

May 2003

BRIEFING PAPER

FOR PAKISTANI PARLIAMENTARIANS

1

POLICY BRIEF NO.

Strengthening Democracy & Democratic Institutions in Pakistan

The Federal Budget Process In Pakistan

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Pakistan Institute of
Legislative Development
and Transparency

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FOREWORD

The first-ever briefing paper for Pakistani Parliamentarians by the Pakistan Institute of Legislative Development And Transparency-PILDAT is in your hands. Titled as the 'Federal Budget Process in Pakistan,' the briefing paper is designed to act as an information booklet for parliamentarians on the process of budget formulation. The briefing paper contains step-by-step information starting from budget formulation by the executive to the introduction of tools available to parliamentarians for an effective review and analysis of the budget before its approval. The briefing paper has been prepared in a bid to both raise the awareness of parliamentarians about their crucial role in analysis and review of the budget as well as to facilitate their analysis through providing relevant information to them in a succinct manner.

PILDAT, as an institution committed to strengthening democracy and democratic institutions in Pakistan, functions in the role of a friend of parliament and parliamentarians in Pakistan. PILDAT has initiated a programme for preparing Briefing Papers for parliamentarians under its Legislative capability building Programme focused on enhancing knowledge and awareness as well as building the capacities of parliamentarians for an effective discharge of their duties. PILDAT briefing papers aim to provide comprehensive, concise and up-to-date information to parliamentarians on effective policy issues.

We are especially grateful to Mr. Ghafoor Mirza, Former Federal Secretary of Finance, whose experience and deep insight into the process of budgeting in Pakistan has resulted in the crisp and concise step-by-step information contained in the paper. PILDAT also owes special thanks to W Wien & Associates for providing all the assistance and cooperation in completing the paper just in time for the PILDAT workshop on the Federal Budget Process for parliamentarians.

We look forward to the readers' feedback especially from the parliamentarians and experts of the budget process in Pakistan. Their comments would go a long way in the continuous process of improvement of our work dedicated to aid Pakistani parliamentarians and thus strengthening parliament and Democracy in the country.

Lahore
May 10, 2003

THE BUDGET PROCESS

1.01. THE BUDGET YEAR

The budget year in Pakistan is from 1st July to 30th June. The Process of budget formulation starts in October each year on issuance of a Budget Call Circular by Ministry of Finance. The original estimates are framed in minute detail by the agencies and departments, which collect the receipts and incur the expenditure, keeping in view the past actuals, current trends and future expectations and commitments. These estimates are submitted by the estimating authorities to their administrative Ministries and Divisions who, in turn, examine and pass these on to the concerned Financial Advisers with their recommendations. The Financial Adviser and Ministry of Finance, as recommended by the Administrative Ministries and Divisions, subject the estimates, to detailed scrutiny before they are finally accepted for inclusion in the budget.

1.02. BUDGET CALL CIRCULAR

The procedure applicable to the preparation of the budget estimates for a financial year is indicated by the Ministry of Finance every year in a "Budget Call" issued to the administrative Ministries / Divisions and Departments of the Central Government. The circular contains comprehensive instructions for the preparation and scrutiny of the budget estimates. It also sets out the target dates by which the various stages of budget formulation are to be completed. Since time factor is important, emphasis is laid, among other things, on the strict observance of the budget time table at all stages of budget making.

1.03. PREPARATION OF ESTIMATES

The budget estimates for the ensuing year are formulated separately in respect of non-development/current expenditures and development expenditure. The estimates are supported by complete details.

The revised estimates for the current year, prepared simultaneously, include provision for such expenditure as has been duly authorized and for which there is reasonable expectation that it will be incurred before the close of year. In all cases where revised estimates for the

year exceed the authorized grants, these have to be supported by documentary evidence to show that the increase has been duly authorized by the competent authority, and also the manner in which this excess is to be met, i.e., whether by appropriation of savings in the existing grants / appropriations from other items or a supplementary grant. In case the revised estimates are less than the authorized grants, the reasons for short utilization of the grants are to be invariably stated.

As the budget is essentially based on the cash accounting system, the estimates are required to be prepared on the basis of what is expected to be actually received or paid for during the ensuing year and not merely the revenue demand or the liability of expenditure falling due in that year.

According to the conventional classification, the budget is divided into two main sections, namely:

- a) Revenue Budget
- b) Capital Budget

The revenue budget presents the current or day-to-day non-development expenditure, i.e., defence, debt, repayments and running of civil government and other activities which are financed from current revenues derived through taxes, duties and other miscellaneous receipts. The difference between revenue receipts and current / non-development expenditure results in revenue surplus for the year which is transferred to the capital budget. The deficit is met out of borrowings.

The capital budget is designed to create material assets which add to the economic potential of the country. Its main features are that it must involve construction of a work or acquisition of a permanent asset of public utility such as irrigation and industrial projects. With ever increasing investment to promote economic development, the capital budget is assuming increasing importance. The capital expenditure is generally met from the revenue surplus, reserve funds and borrowing for specific or general purpose.

The aforesaid two divisions of the Government budget are merged together to work out the resource estimates

which indicate the cash balance position of the Government at the beginning and end of the financial year.

1.04. ANNUAL DEVELOPMENT PROGRAMME (ADP)

Provision for development expenditure is included in the budget on the basis of the Annual Development Programme prepared by the Planning Commission in consultation with the Ministry of Finance and the Provincial Governments and approved by the National Economic Council.

The Formulation of the Annual Development Programme is one of the most important aspects of the budget making. Emphasis is laid on drawing-up the Annual Development Programme so that only approved projects, which go through careful technical scrutiny in the Development Working Party and approved by the Executive Committee of the National Economic Council, or have otherwise received the approval of the competent authority, are included in the Annual Development Programme. The Programme, as finally approved by the National Economic Council, is reflected in the budget.

The exercise for the preparation of the Annual Development Programme starts some time in early November when keeping in view the overall requirements of the economy and plan targets, the size of the Annual Development Programme is fixed and communicated sector-wise to the executing agencies and the Provincial Governments by the Planning Commission. Within the overall allocations so intimated by the Planning

The Formulation of the Annual Development Programme is one of the most important aspects of the budget making. The Programme, as finally approved by the National Economic Council, is reflected in the budget

Commission, the detailed sector-wise development programmes are formulated by the sponsoring agencies and finalized after detailed discussion with the Planning Commission. These allocations are then discussed and finalized in the meetings of the Priorities Committee in March / April, in April / May by the Annual Plan Coordination Committee and finally by the National Economic Council. The Annual Development Programme, as finally approved and incorporated in the budget, presents the blue print for action by the Federal and Provincial Government and indicates the financial allocations along with physical targets in respect of various development schemes.

a) Resources Estimates:

Since the successful implementation of the Annual Development Programme as an instrument of economic development largely depends upon the availability of resources, the determination of the size of the programme is preceded by a detailed exercise in resource estimation. Ministry of Finance undertakes this exercise in coordination with the concerned Government agencies, particularly the Central Board of Revenue (CBR) and the Provincial Finance Departments. The components of resource estimates are:

- (i) Public Savings, i.e. the excess of revenue receipt over current expenditure of the Federal and Provincial Government.
- (ii) Net capital receipts of the Federation and the Provinces. (i.e. Recovery of loans, saving schemes and prize bond proceeds etc)
- (iii) The Federal Government's estimates of:

- a) Foreign economic assistance
- b) Deficit financing (Bank Borrowing) to the extent the latter is warranted by the state of the economy.

As the development outlays in the provincial field are increasing and the provincial resources for this purpose are not adequate, the Federal Government render financial assistance to the Provincial Governments on a larger scale for implementation of their development programme.

b) Foreign Exchange Component of ADP

Side by side with the finalization of the Annual Development Programme, endeavour is made to estimate

the foreign exchange component of the programme as realistically as possible. The expenditure in foreign exchange is shown separately from the expenditure in local currency, both in the revenue and capital budget. This also serves as an indication to the administrative authorities that the budgetary allocation for foreign exchange expenditure is not available for expenditure in local currency.

1.05. EFFECT TO NEW TAXATION PROPOSALS

The proposals for new, enhanced or revised taxation conceived as a part of the budget are given effect by means of a distinct legislation. This legislation is an integral part of the budget presentation and without it no tax can be levied, enhanced or revised.

1.06. SCHEDULE OF AUTHORIZED EXPENDITURE

After the budget has been approved by competent authority, an authenticated Schedule of Authorized Expenditure is drawn up in the same form as the Annual Budget Statement, in so far as it relates to expenditure. This schedule approved and signed by Prime Minister constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund in the annual Budget statement. The Schedule reflects the extent of expenditure to be made under a specific grant/appropriation. It also specifies the expenditure Charged upon Federal Consolidated Fund and otherwise. The Charged portion is always reflected in italics.

Article 82 of the Constitution provides that the expenditure 'charged' upon the Federal Consolidated Fund may be discussed in, but shall not be submitted to the vote of, the National Assembly.

Article 81, of the Constitution provides that following expenditures shall be charged upon the Federal Consolidated Fund: -

- a) The remuneration payable to the President and other expenditure relating to his office, and the remuneration payable to-
 - (i) The judges of the Supreme Court;
 - (ii) The Chief Election Commissioner;
 - (iii) The Chairman and the Deputy Chairman (of the Senate)
 - (iv) The Speaker and the Deputy Speaker of the National Assembly;

After the budget has been approved by competent authority, an authenticated Schedule of Authorized Expenditure, approved and signed by Prime Minister constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund in the annual Budget statement

- (v) The Auditor-General;
- b) The administrative expenses, including the remuneration payable to officers and servants of the Supreme Court, the department of the Auditor-General and the office of the Election Commission and the Secretariat of the Senate and the National Assembly;
- c) All debt charges for which the Federal Government is liable, including interest, sinking fund charges, the repayment or amortization of capital, and other expenditure in connection with the raising of loans, and the services and redemption of debt on the security of the Federal Consolidation Fund;
- d) Any sums required to satisfy any judgment, decree or award against Pakistan by any court or tribunal and;
- e) Any other sums declared by the Constitution or by Act of [Majlis-e-Shoora (Parliament)] to be so charged.

1.07. SUBMISSION OF BUDGET PROPOSALS (BOOKS) TO THE FEDERAL CABINET

The Budget proposals prepared by the Ministry of Finance is considered by the Federal Cabinet and approved for presentation to the Parliament.

1.08. SUBMISSION OF BUDGET / FINANCE BILL TO THE NATIONAL ASSEMBLY

The Minister of Finance shall, in consultation with Prime Minister and the Speaker, prepare a time-table for the consideration of the Annual Budget by the National Assembly. The Secretary of the Assembly shall intimate the time-table so decided upon to all concerned.

1.09. SUBMISSION OF BUDGET TO THE SENATE

Prior to the introduction of Legal Framework Order, there was no provision for the Senate to consider the Money bill (Budget). As per the current provisions, a copy of the Annual Budget Statement (Budget) is transmitted to the Senate at the same time when it is submitted to the National Assembly. The Senate may, within seven days, make recommendations thereon to the National Assembly. The National Assembly shall, consider the recommendations of the Senate and may pass the Budget with or without incorporating the recommendations of the Senate.

1.10. AUTHENTICATION OF THE SCHEDULE OF AUTHORISED EXPENDITURE

After the Budget is passed by the National Assembly, the schedule of authorized expenditure is authenticated by the Prime Minister. The schedule so authenticated shall be laid before the National assembly, but shall not be open to discussion or vote thereon.

Prior to the introduction of Legal Framework Order, there was no provision for the Senate to consider the Money bill (Budget), a copy Budget is transmitted to the Senate. The Senate may, within seven days, make recommendations thereon to the National Assembly

THE BUDGET DOCUMENTS

2.01. BUDGET SPEECH OF THE FINANCE MINISTER (Without Tax Proposals)

It contains the information on the performance of the economy during the previous year and major efforts proposed to be made during the new budget year for improving the working of the economy.

This document is printed both in Urdu and English.

2.02. BUDGET SPEECH OF THE FINANCE MINISTER (With Tax Proposals)

It contains proposals for levy of new taxes. The new enhanced or revised taxation conceived as a part of the budget are given effect by means of a distinct legislation called Finance Act. This legislation is an integral part of the budget presentation and without it no tax can be levied enhanced or revised.

This document is printed both in Urdu and English.

2.03. DETAILS OF DEMANDS FOR GRANTS AND APPROPRIATIONS (Pink Book)

This document consists of the following two volumes:

Volume I: Current Expenditure This document contains Demands and Appropriations relating to current expenditure.

Volume II: Development Expenditure This document contains development expenditure.

The document containing Details of Demands for Grants and Appropriations reflects in detail the budget estimates of last year, revised estimates of current year and budget estimates of next financial year of the Federal Government.

The book is divided into three parts: -

Volume I: Current Expenditure

Part I: Details of current expenditure.

Part II: Details for appropriations charged upon the Federal consolidated Fund.

Volume II: Development Expenditure

Part III: Details for development expenditure.

Since an expenditure is made for a defined Function/Object (fuller details given in the Chart of Classification), the book also presents Function-cum-Object-wise classification of expenditure of every Office/Department separately.

Function-wise classifications include expenditures on general administration, defence, law and order, community services, social services, economic services, subsidies, debt servicing etc. The object-wise classifications include expenditures on establishment charges, purchase of durable goods, construction of works and repair and maintenance of durable goods and works, investments, loans and repayments etc.

2.04. DEMANDS FOR GRANTS AND APPROPRIATIONS

Demands for Grants and Appropriations contain estimates of expenditure on both revenue and capital accounts. Besides, distinctly showing the expenditure which is charged to the Federal Consolidated Fund under the legal provisions, each demand also exhibits separately summary of Functions and Object-wise classification. When budgetary allocations for a particular purpose consist wholly of charged expenditure, these are included in Appropriations which, contrary to Demands, bear no serial number.

This book has been divided into three parts as follows:

Part I: Demands for current expenditure.
Part II: Demands for development expenditure.
Part III: Appropriations charged upon the Federal Consolidated Fund.

The demands for each Ministry, as shown in Part I and II, are further bifurcated into two sectors:

- (i) Expenditure met from revenue; and
- ii) Expenditure met from capital

Part III comprises wholly of the 'charged' expenditure. However, the expenditure shown in Part I and II comprises both 'charged' as well as other than charged expenditure. For distinction, the charged expenditure appears in Italics.

The demands and appropriations as appearing in this book are gross amounts. The receipts and recoveries which are required to be adjusted in accounts in reduction of expenditure are shown below the relevant demands for appropriations. Three very useful schedules have also been appended at the end of the book. In Schedule I, the demands and appropriations are listed in their serial order indicating the nomenclature of each and further classifying the estimates of gross expenditure into:

- (i) Sums required to meet expenditure charged upon the Federal Consolidated Fund.
- (ii) Other than charged expenditure.
- (iii) Total expenditure (Charged + Other than Charged).
(This schedule indicates the total amount allowed to a Ministry/Division under a specific demand/appropriation for expenditure in ensuing year).

Schedule II classifies the expenditure included in the demands and appropriations by major functions which serves as a means of reconciling these estimates with disbursements out of Federal Consolidated Fund. The schedule will help understanding as to what amount has been allocated for a particular function i.e. Health Education etc.

The Budget-in-Brief attempts a presentation of the budget in a simple language. It deals with all aspects, which are important to the economy. This document contains the brief features of revenue/ expenditure

Schedule III, which indicates the object of current and development expenditure, provides a more useful and informative economic analysis of the expenditure. This schedule gives details as to what specific allocation (under a demand or object as a whole) has been proposed to be allocated i.e. for pay and allowances and other purpose i.e. purchases, repairs etc.

2.05. BUDGET IN BRIEF

The Budget-in-Brief attempts a presentation of the budget in a simple language. It deals with all aspects, which are important to the economy. This document contains the brief features of revenue/ expenditure. It also contain the main features of past year achievement/ performances.

This document is printed both in Urdu and English.

2.06. ANNUAL BUDGET STATEMENT

The Annual Budget Statement gives, in broad details and by function classification-wise accounts, the estimates of:

- (i) Revenue receipts and expenditure on revenue account.
- (ii) Capital receipts and disbursements.
- (iii) Transactions anticipated under the debt, deposit and remittance heads.

The estimates of receipts and payments included in the annual budget statement are further segregated into transactions relating to the Federal Consolidated Fund and Public Accounts.

This is a Constitutional document as per Article 80 (1) of the Constitution.

This document is printed both in Urdu and English.

2.07. EXPLANATORY MEMORANDUM OF THE BUDGET

This compilation exhibits the receipts of the Federal Revenue as well as Capital Receipts.

The explanatory notes pertaining to receipts included in 'The Budget' serve to indicate, among other things, the basis on which proceeds of Federal Taxation are shared with the provincial governments and also specifies the provincial shares in the proceeds of various taxes and duties.

2.08. SCHEDULE OF AUTHORISED EXPENDITURE

After the Budget has been approved by the competent forum, an authenticated Schedule of Authorized Expenditure is drawn up in the same form as the Annual Budget Statement, in so far as it relates to expenditure. This Schedule constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund to meet expenditure specified in the Annual Budget Statement and the corresponding demands for grants and appropriations.

According to Article 83 (2) of the Constitution the Schedule so authenticated has to be laid before the National Assembly but shall not be open to discussion or vote thereon.

This document is printed both in Urdu & English.

2.09. SUPPLEMENTARY DEMANDS FOR GRANTS AND APPROPRIATIONS

Supplementary Demands for Grants and Appropriations are prepared in terms of Article 84 of the Constitution. This is to cater for the additional requirement of current financial year i.e. the budget year. It represents details of estimates of additional expenditure from the Federal Consolidated Fund.

This book like budget is also divided in three parts.

- (i) Demands for current expenditure.
- (ii) Demands for development expenditure.
- (iii) Appropriations charged upon the Federal Consolidated Fund.

One of the two schedules appearing at the end, lists the supplementary demands in running serial order with a further break-up of the expenditures by:

- (i) Sums required to meet charged expenditure.
- (ii) Sums required to meet other than charged expenditure.

The second schedule gives the classification of supplementary expenditure according to various functions, also showing the original provision and a sum total of both i.e. after adding supplementary allocation to the original budget.

This book is laid before the National Assembly according to Article 84 of the Constitution for obtaining legislative approval to the additional expenditure made during the year.

2.10. ESTIMATES OF FOREIGN ASSISTANCE

External resources mainly comprises the following:

- (i) Loans and credits from friendly countries and specialized international agencies.
- (ii) Grant assistance under Food Aid Convention, World Food Programme and other specific country programmes.

The loans and credits and grant assistance, collectively described as Foreign Aid fall into four broad categories, namely, project aid, non-project commodity aid, food aid and other aid. Project aid generally takes the shape of foreign exchange loans and grants for procurement of project equipment and supplies of services. Project loans are of two types. Whereas loans and credits are subject to subsequent repayment according to schedule, the grant portion is not to be repaid:

- (a) Loans contracted by the federal government for public or private sector projects and generally termed as federal loans.
- (b) Loans contracted direct by public or private sector agencies but guaranteed by the federal government for payment of interest and

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Answers by the Finance Minister on the points raised by the members of the House and detailed explanation regarding various aspects of the budget and the suggestions for accelerating the pace of economic development and social progress etc form part of winding up Budget Speech of the Finance Minister

repayment of principal. These are called guaranteed loans.

Sometimes, commodities received under foreign aid generate rupee counterpart funds, which either by prior agreement at the time of commitment of commodity assistance or subsequently after generation of rupee counterpart by mutual agreement is made available for specific projects.

Commodity aid as a rule is utilized for commercial imports to lend general support to the economy. The goods imported under this aid generally are industrial raw materials equipments and spares, consumer goods, chemical and fertilizer and such other commodities as may be specified or may have been generally agreed to or, if the aid is untied, as the country may actually need. Besides enabling the country to meet its requirements of essential commodities, commodity aid also helps generate rupee funds, which augment the country's rupee resources to meet development needs.

Food aid is used for the import of foodstuff, such as wheat, wheat-flour, sorghum, edible oil etc. From USA, this aid is generally received on loan basis as a part of the surplus agricultural commodities programme under public law-480 title I. Bulk of the rupee counterpart generated by this aid is available to Pakistan as loans or grants for specific development projects. Food aid from

other sources comprises of food aid convention grants from member countries and grants under the World Food Programme of the United Nations Food and Agriculture Organization. In most cases, the net sale proceeds of this other type of food aid are required to be deposited as counterpart funds in a separate account with SBP which eventually become available for the country's agreed uses with mutual consultation.

The assistance under "Other Aid" comprises loans and grants from non-traditional sources generally by way of balance of payment support.

2.11. BUDGET AT A GLANCE

It explains the overall budgetary position covering all aspects both revenue and expenditure e.g.

1. Receipts
 - i) Tax revenue
 - ii) Non-tax revenue
 - iii) Total gross revenue receipts (i + ii)
 - iv) Revenue Assignments to Provinces
 - v) Net federal revenue (iii minus iv)

2. Current Expenditure.
3. Surplus Available for ADP Financing. (1 minus 2)
4. Resources:
 - a. Internal Resources
 - i) Net Capital Receipts
 - ii) Self-financing (by Provincial Governments/autonomous bodies.)
 - b. External Resources.

5. Development Outlay.
6. GAP (3 + 4 - 5)

This document is also printed both in Urdu and English.

2.12. Winding-up Budget Speech by the Finance Minister

Answers by the Finance Minister on the points raised by the members of the House and detailed explanation regarding various aspects of the budget and the suggestions for accelerating the pace of economic development and social progress etc form part of winding up Budget Speech of the Finance Minister.



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APPENDICES

APPENDIX A

Rules of Procedure and Conduct of Business in the National Assembly on Financial Matters

(Excerpts from the "Rules of Procedure and Conduct of Business in the National Assembly-1992")

163. BUDGET

- (1). The budget shall be presented to the Assembly on such day and at such time as the Leader of the House may appoint.
- (2). No demand for grant shall be made except on the recommendation of the Government.

164. DEMANDS FOR GRANTS

- (1) A separate demand shall be made in respect of the grant proposed for each Ministry of Division:

Provided that the government may cause to be included in one demand, grants proposed for two or more Ministries or Divisions or a demand to be made in respect of expenditure, which cannot readily be classified under a particular Ministry or Division.
- (2) Each demand shall contain a statement of the total grant proposed and a statement of the detailed estimate under each grant divided into items.

165. PRESENTATION OF THE BUDGET

The Budget shall be presented by the Minister for Finance or, in his absence, any other Minister authorized by the Leader of the House, hereafter in this Chapter referred to as the Minister-in-Charge: Provided that on the day the Budget is presented, no other business, including questions, privileges and adjournment motions, shall be transacted except introduction of Finance Bill.

166. NO DISCUSSION ON THE DAY OF PRESENTATION

There shall be no discussion on the Budget on the day on which it is presented to the Assembly.

167. STAGES OF DISCUSSION OF THE BUDGET

The Budget shall be dealt with by the Assembly in the following stages:

- i) General discussion on the budget as a whole.
- ii) Discussion on appropriations (in respect of charged expenditure) and
- iii) Discussion and voting on demands for grants (in respect of expenditure other than charged expenditure), including voting on motions for reduction, if any.

168. ALLOTMENT OF DAYS

The Speaker shall, in consultation with the Minister-in-Charge allot days for the different stages of the budget referred to in rule 167: Provided that at least two days shall elapse between the days the budget is presented and the first day allotted for the general discussion on the Budget. Provided further that not less than four days shall be allotted for the general discussion on the budget.

169. GENERAL DISCUSSION ON THE BUDGET

- (1) On the days allotted for general discussion on the budget, the assembly may discuss the budget as a whole or any question of principle involved therein, but no motion shall be moved at this stage nor shall the budget be submitted to the vote of the Assembly.
- (2) The Minister-in-Charge shall have a general right of reply at the end of the discussion
- (3) The Speaker may, if he thinks fit, prescribe a time-limit for speeches.

170. CUT-MOTIONS

Any member may move a cut-motion to reduce the amount of demand in any of the following ways:

- (a) "that the amount of the demand be reduced to Re. 1" representing disapproval of the policy underlying the demand. Such a motion shall be known as "Disapproval of Policy Cut. A member giving notice of such a motion shall indicate in precise terms the particulars of the policy which he proposes to discuss. The discussion shall be confined to the specific point or points mentioned in the notice and it shall be open to members to advocate an alternative policy
- (b) "that the amount of the demand be reduced by a specified amount" representing the economy that can be effected. Such specified amount may be either a lump-sum reduction in the demand or omission or reduction of an item in the demand. The motion shall be known as "Economy Cut". The notice shall indicate briefly and precisely the particular speeches shall be confined to the discussion as to how economy can be affected.
- (c) "that the amount of the demand be reduced by Rs. 100" in order to ventilate a specific grievance which is within the sphere of the responsibility of the Government. Such a motion shall be known as "Token Cut" and discussion thereon shall be confined to the particular grievance specified in the motion.

171. CONDITIONS FOR ADMISSIBILITY OF CUT-MOTION

In order that a notice of motion for reduction of the amount of demand may be admissible, it shall satisfy the following conditions, namely,

- i) It shall relate to one demand only.
- ii) It shall not seek to increase a grant or alter the destination of a grant
- iii) It shall not relate to expenditure charged on the Federal Consolidated Fund.
- iv) It shall be clearly expressed and shall not contain arguments, inferences, ironical expressions, imputations, epithets or defamatory statements.
- v) It shall be confined to one specific matter which shall be stated in precise terms.
- vi) It shall not reflect on the character or conduct of any person whose conduct can only be challenged on a subjective motion.
- vii) It shall not make suggestions for the amendment or repeal of any existing law
- viii) It shall not refer to a matter which is not primarily the concern of the Government ix) It shall not relate to a matter which is under adjudication by a court of law having jurisdiction in any part of Pakistan
- x) It shall not raise a question of privilege
- xi) It shall not revive discussion on a matter which has been discussed in the same session and on which a decision has been taken.
- xii) It shall not anticipate a matter which has been previously appointed for consideration in the same session, nor shall it relate to a trifling matter, and
- xiii) It shall not relate to any matter which is pending before any court or other authority performing judicial or quasi-judicial functions:

Provided that the Speaker, may in his discretion, allow such matter being raised in the Assembly as is concerned with the procedure or subject or stage of enquiry if he is satisfied that it is not likely to prejudice the consideration of the matter such court of authority.

172. SPEAKER TO DECIDE ADMISSIBILITY OF CUT-MOTION

The Speaker shall decide whether a cut-motion is or is not admissible under these rules and may disallow any cut-motion, if in his opinion it is an abuse of the right of moving cut-motion or is calculated to obstruct or prejudicially affect the procedure of the Assembly or is in contravention of any of these rules.

173. NOTICE OF CUT-MOTIONS

If notice of a cut-motion has not been given two clear days before the day on which the demand is taken up for consideration any member may object to the moving of the motion and the objection shall prevail unless the Speaker allows the motion to be made.

174. AMENDMENT TO CUT-MOTION

No amendment to a cut-motion shall be permissible.

175. VOTING ON DEMANDS FOR GRANTS

- (1) Each demand for grant referred to in clause (iii) of rule 167 shall be discussed separately.
- (2) Before a question is put in respect of a demand for grant, all cut-motions in respect of that demand shall be discussed and voted upon.
- (3) When several cut-motions relating to the same demand are tabled they shall be discussed in the order in which the heads to which they relate appear in the budget.
- (4) On the last of the days allotted under rule 168 for the stage referred to in clause (iii) of the rule 167 at the time when the meeting is to terminate, the Speaker shall forthwith put every question necessary to dispose of all the outstanding matters in connection with the demands for grants.

176. SCHEDULE OF AUTHORIZED EXPENDITURE

The schedule of authorized expenditure, when authenticated under clause (1) of Article 83 or Article 84, shall be laid on the Table but shall not be open to discussion or vote thereon.

177. VOTE ON ACCOUNT

- (1) A motion for vote on account shall state the total sum required to be voted and the various amounts needed for each Division, Department or item of expenditure which compose that sum shall be stated in a schedule appended to the motion.
- (2) Amendment may be moved for the reduction of the whole demand for grant or for the reduction or omission of the items of which the demand is composed.
- (3) Discussion of a general character may be allowed on the motion or any amendments moved thereto but the details of the grant shall not be discussed further than is necessary to develop the general points.

- (4) In other respect, a motion for vote on account shall be dealt with in the same way as if it were demand for grant.
- (5) The schedule referred to in sub-rule (1) shall also separately specify the several sums required to meet the expenditure charged on the Federal Consolidated fund.

178. PROCEDURE FOR DEALING WITH SUPPLEMENTARY AND EXCESS DEMANDS

The procedure for dealing with supplementary estimates of expenditure and excess demands shall, as far as possible, be the same as prescribed for the budget, except that if on a demand for a supplementary grant, funds to meet the proposed expenditure on a new purpose are available by re-appropriation, a demand for the grant of a token sum may be submitted to the vote of the Assembly and if the Assembly assents to the demand, funds may be made available.

APPENDIX B

Articles of the Constitution of the Islamic Republic of Pakistan relating to the Budget

(Excerpts from "The Constitution of the Islamic Republic of Pakistan as modified upto the 27th October, 2002 and published by the Government of Pakistan, Ministry of Law, Justice, Human Rights and Parliamentary Affairs, 2002)*

73. PROCEDURES WITH RESPECT TO MONEY BILLS

- (1) Notwithstanding anything contained in Article 70, a Money Bill shall originate in the National Assembly: Provided that simultaneously when a Money Bill, including the Finance Bill containing the Annual Budget Statement, is presented in the National Assembly, a copy thereof shall be transmitted to the Senate which may, within seven days, make recommendations thereon to the National Assembly.
- (1A) The National Assembly shall, consider the recommendations of the Senate and after the Bills has been passed by the Assembly with or without incorporating the recommendations of the Senate, it shall be presented to the President for assent.]
- (2) For the purposes of this Chapter, Bill or amendment shall be deemed to be a Money Bill if it contains provisions dealing with all or any of the following matters, namely:
 - (a) the imposition, abolition, remission, alternation or regulation of any tax;
 - (b) the borrowing of money, or the giving of any guarantee, by the Federal Government or the amendment of the law relating to the financial obligations of the Government;
 - (c) the custody of the Federal Consolidated Fund, the payment of moneys into, or the issue of moneys from the Fund;
 - (d) the imposition of charge upon the Federal Consolidated Fund, or the abolition or alteration of any such charge;
 - (e) the receipt of moneys on account of the Public Account of the Federation, the custody or issue of such moneys;
 - (f) the audit of the accounts of Federal Government or a Provincial Government; and
 - (g) any matter incidental to any of the matters specified in the preceding paragraphs.
- (3) A bill shall not be deemed to be a Money Bill by reason only that it provides-
 - (a) for the imposition or alteration of any fine or other pecuniary penalty, or for the demand or payment of a licence fee or a fee or charge for any service rendered; or
 - (b) for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.
- (4) If any question arises whether a Bill is a Money Bill or not, the decision of the Speaker of National Assembly thereon shall be final.
- (5) Every Money Bill presented to the President for assent shall bear a certificate under the hand of the Speaker of the National Assembly that it is a Money Bill, and such certificate shall be conclusive for all purposes and shall not be called in question.

*These excerpts from the Constitution` also include the provisions of the Legal Framework Order (LFO) 2002 without prejudice to PILDAT's position on the LFO.

77. TAX TO BE LEVIED BY LAW ONLY

No tax shall be levied for the purposes of the Federation except by or under the authority of Act of 1[Majlis-e-Shoora (Parliament)]

80. ANNUAL BUDGET STATEMENT

- (1). The Federal Government shall in respect of every financial year cause to be laid before the National Assembly a statement of the estimated receipt and expenditure of the Federal Government for that year, in this part, referred to as Annual Budget Statement.
- (2). The Annual Budget Statement shall show separately
 - a. The sums required to meet expenditure described by the Constitution as expenditure charged upon the Federal Consolidated Fund and,
 - b. The sums required to meet other expenditure proposed to be made from the Federal Consolidated Fund. And shall distinguish expenditure on revenue account from other expenditure

81. EXPENDITURE CHARGED UPON FEDERAL CONSOLIDATED FUND

The following expenditure shall be expenditure charged upon the Federal Consolidated Fund:-

- (a). The remuneration payable to the President and other expenditure relating to his office, and the remuneration payable to-
 - i. The judges of the Supreme Court
 - ii. The Chief Election Commissioner
 - iii. The Chairman and the Deputy Chairman
 - iv. The Speaker AND THE Deputy Speaker of the National Assembly
 - v. The Auditor General
- (b). The administrative expenses, including the remuneration payable to officers and servants of the Supreme Court, the department of the Auditor General and the Office of the Chief Election Commission and the Secretaries of the Senate and the National Assembly.
- (c). All debt charges for which the federal Government is liable, including interest sinking fund charges, the repayment or amortization of capital, and other expenditure in connection with the raising of loans, and the service and redemption of debt on the security of the Federal Consolidated Fund;
- (d). Any sums required to satisfy any judgment, decree or award against Pakistan by any court or tribunal, and
- (e). Any other sums declared by the Constitution or by Act of [Majlis-e-Shoora (Parliament)] to be so charged.

82. PROCEDURE RELATING TO ANNUAL BUDGET STATEMENT

- (1). So much of the Annual Budget Statement as relates to expenditure charged upon the Federal Consolidated Fund may be discussed in, but shall not be submitted to the vote of.
- (2). So much of the Annual Budget Statement as relates to other expenditure shall be submitted to the National Assembly in the form of demands for grants, and the Assembly shall have power to assent to, or to refuse to assent to, any demand, or to assent to any demand subject to a reduction of the amount specified therein:

Provided that, for a period of ten years from the commencing day or the holding of the second general election to the National Assembly, whichever occurs later, a demand shall be deemed to have been assented to without any reduction of the amount specified therein, unless by the votes of a majority of the total membership of the Assembly, it is refused or assented to subject to a reduction of the amount specified therein.

- (3). No demand or a grant shall be made except on the recommendation of the Federal Government.

83. VOTES ON ACCOUNT

- (1) The Prime Minister shall authenticate by his signature a schedule specifying:
 - (a) The grants made or deemed to have been made by the National Assembly under Article 82, and
 - (b) The several sums required to meet the expenditure charged upon the Federal Consolidated Fund but not exceeding in the case of any sum, the sum shown in the statement previously laid before the National Assembly.
- (2) The schedule so authenticated shall be laid before the National Assembly, but shall not be open to discussion or vote thereon.
- (3) Subject to the Constitution no expenditure from the Federal Consolidated Fund shall be deemed to be duly authorized unless it is specified in the schedule so authenticated and such schedule is laid before the National Assembly as required by clause (2).

84. SUPPLEMENTARY AND EXCESS GRANTS

If in respect of any financial year it is found:

- (a). That the amount authorized to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon some new service not included in the Annual Budget statement for that year; or
- (b). That any money has been spent on any service during a financial year in excess of the amount granted for that service for that year;

The Federal Government shall have power to authorize expenditure from the Federal Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not, and shall cause to be laid before the National Assembly. Supplementary Budget Statement or, as the case may have, an Excess Budget Statement, setting out the amount of that expenditure and the provisions of Articles 80 to 83 shall apply to those statements as they apply to the Annual Budget Statement.

85. VOTES ON ACCOUNT

Notwithstanding anything contained in the foregoing provisions relating to financial matters, the National Assembly shall have power to make any grant in advance in respect of the estimated expenditure for a part of any financial year, not exceeding four months, pending completion of the procedure prescribed in Article 82 for the voting of such grant and the authentication of the schedule of authorized expenditure in accordance with the provision of Article 83 in relation to the expenditure.

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The Federal Budget Process in Pakistan

FIGURES



Figure 1
 THE FEDERAL BUDGET PROCESS AT A GLANCE

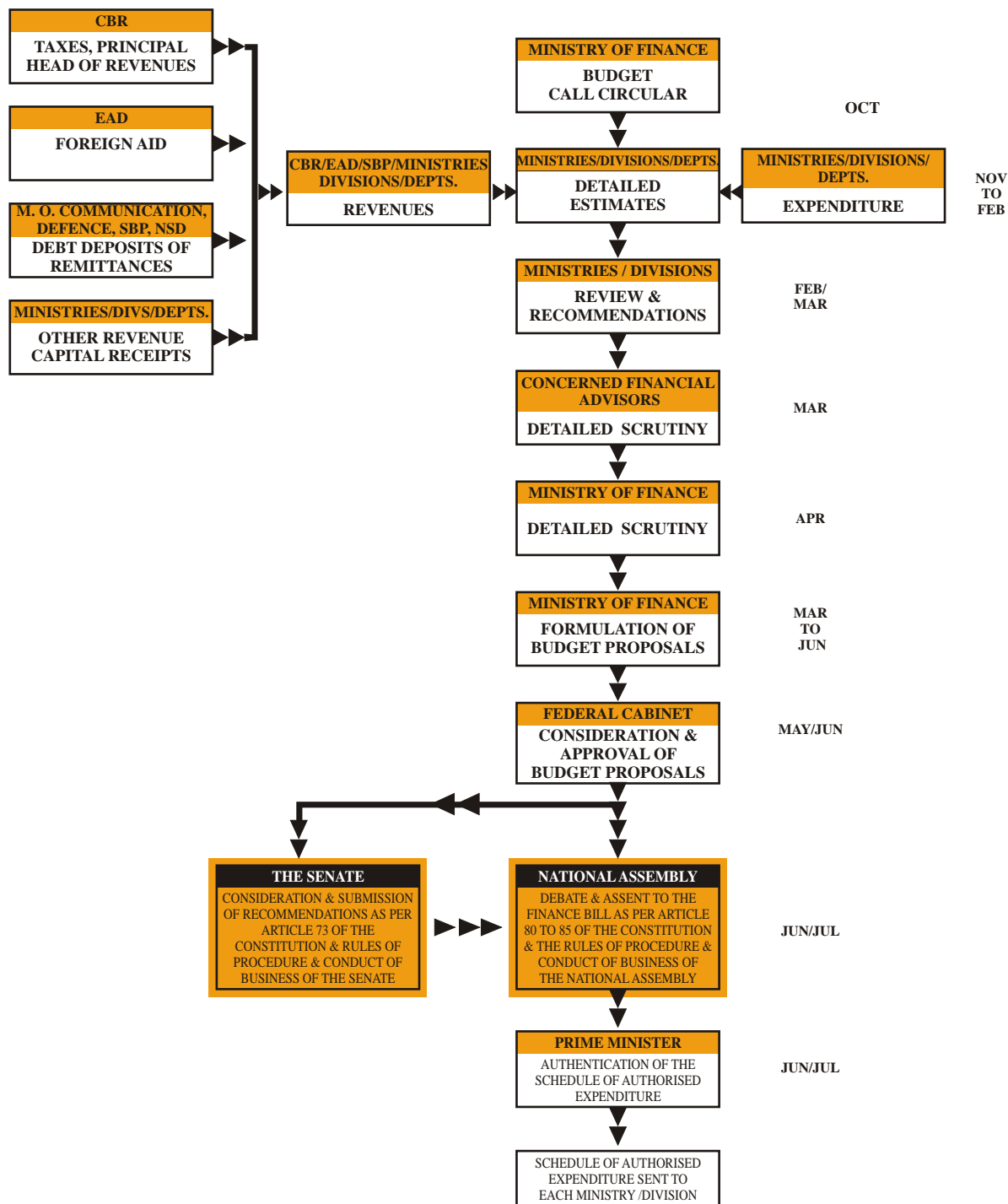
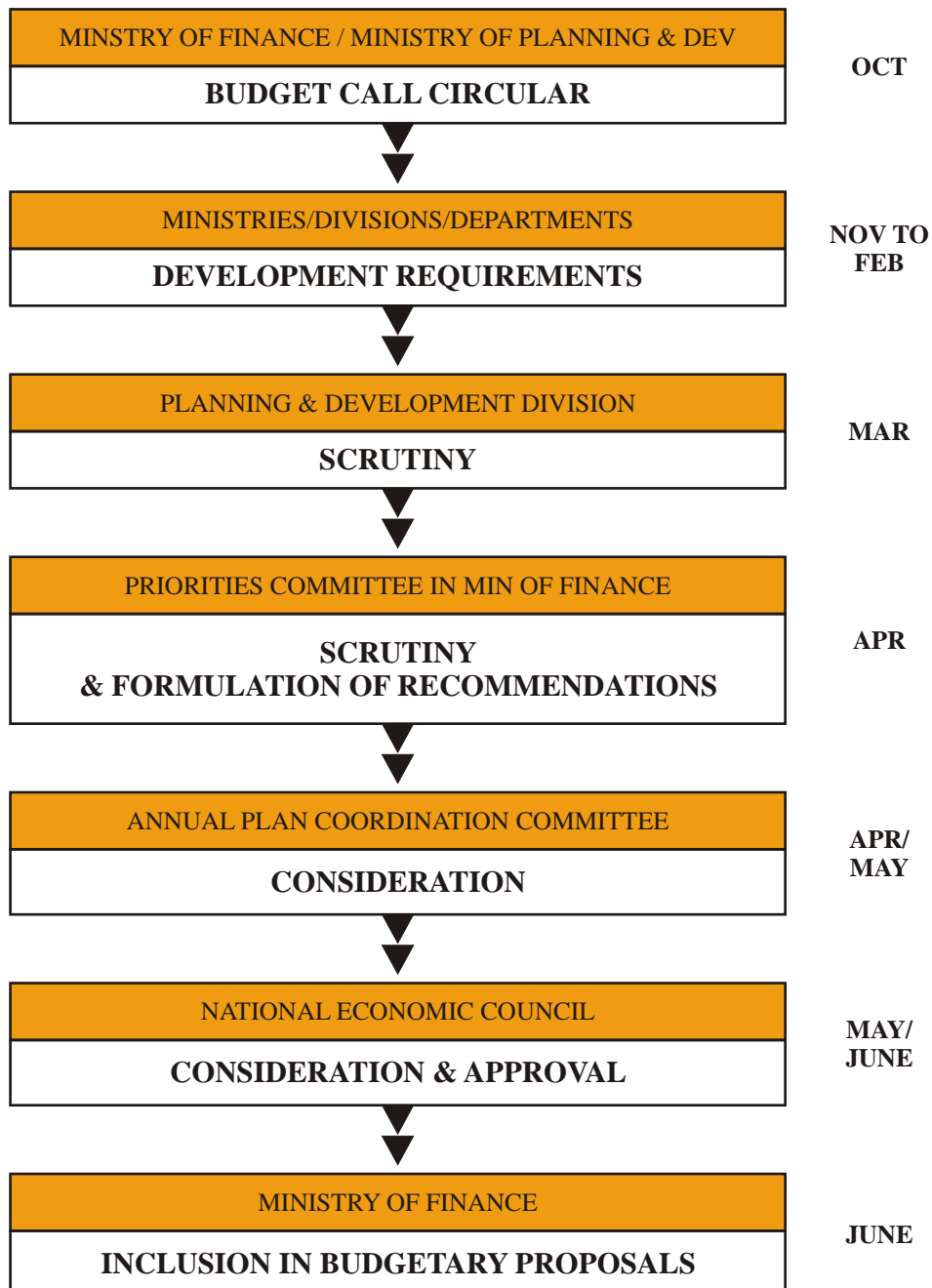


Figure 2
 ANNUAL DEVELOPMENT PROGRAMME (ADP)
 FORMULATION PROCESS AT A GLANCE





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The Federal Budget Process in Pakistan



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