

Budget Transparency in Pakistan: Findings from an International Study 2010

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Budget Transparency in Pakistan: Findings from an International Study 2010¹

Gulbaz Ali Khan

Abstract

The Government of Pakistan provides the “public minimal information” about budget formulation, execution and implementation. Lack of information makes it difficult for the citizens to hold the Government accountable for the use of public funds. According to the 2010 Open Budget Survey, Pakistan scored 38 out of 100, among the 94 surveyed countries and was placed in the bottom next to Afghanistan in the South Asian region (IBP 2010a). This Policy Brief looks at some of the outcomes of the Survey for Pakistan and makes a comparative analysis for the periods 2006, 2008 and 2010 highlighting that budget transparency in the country has declined over the last five years.

Introduction

A country’s budget is a reflection of its fiscal policy and is one of the important policy levers used in its social and economic development. It also reflects public income, spending, access to social services such as drinking water, health care, education, social security benefits, and the overall quality of life. Access to budgetary information is indispensable for assessing Government responsiveness to its citizen’s needs and demands and is reflective of public participation in the budget making process.

Background and Methodology of the Open Budget Index

The Open Budget Index (OBI) is used for assessing budget transparency all over the globe. It assesses the availability and data comprehensiveness of eight key budget documents. In addition to this, the Open Budget Survey questionnaire also contains information on the extent of oversight by supreme audit institutions and opportunities for public participation (IBP 2010). OBI is part of the Open Budget Project administered in South Asia and other low income countries by the International Budget Partnership (IBP), a Washington based non-governmental organization (NGO), in collaboration with individual independent researchers and active Civil Society Organizations (CSOs).

1 This Policy Brief presents findings from an international study conducted by the International Budget Partnership (IBP) formally published in October 2010. A multi-country Open Budget Survey was administered in 94 countries through partnership with academia, researchers and Civil Society Organizations (CSOs). The Surveys are conducted every two years. The first Survey was implemented in 2006 and covered 59 countries; the second Survey was done in 2008 and evaluated 85 countries; the 2010 Survey is the third in the series. For more information about the IBP, the Open Budget Index and the latest 2010 report, visit <<http://www.internationalbudget.org/what-we-do/open-budget-survey/>> (accessed on 15 December 2010).

The 2010 Index is the average of multiple type questions administered through partner organizations in a specific region. The questionnaire is based on 123 multiple choice type questions containing information about the eight key budget documents: Executive Budget Proposal; Citizens Budget; Pre-Budget Statements; Enacted Budget; In-Year Reports; Mid-Year Reports; Year End Reports; and Audit Report based on OBI's methodology (Ibid). OBI score ramifies the availability of information in the budget documents. However, the Executive Proposal is one of the key determinants of the overall OBI score since it contains 58 questions. The remaining questions are divided amongst the other areas identified in Box 1. Whoever performs better in the Executive Budget Proposal obtains the maximum score as per the draw down methodology.

Box 1: The Open Budget Questionnaire

The Open Budget Questionnaire
Section One: The Availability of Budget Documents
Budget Year of Documents Used in Completing the Questionnaire
Key Budget Documents Used: Full Titles and Internet Links
Distribution of Documents Related to the Executive's Budget Proposal
Distribution of Enacted Budget and Other Reports
Section Two: The Executive's Budget Proposal
Estimates for the Budget Year and Beyond
Estimates for Years Prior to the Budget Year
Comprehensiveness
The Budget Narrative and Performance Monitoring
Additional Key Information for Budget Analysis and Monitoring
Section Three: The Budget Process
Executive's Formulation of the Budget
Legislative Approval of the Budget
Executive's Implementation of the Budget
Assessment in the Year-end Report and by the Supreme Audit Institution
Source: International Budget Partnership 2010

The research process for conducting the survey was based on the involvement of country specific academicians, researchers and CSOs involved in budget related issues in their respective country. Therefore, country specific researchers were responsible for completing the OBI questionnaire, and their responses to the questions also provided with online citations for verifications (Ibid).

IBP consolidated the responses and verified them with the help of publically available information. To further authenticate the responses, they are also sent to two independent reviewers in the respective country. In most of the cases, the completed questionnaire was also shared with the respective government for comments (Ibid).² In Pakistan, Omar Asghar Khan Development Foundation implemented the survey and findings of the survey were also independently peer reviewed.

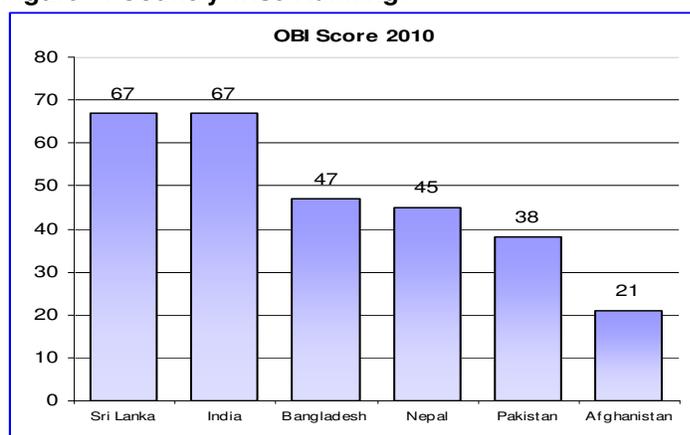
² IBP assures that the comments of the peer reviewers and the government are included properly.

Key Findings

Openness

The Open Budget Index (OBI) categorizes countries on the basis of scores. Highly open budget countries are placed in the “extensive information” category. According to Figure 1, Pakistan falls in the second lowest category with “minimal information” provided to its citizens, with a score of 38 and a ranking of 58 out of 94 surveyed countries.

Figure 1: Country-wise Ranking.



Source: IBP 2010.

Box 2 shows the categories in which the various countries have fallen, with Pakistan placed with 18 countries in the “Minimal” category.

Box 2: Distribution of Countries based on OBI 2010 Scores

Quality of information provided to the Citizens		
OBI Score	Number of countries	Countries
Extensive Information		
(OBI sub-scores 81-100)	7	France, New Zealand, Norway, South Africa, Sweden, United Kingdom, United States
Significant		
(OBI subscores 61-80)	13	Brazil, Chile, Colombia, Czech Republic, Germany, India, Peru, Poland, Slovenia, South Korea, Spain, Sri Lanka, Ukraine
Some		
(OBI subscores 41-60)	33	Argentina, Azerbaijan, Bangladesh, Bosnia, Botswana, Bulgaria, Costa Rica, Croatia, Egypt, Slovakia, Tanzania, Thailand, Turkey, Uganda, Georgia, Ghana, Guatemala, Indonesia, Italy, Jordan, Kenya, Macedonia, Malawi, Mexico, Mongolia, Namibia, Nepal, Papua New Guinea, Philippines, Portugal, Romania, Russia, Serbia,
Minimal		
(OBI subscores 21-40)	19	Afghanistan, Albania, Angola, Ecuador, El Salvador, Kazakhstan, Lebanon, Liberia, Malaysia, Mali, Morocco, Mozambique, Nicaragua, Pakistan , Timor-Leste, Trinidad and Tobago, Venezuela, Yemen, Zambia
Scant		
(OBI subscores 0-20)	22	Algeria, Bolivia, Burkina Faso, Cambodia, Cameroon, Chad, China, Democratic Republic of Congo, Dominican Republic, Equatorial Guinea, Fiji, Honduras, Iraq, Kyrgyz Republic, Niger, Nigeria, Rwanda, São Tomé e Príncipe, Saudi Arabia, Senegal, Sudan, Vietnam

Source: IBP 2010.

Interestingly, Pakistan's ranking among the regional states presents a bleak picture since it ranks at the bottom position in the South Asia region. Afghanistan is the worst with lowest scores of 21 in the OBI. However, it is important to mention that Afghanistan is amongst the best performers in the world and region since the last 2008 survey. It has improved from its lowest position of 8 in 2008 to 21 in the 2010 survey. Budget openness and access to public information is improving quite briskly in Afghanistan. Pakistan, however, is well behind Sri Lanka, India, Bangladesh and Nepal in the region. Sri Lanka and India scored 67 each, providing significant budget information to their citizens. The overall scores of Nepal and Bangladesh (45 and 48) clearly reflect that these two countries are more open in sharing budgetary information with their citizens. In terms of openness in sharing budget information, Sri Lanka, India, Bangladesh and Afghanistan have improved significantly when compared to the 2006 and 2008 surveys.

Accessibility

One of the important budget documents is the "Executive Budget Proposal" which contains the proposed executive plan for the next fiscal year, detailing information about revenues and expenditures (IBP 2010). It is prepared in Pakistan as an Executive Proposal and shared with the Parliament with limited time frame for discussion and citizen participation. The Executive is expected to prepare the budget document well in time and share its information with the public and legislature at least three months before the start of the next fiscal year for meaningful debate and comprehensive review (Ibid). However, the practice is quite opposite as the Executive conceals information from the legislature and the public; and presents the document prior to its approval by the Parliament.

Pakistan's Government does not produce a "Citizens Budget" which is a layman summary of the technical budget jargon. A common citizen can understand that version of the national budget and comprehend what the Government is going to be prioritizing for common people in the country. However, in Pakistan, only a summarized version of the Finance Minister's 2010 budget speech was placed on the Ministry's website which still contains incomplete and incomprehensible information.

In addition to this, according to the IBP (2010a, p.3), since Pakistan does not publish the In-Year Report and the Year End Report "in a timely manner", they are considered "Not produced" while the Mid year Review is not compiled at all. Although, there are many other documents published by the Government, these cannot be considered as the in-year and mid-year reports about budget implementation during the year.

Comprehensiveness

The GoP's Enacted Budget³ does not contain detailed information about the different fiscal activities of the Government. For example, there is limited information about the extra-budgetary expenditures, spending on the War on Terror or military expenditures. The 2010-2011 budget

3 The Executive Budget Proposal is presented in the Parliament and after its approval, it becomes the country's law and provides information on all aspects of the budget.

shows the defense budget under separate heads with limited details, while analysts found that the budget of military pensions was deliberately included under different heads. This hidden military pension budget was nearly equal to the proposed expenditures of the Federal Government operations.

Parliamentary Approval

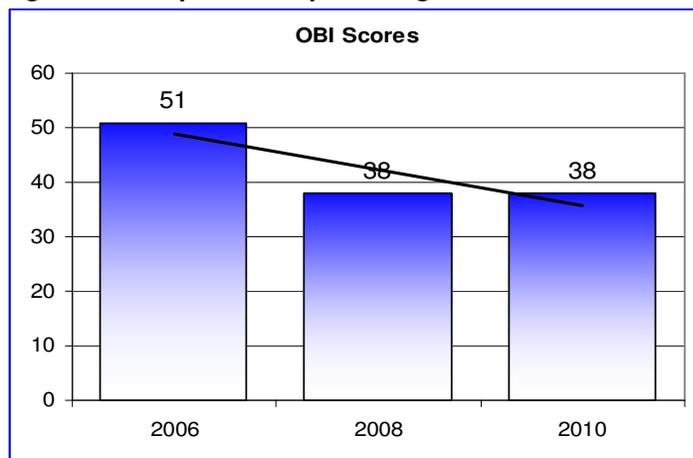
Parliament is the supreme body in Pakistan that approves the Federal Government's money bills, including the annual budget and converts the Executive Proposal into Enacted Budget. However, the Parliament receives the Proposal less than four weeks before the start of fiscal year leaving little time for more than 500 parliamentarians in the country to go over it. Ironically, they are also given hardly any time (less than one hour) to speak on the budget priorities and share recommendations.

The Auditor General Reports

Article 171 of the Constitution of Pakistan states “The reports of the Auditor-General relating to the accounts of the Federation shall be submitted to the President, who shall cause them to be laid before [both Houses of Majlis-e-Shoora (Parliament)] and the reports of the Auditor-General relating to the accounts of a Province, shall be submitted to the Governor of the Province, who shall cause them to be laid before the Provincial Assembly” (GoP). The Auditor General of Pakistan (AGP) publishes reports on the financial transactions in the country and finds out where the leakages have happened in the use of public money. These reports are published by this supreme audit institution with substantial time lag which sometimes decreases the significance of the provided information. However, the Government provides audit reports about the use of public money and solicits information on whether their recommendations are implemented or not.

Pakistan's Comparative Performance (2006-2010)

The comparative performance of Pakistan exhibits declining budget transparency over the last three surveys conducted by the International Budget Partnership (IBP). For the first time, an Index like the OBI has shown openness of budget formulation, execution and monitoring of the public funds. Figure 2 shows decline in Pakistan's Index value over the years.

Figure 2: Comparative Open Budget Index Score-Pakistan

Source: IBP 2006 (51), 2008 (38) & 2010 (38).

In 2006, Pakistan's Open Budget Index Score was 51 percent with "some information" being given to the public. It is interesting to note that the best performance of the country on this score happened during the period of the Army-led democracy. This is ironic, since according to well documented research, democracy is always coupled with greater transparency and accountability. However, the situation is quite turbulent for Government officials and legislatures since the level of transparency has declined after democratic forces came to power in the country. The IBP (2010) finds that there is a positive relationship between democracy and budget transparency. It also finds that countries that have democratic governments on average score higher than those governments having non-democratic systems. It appears that Pakistan's OBI declined by 34.21 percent during 2006-08.

The declining budget transparency in 2008 happened in such time when the country had been negotiating the largest ever stand-by-arrangement loan with the International Monetary Fund (IMF). This, too, is in contradiction with what is normally expected under such circumstances. Often, international financial institutions pressurize governments for more openness of budget information and document a country's performance over short periods. But this does not appear to be true in our case as the information available in 2006 was not available in 2008.

The situation in 2010 is still not good as the Index records no change as compared to its previous position (38 percent) in 2008. Pakistan's static performance may be attributed to the declining transparency situation in the country as already endorsed by Transparency International. Pakistan improved its position as the worst performers in terms of transparency in the world.

Democracy always comes with hope for the destitute. But, democracy in Pakistan has closed the doors to public participation and holding the Government accountable for its expenditures.

Recommendations

Pakistan is among the worst performers in sharing budget information with the public and their participation in the budget making process is negligible. However, the country has experienced vibrant debates about the budget due to an active media and civil society organizations. Many media groups now have long budget debates before it is presented in the Parliament.

It is quite important to note, however, that Pakistan's budget making process is heavily influenced by the international financial institutions (IFIs) hegemony over the macro and micro matters. Unsolicited and undue intervention in the budget development process by these IFIs is administered through an already reined bureaucracy in the country. Recent findings of the IBP (2010) have led to several recommendations which may be adopted by the Government for increasing budget transparency:

- Pre-budget statement and post-budget documents should be available in print form and online by the Ministry of Finance three months prior to the approval process.
- All budget documents should be translated in national and local languages for ensuring greater access and understanding of the budget documents.
- Citizens' Budget should be prepared in simplest form to enhance understanding of the technical budget jargon and published right after the Budget Proposal (IBP 2010).
- A budget performance indicator should be developed and incorporated in the budget.
- Budget Proposal should be sent to the Parliament three months prior to its approval process in order to generate meaningful debate (IBP 2010).
- In- year, Mid-year and Year end reports should be compiled and published on time (IBP 2010).
- There should be more public engagement in the budget making process through public meetings, polls and pre-budget consultations.
- Capacity building of parliamentarians should be addressed to create meaningful discussions within the legislative houses.
- Civil society groups should organize Budget Forums to increase and unite public voices for budget transparency. These budget forums should also be established at district and provincial levels to track the budget process and raise voices for assessing the budget information.

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