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Flawed budget process

THIS is the annual budget season. Federal and provincial budgets have either been presented or will soon be presented. Two provincial governments have already presented their budgets in their respective assemblies while the other two will shortly follow suit.

Debates on the budgets are raging both inside the respective legislatures and outside. Electronic and print media are extensively covering and promoting these debates. All of this is very healthy and the hallmark of a democratic society.

However, almost the entire debate is about the budget numbers — taxes, excise duties, revenue targets, fiscal deficit and allocation of funds to various sectors and ministries to the almost total exclusion of any discussion about the unique and serious flaws in the budget process which produces the most important policy document of the government ie the annual budget statement.

In Pakistan, there are four serious flaws in the process of preparing, passing and implementing the annual budget in the assemblies, both at the federal and provincial level. First and foremost is the absence of a public finance management law which governs the budget process. Article 79 of the Constitution states that all matters relating to the federal consolidated fund and its operation “shall be regulated by Act of Majlis-e-Shoora (parliament) or, until provision in that behalf is so made, by rules made by the President”.

Despite the passage of 46 years since the adoption of the Constitution, parliament has simply failed to pass a public finance management act, and as a result, all these extremely important functions are regulated under an ad hoc arrangement by the executive as it deems fit. A government in power commanding the majority in the National Assembly feels that the absence of a public finance management act gives it the unbridled power to regulate the federal consolidated fund and related matters, and therefore, it takes no initiative to legislate on this important area of state business.

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The opposition is generally too busy in point-scoring against the government and hardly has the aptitude or time to think of a serious issue as this and agitate on it in parliament. Since the opposition does not have the numbers to pass an act, it usually feels that it amounts to the wastage of time and energy to draft and push a private member’s bill. It is only recently that Senator Sherry Rehman is understood to have submitted a bill to this effect in the Senate. It remains to be seen how this bill is treated in the National Assembly even if it manages to pass through the Senate.

The second and probably the most serious flaw in our budget process is the constitutional provision which gives almost unlimited power to the executive to alter the budget even after it is passed by the National Assembly. Article 84 of the Constitution provides for ‘Supplementary and Excess Grants’ which the federal government has the power to authorise without prior approval of the Assembly. This alteration in the budget is then reported to the Assembly in the form of a ‘supplementary budget statement’ at the end of the financial year when the next year’s budget is presented in the Assembly. The latter, at that point, has little option but to pass the supplementary budget as the expenditure has already been incurred.

There are many instances where a government has started the process of altering the budget soon after its passage. This provision seems to be unique to our Constitution and only Bangladesh has inherited it. Our research indicates that no other country has this unique provision to give powers to play with the budget approved by the Assembly. Denmark has an emergency provision under which the government can alter the approved budget but only after obtaining approval from the parliamentary committee on finance. Pakistan has such a committee but it is kept out of the entire budget process and has no role in approving the supplementary budget.

One can understand that there may be instances when a government genuinely needs to alter the budget but then the governments go back to parliament to seek its approval for the alteration. Pakistan has the dubious distinction of not considering prior approval of parliament necessary for amending the approved budget. It is surprising how Pakistani parliamentarians can live with a situation where one of their most important powers to authorise finances is compromised. A new public finance management law is, therefore, badly needed to correct this historic wrong and amend Article 84.

Third, although the National Assembly has to bear the burden of passing the annual budget with recommendations received from the Senate, the process of debating and passing the budget gives the impression of non-seriousness. The total duration of the budget debate is too short to allow any meaningful study, analysis and debate on such a serious issue as the annual budget. The average duration of the budget debate in the past years has been around 12 days consuming about 40 working hours. In a house of 342, this duration is obviously too short for a serious business such as the budget to be transacted. This is the reason that members of the National Assembly have little incentive to prepare for and engage in a serious budget debate.

And last, unlike other legislations that normally have to be referred to the concerned parliamentary committees for detailed scrutiny, the finance bill is not referred to any committee. The budget is also not seen by any committee and therefore an in-depth review of it is not possible. By contrast, India has a parliamentary budget process spanning 75 days with a provision for the parliamentary committees to examine the respective parts of the budget and submit a report to the Lok Sabha for a general debate.

Isn’t it time that the parliament of Pakistan passed a public finance management act to rectify these flaws?

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