Study of the Recent Budgetary and Planning Reforms in Pakistan

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Government of Pakistan
Finance Division
Gender Responsive Budgeting Initiative (GRBI)
CONTENTS

Acronyms iv

Introduction 1

1 Description of Reforms at Various Levels 2

1.1 Poverty Reduction Strategy Paper (PRSP) 2
1.2 Perspective Plan 2001-2011 3
1.3 Medium Term Budgetary Framework (Federal) 4
1.4 Medium Term Budgetary Framework (Punjab) 5
1.5 Medium Term Development Framework (MTBF) 5
1.6 Project for Improving Financial Reporting and Audit (PIFRA) 6
1.7 Performance Budgeting in Punjab 6
1.8 Decentralization and creation of local governments 7

2 Chronology and Status of Reforms 11

3 Process and Institutional Innovations 13

3.1 Role of Legislative Houses 13
3.2 Participation and Access to Information 14
3.3 Accounting 14
3.4 Gender Reform Action Plans (GRAP) 14

4 Key Roles and Actors 19

5 Capacity Building Initiatives 21

6 Potential Impact of the Reforms 23

7 Risk Analysis 24

8 Conclusion 25
Annex-I: Innovations in Budgeting under GRAPs 26
Annex-II: Budget Making Process 30
Annex-III: Potential Areas for GRB in the MTBF Process 36
Annex-IV: Extracts and Examples from Key Documents 39
<table>
<thead>
<tr>
<th>ACRONYMS</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABS</td>
<td>Annual Budget Statement</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ADP</td>
<td>Annual Development Program</td>
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<td>AG</td>
<td>Accountant General</td>
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<td>AGP</td>
<td>Auditor General of Pakistan</td>
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<td>APCC</td>
<td>Annual Plan Coordination Committee</td>
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<td>B&amp;DC</td>
<td>Budget and Development Committee</td>
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<td>CCB</td>
<td>Citizen Community Board</td>
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<td>CD</td>
<td>Capacity development</td>
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<td>CGA</td>
<td>Controller General of Accounts</td>
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<td>DSP</td>
<td>Decentralization Support Program</td>
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<tr>
<td>ECNEC</td>
<td>Executive Committee of the National Economic Council</td>
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<td>EIRO P</td>
<td>Essential Institutional Reforms Operationalization Project</td>
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<tr>
<td>FBS</td>
<td>Federal Bureau of Statistics</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal year</td>
</tr>
<tr>
<td>F&amp;P</td>
<td>Finance and Planning</td>
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<td>GRAP(s)</td>
<td>Gender Reform Action Plan(s)</td>
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<td>GRB</td>
<td>Gender Responsive Budgeting</td>
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<td>GRBI</td>
<td>Gender Responsive Budgeting Initiative</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
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<td>MSR</td>
<td>Ministry Strategic Review</td>
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<td>MTBF</td>
<td>Medium Term Budgetary Framework</td>
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<td>MTDF</td>
<td>Medium Term Development Framework</td>
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<td>MoWD</td>
<td>Ministry of Women Development</td>
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<tr>
<td>NAM</td>
<td>New Accounting Model</td>
</tr>
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<td>NCSW</td>
<td>National Commission on the Status of Women</td>
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<td>NEC</td>
<td>National Economic Council</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>NPA</td>
<td>National Plan of Action</td>
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<td>NWFP</td>
<td>North West Frontier Province</td>
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<tr>
<td>PC-I</td>
<td>Planning Commission Form # 1</td>
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<tr>
<td>PFC</td>
<td>Provincial Finance Commission</td>
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<tr>
<td>PIFRA</td>
<td>Project for Improvement of Financial Reporting and Accounting</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSDP</td>
<td>Public Sector Development Program</td>
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<tr>
<td>P&amp;D</td>
<td>Planning and Development</td>
</tr>
<tr>
<td>SAC</td>
<td>Structural Adjustment Credit</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
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<tr>
<td>TMA</td>
<td>Tehsil or Town or Taluka Municipal Administration</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>WDD</td>
<td>Women Development Department</td>
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INTRODUCTION

GRBI is a UNDP assisted project based in the Finance Division. It works to a) develop skills to prepare, review and analyze budgets using the gender lens; b) promote policy and resource allocation with a gender perspective; and c) build advocacy skills of government of Pakistan and civil society organizations for gender budgeting. The project commissioned a study of the budgeting and planning reforms in the country with the following aims:

1. Document government’s gender budgeting reforms for ease of reference
2. Provide, in collated form, information to the GRBI office for use in their planning decisions and clear up any misinformation on the issues
3. Identify potential actors for synergistic action

Later, during the course of the study it was focused on the general planning and budgeting reforms in the country with a limited focus on gender responsive budgeting related reforms.

The report collates the results of the study in the following sections responding to the TORs. Since the purpose was not to produce an academic treatise it aims to fulfill the needs of project management and planners. The TORs have required an overview of the reforms to help identify areas for strategic and focused interventions.

The report contains this brief introductory section and leads into a description of reforms at various levels of government. The reforms have brought in changes which have taken place under various initiatives without necessarily any comprehensive overarching program. Section 2 documents the status and chronology of various reforms. It thus provides a perspective of the changes that have taken place or are in the offing. Section 3 then deals with some specific institutional processes that have changed or are being changed as a result of the reforms of the budget and planning organization and methodologies. This is followed by a description of key actors and their roles in section 4. The actors, like the reforms, are interspersed among the three tiers of government. Section 5 briefly recounts important capacity building initiatives connected with various reform initiatives. Section 6 analyzes the potential impact of reforms from the gender budgeting perspective. As a result of the changes budget making process has evolved over time. Section 8 provides a risk analysis of the reform initiatives.

Budget making process at the federal and local level and MTBF process and potential areas in it for GRB are presented in the annexes. The federal and provincial levels have similar budgeting processes, as is clarified at the beginning of Annex on Budgeting making process

The study was carried out in November-December 2005.
1 DESCRIPTION OF REFORMS AT VARIOUS LEVELS

Various reforms in the budgetary systems and, in general, public resource management processes are underway. These have or are changing the systems in which government resources are allocated to policy objectives creating opportunities for gender responsive budgeting. The analysis in the following sections is being presented in a manner so that the GRBI project can make informed choices for targeting its initiatives, building partnerships and strengthening any possible synergies with other initiatives for achieving its results.

Over the past five years important changes have been adopted in public resource management systems in the country. Some of the changes were brought in to deal with pressures created by the environment in which policy making was taking place while others can be linked to the changes in international practice. The reforms have changed the way in which budgets are put together, executed, accounted for and reviewed. The changes are not confined to the preparation of budget documents alone but span the whole range of processes leading up to and following on from preparation of budget documents. It is important to review the whole range of reforms for the fact that budgeting is not preparation of budget documents alone but it includes a number of steps through which resources are allocated to various policy priorities and spent to achieve their objectives. The changes and reforms offer opportunities for introduction of gender responsive budgeting.

Planning and budgeting, which used to be two disparate domains, are being gradually integrated progressively at a functional level; the institutional arrangement remains divided in different agencies. Local governments unlike the federal and provincial levels have a unified finance and planning office. At the same time there has been an effort to abandon formal and rigid time bound macro-level planning. Exercises on five year plans have been replaced by work on PRSP and MTDF.

1.1 Poverty Reduction Strategy Paper (PRSP)

The Poverty Reduction Strategy Paper has been adopted by the government as a framework for medium term development policy. The PRSP was formally announced on 31 December 2002. Earlier Interim PRSP was prepared in 2001. Poverty Reduction Strategy Papers are prepared by the World Bank member countries through a participatory process involving domestic stakeholders as well as external development partners, including the World Bank and International Monetary Fund. Updated every three years with annual progress reports, PRSPs describe the country's macroeconomic, structural and social policies and programs over a three year or longer horizon to promote broad-based growth and reduce poverty, as well as associated external financing needs and major sources of financing. Interim PRSPs summarize the current knowledge and analysis of a country's poverty situation, describe the existing poverty reduction strategy, and lay out the process for producing a fully developed PRSP in a participatory fashion. This process was followed for Pakistan's PRSP 2002. PRSP revision initiative is
underway in the Ministry of Finance. Once completed, this will lay down policy and planning parameters for another three year time period.

The institutional leadership is housed in the Finance Division whereas the earlier perspective plans were led by Planning Division. The location of PRSP secretariat in the Finance Division signals an important change in Pakistan’s resource management strategy from more than one perspectives: a) the leadership of macroeconomic planning has largely shifted to the Finance Division; b) resource allocation and development management are seen as parts of an integrated domain instead of two distinct functions in the government; c) the close and inseparable connection between the recurrent expenditures and ‘development’ expenditure has been recognized and given effect in the modality of PRSP; d) development objectives are conceived as outcomes of all kinds of public expenditures rather than additions to the capital stock of the country; e) the shift also accords recognition to the centrality of service delivery in the pursuit of development.

Despite the PRSP becoming an official policy document it has not pervaded into sector budget making. The ministries have continued preparing budgets as before. The PRSP M&E system has not been fully integrated into the policy making processes whereby any deviations from the target allocations or policy commitments can be automatically taken up by the PRSP secretariat. The split between the development and current budgets hasn’t narrowed. Ministries continue preparing the budgets as two separate documents and the mechanisms for undertaking the two sides of the budget are also separately aligned (for description see Annex on Budget Making Process). Even then the shift indicated by the PRSP is significant and does indicate an embrace of conceiving and preparing budgets in line with the overall development and underlying sector policies.

PRSP work has been adopted in Punjab where work has taken place on a provincial PRSP (below). Initially there was enthusiasm about ultimately developing local PRSP under the federal and relevant provincial PRSP. This hasn’t been followed through.

1.2 Perspective Plan 2001-2011

The five year plan exercise was largely abandoned after 1998. The Eighth Five Year Plan ran its course from 1993 to 1998. Due to pressures on the economy generated to a significant extent by the nuclear device testing the five year plan could not be developed beyond 1998. In 2000 work was carried out on a ten year perspective plan with three year rolling plans for its implementation. The Plan was to be implemented through annual reviews and adjustments. The Plan was a indicative of the short term pressures on the economy. With improvements in macroeconomic indicators Visions 2030 and the MTDF processes took over (see below).
1.3 Medium Term Budgetary Framework (Federal)

Together with PRSP there have been endeavors of the finance departments in the country to develop medium term budgetary frameworks. Revenues and expenditures have been projected over a medium term horizon. Planning within the resource envelope is bringing in prioritization and consideration for efficiency, economy and value for money. The MTBF process requires ministries to lay out policy priorities based on a ministerial review, develop specific indicators, compute resource allocations for achieving them and lay down the manners in which they will be achieved. In a managerial sense the reform means that the ministries will be accountable for their own targets and the budgets will be provided once clearer policy objectives have been worked out and agreed upon.

The MTBF process, initiated in Population Welfare and Health in FY06 and being rolled out in FY07 in five other ministries, Ministry of Education, Ministry of Food, Agriculture and Livestock, Ministry of Education, Ministry of Women Development and Ministry of Finance, comprises of following steps (the process was undertaken for FY06 and will be repeated to update the baseline budgets and create indicators and ceilings for the three year period FY 07-09); the total ministries switching over to MTBF from FY07 will be seven:

1. **Determination of Baseline Budgets for FY 07-09:** In each ministry a Strategic Review will be conducted by a team of professionals (called the Core Team in the MoF Guidelines). The activity will generate the Ministry Strategic Review Report. At the same time the MTBF Forms (C1, C2 and C3 for the Current Budget and D1, D2, D3 and D4 for the Development Budget) will be used for drawing up estimates. This information will be used for drawing up the Baseline Budget of the ministry. The manner in which data are to be compiled for MTBF will link outputs with spending and budget spending with policy objectives. At the same time the Baseline Budget will provide a benchmark against which new policy proposals and initiatives will be compared.

2. **Determination of Indicative Budget Ceiling for the MTBF:** An interactive process between the MoF and P&D on one side and the line ministry will take place to provide appropriate assessment of spending capabilities and financing constraints. It will help refine estimates and lead to Indicative Budget Ceilings for the ministry.

3. **Agreed Budget Ceiling:** Again through an interactive process the output of the earlier step will be discussed by the ministry with (Ministry of Finance) MoF and Planning and Development Division (P&D) leading to an Agreed Budget Ceiling. This might be revised in light of NEC decisions on macroeconomic policy.

4. **Finalization of MTBF Estimates:** The decisions and agreements of the earlier phases will be translated into budget documents. Prescribed formats will be used. The data finalized in the earlier steps will then be used for filling in Budget Order/New Item Statement for FY 07. Two formal responses will be submitted a) for MTBF FY06-09 and b) annual budget for FY 07. PSDP forms will also be submitted at the same time for FY 07.
The government departments therefore are intended to be seen less as spending units and more as managers of public resources and efficient providers of public services. The earlier ethos where line ministries were spending units aiming to attain physical and expenditure targets, once the central plan had been conceived and approved, has now given way to the newer thinking. As the MTBF process takes root it is likely to change the way government departments functions on these lines. MTBF provides a comprehensive planning device both for recurrent and capital expenditures. All the MTBF ministries will adopt it for FY07 to FY09 (see Annex-IV for specific potential for GRB).

1.4 Medium Term Budgetary Framework (Punjab)

Punjab started with MTBF in FY 06. The MTBF was prepared for the period FY 06 to FY 08. The Punjab MTBF presents a broad resource and expenditure picture where the allocations have been made to PRSP sectors indicated in the Punjab PRSP. Some of the critical sectors which are being allocated resources under MTBF, for which medium term expenditure requirements have been worked out keeping in view the policy objectives are education, health, water supply and sanitation, agriculture extension, rural development, housing, safety nets and access to justice. The one cal circular for all departments was sent out by Department of Finance. The process was led by the Finance Department. The MTBF concept was shared with other departments through seminars and meetings. The departments were asked to provide their projections for three years on MTBF but the response was not very encouraging. So the Finance Department completed most of the work itself. The Budget Call Letter was amended to included additional forms for providing info regarding medium term projections. It did not include a deliberate sectoral review (in part, at least, because the federal sectoral reviews were meant to cover all three tiers of government). At the level of Finance Department the MTBF provides the framework for annual budget making. The sectoral allocations are more or less kept at the levels indicated in the MTBF. Departments generally do not follow the MTBF for drawing up their budgetary proposals. MTBF has not been updated since its first round (MTBF is usually a ‘rolling’ three-year plan which is updated annually, but the process for its annual update has not been initiated so far). As such no mechanism for updating exists. The budget and planning cycle for FY07 has already started but the MTBF annual update has not commenced with it. Recently DfID has shown interest in updating Punjab’s MTBF through grant support.

1.5 Medium Term Development Framework

The federal government has largely abandoned five year plans. The Perspective plan developed in 2001 conglomerated major priorities for the coming ten years. The improvement in the economy has again revived confidence in longer term planning and together with Vision 2030 a five year plan has been developed called the MTDF. The five year plan is for the period from 2005 to 2010. Unlike the five year plans of the earlier genre this is an indicative plan and only gives broad strategic directions whereas the earlier plans delineated sector priorities as well as included details of projects to be undertaken in each sector. The MTDF states that the PRSP has been subsumed in the
MTDF but this view is not shared by all. MTDF is an ongoing process, with periodic updating, and will keep providing policy direction to development in the country in an ongoing manner. The updating mechanism will be most probably the usual Planning Commission led consultations, preparation of sector assessment papers under the leadership of the Planning Commission, inter-ministerial consultations and finalization of proposals by the Planning Commission. This is however not laid down specifically. This is a good instrument to lay out resource requirements for the medium term. Unlike the five year plans this perspective plan is a mechanism for prioritization of major initiatives and strategies for development of various sectors and highlights major projects in the sector for resource mobilization. Since the MTDF does not specify projects for each sector it is not an instrument which attempts to direct development for a five year time period. The perspective plan includes a chapter on women’s development. However the sector policies and discussions are still not gender responsive. Gender mainstreaming in development still remains elusive. This looks even farther given that the MTDF does not integrate many aspects into the sectors.

1.6 Project for Improving Financial Reporting and Audit (PIFRA)

PIFRA contains a large number of reforms affecting the budgeting process. It is a project aiming to streamline financial accounting and reporting. The public sector accounts maintained on cash basis will now be formulated on a modified cash basis. The accountants will record the expenditures the moment it is committed as opposed to the current system where cash in accounted for while the committed expenditures do not get reflected in the accounts. The use of double entry will allow commitments to be reflected in a timely manner and planning to be more realistic. PIFRA has also replaced the earlier chart of classification with a new chart of accounts. The disaggregation of expenditures made possible through the new chart of accounts provides rich information for policy review, analysis and planning in all sectors. All expenditures incurred by government departments will be recorded under the chart of accounts. The records of accounts will be computerized and this will help generate reports in an easier manner. PIFRA is being implemented by the federal government and will reach up to the district accounts offices over the next few years. In recent years the timelines have slipped for these activities. Currently it is not definite when will the plans for completion of operationalization of all the district offices will take effect. TMAs and Unions might be included in a future phase. Progressively budget preparation and management is shifting to PIFRA systems. This makes public resource management effective and more efficient. As more reports are generated decision makers at various levels of government can use the information for discussions and aligning resource management to policy priorities ever more closely.

1.7 Performance Budgeting in Punjab:

Performance budgeting, a different way of budget making, is based on the assumption that presenting performance information alongside budget amounts will improve budget decision-making by focusing funding choices on results. Mostly it makes this a requirement for budget proposals that performance plans display, generally by sector activity, the funding level being requested to achieve performance goals. Performance
budgeting shifts the focus of attention from detailed objects\(^1\) of expenditure to the allocation of resources based on sector goals and measurable results.

Performance data is an essential requirement for ministry or government agency officers to justify current sector performance. At the same time the date is important for the legislators as a tool to improve efficiency. It gives much clearer data for resource allocations as well as legislative oversight. Once in the performance budgeting mode the government agencies continue to strengthen the linkages between their performance goals and budget requests.

In countries where performance budgeting has been adopted (especially USA) it has helped result oriented resource allocation. At the same time issues remain in its practice. There is always need to increase the use of performance data in the resource decision-making process. Even when government agencies establish linkages between results and resources, the strength of these linkages varies considerably. Many times a review of goals and related funding requests brings out the general levels of expected performance, like whether in general the government agency has done well or not, instead of the more detailed and specific performance goals that were agreed upon.

Program budgeting is used to refer to a variety of different budgeting systems which base expenditures primarily on sector priorities and programs and secondarily on detailed resource allocations to various items. It is considered a transitional form between traditional line-item and performance approaches.

Punjab started a performance budgeting approach with the budget of FY00. Initially six departments provided budgets on performance budgeting formats. It continued till FY 04. Sector targets were worked out and published in addition to the traditional budget. This has been followed up annually with the same exercise. However, the process of performance budgeting has not been adopted per se. The only component of performance budgeting adopted in Punjab has been identification of tangible targets for the departments. Management change, expenditure autonomy with the budget managers or other attendant components of performance budgets have not been attempted so far.

1.8 Decentralization and Creation of Local Governments:

The decentralization reform undertaken in Pakistan since 2001 was pursued with the objective of taking decision making closer to people, increasing their participation in resource allocation and management and building stronger accountability relationships. For these purposes a number of new institutions and process have been created. In the recent years important reforms in public resource management have taken place in this domain. These are as follows:

\(^1\) Objects is the term used in the Pakistani accounting systems to represent items to which resources are allocated
a. Decentralization of expenditure units:

Under the local government reform the four provincial governments were decentralized to create 112 districts, 389 Tehsil or Town or Taluka Municipal Administrations (TMAs)—the second tier local governments—and 6633 Union Administrations in the country. Structurally, the district units have been created by disaggregating the departmental budgets of the provincial line agencies and conglomerating them back at the district level. Some new expenditure lines were also created to provide for the new functions at district level. These are finance and planning, district coordination, Nazim’s office, literacy office and IT office. The last two have not been operationalized across the country. In this manner the district governments have been created out of the earlier centralized provincial expenditure arrangements. The creation of TMAs has been different to that of districts as well as more complex. Geographically, around a nucleus of an earlier local government new areas have been added. At the same time new functions have been stitched to the earlier urban local government budgets to create TMAs. One important function, water supply and sanitation, has been detached from the province and added to the TMA list of functions for the rural areas in their jurisdiction. This has been uniformly legislated in the four provinces but in practice has happened in Sindh and Punjab only. The unions have not received any major expenditure responsibilities.

b. Decentralization of revenue items:

Local governments have been assigned important revenue items. In theory, all the user charges and fees in the sectors assigned to local governments have been given to them. In practice the situation is far more complex. The user fees are collected by district governments but mostly deposited in the provincial accounts. In some cases they are transferable to the local units on collection basis but otherwise they form part of the general provincial resource pool. Property tax and tax on transfer of property are two other important items given to local governments. Administrative arrangements for their collection are unclear and in most cases this tax continues to be levied and collected by the province. The TMA councils have been given the authority to levy the tax in new areas. This is a major change. Earlier the province declared areas where the tax could be collected. Now the authority has been given to TMAs.

c. Local level legislative role in budget making:

This is the most important aspect of the decentralization reform. Earlier the district and lower level offices of the service delivery agencies of the government were mostly spending units controlled and directed by the central offices. With the reform resource allocation choices can now be made at the local level. Local councils have the power to prepare budgets and allocated resources according to their choices. Budgets are approved by the majority of council which comprises of union representatives, special seats (peasants and labor) and 33% of the seats reserved for women. The budget making process therefore at the local level has become democratic (see Annex-III for details of budget making process).
d. Accounting:

At the local levels accounting is divided between the local level accounting outfits and provincial and federal accounting agencies. TMAs have their own staff for accounting. District accounts offices are either controlled by the province or the federal agency of the Accountant General. Side by side with the decentralization reform of public resource management in general, accounting is being centralized. Thus the accounts were decentralized before even though functions were not. In all the four provinces there is an ongoing effort to prepare TMA accounts at the district level in the district accounts office. The reasons often given for this attempt is that it will help consolidate accounts better. Similarly, federal agencies are keen to manage district accounts. Parallel to these efforts is the federal cabinet decision to decentralize accounts to the province from the federal level. This would mean that provinces will be allowed to prepare and manage their own accounts from fiscal year 2006-2007, while setting standards and oversight for ensuring compliance with the standards will remain a federal function. The third strand of reform is introduction of PIFRA systems at the district level. Accounting is moving from cash basis to modified cash basis with a double entry system. Technologically it will be possible, after full implementation of PIFRA, to obtain country wide, as well as location specific, details of expenditures on any sector or any particular kind of expenditure.

e. Performance budgeting

Local government budget codes provide room for performance budgeting. [you have not discussed performance budgeting at the federal and provincial levels. It would also be useful if you can briefly explain what you understand by performance budgeting and program budgeting before using these terms. As opposed to incremental budgeting, where the baseline current expenditures are somewhat protected and most of the discussion focuses on new expenditure proposals, performance budgeting begins by analyzing the existing outlays, review them in a policy objectives setting and seeks targets for which any expenditures are sought in the budget.

In the local government budget rules forms have been provided which can help collection of data usable for performance budgeting. At the same time the council committees are an institutional mechanism for closely analyzing performance of the local level departments. More formally performance budgeting has been attempted in two districts in Punjab, Faisalabad and Multan in FY 04. Preliminary training material was produced and local government officials were trained. The initiative however did not take roots. The commensurate management reform did not happen. The budgets are therefore largely prepared on the classical patterns. It was discontinued in FY 05.

f. Integration of recurrent and development budgets

A significant though less recognized change in local governments is the integration of planning and finance offices at the district level. This is an important step towards doing away with the dichotomy of recurrent and capital expenditures. The budgets of local governments are still prepared on the classical pattern largely because the budget codes
and forms have only included some of the concepts of program budgeting but have not brought in a wholehearted change.

g. **Punjab Planning Manual**

In Punjab a new planning manual is being developed for local governments. The planning manual is attempting to formalize a reform of the older planning modality where planning had become synonymous with centrally determined sectoral priorities, decision on the modalities for achieving the sectoral objectives, formulating projects as means for achieving the sectoral priorities and enforcement of these priorities through project appraisal. It is creating and authorizing new processes which allow consultants, local level reviews, control of facility managers on planning and budgeting, clear laying down of development vision and planning and resource allocation flowing out of the vision. The planning manual provides for new intergovernmental norms, mechanisms for local prioritization for development expenditures, sectoral analysis and medium term budgetary frameworks. Details of local planning process have been delineated including mandatory local level situation analysis, public consultations and preparation of sector wide plans for achieving service delivery goals. The planning manual also aims to lay down new participatory institutional processes for resource allocation.

The manual has been reviewed by P&D Department and has been approved for adoption. However formal notification has not been issued.

h. **Intergovernmental grants**

For the service delivery sectors in addition to decentralization a most important reform has been the creation of Province Finance Commissions and their related mechanisms. The evolving grant systems provide avenues for policy transmittal, performance based relationships between various tiers of government and incentives for efficient and effective resource management. The intergovernmental grant systems developing with the PFCs have created many opportunities for action on policy priorities in gender, poverty reduction and other development objectives. This is an alternative to the project modality of channeling finances towards policy objectives. PFC grants systems are in a transition. In case of Punjab, where the transition is most advanced, there are proposals to create a general purpose grant as the main modality for transfers to local government. This will allow maximum expenditure autonomy to local government. Province will communicate its policy priorities to the local government through conditional grants in each sector with emphasis on output indicators instead of controlling local decision making by specifying inputs standards. Developing norm based intergovernmental grant systems for adequate and predictable revenues to local government is a difficult area of reform. Despite active consideration of proposals the final PFC decision has not been made. Only once the PFC decision is announced the final structure of grant systems will become clearer.
2 CHRONOLOGY AND STATUS OF REFORMS

The following table documents the timing of reforms, including when they were introduced at each level. At the same time it is being pointed out whether the reforms were introduced within pilot agencies within a level of government or has their application been throughout a level of government. In addition the section gives the timeframe of the ongoing initiatives. The section is based on a desk review. The purpose of this section is to enable the project to make informed choices about its own activities and work plan implementation.

Reform have been initiated over the past five years in the following chronology:

<table>
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<th>Reform and important support actions</th>
<th>Formal introduction</th>
<th>Timeframe</th>
<th>Level of Government</th>
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<tbody>
<tr>
<td>PIFRA</td>
<td>Started 1996</td>
<td>Up scaled in 2000. PIFRA II signed Oct 2005. projected to reach all districts by 2010—the closing date of PIFRA II</td>
<td>Federal Provinces All districts Does not cover TMAs and UAs NAM used for budget making in Punjab and NWFP in FY06; Sindh and Balochistan to switch to it from budgets of FY07</td>
</tr>
<tr>
<td>Punjab performance budget preparation</td>
<td>FY 00</td>
<td>Discontinued in FY 06</td>
<td>Punjab (Provincial)</td>
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<tr>
<td>Perspective Plan</td>
<td>2001</td>
<td>Up to 2011 Largely abandoned</td>
<td>Federal</td>
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<tr>
<td>Local government creation</td>
<td>August 2001</td>
<td>Second round of elections took place in 2005</td>
<td>Provinces Local</td>
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<tr>
<td>Work on PRSP</td>
<td>2001 &amp; 2002</td>
<td>Subsumed in MTDF according to the official P&amp;D position; At the same time MoF is carrying on with the revision of PRSP</td>
<td>Federal (followed up in Punjab)</td>
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<tr>
<td>First local government budgets prepared</td>
<td>FY 03 (in May &amp; June 2002)</td>
<td>Annual</td>
<td>Local, all the four provinces</td>
</tr>
<tr>
<td>Approval and adoption of PRSP</td>
<td>Dec 31 2002</td>
<td>Three year rolling plan (however the position not</td>
<td>Federal</td>
</tr>
<tr>
<td>Initiative</td>
<td>Start/End</td>
<td>Status</td>
<td>Level</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>-----------</td>
<td>-------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Performance budgeting pilots (Multan and Faisalabad)</td>
<td>FY 04</td>
<td>Discontinued</td>
<td>Local; only two pilot districts</td>
</tr>
<tr>
<td>Country wide budget trainings (local government) creating capacity for local government budget making</td>
<td>2004</td>
<td>Might be repeated by DSP</td>
<td>Local</td>
</tr>
<tr>
<td>Country wide budget trainings (local government) creating capacity for local government budget making</td>
<td>2004</td>
<td>Might be repeated by DSP</td>
<td>Local</td>
</tr>
<tr>
<td>Approval of GRAPs</td>
<td>2004</td>
<td>To be implemented in a five year time frame</td>
<td>Federal Provincial (except NWFP)</td>
</tr>
<tr>
<td>MTBF in Punjab</td>
<td>FY 06</td>
<td>Current MTBF spans FY06 to FY08; has not been updated this year</td>
<td>Provincial (has covered important sectors, see text)</td>
</tr>
<tr>
<td>Approval of first MTBF</td>
<td>June 2005 for FY 06</td>
<td>Will be updated annually</td>
<td>Federal</td>
</tr>
<tr>
<td>Commencement of ADB TA for GRAP implementation</td>
<td>August 2005</td>
<td>To be implemented till FY 09</td>
<td>Federal Provincial Some initiatives (under the demand driven methodology of implementation) may go to local governments</td>
</tr>
<tr>
<td>Medium Term Development Framework</td>
<td>FY 06</td>
<td>FY 06- FY 10</td>
<td>Federal (Implications, as a policy document, for provinces and local governments as well)</td>
</tr>
<tr>
<td>UNDP Gender Mainstreaming Project</td>
<td>FY 06</td>
<td>Three year implementation period</td>
<td>Federal and Provincial P&amp;Ds and select planners from line agencies at federal and provincial levels</td>
</tr>
<tr>
<td>Vision 2030</td>
<td>FY 06</td>
<td>Details to be worked out</td>
<td>Federal (will include provincial and local as a policy document)</td>
</tr>
</tbody>
</table>
3 PROCESS & INSTITUTIONAL INNOVATIONS

The reforms underway or being approved, if carried through all the way, will entail major innovations in the institutional settings and institutional processes of budgeting e.g. multi-year budgeting, various aspects of performance budgeting (e.g. description of vision, mission, etc and indicators), new chart of accounts, which budget documents are affected and what changes are introduced in these documents. Some of them are comprehensive overhauls of data collection, analysis and reporting. Most reforms require development of new interagency relationships which are often ignored when the focus remains on institutional entities alone. Interagency working creates demands on rules of business, styles of management and incentives for working together.

3.1 Role of Legislative Houses

Pakistan’s budget making is led by the executive. Estimates of expenditures and revenues are prepared by professional departments. Policy priorities are laid down by the ministries. Budget proposals are drawn up by the departments led by Finance. The elected houses review the proposals, make minor amendments and approve them largely untouched. In the parliamentary system the government budget proposal is seen as a test of its strength in the legislature. This translates into emphasis on carrying the budget proposals through with the minimum of debate and amendments. The role of the legislature even in approval is thus politically curtailed.

After the end of the financial year, with a considerable time lag, the legislature looks at the audited accounts. The purpose of accounts committee deliberations is not well understood. The reports do not provide information whether the appropriations carried out by the legislature have been utilized for the objectives for which they were sanctioned or not. Mostly audit reveals cases of illegality or procedural errors. The audit, committee deliberations and the media attention all work towards creating a hype around minor or serious wrongful behavior. A much more important function of analysis and performance evaluation is oft not carried out. In fact the atmosphere in which audit and accounts committee function is geared towards application of rules and sifting evidence for identification of criminal liabilities, if any, where a positive and open performance evaluation is not possible. Departments will not feel comfortable in bringing their own weaknesses before the committee. Very little if any input goes into budget making as result from the committee process. Other parliamentary committees also lack the institutional capacity to lead or play an important role in budget making.

The process at the provincial level is a replica of the federal process. Nearly the same provisions, in the same language, define the budget process in the constitution, substituting Provincial Assembly for National Assembly; all provisions apply mutatis mutandis. The Public Accounts Committee performs similar functions for the audited accounts of provincial appropriations.

\[\text{Footnote 2}\] In some cases the absence of follow through makes these expected changes unlikely.
At the local level the council committees are a recent creation. They lack experience or institutional wherewithal to carry out a good performance evaluation of the local departments. The committees as such do not provide any input into the budget making process.

3.2 Participation and Access to Information

The reforms and changes in budget making have led to an increased access to information. Together with these specific reforms new laws have been formulated to allow the people more access to information. The Freedom of Information Ordinance and Local Government Ordinances 2001 recognize the right of citizens to have unhindered access to information. In practice more steps are required to ensure that information does reach the people. Local level committees have a great potential for allowing people access to information relating to public resource management. The budget summaries are available on the web for federal and provincial budgets. Only the large local governments place their budgets on the web along with some smaller local governments where the leadership has taken an initiative. Despite the provisions access to information remains limited because the government agencies in general have not been proactive in providing information. The laws however create a locus standi for citizens to approach the courts if information is not being made available. Recently there have been cases in the courts requiring government agencies to provide adequate and timely information to citizens.

3.3 Accounting

The PIFRA led changes in accounting systems are important measures for rendering accounts useful for policy and planning. Once accounts are maintained according to PIFRA systems and reports become available program budgeting and gender budgeting will receive a much needed support from government’s institutional processes.

3.4 Gender Reform Action Plans’ (GRAP) Reforms

GRAPs have been prepared as action oriented policy documents with attached project proposals to implement the National Plan of Action. They contain reform actions relating to political participation, public sector employment, review of laws, institutional reform, budget and planning systems and capacity building initiatives. Largely, the GRAPs are similar at the federal level and in the four provinces (NWFP has not yet formally adopted GRAP). Mostly the differences are in the nature and exact proposals relating to institutional reform. For instance the federal GRAP deals with National Commission on the Status of Women (NCSW), Ministry of Women Development (MoWD), Election Commission and intergovernmental grants which the provincial GRAPs do not cover. Among the provinces the differences relate to the structure of Women Development Directorates (and/or Departments) and the number of new positions that they’ll create at the provincial and local levels. GRAPs have an implementation timeframe of five years.

3 The description of GRAP reforms is based on the Cabinet approvals. The scope of these reforms is wide ranging but so far implementation has not been initiated (details at Annex-I).
This paper focuses on the changes in public resource management systems approved by the Cabinets under the GRAPs. The following sections describe the planned reforms while Annex-I indicates the status of implementation. GRAPs envisage major reforms in public resource management systems to create institutional processes for achieving gender responsive development in the country (see Annex-I for summary and status of implementation). The reforms range from changing the budgetary and planning processes to technical studies and institutionalization of informed discussion on government policy. They recognize the fact that gender budgeting is a process through which better policy outcomes can be achieved and it is not a one-time intervention.

a. \textit{PRSP Policy Framework}

The GRAP aims to engender the PRSP Policy Framework. The Poverty Reduction Strategy Papers (national, provincial and district) as the main instruments of periodic planning replaces the five year plans. (However, as noted above, the recent development of MTDF now seems to be challenging the position of PRSP as the main policy framework for development). A gender review of the national Interim PRSP has already been conducted by INGAD together with GRAP formulation. Follow-up actions are proposed under the GRAPs.

GRAPs also include undertaking gender review of all provincial PRSPs (and district PRSPs, once they are formulated), incorporation of recommendations in the final PRSPs, and preparations of actions.

b. \textit{Reform of the Policy Formulation Process to Include Gender}

GRAPs reviewed policy making process in Pakistan. The following actions are contained in GRAPs:

- Stated focus on gender in the written document, including identification of gender gaps in the sector, clear statements on how these gaps will be filled, guidelines and roadmap of how this will be achieved, in the short, medium and long run.
- Women recognized as a group to be proactively supported
- Quantitative targets stated, where appropriate
- Technical inputs by relevant Ministries/departments.
- Wide stakeholder consultations
- Initiation and/or approval by the political leadership
- Indicative budgetary allocations showing proportions to be spent in gender proactive measures and/or indirectly benefiting women (through regular program and projects funding)

GRAPs also envisage inputs in the policy making process before formulation of a policy, through review of draft policy documents and monitoring implementation. Through GRAP implementation Planning Commission is required to issue guidelines to government agencies ensuring that the process includes opportunities for including gender considerations in the policies.
c. **Gender Review of Existing Policies**
GRAPs aim to undertake a gender review of existing policy during their implementation. Responsibility for the review rests with the ministry of women development at federal level and the social welfare and women development department at the provincial level.

d. **Engendering Planning Process**
Planning in Pakistan comprises formal processes and prescribed formal documents for project preparation, appraisal, completion reports, monitoring and evaluation. They documents cover all components of the project cycle. These are rigidly followed, in letter and spirit, for project formulation and execution. No flexibility is allowed to design projects on any other format. Reform of the planning documents and processes is part of the GRAP actions. Together with the PC-I documents the appraisal check lists will be reviewed and modified to ensure that appraisal looks at each project from the gender perspective.

e. **Budgeting and Public Expenditure Mechanisms**
A major initiative under GRAPs is institutionalization of gender budgeting in the government. The reform includes technical studies as well as proposed changes in the budget making process. Expenditure review mechanisms seek to institutionalize gender sensitive analysis, building a debate around them and processes for adequate resource allocation to gender related policy commitments. Another component aims to institutionalize policy and program reviews for debating gender outcomes. GRAP approvals mean that the reforms have been endorsed by the Cabinets for action except in case of NWFP.

f. **Reform of Budgetary System – Institutionalizing Gender Budgeting**
GRAP reform sees gender sensitive budgeting as an analytic technique for carrying out advocacy and gender sensitive resource allocation. Its objective is equitable policies, programs and resources allocations. Through periodic studies it will generate relevant data, review of policies and programs and enliven the discussion around budget making. It includes the following studies which are to be undertaken for education and health sectors:

- Gender Aware Policy Analysis
- Gender disaggregated beneficiary analysis
- Gender disaggregated time use analysis
- Gender disaggregated public expenditure incidence analysis
- Gender disaggregated revenue incidence analysis
- Gender aware medium term economic framework

An evaluation on budgetary reform is to be produced by the ministry of women development for the Finance and NCSW. GRAP envisages a progressive enlargement of the scope of gender budgeting to include all sectors of government.

The following specific actions are proposed to reform the budget making process:
Modification of Budget Call Letters

Approval of creation of a separate demand under budget demands and creation of new codes for women specific facilities

Direction to all departments to separately indicate their women specific capital expenditures to make them more visible

Creation of a separate section in Public Sector Development Program (PSDP) and Provincial Annual Development Plans (ADPs) for all sectors to indicate women specific investments

It has been made mandatory that the following should accompany the Annual Budget Statement to be laid in parliament every year:
   - Set of policy statements to address women specific issues
   - Indication of resource allocation to corroborate policy statements

Most of the information is to be included in the budget speech of the Finance Minister. At the same time a pre-budget discussion forum will be held with women rights’ groups and NGOs so that the governmental actions can be discussed.

GRAP also includes an action to portray governmental actions for women development in the pre-budget white papers of finance giving details of policy statements and related resource allocation.

GRAP actions are largely aimed at federal and provincial levels. For the local governments they adopt a progressive approach beginning with one district and then undertaking gender budgeting in all the districts ultimately. Initially a doable exercise is that the budget documents should highlight resource allocations being made specifically for women in the district.

Gender responsive budgeting under GRAPs does not remain limited to technical side only. It recognizes the utility of political component as well. Without participation of an informed civil society gender responsive budgeting cannot produce results. On the one side there will be capacity building of NGOs to enable them to use results of technical studies and on the other the governmental process will include events where they can participate in the planning and budget making exercises.

The initial phase is dependent on special initiatives and technical studies. These are costly efforts. For institutionalization government’s own institutional processes need to churn out data regularly. For this purpose GRAP reform aims to change the survey instruments used by Federal Bureau of Statistics and accounting forms and systems. In the FBS Pakistan Integrated Household Survey and Income and Expenditure Survey are the main instruments for collecting and analyzing data. A review of the instruments for obtaining additional gender specific data will be undertaken. Similar changes will be needed at the Provincial Bureaux of Statistics.
g. **Gender Sensitive Accounting System**

This figures high on the priority list of public resource management reforms in GRAP. An accounting reform is an essential component of gender disaggregated data generation. Initially gender disaggregated reporting will be instituted for important programs only. This will be carried out through classification of budgetary allocations and provision of gender disaggregated data. A study of the NAM and potential of generating gender sensitive reports from the accounts will be another step for supporting gender responsive public expenditure incidence analysis on a regular basis. Accounts office will need the capacity to generate gender disaggregated reports from the annual appropriation accounts.

h. **Institution of Performance Measures**

In order to implement GRAP related reforms performance indicators will be formulated to assess outcomes with gender disaggregation. The MoWD, in consultation with the Women Development Departments (WDDs), will prepare these indicators. They will require a validation for application from the P&Ds, Finance and for the local governments from the Province Finance Commissions.

j. **Reporting Obligations**

GRAPs have created reporting obligations for various public sector organizations without any detailed indicators, formats or reporting mechanisms. The actual reporting formats and duties are yet to be laid out. This will require that timely data are collected and made available for reviews. The reporting obligations according to GRAP are to include:

- Sector specific targets for women’s development
- Policy and programmatic reform targets and measures
- Specific actions for ensuring provision of women’s rights and entitlements
- Specific actions on MoWD and NCSW requests

PFC’s grant systems will be used to incentivize local level action for higher level policies on gender responsive development.

GRAPs have laid out a wide ranging reform agenda. This has been approved by the Cabinets. Implementation has not been initiated on the expenditure systems reforms. MoWD and MoF have recently started their projects for implementation\(^4\). In the provinces, Punjab and Sindh have allocated resources to GRAP implementation. GRAPs are policy documents with activities and budgets attached to them. Not all activities require large expenditures. Turning cabinet approvals into actions is the next thing to watch.

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\(^4\) GRAP PC-I has been approved August 2005 for PSDP finances for most GRAP actions at the federal level; Punjab and Sindh have earmarked funds for GRAP implementation in their ADPs. MoF has approved a PC-II to implement DSP TA2 and Support to Implementation grant of ADB.
4 KEY ROLES AND ACTORS

Budgeting and planning reforms in Pakistan, including gender responsive budgeting, are multi-sector initiatives involving a large number of actors requiring each one to perform important roles. Unlike many other initiatives it is an effort which involves more than one ministries and more than one level of government. Traditionally any reform has a lead agency within government (e.g. Ministry of Finance or Planning Commission), donors or other agencies promoting and supporting the reform, and the government agencies which are being targeted. In most of these cases the key agency works in an area which falls squarely within the ambit of one ministry and therefore it is not difficult to undertake actions within the domain of the ministry to which the project belongs.

In case of gender responsive budgeting an important role clarification might need to take place between the Ministry of Finance and Ministry of Women Development where the latter sees acting on any subject relating to women as its sole prerogative. Could this be in line with gender mainstreaming as envisioned in the international gender budgeting initiatives and what will this entail for the Ministry of Finance—these are important questions. A secondary, but equally if not more important, analysis is that of clarification of mandates across the three tiers of the federation, namely the roles of the provincial departments and local governments in terms of gender budgeting. Who lays down the rules, what form the rules take, who provides mentoring to build and sustain capacity, who creates incentives for undertaking a difficult reform and who acts on various components of the process. How are the roles between the political executives, the civil service and the elected legislative organs at the three tiers to be reinvigorated with the objectives of the reform. GRB will need to remain sensitive to the various responses to these questions as they shape up in the ongoing policy discussions.

Reforms in public resource management involve multiple actors. Some of them are in the federal government while others are part of the provincial or local governments. The key actors are:

Federal
- Finance Division
- PRSP Secretariat
- Planning Commission
- Line Ministries
- Women Development Division (for GRB)
- AGP
- CGA

Provincial
- Finance Departments
- Planning and Development Departments (Planning Board in Punjab)
- Women Development Departments (for public resource management reforms in the provincial GRAPs)
- Line Departments
Local

Councils
F&P Office

Non-governmental actors:

CCBs in various districts
The press corps (specially the finance and business correspondents)
NGOs have exhibited interest but have not taken a special interest or
developed expertise so far
Wide-ranging and diverse capacity building initiatives attached to current reforms, including preparation of manuals and other materials, have been undertaken or are in the pipeline. Different projects have attempted to respond to the needs of various agencies across the country. Most of the activities do not seem to follow any coordinated plan. On the one hand it can be argued that this is not an efficient way of undertaking capacity building for public resource management. An alternative point of view is also often discussed: the diverse and varying needs of agencies across Pakistan are best served by these multiple projects carrying out their work with them. An overall effort might lead to a regimentation of activities with its own inefficiencies.

The following important projects have undertaken capacity building initiatives in public sector resource management:

<table>
<thead>
<tr>
<th>Project</th>
<th>Nature of CD work</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB Decentralization Support Program (2002 to 2007), TA 1</td>
<td>Preparation of financial rules and regulations for local governments, Training of local officials in budget preparation in accordance with the new codes, Training of accounts committees, Training of Nazims in public resource management, Performance budgeting (Sindh)…..</td>
</tr>
<tr>
<td>ADB DSP TA2</td>
<td>To commence in early 2006; it will follow a demand driven approach and will provide support for implementing public resource management reforms under GRAPs among other things</td>
</tr>
<tr>
<td>Human Development Commission</td>
<td>Sporadic trainings of local officials on maintaining accounts</td>
</tr>
<tr>
<td>PIFRA</td>
<td>Training of accounts offices, Proposed trainings of Drawing &amp; Disbursing Officers</td>
</tr>
<tr>
<td>Capacity Building Program, Finance Division</td>
<td>Trainings focusing on Finance Division</td>
</tr>
<tr>
<td>EIROP, NWFP</td>
<td>Training of senior local government and provincial level political executive; the focus of training was role clarification and</td>
</tr>
<tr>
<td>World Bank SAC, NWFP</td>
<td>the local government laws</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>ADB Punjab Resource Management Program</td>
<td>Punjab MTBF trainings</td>
</tr>
<tr>
<td>MTBF Training</td>
<td></td>
</tr>
<tr>
<td>PRSP Costing training</td>
<td></td>
</tr>
</tbody>
</table>
6 POTENTIAL IMPACT OF THE REFORMS

Various reforms in public resource management are being carried out as technical initiatives. They do not address gender issues avidly. PRSP and MTDF recognize the importance of gender and development. A gender review of PRSP is to be undertaken under GRAP\(^5\) to reveal if there are weaknesses in the document from this perspective. Similarly the policy reviews proposed under GRAPs will review MTBF, MTDF, PSDP and ADPs. PIFRA systems though not designed with sufficient consideration for gender based data disaggregation can provide useful data for analysis and periodic review of public expenditure. The PRSP and MTDF do not imbibe the spirit of gender responsive budgeting. They recognize the need to pay attention to women’s development but not as comprehensively as a GRB approach would require.

GRAPs are a major policy intervention. Since they have been approved by all the Cabinets, except NWFP, they assume the status of key policy documents. They include detailed actions for institutionalizing gender responsive budgeting. The range of interventions include policy reviews, technical studies, gender disaggregated data generation, design and implementation of institutional process and political fora for policy dialogue. Implementation has yet to commence. An important aspect of GRAPs is that they are not conceived as projects. They are governments’ policy declarations and their implementation requires multiple actors. They specifically require implementation of various components through various projects. GRAPs not only aim to generate technical data required for gender responsive budgeting but also lay out political steps for commissioning and institutionalizing a gender sensitive debate in the budget process. When and if implemented in totality they will have a major impact in institutionalizing gender budgeting.

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\(^5\) A review of I-PRSP has taken place.
There are various actors in the reform; some perceive themselves as winners, others see difficulties for themselves. Whether the latter’s perception is based on reality is unclear but as long as it is shaping up their responses to reform it is important to take note.

The roles of Finance and Planning are not clearly demarcated. Essentially the two divisions are performing roles which at the least require very close coordination. The dichotomy between recurrent and the so called development expenditure does not suit MTBF or sector planning very well. If this is not reconciled well then there are chances for frittering away of effort.

Gender Budgeting is largely a finance department work. The Ministry of Women Development perceives it as another project rather than a reform with wide ranging implications for mainstreaming gender considerations in public policy in the country. The ministry lacks the capacity and the clout to lead gender budgeting. GRBI’s current location in the finance division is therefore suitable but needs to have a convinced Ministry of Women Development on its side.

Gender finds mentions in all the important policy and planning documents. It is however still seen largely as a domain in development requiring specific projects and initiative for women. It should be realized that this approach is useful in improving the condition of women in the country albeit not adopting a potentially more effective approach namely gender responsive budgeting. Gender responsive budgeting will open up the public sector policies and expenditures to specific and continual reviews and making them responsive to the needs of both men and women without necessarily scuttling the women specific projects.

The efforts on GRB are not well communicated. There is a need for a larger number of supporters in the finance departments as well as in the local governments. This is a large audience dispersed all across the country.

There is a less recognized potential at the local level. Since the budgetary processes are still being consolidated after their creation at the local level they are much more open and amenable to reform than at other levels of government.

Gender budgeting is a technical as well as a political process. On the one hand the capacity for technical work is minimal in the country. The political part of the process similarly does not have sufficient experience to build. The incremental nature of budgetary process leaves little room for debate around the annual proposals.

Performance budgeting initiatives are in their infancy wherever they are being tried out. They haven’t taken roots because of weak capacity as well as administrative structures and management practices. Performance budgeting will require more autonomy with budget implementers, changes in performance evaluation systems, systems of rewards and sanctions and strengthening of monitoring and evaluation systems. Some reform in
the civil service will also be required to establish the control of managers over their teams.

8 CONCLUSION

Reforms in budgeting and planning have initiated a process of significant change in public resource management processes. The changes are taking place in all the three tiers of the federation. More important than what they have been able to achieve so far is the promise that lies in their potential for bringing in further change. This can only happen if the reforms are implemented full scale. Implementation has already created new demands on capacities of the existing departments and government agencies. Therefore the progress of these reforms cannot be taken as given.

It is also important to note that the reforms have unfolded opportunities for program budgeting and introduction of gender responsive budgeting. GRB can be initiated both at the technical and political levels. A simultaneous technical and political action will help achieve objectives of GRB. Under the GRAP, which remain to be implemented, various proposals for working both at the technical and political levels, have been endorsed by the Cabinets creating expectations of support for implementation. Cabinet approval is the most important features of GRAP reforms. It opens up greater possibilities of successful implementation. The complex nature of reform implementation, however, will continue to require innovative implementation modalities and timely action. The role of projects and programs, which provide the much needed capacity to critical nodes in the government, in supporting implementation will remain critical.
## Annex- I

### INNOVATIONS IN BUDGET MAKING UNDER GRAPS

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Initiate the following for education and health sectors initially, with reports submitted to the MoWD and WDDs:</td>
<td>Studies, database formulation</td>
<td>6 months</td>
<td>Not initiated</td>
</tr>
<tr>
<td>a. Gender Aware Policy Analysis</td>
<td></td>
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<tr>
<td>b. Gender Disaggregated Beneficiary Analysis</td>
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<td></td>
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<tr>
<td>c. Gender Disaggregated Time Use Analysis</td>
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<tr>
<td>d. Gender Disaggregated Public Expenditure Incidence Analysis</td>
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<tr>
<td>e. Gender Disaggregated Revenue Incidence Analysis</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>f. Gender Aware Medium Term Economic Framework</td>
<td></td>
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</tr>
<tr>
<td>2. MoWD to submit an evaluation report on budgetary reform in May 2004 and thereafter every year in the month of March to NCSW and Finance Division.</td>
<td>Report and communication</td>
<td>1 month</td>
<td>Not undertaken</td>
</tr>
<tr>
<td>3. Modification of Budget Call letters for the Budget of 2004-05 to include the following instruction:</td>
<td>Modification of notification</td>
<td>FY 03</td>
<td>Not undertaken</td>
</tr>
<tr>
<td>3a ‘All expenditure estimates of education and health to be submitted with clear indication of their intended targeting and impact of women and men’</td>
<td>Modification of notification</td>
<td>FY 03 for FY 04</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>3b Approval of creation of a separate demand under budget demands with allocation of a demand code for ‘women development’ in the federal and provincial budgets; creation of</td>
<td>Amendment in budget format</td>
<td>FY 03 for FY 04</td>
<td>To be undertaken</td>
</tr>
</tbody>
</table>

[^6]: Dates here are from GRAP documents; they are an indication of delay in implementation.

[^7]: The table is based on federal GRAP. The provincial GRAPs include sections for province level actions only.
<table>
<thead>
<tr>
<th>Proposed Action in the Federal GRAP</th>
<th>Nature of Action</th>
<th>Timeframe</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>new codes in each sector for women specific facilities and functions</td>
<td>Notification and amendments in formats</td>
<td>FY 03 for FY 04</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>3c Obligatory direction to all departments to separately indicate their women specific capital expenditures and show them as a proportion of their total capital outlays in the working papers for the Priorities Committee and Annual Plan Coordination Committee. Compliance to be monitored by the Steering Committee (see section on institutional reforms)</td>
<td>Change in format</td>
<td>FY 03 for FY 04</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>3d Creation of separate section within PSDP and ADPs for all sectors to indicate women specific investments in the capital budget</td>
<td>Change in format</td>
<td>FY 03 for FY 04</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>4a From the ABS for 2004-05 the following to accompany the budget documents:</td>
<td>Change in format of ABS and Budget Speech; Cabinet decision followed by a standing notification</td>
<td>Cabin</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>a. Clear set of policy statements to address women specific issues; these will include all sectors and separate statements will be in the form of actionable measures in light of the National Plan of Action (NPA) relating to that sector</td>
<td>Change in format</td>
<td>Cabinet decision</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>b. Clear indication of allocation of resources to corroborate action with the ministry’s sector policy statement</td>
<td>Change in format</td>
<td>Cabinet decision</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>c. These to form part of the budget speech</td>
<td>Cabinet decision</td>
<td>Cabinet decision</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>d. A pre-budget seminar with women rights groups and NGOs to present government’s commitments to gender issues and indicate resource allocations; proceeding of these seminars to</td>
<td>Cabinet decision followed by a standing notification</td>
<td>May June 04</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>Proposed Action in the Federal GRAP⁶⁷</td>
<td>Nature of Action</td>
<td>Timeframe</td>
<td>Status</td>
</tr>
<tr>
<td>--------------------------------------</td>
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<tr>
<td>be published; these seminars to be repeated by the provincial governments</td>
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</tr>
<tr>
<td>e. The White Papers to include a table with policy statements relating to women in each sector and indication of resource allocation; from the year 2005-06 the table to include a column for actual expenditures (or revised estimates) against allocations.</td>
<td>Change in the format of White Papers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4b Presentation of results of analytic studies in the seminars inviting civil society organizations and political parties to them.</td>
<td>Policy decision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Where budget formats are prepared for local governments, they will indicate allocations for women in each sector separately.</td>
<td>Notification</td>
<td>FY 03 for FY 04</td>
<td></td>
</tr>
<tr>
<td>6 The budget process for 2004-05, through the Budget Call Letter in the federal government and provinces, to include specific timeframe and dates for policy discussions with NGOs and women members of assemblies; these seminars will be designed and implemented by the Finance with active support of the MoWD and WDDs; proceeding of the seminars will be published.</td>
<td>Amendment in notification</td>
<td>Oct-03</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>7 FBS to design and implement gender based surveys to bring out data on violence against women, gender disaggregate socio-economic indicators</td>
<td>Project</td>
<td>FY 04</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>8a Direction from Finance Division to CGA [spell out] and AGs to generate sectoral reports, starting with education and health, to provide gender specific expenditures reports from the</td>
<td>Office work</td>
<td>Oct-03</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>Proposed Action in the Federal GRAP</td>
<td>Nature of Action</td>
<td>Timeframe</td>
<td>Status</td>
</tr>
<tr>
<td>------------------------------------</td>
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</tr>
<tr>
<td>Appropriation accounts of 2004-05 for gender specific facilities</td>
<td>Amendment in the Chart of Classification where required</td>
<td>Oct-04</td>
<td>To be undertaken</td>
</tr>
<tr>
<td>Direction from Finance Division to CGA to review the Chart of Classification and institute separate codes for generating gender disaggregated data where required for gender specific service delivery units</td>
<td>Resource allocation</td>
<td>FY 04</td>
<td>Included in GRAP PC-I</td>
</tr>
</tbody>
</table>
Annex-II

BUDGET MAKING PROCESS

The budget making processes at the federal and provincial level are very similar, and are thus discussed together in this annex. The federal and provincial process is as depicted in the diagram below:

Figure A
Budget making (the Federal Cycle)
Budget making as an annual process can be identified beginning formally with the call letter. However it starts in a different way which needs to be recognized. Any budget making actually begins with policy making. It is with policy decisions that government agencies lay out their priorities for allocating resources and incurring expenditures. Formal budget making is a process in which funds are allocated to the policy priorities.

Policy making in turn does not always happen as a deliberate or clearly identifiable process. In most sectors policy making takes place continually. Once in a while, and in some sectors periodically, policy making takes the form of producing a policy document. Policy making can be seen as falling into two categories – implicit and explicit. The most significant example of the first category of policy making is the roll out of health projects and initiatives over a period of time. These projects might not be predictable from any formal policy document but they are components of government’s health policy. Policy keeps shifting and changing with the passage of time. An example of the second kind of policy making is the announcement of labor policy periodically. The Ministry of Labor produces a policy document which then defines the government’s initiatives for labor. In either case policy making in reality is far more complex as a process than is generally understood. Where the formal policy making (writing of a document) offers a periodic opportunity for including gender based concerns the ongoing policy making also provides numerous points at which interventions can be made.

The general development policy is enshrined through the MTDF now after its adoption in May 2005. The framework lays down the general direction of development, sets approaches to achieve development objectives and indicate the pathway for development for a five year time period. The agency for translation of the MTDF is the annual development program. Prior to the commencement of the fiscal year, as part of the general budget making, new capital expenditures are planned in the form of projects. The list of projects can be read in more than one ways. It is a list of development interventions selected to give effect to the development policy but it is also resource allocation for short term development objectives. The ADP also sets out the tasks and activities for public sector managers. The way in which ADP is laid out means that a lot of the thinking behind the development priorities does not become manifest easily. Most of the thinking which has gone into project selection and prioritization is contained in individual project documents.

Simultaneous to preparation of annual development program is preparation of revenue and expenditure estimates by the ministry of finance. The process is set off by the budget call letter. Finance Division, and the finance department at the provincial level, set out policy priorities for the ministries and departments in the call letter. This is an important document though not used to its fullest potential in the country. The recurrent budget estimates are prepared on incremental basis. Zero based budgeting or performance budgeting has not been attempted according to their concepts; in some cases attempts have been made without wholesale reform. The performance budgeting in Punjab has so far used some components of the approach namely identification of tangible targets for the departments. Management change, expenditure autonomy with the budget managers or other attendant components of performance budgets have not been attempted so far.
Departments prepare estimates of revenue and expenditure on an incremental basis. These are submitted to the finance division, or finance department in case of provinces, in January. The development budget estimates are similarly submitted to planning commission (or planning departments or planning board as the case may be). The recurrent estimates are studied in the finance division while the Planning Commission reviews the proposed allocations in PSDP. The final review is carried out by the finance division.

In the month of March revised estimates are prepared by the ministries and departments and submitted to finance. This provides an early picture of resources, their utilization and any demand prior to the end of the fiscal year.

Priorities Committee meeting takes place in the month of April. The meeting is chaired by the Planning Division and attended by all the line ministries and provincial governments. Projects are evaluated and prioritized for allocation for resources. This is followed by the meeting of Appropriations Committee in the month of May. All the line ministries and provinces are again invited to this committee. The meeting is chaired by Finance Division. Sector allocations are discussed in this meeting. As a result of these discussions proposals for sector allocations are finalized by Finance Division.

In the month of June the National Economic Council meets. The council is a constitutional forum chaired by the Prime Minister with representation from the provinces. It plays the important role of setting economic and budgetary priorities for the country. The federal budget proposals are presented in the meeting. Main features of the provincial budgets are also discussed. The ECNEC (Executive Committee of the National Economic Council) meets more frequently with the Finance Minister in the chair. Its job is to periodically assess the economy and take decisions in accordance with the economic policy of the government. Among other things it approves large federal and provincial projects on the recommendation of the Central Development Working Party and the provincial planning machinery, as the case may be.

The final step in budget preparation is submission of the Annual Budget Statement in the National Assembly in accordance with article 120 of the Constitution. A similar process is followed at the provincial level with only difference that instead of the formal Priorities Committee and Appropriations Committee, Provincial P&D and Finance carry out reviews of the budgetary proposals of the departments. The budget proposals of the ABS are laid before the assembly in the form of the Finance Bill. This is the instrument which creates the legal basis for taxation and expenditures by the government. The bill is discussed in the assembly and members debate not only the budget proposals but also the government policies connected with those proposals. A mechanism to bring the attention of the house to a certain policy or functioning of government agency and have a debate is to move a cut motion. The primary purpose of the cut motion is not to reduce the proposed allocation to a ministry by a token amount but to create an occasion for debate using the parliamentary procedures.
The assembly deals with all the cut motions and the debate in the house and finally votes on the budget. Once the finance bill receives the support of a simple majority of the members of the assembly it is sent to the head of the government and receiving his signatures it becomes the Finance Act for the fiscal year. At this stage the head of the government signs the schedule of expenditure authorizing officials carry out the expenditures in accordance with the powers delegated to them and thus implement the budget. Budget execution or implementation is nothing but carrying out the sector or general development policy.

Budget execution takes place at various levels in each department depending upon the nature and size of the expenditure. Officials are empowered to carry out expenditures in accordance with the powers set out in the Delegation of Powers instrument in force at the time. Accounts are maintained in formats laid down federally for uniformity and ease of comparison. Most of the accounting records are manual but under the ongoing reform of the accounting systems are being increasingly computerized.

Post audit of the accounts in conducted by independent auditors. The audit reports are placed before the assembly and the Public Accounts Committee carries out deliberation on the reports. The committee, in accordance with the nature of each case, decides to hold the officials accountable for audit findings and may even order action including administrative or criminal action against officials.

At the local level budget making takes place in the following steps (the description is exact for the district government; a similar but comparatively simpler method is followed in the TMAs):
Figure B
Local Budget Cycle

Call Letter

Political Consultations
By Nazim & Councilors

Departmental Work
on Estimates

Executive

Council

B&DC Committee

Estimates
Dev/Recurrent

F&P
Policy making at the local level is a shared domain. The province and even federal government in many cases prescribe policy which local government follow and implement.

The budget call letter is issued at the end of the month of September to initiate work on budget preparation for the following fiscal year. The call letter is issued by the Finance and Planning Office for the district government. It is noteworthy that unlike the federal and provincial levels the F&P sit in one agency at the local level.

The offices of the district government work out their estimates for revenues and expenditures in their sectors. This includes work on proposals for development projects. In the month of January an invitation is made for Citizen Community Boards (CCB) led development. The estimates and proposals are submitted in the month of March to the F&P Office. In the month of March revised estimates are prepared by the departments revealing the utilization and demand for resources in the remaining part of the fiscal year.

The F&P Office prepares the draft budget, including the proposed projects and CCB schemes, and submits it to the council in the month of June. Council debates the proposed budgets and once it is approved it is submitted in the form of schedule of expenditures to the Nazim. The Nazim authenticates the schedule signaling initiation of work on the budget.

District Accounts Offices keep records of the expenditures and revenue collection. An independent audit is conducted on annual accounts once they are prepared. This happens with a time lag. The audit report once finalized is presented to the council where it is debated by the Zila Accounts Committee.
Annex-III

POTENTIAL AREAS FOR GRB IN THE MTBF PROCESS

The following areas should be considered for GRB interventions in MTBF:

1. The MTBF Secretariat in MoF prepares Guidelines for the laying down the MTBF process and assigns roles and responsibilities. Working with the Secretariat the Guidelines should be made gender responsive asking ministries to carry out Ministry Sector Review (MSR) in a gender responsive manner, assign output targets, prepare estimates and lay down budget ceilings in a gender responsive manner. For this purpose technical support should be provided to the Secretariat enabling it to develop the next Guidelines including these parameters.

2. MTBF recognizes that public sector organizations should identify tangible outputs that they seek to deliver using public resource as well as describe the manner in which these will be delivered. Therefore resource should be linked to outputs and later outcomes. This is a key shift in budgeting in Pakistan. GRB objectives can be fulfilled to a significant extent by ensuring that the outputs and the manner of their achievement are worked out by the ministries in a gender responsive manner. The first round out MTBF data should be reviewed and built upon for each MTBF sector to demonstrate the GRB manner of developing the MTBF estimates.

3. Another important change being brought about through MTBF is the creation of a multiyear horizon in which ministries can have the space and flexibility to formulate, plan and implement policies with pre-assigned indicators for accountability. The focus will shift to outputs. GRBI should work with MTBF ministries to ensure that policy formulation, determination of outputs and targets goes through a GRB review. In some cases support might be needed for formulation of gender responsive policies.

4. It is important to note that MTBF has a top-down dimension which can be used for mainstreaming gender based concerns in a sector. As the ministries formulate policies more deliberately and at specific times, integrating GRB approach into them becomes feasible.

5. Preparation of Baseline Budget presents an opportunity for the first gender responsive policy and expenditure review of the MTBF ministries. At present it is to be used for comparing the costs of new policy proposals and initiatives. Carried out from GRB point of view it can bring out the shortcomings in the baseline expenditure configuration in the sector and identify issues in them. It will provide a basis for gender responsive policy and resource allocation decisions.

6. MSR is the most important stage for incorporating GRB into MTBF. Conducting MSR from a gender sensitive manner will ensure that the ministries analyze their mandates, ongoing program, development initiatives and policy profiles critically and provide gender sensitive review for decision making to senior management. Linking outputs with spending is an important aspect of this step in the MTBF. The process will link spending with policy objectives over a three year period. A gender responsive MSR will define gender responsive policy objectives and incorporate gender responsive resource allocations for attaining them.
7. Specifically, the template for MSR should be reviewed and reformulated from a gender perspective. A new gender responsive template at Annex-I of the Guidelines will be a single most important action for introducing GRB in MTBF in Pakistan. This should be carried out by the GRBI as a priority to seek its introduction for the FY 07 reviews. In case this does not happen due to call letter already having gone out it should be introduced for the FY08 reviews and updates of MTBF in all the seven ministries (following the current practice it is anticipated that the seven ministries will update MTBF, carrying out MSR again).

8. The MTBF forms lay down templates for data collection and presentation. They lay down the manner of conceiving budgetary proposals. Making them gender responsive is an important step towards introducing GRB in MTBF.

9. Amendments to the MTBF forms will be necessary; these can be incorporated in the forms and issued in the MTBF Call Letter:
   a. Form C2: At Serial 4 to include gender related objectives in the ministerial policy, incorporate objectives from GoP policies like National Plan of Action for Women, National Policy for Development and Empowerment of Women and GRAPs.
   b. Form C2: At Serial 5 to include indication of required gender disaggregations in the output indicators; where there are existing gaps the outputs should aim to bridge the gaps.
   c. Form C3: The employee related account heads should provide gender disaggregated data.
   d. Form C3: An additional part to be added to give specific requirements for gender related expenditures; initially these can be for creation of facilities for women in the offices or public buildings.
   e. Form D1: At Serial 14 defining ministry’s policy objectives to include gender related objectives, incorporation of objectives from GoP policies like National Plan of Action for Women, National Policy for Development and Empowerment of Women and GRAPs.
   f. Form D3: At Serial 6 to include gender related objectives in the ministerial policy, incorporation of objectives from GoP policies like National Plan of Action for Women, National Policy for Development and Empowerment of Women and GRAPs.

10. Instructions for Filling PSDP Form are part of MTBF call letter. For instance at serial (ii) the order or priority for schemes, among other criteria, should be reviewed from gender view point. Serial (v) accords special status to public private partnership and community participation. Women development or gender based projects will attain significance if similarly emphasized in the instructions. Serial (vii) instructs special emphasis on social sector programs assigning priority according to government policy. The instruction should include specific gender responsive projects or those aiming to bridge the gap between men and women in a sector.

11. MTBF Budget Statement format is an important document to fashion ministries’ budget making. Section II (Mission Statement and Functions of the Ministry), Section III (Objectives Statement of the Ministry), Section IV (Medium Term
Strategic Objectives 2006-2009), Section V (Medium Term Budget Allocation Under Policy Objectives) and Section VI (Key Output Indicators in the Medium Term) all present opportunities for bringing out gender responsive data. The format should include instructions on gender based objectives and presentation of data opening up expenditures to gender responsive analysis. Reformulation of the format will create appropriate templates for ministries to conceive and determine gender responsive medium term budgets.

12. MTBF process assigns important roles to MoF and P&D in the steps for preparation of Indicative Budget Ceiling and Agreed Budget Ceiling. Equipped with gender responsive review parameters the two agencies will be able to review the ministries’ budgetary proposals and whether the outputs they seek to achieve are gender responsive or not. MoF and P&D review should not only be conducted to technically test the veracity of the estimates but also to ensure that the policies are gender responsive and the allocations are seeking to achieve objectives which in themselves are gender responsive. GRBI could work on preparation of review checklists and provide technical assistance to MoF and P&D in the first round of their application.

13. Once the amendments take place in the MTBF Guidelines, MSR template is modified and forms are amended GRBI will make a valuable contribution providing technical support to the process of MSR, setting gender responsive output targets, drawing up of budgetary estimates and specifying the manner in which they will be achieved. The latter may be an important consideration for ensuring gender responsive recruitment policies [I am not sure what this is about] in the ministries and their projects.
Annex- IV

EXTRACTS AND EXAMPLES OF REFORMS FROM KEY DOCUMENTS:

Following are some extracts and examples of the reforms from key documents:

A) Based on the Federal GRAP:

(1) Reform of the Policy Formulation Process to Include Gender
GRAPs reviewed policy making process in Pakistan. The following actions are contained in GRAPs:

• Stated focus on gender in the written document, including identification of gender gaps in the sector, clear statements on how these gaps will be filled, guidelines and roadmap of how this will be achieved, in the short, medium and long run.
• Women recognized as a group to be proactively supported
• Quantitative targets stated, where appropriate
• Technical inputs by relevant Ministries/departments.
• Wide stakeholder consultations
• Initiation and/or approval by the political leadership
• Indicative budgetary allocations showing proportions to be spent in gender proactive measures and/or indirectly benefiting women (through regular program and projects funding)

GRAPs also envisage inputs in the policy making process before formulation of a policy, through review of draft policy documents and monitoring implementation. Through GRAP implementation Planning Commission is required to issue guidelines to government agencies ensuring that the process includes opportunities for including gender considerations in the policies.

(2) Gender Review of Existing Policies
GRAPs aim to undertake a gender review of existing policy during their implementation. Responsibility for the review rests with the ministry of women development at federal level and the social welfare and women development department at the provincial level.

(3) Engendering Planning Process
Planning in Pakistan comprises formal processes and prescribed formal documents for project preparation, appraisal, completion reports, monitoring and evaluation. They documents cover all components of the project cycle. These are rigidly followed, in letter and spirit, for project formulation and execution. No flexibility is allowed to design projects on any other format. Reform of the planning documents and processes is part of the GRAP actions. Together with the PC-I documents the appraisal check lists will be reviewed and modified to ensure that appraisal looks at each project from the gender perspective.
Extracts from the Federal GRAP:

‘Permanent Membership of MoWD in CDWP and any other Inter-Ministerial Development Decision Making For: To assess genders impacts of macro programs and projects and ensure incorporation of gender and development objectives, MoWD be notified as permanent member of these fora.

Revision and redesigning of the PC-I to PC-V Planning Documents to Encompass Gender based Planning: Revision to be undertaken under the auspices of the proposed Research and Development cell in MoWD, in conjunction with the Planning Commission. Should be carried out in the first year of GRAP as a project, to be funded by donors’

(4) Budgeting and Public Expenditure Mechanisms
A major initiative under GRAPs is institutionalization of gender budgeting in the government. The reform includes technical studies as well as proposed changes in the budget making process. Expenditure review mechanisms seek to institutionalize gender sensitive analysis, building a debate around them and processes for adequate resource allocation to gender related policy commitments. Another component aims to institutionalize policy and program reviews for debating gender outcomes. GRAP approvals mean that the reforms have been endorsed by the Cabinets for action except in case of NWFP.

Reform of Budgetary System – Institutionalizing Gender Budgeting
GRAP reform sees gender sensitive budgeting as an analytic technique for carrying out advocacy and gender sensitive resource allocation. Its objective is equitable policies, programs and resources allocations. Through periodic studies it will generate relevant data, review of policies and programs and enliven the discussion around budget making. It includes the following studies which are to be undertaken for education and health sectors:

- Gender Aware Policy Analysis
- Gender disaggregated beneficiary analysis
- Gender disaggregated time use analysis
- Gender disaggregated public expenditure incidence analysis
- Gender disaggregated revenue incidence analysis
- Gender aware medium term economic framework

An evaluation on budgetary reform is to be produced by the ministry of women development for the Finance and NCSW. GRAP envisages a progressive enlargement of the scope of gender budgeting to include all sectors of government.

The following specific actions are proposed to reform the budget making process:

- Modification of Budget Call Letters
• Approval of creation of a separate demand under budget demands and creation of new codes for women specific facilities
• Direction to all departments to separately indicate their women specific capital expenditures to make them more visible
• Creation of a separate section in Public Sector Development Program (PSDP) and Provincial Annual Development Plans (ADPs) for all sectors to indicate women specific investments

• It has been made mandatory that the following should accompany the Annual Budget Statement to be laid in parliament every year:
  o Set of policy statements to address women specific issues
  o Indication of resource allocation to corroborate policy statements

Most of the information is to be included in the budget speech of the Finance Minister. At the same time a pre-budget discussion forum will be held with women rights’ groups and NGOs so that the governmental actions can be discussed.

GRAP also includes an action to portray governmental actions for women development in the pre-budget white papers of finance giving details of policy statements and related resource allocation.

GRAP actions are largely aimed at federal and provincial levels. For the local governments they adopt a progressive approach beginning with one district and then undertaking gender budgeting in all the districts ultimately. Initially a doable exercise is that the budget documents should highlight resource allocations being made specifically for women in the district.

Gender responsive budgeting under GRAPs does not remain limited to technical side only. It recognizes the utility of political component as well. Without participation of an informed civil society gender responsive budgeting cannot produce results. On the one side there will be capacity building of NGOs to enable them to use results of technical studies and on the other the governmental process will include events where they can participate in the planning and budget making exercises.

The initial phase is dependent on special initiatives and technical studies. These are costly efforts. For institutionalization government’s own institutional processes need to churn out data regularly. For this purpose GRAP reform aims to change the survey instruments used by Federal Bureau of Statistics and accounting forms and systems. In the FBS Pakistan Integrated Household Survey and Income and Expenditure Survey are the main instruments for collecting and analyzing data. A review of the instruments for obtaining additional gender specific data will be undertaken. Similar changes will be needed at the Provincial Bureaux of Statistics.

(5) Gender Sensitive Accounting System
This figures high on the priority list of public resource management reforms in GRAP. An accounting reform is an essential component of gender disaggregated data generation.
Initially gender disaggregated reporting will be instituted for important programs only. This will be carried out through classification of budgetary allocations and provision of gender disaggregated data. A study of the NAM and potential of generating gender sensitive reports from the accounts will be another step for supporting gender responsive public expenditure incidence analysis on a regular basis. Accounts office will need the capacity to generate gender disaggregated reports from the annual appropriation accounts.

B) Based on MTBF Documents:

Objectives of MTBF:
‘The MTBF support will contribute to addressing many of the Public Expenditure Management (PEM) weaknesses like:

- Overestimation of macroeconomic resource availability
- Weak intersectoral prioritization mechanism
- Weak strategic / medium – term planning tools and procedures
- Weak annual planning (operational planning and development)
- Unpredictability of in-year resource availability

The MTBF will replace the existing system of annual budgeting by a three-year budgeting cycle establishing a Medium Term Budgetary Framework MTBF. Establishment of MTBF across GoP itself is a medium term objective.

In the first phase that is currently under implementation three distinct activities are being implemented:

1. Introduction of MTBF in two pilot ministries (Ministry of Health and Ministry of Population Welfare) and work on basic conceptual, design and implementation issues related to full implementation of MTBF
2. Concept clearance studies for more complex issues like integration of current and development budgets, aligning expenditure classification to suit the needs of management reporting, vertical integration of sectoral expenditure across government tiers, etc.
3. Development of a computerized financial management model that can assist the ministries to improve their planning, information processing, budgeting, asset management, output orientation, monitoring and reporting.’

The following are based on MTBF Guidelines, MTBF Call Letter of the MoF:

(6) Determination of Baseline Budgets for FY 06-09

In each ministry a Strategic Review will be conducted by a team of professionals (called the Core Team in the MoF Guidelines). The activity will generate the Ministry Strategic Review Report. At the same time the MTBF Forms (C1, C2 and C3 for the Current Budget and D1, D2, D3 and D4 for the Development Budget) will be used for drawing up estimates. This information will be used for drawing up the Baseline Budget of the ministry. The manner in which data is to be compiled for MTBF will link outputs with
spending and budget spending with policy objectives. At the same time the Baseline Budget will provide a benchmark against which new policy proposals and initiatives will be compared.

(7) **Determination of Indicative Budget Ceiling for the MTBF**
An interactive process between the MoF and P&D on one side and the line ministry will take place to provide appropriate assessment of spending capabilities and financing constraints. It will help refine estimates and lead to Indicative Budget Ceilings for the ministry.

(8) **Agreed Budget Ceiling**
Again through an interactive process the output of the earlier step will be discussed by the ministry with MoF and P&D leading to an Agreed Budget Ceiling. This might be revised in light of NEC decisions on macroeconomic policy.

(9) **Finalization of MTBF Estimates**
The decisions and agreements of the earlier phases will be translated into budget documents. Prescribed formats will be used. The data finalized in the earlier steps will then be used for filling in Budget Order/New Item Statement for FY 07. Two formal responses will be submitted a) for MTBF FY06-09 and b) annual budget for FY 07. PSDP forms will also be submitted at the same time for FY 07.

(10) **Punjab PFC Grant System**
The following is an extract from the Punjab PFC Grant System issued March 2005:

‘**Objectives of the Grant System**
Government of Punjab intends to provide a transparent, predictable and incentive driven grant system to local governments for improving their performance and bringing an immediate improvement in service delivery for the people of the province. An orderly transition has been steered by the Finance Department from a central planning and budget mechanism to a system based on precepts of fiscal decentralization. As a result 34 district governments, 122 TMAs and 3053 Union Administrations have basic capacity to plan and implement budgets. Simultaneously intergovernmental transfers have been providing most of the revenues to local governments to ensure adequate service delivery to the people of the province.

The grant system has been created with the aim of creating a hard budget constraint for all actors and organising the province-local finance on a footing which primes the system towards achievement of provincial policy priorities of poverty reduction, economic growth and development. The grant system has been designed to provide a proper policy and financing instrument in line with the Government of Punjab priority of upgrading systems to meet the increasing demand of good services in the province.
The grants system can be designed with the following objectives:

1. Bring local government functioning in line with Punjab Government’s development policy priorities and provide an instrument to Finance Department to determine the level and size of investments in various sectors of development (in line with the Provincial Government’s allocative efficiency and equity principles)
2. Provision of adequate revenues to local governments in Punjab, ensuring sufficient fiscal capacity for meeting the development goals as well as promotion of reliance on own source revenues
3. Introduction of incentives for higher performance in service delivery and resource management.

Types of Grants for Local Governments:

Grants will be determining the overall share of the local government under PFC. Through the proposed mechanism all types of grants will be created under PFC and Finance Department with the responsibility of managing provincial resources will perform an oversight function in their operation through the PFC Secretariat. Mechanisms provided for in the Government of Punjab Fiscal Transfer Rules 2004 will be used for this purpose.

Under the grant system a local government share will typically be determined in the following manner:

1. First its share will be assigned under the general purpose grant. This will be a formula based share and the local council will carry out appropriation in accordance with the Government of Punjab Local Government Budget Rules 2003.
2. Additional shares will come to local government from CM’s Policy Grants. These grants will be conditional and shares will carry a requirement for use in particular ways.
3. Additional shares may be provided to local government under the CM’s High Target Grants for specific high value projects; these funds will be put to the specified use only

Following are the types of grants for local governments.

A. Grants for District Governments:
The following grants will be given to the district governments:
   1. General Purpose Grant
   2. Incentive Grant
   3. CM’s Policy Grants (Sector Grants)
   4. CM’s High Target Grants
B. Grants for TMAs:
The following grants will be given to the TMAs governments, similar to those for the districts. The TMA grants will be for TMA subjects:
   1. General Purpose Grant:
   2. Incentive Grant
   3. CM’s Policy Grants (Sector Grant)
   4. CM’s High Target Grants

C. Grants for Unions:
Unions, keeping in view their role in the Ordinance and limited capacity, will be given a lump sum allocation of Rs.3000 million annually for an equal distribution. This will largely meet their recurrent expenditure.

(11) Incentive Grants for Gender

Based on MoWD PC-II Draft (to be confirmed if this version included in the approved PC-II):

‘Incentive Grants for Local Governments
a. A system of incentive grants needs to be put in place through the PFCs. MoWD and WDDs will take the initiative for the design and recommendation of these grants. They can be used to replace the departmental budgets and work as instruments for mainstreaming gender as well.
b. These grants should allocate funds out of the general purpose grants for priority actions to meet important gender needs.
c. The grants should create entitlements for local government and create incentives for accessing and utilising them demonstrably in accordance with the recognized and declared objectives.
d. A variant of these grants can place a premium on higher performance and reward it through a special facility.

Specific Purpose Grants for Targeting Women
a. The grants can be federal as well as provincial. They will be designed and recommended to the PFCs by the MoWD and WDDs. These grants will flow through the PFC arrangements and avoid the pitfall of resurrecting vertical programmes. The objectives and eligibilities from the grants can be clearly stated for the local governments.
b. Monitoring of the expenditures will necessarily be required. Monitoring will be carried out by the MoWD, for its grants, and the WDDs. Capacity for monitoring and evaluation will need to be installed in these organisations. Where these grants institute multiple transfers over a period of time, linked to assessment of performance, the role of the WDDs will be of recommendation of transfers. The size of such grants also needs to be maintained at a level where local budgetary decisions are not unduly constrained. These grants will need to be designed for sitting inside the PFC awards.’