BUDGET MANUAL

FIRST EDITION

January 2020

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

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FOREWORD

Budgeting is one of the most important functions of the government that spells quantitatively the plans, resources allocated and agencies responsible for execution. Ministry of Finance has been accomplishing this gigantic function under the provisions of the Constitution of Pakistan and Financial Rules and Regulations. Recently, the PFM Act, 2019 was promulgated to afford necessary legal cover to budgeting and financial management.

At present, Ministry of Finance is issuing a Budget Manual which embodies the constitutional and legal provisions, rules, practices and procedures to provide guidance to various government functionaries. The Manual will serve to improve budgeting processes in the Federal Government. This attempt is an ongoing process and any proposal for improvement and value addition will be highly appreciated.

I congratulate and highly appreciate the efforts made by Officers of Finance Division, especially the Budget Wing and Office of CGA for putting forth a comprehensive and useful document.

Dr. Abdul Hafeez Shaikh
Advisor to Prime Minister on Finance & Revenue

Islamabad,
December 30th, 2019

PREFACE

In compliance with, the provisions contained in Article 79 of the Constitution of Pakistan, Federal Government has promulgated Public Finance Management Act, 2019. The major aims of this Act are to bring financial discipline in public finances; linking resources with goals and improve the efficiency in utilization of public assets. The performance and plan based budgeting are the key areas focused in the Act.

Section 43 of the PFM Act requires the Finance Division to approve, within six months of the promulgation of the Act, a *Budget Manual.* The Manual explains comprehensively, relevant statutory framework and guidebook to be used for cash management and the budget making processes.

The improvement in the country's accounting and reporting system is in process. A number of policies, rules and regulations are yet to be approved by the Government, indeed drafting such an important book was challenging task to do within a very short period of time. The first edition of the Budget Manual of the Federal Government is ready to be notified and distributed among the functionaries as a key milestone for implementation of the agenda of the government towards Public Finance Management reforms.

International Development Partners especially World Bank, IMF and EU are extending excellent technical assistance regarding perfection of Public Finance Management in Pakistan. We are also complying with the requirements of the FATF and APGML, so as to establish a transparent and efficient financial system in Pakistan.

I congratulate the Officers of Budget Wing, Finance Division and other Wings, Offices and Organisations who have contributed in the making of this Budget Manual.

Naveed Kamran Baloch
Finance Secretary

Islamabad,
December 30th, 2019

PART-ONE: INTRODUCTION AND DEFINITIONS

CHAPTER-1

INTRODUCTION TO BUDGET MANUAL

1. INTRODUCTION

1.1. Purpose of Budget Manual

The purpose of Budget Manual (the Manual) is to elaborate the legal provisions, principles, policies, procedures and methods along with formats and forms to be used in preparing the budget estimates for revenue, expenditure and financing for Government of Pakistan. This first edition of the Budget Manual is based on performance-based budgeting and aims to improving the efficiency and effectiveness of public finance system in Pakistan.

1.2. Structure of Budget Manual

The Manual is structured according to the major public financial management activities of the Federal Government. The Manual is divided into five parts. Each part is further divided into twelve chapters as under:

Part-One:	Introduction and definitions (Chapters-1 and 2)
Part-two:	Budget planning and approval (Capters-3 to 6)
Part-three:	Budget execution & reporting (Chapters-7 to 11)
Part-four:	Cash & Treasury Management & SAP System (Chapters-12 to 13)

1.3. Public Sector Budgeting

Budget is a financial plan for revenue receipts and expenditure for a financial year. Government budget is a document representing the government's proposed revenues and spending for a financial year. Budget is passed by the legislature and assent by the President of Pakistan. It is executed after authentication by the Prime Minister of Pakistan. Budget describes the resources which government raises through different means during a year and the expenditures made by the government through Demands for Grants.Budget is a quantitative plan relating to the future. Budget serves as a vehicle through which the actions of the different parts of an organization can be brought together and translated into a common plan. Budget communicates government's targets and expectations to various levels of management so that all members of the organisation may understand these expectations and can co-ordinate their activities to attain them.

1.4. Key Characteristics of Budgeting System:

There are three key characteristics i.e. Annuality, Unity and Universality:

Annuality: A Public sector budget is prepared every year, covering only one fiscal year; voted by the parliament; and executed over the year. Simultaneously, maintaining the core concept of annual authorization, this principle has been modified at the preparation stage. The Federal Government approves the budget strategy paper containing quantified macroeconomic and fiscal projections for the medium-term.

Unity: Public revenue, expenditure and financing are considered together to determine annual budget targets. The Public budget should cover all government agencies and other institutions. The budget presents a consolidated picture of the fiscal operations of the Federal Government.

Universality: All resources form part of a common pool (account # 1 Non-Food) which comprises Federal Consolidated Fund and Public Account. Funds are allocated and used for expenditure out of this common pool, according to policy priorities of the Federal Government.

1.5. Authority

This Manual is being issued under the authority of Finance Division, Government of Pakistan, in accordance with Section 43 of the Public Finance Management Act 2019.

1.6. Effective date

The effective date for application of the Manual is 1st January 2020.All public sector entities will have to prepare and initiate the budget process in full compliance with provisions of the Manual.

1.7. Application

This Manual is applicable on all the cash inflows and outflows estimated to be received in and paid out of the Federal Consolidated Fund and Public Account.

All Ministries, Divisions, Attached Departments, Subordinate Offices, Autonomous Bodies and Public sector entities may benefit from the Manual.

1.8. Evaluations Process

All Manuals by their very nature are living documents and this Budget Manual will also need to be evaluated and updated as and when new laws, regulations and guidelines are added to the statutory framework already in place. For this purpose Finance Division will continue to have in place a specialised committee which shall review the existing Manual for all required changes and updates.

1.9. Technical Assistance from International Development Partners

The Federal Government has remained engaged with international development partners in order to strengthen Public Financial Management and Economic Reforms. These partners have provided technical assistance as well as budgetary support loans and grants. The EU, World Bank and IMF have remained in the fore front among these development partners and have provided the government with focused recommendations targeting the Public Financial System in Pakistan including structural reforms in the budgetary system.

In the short and medium term Finance Division shall continue to work with the development partners especially EU for PFM-II, IMF for TSA and WB for P for R and RISE.

CHAPTER-2

DEFINITIONS & TERMINOLOGIES

2. Budget Definitions & Terminologies

Terms	Definitions& Terminologies
Accrual Accounting	A method of accounting that recognises expenses when economic benefits have been consumed and revenues when economic benefits have been generated.
Advance	An amount paid by the Government to a contractor/supplier for the purpose of securing goods or services; or an amount provided to a Government employee for a specified purpose, and to be adjusted.
Annual Budget Statement	Defined in Article 80 of the Constitution, a statement of the estimated receipts and expenditure of the Government for a financial year, referred to as the Annual Budget Statement.
Annual Financial Statements	A set of financial reports, produced after the close of the financial year by the Auditor-General of Pakistan for the Federal and each of the Provincial Governments.
Appropriation	(i) Appropriation means the assignment to meet specified expenditure of funds at the disposal of the assigning authority or (ii) An allocation of funds to a spending ministry or department on the basis of the Authenticated Schedule of Authorised Expenditure.
Asset	Future economic benefits controlled by the entity as a result of past transactions or other past events.
Assignment Account	A Government bank account established with the NBP, to provide independent drawing facility for nominated projects and other activities, within the prescribed limitation.
Attached Department	A department which has direct relation with a Division and has been declared as such by the Federal Government and represented in the Chart of Accounts entity code.
Authorization	In accounting terms, the approval given by an authority or a delegated authority for a particular payment to be made.
Authorization of Expenditure	Payments and withdrawals from the Federal Consolidated Fund and Public Account of the Federation against approved budgetary provisions deemed to be duly authorized unless it is specified in the schedule of authorized expenditure. In the context of the Budget, the process of passing the Annual Budget Statement through the legislature for approval.

Bank	The State Bank of Pakistan or any office or agency of the State Bank of Pakistan and includes any bank acting as an agent of the State Bank of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 (XXXIII of 1956)
Bank Scroll	A daily advice received from a designated branch of the National Bank of Pakistan or State Bank of Pakistan, listing receipt collected and payments disbursed on behalf of the Government, against each of the Government bank accounts.
Capital Expenditure	(i) For the purposes of budgeting, expenditure met from capital receipts, as given by a particular grant number in the Chart of Accounts. (ii) In accounting terms, expenditure incurred for the purpose of acquiring, constructing or enhancing physical assets or on schemes of capital outlay, as given by the object code in the Chart of Accounts.
Capital Receipt	(i) For the purposes of budgeting, receipts obtained from sources of finance other than revenue (e.g. loans). (ii) In accounting terms, receipts generated from the proceeds of sale of physical assets or receipts intended to set-off capital expenditure.
Cash Accounting	A method of accounting that records cash payments and cash receipts only.
Cash Balance	The amount held in a particular bank account at any point in time. This includes an amount as imprest with the departmental officers and treasuries.
Cash Flow	The net movement in the cash balance over a particular reporting period, given by the sum of payments and receipts.
Charged Expenditure	As defined in Article 81 of the Constitution, certain expenditures met from the Consolidated Fund, which may be discussed, but not submitted to the vote of the National Assembly (or Provincial Assembly in the case of Provinces).
Chart of Accounts	A listing of codes on the basis of which accounting transactions are classified to provide meaningful financial information.
Clearing Account	A type of General Ledger account which is used to transfer a balance from one entity or process to another (includes exchange and settlement accounts).
Commitment	An obligation to make a future payment, the funds for which are reserved against the allocated budget of an entity.

Consolidated Financial Statements	A set of financial reports produced by the Pakistan Audit Department which presents a consolidated summary of the Annual Accounts of the Federation and each Province.
Consolidated Fund	Defined in Articles 78 and 118 of the Constitution, refers to all revenues received by the Federal/ Provincial Government, all loans raised and all moneys received in repayment of any loan by that Government.
Consolidated Monthly Accounts	The Monthly financial reports produced by the AG/AGPR which present a summary of the accounts of the Federation/Provinces.
Contingent Expenditure	All non-development expenditure, other than salaries and salary related expenditure.
Contingent Liability	means a financial liability that may arise or come into being if one or more events occur
Control Account	A type of general ledger account which summarises a number of transactions from a subsidiary ledger into a single balance.
Controller General of Accounts	means the person appointed under the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 (XXIV of 2001)
Delegated Authority	An officer formally empowered by the responsible authority to perform a particular function.
Development Expenditure	Expenditure provided in grants, relating to development projects. Development projects undertaken to acquire, build or improve physical assets or develop human resources.
Direct and Indirect taxes	Direct tax is a tax which has to be paid by the person upon whom it has been imposed. The person or the payee of such tax cannot shift the burden of such tax to somebody else i.e. income tax, wealth tax and property tax. On the other hand the indirect tax is one which has to be paid by the person upon whom it has not been imposed. It means that the payee of such tax can shift the burden of such tax to somebody else i.e. customs duty, sales tax and excise duty.
Double Entry System	A system of recording accounting transactions which requires all journal entries (inputs) to the General Ledger to be in balance, i.e. total debits equal total credits.
Entity	An organisational unit of Government. This term can be applied to specific types of organisational units, depending on the

	context (i.e. self-accounting entity, centralised accounting entity, spending entity).
Equity	An accrual accounting concept defined as the residual interest in the assets of an entity after the deduction of all its liabilities.
Exchange Account	A General Ledger account through which transactions between centralised accounting entities and self-accounting entities of the Federal Government are recorded.
Excess Expenditure	An amount of expenditure exceeding the approved budget, which is regularised through an Excess Budget Statement.
Expense	(i) In accrual accounting, defined as a decrease in future economic benefits in the form of reductions of assets or increases in liabilities of the entity, other than those relating to distributions to Government as owner, that result in a decrease in equity (MAP, Section 3.3). (ii) In cash and modified cash accounting, defined as the outflow of cash arising as a result of payments issued in a given reporting period.
Financial Asset	A reporting classification of assets, used to describe cash held and any assets readily convertible to cash.
Finance Bill	A Bill to give effect to the financial proposals of the Federal Government for the year beginning on 1st day of July each year and to amend certain laws
Financial Propriety	means the compliance of law, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts
Financial Year	(i) means the financial year as defined under Article 260 of the constitution; and (ii) The financial year commencing 1 July and ending 30 June, consisting of twelve monthly periods.
Fixed Assets	Assets characterised by their long-term or strategic purpose. Fixed assets are usually physical in nature, such as plant and equipment, buildings etc. In financial reporting, used synonymously with 'non-financial assets', because they are not readily convertible to cash.
Function	An element used in the Chart of Accounts, which provides financial information on particular economic activities, according to the International Monetary Fund's Government Finance Statistics (GFS) classification scheme.

Fund	A pool of money, set aside and used for an intended purpose, as provided by legislation or special orders (e.g. Consolidated Fund, trust fund).
General Ledger	The primary ledger in which accounting transactions are recorded, in double entry format, and from which financial reports are produced.
Grant	Funding provided to a Ministry or Department, through the Schedule of Authorised Expenditure.
Imprest Account	Imprest account is petty cash system for making small payments and contains a set balance of cash which is subsequently replaced by petty cash vouchers on payment of cash.
Internal Controls	A term used to describe the system of checks, reports and procedures that are enforced in an accounting system to protect against fraud and to ensure that complete and accurate financial information is produced.
Journal Entry	a uniquely numbered input voucher to the General Ledger, containing accounting transactions, used in the double-entry recording system.
liability	Future sacrifices of economic benefits controlled by the entity as a result of past transactions or other past events. (MAP, Section 3.3).
Medium-Term	Means budgetary estimates for a rolling three-year budgetary horizon. This includes current estimates, which are to be appropriated by Parliament, and two additional or “outer” years’ estimates
Modified Cash	A method of accounting in which all cash payments and receipts are recorded, along with certain assets and liabilities/commitments
Money Bill	As prescribed in Article 73 (2 & 3) of the Constitution of Pakistan
Non-Development Expenditure (Current)	Expenditure provided for in grants, relating to the on-going costs of Government, such as salaries and allowances of employees and contingent expenditures. Also known as current expenditure.
Object	A Chart of Accounts element used to classify financial information according to the IAS accounting requirements (e.g.

	asset, liability, revenue, expenditure, equity), and provide sub-classifications therein (e.g. salaries, travel, transport).
Personal ledger	A ledger account maintained by the DAO/AG/AGPR, established as a drawing facility for nominated purposes.
Principal Accounting Officer	means the secretary of a Division or any official notified as principal accounting officer, responsible for exercising financial propriety in management of public funds and having accountability to Parliament for the economic, efficient and effective use of resources
Public Account	Defined in Article 78 of the Constitution, all other moneys received by or on behalf of the Federal Government, other than the Consolidated Fund, or deposited with the Supreme Court or any other court established under the authority of the Federation.
Public Debt	The total liability arising from the borrowings of the Government, including both domestic loans and foreign (or external) loans.
Public Moneys	mean the moneys forming part of the Federal Consolidated Fund and the Public Account of the Federation
Public Servant	means a public servant within the meaning of section 21 of the Pakistan Penal Code (Act XLV of 1860)
Re-Appropriation	means transfer of funds from one head of account of appropriation to another such head of account
Receipt	(i) An amount of cash collected or the process of collecting money. (ii) An official document provided to a payer, as proof that money was received.
Receipt Voucher	A form with which amounts collectable by the Government are deposited with the bank, containing the particulars of the receipt. (Previously referred to as a challan). The form number printed as 5A/ 32-A/ TR-6/ PAFA507.
Reconciliation	A process of substantiating recorded financial information against an alternative source of data (e.g. bank reconciliation, reconciliation between accounts offices and spending departments).
Release	A sanction given by Ministry of Finance, permitting a particular budgetary allocation to be spent, on the basis of cash being available.

Revenue	In accrual accounting, defined as increases in future economic benefits in the form of increases or enhancements of assets or decreases of liabilities, other than those relating to contributions by the Government as owner, that result in an increase in equity. (MAP, Section 3.3). In cash and modified cash accounting, defined as an inflow of cash, arising as a result of collections received in a given reporting period. Revenues are increases in economic benefits in the form of increases or enhancements of assets or decreases of liabilities that, other than those relating to contributions by the Government as owner, result in an increase in equity.
Self-Accounting Entity	Any accounting entity that performs its own accounting function and maintains its own accounts, including certification, authorization and issue of payments.
Settlement Account	A General Ledger clearing account through which cash transactions between governments are recorded.
Special Deposits	Accounts comprising of Public Account moneys that are operated under the authority of Ministry of Finance, but are not trust accounts.
Supplementary Budget	(i) Provided in Article 84 of the Constitution, an additional budget statement laid before Parliament, where funding for an existing service is insufficient or the need for a new service has arisen which was not included in the Initial budget. (ii) means budget grant within the meaning of Article 84 of the Constitution.
Surrender	An amount included in the Initial approved budget that is given back because it has not or will not be spent in the financial year by the entity.
Suspense Account	An account used if the correct head to be debited or credited is unable to be identified at the time of transaction, which shall be cleared once the correct head is identified.
Tax Expenditure	Means the revenue which Government foregoes through the provisions of tax laws that allows deductions, exclusions or exceptions from the taxpayer's taxable expenditure income or investment, deferral of a tax liability or preferential tax rates.

Technical Supplementary Grant	Means surrender of funds from one budget grant and budget authorization in another grant. Technical supplementary grant shall not result in an increase of overall government expenditure.
Treasury Single Account	Means a banking arrangement for the consolidation of government financial resources in one bank account or multiple bank accounts linked to one main account through which the government transacts all its receipts and payments.
Voted Expenditure	(i) As defined in Article 82 of the Constitution of Pakistan, that part of the Annual Budget Statement relating to other expenditure, submitted to the National Assembly in the form of demands for grants, on which the Assembly votes. (ii) means expenditure other than the charged expenditure specified in the annual budget statement referred to in Article 82 (2) of the Constitution

2.1. List of Acronyms

The following abbreviations are used in the Manual:

ABS	Annual Budget Statement
AG	Accountant General
AGP	Auditor-General of Pakistan
AGPR	Accountant General Pakistan Revenues
FS	Finance Secretary
FBR	Federal Board of Revenue
BM	Budget Manual
CFY/FY	Current Financial Year/Financial Year
CGA	Controller-General of Accounts
CMA	Consolidated Monthly Accounts
CoA	Chart of Accounts
CQA	Consolidated Quarterly Accounts
DAO	District Accounts Office/Officer

DDO	Drawing and Disbursing Officer
EAD	Economic Affairs Division
IPSAS	International Public Sector Accounting Standards
GAAP	Generally Accepted Accounting Principles
GoP	Government of Pakistan
MAP	Manual of Accounting Principles
MoF/FD	Ministry of Finance/Finance Division
NBP	National Bank of Pakistan
NFC	National Finance Commission
NFY	Next Financial Year
NIS	New Items Statement
PAO	Principal Accounting Officer
PAC	Public Accounts Committee
PBB	Performance Based Budget Estimates
PFY	Previous Financial Year
SAE	Schedule of Authorised Expenditure
SE	Self-Accounting Entity
SBP	State Bank of Pakistan

PART-TWO: BUDGET PLANNING AND APPROVAL

CHAPTER-3

STATUTORY FRAMEWORK FOR BUDGETING

3. STATUTORY FRAMEWORK FOR BUDGETING

3.1. Constitution of Pakistan 1973

The statutory framework includes Articles of Constitution of Pakistan 1973 as mentioned below augmented by Public Financial Management Act 2019 and Rules & Regulations approved by Government of Pakistan and other forums.

Article-73.	Procedure with respect to Money Bills;
Article-74.	Federal Government's consent required for financial measures;
Article-75.	President's Assent to Bills;
Article-77.	Tax to be levied by law only;
Article-78.	Federal Consolidated Fund and Public Account;
Article-79.	Custody, etc. of Federal Consolidated Fund and Public Account;
Article-80.	Annual Budget Statement;
Article-81.	Expenditure charged upon Federal Consolidated Fund;
Article-82.	Procedure relating to Annual Budget Statement;
Article-83.	Authentication of schedule of Authorized Expenditure;
Article-84.	Supplementary and Excess Grants;
Article-85.	Votes on Account;
Article-86.	Power to Authorize Expenditure when Assembly stands dissolved;
Article-88.	Finance Committees;
Article-153.	Council of Common Interests;
Article-156.	National Economic Council;
Article-160.	National Finance Commission;
Article-164.	Grants out of Consolidated Fund;
Article-165.	Exemption from Taxation;
Article-165A.	Imposition of Tax on Income of Corporation;

Article-166.	Borrowing by Federal Government;
Article-167.	Borrowing by Provincial Government;
Article-168.	Auditor-General of Pakistan;
Article-169.	Functions and powers of Auditor-General;
Article-170.	Power of Auditor-General to give directions as to accounts;
Article-171.	Reports of Auditor-General;
Article-278.	Accounts not audited before commencing day.

Council of Common Interests: - The Council of Common Interests consists of the Prime Minister, Chief Ministers of the provinces and other members nominated by the Prime Minister. The Council shall formulate and regulate policies in relation to matters in the part-II of the Federal Legislative list and shall exercise supervision and control over related institutions. The list mainly includes oil and natural gas, industries, electricity, water, regulatory authorities, national planning and national economic coordination, supervision and management of public debt and inters provincial matters.

National Economic Council: - The National Economic Council is constituted by the President and shall consist of the Prime Minister as chairman, Chief Ministers of provinces and other members nominated by the Prime Minister and Chief Ministers. The Council shall review the overall economic condition of the country and shall, for advising the Federal Government and the Provincial Governments formulate plans in respect of financial, commercial, social and economic policies; and in formulating such plans, it shall be guided by the Principles of Policy set out in the Constitution**.**

National Finance Commission: - The President shall constitute a National Finance Commission consisting of the Minister of Finance of the Federal Government, the Ministers of Finance of the Provincial Governments and such other persons as may be appointed by the President after consultation with the Governors of the provinces. It shall be the duty of the National Finance Commission to make recommendations to the President as to –

- The distribution between the Federation and the Provinces of the net proceeds of the taxes;
- The making of grants-in-aid by the Federal Government to the Provincial Governments;
- The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution; and
- Any other matter relating to finance referred to the Commission by the President.

Federal Consolidated Fund and Public Account

Article 78 of the Constitution provides that (I) All revenue receipts of the Federal Government, or loans raised by that Government and all money receipts by it in repayment of any loan, shall form part of Federal consolidated fund (II) All other money receipts by or on behalf of Federal Government and all money received by or deposited with the Supreme Court or any other Court established under the authority of the Federation shall be credited in the Public Account of the Federation.

Classification for Budgeting: Article 80, 81 and 82 of the Constitution provides as under:-

- Annual Budget Statement in respect of every financial year shall show the sum required to meet expenditure described as charged expenditure and the sum required to meet other expenditure to be made from Federal Consolidated Fund and shall distinguish expenditure on revenue account and on capital account.
- Expenditure charged upon Federal Consolidated Fund may be discussed in, but shall not be submitted to the vote of National Assembly. Expenditure other than charged shall be submitted to National Assembly in the form of Demands for Grants and National Assembly shall have power to assent or to refuse or reduction of the amount.
- No demand for grant shall be made except on the recommendation of the Federal Government.

3.2. Federal Financial Procedures:

The Constitution of Pakistan 1973 has laid down procedure with regard to approval of money bills including the ***Finance Bill*** containing the ***Annual Budget Statement.*** It is presented in the National Assembly and a copy thereof shall be transmitted to the Senate which may, within fourteen days, make recommendations thereon to the National Assembly.

The National Assembly shall, consider the recommendations of the Senate and after the Bill has been passed by the Assembly with or without incorporating the recommendations of the Senate, it shall be presented to the President for assent.

Federal Government's consent required for financial measures: A Money Bill, or a Bill or amendment which if enacted and brought into operation would involve expenditure from the Federal Consolidated Fund or withdrawal from the Public Account of the Federation or affect the coinage or currency of Pakistan or the constitution or functions of the State Bank of Pakistan, shall not be introduced or moved in Parliament except by or with the consent of the Federal Government.

Proclamation in case of Financial Emergency: If the President is satisfied that a situation has arisen whereby the economic life, financial stability or credit of Pakistan, or any part thereof, is threatened, he may, after consultation with the Governors of the Provinces or, Proclamation make a declaration to that effect, and, while such a Proclamation is in force, the executive authority of the Federation shall extend to the giving of directions to any Province to observe such principles of financial propriety as may be specified in the directions, and to the giving of such other directions as the President may deem necessary in the interest of the economic life, financial stability or credit of Pakistan or any part thereof.

Annual Budget Statement: The Federal Government shall, in respect of every financial year, cause to be laid before the National Assembly a statement of the estimated receipts and expenditure of the Federal Government for that year, as the Annual Budget Statement. The Annual Budget Statement shall show separately:

- The sums required to meet expenditure described by the Constitution as expenditure charged upon the Federal Consolidated Fund; and
- The sums required to meet other expenditure proposed to be made from the Federal Consolidated Fund;
- And shall distinguish expenditure on revenue account from other expenditure.

Votes on account: Notwithstanding anything contained in the foregoing provisions relating to financial matters, the National Assembly shall have power to make any grant in advance, in respect of the estimated expenditure for a part of any financial year, not exceeding four months, pending completion of the procedure prescribed in Article 82 for the voting of such grant and the authentication of the schedule of authorized expenditure in accordance with the provisions of Article 83 in relation to the expenditure.

Power to authorize expenditure when Assembly stands dissolved: Not with standing anything contained in the foregoing provisions relating to financial matters, at any time when the National Assembly stands dissolved, the Federal Government may authorize expenditure from the Federal Consolidated Fund in respect of the estimated expenditure for a period not exceeding four months in any financial year, pending completion of the procedure prescribed in Article 82 for the voting of grants and the authentication of the schedule of authorized expenditure in accordance with the provisions of Article 83 in relation to the expenditure.

3.3. Public Finance Management Act- 2019

Federal Government has enacted Public Finance Management Act 2019 from 1st July 2019 in order to strengthen management of public finances, improving implementation of fiscal policy for better macro-economic management, to clarify institutional responsibilities and strengthen financial and budgetary management. The Act is applicable to all matters of the Federal Consolidated Fund and Public Account of the Federation and all other matters of the Federal Government connected with or ancillary there to.

There are a number of provisions in the Act relating to Budget Management, Budget Preparation and Presentation, Development Projects, Maintenance of Public Assets, Control of Public Finance, Consolidated Fund and Public Account, Treasury and Cash Management, Accounting and Reporting, Classification of Public Entities, Power to make Rules and Implementation of the Act. The sections are relating to following:

Budget Strategy Paper: The Federal Government shall approve the budget strategy paper containing quantified macroeconomic and fiscal projections for the medium-term by ***fifteenth of March*** of each year. It shall be published as well as placed on the Finance Division's official website. However, the Federal Government may extend the deadline in case of extreme requirement. The paper shall indicate strategic priorities of the Government revenue and spending policies and specify indicative levels of spending in various Ministries and Divisions. Upon approval of the paper, the Finance Division shall issue indicative budget ceilings to Ministries and Divisions. The Minister for Finance shall discuss the budget strategy paper with Standing Committees responsible for Finance and Revenue in the Senate and the National Assembly.

Annual Budget Statement: The Federal Government shall in respect of every Financial Year, cause to lay before the National Assembly, Annual Budget Statement consistent with Articles 80 & 81 of the Constitution including a Statement of the Purpose and Estimates divided into detailed items for each demand for grant. The Annual Budget Statement shall also contain; Statement of Contingent Liabilities of the Federal Government; and Statement of Fiscal Risks.

Plan based Government's expenditure estimates: all government expenditures, whether from a recurrent or development demand for grant, shall be based on well-defined plans.

Grant-in-aid: The Federal Government may approve grant-in aid for individual, public and private institutions, local bodies and other non-political institutions and associations as it may consider appropriate in the manner as may be prescribed.

Receipt of grants by the Government: Grants made to the Government by a foreign Government or by any other person shall be received by the Economic Affairs Division and Finance Division on behalf of the Government. The Finance Division shall, in collaboration with representatives of donors, reach agreements and issue instructions concerning the management of such grants.

Tax expenditure: The Federal Government shall, in respect of every financial year cause to be laid before the National Assembly, Finance Bill consistent with Article 73 of the Constitution including a statement of estimated tax expenditure of the Federal Government.

Performance based budget: The Federal Government shall, in respect of every financial year, cause to be laid before the National Assembly a medium-term performance based budget along with the Annual Budget Statement. For each principal accounting officer, the medium-term performance based budget may include policy and goals, past and future expenditure, outputs and outcomes and related performance indicators and targets.

Changes in schedule of authorized expenditure: If, in respect of any financial year, it is found that:

- the amount authorized to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon some new service not included in the Annual Budget Statement for that year; or
- that any money has been spent on any service during a financial year in excess of the amount granted for that service for that year, the Federal Government shall have power, as prescribed, to authorize expenditure from the Federal Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not, and shall cause to be laid before the National Assembly Supplementary Budget Statement or, as the case may be, an Excess Budget Statement, setting out the amount of that expenditure, and the provisions of Articles 80 to 83 shall apply to those statements as they apply to the Annual Budget Statement.

Re-appropriation of funds: Principal accounting officers may sanction, at any time before the close of the financial year, re-appropriation of funds from one expenditure item to another within a budget grant in the manner as may be prescribed.

Surrender of savings: (1) All Ministries and Divisions, their attached departments and sub-ordinate offices and autonomous organizations shall surrender to the Finance Division at least twenty-five days before the presentation of the budget in the National Assembly, all anticipated savings in the grants or assignment accounts or grant-in-aid controlled by them. (2) The Finance Division shall communicate the acceptance of such surrenders before close of the financial year and where requirement is justified, shall provide for equivalent amount in the next financial year budget.

Classification of development projects: Projects defined in public sector development programme shall be classified as:

- ***Core projects*** in national infrastructure requiring complex planning, design and implementation procedures. The Planning Commission shall designate projects as such in accordance with the criteria notified in official Gazette; and
- ***Sectoral projects***, projects undertaken by specific sectors, Ministries and Divisions which are required to enhance the development of that sector or Ministry or Division and do not fall under the above category of core projects.
- **Technical approval:** No development project shall be considered for inclusion in demands for grants that has not been granted technical approval.
- **Cost of the Project:** No development project shall be considered for inclusion in demands for grants unless it is provided with a budget allocation for the coming year which fully reflects the proposed project cost for each year.
- **Monitoring and Evaluation of the Development Projects:** Development projects shall be monitored and evaluated during implementation and on completion.

Budgetary Provision for Maintenance of Assets: Every Ministry and Division shall include in its demands for grants adequate funds dedicated for operation and maintenance of the physical infrastructure assets under its supervision.

Utilization of Public Assets: PAOs shall insure maximum possible return on each and every asset falling under the oversight of the Ministry/Division.

Control of Public Finance, Consolidated Fund and Public Account: Federal Consolidated Fund.—(1) All Ministries and Divisions, their attached departments and subordinate offices and all public entities if so required by their statutes, shall arrange remittance in the Federal Consolidated Fund, without delay, of all revenues including all grants received by the Federal Government, all loans raised by the Government and all moneys received by it in repayment of any loan and all other moneys into the Public Account of the Federation as required under Article 78 of the Constitution. (2)All loans or grants made to the Federal Government by a foreign government or otherwise shall be remitted to the Federal Consolidated Fund and the Controller General of Accounts shall be responsible for its proper accounting.

Custody of the Federal Consolidated Fund and Public Account of the Federation: The operation of the Federal Consolidated Fund and the Public Account of the Federation shall vest in the Finance Division under the overall supervision of the Federal Government.

Expenditure from Federal Consolidated Fund: (1) No authority shall incur or commit any expenditure or enter into any liability involving expenditure from the Federal Consolidated Fund and Public Account of the Federation until the same has been sanctioned by a competent authority duly empowered and the expenditure has been provided for the financial year through— schedule of authorized expenditure; or supplementary grant and technical supplementary grant as per Article 84 of the Constitution; or re-appropriation as per section 10. No authority shall transfer public moneys for investment or deposit from government account to other bank account without prior approval from the Federal Government. Every grant approved by the National Assembly for a financial year and every other authority or sanction issued under this Act in respect of a financial year, shall lapse and cease to have any effect at the close of that financial year.

Withholding of authorized appropriations: The Finance Division may, with the prior approval of the National Assembly, suspend, withdraw, limit or place conditions on any budget appropriation or other authority issued by it, if the Finance Division is satisfied that such action is required by reason of a financial exigency or is in the public interest.

Excess expenditure: The expenditure in excess of the amount of budget grant as well as the expenditure not falling within the scope or intention of any budget grant, unless regularized by a supplementary grant, shall be treated as excess expenditure.

Mid-year reporting of budget developments: By twenty eighth February each year, the Federal Government shall place mid-year review report before the National Assembly. The report shall provide budget and actual comparison of revenues, expenditure and financing.After placing the mid-year review report in the National Assembly, the Finance Division shall publish the report on its official website.

Year-end government performance monitoring report: Starting from the financial year 2021-22, the Federal Government shall place, within six months of close of financial year, before National Assembly, a government performance monitoring report detailing:

- Budget and expenditure by outputs; and
- Planned and delivered key performance targets.

Budget Manual: Within a period of six months from commencement of this Act, the Finance Division shall approve a Budget Manual, to be published as well as placed on the Federal Government's website.

All existing instruments shall continue in force until altered, amended or repealed by such authority competent to alter, amend or repeal the same.

The existing instruments shall include— The General Financial Rules; Federal Treasury Rules; Fundamental Rules and Supplementary Rules; Civil Service Regulations; Provident Fund Rules; Civil Pension Rules; Methods and procedures prescribed by the Auditor-General of Pakistan with reference to deposit and withdrawal of public money; Public Works Department Code; the New System of Financial Control and Budgeting, 2006; the Central Public Works Account Code; the Accounting Policies and Procedures Manual; (l) other Financial Regulations consistent with the rules; and (m) all amendments, schedules, Manuals, notifications, forms, appendixes, orders, circulars, codes, instructions, directives, guidelines, clarifications and any other supplementary legal instruments relating to any of those rules, in each case as in force in the Federal Government before commencement of this Act.

All the existing public finance management and administration including the rules, regulations and all amendments, schedules, Manuals, notifications, forms, appendixes, orders, circulars, codes, instructions, directives, guidelines, clarifications and any other supplementary legal instruments relating to any of those rules, in each case as in force in the Federal Government before commencement of this Act shall be made consistent with this Act through appropriate amendments where required.

3.4. Fiscal Responsibility and Debt Limitation Act, (FRDLA) 2005

The Federal Government promulgated Fiscal Responsibility and Debt Limitation Act, 2005 to provide for reduction of Federal Fiscal Deficit and ratio of Public Debt to Gross Domestic Products (GDP) to a prudent level by effective Public Debt Management. The Act prescribes the principles of sound fiscal and debt management and the Federal Government shall pursue its policy objectives in accordance with the principles of sound fiscal and debt management specified.

To Reduce the Federal Fiscal Deficit: The Federal Government shall take all appropriate measures to reduce the Federal fiscal deficit excluding foreign grants and ratio of total public debt to gross domestic product and maintain it within prudent limits thereof.

In particular and without prejudice to the generality of the foregoing provisions, the following shall be the principles of sound fiscal and debt management, namely:-

- **Limiting the Federal Fiscal Deficit** excluding foreign grants to four percent of gross domestic product during the three years, beginning from the financial year 2017-18, and maintaining it at a maximum of three and a half percent of the gross domestic product thereafter;
- ensuring that within a period of two financial years, beginning from the financial year 2016-17, the total **public debt shall be reduced to sixty percent** of the estimated gross domestic product;
- ensuring that within a period of five financial years, beginning from the financial year 2018-19 total public debt shall be reduced by 0.5 percent every year and from 2023-24 and going up to financial year 2032-33 a reduction of 0.75 percent every year to reduce the total public debt to fifty percent of the estimated gross domestic product and thereafter maintaining it to **fifty percent or less of the estimated gross domestic product**; and
- **not issuing new guarantees**, including those for rupee lending, bonds, rates of return, output purchase agreements and all other claims and commitments that may be prescribed, from time to time, for any amount exceeding two per cent of the estimated gross domestic product in any financial year:
- Provided that the **renewal of existing guarantees** shall be considered as issuing a new guarantee.

The Federal Government may depart from the principles of sound fiscal and debt management on the grounds of unforeseen demands on the finances of the Government due to national security, acts of terrorism, war, riots and projects of national importance or natural calamity including earthquake, drought, torrential rains, floods, etc. or as determined by the National Assembly and when the Federal Government does so any such departure shall be temporary and the Minister shall specify reasons for departure, measures to return to the principles and period of time.

Economic policy statements to be laid before the National Assembly: The Federal Government shall, in each year, ensure to be laid before the National Assembly, the following statements of economic, fiscal and debt policy, namely:-

- Medium term budgetary statement;
- Fiscal policy statement; and
- Debt policy statement.

Every economic policy statement prepared under this Act shall incorporate to the fullest extent possible all Federal Government decisions and all other circumstances that may have a material effect on the Fiscal and Economic situation of country. The Act also denotes disclosure of policy decisions, measures to in force compliance and fiscal transparency and statement of responsibility by the Minister for Finance and Secretary Finance.

3.5. President's Orders No. 5 dated May 2010and No. 6 dated July 2015

The provincial share of revenues from the divisible pool taxes, straight transfers etc. is governed in accordance with the provisions of Seventh National Finance Commission Award notified vide President's Order No. 5 of 2010 issued on 10th May 2010. Furthermore this Order was slightly amended through President's Order No. 6 which came into force on 1st day of July 2015.

Distribution of revenues: In compliance with the provisions contained in Article 160 of the constitution, the President of Pakistan has issued certain orders for the distribution of revenues among the Federal and Provincial Governments. The divisible pool taxes in each year shall consist of the following taxes levied and collected by the Federal Government in that year, namely:

- taxes on income;
- wealth tax;
- capital value tax;
- taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
- export duties on cotton;
- customs-duties;
- federal excise duties excluding the excise duty on gas charged at well-head; and
- any other tax which may be levied by the Federal Government.

Expenses on war: One percent of the net proceeds of divisible pool taxes shall be assigned to Government of Khyber Pakhtunkhwa to meet the expenses on war on terror.

The remaining amount's distribution: After deducting the amount as prescribed above, the balance amount, of the net proceeds of divisible pool taxes, fifty-six percent shall be assigned to provinces during the financial year 2010-11 and fifty-seven and half percent from the financial year 2011-12 onwards. The share of the Federal Government in the net proceeds of divisible pool shall be forty-four percent during the financial year 2010-11 and forty-two and half percent from the financial year 2011-12 onwards.

Allocation of shares to the Provincial Governments: The Province-wise ratios given are based on multiple indicators. The indicators and their respective weights as agreed upon are:

Basis Criteria	**Share**
Population	82.0 %
Poverty or Backwardness	10.3 %
Revenue collection or generation	5.0 %
Inverse population density	2.7 %
Total	**100.00 %**

The sum assigned to the Provincial Governments shall be distributed amongst the provinces on the basis of the percentage specified against each:-

Basis Criteria	**Share**
Balochistan	9.09 %
Khyber Pakhtunkhwa	14.62 %
Punjab	51.74 %
Sindh	24.55 %
Total	**100.00 %**

This Order has also provided payment of net proceeds of royalty on Crude Oil, payment of net proceeds of development surcharge on natural gas to the provinces, grant in aid to the provinces, sales tax on services and other miscellaneous provisions. Through the amendment in the Order, Federal Government has protected the arrangements for the Balochistan province.

3.6. Public Debt Act 1944

Government Security: mean a security, created and issued, whether before or after the commencement of this Act, by the Government for the purpose of raising a public loan, and having one of the following forms, namely: -

- stock transferable by registration in the books of the Bank; or
- a promissory(includes a treasury bill) note payable to order ; or
- a bearer bond payable to bearer; or
- a form prescribed in this behalf; or notified by Government from time to time.

any other security created and issued by the Government in such form and for such of the purposes of this Act as may be prescribed

Discharge in Respect of Interest on Government Securities: Save as otherwise expressly provided in terms of a Government security, no person shall be entitled to claim interest on such security in respect of any period which has elapsed after the earliest date on which demand could have been made for the payment of the amount due on such security.

Discharge in Respect of Bearer Bonds: The Federal Government shall be discharge from all liability on a bearer bond or on any interest coupon of such a bond on payment to the holder of such bond or coupon on presentation on or after the date when it becomes due of the amount expressed therein, unless before such payment an order of a Court of Pakistan has 10 been served on the Federal Government restraining it from making payment.

Period of Limitation of Federal Government's in Respect of Interest: Where no shorter period of limitation is fixed by any law for the time being in force, the liability of the Federal Government in respect of any interest payment due on a Government security shall terminate on the expiry of two years from the date on which the amount due by way of interest became payable.

Power to make Rules: (1) The Federal Government may, (subject to the condition of previous publication, by notification in the official Gazette,) make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power such rules may provide for all or any of the following matters, namely:-

a. the forms in which Government securities may be issued ;
b. the form of the obligations referred to in the Act;
c. the manner in which different forms of Government securities may be transferred; the holding of Government securities in the form of stock by the holders of offices other than public offices, and the manner in which and the conditions subject to which Government securities so held may be transferred;
d. the manner in which payment of interest in respect of Government securities is to be made and acknowledged;

e. the conditions governing in grant of duplicate, renewed, converted, consolidated and sub-divided Government securities;

f. the fees to be paid in respect of the issue of duplicate Government securities and of the renewal , conversion, consolidation and sub-division of Government securities.

g. the form in which receipt of a Government security delivered for discharge, renewal, conversion, consolidation or sub-division is to be acknowledged;

h. the manner of attestation of documents relating to Government securities in the form of stock;

i. the manner in which any document relating to a Government security or any endorsement on a promissory note issued by the Government may, on the demand of a person who from any cause is unable to write, be executed on his behalf;

j. the form of the bonds referred to in the Act;

k. the circumstances and the manner in which and the conditions subject to which inspection of Government securities, books, registers and other documents may allowed or information there from may be given;

l. the procedure to be followed in making vesting orders;

m. the authority by whom the certificate referred to is to be granted and the manner of making the inquiry therein mentioned;

3.7. General Financial Rules

The General Financial Rules are essentially executive orders of the President describe primarily the financial powers of different authorities subordinate to the Federal Government and the procedure prescribed by the President which should be followed by them in the securing and spending of the funds necessary for the discharge of the functions entrusted to them Department authorities should follow these rules, supplemented or modified by the special rules and instructions, if any, contained in their departmental regulations and other special orders applicable to them.

Moneys Received as Dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance with the Treasury Rules.

If a Government Officer receives in his official capacity moneys which are not Government dues or the deposit of which in the custody of Government has not been authorized by Government he must open as account with a bank for their deposit Such accounts may be opened without special sanction with a branch of the State Bank of Pakistan or the National Bank of Pakistan acting as an Agent of the State Bank of Pakistan or with a Post Office Savings Bank.

The Prior Approval of Government is required to their deposit in any other bank The Government officer receiving such moneys is personally responsible of seeing that they are disbursed in strict conformity with the rules regulations or orders governing the fund to which the money appertain that a precise record of all the transactions is kept in a form complying with the regulations of the fund concerned and that the accounts are subjected to proper audit checks.

Withdrawal of Moneys From The Public Account Unless otherwise expressly authorized by any law or rule or order having the force of law moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance.

Control of Expenditure Each head of a department is responsible for enforcing financial order and strict economy at every step He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

A Controlling Officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided In order to maintain a proper control he should arrange to be kept informed not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it.

No Amount Due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought. Unless specially authorized by any rule or order made by competent authority no sums may be credited as revenue by debit to a suspense head that must follow and not precede actual realization.

Heads of Departments in charge of important sources of revenue should keep the Ministry of Finance fully informed of the progress of collection of revenue under their control and of all-important variations in such collections as compared with the Budget estimates.

Budget is a Statement of the Estimated annual revenue receipts and expenditure of the Federal Government, together with all other receipts and disbursements of the Federal Government, arising both in and outside Pakistan, is prepared by Finance Division and presented to the legislature as required by Article 80 of the Constitution. This statement is referred to as the Annual Budget Statement. This statement along with the book of Demands for Grants and Appropriations is generally known as the Budget.

The Basis for Budgeting: Para 73 of the General Financial Rules sets the rule for Basis of Estimates. The Federal Budget is on disbursement basis and not on commitment basis. The estimates should, therefore, be prepared on the basis of what is expected to be actually received or paid (under proper sanction) during the ensuing year, including arrears of previous years and not merely the demand or the liability of expenditure falling due within the year.

The Proposals of the Federal Government in connection with the votable part of the Budget are submitted to the vote of the legislature in the form of Demands for Grants. The detailed estimates presented in support of each demand include provision both for votable and non-votable (charged) expenditure, though the two classes of expenditure are clearly distinguished. The charged expenditure comprises the following:-

a. The remuneration payable to the President and other expenditure relating to his office. b. The remuneration payable to :-i. the judges of the Supreme Court; ii the Chief Election Commissioner; iii. the Chairman and the Deputy Chairman of the Senate; iv. the Speaker and the Deputy Speaker of the National Assembly; and v. the Auditor General. c. The *administrative expenses including the remuneration payable to officers and servants of the Supreme Court, the department of the Auditor-General and the office of the Chief Election Commissioner and the Election Commission, and Secretariats of the Senate and the National Assembly. d. All debt charges for which the Federal Government is liable, including interest, sinking fund charges, the repayment or amortization of capital and other expenditure in connection with the raising of loans, and the service and redemption of debt on the security of the Federal Consolidated Fund. e. Sums required to satisfy any judgment, degree or award against Pakistan by any court or tribunal. f. Sums required for making loans to the Provinces. g. Sums required for making grants-in-aid for the revenues of the Provinces by an Order of the President. h. any other sums declared by the Constitution or by Act of Parliament to be so charged. Note: Remuneration according to the Constitution, includes salary and Pension.*

The Form of the Budget and Demands for Grants is laid down by Finance Division and no alteration of arrangement or classification can be mad without the approval of that Division. The material on which the Budget and Demands for Grants are based is obtained by Finance Division in the form of detailed estimates submitted by head of departments. The Accountant General is responsible for rendering such assistance in the preparation, check and the consolidation of Budget Estimates and Demands for Grants as may be required by Finance Division in consultation with the Auditor-General. All estimates of revenue and expenditure included in the Budget are for the financial year.

The Budget Wing of the Finance Division will receive Budget Orders in GFR Form I-A in respect of permanent obligation (Part I) and New item Statements in GFR FORM 5-186 in respect of temporary obligations (Part II). Copies of these documents will also be sent to Accountant-General, Pakistan Revenues. These two documents will form the basis of compilation of Demands for Grants of individual Ministries\Divisions\Departments and aggregates of budgeted expenditure estimates under various major heads to accounts.

The Authority Administrating a grant is ultimately responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within the grant. In order that the control of departments over such expenditure may be effective and real and that the Controlling officer should be in a position from month to month to estimate the likelihood of savings in and excesses over grants and Appropriations, the procedure laid down in the following rules should be observed by all departments and Controlling and disbursing officers sub-ordinate to them, except where the Ministry of Finance have agreed in writing to Some other procedure.

The head of each department will be responsible for controlling expenditure from the grant or grants at his disposal, and will exercise his control through the Controlling officers, if any, and the disbursing officers subordinate to him.

Control over expenditure must be exercised with reference to the grant as it stands from time to time. It is the duty of the head of the department to distribute the grant, among the various Controlling and disbursing Officers subordinate to him, so far as this has not been done by the Ministry of Finance.

All Anticipated Savings should be surrendered to government immediately they are foreseen but not later than 31st March of each year in any case. Unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided after 31st March shall be surrendered to Government immediately thy are foreseen but not later than 30th June of each year. No savings should be held in reserve for possible future excesses.

It is Contrary to the interest of the State that money should be spent hastily or in an ill-considered manner merely because it is available or that the laps of a grant could be avoided. In the public interest, grants that cannot be profitably utilized should be surrendered. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

All Applications for Supplementary Grants should normally be submitted to Government so as to reach the Ministry of Finance, as far as possible, at the latest or by such other date as may be prescribed by the Ministry of Finance from time to time. Administrative Departments should not, however, hold up the applications till that date, but forward each application to the Ministry of Finance as soon as they become convinced that supplementary a grant will be necessary.

On Receipt of an Application for a Supplementary Grant the Ministry of Finance will review the position of the grant as a whole with reference to the known actuals of the year to date and actuals and estimates for previous years. If after this examination the Ministry of Finance comes to the conclusion that it should be possible for the Administrative Department to meet the expenditure within the sanction grant, either from normal savings or by special economies or in the last resort by judicious postponements of other expenditure, the Administrative Department will be so informed and no supplementary demand will be presented to the Assembly. If, on the other hand, the Ministry of Finance considers that a supplementary grant will be necessary a demand will be placed before the Assembly as soon as possible.

The Management of Public Debt in Pakistan and the maintenance of accounts relating thereto are vested in the State Bank of Pakistan. A substantial part of the work falls, however on treasuries and sub treasuries.

The Procedure to be followed in treasuries and other Government office in dealing with securities of rupee loans issued by Government and in making payment of interest in respect thereof is regulated by the provisions of the Public Debt Act 1944 (XVIII of 1944) as amended from time to time and the statutory rules issued there under.

3.8. Federal Treasury Rules:

The “Treasury Rules of the Federal Government” primarily deal with the procedure which should be followed in treasuries including offices or agencies of State Bank conducting the cash business of treasuries. These rules also provide vital principles and important safeguards of general applicability for the Departments which generally deal with the receipt, custody and disbursement of Government money.

Location of Public Moneys:

Subject to the Provisions of Sub-rules (2) and (3) or Rule 7 and Sub rule (1) of Rule 33, public moneys of the Federal Government must either be held in a Federal Treasury or in the Bank. Moneys deposited in the Bank are considered as one general fund held in the Books of the Bank on behalf of the Government. The deposit of such money in the Bank is governed by the provisions of Section 21 of the State Bank of Pakistan Act 1956 (Act XXXIII of 1956).

General Instructions for Handling Cash:

Moneys tendered as dues of the Government or for deposit in the custody of the Government shall not pass through the hands of a departmental officer unnecessarily. Direct payment into the Treasury or into the Bank by the person who tenders such money shall be insisted on, and direct payments arranged whenever this is practicable.

In every department or office, wherever the Government cash is handled, a cash book should be maintained in Form TR-4. Before opening a cash book the number of pages should be counted and certificate to that effect recorded on the first page. All monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of office or by any gazetted officer authorized by him in this behalf, in token of his having checked it.

Presentation of Claims:

The money is withdrawn from the Federal Consolidated Fund or the Public Account only through the presentation of bills. The bill, as a matter of fact, is a statement of claims against the Government containing specification of the nature of claim, amount claimed, either in gross or by items. The bill may be in, the form of a simple receipt also. The bill becomes a voucher as soon as it is receipted and stamped paid.

Checks to be applied to Claims:

Whenever a bill is presented for payment to the Department/ Treasury/Audit office the normal audit checks are to see if the claim is admissible, authority is good, arithmetical calculations are correct, signatures/counter signatures are genuine and legal quittance is in order. Where the payment has to be made to an authorized agent or banker the endorsement should be in order and complete in all respects. If the bill is found in order it is passed for payment.

When a person not in Government employ claims payment for work done, services rendered or articles supplied the bill should be submitted through the Head of Department or other responsible Government officers concerned. While forwarding the bill to the Accountant General/Treasury Officer, the departmental officer should record his acceptance of the amount, both in figures arid words on the body of the bill. It is the responsibility of the disbursing officer to see that the payment is made to the correct person.

The Treasury Officer/Audit Officer is also required to inform the income tax authorities regarding the payments made to officials and non-officials, etc., in respect of remunerations, fee, commission and bonus, etc. The names and addresses of the payees should be duly intimated.

3.9. The Rules of Business, 1973:

The Federal Government has made The Rules of Business, 1973 in exercise of the power conferred by Articles 90 & 99 of the Constitution of Pakistan.

The Federal Secretariat shall comprise the Ministries and Divisions. The Prime Minister may, whenever necessary, constitute a new Ministry consisting of one or more Divisions. The business of government shall be distributed among the Divisions.

Provided that the distribution of business or the constitution of the Division may be modified from time to time by the Prime Minister.

No Important Policy Decision shall be taken except with the approval of the Prime Minister. It shall be the duty of a Minister to assist the Prime Minister in the formulation of policy. The Minister shall keep the Prime Minister informed of any important case disposed of by him without reference to the Prime Minister. No decisions of policy taken by the Prime Minister shall be varied, reversed or infringed without consulting him. The Minister shall be responsible for policy concerning his Division.

The Business of the Division shall ordinarily be disposed of by or under the authority of the Minister-in-Charge. The Secretary shall (a) assist the Minister-in-Charge in the formulation of policy; (b) duly execute the sanctioned policy; (c) submit all proposals for legislation to the Cabinet with the approval of the Minister. (d) Keep the Minister-in-Charge generally informed of the working of the Division and of any important case disposed of without reference to the Minister;

The Secretary shall be the Principal Accounting Officer of his Division, its Attached Departments and Subordinate Offices, and ensure that the funds controlled by him are spent in accordance with the rules laid down by the Finance Division.

Consultation with the Finance Division shall, without previous consultation with the Finance Division, authorise the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation or which in particular involve - (a) relinquishment, remission or assignment of revenue, actual or potential, or grant of a guarantee against it; (b) expenditure for which no provision exists in the budget or for which no sanction exists; (c) floatation of loan; (d) re-appropriation within budget grant; (e) alteration in the method of compilation of accounts, or of the budget estimates; (f) receipt or expenditure of foreign exchange unless already allocated; (g) a change in the terms and conditions of service of Government servants on their statutory rights and privileges, which have financial implications; (h) interpretation of rules made by the Finance Division; and

No Proposal to which the previous concurrence of the Finance Division is required shall, so long as concurrence is refused, be proceeded with. If a Minister cannot reach agreement with the Minister for Finance and desires to press the proposal, he shall submit it to the Prime Minister or, if the Prime Minister so desires to the Cabinet. Formal orders shall not issue until the Finance Division has given its scrutiny to the details of the proposal, where no such details have been supplied with the proposal. (3) Except to the extent that power may have been delegated to the Divisions under the rules framed by the Finance Division, every order of an administrative Division conveying a sanction to be enforced in audit shall be communicated to the audit authorities through the Finance Division.

Cases to be brought before the Cabinet:- (a) proposals for legislation, official or non-official, including money bills; (b) promulgation and revocation of Ordinances; (c) the budgetary position and proposals before the presentation of an Annual Budget Statement and a Supplementary Budget Statement or an Excess Budget Statement under Articles 80 and 84; (d) proposals for levy, abolition, remission, alteration or regulation of any tax and floatation of loans;(e) a reference to the Supreme Court for advice on a question of law under clause (1) of Article 186; (f) generation of electricity and laying of inter-provincial transmission lines; decisions regarding the composition of all delegations, except those for which important briefs are required, to attend meetings of international bodies may be taken by mutual consultation between the Minister and the Minister for Finance, but the approval of the Prime Minister shall be obtained- (i) where the delegation is sponsored by a Division under the direct charge of the Prime Minister or a Division or Divisions under the charge of the Minister for Finance; or (ii) where a Minister is proposed to be included in the delegation.

Important Reports and documents required to be laid before the Assembly or Senate; cases involving vital political, economic and administrative policies; The Prime Minister will decide whether any such case should be brought before the Cabinet.

Official Bills: The Division concerned shall be responsible for determining the contents of the proposed legislation for consulting the other Divisions concerned (including the Finance Division) where necessary, and for obtaining the approval of the Cabinet

Money Bill shall originate in the National Assembly: Provided that simultaneously when a Money Bill including the Finance Bill containing the Annual Budget Statement is presented in the National Assembly, a copy thereof shall be transmitted to the Senate which may, within fourteen days, make recommendations thereon to the National Assembly. The National Assembly shall consider the recommendations of the Senate and, after the Bill has been passed by the Assembly with or without incorporating the recommendations of the Senate, it shall be presented to the President for assent. Bills, other than Money Bills, resolutions, motions, questions or other business with respect to any matter in the Federal Legislative List originate or be moved or asked, in or, as the case may be, brought before either House: Provided that the Prime Minister shall determine the House in which a particular official bill, resolution or motion originate or be moved or, as the case may be, before which any other official business shall be brought.

An official Bill shall be introduced in the Assembly, or as the case may be, the Senate by the Minister-in-Charge or by any other Minister on his behalf.

Assent to Bills: A Bill to be presented to the President for his assent shall be forwarded by the appropriate Secretariat duly certified by the Speaker or, as the case may be, the Chairman to the Parliamentary Affairs Division who shall submit it to the President for his assent. The President shall- (a) assent to the Bill, or (b) if it is a Bill other than a Money Bill, return the Bill to the Majlis-e-Shoora (Parliament) with a message requesting that the Bill, or any specified provision thereof, be reconsidered and that any amendments specified in the message be considered.

Budget: The Minister for Finance shall, in consultation with the Prime Minister and the Speaker, prepare a time-table for the consideration of annual budget by the Assembly. The Secretary of the Assembly shall intimate the time-table so decided upon to all the Divisions and the Secretary, Prime Minister's Office. On receipt of a motion proposing a cut in a demand (or supplementary demand) for grant of funds, the Division concerned shall examine the points raised by the member, and any further points likely to be raised, and prepare a brief for the use of the Minister-in-Charge in making a reply. When the budget is passed by the Assembly, the Minister for Finance shall submit the

Schedule of Authorized Expenditure to the Prime Minister who shall authenticate the Schedule by his signature as required by Article 83.

3.10. Rules of Procedure and Conduct of Business in the National Assembly, 2007:

Under clause (1) of Article 67 of the Constitution, the National Assembly passed the Rules of Procedure and Conduct of Business in the National Assembly, 2007 on 23rd February, 2007.

NA Standing Committee on Finance and Revenue Under section 198 (1) of the Rules, in addition to the standing committees on Public Accounts, Rules of procedure and privileges, House and Library, Government Assurances and Business Advisory, there shall be a Standing Committee of the Assembly for each Ministry of the Government.

1. There shall be a Standing committee of National Assembly on Ministry of Finance, Revenue & Economic Affairs consisting 20 Members of treasury benches as well as from opposition Parties including Minister for Finance, Revenue & Economic Affairs as ex-officio Member.
2. A Standing Committee shall examine a Bill, subject or matter referred to it by the Speaker National Assembly and shall submits report to the Speaker, as the case may be, with such recommendations including suggestions for legislation, if any, as it may deem necessary. In the case of a Bill, the Committee shall also examine whether the Bill violates, disregards or is otherwise not in accordance with the provisions of the Constitution

Budget: The Budget shall be presented to the Assembly on such day and at such time as the Leader of the House may appoint. No demand for grant shall be made except on the recommendation of the Government.

Demands for grants: A separate demand shall be made in respect of the grant proposed for each Ministry or Division. Each demand shall contain a statement of the total grant proposed and a statement of the detailed estimate under each grant divided into items.

Presentation of the Budget: The Budget shall be presented by the Minister for Finance or, in his absence, any other Minister authorized by the Leader of the House, hereafter in this Chapter referred to as the Minister-in-Charge.

Stages of discussion of the Budget: The Budget shall be dealt with by the Assembly in various stages, namely:- (a) General discussion on the budget as a whole; (b) discussion on appropriations (in respect of charged expenditure); and (c) discussion and voting on demands for grants (in respect of expenditure other than charged expenditure), including voting on motions for reduction, if any.

Allotment of days: The Speaker shall, in consultation with the Minister-in-Charge allot days for the different stages of the Budget. Provided that at least two days shall elapse between the days the Budget is presented and the first day allotted for the general discussion on the Budget: Provided further that not less than four days shall be allotted for the general discussion on the Budget.

General Discussion on the Budget: On the days allotted for general discussion on the Budget, the Assembly may discuss the Budget as a whole or any question of principle involved therein, but no motion shall be moved at this stage nor shall the Budget be submitted to the vote of the Assembly. The Minister-in-Charge shall have a general right of reply at the end of the discussion. The Speaker may, if he thinks fit, prescribe a time limit for speeches.

Cut-Motions: Any member may move a cut-motion to reduce the amount of demand in any of the following ways,- (a) “that the amount of the demand be reduced to Re. 1” representing disapproval of the policy underlying the demand. Such a motion shall be known as “Disapproval of Policy Cut”. A member giving notice of such a motion shall indicate in precise terms the particulars of the policy, which he proposes to discuss. The discussion shall be confined to the specific point or points mentioned in the notice and it shall be open to members to advocate an alternative policy; (b) “that the amount of the demand be reduced by a specified amount” representing the economy that can be affected. Such specified amount may be either a lump-sum reduction in the demand or omission or reduction of an item in the demand. The motion shall be known as “Economy Cut”.

The Notice: shall indicate briefly and precisely the particular matter on which discussion is to be raised and speeches shall be confined to the discussion as to how economy can be affected; (c) “that the amount of the demand be reduced by Rs.100” in order to ventilate a specific grievance which is within the sphere of the responsibility of the Government. Such a motion shall be known as “Token Cut” and discussion thereon shall be confined to the particular grievance specified in the motion.

Conditions for admissibility of cut-motions: In order that a notice of motion for reduction of the amount of demand may be admissible, it shall satisfy certain conditions, including:- (a) it shall relate to one demand only; (b) it shall not seek to increase a grant or alter the destination of a grant; (c) it shall not relate to expenditure charged on the Federal Consolidated Fund; (d) it shall be clearly expressed and shall not contain arguments, inferences, ironical expressions, imputations, epithets or defamatory statements; (e) it shall be confined to one specific matter which shall be stated in precise terms; (f) it shall not reflect on the character or conduct of any person whose conduct can only be challenged on a substantive motion; (g) it shall not make suggestions for the amendment or repeal of any existing law; (h) it shall not refer to a matter which is not primarily the concern of the Government; (i) it shall not relate to a matter which is under adjudication by a court of law having jurisdiction in any part of Pakistan; (j) it shall not raise a question of privilege; (k) it shall not revive discussion on a matter which has been discussed in the same session and on which a decision has been taken; (l) it shall not anticipate a matter which has been previously appointed for consideration in the same session; nor shall it relate to a trifling matter; and 70 (m) it shall not relate to any matter which is pending before any court or other authority performing judicial or quasi-judicial functions: Provided that the Speaker may, in his discretion, allow such matter being raised in the Assembly as is concerned with the procedure or subject or stage of enquiry if he is satisfied that it is not likely to prejudice the consideration of the matter by such court or authority.

Speaker to decide admissibility of cut-motions: The Speaker shall decide whether a cut-motion is or is not admissible under these rules and may disallow any cut-motion if in his opinion, it is an abuse of the right of moving cut-motion or is calculated to obstruct or prejudicially affect the procedure of the Assembly or is in contravention of any of these rules.

Notice of cut-motions: If notice of a cut-motion has not been given two clear days before the day on which the demand is taken up for consideration any member may object to the moving of the motion and the objection shall prevail unless the Speaker allows the motion to be made. No amendment to a cut-motion shall be permissible.

Voting on demands for grants: Each demand for grant shall be discussed separately. Before a question is put in respect of a demand for grant, all cut-motions in respect of that demand shall be discussed and voted upon. When several cut-motions relating to the same demands are tabled they shall be discussed in the order in which the heads to which they relate appear in the Budget.

Schedule of authorized expenditure: The schedule of authorized expenditure, when authenticated under clause (1) of Article 83 or Article 84, shall be laid on the Table but shall not be open to discussion or vote thereon.

Procedure for Dealing with Supplementary and Excess Demands: The procedure for dealing with supplementary estimates of expenditure and excess demands shall, as far as possible, be the same as prescribed for the Budget except that, if, on a demand for a supplementary grant, funds to meet the proposed expenditure on a new purpose are available by re-appropriation, a demand for the grant of a token sum may be submitted to the vote of the Assembly and if the Assembly assents to the demand, funds may be made available

3.11. Rules of Procedure and Conduct of Business in the Senate 2012

In pursuance of clause (2) of Article 67 of the Constitution, the Senate made the Rules of Procedure and Conduct of Business in the Senate, 1988. The revised rules were passed by the Senate on 8th March, 2012.

Senate Standing Committee on Finance and Revenue

1. There shall be a Standing committee of Senate on Ministry of Finance, Revenue & Economic Affairs consisting 13 Members of treasury benches as well as from opposition Parties. Standing Committee shall examine a Bill, subject or matter referred to it by the Senate or the Chairman and shall submits report to the Senate or to the Chairman, as the case may be, with such recommendations including suggestions for legislation, if any, as it may deem necessary. In the case of a Bill, the Committee shall also examine whether the Bill violates, disregards or is otherwise not in accordance with the provisions of the Constitution.
2. Before the approval of annual budget in the National Assembly the Senate Standing Committees will submits its budgetary recommendations through chairman Senate to National Assembly for inclusion in the final budget/ Document if deemed necessary.
3. Further each Standing Committee shall scrutinize the Public Sector Development Program (PSDP) proposed by the Ministry concerned for the next financial year and suggest amendments, if necessary, and make recommendations thereon before the same is sent to the Ministry of Finance for inclusion in the Federal Budget for the next financial year.

Money Bill transmitted to the Senate under Article 73: When a copy of Money Bill, including Finance Bill containing the Annual Budget Statement, is transmitted to the Senate, it shall be laid on the Table by a Minister.

After a copy of the Money Bill, the Minister shall move that the Senate may make recommendations thereon to the National Assembly. After the motion, the Senate shall commence its debate on the Bill.

Unless the Chairman otherwise directs, a member may, within three days of the motion, give notice of a proposal for making recommendations, together with the statement of reasons for such proposal, in writing to the Secretary: Provided that a member shall not give notice of a proposal for making recommendations to the Annual Budget Statement which relates to the expenditure charged upon the Federal Consolidated Fund under clause (1) of Article 82 of the Constitution;

If Such Notice is admitted by the Chairman, the Secretary shall cause a list of proposed recommendations to be made available for the use of every member.

The Provisions of rules 106, 107 and 108 shall, mutatis mutandis, apply in respect of a notice of a proposal for recommendations.

The Proposed Recommendations so received shall immediately be sent to the Standing Committee on Finance which shall examine them and present its recommendations to the House within a period of ten days.

When Such a Bill is transmitted to the Senate, it may within fourteen days make recommendations, if any, thereon to the National Assembly.

The Chairman may if he considers it necessary, or on a motion moved by a Minister or member, allot time for discussion on the Bill and for this purpose the Chairman may suspend or vary the rules to the extent necessary.

A Question relating to a proposed recommendation shall be decided by a majority of the members present and voting in the manner laid down in rule 239.

No Other Business, except with the permission of the Chairman, shall be transacted on a day when any such Bill is discussed for making recommendations thereon to the National Assembly.

3.12. Public Accounts Committee

The PAC is one of the statutory organs of the National Assembly of Pakistan. According to the Article 171 of the Constitution of Islamic Republic of Pakistan, the Report of the Auditor General (AG) relating to the accounts of the Federation shall be submitted to the President, who shall cause them to be laid before the Majlis-e-Shoora (Parliament). The AG Report so laid in the National Assembly (N.A) shall be referred to the Public Accounts Committee.

The committee may examine the expenditures, administration, delegated legislation, public petitions and policies of the Ministry concerned and its associated public bodies and may forward its report of findings and recommendations to the Ministry and the Ministry shall submits its reply to the Committee.

The PAC comprises of 30 member of the Parliament representing treasury and opposition members. 23 members are from National Assembly, 6 from the Senate and Finance Minister being ex-officio member. It is headed by a Chairman elected by the members of PAC and it can constitute sub committees

3.13. System of Financial Control and Budgeting 2006:

The procedure and financial limits has been laid down in the system of financial control and budgeting issued by Finance Division on 13th September 2006, which are being exercised across the Federal Government. Under this system the duties and responsibilities of PAOs, CF&AO, delegation of powers to Ministries/Divisions/Departments, roles and functions of Finance Division with reference to Current and Development expenditure have been laid down. Furthermore budgetary procedures have also been prescribed.

After enactment of PFM Act, 2019 the provisions of this system are being reviewed and amended in line with the provision of the Act,especially in the prospective of abolishment of the Financial Advisors' Organization.

3.14. Roles and Responsibilities for Budgeting:

All Principal Accounting Officers (PAOs) of Collecting and Spending ministries, divisions and departments are responsible for the preparation of their own budget estimates. This officer will guide about the preparation of estimates by spending entities within the ministry and co-ordinates the budget with the Finance Division and various other bodies as required throughout the budget cycle. Federal Board of Revenue is responsible for the estimation of the Tax Revenues. For non-tax revenue estimates, each Principal Accounting Officer (PAO) is to submit the estimates of receipts along with the estimates of expenditure.

A number of other Government entities provide support during the budget process including Finance Division, FBR, SBP, Planning & Development Division, Economic Affairs Division and Controller General of Accounts. National Assembly and Senate Secretariats and Standing Committees on Finance and Revenue are also key organizations related to budget approval.

3.15. State Bank of Pakistan and its Agent:

State Bank of Pakistan (SBP) has been established under SBP Act 1956 to regulate the monetary and credit system of Pakistan and to foster its growth in the best national interest with a view to securing monetary stability and fuller utilisation of the country's productive resources;

The Bank is authorised to carry on and transact the several kinds of business including accepting of money on deposit from, and the collection of money for the Federal Government, the Provincial Governments, Local Authorities, banks and other persons: provided that no interest shall be paid on deposit received from the Federal Government, Provincial Governments, or Local Authorities.

The Bank acts as agent to the Federal Government, any Provincial Government or any Local Authority in the transaction of various kinds of business, namely:- (a) the purchase and sale of gold or silver or approved foreign exchange; (b) the purchase, sale, transfer and custody of bills of exchange, securities or shares in any company; (c) the collection of the proceeds, whether principal or interest, profit, dividend or other return, of any securities; (d) the remittance of such proceeds at the risk of the principal, by bills of exchange payable either in Pakistan or elsewhere; (e) the management of public debt; and (f) the transaction of special drawing rights with the International Monetary Fund.

The balances with SBP are reflected under Account No. 1 (Non-Food) which comprises of Consolidated Fund and the Public Account of federation and the provinces. Food Accounts of the federation and the provinces are maintained separately. Certain specific sub accounts are also opened by the federation and provincial governments under the umbrella of Account No. 1, e.g. Pakistan Railway, Pakistan Bait-ul-mal etc.

The State Bank of Pakistan fulfils the role of the Central Banker, having overall responsibility for the management of the Government's banking. The National Bank of Pakistan takes primary responsibility for the majority of the transaction processing of Government. The responsibilities of the State Bank of Pakistan (National Bank of Pakistan as agent of SBP) include:

- Making collections and disbursements on behalf of Government/Government Offices;
- Making disbursements on approved claims;
- To manage the foreign currency payments budget out of Public Money;
- Maintenance of records of all transactions described above;
- Preparation and submission of statements of transactions (in such form as may be specified by the Finance Division and CGA);
- To assist the Finance Division in debt management;
- Managing the Government's cash balances in accordance with the Government's specific instructions;
- Periodic reconciliations of transactions with Accountants General's Office and Accountant General Pakistan Revenues;
- Periodic reporting to Accountants' General Office, Accountant General Pakistan Revenues and Ministry of Finance
- Allotment of a unique identification code to each debt instrument and maintenance of the loan amortization schedule for each debt instrument;
- To provide information to Finance Division on the stocks and flows of debt instruments showing the maturity profile and monthly cash plans for debt retirement;
- To provide information on issuance, maturities and outstanding positions of permanent and floating debt instruments;
- Maintenance and reporting on the Treasury Single Account of the Federal Government;
- Reporting cash balance and cash needs of the Federal Government;
- Maintenance of the debt amortization schedules of permanent and floating debt;
- To maintain the balance and stocks sufficient to make payments in Foreign Exchange;

CHAPTER-4

NEW ACCOUNTING MODEL (NAM) FRAMEWORK FOR BUDGETING

4. NEW ACCOUNTING MODEL (NAM) FRAMEWORK FOR BUDGETING

The Auditor-General of Pakistan is responsible to set the conceptual framework for accounting in the Public Sector Entities in Pakistan. Under Article 170 of the Constitution of Pakistan, on recommendation of the Auditor-General of Pakistan, President has approved the accounting system known as New Accounting Model (NAM) in the 2000 A.D. The implementation of the system was started in the country from 2005. The NAM accounting framework can be explained with the help of four key requirements i.e. Constitutional, International Accounting and reporting standards, Accountability and administrative arrangements and other stakeholders' requirements.

4.1. International Accounting and Reporting Standards Requirements

Budget follows Accounts and Accounts follow the Budget. New Accounting Model (NAM) integrated the following features along with other requirements:

Elementary Accounting: Most of the countries in the world are shifting from the legacy systems of Cash receipts payments and balance reporting and four divisions of accounts towards accounting based on five key elements of accounts. The classification based on four divisions of accounts has been changed to internationally accepted classification of business transaction known as Elements of Accounts (Revenue, Expenditure, Assets, Liabilities and Equity) by Pakistan since 2005;

Responsibility Accounting: Some of the features of Responsibility Accounting like reporting on Cost centre, Fund Centre, Profit Centre have been included in the current accounting framework. The financial reports include the Departmental fiscal performance reports as prescribed under the INTOSAI Reporting Framework.

International Public Sector Accounting Standards (IPSAS): There are a number of options available for the government of Pakistan with reference to selection of accounting standards which include IAS/IFRS, IPSAS cash and accrual basis, INTOSAI reporting framework and IMF GFS system of accounting and reporting.

IPSAS-Cash basis: The basis for recording the economic events has been selected mainly the cash basis (except few transactions under Public Account). The format of Cash-basis IPSAS has been adopted for reporting receipts and disbursements by the government of Pakistan for ministries, divisions and attached departments. The presentation of a Comparison of Budget and actual amounts in the form of Appropriation Accounts (now mandatory disclosure) is prepared on annual basis in ten volumes.

IPSAS-Accrual basis: At present, the format of Accrual-basis IPSAS-2 has been adopted for reporting Statement of Cash-flows. The government of Pakistan is considering the transition towards full accrual basis accounting in a phased manner.

4.2. Administrative and Accountability Requirements

The administrative ministries divisions and attached departments' heads remain keen about the physical and financial progress of their organizations and projects under process under them. Moreover, it is the responsibility of the PAO to monitor the budget, record the commitments to control the budget and present himself before the PAC for accountability of the resources consumed. The monthly Budget Execution reports are communicated by the account offices regularly to the PAOs for the purpose. The controller general of accounts (CGA) is responsible to submit combined finance and revenue accounts of the federation and appropriation accounts along with the annual financial statements to the DAGP for certification before publication.

The legislators, representing the General Public, hold meetings of the Public Accounts Committee in the Parliament and the *'Rules of Procedures and Conduct of Business in the National Assembly'* require the Auditor-General of Pakistan to submit the following Accounts and his report as under:

For General Government Entities [Ministries, Divisions and Departments (Rule 203(1):

- Annual Appropriation Accounts;
- Annual Finance Accounts

For Public Sector Enterprises/ Corporations (Rule 203(3):

- Statement of Accounts for Income and Expenditure;
- Trading and Manufacturing, Statement of Accounts for Income and Expenditure with Balance Sheet of concerns and projects;

For Autonomous / Semi AutonomousBodies (Rule 203(3):

- Statement of Accounts showing the Income and Expenditure

4.3. Multidimensional Code Classification for Budgeting:

To meet the above mentioned reporting requirements, there is always a need to develop multidimensional code classification scheme. For the Budgeting, accounting and financial reporting purposes the elements of chart of accounts (CoA) as prescribed under NAM will be used with minor customization with the recent legislation. The detailed use of these elements is reproduced hereunder. Additionally, a new element as "Geographical Location" shall be mandatory from now for making Project documents, budgeting and accounting purposes.

To evolve a robust program based budgeting system to work, the "Budget Classification" (BC) and "Chart of Accounts" (COA) must incorporate programs. The Budget Classification and Chart of Accounts are classification systems, in which there is a code number (Alphabetic/ or Numeric) for each transaction which summarizes all of its characteristics according to the classification system. These systems cover not only expenditure, but other transactions such as revenue.

OVERALL ACCOUNT CLASSIFICATION FOR BUDGET INFORMATION					
ENTITY ELEMENT	**FUND ELEMENT**	**FUNCTION ELEMENT**	**OBJECT ELEMENT**	**PROJECT ELEMENT**	**GEOGRAPHIC ELEMENT**
Government [1A]	Consolidated Fund[1A]	Major level [2N]	Account Element [1A]	Program [1N]	District [2A]
Ministry [2N]	Source[1N]	Minor level[1N]	Account No. [5N]	Sector [2N]	Tehsil [2N]

Division [1N]	Sub-fund[1N]	Detailed level [1N]	Major level[2N]	Sub-Sector [2N]	Union Council [3N]
Att. Department [4A/N]	Grant No.[3N]	Sub-detailed level[2N]	Minor level[1N]	Project [5N]	
District [2A]			Detailed level [2N]		
Controlling Unit[4N]					
Spending Unit [4N]					
Code: [14A/N characters]	***Code: [6A/N characters]***	***Code: [6N characters]***	***Code: [6A/N characters]***	***Code: [10N characters]***	***Code: [7A/N characters]***

Entity element: The entity element enables reporting of transactions by the organisational structure or in other words the organisational unit which is creating the transaction. The use of the entity element is mandatory for all accounting transactions. The sub elements contained in entity are ***government***, ***ministry***, ***division***, ***attached department***, ***district*** and ***Drawing and Disbursing Officer*** (DDO). The DDO sub element used as fund centre for budget purposes sometimes has two levels as controlling DDO and spending DDO. A DDO code once entered into the ERP system with its full hierarchy is sufficient for all purposes and there will be no need to enter the data for remaining sub-elements in the system.

Object Element: The object element enables the collection and classification of transactions into expenditure and receipts and also to facilitate recording of financial information about assets, liabilities and equity. The use of the object element is mandatory for all accounting transactions. The object element consists of two sub elements, the accounting element and the account number. The accounting element is a single alpha character sub element and defines the accounting element to which a transaction will be classified. The accounting elements are as follows:

- A00000 Expenditure
- B00000 Tax receipts
- C00000 Non-tax receipts
- E00000 Capital receipts
- F00000 Assets
- G00000 Liabilities
- H00000 Equity.

The account number contains further internal structure/levels. i.e. Major object, Minor object, Detailed object. All budget items are primarily subject to codifications at the detailed object level. It is the ERP system to accumulate and consolidate the budget data at all levels.

It is worth noting that the expenditure element code classification contained in the substructure of the detail codes for expenditure are different codes for transactions which relate wholly to assets, liabilities and also to general expenditure (e.g. codes from A091 to A095 represent expenditure in relation to purchase of an asset. Simultaneously, recording of an asset, as a memorandum entry, will be carried out by using codes under F03). Hence, the costs of Input, while budgeting, will be codified using appropriate codes from the list of Expenditure Element.

Fund Element: Fund Element: the rationale behind the Fund classification is to ascertain the financial position with regards to the *sources and uses of funds*. This code classification also satisfies the requirements of Articles 78, 80, 81 and 82 of the constitution. The fund element enables financial reporting by fund being either the Consolidated Fund or the Public Account (e.g. the key sources of public money). The use of the fund element is *mandatory* for all accounting transactions relating to expenditure. The fund element consists of four sub elements, fund; source; sub-fund; and grant number. The transactions relating to Public Account are classified under object element 'G' starting from 'G06' onwards.

The *fund* sub element is a one alpha character and identifies the fund as being the Consolidated Fund. The *source* sub element means the source of the fund which is a one numeric character code and classifies the detailed sources of consolidated fund as *Capital receipts* and *Revenue receipts*. The Revenue receipts under the *object element* are coded with a prefix alpha character 'B' and 'C'. The capital receipts are classified with the code 'E' under the *object element*. Therefore, all cash inflows in the consolidated fund are classified under 'B-tax revenue', 'C-non-tax revenue' and 'E-capital receipts' whereas all cash outflows from the consolidated fund are classified under 'A-expenditure'. The cash in/outflows relating to Public Account are classified under the same relevant code starting from 'G06' onwards.

The *sub-fund* sub element is one numeric character showing [presently] the four major uses of funds, which divides the cash outflows from Consolidated Fund into voted-current expenditure, voted-development expenditure, charged-current expenditure and charged-development expenditure.

The *Grant number* sub fund is a three Numeric code allotted by the ministry of finance at the time of the consolidation of the expenditure budget. The list of the grants is not available in the Chart of Accounts.

Additional Fund Classification for Autonomous Bodies Including Universities:

Under the 'Source' sub-element there shall be an additional code '3' showing the description as '3-Self-generated Revenue' used for budgeting and reporting of autonomous bodies. Likewise, the sub-fund sub element of one numeric character showing the current expenditure out of 'Self-generated revenues' shall be used as '7-Current Expenditure out of Self-generated revenues' and '8-Development Expenditure out of Self-generated revenues'. To maintain consistency in the reporting structure of "Fund Element" the Grant No. '333' shall be used for this purpose.

Function Element: This is the fourth main element of the chart of accounts which indicates the functional classification of expense. The Classification of Functions of Government (COFOG) is a detailed classification of the functions, or socioeconomic objectives, that general government units aim to achieve through various kinds of outlays. It is one of a family of four classifications referred to as classifications of expenditure according to purpose. COFOG provides a classification pertaining to outlays by governments on functions that experience has shown to be of general interest and amenable to a wide variety of analytic applications. Statistics on health, education, social protection, and environmental protection, for example, can be used to study the effectiveness of government programs in those areas.

All transactions are classified in 10 major, minor, detailed and sub-detailed classes in accordance with the Functional Classification prescribed under IMF's System of National Accounts (SNA)/ Government Finance Statistic (GFS) Manual 1986/2001.

The function element consists of four sub levels, major function, minor function, detailed function and sub-detailed function.

Program-cum-Project Element: Program element will now be used in conjunction with Project Element by the Federal Government to introduce program accounting in the light of Public Finance Management Act 2019(section 13).Five numeric characters code classifications will be used for the ***Program Element*** and five numeric characters for the *Project Element*. The Program element contains two sub-elements namely Program and Sector. Program sub-element is denoted by one numeric character whereas the sector sub-element with two numeric characters. The Sector element will be sub divided into *Subsector Element* using two additional numeric characters. The program code classification scheme will be added into the Chart of Accounts (CoA) whereas under each Project group and Sector Planning Commission will be authorized to allot a five numeric characters running number to each project. The list of *Sector Element* and *Subsector Element* shall be prepared by the Planning Commission and adopted by the CGA in Chart of Accounts (CoA) and made available in the websites of PC and CGA.

The Code Classification for *Program Element* shall be mandatory for all organizations and development projects. However, for Non-development expenditure [Program code '3'] the *Project Sub-Element* code classification will not be required at this point of time.

A proposed classification table, as a sample, is presented hereunder:

Program		Sector		Subsector		Project ID	
Code	**Description**	**Code**	**Description**	**Code**	**Description**	**Code**	**Name of Project**
1	Core Projects-Development	**01**	Multi-sectoral	10101	Multiple subsector	NNNNN	
2	Sectoral Projects-Development	**02**	Defence	01		NNNNN	
		03	Industry Sector	01		NNNNN	
		04	Energy-Fuel	01		NNNNN	
		05	Energy-Power	01		NNNNN	

		06	Housing, Government Buildings and Town Planning	01		NNNNN	
		07	Health, Family Planning and Social Welfare	01		NNNNN	
		08	Culture, Sports, Tourism, Youth and Mass Media	01		NNNNN	
		09	Education, Training and Manpower	01		NNNNN	
		10	Research	01		NNNNN	
		11	Agriculture Extension	01		NNNNN	
		12	Agriculture Production	01		NNNNN	
		13	Irrigation	01		NNNNN	
		14	Tele-Communication	01		NNNNN	
		15	Transport and Communication			NNNNN	
		15	Transport and Communication	21501	Roads and engineering structures	NNNNN	
		15	Transport and Communication	21502	Railways	NNNNN	
		15	Transport and Communication	21503	Harbours and Inland water infrastructures	NNNNN	
		15	Transport and Communication	21504	Airports and Air Traffic	NNNNN	
		15	Transport and Communication	21505	Inter-modal infrastructures	NNNNN	
		15	Transport and Communication	21506	Transport safety	NNNNN	
				21599		NNNNN	

		16	Water and Sewerage Projects	21601		NNNNN	
		17				NNNNN	
3	Non-development	**01**	Multiple sectors	30101	Multiple subsectors	00000	
3	Non-development	**15**	Transport and Communication	31501	Roads and engineering structures	00000	
		15	Transport and Communication	31502	Railways	00000	
		15	Transport and Communication	31503	Harbours and Inland water infrastructures	00000	
		15	Transport and Communication	31504	Airports and Air Traffic	00000	
		15	Transport and Communication	31505	Inter-modal infrastructures	00000	
		15	Transport and Communication	06	Transport safety	00000	

Location (Geographical) Element: This element will help in reporting information about the physical existence of the economic activity/project/service delivery unit in a particular administrative locality. This will help the Planners in Identification of regions, sectors and sub-sectors lacking adequate portfolio of projects and taking steps to stimulate preparation of sound projects in those areas.

The code classification for location shall be mandatory for all type of budget and accounts for Expenditure. As far as possible, the same shall be used for revenue transactions also.

Such a classification for Location will indicate the region in which the expenditure took place and is divided into three sub-elements. District sub element identifies the administrative district having two alphabetic characters. Tehsil sub element identifies the sub administrative area within a district designated as Tehsil / Ta'luka having two numeric characters. Union Council sub element identifies the sub administrative areas within a Tehsil/ Ta'luka having three numeric characters. Geographic classification is mandatory for all transactions of Expenditure (current or development). For district codes the sub-area code list no. 5 in the Chart of Accounts will be used. However, for Tehsil and Union council lists will be obtained from the Election Commission and Local Government Departments. The final lists with codes will be available on the website of the CGA. For example, the structure of this element can be presented as under:

District		Tehsil		Union Council	
Code	**Description**	**Code**	**Name of Tehsil/ Ta'luka**	**Code**	**Name of UC/UU**
ST	Sialkot	**ST01**	Sialkot		City Sialkot
ST	Sialkot	**ST02**	Daska	**NNN**	City Daska
ST	Sialkot	**ST03**	Pasrur	**NNN**	City Pasrur
ST	Sialkot	**ST03**	Pasrur	**NNN**	Chawinda
ST	Sialkot	**ST03**	Pasrur	**NNN**	Kalaswala
ST	Sialkot	**ST03**	Pasrur	**NNN**	Badyana

In case the geographical location is across (multi-provinces) provinces and not divisible then the District code will be 'PK', Tehsil code will be '90' and Union Council code '900'. In case the geographical location is across (multi-districts) districts and is not divisible, then the District code will be for Punjab 'PP', for Sindh 'SP', for Khyber Pakhtunkhawa 'NP', for Balochistan 'BP', for Azad Kashmir 'AK' and for Gilgit Baltistan 'GB'. Tehsil code in this case will be '91' and Union Council code '901'. In case of multi-tehsils the code will be '92' and Union Council code '902'. And finally, in case of multi-Union Councils and not divisible the code will be '903'. Otherwise a sequentially unique identity code will be allotted to each Union Council starting from '001'.

Constituency based information shall be generated through an additional mapped table available in the SAP –ERP system as under:

District		Federal constituency		Provincial constituency		Union Council/ Urban Unit	
Code	**Description**	**Code**	**Cont. No.**	**Cont. No.**	**Name of Tehsil/ Ta'luka**	**Code**	**Name of UC/UU**
ST	Sialkot	**ST01**	NA-110	PP-116	Sialkot		City Sialkot
ST	Sialkot	**ST02**	NA-111	PP-117	Daska	**NNN**	City Daska
ST	Sialkot	**ST03**	NA-112	PP-118	Pasrur	**NNN**	City Pasrur
ST	Sialkot	**ST03**	NA-112	PP-118	Pasrur	**NNN**	Chawinda
ST	Sialkot	**ST03**	NA-112	PP-119	Pasrur	**NNN**	Kalaswala
ST	Sialkot	**ST03**	NA-112	PP-119	Pasrur	**NNN**	Badyana

Account Circle to Authorize Payments:

For the effective and efficient achievement of the budgetary controls, the budget documents also provide the information about the respective Account Office from where the payments against the dedicated budget shall be disbursed or reported in the financial statements. This information is provided in the 'Details of the Demands for Grants and Appropriations-Pink Book'. For example, the budget of the Missions Abroad shall be disbursed primarily by the Chief Accounts Officer Ministry of Foreign Affairs, Pak PWD by the Director Budget and Accounts whereas the main Account Circle for the General Government Ministries/ Divisions and Departments shall be the Accountant General Pakistan Revenues (AGPR). The budget to be disbursed by the Accountant General Pakistan Revenues is further sub-divided into its sub-offices situated in the Provincial Headquarters and is reflected in the detailed budget books. Further division is identifiable from the Fund Centre Codes which are pre-fixed with the District code for the District Accounts Offices.

Loan and/ Grant Reference for Projects:

Presently, neither the budget estimates nor actual disbursements of foreign loans and grants are recorded project-wise in the centralized IT system (SAP –ERP). Ministry of finance is always dependent on the other sources of information. For efficient decision making, it is inevitable to link the projects information of actual expenditure with the budgeted data and actual disbursement of loans and grants for each project. To ensure these linkages, it is mandatory to record the budget estimates for foreign assistance as well as the estimates for development expenditure with a project identification code. Therefore, each foreign loan and grant shall be assigned with a unique identification code as under.

This element will be known as Loan and Grant Identification code scheme and comprises of three sub-elements. The Sub-element *'Assistance Category'* will have two alpha numeric characters. The first character 'L' will be used for Loans and 'G' for Grants. The numeric code further elaborates the category of loans and grants. The sub-element '*Purpose'* is denoted with two numeric characters. The third sub-element '*Identification'* is a running number of four numeric characters showing the unique number for each loan and grant. This indicates the code number allocated by the donor in agreement documents and name of the loan/grant or project.

LOAN AND GRANT IDENTIFICATION CODE SCHEME					
Assistance Category		Purpose		Identification	
Code	**Description**	**Code**	**Description**	**Running No. (from 1001)**	**Donor reference/ Code and Name of Debt/ Project**
L1	Loans for Federal Govt. (Ministries and Divisions)	**L101**	Project	L101 1001	GCL-2014-519 Construction of cross boarder optical fibre cable system

		L102	Programme		
		L103	Budgetary Support		
		L109	Others		
L2	Loans for Federal Autonomous Bodies	**L201**	Project		
		L202	Programme		
		L203	Budgetary Support		
		L209	Others		
L3	Loans for Provincial Governments	**L301**	Project		
		L302	Programme		
		L303	Budgetary Support		
		L309	Others		
L4	Other Guaranteed Loans	L401	Project		
		L402	Programme		
		L403	Budgetary Support		
		L409	Others		
G1	Grants for Federal Govt. (Ministries and Divisions)	G101	Project		
		G102	Programme		
		G103	Budgetary Support		
		G109	Others	G109 6004	UK-14-204024 BOP stability and growth program
G2	Grants for Federal Autonomous Bodies	G201	Project		

		G202	Programme		
		G203	Budgetary Support		
		G209	Others		
G3	Grants for Provincial Governments	**G301**	Project		
		G302	Programme		
		G303	Budgetary Support		
		G309	Others		
G4	Grants for Others	**G401**	Project		
		G402	Programme		
		G403	Budgetary Support		
		G409	Others		

CHAPTER-5

BUDGET ACTIVITIES AND POLICIES

5. BUDGET ACTIVITIES

5.1. Budgeting Cycle

The budgeting cycle starts with setting of budget strategy and completes with approval of budget. It consists of six phases broadly categorised as follows:

Setting of Budget Strategy: Finance Division informs all Ministries/Divisions/ Departments to start preparation of budget in January each year by issuing Budget Call Circular.

The Federal Government sets priorities and a comprehensive budget strategy to be followed by all the Public Sector Entities (line Ministries/Divisions and Attached Departments). The Federal Cabinet approves budget strategy, initiatives and priorities. They are then communicated to Ministries by Finance Division through issuance of Indicative Budget Ceiling(s) (IBCs).

Preparation: Finance Division, Planning, Development and Special Initiative Division, Economic Affairs Division, FBR and line Ministries/Divisions take active part in budget preparation, which involves the preparation and submission of budget estimates of expenditure, receipts and financing by entities to the Finance Division.

Authorization: This stage involves submission of the Annual Budget Statement before the National Assembly. This consists of two stages; approval by the National Assembly, and authentication by the Prime Minister. The approved budget is referred to as the 'Schedule of Authorised Expenditure'. The budget proposals are presented in the National Assembly and also discussed in the Senate. Recommendations of the members of the parliament are considered and then the budgetary proposals are approved. Thereafter authentication of the expenditure by the Prime Minister is solicited.

Implementation: The approved budget is uploaded on AGPR Server for expenditure by the line ministries/divisions according to the strategy issued by the Finance Division. For effective cash management purposes, a system of release of funds exists.

Reporting and Monitoring: Actual revenues and expenditures are recorded and reported to monitor progress against budget throughout the financial year. Expenditure is reconciled by expending entity with AGPR. The office of the Accountant General Pakistan Revenues plays a pivotal role in maintenance and reporting of accounts to the Finance Division on periodic basis.

Budget Review: Mid-year review of the Revenue, Financing and Expenditure shall be placed before National Assembly by 28th February each year, as required by PFM Act, 2019. Finance Division has also started quarterly based budgetary review. Medium term Performance based budget is to be submitted before the Parliament annually.

5.2. Budget Calendar:

The budget calendar includes a number of milestones from planning to implementation steps. The steps and indicative timelines are given below, actuals are announced by Finance Division from time to time.

PHASE-I: ESTIMATES OF RECEIPTS			
S #	**Activities**	**Responsible**	**Tentative Timeline**
1.	First Preliminary Revised Estimates (CFY) and Budget Estimates (NFY) of Federal Government Receipts together with reasons for variations	Principal Accounting Officers	By 15th January
2.	Final Estimates of Federal Government Receipts (Revised CFY & Budget NFY) together with explanatory notes thereon	Principal Accounting Officers	By 15th March
3.	Final estimates of Tax Expenditure for the next Financial year.	FBR, ICT-Administration (Tax collecting PAOs)	By 15th March

PHASE-I: ESTIMATES OF CURRENT AND DEVELOPMENT EXPENDITURES (REVENUE & CAPITAL)			
S #	**Activities**	**Responsible**	**Tentative Timeline**
1.	Issuance of 'Budget Call Circular'	Finance Division	By 1st January
2.	Development of Budget Strategy Paper	Finance Division	By 1st February
3.	Presentation of the Budget Strategy Paper in the Cabinet for approval	Finance Division	2nd week of February
4.	Letter of Indicative Budget Ceilings (3 years) to the PAOs and copy of ceilings to Finance Division	Finance Division	2nd week of February
5.	Last date for Submission of Section I Forms by Ministries / Divisions for current budget to Finance Division	Fund Centres, Ministries / Divisions	By 28th February
6.	Last date for Submission of Section-I Forms by Ministries / Divisions for development budget to Planning Commission and copy to Finance Division	Fund Centres, Ministries / Divisions	By 14th March
7.	Last date for submission of Section-I Forms (BOs / NISs) on Chart of Accounts for current expenditure to the Budget Wing (Finance Division)	Principal Accounting Officers	By 15th March

In the second phase, the information pertaining to Asset management, Cash management and Debt management will be required as under:

PHASE-II: CALENDAR OF RETURNS FOR FINANCIAL MANAGEMENT			
S #	**Activities**	**Responsible**	**Tentative Timeline**
1.	Submission of monthly cash plans for cash inflows and out flows in line with the budget proposals submitted for NA.	Principal Accounting Officers	By 31^{st} May
2.	Submission of monthly Foreign Exchange budget proposals in line with the budget estimates for the year	Principal Accounting Officers	By 31^{st} May
3.	Submission of budgeted Financial Assets Loans and Advances (Stocks and Flows)	Principal Accounting Officers	By 31^{st} May
4.	Submission of budgeted Financial Assets Equity and Dividend (Stocks and Flows)	Principal Accounting Officers	By 31^{st} May

5.3. Budget Publications

The budget publications are the budget documents submitted to the National Assembly for consideration, discussion and approval. These documents include:

- Budget Speech of the Finance Minister Incharge (Urdu/ English)
- Citizen Budget (CB)/Budget in Brief
- Annual Budget Statement (ABS)
- Memorandum on Federal Receipts and Estimates of Foreign Assistance
- Authenticated Schedule of Authorised Expenditure
- Schedule of Demands for Grants and Appropriations (white Book)
- Supplementary and Excess Demands for Grants and Appropriations
- Detailed Schedule of Grants and Demands-Current Expenditure
- Detailed Schedule of Grants and Demands-Development Expenditure
- Public Sector Development Programme (PSDP)
- Annual Development Plan (ADP)
- Medium Term Performance Based Budget

5.4. Macro Fiscal Framework-Macro Fiscal Policy Unit

A Macro-Fiscal Policy Unit (MFU) is an essential part of a modern public financial management system and its introduction has the potential to significantly enhance fiscal and budget policy making. While the structure, role and specific outputs of such units differ across countries, the core mandate is to produce credible economic and fiscal reporting and analysis; ensure consistency between macroeconomic developments and projected public sector revenues and expenditures; and develop and regularly update a medium-term fiscal framework which incorporates the country's policy objectives. In Pakistan, the establishment of the MFU should be phased in, beginning with essential functions.

Monitoring and reporting on macroeconomic and fiscal developments during the year is a starting point and top priority should be accorded to this aspect of the macro-fiscal function. Before beginning to forecast into the future, the MFU will need to understand present conditions and build a historical database to support an understanding of key economic relationships. Once the database is established, regular and timely reports on macro-fiscal trends should be prepared, with a focus on assessing mid-yearrisks to the government's budget plans and fiscal objectives. There is no policy Unit to deal with Macro-Fiscal Policy therefore, it is imperative to create a Macro-Fiscal Policy Unit. The ToRs of Macro-Fiscal Policy Unit are as under:

ToRs of Macro - Fiscal Policy Unit

- Serve as the principal unit for coordinating work on the modelling and forecasting of Fiscal targets/ variables.
- Develop and maintain a macroeconomic framework using among others IMF's Financial Programming and Policy (FPP) Framework, to product consistent set of baseline and reform scenario projections on quarterly basis of the four sectors – real, external, fiscal and monetary – of the economy. It should be preparing reports on growth rate and stabilization.
- Develop appropriate state-of-the-art partial and general equilibrium models for forecasting of important macroeconomic variables. These models will also help to analyze implications of alternative settings of important policy instruments, including monetary and fiscal measures, on the Pakistan economy.
- Establish and maintain up-to-date database of all major economic and policy variables required as the data basis for the undertaking of economic analysis and forecasting; and measures used for management of the monetary and external sectors of the economy.
- Capacity of the Macro-Fiscal Policy Unit will be enhanced in phase manners.

5.5. Principles of Fiscal and Debt Management:

The Federal Government shall pursue its policy objectives in accordance with the principles of sound fiscal and debt management take all appropriate measures to reduce the Federal fiscal deficit excluding foreign grants and ratio of total public debt to gross domestic product and maintain it within prudent limits thereof.

5.6. Economic Policy Statements to be laid Before the National Assembly:

The Fiscal Responsibility and Debt Limitation Act 2005 prescribes that the Federal Government shall, in each year, ensure to be laid before the National Assembly, the following statements of economic, fiscal and debt policy, namely:-

(a) the medium term budgetary statement;

(b) the fiscal policy statement; and

(c) the debt policy statement:

5.7. The Medium Term Budgetary Statement:

In terms of provisions contained in Section 5 of the FRDL Act 2005, the Federal Government shall include a medium term budgetary statement, consistent with the principles of sound fiscal and debt management, in the annual budget statement to be laid before the National Assembly each year not later than the 30th day of June of each financial year. The medium term budgetary statement shall set forth a three year rolling target for economic indicators.

The medium term budgetary statement shall, in particular and without prejudice to the provisions contained in sub-section, for the financial year commencing on the first day of July and the two financial years following that financial year (a) indicate explicitly, by the use of ratios or other means the Federal Government's intentions regarding economic indicators including those specified in sub-section(2) of section 6; and (b) specify clearly key fiscal measures and risks that the Federal Government considers important and against which fiscal policy will be set and assessed.

5.8. The Fiscal Policy Statement:

The Fiscal Responsibility and Debt Limitation Act 2005 further prescribe that the Federal Government shall lay before the National Assembly the fiscal policy statement by the end of January each year. The fiscal policy statement shall, *inter alia*, analyze the following key macroeconomic indicators, namely:

(a) total expenditures;

(b) total net revenue receipts;

(c) total fiscal deficit;

(d) total Federal fiscal deficit excluding foreign grants;

(e) total public debt; and

(f) debt per capita.

Further, the Federal Government shall explain how fiscal indicators accords with the principles of sound fiscal and debt management. The fiscal policy statement shall also contain:

(a) the key fiscal measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administered pricing and borrowing;

(b) an update on key information regarding macroeconomic indicators;

(c) the strategic priorities of the Federal Government for the financial year in the fiscal area;

(d) the analysis to the fullest extent possible of all policy decisions made by the Federal Government and all other circumstances that may have a material effect on meeting the targets for economic indicators for that fiscal year as specified in the medium term budgetary statement; and

(e) an evaluation as to how the current policies of the Federal Government are in conformity with the principle of sound fiscal and debt management and the targets set forth in the medium term budgetary statement in section 5.

5.9. Statement on Fiscal Risks:

In compliance with the Section 4(3) of the Public Finance Management Act 2019 the Federal Government along with the Annual Budget Statement shall also include a statement of contingent liabilities of the Federal Government; and a statement of fiscal risks.

The risk framework may be organised into four broad categories:

(a) Macroeconomic risks,

(b) policy and budget execution,

(c) contingent and accrued liabilities, and

(d) long-term spending commitments.

Fiscal risks are inter dependent and highly correlated.This analysis pertains to the factors that may cause fiscal outcomes to deviate from expectations or forecasts. These factors comprise potential uncertainties which may shocks to government revenues, expenditures, assets, or liabilities, which are not reflected in the government's fiscal forecasts or reports. Fiscal risks may arise from a range of different sources, which can be classified into two main categories:

Macroeconomic Risks:

These arise when outturns differ from forecasts for key macroeconomic variables, such as GDP, inflation, unemployment, interest rates, commodity prices, and exchange rates, which are themselves important determinants of fiscal performance. Notably, sharp deviations in nominal GDP growth may have large implications for government revenues as well as expenditures, and therefore for public debt.

Specific Fiscal Risks:

These adversities arise from the realization of contingent liabilities or other uncertain events, such as a natural disaster, the bailout of a troubled public corporation or Provincial government by the central government, or the collapse of a bank. Each of these events can entail both immediate and/or ongoing costs to the government because of their explicit obligations (liabilities that have a legal or contractual basis) or implicit obligations ("insurer of the last resort"), which are not established by law or contract but are based on a moral obligation of the government that reflects public expectations and interest-group pressures.

5.10. Debt Policy Statement:

The Federal Government shall lay before the National Assembly, the debt policy statement by the end of January each year. The purpose of the debt policy statement is to allow the assessment of the Federal Government's debt policies against the principles of sound fiscal and debt management and the debt reduction path. The debt policy statement shall, *inter alia*, contain:

a) assessment of the Federal Government's success or failure in meeting the targets of total public debt to estimated gross domestic product for any given year as specified in the debt reduction path;

b) evaluations of external and domestic borrowing strategies and provide policy advice on these strategies;

c) analysis of the foreign currency exposure of Pakistan's external debt;

d) consistent and authenticated information on public and external debt and guarantees issued by the Federal Government;

e) information of all loan agreements contracted, disbursements made thereof and repayments made thereon, if any, by the Government during the fiscal year; and

f) analysis of trends in public debt and external debt and steps taken to conform to the debt reduction path as well as suggestions for adjustments, if any, in the Federal Government's overall debt strategy.

5.11. Statement of Responsibility:

Every statement prepared under sections 5, 6 and 7 of the Fiscal Responsibility and Debt Limitation Act 2005 shall include:

(a) a statement by the Minister that all policy decisions with material economic or fiscal implications that the Federal Government has made before the day on which the contents of the economic policy statements were finalized and all other circumstances with material economic or fiscal implications of which the Minister was aware before that day, have been communicated to the Secretary of Finance; and

(b) a statement by the Secretary of Finance that the Ministry has supplied to the Minister, using its best professional judgment on the basis of economic and fiscal information available to it before the day on which the contents of the economic policy statements were finalized, an economic and fiscal statement incorporating the fiscal and economic implications of those decisions and circumstances, but any decisions or circumstances that the Minister has determined under sub-section (3) of section 8 shall not be incorporated in that economic policy statement.

The statement by the Minister under clause (a) above shall additionally provide for:

(a) the integrity of the disclosures contained in the economic policy statements;

(b) the consistency with the requirements of this Act of the information contained in the economic policy statements; and

(c) the omission from the economic policy statement of any decision or circumstance specified in sub-section (3) of section 8 of the FRDL Act 2005.

5.12. Budget Strategy Paper:

Budget Strategy Paper is a strategic document approved by the Cabinet each year. The paper presents medium-term macro-fiscal forecasts, and overall size of the resources and proposed allocations. As per proposed allocations for the current and development sides, the 3-year rolling framework is communicated to the PAOs in shape of Indicative Budget Ceiling (IBC).

The Federal Government shall approve the budget strategy paper containing quantified macroeconomic and fiscal projections for the medium-term by fifteenth of March of each year. It shall be published as well as placed on the Finance Division's official website. The paper shall indicate strategic priorities of the Government revenue and spending policies and specify indicative levels of spending in various Ministries and Divisions. Upon approval of the paper, the Finance Division shall issue indicative budget ceilings to Ministries and Divisions.

The Minister for Finance shall discuss the budget strategy paper with Standing Committees responsible for Finance and Revenue in the Senate and the National Assembly. The Federal Government may extend the deadline mentioned in sub-section (l) in case of extreme requirement.

For Macro-Fiscal projections, the Finance Division interacts with various stakeholders (including Federal Board of Revenue, Planning Commission, Economic Affairs Division, Pakistan Bureau of Statistics, and State Bank of Pakistan).

CHAPTER-6

MEDIUM-TERM PERFORMANCE BASED BUDGETARY FRAMEWORK AND PROCESSES

6. MEDIUM-TERM PERFORMANCE BASED BUDGETARY FRAMEWORK & PROCESSES

6.1. Performance Based Budgeting:

Performance budgets use statements of missions, goals and objectives to explain why the money is being spent. It is a way to allocate resources to achieve specific objectives based on program goals and measured results. It has three elements:

- The result (final outcome)
- The strategy (different ways to achieve the final outcome)
- Activity/ outputs (what is actually done to achieve the final outcome)

Basic Model of Performance Based Budgeting:

The most basic form of performance-based budgeting is that which aims to ensure that, when formulating the government budget, key decisions makers systematically take into account the results to be achieved by expenditure. The essential requirements for this most basic form of performance-based budgeting are:

- Information about the objectives and results of government expenditure ,in the form of key performance indicators and simple form of program evaluation; and
- A budget preparation process designed to facilitate the use of this information in budget funding decisions;
- A programme classification of expenditure in the budget is also highly recommended

  Systematic consideration of results in the budget preparation process has the potential to Improve expenditure prioritization (the capacity to allocate limited resources to where they will do the most good); and Encourage line ministries to spend efficiently and effectively.

Performance-Based Budgeting and Medium Term Framework:

Performance-based budgeting fits naturally with a medium-term budget framework, although the latter should not be thought of as a prerequisite for the former. Like performance-based budgeting, a medium-term budget framework aims to improve expenditure prioritization (although performance-based budgeting is much more focused on managing the efficiency and effectiveness of public expenditure). The best way to improve expenditure policy formulation is both to make maximum use of performance information and to consider the medium-term cost implications of expenditure choices.

6.2. The Medium Term Budgetary Framework:

The Medium Term Budgetary Framework (MTBF) is an approach to budgeting which focuses the budget around achieving the government's medium term goals and service delivery. The MTBF supports the three objectives of public financial management, namely:

(a) To further strengthen Fiscal discipline in the management of the public finances of the Federal Government (ability of government to live within available resources);

(b) To strengthen the alignment of budgetary allocation and expenditures with the policies and priorities of the government (budget preparation is in accordance with priorities); and

(c) To strengthen the process of budgeting and budget resource management within the ministries so as to ensure efficiency and cost-effectiveness of the use of public sector resources by line ministries/ divisions in the delivery of public services.

Logic of Intervention

This approach under the new budgeting system (also known as MTBF) helps planners and managers think through the logic of their interventions and how they relate to the ministry's overall objectives. It requires that the ministry/division specify how its activities, outputs and outcomes are linked. This logic can then be tested by asking a series of 'if-then' questions, as follows:

If inputs (i.e. resources) are provided then activities can be undertaken - If activities are undertaken then outputs will be produced - if outputs are produced then outcomes will be achieved - if outcomes are achieved then the ministry/division will have made progress towards achieving its overall goal(s).

The approach involves identification (in the following order) of ministry goal(s), outcomes, outputs and activities. The following terms relate to the 'logic of intervention' of a ministry/division and are therefore grouped together:

Inputs	The resources required to undertake activities that contribute to an output (e.g. money, personnel, equipment, materials).
Activities	The specific tasks undertaken to achieve the required outputs (e.g. for water supply these may include design, site preparation, establishment of users committees, health and sanitation education, collection of local materials, tank construction, pipe laying, digging soak pits, commissioning)
Output	A delivered service or product. Outputs are produced by activities. Outputs are delivered to an external party - usually the public, individually or collectively (e.g. Infrastructure built/rehabilitated, licenses issued, provision of policy advice, investigations, vaccinations for boys and girls, better trained staff). A particular output may be the result of a set of activities that are funded through the current budget, the development budget, or both. If the logic of intervention has been designed correctly, the delivery of outputs will lead to achievement of a successful outcome for the target population. Fund Centres (Spending Units) may produce ministry outputs, or they may contribute to the delivery of ministry outputs (in which case the term 'sub-output' may be useful).
Outcome	The results (or impact) on a target population of a particular service (output) being delivered. Examples would include improved health for men and women, increased agricultural production, functional literacy, improved local management systems or capacity Some results are

	immediately measurable; others come about only after a longer period of time. Outcomes reflect the intended results from government actions.
Goal	The high-level objective to which the office of the Principal Accounting Officer is aspiring to embrace. Where relevant, organizational goal should be linked with one or more goals defined in the 'Vision 2025' document. For example goal for Water and Power Division will be "Double power generation by 2025 in order to provide uninterrupted and affordable electricity". A summary of the overall objective(s) to which the ministry/division is aspiring. The goal provides a vision statement that embraces the desired future that the ministry is working towards (e.g. increase national income, improved nutritional status of the overall population, reduced crime, and gender equality). Where a ministry has multiple objectives that cannot be subsumed within a single 'goal' (e.g. Ministry of Minorities, Culture, Sports, Tourism and Youth Affairs) it may have multiple goals, each with its own set of outcomes and outputs.
KPI	A Key Performance Indicator is a tool or variable used to measure service delivery. Targets are set for the medium term for each KPI against each output (Service), and outcome. For example the KPI for the output "Enhancement of electricity generation, transmission and distribution services" could be "Reduction in load shedding by 20% in the year 2020-21 (%age reduction of gap between power demand and power supply"

A performance target is a quantitative goal with a timeline (usually explicit, but sometimes implicit) for the achievement of that goal. Targets may be set for outcomes, output (quantity, quality or efficiency), or even for activities or inputs. The targets are always based on specific performance indicators, which provide the yardstick for measuring target accomplishment. But indicators do not include quantitative objectives, nor timelines.

Performance Target: Some Examples

- Increase adult literacy from 60% to 70% by 2025 (an outcome target),
- Vaccinate the whole population against polio by 2024 (an output target),
- Ensure that monthly accounting reports are completed within 15 days of the end of the financial year (an activity target, with implicit timeline of "immediately/ this year"),
- Fill all vacant agricultural extension officer positions with suitably qualified persons during this financial year (an input target)

6.3. Legal Framework for Performance Based Budgeting:

Section 9(2) of the PFM Act 2019 sets the parameters for budgeting as 'the medium-term performance based budget may include, for each PAO, *policy* and *goals*, past and future expenditure, *outputs* and *outcomes* and related performance *indicators* and *targets*.

6.4. Processes for Medium-Term Budgeting:

The overall process in Federal Ministries/Divisions will be supported by the Finance Division.

- Step One- Issuance of 'Budget Call Circular' to the Principal Accounting Officers (PAOs)
- Step Two- Preparation of Budget Strategy Paper by Macro Economic Working Group under Finance Secretary and its presentation in the Cabinet
- Step Three-Presentation of Budget Strategy Paper in the standing committees for Finance & Revenue in the Senate and the National Assembly
- Step Four- On approval of the Budget Strategy Paper by the Federal Government, Issuance of Indicative Budget Ceilings for current and development expenditures
- Step Five-Entry of Section I Forms (BO / NIS) of current expenditure in respective SAP system terminals by PAOs along with submission of hard copies to budget Wing, Finance Division for verification and reconciliation.
- Step Six- Entry of Section I Forms (BO / NIS) of development expenditure in respective SAP system terminals by PAOs along with submission of hard copies duly endorsed by the Planning & Development Division to budget Wing, Finance Division for verification and reconciliation
- Step Seven- Completion of budget estimates/Section I Form by the respective PAOs for development expenditure in the light of APCC and NEC decisions, if required
- Step Eight- After completion of step five and six, review and verification of budget estimates (current + development) by the Budget Wing, Finance Division
- Step Nine- Entry of Section II Forms (LM I & II, Green Book and Fund Centre) in respective SAP system terminals by PAOs along with submission of hard copies to budget Wing, Finance Division
- Step Ten-Compilation and Publication of all Budget Documents
- Step Eleven-Presentation of Budget to the Cabinet
- Step Twelve- Laying of Budget documents before the Parliament
- Step Thirteen- After approval of the Budget by National Assembly, authorization of expenditure by the Prime Minister in respect of Demand for Grants & Appropriations
- Step Fourteen- Conveying authorized Demand for Grants & Appropriations to respective PAOs

PART-THREE: BUDGET EXECUTION AND REPORTING

CHAPTER-7

BUDGET DOCUMENTS

7. BUDGET DOCUMENTS

7.1. Annual Budget Statement

Annual Budget Statement containing estimated receipts and expenditure for financial year is tabled in the National Assembly of Pakistan and transmitted to the Senate of Pakistan as required under Article 80(1) and 73(1) of the Constitution of Pakistan.

The statement meets the requirements of Article 80(2) of the Constitution which stipulates that the Annual Budget Statement shall show separately:

a) the sums required to meet expenditure described by the Constitution as expenditure charged upon the Federal Consolidated Fund; and

b) the sums required to meet other expenditure proposed to be made from the Federal Consolidated Fund;

The Statement also makes a distinction between expenditure on revenue account and other expenditure, both Current and Development, as required by the Constitution. Annual Budget Statement will be supported with:

- A statement of the purpose and estimates divided into detailed items
- A Statement on contingent liabilities
- A Statement on fiscal risks

7.2. Finance Bill

Finance Bill, prepared by Federal Board of Revenue, is a part of budget document to be laid before National Assembly and transmitted to the Senate for recommendation, giving effect to the financial proposal of the Federal Government for the year beginning every financial year beginning on 1st day of July and to amend certain laws. Each and every clause of the Bill has to be approved by the National Assembly through voting and after assent of the President of Pakistan it becomes the Finance Act and is accordingly notified in the Gazette of Pakistan before commencement of ensuing Financial Year.

According to Rules of Business 1973, the Revenue Division deals with tax policy, tax administration and other federal tax related matters. The Finance Bill is finalised and submitted before the National Assembly by the Revenue Division/FBR.

7.3. Federal Revenue Receipts and Capital Receipts Including Foreign Assistance:

The memorandum is tabled in the National Assembly along with the Annual Budget Statement as additional information in order to help the parliamentarians and general readers to understand the details of the receipts included in the Statement. In a structured manner, the major components of Federal resources are explained, with a view to distinguish Revenue from Capital receipts and to further categorize Revenue Receipts as Tax and Non-tax Receipts.

This memorandum further depicts the details in the form of tables the budget estimates for Direct taxes [including income tax, wealth tax] and indirect taxes [including sales Tax, Federal Excise Duties, Customs and Petroleum levy]. The budget estimates of non-tax revenues include the income from property and enterprise, receipts from civil administration and other functions and Miscellaneous receipts.

Estimates of Foreign Assistance gives break up of foreign loans and grants received by the Federal Government, provincial governments and local bodies. External Resources comprise (i) project loans and grants (ii) programme loans; and (iii) other loans and grants. Project wise as well as lending country/ agency wise details of loans and grants are also provided.

Project loans and grants are received from friendly countries and specialized international financial institutions, which are generally used for procurement of project equipment's, supplies and services etc. Programme loans are provided for budgetary support and are linked/tied with achievement of specific targets and goals. Programme loans not only stabilize foreign exchange reserves but also generate rupee counterpart to meet country's development needs.

7.4. Demands for Grants and Appropriations:

The book comprises of the Ministry-wise summary data for each grant and appropriation supplemented by three Schedules. The schedule-I provides current year's Grant-wise Demands for Grants and Appropriations, schedule-II provides function-wise Demands for Grants and Appropriations whereas the schedule-III provides the Economic Classification {Object} wise details of the Demands for Grants and Appropriations.

7.5. Supplementary and Excess Demands for Grants and Appropriations:

Supplementary Demands for Grants and Appropriations are laid before the National Assembly in terms of Article 84 of the Constitution of Pakistan. Supplementary Demands for Grants and Appropriations represent expenditure which could not be met from within the budgeted allocations under various Demands / Appropriations and pertains to the current and previous financial years. The details are arranged in the following three parts:

- Demands for current expenditure,
- Demands for development expenditure, and
- Appropriations charged upon the Federal Consolidated Fund

In order to facilitate, the names of the Ministries have been arranged alphabetically and the details of Supplementary Demands for Grants and Appropriations serially under each Ministry. The format contains the budget provisions of a Demand, the Supplementary Grant sanctioned/ authorized and the progressive total of a Demand after the inclusion of Supplementary Grant. Since Supplementary Grants have a direct relation with Initial budget, the same is prepared according to Chart of Account (CoA) issued under New Accounting Model (NAM).

The schedule-I provides Grant-wise supplementary demands, schedule-II provides function-wise supplementary demands whereas the schedule-III provides the Economic Classification {Object} wise details of the supplementary grants.

7.6. Detailed Schedule of Grants and Demands (Current and Development):

The "details of the Demands for Grants and Appropriation" is prepared as supporting information for the Annual Budget Statement. The format and composition of the Book is covered under Article 80 and 81 of the Constitution. To enable a clear recognition of the sums required to meet charged expenditure, these are shown in italics and identified as 'Appropriations'. The voted expenditure is reflected as 'Demands for Grants' and identified by distinct codes in the document.

For the ease of reference the book is divided into four parts, Volume-I to III for Current Expenditure and Volume-IV for Development Expenditure. A clear distinction is made between expenditure on Revenue and Expenditure on Capital account. The estimated expenditure is reported on gross basis. Wherever any receipts or recoveries are expected, the estimated reduction in expenditure is shown below the relevant demand.

The budget information is reported in this publication from *Function-cum-Object* perspective indicating the name of the *'Account Circle/ Office'* responsible for budget controls and authorization of payments. It describes which entity is expected to spend resources on what objects of expenditure like 'Employee related expenditure', 'Utilities', motor vehicle and travel etc. The functional classification provides a perspective about the purpose on which money will be spent like general public service, defence affairs, etc.

7.7. Medium Term Performance Based Budget

The Medium Term Performance Based Budget for Service Delivery set out in this document is prepared under the Medium Term Budgetary Framework (MTBF) for the Federal Government. The Budget Estimates for Service Delivery (BESD) which are referred to as the "Green Book" is an endeavour to specify the purposes i.e. output and outcomes expected to be achieved with funds appropriated by Parliament. The Green Book provides supplementary information to the details of Demands for Grants and Appropriations – generally known as "Pink Book", which set out the details of the Budget by accounting Budget line according to the functional and object classifications of the Chart of Accounts.

This document presents medium-term (three years') budget estimates by outputs for each Ministry / Principal Accounting Officer separately. The budget is presented by Ministry / Principal Accounting Officer (i.e. the executing agency).

In order to present reconciliation with the Demands for Grants and Appropriation, the budget for each Principal Accounting Officer is also shown by Demands for Grants. This method of presentation allows enhanced understanding of policy priorities (services or outputs) and the related budgets. For example, in the book "Demands for Grants and Appropriations" the budget for Higher Education Commission is part of the Demands shown in the Finance Division. The MTBF "Green Book" shows the same budget but mentions it under the Principal Accounting Officer – i.e. the Executive Director of Higher Education Commission. A reconciliation between "Demands and Grants and Appropriations" and MTBF "Green Book" is also shown with each Principal Accounting Officer separately.

1. The actual expenditure (on provisional basis) is provided for the past two years. The expenditure is extracted from computerised ERP accounting system [FABS]. These numbers are provided on provisional basis.
2. Name of the policy document, and organisational structure (consisting of attached departments and or autonomous organisations, etc.) together with the budget, a personnel plan is also provided.
3. For each output, selected projects are shown in order to enhance clarification of how the Office of the Principal Accounting Officer intends to improve access and quality of services.

7.8. Pakistan Economic Survey:

Pakistan Economic Survey is a regular publication of the government which focuses on the trend of macroeconomic indicators, development policies, strategies and sectoral progress of Pakistan economics. The analysis is based on outgoing fiscal year with latest information available covering a period of 1st nine/ten months of various sectors of economy.

This document contains two parts analytical text and detail statistical appendix. The first part gives a comprehensive analysis of the performance of various sectors of economy. The second part contains the time series data pertaining to different sectors of economy.

7.9. Public Sector Development Programme (PSDP) and Annual Development Plan (ADP):

The Annual Plan, an operational document provides tactical framework towards realization of the cherished goals of knowledge based, prosperous and just society set in vision and MTDF as a conscious policy planning commission pursues and integrated, holistic and coordinated approach to insure stable economic development with consistency and continuity of various social economic policies. The national economic council chaired by the Prime Minister reviews the economic performance and approves the macro economic targets set in the Annual Development Plan.

The National Economic Council also approve the annual size of Federal and provincial public sector development programme. Keeping in view the economic stabilization, achieving balanced regional development and improving social protection. PSDP and ADP are prepared and presented by Planning, Development and Special Initiatives Division.

CHAPTER-8

ESTIMATES OF TAX REVENUES

8. ESTIMATES OF TAX REVENUES

8.1. Introduction to Estimation of Tax Revenues:

The Estimates of Revenue Receipts, Capital Receipts and Receipts under Public Accounts receipts are compiled in the budget publication titled as “Explanatory Memorandum on Federal Receipts”. ‘Revenue Receipts’ include the estimates of direct and indirect taxes whereas the ‘Capital Receipts’ comprises of the Recoveries of Investments, Recoveries of Loans and Advances and Public Debt including domestic and foreign debt. The major source of receipts under Public Account relates to the National Saving Schemes and the contributions by the Government Servants under General Provident Fund Act 1925, and Federal Employees Benevolent Fund and Group Insurance Act, 1969.

On the basis of the estimates elaborated under the “Explanatory Memorandum on Federal Receipts” the summarized estimates are further transferred into various schedules presented in the publication titled as “Annual Budget Statement” and “Budget-in-Brief”. Resource Mobilization is essential to meet the recurring as well as development expenditure. At Federal level, resources are generated through a well-coordinated and concerted effort by the revenue collecting agencies and other administrative units. The money so raised is properly deposited in the national exchequer, precisely accounted for and accurately reported as per the principles of financial propriety.

The constitutional requirements for maintaining the federal receipts are strictly adhered to. Article 78(1) of the Constitution of Islamic Republic of Pakistan provides that all revenues received by the Federal Government, all loans raised by that Government and all moneys received by it in repayment of loan, shall form part of the Federal Consolidated Fund. Article 78(2) further provides that all other moneys received by or on behalf of the Federal Government shall be credited to the Public Account of the Federation. In pursuance thereof, the Federal Receipts are credited to Federal Consolidated Fund as well as the Public Account of Federation.

Federal Receipts may also be classified as Internal Receipts and External Receipts. Internal Receipts comprise Revenue receipts and Capital receipts. External Receipts comprise project aid, loans and grants. Federal Revenue Receipts are broadly categorized as Tax Revenue and Non-Tax Revenue. The tax revenues comprise two parts Direct and Indirect Taxes. Direct Taxes include Income Tax; Wealth Tax; Property Tax; Land Revenue; Workers Welfare Tax; Tax on Profession, Trade and Callings; and Capital Value Taxes on Movable and Immovable Assets. Indirect Taxes include Sea Customs; Land Customs; Custom Surcharge; Sales Tax on Goods and Services; Federal Excise; Provincial Excise; Stamp Duty; Motor Vehicle (registration); Sale of opium.

Tax Revenue forms the dominant share of revenue for many government units, is composed of compulsory transfers to the general government sector. Certain compulsory transfers, such as fines, penalties, and most social security contributions, are excluded from tax revenue. Refunds and corrections of erroneously collected tax revenue have the appearance of transactions that decrease the net worth of the government unit imposing the tax. More accurately, they are adjustments that allow the excessive increase in net worth previously recorded to be corrected. As such, these transactions are treated as negative revenue.

Non-Tax Revenue represents the recurring income earned by the Federal Government from sources other than taxes. The major sources are Interest receipts, dividends, profits earned by various regulatory authorities. Moreover, various services provided by the government i.e. social services, community services, economic services, defence services etc also yield revenue for the government.

8.2. Statutory Framework for Tax Revenues

The extracts from the Statutes, relating to the budgeting of the Tax Revenues are reproduced hereunder to facilitate the process of budgeting.

Constitutional Provisions for Tax Revenues:

Tax to be levied by law only: - No tax shall be levied for the purposes of the Federation except by or under the authority of Act of Parliament.

Provincial Taxes in Respect of Professions, etc.: - A Provincial Assembly may by Act impose taxes, not exceeding such limits as may from time to time be fixed by Act of Parliament, on persons engaged in professions, trades, callings or employments, and no such Act of the Assembly shall be regarded as imposing a tax on income

Exemption of Certain Public Property from Taxation: - The Federal Government shall not, in respect of its property or income, be liable to taxation under any Act of Provincial Assembly and, subject to clause (2), a Provincial Government shall not, in respect of its property or income, be liable to taxation under Act of Parliament or under Act of the Provincial Assembly of any other Province.

Tax on Services: - NFC recognizes that Sales Tax on Services is a Provincial subject under the Constitution of Islamic Republic of Pakistan, and may be collected by respective Provinces, if they so desire.

Provisions in Rules and Regulations for Budgeting Tax Revenue

Subject to such general or specific instruction as may be issued by Government in this behalf it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

Subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account(*Government Account*). They should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for, so much paid into the treasury or otherwise accounted for and compare them with the statements treasury credits furnished by the Accountant General, to see that the amount, reported as collected have been duly credited in the Public Account (*Government Account*).

Provisions under Various Acts Ordinances and Rules for Tax Revenues:

In compliance with the provisions of the Constitution of Pakistan, the statutory framework regarding authority for collection of Tax revenues, for example, includes the following;

- Income Tax Ordinance -2001;
- Wealth Tax Act – 1963;
- Sales Tax Act – 1990;
- Customs Act – 1969;
- Stamp Act – 1899;
- Federal Excise Act – 2005;
- Motor Vehicle Ordinance 1965;
- Workers' Participation Act 1968;

8.3. Roles and Responsibilities for Tax Revenues

Subject to such general or specific instructions as may be issued by the Government of Pakistan in this behalf, it is the duty of the Revenue collecting or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury. The role of the administrative departments for each tax category include the updating of legal framework, assessment of the tax revenue, preparation and submission of budget estimates, submission of the proposal(s) in the relevant clause(s) and Schedules of particular Act/ Rules/ Regulations, ensure the collection, accurate accounting and reconciliation. However, the role of some of the major revenue collecting departments is elaborated as under.

Responsibilities of Federal Board of Revenues (FBR)

Tax revenue collected by Federal Board of Revenue comprises of Income Tax, Sales Tax, Federal Excise Duty and Customs Duty. Responsibilities of the Central Board of Revenue include assessment and collection of Federal Government taxes; recording and reconciliation of revenue collections. Federal Board of Revenue is also responsible to report Tax Expenditure and estimation and payment of Tax Refunds. It shall also be the duty of the FBR to propose the revision of the tax laws along with the relevant schedules and procedures. Federal Board of Revenue (FBR) is the major tax collecting agency as substantial portion of Tax Revenue is administered by it. Tax Revenue collected by FBR constitutes the Divisible Pool Taxes to be distributed amongst the Provinces along with other Straight Transfers in accordance with the provisions of National Finance Commission Award. In addition to FBR Taxes, there are Other Taxes i.e Gas Infrastructure Development Cess, Natural Gas Development Surcharge, Petroleum Levy etc, which are administered by Ministry of Petroleum and Natural Resources.

Responsibilities of Islamabad Capital Territory (ICT) Administration:

Islamabad Capital Territory (ICT) Administration (with other offices including Excise and Taxation Department) is responsible for the assessment, collection, reporting and Reconciliation of Tax Revenue of Direct Taxes like Land Revenue, Property Tax and Tax on Professional Trade and Callings. The Indirect Taxes collected by the Islamabad Capital Territory Administration include Provincial Excise, Stamp Duties, Motor Vehicle Tax and Hotel Tax. Islamabad Capital Territory (ICT) Administration is also responsible to propose the amendments in relevant rules and Acts/ Ordinances.

Responsibilities of Civil Aviation Authority (CAA):

Civil Aviation Authority collects Airport Tax from the domestic passengers for various services offered at the airports at rates notified by the Federal Government from time to time. The Airline companies charge Airport Tax at the time of preparation of Air Ticket and deposit the same in the Federal Treasury.

Responsibilities of Finance Division:

Finance Division has dual responsibilities for budgeting tax revenues. The foremost responsibilities include the overall coordination of the budgeting process, consolidation of estimates, publishing of budget books and presentation of the budget before the National Assembly. The secondary role includes the assessment of the Fiscal Risks, to get determined the tax policy and supervise the tax estimating process.

8.4. General Principles and Policies for Estimating Tax Receipts

Identification of Statutory Framework:

All budget proposals for imposition or revision of an item of Tax shall be supported with the relevant law. In case any deviation from the existing framework is expected then the revision in the relevant law shall also be proposed in a manner to identify the existing text and the revised text of the law.

Identification of the Basis of Taxation:

The budget provisions shall not be based on the intuitional or incremental basis. All budget proposals, by the PAOs/ Heads of the departments/ Controlling Officers, for the imposition or revision of an item of Tax shall principally be determined on a specified and justifiable 'Basis of Taxation'. The basis may be chosen from among 'Progressive Tax'; 'Regressive Tax'; 'Digressive Tax' or 'Proportional Tax' for direct taxes. Likewise, for indirect taxes it may be 'Specific Tax'; 'Advalorem Tax'; or 'Value-added Tax'. Most importantly, it should be in line with budget strategy approved by the Cabinet.

Level of Certainty towards Incurrence:

While estimating revenue it shall be kept in mind that an item of revenue will be recognised for estimation when (a) it is probable that the increase of future economic benefits related to the increase in assets and/or decrease in liabilities will occur; (b) the increase in future economic benefits related to the increase in assets and/or decrease in liabilities can be measured reliably.

All revenue will be accounted for on as received basis. Revenues will be recognised on a cash basis (i.e. as and when the entity gains control over the cash). In addition to this where the future revenue of the Government can be estimated, this information will be disclosed in the accounts by the way of a note. For Example, A tax assessment is issued on 27 June and the payee makes payment on 1 July. In this example the revenue would be recognised not upon the issue of the assessment on 27 June but upon the receipt of the cash from the payee on 1 July.

Principle of Conservatism:

The revenue estimates should not be based on only the trend or incremental basis. In certain revenue items case if the basis of imposition is not identifiable reliably then the simplest and most common approach to estimating revenues in budget preparation shall be to take the previous 3 year's average of actual revenue and adjust it for (1) rate and or coverage changes; and (2) policy or circumstance changes.

Estimation is the Responsibility of Departmental Controlling Officers:

Subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Government Account.

Updated Information to Ministry of Finance:

Heads of departments in charge of important sources of revenue should keep the Ministry of Finance fully informed of the progress of collection of revenue under their control and of all-important variations in such collections as compared with the Budget estimates.

Use of Chart of Accounts Prescribed by the Auditor-General

All estimates of Receipts and Expenditure shall be classified as per the requirements of the Accounting Framework prescribed by the AGP. This typically is based on the Entity Element, Fund Element, Function Element, Project Element, Object Element and Location Element.

8.5. Specific Policies for Estimates of Direct Taxes

This category of Tax Revenue includes Taxes on Income, Wealth Tax, Property Tax, Land Revenue, and Capital Value Tax. The estimates of receipts should be forecasted accurately at the time of their preparation, as the financing of the programme of expenditure in the various Ministries/ Divisions/ Attached Departments is vitally dependent upon it.

Taxes on Income:

Income tax is imposed for each tax year, at the rate or rates specified in the First Schedule of the Income Tax Ordinance, as the case may be, on every person who has taxable income for the year.

The income tax payable by a taxpayer for a tax year shall be computed by applying the rate or rates of tax applicable to the taxpayer under this Ordinance to the taxable income of the taxpayer for the year, and from the resulting amount shall be subtracted any taxcredits allowed to the taxpayer for the year.

Federal Board of Revenue (FBR) is responsible for assessment, collection, administration, and propose amendments in the Income Tax Ordinance 2001.

Charge of Wealth-tax:

Subject to the other provisions contained in Wealth Tax Act 1963, there shall be charged for every financial year commencing on and from the first day of July, 1963, a tax (hereinafter referred to as wealth-tax) in respect of the net wealth or assets on the corresponding valuation date of every individual, Hindu undivided family, firm, association of persons or body of individuals, whether incorporated or not, and company at the rate or rates specified in the Schedule. Provided that wealth-tax shall not be chargeable in respect of any assessment year commencing on or after the first day of July, 2001.

Federal Board of Revenue (FBR) is responsible for assessment, collection, administration, and propose amendments in the Wealth Tax Act 1963.

Capital Value Tax (CVT):

CVT in Islamabad Capital Territory is to be levied by the Federal Legislature and accordingly through amendment made in Sub-Section (1) of Section 7 of Finance Act of 1989, the levy of CVT has been reintroduced in Islamabad Capital Territory in respect of immovable property. The CVT is levied in case of residential immovable property, (other than flats), situated in urban area, measuring at least 500 square yards or one-kanal (whichever is less) and more.

Where the value of immovable property is recorded, the CVT at the rate of 2% of the recorded value; where the value of immovable property is not recorded, the CVT would be Rs. 100 per square yard of the landed area and where the value of immovable property is a constructed property, the rate of CVT would be Rs. 10 per square feet of the constructed area in addition to the value worked out above.

In cases of residential flats of any size situated in urban areas, where the value of immovable property is recorded, the value of the CVT would be 2% of the recorded value and where the value of immovable property is not recorded, the value of the CVT would be Rs. 100 per square feet of the covered area of the immovable property. In case of residential flats of any size situated in urban areas, where the value of immovable property is recorded, the value of the CVT would be 2% of the recorded value of the landed area and where the value of immovable property is not recorded, the rate of the CCVT would be Rs. 100 per square feet of the landed area; where the immovable property is a constructed property, the CCVT would be Rs. 10 per square feet of the constructed area in addition to the value worked out above.

Federal Board of Revenue (FBR) is responsible for assessment, collection, administration, and propose amendments in the Finance Act for this purpose.

8.6. Specific Policies for Estimates of Indirect Taxes

Sales Taxes:

This category includes all general taxes levied at one stage only, whether at manufacturing or production stages or on whole-sale or retail trade. Sales tax Act 1990 defines sales tax as the tax, additional tax, or default surcharge levied under this Act; a fine, penalty or fee imposed or charged under this Act; and any other sum payable under the provisions of this Act or the rules made there under. Taxable activity means any economic activity carried on by a person whether or not for profit, and includes; an activity carried on in the form of a business, trade or manufacture; an activity that involves the supply of goods, the rendering or providing of services, or both to another person; a one-off adventure or concern in the nature of a trade; and anything done or undertaken during the commencement or termination of the economic activity, but does not include: the activities of an employee providing services in that capacity to an employer; an activity carried on by an individual as a private recreational pursuit or hobby; and an activity carried on by a person other than an individual which, if carried on by an individual, would fall within sub-clause (b).

Federal Excise Duty [Levy, Collection and Payment of Duty]:

Excises are taxes levied on particular products, or on a limited range of products, that are not classifiable under *general taxes on goods and services*; *profits of fiscal monopolies*; *customs and other import duties*; or *taxes on exports*. Excises may be imposed at any stage of production or distribution and are usually assessed by reference to the value, weight, strength, or quantity of the product. Included are special taxes on individual products such as sugar, beetroot, matches, and chocolates; taxes levied at varying rates on a certain range of goods; and taxes levied on tobacco goods, alcoholic drinks, motor fuels, and hydrocarbon oils. If a tax collected principally on imported goods also applies, or would apply, under the same law to comparable domestically produced goods, then the revenue therefrom is classified as arising from excises rather than from import duties. This principle applies even if there is no comparable domestic production or no possibility of such production. Taxes on electricity, gas, and energy are regarded as taxes on goods and are included under excises rather than *taxes on specific services*.

Subject to the provisions of Federal Excise Act 2005 and rules made there under, there shall be levied and collected in such manner as may be prescribed duties of excise on: (a) goods produced or manufactured in Pakistan; (b) goods imported into Pakistan , irrespective of their final destination in territories of Pakistan; (c) such goods as the Federal Government may, by notification in the official Gazette, specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; (d) and services provided in Pakistan including the services originated outside but rendered in Pakistan at the rate of fifteen per cent 15% ad valorem except the goods and services specified in the First Schedule, which shall be charged to Federal excise duty as, and at the rates, set-forth therein.

Duty in respect of goods imported into Pakistan shall be levied and collected in the same manner and at the same time as if it were a duty of customs payable under the Customs Act, 1969 (IV of 1969), and the provisions of the said Act including section 31A thereof shall apply.

The Board may, by notification in the official Gazette, in lieu of levying and collecting under sub-section (1) duties of excise on goods and services, as the case may be, levy and collect duties; (a) on the production capacity of plants, machinery, undertakings, establishments or installations producing or manufacturing such goods; or (b) on fixed basis, as it may deem fit, on any goods or class of goods or on any services or class of services, payable by any establishment or undertaking producing or manufacturing such goods or providing or rendering such services.

Federal Board of Revenue (FBR) is responsible for assessment, collection, administration, and proposing amendments in the Federal Excise Act 2005.

Customs Duties:

This item covers revenue from all levies collected on goods because they are entering the country or services because they are delivered by non-residents to residents. The levies may be imposed for revenue or protection purposes and may be determined on a specific or ad valorem basis, but they must be restricted by law to imported products. Included are duties levied under the customs tariff schedule and its annexes, including surtaxes that are based on the tariff schedule, consular fees, tonnage charges, statistical taxes, fiscal duties, and surtaxes not based on the customs tariff schedule. Taxes that fall on imports only because the imports fall into a wider category of goods that are subject to the tax are recorded under general taxes on goods and services or excises.

Taxes on Exports:

This category includes all levies based on the fact that goods are being transported out of the country or services are being delivered to non-residents by residents. Rebates on exported goods that are repayments of previously paid general consumption taxes, excises, or import duties are deducted from the gross amounts receivable from the respective taxes, not from amounts receivable in this category.

8.7. Tax Revenue Other Than FBR

Gas Infrastructure Development Cess (GIDC):

Although FBR administers and collects major portion of Federal Tax Revenue, there are Other Tax sources, which are collected by Ministry of Energy (Petroleum Division), Islamabad Capital Territory Administration and Aviation Division as under.

Gas Infrastructure Development Cess Act 2015 provides legal framework to levy and collect the Cess from gas consumers other than the domestic sector consumers at the rates as provided in the Second Schedule to this Act. The gas company shall be responsible for billing of cess to gas consumers, its collection and its onward payment to Federal Government in the manner as prescribed by the Federal Government. As per Section 4 of the Act, the cess shall be utilized by the Federal Government for or in connection with infrastructure development of Iran Pakistan Pipeline Project, Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline Project, LNG or other ancillary projects.

Natural Gas Development Surcharge:

As per Natural Gas Development Surcharge Ordinance, 1967, every company as mentioned in the Schedule shall collect and pay to the Federal Government a development surcharge equal to the differential margin i.e. the amount by which the fixed sale price exceeds the prescribed price, in respect of natural gas sold by it.

Petroleum Development Levy:

Petroleum Products (Petroleum Development Levy) Ordinance, 1961 as amended from time to time provides imposition of Petroleum Levy. Ex refinery/import price of oil is added with Inland Freight Equalization Margin (IFEM), Oil Marketing Companies (OMCs) distribution margin and dealer's commission as fixed by Government of Pakistan in Rs/per litre. On this accumulated price of oil, Petroleum Levy is fixed by Government of Pakistan in Rs. per litre levied from time to time.

8.8. Reporting the Tax Expenditure:

Tax expenditure means the revenue which Government foregoes through the provisions of tax laws that allows deductions, exclusions or exceptions from the taxpayer's taxable expenditure income or investment, deferral of a tax liability or preferential tax rates.

The Federal Government shall, in respect of every financial year cause to be laid before the National Assembly, Finance Bill consistent with Article 73 of the Constitution including a statement of estimated tax expenditure of the Federal Government.

Tax expenditures are generally defined as a reduction in tax liabilities compared with a benchmark tax system. They may take different forms, can be temporary or permanent, and can be included in tax laws or other laws, such as free and economic zone laws, investment codes, and so on. Tax expenditure includes the following:

Exemptions: exclusion from the tax base

Allowances: amounts deducted from the tax base before applying the tax rate(s)

Credits: amounts deducted from tax liability

Rate relief: reduced tax rate

Tax deferral: a delay in paying the tax liability

8.9. Estimates for Refunds of Taxes:

All refunds as a result of policy decision shall be treated as expenditure and shall only be paid against approved budget head. Refunds paid for a receipt previously recognised in the current financial year will be adjusted to reflect the correct level of revenue, that is, as reduction in revenue. Refunds of revenue are exhibited by means of separate deduct entry under the head “Deduct Refunds” subordinate to the relevant major objects for receipts, and are not treated as expenditure for the purpose of Demands for Grants. While preparing the estimates of receipts, it should be ensured that the provision proposed for refunds of revenue, is not deducted from the gross estimates of revenue. Necessary provision on this account should be shown against the head “Deduct Refunds”.

CHAPTER-9

ESTIMATES OF NON-TAX REVENUES

9. ESTIMATES OF NON-TAX REVENUES

9.1. Introduction to Non-Tax Revenues:

Non-Tax Revenue represents the recurring income earned by the Federal Government from sources other than taxes. The major receipts under this head are "Interest receipts" (received on loans extended by the Federal Government to provinces, Public Sector Enterprises etc.), dividends received from public sector entities and profits earned by various regulatory authorities. Various services provided by the government i.e. social services, community services, economic services, defence services etc. also yield revenue for the government.

Broadly, Non-Tax Revenue fall under three major heads i.e. Income from Property and Enterprise, receipts from civil administration and other functions and Misc. Receipts of the federal ministries, divisions and departments. Non-Tax Revenue of the federal government is administered by various Ministries /Divisions/Departments and is classified with Account Element code 'C' as under:

C01-Income from Property and Enterprise

C02-Receipts from Civil Administration and other functions

C03-Miscellaneous Receipts

Usually, the estimates are required to be based on past and current trends and policy decisions of the Government or management of entities and other relevant developments and supported by cogent reasons and explanations for material variations.

9.2. The Legal Framework for Non- Tax Revenues

Receipts from Rents of Government Buildings and Land:

The detailed rules and procedure regarding the demand and recovery of rent for Government buildings and lands are contained in the departmental regulations of the departments in charge of those buildings. When the maintenance of any rent able building is entrusted to a civil department other than the Public Works Department the head of the department concerned will be responsible for the due recovery of the rents thereof. The procedure for the assessment and recovery of the rents of such buildings will be regulated generally by the rules applicable to residences under the direct charge of the Public Works Department.

Receipts of Fines:

It is the duty of every court or authority having the power to fine to see that the money realized reaches the treasury and that adequate precautions are taken against double refunds of fines or refunds of fines not actually paid into the treasury.

Abandonment of claims to revenue:

The sanction of the competent authority is necessary for the remission of and abandonment of claims to revenue. **Note:** the powers of subordinate authorities to sanction the write off of loss of revenue are indicated in Schedule V to the Book of Financial Powers.

Heads of departments and Local Administrations should submit annually on the first of September to the Accountant General concerned state statements showing the remissions of revenue and abandonment of claims to revenue sanctioned during the preceding year by competent authorities in exercise of the discretionary powers vested in them otherwise than by law or rule having the force of law.

9.3. Roles and Responsibilities for Non-Tax Revenues

It is the duty of the Revenue collecting or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury. The role of the administrative departments for each category of revenue receipts include the assessment of the revenue, preparation and submission of budget estimates, submission of the proposal(s) in the relevant clause(s) and Schedules of particular Act/ Rules/ Regulations, ensure the collection, accurate accounting and reconciliation.

Responsibilities of the Finance Division:

With reference to the assessment of the non-tax revenues of the Federal Government Finance Division is responsible for the estimates of the amount of Interest (a major source of internal receipts) on loans and advances to Provincial Governments, Financial and Non-financial institutions and government servants. Corporate Finance Wing and Provincial Finance Wing of the Finance Division are responsible for the assessment of the potential recoveries of Loans and advances along with the amount of Interest. The loan amortization schedules for the recoveries of Loans and advances to Provinces are prepared and maintained by the Provincial Finance Wingwhereas for the loans and advances to Autonomous bodies, Government Trade Departments and Government Business Enterprises (GBEs) are maintained by the Corporate Finance (CF) Wing of the Finance Division.

Therefore, PF and CF Wings of the Finance Division are responsible for the assessment, recovery, accounting and reporting of the amount of Interest and principle from the borrowers.

9.4. General Principles and Policies for Estimating Non-Tax Receipts:

Identification of Statutory Framework:

All budget proposals for imposition or revision of an item of fee/ charges/ shall be supported with the relevant law. In case any deviation from the existing framework is expected then the revision in the relevant law shall also be proposed in a manner to identify the existing text and the revised text of the law.

Identification of the Basis of Computations:

The budget provisions shall not be based on the intuitional or incremental basis. All budget proposals, by the PAOs/ Heads of the departments/ Controlling Officers, for the imposition or revision of an item of revenue shall principally be determined on a specified and justifiable basis. Most importantly, it should be in line with budget strategy approved by the Cabinet.

Level of Certainty towards Incurrence:

While estimating revenue it shall be kept in mind that an item of revenue will be recognised for estimation when (a) it is probable that the increase of future economic benefits related to the increase in assets and/or decrease in liabilities will occur; (b) the increase in future economic benefits related to the increase in assets and/or decrease in liabilities can be measured reliably.

All revenue will be accounted for on an as received basis. Revenues will be recognised on a cash basis (i.e. as and when the entity gains control over the cash). In addition to this where the future revenue of the Government can be estimated, this information will be disclosed in the accounts by the way of a note.

Principle of Conservatism:

The revenue estimates should not be based on only the trend or incremental basis. In certain revenue items case if the basis of imposition is not identifiable reliably then the simplest and most common approach to estimating revenues in budget preparation shall be to take the previous 3 year's average of actual revenue and adjust it for (1) rate and (2) policy or circumstance changes.

Estimation is the Responsibility of Departmental Controlling Officers:

Subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Government Account.

Departmental Regulations for Assessment of Revenues:

Detailed rules and procedure regarding assessment, collection, and remission etc of revenue should be laid down in the departmental regulations of the revenue and collecting departments concerned.

Updated Information to Ministry of Finance:

Heads of departments in charge of important sources of revenue should keep the Ministry of Finance fully informed of the progress of collection of revenue under their control and of all-important variations in such collections as compared with the Budget estimates.

Use of Chart of Accounts Prescribed by the Auditor-General:

All estimates of Receipts and Expenditure shall be classified as per the requirements of the Accounting Framework prescribed by the AGP. This typically is based on the Entity Element, Fund Element, Function Element, Project Element, Object Element and Location Element.

Stamp Duties:

Stamp duties are levied in terms of provisions contained in Section 3 of the Stamp Act 1899. Instruments chargeable with duty: Subject to the provisions of this Act and the exemptions contained in Schedule I, the, following instruments shall be chargeable with duty of the amount indicated in that schedule as the proper duty there for respectively, that is to say– (a) every instrument mentioned in that schedule which, not having been previously executed by any person, is executed in Pakistan on or after the first day of July, 1899 ; (b) every bill of exchange payable otherwise than on demand or promissory note drawn or made out of Pakistan on or after that day and accepted or paid, or presented for acceptance or payment, or endorsed, transferred or otherwise negotiated, in Pakistan; and (c) every instrument (other than a bill of exchange or promissory note) mentioned in that schedule which, not having been previously executed by any person, is executed out of Pakistan on or after that day, relates to any property situate, or to any matter or thing done or to be done, in Pakistan and is received in Pakistan.

Mobile Handset Levy:

Federal government introduced imposition of new levies through Finance Bill 2018 including Mobile Handset Levy.

9.5. Specific Policies for Estimates of Non-Taxes Revenues

The estimates of receipts should be forecasted accurately at the time of their preparation, as the financing of the programme of expenditure in the various Ministries/ Divisions/ Attached Departments is vitally dependent upon it. While the under-estimating of receipts will cause an alarming position of ways and means, while over gross estimating may raise false hopes, which may be falsified in the end. Therefore the estimates submitted by the estimating officers should neither be inflated nor under-pitched.

The explanation for the estimation should not be mechanical, but should recount the particular circumstances which have in his/her opinion lead to a recorded increase or decrease, in the revenue of the earlier months, and the grounds on which he expects to obtain the balance of the estimate in the latter part of the current financial year.

Profits:

The foremost part of the income from property and enterprises is the profits earned by government trade departments and autonomous bodies. Profits earned by these entities by way of levy of fees, commission, charges, penalties etc. after setting off their authorized expenses is deposited in the Federal Consolidated Fund. These estimates are required to be based on past and current trends and policy decisions and other relevant developments and supported by cogent explanations.

Interest (Mark-up) Receipts:

Federal Government advances loans to Provinces, Government Servants, Government of AJK, Public Sector Enterprises, Local Bodies and others to assist them in carrying out their development programmes and social initiatives. The mark up is chargeable in accordance with the terms and conditions of each loan agreement.

The recovery of the Interest (Mark-up) is calculated in the form of an amortization schedule which very clearly indicates the periodic instalments to be received by the government. For proper disclosure of the financial assets it is inevitable to have detailed information to be reflected in the budget publications.

Dividends Income:

Dividends represent return on federal government's investments in the share capital of financial institutions and commercial enterprises. The receipt of dividend varies from year to year depending upon profits earned each year by these bodies and declaration of dividends on share capital.

Estimates receipts on account of dividends are required to be furnished Entity-wise (Company) along with the details of total paid up capital. Federal Government equity share and profit after tax.

The loss making Public Sector Entities are required to be listed out separately and in case there are no PSEs under the control of a Ministry/ Division/ Attached Department, a NIL report is also required to be submitted to the Finance Division.

Recording of Recoveries of Loans and Advances:

The estimates of interest receipts and recoveries of loans and advances from Public Sector Enterprises including financial institutions must be framed as per records maintained by the departments in the form of Registers. The amounts of defaults in payments shall be reported on an annual basis with details of the entities and authority by which these have been written off.

Foreign Grants:

The foreign grants received in kind (commodity aid) and Technical Grants (e.g. services of experts) shall be estimated in equivalent amounts in PKR. The estimation of foreign grants shall be made in Federal Consolidated Fund. However, the amounts received as grant with the conditions to pay back, if certain conditions are not fulfilled, the amount actually received shall be booked under Federal Public Account till the conditions are fulfilled. On fulfillment of the conditions the relevant amount shall be transferred to Federal Consolidated Fund.

Unclaimed Deposits:

If an amount paid by the Federal Government is not withdrawn by the payee within the stipulated period it will be transferred to unclaimed deposits. Even after three years, the amount is not claimed by the vendor/ claimant then the amount is to be treated as revenue and shall be budgeted, accordingly.

Commission for Services Rendered by Commercial Departments:

The commercial departments shall submit the details of their revenue estimates with additional disclosure (in form of justifications with the name of entities, in contractual/ MoU or other arrangements) of the estimated revenue expected to be received from the government departments for the services rendered.

CHAPTER-10

ESTIMATES OF CAPITAL AND PUBLIC ACCOUNT RECEIPTS

10. ESTIMATES OF CAPITAL RECEIPTS:

10.1. Introduction to Capital Receipts:

Article 260 of the Constitution defines debt as "debt" includes any liability in respect of any obligation to repay capital sums by way of annuities and any liability under any guarantee, and "debt charges" shall be construed accordingly.

Capital Receipts mainly comprise Recoveries of loans and advances from Provincial Governments, local bodies, financial and non-financial institutions etc as well as Public Debt raised through various government securities. The receipts which normally create a liability or result in a reduction in assets are defined and classified as capital receipts. These consists of proceeds from borrowing, money received in repayment of loans, recoveries of advances, loans, investments and privatization proceeds.

Total Public Debt means the debt of the Government (including the Federal Government and the Provincial Governments) serviced out of the Consolidated Fund and debts owed to the International Monetary Fund. Detailed rules, based mostly on the statutory rules referred to above, and the supplementary orders issued by Government from time to time are to be found in the Government Securities Manual issued under the authority of Government.

10.2. Roles and Responsibilities for estimating Capital Receipts:

State Bank of Pakistan, Finance Division and Economic Affairs Division are the key players in the estimation and implementation of the Public Debt. Debt Policy Coordination Office, manage the Federal and Provincial debt and liabilities.

10.3. Introduction to Estimate of Public Account, Receipts and Payments

Definition:

Public Account of the Federation is defined in Article 78(2) of the Constitution as follows:

'All other monies: received by or on behalf of the Federal Government; or received by or deposited with the Supreme Court or any other court established under the authority of the Federation shall be credited to the Public Account of the Federation'.

Components and Classification under Public Account:

Public Account mainly comprises of Trust Fund Accounts, Special Deposit Investments, Special Deposit Fund and Special Deposit Grants. The main sources of cash flows are the Provident Funds and Special Deposit Investments under Public Account. The most important difference between Consolidated Fund and Public Account is that there are different heads of receipts and payments in Consolidated Fund contrary to this the Transactions of receipt and payment of Public Account both are recorded in the same head of account because Public Account, in nature, is a sort of liability account group.

G06-Trust Fund Account

G061- Provident Fund

G062- Benevolent Fund

G063- Miscellaneous Welfare Funds

G064- Insurance Funds

G065- Relieve Funds

G07-Trust Account –Pakistan Post

G08-Trust Account-Railways

G09-Trust Account- T&T

G11-Special Deposit Investments

G111-Investment Deposit Accounts

G112-Other Deposit Accounts

G12- Special Deposit Fund

G121-Releif Funds

G122-Welfare Funds

G123-Economic Fund

G124-Development Fund

G125-Education and Training Fund

G126-Fund for Cultural Heritage

G127-Special Deposit Funds

G128-Pension Funds

G13-Special Deposit Grants

G131-Grant-in-Aid

G14-Mint Account

G141-Coinage Account

Deferred Liabilities:

In terms of accounting and reporting, these are liabilities which arise when monies received from various saving schemes and funds launched by the Government are utilized in operations. These liabilities are deferred in the sense that they will be funded by future revenues of the Government and repaid upon maturity or on demand of the relevant scheme or fund. Deferred liabilities include Savings and Deposits Certificates, Saving bank account and provident funds. These mainly include:

Defence Saving Certificates

Special Savings Certificates/ Accounts

Regular Income Certificates

Mahana Amdani Account

Savings Accounts

Beh bood Savings Certificates

Deposits and Reserves:

The public account deposit receipts are broadly of two types known as (i) Reserve funds and (ii) Other deposits. The reserve funds, falling in the category of renewal reserve and depreciation funds are designed to meet the cost of renewal and replacement of assets of the commercial departments and undertakings to which they relate. These are fed by annual contribution from these departments and undertaking to which they relate.

CHAPTER-11

CURRENT AND DEVELOPMENT EXPENDITURES

11. CURRENT AND DEVELOPMENT EXPENDITURES

11.1. Introduction to Estimate of Expenditure:

Article 80 (2) of the constitution circulates that Annual Budget Statement showing separately the sum required to meet expenditure charged upon Federal Consolidated Fund and the sum required to meet other expenditure from the Federal Consolidated Fund; and

(i) Distinguish expenditure on revenue account and other expenditure (Capital Account).

Article 81 of the constitution provides detail of expenditure charged upon Federal Consolidated Fund. These expenditure may be discussed, but shall not be submitted to the vote of National Assembly.

Based on nature of expenditure met out of Federal Consolidated Fund are further divided into Current Expenditure and Development Expenditure. All recurring and administrative types of expenditure which are non-productive are categorised under current expenditure, whereas expenditure on financial and non-financial assets are categorised under development expenditure.

NAM has further classified the expenditure in two categories i.e. Economic/Object Classification and Functional Classification. Economic/Object Classification have thirteen major head of account (A01 to A13). The functional classifications have 10 major head of account (01 to 10).

Major Object Head of Accounts are as under:

A01- Employee Related Expenses;

A02- Project pre-investment analysis;

A03- Operating Expenses;

A04- Employee Retirement Benefits;

A05- Grants, Subsidies and Write offs of Loans/Advances/Others;

A06- Transfers;

A07- Interest Payments;

A08- Loans and Advances;

A09- Expenditure on Acquiring of Physical Assets;

A10- Principal Repayments of Loans;

A11- Investments;

A12- Civil Works; and

A13- Repairs and Maintenance

Major Functional Head of Accounts are as under:

01- General Public Service

02- Defence Affairs & Services;

03- Public Order and Safety Affairs;

04- Economic Affairs;

05- Environment Protection;

06- Housing and Community Amenities;

07- Health Affairs;

08- Recreation, culture and Religions;

09- Education Affairs and Services; and

10- Social Protection.

11.2. Current Expenditure:

'Expenditure' is a term commonly used to describe the consumption of economic resources within an entity. All withdrawals (cash outflows) from the Federal Consolidated Fund, either of revenue or capital in nature, are considered as expenditure. The expenditure can broadly be divided into Employee Related Expenses and other than employee related expenditure, when talking about the expenditure of a public entity.

11.3. Principles of Financial Propriety:

Financial Propriety means the compliance of law, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts. Each head of a department is responsible for enforcing financial discipline and strict economy at every step. S/he is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

11.4. Roles and Responsibilities:

Role of Finance Division in Current Expenditure:

Based on Medium term macroeconomic frame work, a medium term fiscal frame work is prepared by the Finance Division which includes Estimate of Revenue Receipts, Expenditure and the Financing. Indicative Budget Ceilings based on actual spending for outgoing year is prepared. After its approval by the competent forum one line indicative budget ceiling in respect of Current Expenditure is communicated to relevant line ministries and the PAOs. Finance Division is responsible for quality assurance of the budgetary allocations by the ministries/PAOs keeping in view the fact that expenditure estimates are allocated in such manner that requirement of additional allocation through regular/technical supplementary grant and the appropriation may not arise during the year.

Role of PAO in Current Expenditure:

The PAO is responsible for further distribution of indicative budget ceilings to the various entities under his control as well as distribution into various heads of expenditure according to policy priorities of the ministries/PAOs. It is the prime responsibility of the ministries/PAOs that indicative budget ceiling may be allocated to various entities/different heads of expenditures in such a way that requirement of additional allocation through regular/technical supplementary grant and the appropriation may not arise during the year. The PAO shall be assisted by a CF&AO to discharge of his duties in financial and budgetary matters. The PAO is responsible not only for the efficient and economic conduct of the ministries/division/departments etc. but also continued to be personally answerable before the Public Accounts Committee for financial and budgetary matters.

Roles and responsibilities of the Accountant General Pakistan Revenues:

As earlier mentioned, the role of the AGPR is three fold with reference to the public financial management. First and foremost role is to maintain the day to day, monthly and annual accounts and financial statements of the Federal Government. Secondly, to authorize the payments out of Federal Consolidated Fund and Public Account. Finally, AGPR is required to assist the finance division in making the correct payment of provincial shares and budgeting process of the Federal Government. However, in case of self (departmentalized) accounting entities, the head of the accounts department shall be responsible for similar functions with reference to budget preparation process.

With reference to budget making it is the duty of the AGPR to:

- Ensure timely availability of the complete accurate accounting information regarding revenues, expenses and debt to the line ministries, EAD, Planning Commission and Finance Division;
- To provide all concerned the budgeted and actual accounting information on quarterly basis (provisional) and semi-annually the reconciled information;
- To provide information to the finance division about the budgeted and actual payment of pensions along with the analysis of reduction and addition of new pensioners during the period;
- To provide the PAOs and Finance Division the information about the outstanding commitments and list of line ministries thereon;
- To attend the meetings of the Technical Committee on Commitments and assist the Finance Division in finalization of the carry forward of commitments;
- To assist/ support the Planning Commission in SAP-ERP based data management of the development projects;
- The AGPR shall warn the department concerned immediately of the first appearance of any excessive proportionate outlay under any grant or under any primary unit of appropriation;

11.5. Specific Policies for Estimating Current Expenditure:

Budgetary Provision for maintenance of Assets:

Public Finance Management Act-2019 prescribes that every Ministry and Division shall include in its demands for grants adequate fund dedicated for operation and maintenance of thee physical infrastructure assets under its supervision. The planning commission shall define adequacy requirements for different categories of physical infrastructure expressed as the ratio of the annual provision for maintenance and the current market value of the asset.

A form for this purpose has been prescribed as **BMA-15.3** to submit the budget estimates. The form shall be used as detailed estimates made by the technical department/ executive in support of the amounts filled in the Current Expenditure estimates for repair and maintenance.

Centrally Provided Budget for Expenditures

The following expenditures shall be centrally provided for by the Accountant General under instructions issued by the Government. These estimates are to be submitted to the Finance Division/Department by the prescribed date for inclusion in the Annual Budget Statement:

- Expenditure on pensions
- GP fund interest expenditures
- Loans and advances
- Interest on miscellaneous debts including National Saving Schemes.

Subsidies:

Subsidies, grants, and other social benefits include all unrequited, non-repayable transfers on current account to private and public enterprises; grants to foreign governments, international organizations, and other government units; and social security, social assistance benefits, and employer social benefits in cash and in kind.

Usually, Government seeks to implement subsidies to encourage production and consumption in specific industries. On the supply side, government subsidies help an industry by allowing the producers to produce/serve more goods and services. This increases the overall supply of the good or service, increases the quantity demanded for that good or service and lowers the overall price of the good or service.

Like grant-in-aid, ***Subsidies*** shall also be based on certain objectives and linked with the performance indicators. The Ministries, Divisions and attached Departments submitting the estimates for subsidies are also required to submit the names of the entities to be benefited and the intended purpose of each rupee paid as subsidy. The justification in support of form BM-14.1 must include the said information with the Cost Accounts indicating the unit cost, at normal and actual capacity, with and without the subsidy, wherever, applicable. This information will be used for budget analysis by the Director (Budget Analysis). [Expenditure/ Budget Wing]

The budget estimates are usually prepared/ compiled by the Corporate Finance Wing of the Finance Division.

Write-off of Losses:

The detailed rules, in this regard, are given in the book General Financial Rules. The powers delegated to different authorities to write off the irrecoverable value of public money or stores lost through fraud or negligence of individuals or other causes are indicated in chapter-4 of the **GFR volume-I**. The accounting policies and procedures for the purpose are given in **chapter-8 of APPM**.

Contingent liabilities:

Contingent liabilities are conditional obligations that arise from past events that may require an outflow of resources embodying economic benefits based on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the government. Contingent liabilities can be distinguished from the liabilities as these are conditional in nature and do not represent the present obligations of the government. Accordingly, a contingent liabilities are not recognized as liabilities regardless of the likelihood of the occurrence (or non-occurrence) of the uncertain future event. In the accounting terminology, these are off balance sheet items.

The volume of new government guarantees issued during a financial year is limited under Fiscal Responsibility and Debt Limitation Act 2005 which stipulates that the government shall not give guarantees aggregating to an amount exceeding two percent (2%) of the GDP in any financial year including those for rupee lending, rate of return, output purchase agreements and other claims and commitments provided the renewal of existing guarantees shall be considered as issuing a new guarantee.

The contingencies pertaining to the guarantees against debt are to be assessed by the Debt Policy Coordination Office, Ministry of Finance. The contingent liabilities against the Tax revenues by the FBR whereas against the expenditure the line ministries shall be responsible for reporting such contingent liabilities in the form as prescribed by the Finance Division for budget purposes.

11.6. Fund Released Strategy of Finance Division for Current Expenditure

The Finance Division issues Fund Release Strategy as well as Austerity Measures for each financial year.

The strategy of release for funds related to Current Expenditure for the Financial Year 2019-20 was issued by Finance Division in July, 2019. Main features are as under:

a. Funds for Current Expenditure shall be released at the level 20% each for quarter 1 and quarter 2 at the level of 30% of each for quarter 3 & 4, except the funds required for payment of salaries and pension would be released at the rate of 25% of budget for each quarter. Cases of release of Current Expenditure may be referred to Budget Wing for ways and means clearance after completion of all procedural and codal requirements

b. The cases relating to international and domestic contractual/obligatory payments that are beyond the above limit shall be considered on case to case basis and relaxation shall require prior approval of the Finance Secretary.

c. Organisations/entities that are provided single line budget shall be required to provide their annual budget including head wise expenditure and owned receipts for CFY and LFY.

d. All payments shall be made through the pre-audit system of the Accountant General Pakistan Revenue (AGPR), or through Assignment Account procedures issued by the Finance Division. Any direct payment through state bank of Pakistan shall be made as special case with the prior approval of the Finance Secretary.

e. Proposal for supplementary grant/technical supplementary grant shall be routed through the Budget Wing of the Finance Division, before - these are approved/endorsed by the, Finance Secretary/Finance Minister in charge/Adviser to the Prime Minister on Finance and Revenue for onward submission/ approval to the Economic Coordination Committee of the Cabinet.

11.7. Austerity measures for FY 2019-20

Owing to financial constraint government has to enforce following Austerity Measures during FY 2019-20

f. There will be a complete ban on purchase of all types of vehicles (excluding Motorcycles) both for current as well as development expenditure.

g. Creation of new post will be banned except those required for development projects and approved by the competent authority.

h. Entitlement of periodicals, magazines, newspapers etc. of entitled officers will remain restricted to only one.

i. PAOs will ensure rationalized utility consumption that is electricity, gas, telephone, water etc. and the expenditure on purchase of assets, repair and maintenance and other operational expenditures shall be kept at bare minimum level while remaining within the budgetary allocation for the Financial Year.

11.8. Development Expenditure:

The concept of a workable definition of development expenditure should take into account the basic considerations that it creates material assets, that it is designed to keep intact, to enlarge and to improve the physical resources of the country that it will improve the knowledge, skill and productivity of the people; and that it will encourage efficiency with which available resources are used.

Project Appraisal:

Detailed procedures for the preparation, appraisal and approval of development project proposals are set out in the ‘Manual for Development Projects’ issued by the Planning Commission and are applicable to all spending entities. Development project estimates must only be prepared for projects approved in accordance with those procedures. This will include detailed estimates for individual projects.

Project approval

According to the project cycle, approval comes after appraisal. This is logical as approval is normally based on the results of appraisal. There are various approving bodies, the details of which follow in the succeeding paragraphs. Simply, "approval in principle" does not entitle the sponsoring agency to execute a project. In fact "approval in principle" needs to be qualified by mentioning clearly to what extent and for what purpose the approval in principle is required. Where approval has been given to a project with certain conditions, it has to be ensured by the executing agency that those conditions are duly fulfilled, especially those which have to be fulfilled prior to the execution. [Manual of Development projects by Planning Commission].

Project Approving Bodies:

The project approving bodies working at various levels are the following:

a) National Economic Council (NEC)

b) Executive Committee of National Economic Council (ECNEC)

c) Economic Coordination Committee of the Cabinet (ECC)

d) Central Development Working Party (CDWP)

e) Departmental Development Working Party (DDWP)

f) Provincial Development Working Party (PDWP)

11.9. Statutory framework for Development Budget:

Preparation of Development Projects:

1) All development projects shall be prepared in conformity with procedures, processes and templates defined by the Planning Commission.

2) Cost and benefit analysis and risk assessment of all development project proposals, in excess of a threshold size prescribed by the Planning Commission, shall be undertaken.

Quality Assurance:

Development project proposals which exceed in their total cost thresholds defined by the Planning Commission shall be subject to quality assurance. Such quality assurance shall be undertaken by an individual/body which is independent of the sector/Ministry/Division that has initiated the preparation of the development project proposal.

Technical Approval:

1) All development project proposals shall be subject to a technical approval process. Technical approval shall only be granted to projects which are compliant with the standards and procedures set by the Planning Commission.

2) Findings and recommendations of the independent quality assurance reports and cost and benefit analysis and risk assessment, where required as per sub-section (2) section 14 of PFM Act, shall be taken into account by these forums while considering the development project proposals.

Inclusion of Development Projects in Demands for Grants:

1) No development project shall be considered for inclusion in demands for grants that has not been granted technical approval.

2) No development project shall be considered for inclusion in demands for grants unless it is provided with a budget allocation for the coming year which fully reflects the proposed project cost for each year.

11.10. General Guidelines under General Financial Rules (GFR) for Development:

As mentioned in Chapter-1 of this Manual, consequent upon the promulgation of the PFM Act 2019 in conjunction with other sub-statutory documents the tasks of updating and revision of Policies, Rules, Regulations and Guidelines, at this stage are under process. There is a dire need to take care of the likelihood of the contradictions among these documents. The guidelines in this Manual are amendable in the light of the statutory framework. These guidelines are just to facilitate the users of this Manual for timely and effective preparation of the budget in light of Article 80 of the Constitution.

Sectoral Chief and CFAO:

The estimates of development expenditure will include only the schemes approved in accordance with the prescribed procedure. Simultaneously with the formulation and submission of their Annual Development Programme to Planning Division the administrative Ministry Divisions will supply a copy of the programmed to their respective Sectoral Chief and CFAO. This will be accompanied by detailed expenditure estimates for budget provision in respect of individual projects. Other relevant information or material shall be supplied according to the time table prescribed by Planning Division.

Categorization of Projects in On-going or new and Approved or Unapproved:

All schemes may be classified into on-going\new and approved or unapproved as the case may be, according to the status of scheme. If the original scheme is revised, approval of the competent authority for revisit cost will be obtained before any request for budgetary allocation is made. No expenditure should be incurred, nor any commitment of funds made for any project not included in the Annual Development Programme, nor any work started, contract awarded any down payment made, letters or credit opened for which there is no budgetary provision. Under Section 16 and 17 of the PFM Act 2019, all projects must have been technically approved to be included in the demands for grants.

Parameters for Annual Development Programme:

The Annual Development Programme will be prepared within the following parameters:

a. Annual Phasing of sectoral allocations in the Medium Term (5 year) Plan;

b. Phasing of expenditure on approved projects included in the Medium Term Plan and their present status;

c. Actual resource availability compared with projected resource for the year in the Medium Term Plan.

Annual Development Programme shall be based on Sectoral Allocation:

The agencies concerned will prepare their Annual Development Programmes on the basis of the annual sectoral allocation in the Plan and requirements of individual projects according to their actual status. They will also be required to take into account the expected utilization of committed foreign aid. Simultaneously, Finance Division will prepare the resource position in order to work out the fiscal surplus and other internal and external resources available for financing the next year's Annual Development

Programme. For this purpose, estimates of all revenue and capital receipts will be prepared on the basis of existing taxation. The estimates of revenue surplus and net capital receipts and surpluses of Provinces and Corporations will constitute the net internal resources available for financing development expenditure. The Economic Affairs Division will furnish the estimates of external assistance.

Size of the Annual Development Programme:

In order to determine the size of the Annual Development Programme the following data will be computed:

a. Revenue surplus and net capital receipts on the basis of status quo.

b. Estimates of external assistance;

c. Likely size of additional taxation effort, and

d. Share of budgetary support in the overall monetary expansion planned for the next year

Executive Committee of National Economic Council (ECNEC):

The Executive Committee of the National Economic Council (ECNEC) is headed by the Federal Minister of Finance. However, vide ECC decision taken in its meeting held on 28-1-1997 the Adviser to the Prime Minister for Finance and Economic and Planning [now Finance Minister] was designated as its Chairman. Its members include Federal Ministers of economic ministries, Provincial Governors/Chief Ministers or their nominees and the Provincial Ministers concerned. The functions of the ECNEC are:

a. To sanction development schemes in the public and private sectors;

b. To allow moderate changes in the plan and in the plan allocations;

c. To supervise the implementation of economic policies laid down by the NEC or the Government.

Economic Coordination Committee (ECC) of the Cabinet:

The Economic Coordination Committee of the Cabinet is headed by the Federal Minister for Finance and Federal Ministers of economic ministries as its members. It attends to all urgent day to-day economic matters and coordinates the economic policies initiated by the various Divisions of the Government. It keeps vigilance on the monetary and credit situation and makes proposals for the regulation of credit in order to maximise production and exports and to prevent inflation. It gives approval to the projects in private sector and public sector energy projects.

The Annual Plan Coordination Committee (APCC):

The project-wise allocations made to Ministry/Divisions under each sector will constitute the draft of the public sector annual development programme which will be submitted to the Annual Plan Coordination Committee. The draft will be reviewed by the Committee in the light of pre-determined priorities resource position and representations from various agencies. The Annual Plan Coordination Committee will also review the development requirements of the Provincial Governments and make allocation for their Annual Development Programs. The Provinces will then be required to make adjustments in sectoral and project-wise allocations in the light of overall size and priorities approved by the Annual Plan Coordination Committee. The National Public Sector Annual Development Programme comprising the Federal Programme and the outlines of the Provincial Programme will be submitted to the National Economic Council for approval.

The approved project-wise allocations to the Federal agencies will constitute the authority for framing the development demands for grants of these agencies in the Federal Budget. Similarly, the overall size of the Provincial ADPs, and the break-down between expenditure financed from foreign loans and grants will constitute the basis for budgeting of the Federal development assistance to the Provinces. Thus the allocations in the ADP and their break-down into internal d external expenditure, expenditure not from foreign aid, expenditure from loans and grants will constitute the basis for compilation of the development portion of the Federal Budget. [Para 82 of GFR, Vol-I].

11.11. The Process for Estimating Development Expenditure:

The process of estimating current and development expenditure has many similarities. Writing of the different ones may lead to readers/ users of this Manual confused or misguided. Therefore, to facilitate the readers, complete process for current is given in chapter 14 and for development expenditures is mentioned here under which definitely have some repetitions in certain steps of budget making when compared with current one.

11.12. Fund Released Strategy of Finance Division for PSDP

The strategy of release for funds related to PSDP for the Financial Year 2019-20 was issued by Finance Division in September, 2019. This strategy has been amended in November, 2019 as under:

a. Funds for PSDP Expenditure for each project shall be released at the level of 20% for Quarter 1, 30% each for Quarter 2 and 3 and 20% for Quarter 4 against budget allocation 2019-20.

b. All payments shall be made through the pre-audit system of the Accountant General Pakistan Revenue (AGPR), or through Assignment Account procedures issued by the Finance Division.

c. Proposal for supplementary grant/technical supplementary grant etc (non-delegated powers of the Finance Division) shall be examined by the Budget Wing of the Finance Division, before - these are approved/endorsed by the, Finance Secretary/Finance Minister in charge/Adviser to the Prime Minister on Finance and Revenue for onward submission/ approval to the Economic Coordination Committee of the Cabinet.

d. No ways & means clearance of Finance Division would be required for quarters Q l, Q2 and Q3 in respect of PSDP releases as authorized by Ministry of Planning, Development & Reforms while remaining with the prescribed limit.

e. PSDP releases for 4th quarter of financial year would require ways and means clearance from Finance Division.

f. Ministry/ Division, PD&R Division and Executing Agencies shall utilise funds for the approved PSDP projects/ schemes in accordance with the provisions of Public Finance Management Act, 2019.

g. Sanction letter addressed to AGPR for release of funds would be issued by concerned Ministry/Division. Endorsement of sanction letter by Finance Division shall not be required in case of PSDP approved projects.

h. The aforementioned strategy would be for PSDP approved projects only

11.13. Public Procurement Regulatory Authority (PPRA)

Federal Government has promulgated Public Procurement Regulatory Authority Ordinance 2002 to provide for the establishment of Public Procurement Regulatory Authority for regulating public procurement of goods, services and works in the public sector. It provides for the establishment of a Public Procurement Regulatory Authority for regulating procurement of goods, services and works in the public sector and for matters connected therewith or ancillary thereto.

Functions and Powers of the Authority

(1) The authority may take such measures and exercise such powers as may be necessary for improving governance, management, transparency, accountability and quality of public procurement of goods, services and works in the public sector.

(2) The Authority may

i. Monitor application of the laws, rules, regulations, policies and procedures in respect of, or relating to, procurement;

j. Monitor the implementation of and evaluate laws, rules, regulations, policies and procedures in respect of, or relating to, inspection or quality of goods, services and

k. Recommend to the Federal Government revisions in or formulation of new laws, rules and policies in respect of or related to public procurement;

l. Make regulations and lay down codes of ethics and procedures for public procurement, inspection or quality of goods, services and works;

m. Monitor public procurement practices and make recommendations to improve governance, transparency, accountability and quality of public procurement;

n. Monitor overall performance of procuring agencies and make recommendations for improvements in their institutional set up;

o. Provide and coordinate assistance to procuring agencies for developing and improving their institutional framework and public procurement activities;

p. Submit reports to the Government in respect of public procurement activities of procuring agencies;

q. Call any functionary of procuring agencies to provide assistance in its functions and call for any information from such agencies in pursuance of its objectives and functions;

r. Perform any other function assigned to it by the Federal Government or that is incidental or consequential to any of the aforesaid functions.

In exercise of the powers conferred by section 26 of the Public Procurement Regulatory Authority Ordinance, 2002 (XXII of 2002), the Federal Government has made Public Procurement Rules 2004

11.14. Establishment of Public Private Partnership Authority (PPPA)

Federal Government has enacted Public Private Partnership Authority (PPPA) Act 2017 which envisages establishment of an authority with the objective of setting up a regulatory framework aimed at executing public private partnership in the country so as to promote domestic and foreign private investment in infrastructure. Minister for Planning, Development and Reforms and Secretary Finance will be Chairman and Vice Chairman of the Authority respectively.

The Authority will ensure that projects are consistent with national and sectoral strategies. The Authority will also ensure value for money by conducting an analysis to evaluate projects. A Public Private Partnership (PPP) arrangement yields value for money if it results in a net positive gain to society. It will adhere to the principle of budget affordability in the context of medium term budgetary framework.

The Authority was to assess fiscal stakes and facilitate the implementing agency to identify, develop structure and procure the project. It would standardize the contractual provisions and develop the sector specific provisions of the model public private partnership agreements; as well as develop annuity, user-based and hybrid financial models for the projects and ensure that PPP agreement is consistent with the provisions of this Act.

CHAPTER-12

CASH MANAGEMENT
AND
TRERASURY SINGLE ACCOUNT

12. CASH MANAGEMENT AND TREASURY SINGLE ACCOUNT

12.1. Cash Management:

The basic objectives of cash management are two-fold. (a) to meet the cash disbursement needs (payment schedule) and (b) to minimise funds committed to cash balances. These are conflicting and mutually contradictory and the task of cash management is to reconcile them.

12.2. Principles of Cash Management:

Cash flow management is a critical component of the overall financial management of the Government. In general terms, the objective of cashflow management is to effectively plan and monitor the use of cash held by the Government. To be successful, it involves not only central planning and decision making by regulatory bodies, but also operational support from many organisations in the Government. Sound cashflow management typically requires the following practices to be undertaken:

- Planning the timing of cash outflows and inflows so that a solvent cash position is maintained. This can be assisted by the making of smaller, more frequent payments
- Making effective use of available cash through risk-averse investment strategies
- Paying revenues into the Government bank account as quickly as possible, to maximise interest earned making payments only as they fall due and
- Avoiding unnecessary advance payment staking discounts only where there is a cash benefit in early payment establishing appropriate levels of cash reserves for contingencies.

12.3. Statutory Framework for Treasury Management:

Section-30 of the Public Finance Management Act-2019 provides that Finance Division, with the approval of the Federal Government, shall notify policy and rules under this Act to prescribe an effective cash management system for all public entities and special purpose funds leading to treasury single account. Fundamental principles and objectives of such policy and rules shall be:

(a) to anticipate cash needs of Government;

(b) to ensure availability of cash when it is required;

(c) to manage cash balance in the Government bank accounts effectively; and

(d) to neutralize impact of the Government's cash flows on the domestic banking sector.

The policy and rules under this section, inter alia, shall provide for:

(a) establishing institutional and administrative arrangements needed to manage an effective cash management system;

(b) availability of funds in accordance with schedule of authorized expenditure or supplementary grant;

(c) availability of foreign exchange, where required, from within the allocation of foreign exchange sanctioned for the Ministry and Division concerned;

(d) placement of all public moneys into the treasury single account;

(e) quarterly revenue, expenditure, cash requirement and debt plan within sanctioned budget;

(f) gradual expansion of budgetary and accounting framework to all autonomous entities, declared as such under clause (b) of subsection(l) of section 35;

(g) usage of idle cash of the autonomous entities, declared as such under clause (b) of sub-section (l) of section 35; and

(h) require all principal accounting officers to provide the information deemed necessary for effective operation of the cash management and treasury single account system.

Cash Management Working Group: Finance Division has constituted a inter departmental Cash Management Working Group (CMWG) comprising representatives from Finance Division, FBR, SBP, CDNS and others with the following ToRs:

i. Compiling, updating and presenting the forecasts on the Government's cash flows and cash balances for senior management;

ii. Consulting with and coordinating the submission of monthly information by the FBR and large spending units;

iii. Providing guidance, feedback and training to key line ministries for improving the quality of cash forecasts;

iv. Analysing forecast performance and errors;

v. Advising on risks associated with forecasts through scenario analysis and sensitivities; and

Cash Coordination Committee (CCC): Finance Division has also established a high level Cash Coordination Committee (CCC) with following ToRs:-

i. The Committee will supervise the work of the Cash Management Working Group (CMWG).

ii. The Committee will review cash flow forecasts decide on the size of the cash buffer and actions to be taken to ensure cash adequacy over the period.

iii. If required, review major supplementary grant applications to ensure cash availability for payments.

12.4. Cash Management and TSA Policy 2019-2029

Cash Management & Treasury Single Account Policy 2019-29 was approved by the Federal Cabinet on 03-06-2019 and was consequently made part of the Public Finance Management Act, 2019. The Policy is a vital instrument devised by Finance Division for improved Public Finance Management with the objective of timely availability of cash to meet obligations, economizing on cash within Government so as to save interest costs and management of government's cash flows efficiently in a way that benefits debt management, and monitory policy. Finance Division aims to implement the policy with the cooperation and support of all Ministries /Divisions, Departments and Entities.

The key policy objectives of this cash management policy are:

1. To ensure availability of cash when it is required
2. To manage cash balance in the government bank accounts effectively by: a. Borrowing to cover expected cash short falls, and avoid "idle" balances b. Investing during periods of surplus c. Minimizing borrowing costs
3. To neutralize impact of the government's cash flows on the domestic banking sector ensuring that: a. There are no large and unexpected changes in liquidity in the banking system, b. Overall monetary policy (incl. monetary growth and inflation targets etc.) is not under-mined

This cash management policy will focus on efficient cash management with ability to forecast daily cash flows across the TSA. It shall result into smooth cash flows with lower average cash balances, reduced borrowing costs, lower interest on cash balances than interest on marginal borrowing and less pressure on monetary policy operations. 3 This Cash Management Policy shall enlist actions, plans and implementation regimes for which shall be prepared by the respective authorities and submitted to the Finance Division within one month after approval of this policy by the Federal Government. These actions shall largely be covered under the headings of Aims of Cash Plan, Cash Forecasting Framework, Steps for Effective Cash Management and Treasury Single Account.

Finance Division has established a dedicated TSA team comprising nominee from Finance Division, SBP, NBP and others with the following ToRs:

i. Complete survey of the existing accounts held by the Public Entities (PE) and cash available in them.

ii. Review of all accounts by Heads of PEs/ Principle Accounting Officers (PAO) and decisions as to closure of un-authorized accounts or case submission for their authorization.

iii. Expansion of budgetary, accounting and cash management systems of Government to the accounts closed, or one-liner public entities etc.

iv. Authorization to the Finance Division/ Cash Manager(s) to pool cash from the accounts held by the PEs in Scheduled Banks in case of need.

v. Authorization of accounts by the Federal Government in Scheduled Banks for PEs only in the name of the PE.

vi. Develop superior cash forecasting and management capabilities to meet cash needs of all entities.

vii. Development of Real Time Gross-settlement System (RTGS) based payment and reconciliation regime.

viii. Making sure that no private account shall be opened for any PE in Scheduled Bank without prior authorization.

ix. Development of electronic transaction processing and payment system.

x. Development of TSA reporting framework for extra-budgetary funds of the Government and PEs.

xi. Deciding as to which PE shall be excluded from the TSA completely or partially.

xii. Developing institutional and operational framework for implementation of the policy.

xiii. Transition planning, capacity development and change management during and after implementation of the policy.

12.5. Cashflow Forecasting and Analysis:

There is always a need for the Finance Division to forecast receipts and payments in order to manage cashflow and determine borrowing requirements. Cashflow forecasting and analysis requires a range of financial and non-financial information to be collected. These include:

- current cash balances (duly reconciled to the accounting system)
- budgeted levels of tax receipts and other income
- established patterns of cash collections
- current performance in cash collection
- schedules of debt retirement
- established patterns of current and capital expenditures
- outstanding commitments
- new policies (e.g. taxation policies)
- other factors (i.e. seasonality, public holidays, and changes in economic activity and shifts in the tax base).

12.6. The Consistency between Total Cash Forecast and Annual Budget:

In compliance with the policy guidelines approved by the Cabinet, it is desired that all cash plans/ forecasts shall be in consistency with the annual budget statements. For this purpose, the cash plans for key areas of public finance including public revenue, public expenditure and public financing have been proposed.

All CFAOs are expected to coordinate with the core teams to identify the human and physical resource requirements. Keeping in view also the safety stocks of inventories and available inventories, a comprehensive annual procurement plan may be made. The cost sheets for specific items indicating quality, quantity, unit cost and amount of associated taxes may be assessed on weekly and monthly basis under the control of PAO. Based on these cost sheets head of account wise (CoA) and spending DDO wise estimates shall be made along with cash out flow monthly plan.

The revenue collecting offices are expected to, on the basis of the last three years actual collection trends and future policies and plans prepare cash inflow plans/ forecasts on the prescribed forms and submit to the Finance Division immediately after submission of the budget in the National Assembly.

12.7. Consolidation and Monitoring of Annual Cash Plan:

On the basis of the information received from the PAOs, Finance Division shall consolidate the cash inflows and outflow forecasts and development a monitoring system for timely decision making. A Cash & Treasury Management Wing is also being established along with the Budget Wing for this purpose. This Wing shall coordinate with the Debt management and co-ordination office (DMCO) in the Finance Division, SBP, FBR&EAD to ensure efficient utilization of cash balances.

Timely and Authentic Information:

Cash forecasting and analysis require information to be collected from a number of sources and provided to Budget Wing, Ministry of Finance. Information on cash balances is provided on a daily basis by the SBP. Information on tax revenues and collection a pattern is provided by FBR, external debt information is provided by Economic Affairs Division and other information provided by CGA/AGPR. It is imperative that the information provided by these sources is available on a timely and frequent basis in the desired format to the decision makers, to allow proper investing and financing decisions to be made by the Government.

Additional Institutional Cash Management Structure:

Finance division has established a two tiered institutional cash management structures comprising of following:

a. Cash management working group

b. High level cash coordinating committee

12.8. Treasury Single Account:

Treasury Single Account (TSA) means a banking arrangement for the consolidation of government financial resources in one bank account or multiple bank accounts linked to one main account through which the government transacts all its receipts and payments.

The ultimate objective of introducing the treasury single account arrangement is not only to ensure the efficient cash management but also to minimize the cost of short term borrowing by the Federal Government. Withdrawal of public money from the Government Account (SBP) and park, deposit and invest somewhere (in commercial banks) at zero or less competitive rate of return is against the spirit of the provisions under Section 20 of the PFM Act-2019.

Principles of Treasury Single Account Operations:

The principles defined in the Cash management policy approved by the Cabined can be enlisted as under:

(a) Government shall put in place a framework and timeline to ensure unified structure of the TSA as per law and expand it into the major areas of legal exceptions through amendments in the relevant law/rules. It shall ensure maximum fund availability of cash resources in real time;

(b) Government shall put in place a legal and institution regime to give exceptions from the TSA;

(c) Government shall bring all the public entities into the budgetary, accounting and cash management framework;

(d) Government shall empower the cash manager/s to oversee the cash management operations across the spectrum of budget and its operations;

(e) Cash balance in the TSA shall be maintained at a level sufficient to meet daily operational requirements and a linkage between cash management and debt management shall be institutionalized; and

(f) Government shall ensure full consolidation of cash balances of all government entities (budgetary and extra-budgetary) and devise a mechanism daily zero balancing of the TSA and monthly reporting of complete cash balance of the government within and outside the TSA.

Scope and Structure of Treasury Single Account:

Every penny of the public money shall be reverted to the TSA (mainly Central Account-I non-food), within the framework of different authorized accounts of Government in the State Bank of Pakistan or its nominated agency and cash therein shall be zero balanced. Besides, all the money collected by the public entities as their own revenue and kept in the accounts opened and maintained in the scheduled banks, after specific authorization by the Federal Government, shall be reconciled and reported to the Finance Division by the SBP through its RTGS on daily basis.

The SBP shall devise a regime for availability of this cash for use by the Federal Government and need based disbursement to the relevant public entities. If any account is opened in a scheduled bank without a specific authorization by the Federal Government, disciplinary proceedings shall be initiated against head of the organization and Principal Accounting Officer concerned under the relevant laws/rules.

Federal Government shall, however, be empowered to give exception to any organization from the TSA after recommendation by a Committee, which shall be constituted and notified in light of this policy. This committee shall also propose legal amendments for removal of already granted exceptions and inclusion of new exceptions from the TSA, after due deliberation, for approval of the Federal Government.

Operations of Treasury Single Account:

The detailed rules, under Section 30 of the Public Finance Management Act-2019, are under drafting in the Finance Division and, shall be issued after approval of the Federal Government.

CHAPTER-13

SYSTEMS APPLICATIONS AND PRODUCTS (SAP)

13. Introduction to SAP:

Systems Applications and Products (SAP) was founded in 1972 by Wellenreuther, Hopp, Hector, Plattner, and Tschira. SAP contains Enterprise Resource Planning software which consist of numbers of fully integrated modules. SAP R/3 is an upgraded version which is being used by Federal and Provincial Governments.

13.1. Use of SAP:

SAP is installed and used at Finance and Accounts Offices country-wide under Federal, Provincial and District Governments. SAP is used for computerization / automation and integration of budgeting data, payments, recording of revenues, and compilation of country-wide accounting information for executive's decision-making. SAP ERP collects and combines data from the separate modules to provide resource planning to the organization. The SAP ERP system is being run at more than 500 sites across the country at Federal, Provincial and District level. CGA has established proper SAP connections in around 35 Ministries / Divisions who can enter budget, receipts, sanctions, re-appropriations and surrenders at their own as and when authorized. Among others, the system is being utilized to process:

(a) Monthly pay of more than 2.5 million government employees at Federal, Provincial and District levels;

(b) Monthly pension of more than 0.5 million government employees;

(c) General Provident Fund payments of government employees;

(d) Thousands of payment claims of government departments across the country on daily basis;

(e) Monthly and annual accounts of federal, provincial and district governments; and

(f) Federal and Provincial Government's Budgets.

13.2. Present Scenario of SAP at Finance Division:

The SAP system is being used to enter Budget Orders (BOs) and New Item Statements (NISs) in the system. At present office of the CGA is maintaining hardware and security of software with the help of firewalls. Financial Accounting and Budgeting System (FABS) Directorate has been established for the purpose.

Presently, Finance Division is using FI module to computerize annual federal budget. Dozens of reports have been generated to check and verify data entered into SAP system. SAP system installed at Finance Division is being used for:-

- Entry of budget through Budget Orders / New Item Statements
- Entry of Supplementary Budget
- Creation of new DDO codes
- Generation of budgetary reports

13.3. Future Plans:

- SAP system installed at Finance Division shall be used on optimal level.

- Entry of Section I Forms (BO / NIS) of expenditure in respective SAP system terminals by PAOs
- Entry of Section II Forms (LM I & II, Green Book and Fund Centre) in respective SAP system terminals by PAOs
- Entry of all kind of Receipts (Tax/Non tax revenue receipts and Capital receipts) in respective SAP system terminals by PAOs
- Entry of additional allocations (Regular Supplementary grant, Technical Supplementary grant and Token Supplementary grant) and Re-Appropriation/surrenders in respective SAP system terminals by PAOs
- Entry of all release/sanction order addressed to AGPR in respective SAP system terminals by each PAO
- All above entries made in respective SAP system terminal by PAOs would be verified and authenticated in Finance Division main SAP system server/terminal
- Subsequently AGPR will take internal actions (Pre-audit) on all the above mentioned entries
- FABS Directorate will be responsible for Development of required technology, systems, report generations and capacity building in consultation with Budget Wing, Finance Division
- Provision of SAP facility to each Ministry / Division / PAO to enter the above mentioned transactions accurately and without any delay
- Designing a digitized system for effective utilization of SAP modules;
  - i. For future Cash Management and Treasury Single Account Policy implementation
  - ii. For effective forecasting of cash availabilities keeping in view the exchange regime variable
  - iii. For public debt management in accordance with Fiscal Responsibility and Debt Limitation Act 2005

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