



BUDGETARY REFORMS IN PAKISTAN AND GRB

The budget system in Pakistan is currently undergoing fundamental changes that open up opportunities for mainstreaming gender in the public resource management system.

Introduction of a Medium Term Budgetary Framework

Pakistan has been following a line item budget system that focuses mainly on inputs. The budget documents did not provide information about the activities that are funded by public funds. However, the implementation of the Poverty Reduction Strategy Paper necessitates a closer link of planning and budgeting mechanisms and Pakistan has therefore taken the first steps in introducing a program budget system. In 2005, two pilot ministries at the federal level - health and population welfare – and all departments of the government of Punjab prepared their budgets according to a medium term budgetary framework. The new budget formats provide space for a closer link between sector policies and budget allocations. The focus is on outputs and outcomes rather than inputs. Targets or indicators for outputs and outcomes can be formulated in a sex-disaggregated way and can be closely monitored. The objectives and strategies can also address

gender issues.

Introduction of a New Accounting System

Under Article 170 of the Constitution, the Auditor General has prescribed the New Accounting Model (NAM). The NAM is an integrated financial management system designed to meet the accounting and financial reporting requirements of the federation and the provinces. From financial year 2005-2006 on, budgets for the federal and all provincial governments will be prepared according to the new Chart of Accounts that replaces the old Chart of Classification that was notified in 1981. The NAM will also, in time, be introduced at the local government level. The computerized NAM could be adapted to allow for the collection of sex-disaggregated information in view of all expenditures that are related to persons (pay, allowances, scholarships etc.)

Restructuring intergovernmental fiscal relations

The federal government is empowered to collect a wide range of different types of revenue, including income tax, wealth tax, capital value tax, sales taxes, and custom



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duties. The revenue collected at the federal level is shared between the federal government and the four provincial governments according to a formula that was recommended by the National Finance Commission (NFC) in 1997. The federal share was fixed at 62.5% of the divisible pool. The remaining 37.5% are divided among the four provinces according to their population share based on the population census of 1981. Accordingly, Punjab receives 57.9%, Sindh 23.3%, NWFP 13.5% and Balochistan 5.3%. The NFC formula is currently under discussion to determine if further criteria in addition to population size should be used to establish the share of each province.

Provincial Finance Commissions (PFCs) are statutory bodies that are established in each province under the Local Government Ordinance 2001. Among other functions they are authorized to elaborate the PFC Award which specifies the distribution of resources between provincial (retained funds) and local governments (allocable funds) as well as the distribution of the allocable funds among all local governments in the respective province based on a formula.

The vertical transfer of resources could convey gender-related policy priorities to the lower tiers through different channels, such as:

- Special purpose grants that are linked to specific gender equality outcomes of high priority

- Formulation of the backwardness indicators that are used in some of the awards in a sex-disaggregated way. However, the problem with this kind of criteria is that it does not provide incentives to districts to improve the situation. Therefore, incentive grants should replace this criterion over time.
- Incentive grants based on a formula that includes incentives for local governments to reduce gender gaps in different sectors such as health, education or employment.

New Local Government Budget Rules

In 2003, new local government budget rules were introduced. The rules prescribe the submission of specified budget forms. Some of these forms provide scope for the collection of sex-disaggregated information that will be conducive for future gender responsive budget analysis and could inform gender-sensitive policy formulation.

