
Country

Pakistan

Capabilities

Governance; Public finance

In depth

Fiscal transparency in Pakistan: rapid improvement in two provinces

In Pakistan, public confidence in the state is undermined by poor service delivery and opaque governance arrangements. In 2014, Pakistan ranked 117 out of 168 countries in Transparency International's Corruption Perception Index.¹ For the people of Pakistan, greater insight into the structure and functioning of government finances, as well as decisions on tax and spending, would enable them to better hold their elected representatives to account. Such accountability can result in better quality of services, including health and education, at provincial and local levels. Budget transparency also acts as a powerful disincentive for corruption or financial mismanagement, and can foster greater trust in government.

About Oxford Policy Management's *In depth* series

Our *In depth* publications aim to share detailed learning and analysis from our practical experiences working with governments, funders, practitioners, and partners to achieve lasting, positive change through policy reform.

The provincial governments of Punjab and Khyber Pakhtunkhwa (KP) have embarked on a series of budget transparency measures as part of comprehensive governance and service delivery reforms, supported by the UK's Department for International Development (DFID). The reforms, which are being implemented by a consortium led by Oxford Policy Management, are strengthening the planning and management of public finances, and making service delivery more responsive to people's needs. Improved budget transparency in both Punjab and KP, which have a combined population of 125 million people, is an important part of this agenda.

Background

In recent years, interest in the transparency of public finances, and accountability of fiscal decision-making, has grown around the world. This trend has been driven by several developments, including:

- the proliferation of good governance norms and standards that emphasise greater transparency, accountability, and participation in government matters;
- the introduction of modern public financial management systems;
- the growth in the number of independent civil society organisations engaging with government decision making;
- the widespread use of information and communication technologies around the world; and
- greater decentralisation and devolution of powers to sub-national levels of government, including the power to raise, allocate, and spend public resources.²

¹ www.transparency.org/country#PAK.

² Open Budgets, Khagram, Fung, De Renzio (eds), Brookings Institution, Washington DC, 2013.

How is DFID's Sub-National Governance Programme supporting budget transparency?

In 2014, with the support of DFID's Sub-National Governance (SNG) Programme, the provincial governments of Punjab and KP conducted budget transparency reviews to assess and benchmark the quality and transparency of their budget processes. The methodology for these reviews was based on that of the Open Budget Survey. This is an independent assessment of budget transparency, participation, and oversight applied in over a hundred countries by the Open Budget Initiative (OBI), a global research and advocacy programme.

At the time, OBI scores globally were not very impressive, with the average score among the hundred countries studied in the 2012 survey

being just 43 out of 100. In the south Asia region, Pakistan scored 58 in the 2012 survey, India 68 and Bangladesh 58. The budget transparency reviews conducted in Punjab and KP identified significant room for improvement in budget transparency, with KP scoring 44 and Punjab scoring 55 out of 100.

Public launches of the transparency reviews established a budget transparency baseline in each province. Since then, the SNG programme has supported each provincial government in the introduction of a number of transparency reforms. These seek to improve the communication of budget-related data and information and open up channels for citizen feedback and engagement.

Key transparency reforms

Key transparency reforms have included the following:

- Budget execution reports provide an indication of whether or not the government is living up to the expenditure commitments set out in annual budgets. They also support planning for the next financial year by providing a transparent assessment of progress in implementing the previous year's budget. The SNG programme has helped the governments improve the frequency and coverage of these reports, as well as making their content more accessible.
- Citizens' budgets were introduced in 2014. These publications highlight key features of the budget in non-technical language and a visually engaging format that can be understood by a general readership. They simplify the content of the budget, focusing on the information which is of relevance and interest to the general public. Citizens' budgets are now produced annually in both Punjab and KP.
- A pre-budget statement is now published in each province, explaining the governments' macroeconomic and fiscal policy and budget priorities. The statements are used in pre-budget consultations involving civil society and development partners. For instance, one such statement provided the basis for an extensive pre-budget session in Punjab's Provincial Assembly.

Both provinces have introduced additional measures, not captured under the OBI survey methodology, which have also made important contributions to fiscal transparency. For example, a citizens' feedback portal has been set up in KP (www.smart.pmru.gkp.pk). This provides budget information and a channel through which citizens can provide feedback on government services. Information from the portal is used by the government for grievance redressal and to improve service delivery.

Rapid results

As a result of these new measures, the two provincial governments have made marked improvements in budget transparency, ascending through the ranks of the OBI much more rapidly than could have otherwise been expected. The Budget Transparency Review score in Punjab increased from 55 to 67 between 2014 and 2017, while KP's score rose from 44 to 66 over the same period.

To put these scores into context, at the country level in 2015, Pakistan was given a transparency score of 43, India 46, and Bangladesh 56. The figure below plots the two provinces, as assessed by the SNG programme, against the official international OBI rankings. This demonstrates a rapid improvement, which significantly outperforms other countries in the region, and Pakistan as a whole.

These new outputs and processes, rather than being one-off additions, have been integrated

into the regular publication schedules of the finance departments in both Punjab and KP. As the governments have become more familiar with the production and dissemination of these publications, the SNG programme has scaled back its direct technical assistance. For example, the Government of Punjab developed and disseminated a citizens' budget for fiscal year 2016-17 alone, and the programme's support has shifted to focus on incorporating the citizens' budget and other transparency initiatives into the government's Budget Manual. This should ensure that they remain a standard feature of the provincial budget cycles for years to come.

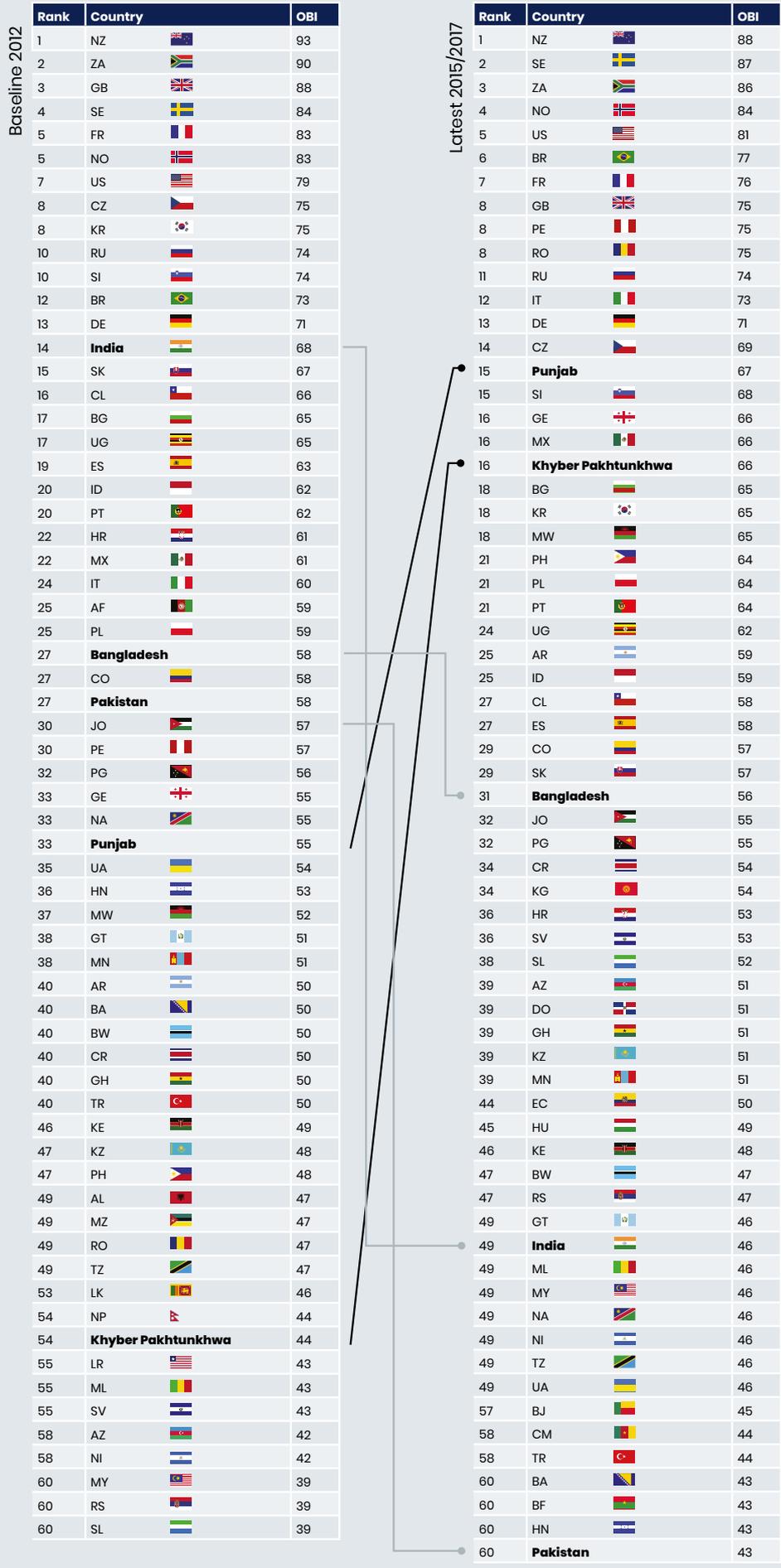
Long-term results

Budget transparency is not a goal in itself, but rather a means of improving governance and the responsiveness of service delivery. It will take time for these longer-term impacts to be realised in full, but there are already promising signs in this direction.

The package of transparency reforms has been successful in generating public interest in, and awareness of, public finance issues, and has become a tool for improved legislative scrutiny of the budget. Provincial budgets have also been picked up by the local and national press. For example, the KP citizens' budget has been discussed on a series of local radio programmes, and received coverage in mainstream print media with an estimated reach of one million readers.



Figure 1 Punjab and KP in the OBI rankings



Source: Open Budget Survey data, and data from the SNG programme Annual Review.

Note: The OBI Index only covers national budget systems, and the graphic shows where Punjab and KP would have ranked in the 2012 and 2015 indexes for illustrative purposes only.

Baseline values are from the 2012 Open Budget Survey for Pakistan, India and Bangladesh; for KP and Punjab, they are based on the baseline which was conducted in 2014, against the 2012 budget. Latest values are for 2017 for KP and Punjab, as per the 2016/17 Annual Review, and the latest Open Budget Survey for Pakistan, India and Bangladesh (2015).

Conclusion

UK Aid has been instrumental in the process of improving budget transparency in Punjab and KP. The SNG programme has helped provide a recognised framework and baseline for measuring budget transparency and has supported both governments in the development and publication of new and improved budget documents. Wide dissemination of these publications to citizens,

civil society, media and local legislators has been key to building public awareness of budget and service delivery issues, and also to generating demand for these products, which are now considered a regular part of annual budget documentation in both provinces.



About Oxford Policy Management

Oxford Policy Management is committed to helping low- and middle- income countries achieve growth and reduce poverty and disadvantage through public policy reform. We seek to bring about lasting positive change using analytical and practical policy expertise. Through our global network of offices, we work in partnership with national decision makers to research, design, implement, and evaluate impactful public policy. We work in all areas of social and economic policy and governance, including health, finance, education, climate change, and public sector management. We draw on our local and international sector experts to provide the very best evidence-based support.

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