



## Editorial

The Pakistan Institute for Parliamentary Services (PIPS) continues its assistance to Members in their key functions being legislators. Earlier this month, three private members' bills drafted with technical assistance by PIPS team, which had been passed previously by the Senate of Pakistan were introduced and adopted by the National Assembly of Pakistan.

This issue of PIPS Parliamentary Research Digest continues on articles related to economy in wake of on-going budget session. The digest includes analytical piece on a new theme to give an overview of the external resources in comparison with internal resources. A comparison of loans versus grants has been provided in order to highlight the ratio between both of them. Furthermore, the paper provides a comparison of funding from each of the major lending countries and agencies over the last five years as well as the comparative statement of major lending countries and agencies to present a snapshot of major sources of external funding. The issue also incorporates the Senate of Pakistan recommendations sent to the National Assembly of Pakistan regarding Budget presented for the FY 2018-19 in addition to a conceptual paper on oversight role of Parliament and snapshot briefs on current Acts of Parliament passed most recently.

For any specific areas of importance that you want PIPS to send you research/briefing papers, please contact us at [research@pips.gov.pk](mailto:research@pips.gov.pk). Happy Reading!

**Muhammad Rashid Mafzool Zaka**  
DG (Research and Legislation)

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***Cake cutting ceremony by Members of PIPS Board of Governors after meeting held on Thursday, May 10, 2018 to commemorate tenth year of Institute's creation***

## PARLIAMENTARY BUSINESS

### A glance at Recent Bills Passed at the Parliament

**Abdul Nabi Solangi**, PIPS Legislative Officer,  
**Muhammad Fahd Amin**, Consultant (Legislation Wing)

- 1. National Civic Education Commission Bill, 2018:** The Bill was introduced in the Senate of Pakistan on 22<sup>nd</sup> January 2018 by Honourable Senator Sehar Kamran (T.I). At the committee stage, the Bill was opposed by the Ministry of Federal Education and Professional Training. PIPS prepared a Legislative Brief for the Committee. The Committee was highly convinced by the supportive arguments that the Bill was recommended. It was finally passed by the Senate of Pakistan on 19<sup>th</sup> February 2018. The Bill was piloted by Honourable MNA, Syed Naveed Qamar in the National Assembly and was passed on 8<sup>th</sup> May 2018. After the Presidential assent, it will become law of the country.

#### **Salient Features of the Bill:**

- i. The National Civic Education Commission Bill, 2018 advocates to promote civic education by creating awareness about fundamental rights and obligations of the citizens.
- ii. The Bill aims to educate the young students about the Constitution, civic sense and respect for laws of the country.
- iii. For promotion of civic education, the Bill proposes to establish a National Civic Education Commission. The Commission will be supervised by a high-powered Board of Governors having representation from Parliament, Government, civic education experts and media.
- iv. Under the provisions of the Bill, the Commission will have an extensive mandate to promote civic education. The specific functions of the Commission include imparting understanding of principles of the Constitution, creating awareness among the citizens, active engagement with concerned stakeholders for promotion of civic education and encouraging citizens to respect the laws.
- v. The Commission aims to serve as an effective forum to engage with the public on civic education.
- vi. The legislation also makes it mandatory for schools to take initiatives for imparting civic education to the students. These initiatives include imparting knowledge about the organs of the state, creating awareness about national and international events, enhancing student participation in school management and highlighting the importance of democracy in the country.

Democratic values can only take root when the citizenry is well-conversant with their civic responsibilities. Furthermore, it is indispensable to impart civic education to the young generation, as youth has always played an important role in strengthening democracy and rule of law in the country. Democratic ideals and constitutional values can only be entrenched in the social fabric, if the public know about their fundamental rights and their responsibilities towards the community. The National Civic Education Commission Bill, 2018 aspires to make Pakistan a strong democratic, pluralist and responsible polity.

## ANALYSIS

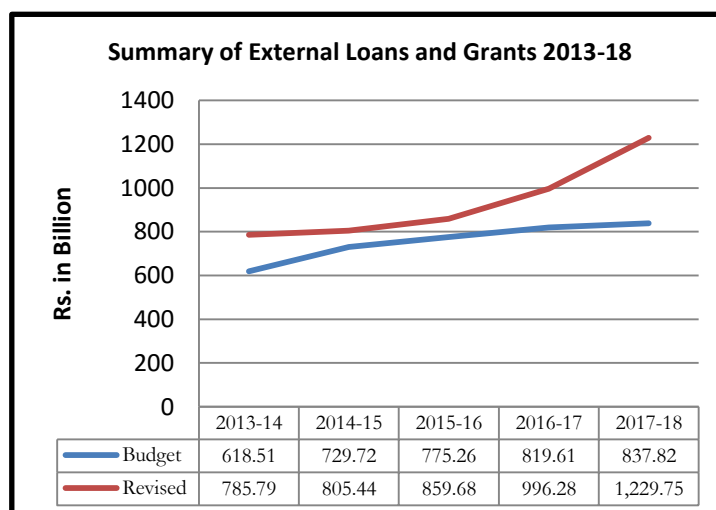
## Foreign Assistance in the Annual Budgets 2013-18

Fakiha Mahmood

Research Officer, PIPS International Relations Desk

## 1. Introduction

The 14<sup>th</sup> National Assembly of Pakistan has made another milestone in Pakistan's parliamentary history by presenting sixth annual budget. A glance at the budget documents reveals that as per the history of Pakistan the component of foreign assistance has remained consistent in the budgets presented during this tenure. Based on the data and statistics provided by the Ministry of Finance, Government of Pakistan, this paper presents a comparative analysis of foreign assistance received in the budgets of the 14<sup>th</sup> National Assembly. It gives an overview of the external resources in comparison with internal resources. A comparison of loans versus grants has been provided in order to highlight the ratio between both of them. The allocation of external resources on PSDP and outside PSDP has been presented for further scrutiny. Furthermore, the paper provides a comparison of funding from each of the major lending countries and agencies over the last five years as well as the comparative statement of major lending countries and agencies to present a snapshot of major sources of external funding. Lastly, a breakup of foreign assistance among federal government, provinces, and autonomous bodies has been presented along with the comparison among the four provinces.



## 2. Foreign assistance or foreign aid

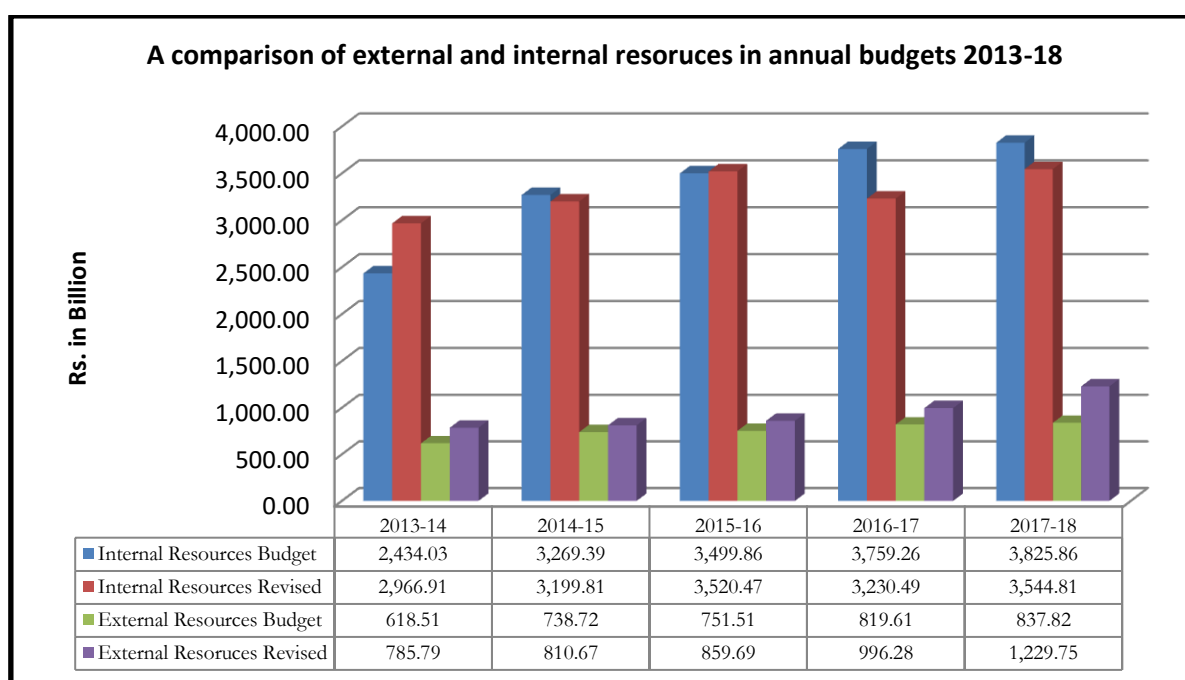
The budget document 2018-19 of Ministry of Finance, Government of Pakistan defines foreign or external financial assistance as “administered transfer of resources from a donor country or international agency to the developing countries with a view to encourage economic growth.” It can take the form of money, goods or technical assistance and aims at “promoting economic and social development in the developing countries”. It is also useful for reducing investment and balance of payments gap. External resources are either loans/ credits received from friendly countries and specialized agencies or it can be grant assistance obtained from specific country programmes. Foreign aid is categorized broadly as:

- a) Project aid (in the shape of foreign loans and grants for procurement of project equipment and supply of services etc.)
- b) Commodity aid (utilized for commercial imports, such as raw materials, equipment, consumer goods, chemicals, fertilizers; it also helps to generate rupee funds)

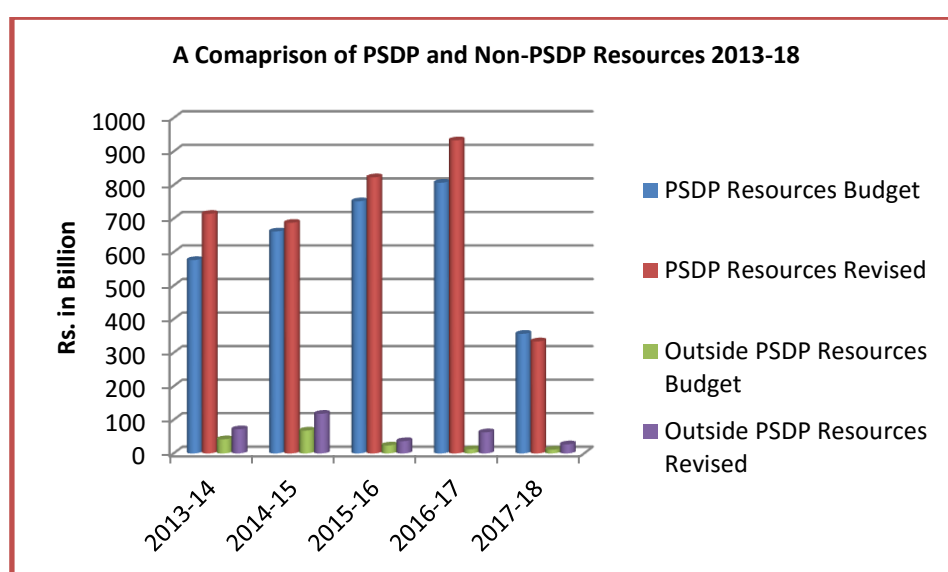
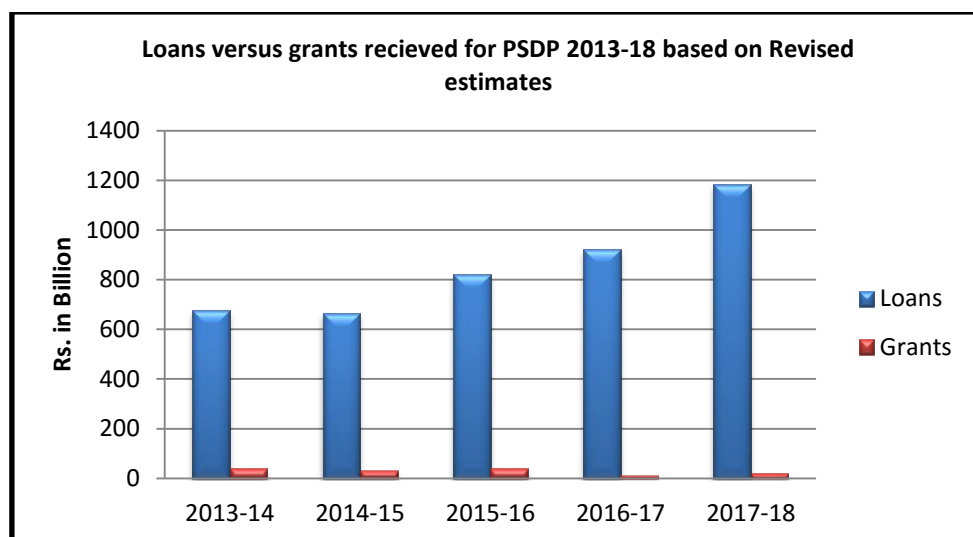
- c) Other aid (provides balance of payment support in the form of loans and grants from nontraditional sources)<sup>1</sup>

The figure below gives a comparison of external versus internal resources contained in the annual budgets from 2013-18. An overview of past five years reveals that though external resources have remained an essential component of the overall budget, the share of internal resources has remained much greater than the external resources. The five year progression of the external resources points a clear upward trend but not a very significant rise. The data further reveals that the percentage of loans is much higher than the grants. Hence, it becomes clear that the foreign assistance received in the past five years would have to be paid back rather than consumed as a gift from any outside source.

Also the figure showing a comparison between the PSDP and outside PSDP demonstrates that the major bulk of foreign assistance has been used for PSDP resources. Loans or grants outside PSDP are very meager as compared to those allocated for PSDP resources. In other words foreign assistance has primarily been directed towards achieving development goals and have minimal or no role in the current expenditure. The data demonstrates that the revised estimates are quite higher than the budget estimates over the past five years.



<sup>1</sup> Budget documents, Ministry of Finance, Government of Pakistan.



### 3. Donor Countries/Agencies

Figures below present a graphical overview of the funding from major lending countries or agencies. These include Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), Islamic Development Bank (IDB), China and US. An analysis of the comparative analysis of major lending countries/agencies demonstrates that four out of six major contributors are international agencies.

#### *i. International agencies*

The World Bank institutions including IBRD and IDA are among some of the major contributors, however, over the past few years their commitment seems declining. This is true particularly of the IBRD whose contributions have remained meager after 2015-16. The revised estimates have further declined in comparison with the budget estimates. The contributions of ADB and IDB have remained almost consistent with slight variations over the past five years.

## ii. Countries

### a) China

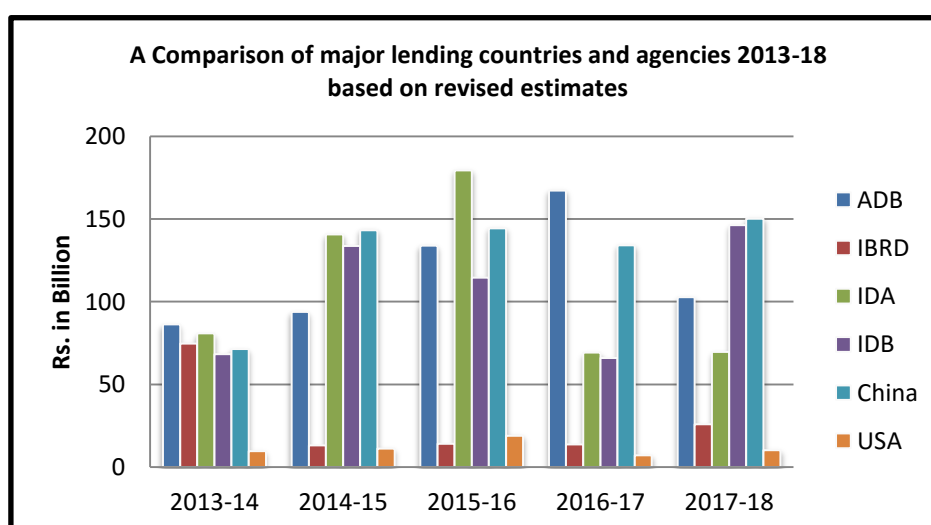
Chinese assistance is quite understandable in view of the China-Pakistan Economic Corridor. China has contributed significantly for various projects across Pakistan over the past five years. The figure below presenting the loans and grants by China during 2013-18 demonstrates that the revised estimates are much higher than budget estimates. Furthermore according to revised estimates, apart from the figures mentioned in the diagram, Rs. 50.62 billion were provided also under the head of China Safe Deposits during 2014-15.

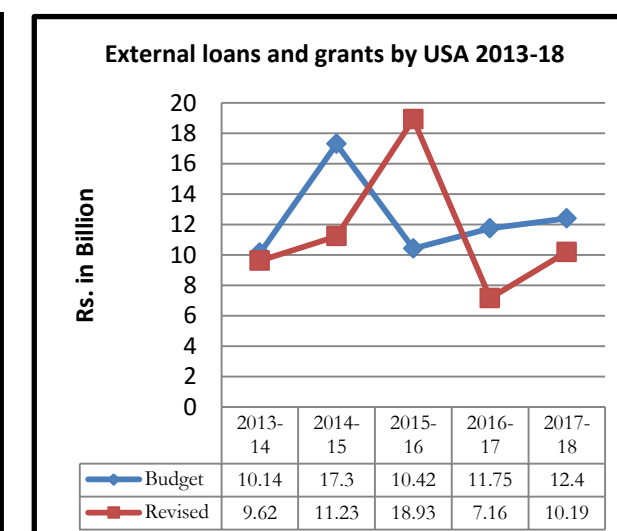
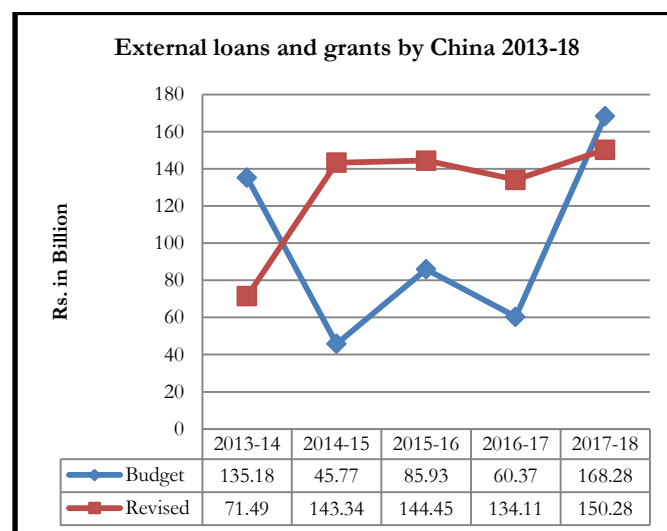
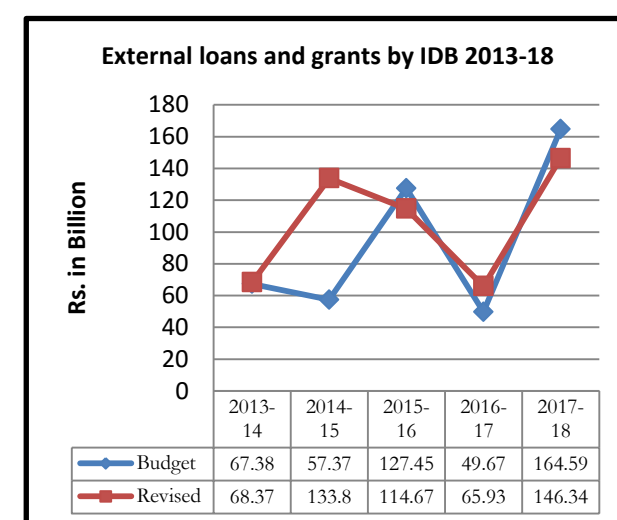
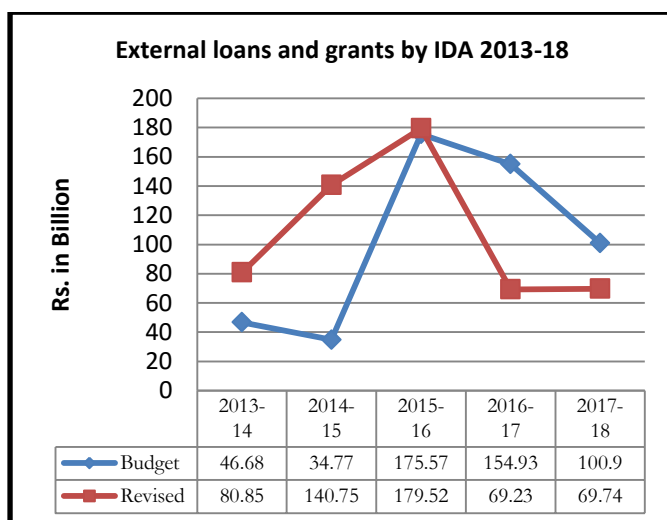
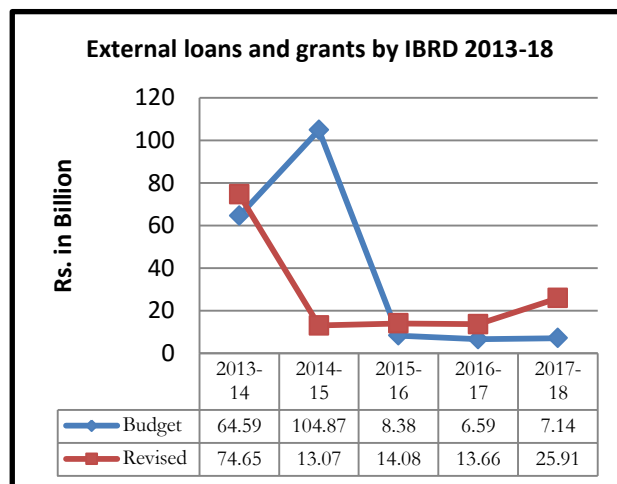
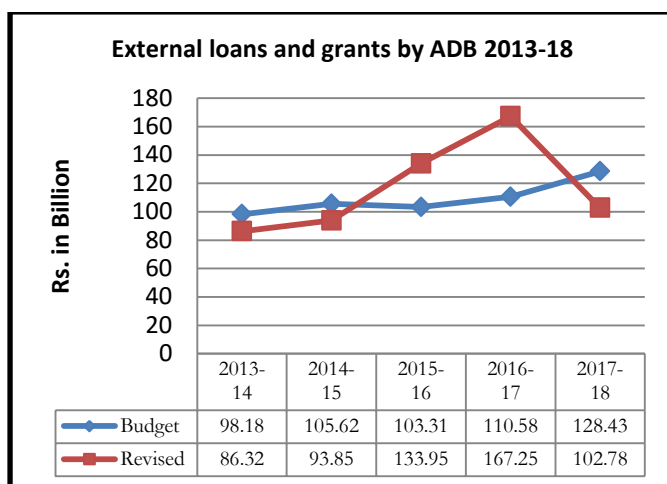
### b) US

Though the US has been included here among the major lending countries however, as the figure below demonstrates the US contribution in terms of foreign assistance to Pakistan is significantly low as compared to other lending agencies and countries. The data presented in the figures below does not include appropriations under Kerry Lugar. They included a meager amount, according to revised estimates under the Kerry Lugar appropriations Pakistan received Rs. 16.2 billion in 2013-14, and Rs. 0.3 billion in 2015-16. Even if that amount is added, the overall foreign assistance provided by US is very small among the major lending countries and agencies. Furthermore, in the post 2015-16 scenario the assistance has seen sharp decline, which reflects the anti-aid inclinations of the Trump administration. All in all an overview of foreign assistance to Pakistan in past five years demonstrates a shift from western to eastern or Asian countries or institutions. This trend is an obvious reflection of the changing regional political scenarios in the past few years.

## iii. Other countries/international agencies

Apart from these major lending partners countries like Canada, France, Germany, Italy, Japan, Korea, Kuwait, Norway, Oman, Saudi Arabia Turkey and UK have provided loans or grants which have been included in the external resources of annual budget. Other international agencies who have contributed financial resources include AIIB, European Union, GAVI, Turkish Exim Bank, OPEC, UNDP, and UNHCR. Along-with countries and international agencies the external resources included significant amount obtained from commercial banks, Sukuk bonds, and sovereign bonds.







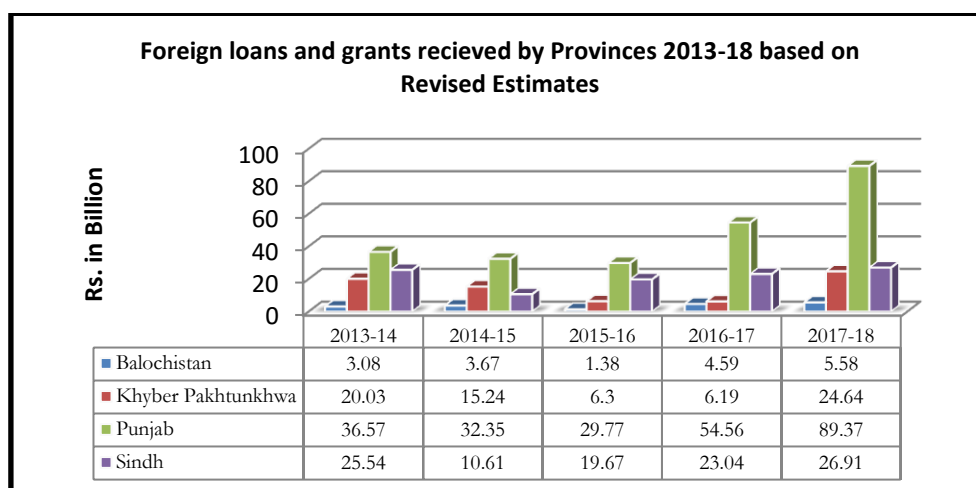
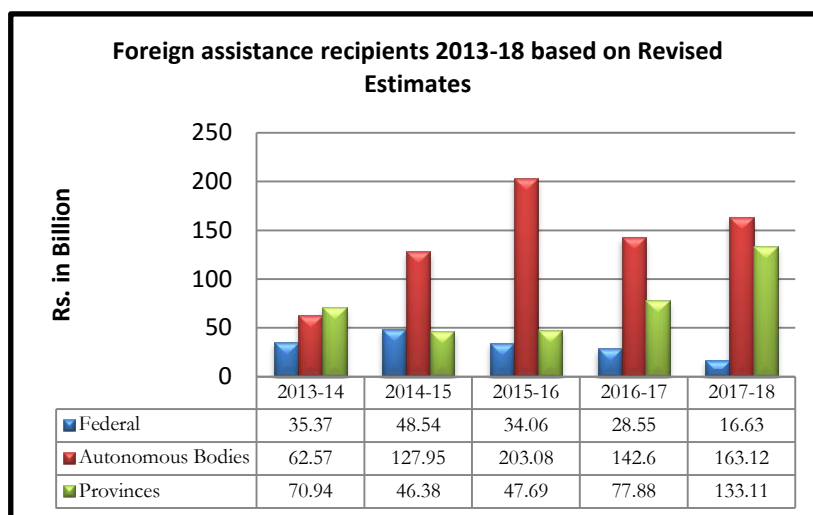
#### 4. Foreign Assistance Recipients

A comparison of foreign assistance utilized by the federal, provincial and autonomous bodies' domains reveals that the autonomous bodies gained highest benefit from foreign assistance over the last five years. In 2013-14, provinces received highest share of foreign assistance but over

the next four years the share of foreign assistance provided to autonomous bodies surpassed that of the federal and provincial share. Autonomous bodies obtained Rs. 62.57 billion and provinces got Rs. 70.94 billion in 2013-14. In 2015-16 autonomous bodies received highest share of Rs. 203.08 billion.

The autonomous bodies who have consumed foreign aid are Water and Power Development Authority (WAPDA), Pakistan Electric Power Company (PEPCO), and National Highway Authority (NHA). Among them the share of foreign aid for federal budget gradually decreased whereas that of provinces increased.

Among the provinces, Punjab received biggest chunk of foreign assistance and Balochistan got the smallest share during 2013-18. In total **Balochistan received Rs. 18.3 billion, Khyber Pakhtunkhwa Rs. 72.4 billion, Punjab Rs. 242.62 billion, and Sindh Rs. 105.77 billion** in past five years.



#### 5. Conclusion/way forward

An overview of foreign assistance received during past five reveals following:



- i. Over the past five years the graph of foreign assistance has seen gradual upward trend however, the share of external resources is considerably small in comparison with the internal resources mentioned in the budget documents.
- ii. Whatever external resources have been utilized was received in the form of loans rather than grants. The share of grants is very small as compared to loans. This trend has both positive as well as negative implications. Its positive side relates to the fact that grants never come without strings attached, thereby creating dependence upon the donor country which comes at the cost of sovereign independence. The negative side relates to the debt trap, which engulfs a major chunk of Pakistan's overall budget each year. In budget 2018-19 Rs. 1,620.2 billion<sup>2</sup> have been put aside only for debt servicing. Getting out of the debt trap would continue to remain a daunting challenge for the upcoming governments.
- iii. More than 90 percent of external resources have been spent on development projects. Those projects lay either in transport/communication or energy sector.
- iv. The foreign assistance in the past five years demonstrates a shift from western countries/international agencies to eastern or Asian countries/international agencies. The percentage of foreign aid provided by USA is meager in comparison with other donors. The commitment of the World Bank institutions particularly the IBRD declined considerably after around 2015-16. Among eastern or Asian donors, the contribution of ADB, IDB and China is notable.
- v. A comparison of recipient institutions reflects the implementation of devolution under the 18<sup>th</sup> amendment whereby provinces have been granted greater autonomy. Therefore, the federal government has received a meager share of foreign assistance in comparison with provinces. However, the autonomous bodies have utilized major portion of foreign assistance which has been directed toward energy and infrastructure projects.
- vi. An appraisal of the foreign assistance received by four provinces reflects the preference given to population criteria, as Punjab the biggest province in terms of population has received largest share of foreign assistance. However, the level of disparity among the four provinces needs further scrutiny regarding the causes as well as the effects of foreign assistance distribution among the provinces, particularly in the post devolution scenario. The role and function of National Finance Commission (NFC) Award is significant in this regard.
- vii. Though an overall analysis of foreign assistance during past five years dispels the popular perceptions of begging bowl as the hallmark of the strategy to run the affairs of the government. At least seventy years after independence, strategic planners of the government machinery should identify a cut-off date when Pakistan would be standing among donor nations rather than continuing the seventy years' status of an aid recipient country.

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<sup>2</sup> Khaleeq Kiani, "In farewell budget, govt showers business with incentives," *Dawn* April 28, 2018, <https://www.dawn.com/news/1404388/in-farewell-budget-govt-showers-business-with-incentives>, (accessed April 28, 2018).

## PARLIAMENTARY BUSINESS

## Recommendations of the Senate of Pakistan in the Finance Bill, 2018 Budget Proposals 2018-19

Compiled by

**Fakiha Mahmood**

Research Officer, PIPS International Relations Desk

1	<b><u>PROPOSED AMENDMENTS IN THE FINANCE BILL 2018</u></b>
	That in Clause 1, in sub-clause (3), for the words, “ <b>shall have effect</b> ”, the words, “ <b>come into force</b> ” shall be substituted.
2	<b><u>THE PETROLEUM PRODUCT (PETROLEUM LEVY) ORDINANCE, 1961 (XXV of 1961)</u></b>
	That in Clause 2, in the substituted Fifth Schedule, at Serial No. 2, in column No. 2, after the words, “Motor Gasoline”, the words, “87ROM” shall be added.
3	<b><u>CUSTOMS ACT, 1969 (IV OF 1969)</u></b>
	That in Clause 3,-
	(i) In sub-clause (4), in the new proposed Section 25AA, for the word “ <b>obtained</b> ”, the word “ <b>available</b> ”, shall be substituted.
	(ii) Sub-clause (5) shall be omitted;
	(iii) In sub-clause (7), in the new sub-section (3A), for the words “ <b>one hundred and eighty days</b> ”, the words, “ <b>one hundred and twenty days</b> ”, shall be substituted;
	(iv) In sub-clause (10), in the new proposed Section 83B, after the word “ <b>goods</b> ”, occurring at the end, the words, “ <b>as per law</b> ” shall be added.
	(v) In sub-clause (11), for the words, “ <b>dishonored his commitments</b> ”, the words “ <b>disclaimed his consignment</b> ”, shall be substituted.
	(vi) In sub-clause (12),-
	(a) In paragraph (a), after the word, “ <b>column</b> ”, the expression and the word, “ <b>(1) and</b> ”, shall be inserted; and
	(b) In paragraph (b), in the new proposed clause and entries related thereto, in Column (2) after the word, “ <b>person</b> ”, the words, “ <b>pilferage, replacing or tempering goods or transporting goods not allowed to be transported</b> ”, shall be inserted.
	(vii) In sub-clause (14), in the new proposed sub-section (2A), for the words, “ <b>thirty days</b> ”, the words, “ <b>one hundred and twenty days</b> ”, shall be substituted.
	(viii) In sub-clause (17), in new propose Section 212A, for the words, “ <b>by notification in the Official Gazette</b> ”, the words, “ <b>as prescribed</b> ”, shall be substituted.
4	<b><u>THE SALES TAX ACT, 1990</u></b>
	That in clause 4,-
	(i) In sub-clause (1), paragraph (a), shall be omitted.
	(ii) In sub-clause (6),-
	(a) In sub-section (1) of the new proposed section 11B, for the words, “ <b>one year</b> ”, the words, “ <b>six months</b> ” shall be substituted; and
	(b) In sub-clause (6), in sub-section (2) of the new proposed section 11B, for the words, “ <b>set aside</b> ”, the words, “ <b>remanded</b> ” shall be substituted.
	(iii) In sub-clause (9), in section 30A, for the word, “ <b>appoint</b> ”, occurring at the end, the word, “ <b>post</b> ” shall be substituted.
	(iv) In sub-clause (10), for word, “ <b>twelve</b> ”, the word, “ <b>eight</b> ” shall be substituted.
	(v) For sub-clause (12), the following shall be substituted, namely:-
	“(12) for section 47A, the following shall be substituted, namely:-
	<b>47A. Alternative Dispute Resolution.-</b> (1) Notwithstanding any other provision of this Ordinance, or the rules made there under, an aggrieved person in connection with any dispute pertaining to-
	(a) The liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;
	(b) The extent of waiver of default surcharge and penalty; or
	(c) Any other specific relief required to resolve the dispute, may apply to the Board for

the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate authority, except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.

(2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, consisting of,-

- (i) an officer of Inland Revenue not below the rank of a Commissioner;
- (ii) a person from a panel consisting of senior chartered accountants, senior advocates having experience in the field of taxation, and reputable tax payers nominated by the Chambers of Commerce and Industry; and
- (iii) a retired Judge not below the rank of District and Sessions Judge.

(3) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (2).

(4) The committee shall not commence the proceedings under sub-section (5) unless the order of withdrawal by the Appellate Authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and provision of this section shall not apply.

(5) The Committee appointed under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (4) shall be excluded.

(6) The decision of the committee under sub-section (5) shall be binding on the Commissioner and the aggrieved person.

(7) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the Appellate Authority which issued the order of withdrawal under sub-section (4) and the appeal shall be treated to be pending before such Appellate Authority as if the appeal had never been withdrawn.

(8) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

(9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the Appellate Authority, which shall decide the appeal within six months of the communication of said order.

(10) The aggrieved person may make payment of income tax and other taxes as decided by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent.

(11) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.”

5

#### INCOME TAX ORDINANCE, 2001 (XLIX OF 2001)

That in clause 5,-

- (i) In sub-clause (2), for the figure, “2020”, the figure, “2019” shall be substituted.
- (ii) In sub-clause (10), in paragraph (b), in the proviso of sub-section (4), for the words, “**ten million Rupees**”, the words, “**seventeen million and five hundred thousand Rupees**” shall be substituted.
- (iii) Sub-clause (17), shall be omitted.
- (iv) In sub-clause (27),-
  - (a) In the new proposed section 116A, in sub-section (1), in paragraph (c) for the word, “**derived**”, the word, “**incurred**” shall be substituted; and
  - (b) In the new proposed section 116A, in sub-section (2), after the word, “**notice**”, occurring at the end, the words, “**of period not beyond ten years**”, shall be substituted.

- (v) Sub-clause (29), shall be omitted.
- (vi) In sub-clause (30), for the proviso the following shall be substituted, namely:-  
**“Provided that an account of multiple adjournments by taxpayer, causing undue delay in deciding the appeal, the Appellate Tribunal may vacate the stay.”**
- (vii) For sub-clause (31), the following shall be substituted namely:-  
 “(31) for section 134A, the following shall be substituted, namely:-  
**134A. Alternative Dispute Resolution.-** (1) Notwithstanding any other provision of this Ordinance, or the rules made there under, an aggrieved person in connection with any dispute pertaining to-
- (a) The liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;
  - (b) The extent of waiver of default surcharge and penalty; or
  - (c) Any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate authority, except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.
- 2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, consisting of,-
- (i) An officer of Inland Revenue not below the rank of a Commissioner;
  - (ii) A person from a panel consisting of senior chartered accountants, senior advocates having experience in the field of taxation, and reputable tax payers nominated by the Chambers of Commerce and Industry; and
  - (iii) A retired Judge not below the rank of District and Sessions Judge.
- 3) The aggrieved person, or the Commissioner, or both, as the case may be shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (2).
- 4) The committee shall not commence the proceedings under sub-section (5) unless the order of withdrawal by the Appellate Authority is communicated to the Board:  
 Provided that if the order of withdrawal is not communicate within seventy five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.
- 5) The Committee appointed under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:  
 Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (4) shall be excluded.
- 6) The decision of the committee under sub-section (5) shall be binding on the Commissioner and the aggrieved person.
- 7) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the Appellate Authority which issued the order of withdrawal under sub-section (4) and the appeal shall be treated to be pending before such Appellate Authority as if the appeal had never been withdrawn.
- 8) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.
- 9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the Appellate Authority, which shall decide the appeal within six months of the communication of said order.
- 10) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent.

- 11) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.”.
- (viii) In sub-clause (47),-
- (a) In paragraph (a) of new proposed Section 227C, after the words **“locally manufactured motor vehicle”**, the word and expression, **“above 800 CC”** shall be inserted.
- (b) In paragraph (b) of new proposed Section 227C, for the colon occurring at the end, a full stop shall be substituted and thereafter the following proviso shall be added, namely:-  
**“Provided that this condition shall not apply to a residential immovable property where the area of such property is up to one hundred and twenty five square yards.”**
- (ix) Sub-clause (48), shall be omitted.
- (x) Sub-clause (54), shall be omitted.
- (xi) In sub-clause (57),-
- (A) In paragraph (A),
- (a) In sub-paragraph (iii), after the new sub-clause (1ii), the following new sub-clause, shall be added, namely:-  
**“(1iii) Al-Khidmat Foundation.”**
- (b) Sub-paragraph (vi) shall be omitted;
- (c) Sub-paragraph (viii) shall be omitted; and
- (d) In sub-paragraph (ix), in new sub-clause (126BA), for the words **“twenty years”**, the words, **“ten years”** shall be substituted.

**Note: Senator Musaddik Masood Malik was against the Clauses 5(1)(A), 5(4), 5(36) and 5(56)(A)(iv) and gave following reasons, in writing, to the Committee which are reproduced below:-**

- (i) **Internet trade and commerce is an emerging business. Any taxation at this stage may be detrimental to diffusion of E-Commerce, data mining and big data platforms.**
- (ii) **End products sold through E-Commerce are taxed anyway. Therefore, the cost of end product may be loaded with the cost of additional taxation.**
- (iii) **There may not be a global treaty, or Pakistan may not have a web of double tax treaties with all countries where the internet services/companies are being hosted. Consequently the burden of taxation for the proposed services may be borne by the local company/tax person in Pakistan.**

6

#### FEDERAL EXCISE ACT, 2005

That in clause 6,-

- (i) In sub-clause (2), for the word, **“twelve”**, the word **“eight”** shall be substituted.
- (ii) In sub-clause (3), in sub-section (1) of new section 14B, for the words, **“one year”**, the words, **“six months”**, shall be substituted.
- (iii) For sub-clause (7), the following shall be substituted, namely:-  
**“(7) for section 38, the following shall be substituted, namely:-**  
**38. Alternative Dispute Resolution.-** (1) Notwithstanding any other provision of this Ordinance, or the rules made there under, an aggrieved person in connection with any dispute pertaining to-
- (a) The liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;
- (b) The extent of waiver of default surcharge and penalty; or
- (c) Any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate authority, except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.
- 2) The Board may, after examination of the application of an aggrieved person, appoint a committee, within sixty days of receipt of such application in the Board, consisting of,-
- (i) An officer of Inland Revenue not below the rank of a Commissioner;
- (ii) A person from a panel consisting of senior chartered accountants, senior advocates having experience in the field of taxation, and reputable tax payers nominated by the Chambers of Commerce and Industry; and
- (iii) A retired Judge not below the rank of District and Sessions Judge.



- 3) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (2).
  - 4) The committee shall not commence the proceedings under sub-section (5) unless the order of withdrawal by the Appellate Authority is communicated to the Board:  
Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.
  - 5) The Committee appointed under sub-section (2) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:  
Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (4) shall be excluded.
  - 6) The decision of the committee under sub-section (5) shall be binding on the Commissioner and the aggrieved person.
  - 7) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the Appellate Authority which issued the order of withdrawal under sub-section (4) and the appeal shall be treated to be pending before such Appellate Authority as if the appeal had never been withdrawn.
  - 8) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.
  - 9) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the Appellate Authority, which shall decide the appeal within six months of the communication of said order.
  - 10) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent.
  - 11) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.”.
- (iv) In sub-clause (12), in sub-paragraph (b), the two new insertions without numbering, occurring after the Table-1, shall be omitted.

**(Note: Senator Ayesha Raza Farooq dissented on the omission)**

#### **GENERAL CONSENSUS RECOMMENDATIONS**

The Senate of Pakistan recommends to the National Assembly the following general recommendations:

- |    |  |
|----|--|
| 7  | The increase in petroleum development levy as proposed in Clause 2 of the Finance Bill, 2018, may be restricted to an increase of 25 percent over the existing rates.  |
| 8  | The penalties proposed in Clause 5, sub-clause (41) are too harsh which should be rationalized.  |
| 9  | In Clause 5, sub-clause (25), in paragraph (ii), the Commissioner may not be allowed to reopen cases prior to ten years.   |
| 10 | For the tax rates of individuals the slab of Rs. 12,00,000 to Rs. 24,00,000 the tax rate be increased to 10%, slab for Rs. 24,00,000 to Rs. 48,00,000 the tax rate be increased to 15% and the slab for Rs. 48,00,000 and above be increased by 25%. |
| 11 | In order to protect the dairy sector tariff of Skimmed Milk Powder (SMP) should be increased from 45% to 50%.  |
| 12 | In order to encourage the Fishery Sector exemption should be given on GST imposed on the import of “fish babies/seedlings” from 20% to 5%.   |
| 13 | The regulatory duty on fish fillet and frozen fish should be increased from 45% to 60%.  |
| 14 | Concessions given on agricultural machinery during Budget 2016-17 under S. No. 1 of 5 <sup>th</sup> Schedule to the Customs Act, 1969, should be continued.  |
| 15 | In order to encourage the use of solar energy, interest free loans should be introduced for the installation of Solar Tube wells farmers owning up to 12 acres of land.  |

16	The membership of Chamber of Commerce and Industry should be made compulsory for all businessmen in order to become a filer and for the better of tax system a Central Business Data Record System should also be established.					
17	Improvements should be made in the tax software to make it easy and it should also be in Urdu language.					
18	Steps should be taken to introduce tax reforms for the promotion of industry in less developed areas.					
19	Steps should be taken with regard to obtaining Hilal Food Certificates which are international acceptable to encourage the export of Hilal food.					
20	Steps should be taken for the encouragement of tax payers and first 5000 tax payers should be accorded status of VIP citizen and awards should be given to them in the national events.					
21	The Government should adhere to and implement the provisions of Fiscal Responsibility and Debt Limitation Act, 2005, and take steps to reduce the debt which is increasing rather than decreasing and putting the entire nation under heavy debt.					
22	Long term staggered program be devised for the development of FATA to eradicate sense of deprivation of its products and allocate sufficient budget for FATA i.e. two fold preferably.					
23	A mechanism should be evolved to bring non-filers into tax net to increase the government revenue.					
24	Visible steps should be taken for expediting of the matter regarding interest based economic system pending before the Federal Shariat Court.					
25	Advanced tax and sales tax imposed on mobile phone cards of Rs. 100/- should be withdrawn.					
26	The amount collected as tax on cigarettes should be spent in the health sector.					
27	The additional custom duty of 1% proposed to be imposed on industrial raw materials should be withdrawn.					
28	Custom duty on HS codes mentioned below should be rationalized to protect local industry:- <table border="1" data-bbox="730 913 954 1088"> <thead> <tr> <th>PCT heading</th> </tr> </thead> <tbody> <tr> <td>8507.2010</td> </tr> <tr> <td>8507.2090</td> </tr> <tr> <td>8507.8000</td> </tr> <tr> <td>8507.9000</td> </tr> </tbody> </table>	PCT heading	8507.2010	8507.2090	8507.8000	8507.9000
PCT heading						
8507.2010						
8507.2090						
8507.8000						
8507.9000						
29	In order to accommodate the financial needs of the Industrialist NBO Branch be started working in Hattar Industrial Estate, KPK.					
30	The proposed import duty on Soyabin Oil should be reduced even from the present value or it should remain as present.					
31	A new clause should be inserted in Part IV of the Second Schedule to the ITO, 2001, as follows:- “( ) The provisions of section 153 shall not apply on futures contracts”.					
32	The Session Allowance of Senate/Assembly employees should be de-frozen and restored at the rate of their running basic pays as it is not a regular allowance and only being given on a day to day basis for extended working hours before, during and after the sessions, and since it is granted only to employees of the Senate and National Assembly Secretariats in view of their long sitting hours and important work under short timelines.					
33	Proposed health levy of Rs. 10 per KG imposed on the sale of Tobacco Leaf should be withdrawn.					
34	Sales tax on the import of plant & machinery for setting up refinery plants in the under-developed Province of Baluchistan should be exempted.					
35	Sales tax exemption should be extended for dumpers and trucks used in the chromites and coal areas of Baluchistan.					
36	Custom House should be established for custom gateway at district Zhob, Qamardin Karez.					
37	Branches of National Bank should be opened at custom gateway in district Qilla Saifullah, Badin and Musakhel.					
38	The minimum stipends for all interns should be fixed at Rs. 20 thousands.					
39	Sufficient funds should be allocated in order to waive off the agricultural loans of Rs. 2.75 billion granted to the poor farmers in pursuance of the unanimous Resolution No. 289 dated 21-09-2016, passed by House of the Federation.					
40	The purpose and outcomes/impact of NCHD should be clearly defined, post-devolution, in terms of primary/general education versus literacy and informal education and commensurate with the objectives and outcomes, the salary of the employees of the NCHD should also be increased by Rs. 16000 per month.					
41	Custom duty in custom tariff code 6001-9210 (Greige Blanket Fabric) which is at present equivalent to the					



	custom duty of Printed and finished Blanket should be rationalized as per principle of Cascading.
42	Custom duty in customs tariff code 8617.1219 (Mobile CKD/SKD Condition) which is at present equivalent to the customs duty of Cellular mobile phones (CBU) should be suitably reduced.
43	Regularity duty proposed to impose on CKD/SKD mobile kits should be rationalized.
44	Senior post allowance announced in the Federal budget for the year 2018-2019 may be extended from BS-19 to BS-22.
45	10% regulatory duty on synthetic, polyester, acrylic and viscose and blend spun yarn under Chapter 55 of the HS Code should be imposed.
46	The adjustment of input on raw material should not be allowed and final tax should be collected at the import stage on potassium chlorate whereas 17% sales tax along with additional tax (reasonable balancing amount) should be charged and also no adjustment of sales tax on other raw material be allowed and the final product i.e. match boxes should be exempted.
47	11% custom duty on import of MDF may be retained while 5% RD imposed in the recent budget should be abolished.
48	The Federal Excise duty on domestic airline tickets should be reduced from 3600 rupees to 1800 rupees.
49	The taxes and duties on hybrid and electric cars should be identical.
50	<b>PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP) RECOMMENDATIONS</b> Remaining amount required for the completion of the Makhi-Farsh Link Canal located in the lower Nara Region of Sindh may be allocated from the PSDP Program for the Financial Year 2018 so that the scheme can be completed.
51	The allocations in the PSDP for the Provinces should be placed before the Senate at-least two months before the finalization of the budget so that the Members of the Upper House may have an opportunity to fully participate in relation to the allocation of PSDP.
52	Proposals may be invited for the perusal of the Upper House at-least three months before finalization of the budget for inclusion of schemes in the PSDP.
53	Vocational institutes may be established under CPEC in Zhob, Quetta and Qila Saifullah.
54	40 billion rupees be allocated for FATA (PSDP No. 1102) instead of 24.5 billion rupees.
55	At least 20 billion rupees should be allocated for converting agricultural tube wells of Balochistan to solar energy.
56	Funds should be allocated in the federal budget for mass transit projects in District Quetta.
57	Budget allocation may be made for fy-2018-19 for installation of tube-wells on different places in Quetta.
58	CPEC Institute, Gwadar, should be approved immediately and maximum funds should be allocated.
59	A Stadium be established in Tehsil Patan – District Kohistan.
60	Work on the Industrial Estate Gwadar with reference to its infrastructure and development may be completed on priority.
61	Funds allocation of 365 million for PSDP 2018-19 for refurbishment of Senate Hall (201.5 million), and construction of Chairman Senate Residence (145.5 million) may be allocated.
62	Funds should be allocated for a detailed mineral survey in Balochistan.
63	Relevant funds should be allocated in the present federal budget for laying of gas pipelines from Quetta to Khanozai, Muslim Bagh and Qilla Saifullah.
64	Relevant funds should be allocated for laying of gas pipelines from Ziarat to Sanjavi, Daki and Loralai.
65	Relevant funds should be allocated for laying of gas pipelines Aghberg union council in District Quetta.
66	Relevant funds should be allocated for laying of gas pipelines from Pashin to Chamman.
67	Comprehensive planning should be done and a fund should be allocated for beginning the work for exploration and evacuation of metallic minerals and coal in District Dakki, (Pashin, Qilla Saifullah, Zhob, Musakhel, Loralai, hernia, Qilla Abdullah) and Zhob Quetta Division in Balochistan province.
68	100 million rupees be approved to improve the existing infrastructure of Sui Gas and electrical lines in District Haripur.
69	Conversion of existing 10,000 electrically operated tube wells in Balochistan to solar power 25% be allocated and in 4 years this project should be completed.
70	10 billion rupees be allocated for renewal of electricity transmission lines in the province of Baluchistan.
71	Electric feeder line be provided from district Qilla Saifullah to Loib and union council badini and Qamardin Karez.

72	Allocation be made for establishing Grid Station in Balozai, Tehsil Khanozai, Maizaiada, Bostan, Marghakabzai, Abdul Rehmanzai, Sapera Raghda Darghai, Narai Dag, district Loralai, Margha, Faqeerzai, district Balochistan.
73	Amounts should be allocated for the production of electricity under the CPEC in following districts of Balochistan: <ul style="list-style-type: none"> <li>a. 200 MW from Khost gas power plant at Harnai.</li> <li>b. 100 MW from each plant from all solar power plants at Pishin, Qilla Abdullah, Qilla Saifullah, Zhob and Musakhel.</li> </ul>
74	Electrification of villages in District Jafarabad, Balochistan.
75	Allocation be made for the construction and installation of Hydle Power at Chapri on Kurram River Kurram Agency for approximately 12-MW.
76	A 132 KV grid station be established in District Kohistan.
77	Provision of electricity in Bhamala village Tehsil Khan Pur District Haripur be prioritized.
78	The electricity supply system may be upgraded for Hattar Industrial Estate as it generates about 70 billion rupees in taxes.
79	Allocations be made for the construction of: <ul style="list-style-type: none"> <li>a. New line from 132kv g/station Wadh to 33kv line Kalghaloo Saroona along with allied material 2x4MVA transformers with construction with an estimated cost of Rs. 165.00 million. (PSDP no. 1063).</li> <li>b. 11KV line from Kalghaloo to Saroona (PSDP No. 1064)</li> <li>c. 11KV line Kalghaloo Saroona to Shahnoorani (PSDP No. 1065)</li> <li>d. 33KV grid station at Essachah District Noshki (PSDP No. 1061)</li> </ul>
80	Allocations be made for grid stations at Ahmedwal District Noshki (PSDP No. 1062), and at union council Kashingi District Noshki.
81	Allocation be made for the provision of solar home system (KII) for 7500 home in villages of district Noshki and Chaghi, Balochistan.
82	Allocation be made for the provision of solar generated electricity for civil Hospital Dalbandin district, Chaghi.
83	Allocation of 4 million Rs. be made for the solar electricity for civil hospital district Noshki.
84	Allocation be made for the installation of solar systems in QESCO feeders of tehsil Wadah District Khuzdar i.e. Akhtar Abad, F.C., Lope, Saracho, Kakaheer, Badri City, Badri, Drokalo, Took and Killi Salem Muhammad.
85	Allocation of 200 million Rs be made to provide electricity for villages in Districts in Kalat and Mastung.
86	Funds be invested in solar and wind energy projects in Balochistan to meet the energy needs of country.
87	Apart from allocation of 100% funds for construction of Basool Dam Tehsil Omara, District Gwadar, more small dams should be approved for Gwadar district.
88	Allocation for the extension of Pat feeder Canal for utilization of Indus Water in Balochistan (Package – III) be maximized to utilize the barren land in Balochistan.
89	Allocations be made to construct small dams in District Khuzdar, Balochistan.
90	Allocation for Winder Dam in Balochistan be maximized.
91	At least 1 billion Rs be allocated for the construction of small dams in Balochistan.
92	Funds be allocated for augmentation of underground water level in Quetta.
93	Allocation of 30 million Rs be made for Zhob town water supply scheme.
94	20 billion rupees be allocated for small and medium size dams for the falling water level in Quetta, Pashin, Zhob, Sherani, Qilla Saifullah, Ziarat, Harnai, Barkhan, Musakhel, Daki and Loralai district of Balochistan.
95	An allocation of rupees 10 crores be made for construction of dams at Kanmatrazai union council district Qilla Saifullah, Balochistan.
96	Budget be allocated for kuram Dam, Argas Dam at district Qilla Saifullah and Sherani Dam at District Sherani, Balochistan.
97	150 million rupees should be allocated for flood irrigation and development in Thal area of District Daki of Balochistan.
98	Funds be allocated for the rehabilitation of irrigation Canal system in Jaffarabad, Balochistan.
99	Allocations be made for the construction of dams and protection bunds in Balochistan:

	<ul style="list-style-type: none"> <li>a. Baghi Storage/delay action dam Kishingi area 110 million</li> <li>b. Gendar Storage/delay action dam Kishingi area 150 million</li> <li>c. Laruk Storage/delay action dam Mall area district Naushki 60.19 million</li> <li>d. Tafui Storage/delay action dam district Naushki 317 million</li> <li>e. Lejay Storage/delay action dam district Chagai 188.482 million</li> <li>f. Karudi Storage/delay action dam district Chagai 131.808 million</li> <li>g. Bugmadwan Storage/delay action dam district Chagai 221.671 million</li> <li>h. Washak Storage/delay action dam district Chagai 245.914 million</li> <li>i. Juli Storage/delay action dam district Chagai 127.915 million</li> <li>j. Mashkicha Storage/delay action dam district Chagai 158.670 million</li> <li>k. Amaro Storage/delay action dam district Chagai 120 million</li> <li>l. Koh-a-Mahium Storage/delay action dam district Chagai 500 million</li> <li>m. Kakowai delay action dam district Noshki with an estimated cost of 70 million</li> <li>n. Larhok delay action dam district Noshki with an estimated cost of 30 million</li> <li>o. Doshay delay dam district Noshki with an estimated cost of 40 million</li> </ul>
100	Allocation be made for the establishment of 40 agriculture tube wells to cultivate Haripur.
101	Allocations be made for the Hahaland Bubutry dam for completion.
102	Allocations be made to pay the people for their lands that were purchased under the demarcation of Diamir Bhasha Dam and Dasu dam.
103	Allocation of 500 million Rs be made for the construction of small dams in Districts Kalat and Mastung, Balochistan.
104	Allocation of 200 million be made for the provision of clean drinking water in Districts Kalat and Mastung, Balochistan.
105	Remaining funds for the 9 approved schemes of 20 dams in KP may be released at the earliest, and funding for the remaining 11 may be allocated.
106	Allocation needs to be increased to 1000 million from the existing 100 million in PSPD 2018-19 for CRBC 1 <sup>st</sup> lift cum Gravity Project D. I. Khan.
107	Funds be allocated for quantifying the amount of water used for irrigation in Balochistan.
108	Funds be allocated for usage of modern techniques in Agriculture sector of Balochistan to save water.
109	<p>Funds be allocated for minimizing the loss of water through:</p> <ul style="list-style-type: none"> <li>i. Rehabilitation and reconstruction of canals</li> <li>ii. Introduction of measurement and communication system by installing sensors to monitor the real time water flow in the canal under its command.</li> <li>iii. Installation of solar panels on canals</li> <li>iv. (in areas where the evaporation in maximum)</li> </ul>
110	Funds be allocated for the completion of reconstruction/renovation of Quetta International Airport.
111	Funds be allocated for the construction of airports at Loralai and Chaman.
112	Funds be allocated for the extension of Parachinar Kurram Agency Airport for public facilities.
113	Funds be allocated for the construction of Nokundi-Mashkhel-Panjoor road (200 km).
114	Allocation be increased to 20 million Rs. for Yark to Zhob road (Section N-50) (PSDP No. 113), and Zhob-kuchlok road (PSDP No. 215).
115	Allocation of 5 billion Rs be made under CPEC for Bostan-Zhob and D-I Khan and Kohat Railway line.
116	Allocation of at least 1 billion Rs of the total 2 billion Rs. be allocated for PSDP 2018-19 for Spera Ragha Road, Balochistan (PSDP No. 287).
117	Allocation be made for the rehabilitation of flood damaged roads in Jaffarabad District, Balochistan.
118	Allocation be made for construction of Dual Carriage Way Road from Thall to Parachinar Kurram Agency (FATA) 74 KM.
119	Allocation be made to improve road links between Taxila and Haripur, and to construct bridges and road subsurface water drainage lines.
120	Allocation be made to widen the road in front of Taxila museum.
121	Allocation be made to reconstruct all the roads in Hattar Industrial Estate to facilitate transportation.
122	Allocation be made to construct a bridge from Moza Chakani to Murradpur located at Chapar Road Clinger, District Haripur.

123	Allocation be made for the completion of road from Dasu to Rai Kot.
124	Babusur Tunnel may be completed.
125	Toll plazas at N85 and part f M8 be considered on priority.
126	M8 (Motorway) Khuzdar-Ratodero be completed.
127	Allocation be revised to 1 billion Rs in scholarships to students from Gwadar.
128	Allocation of 5 million Rs be made for post-graduate programs (Indigenous and Overseas) for the students of Balochistan.
129	Allocation be made for the development of Academic and Research Infrastructure of University of Gwadar.
130	Allocation be made for University (BUTMS Campus) in Zhob.
131	Allocation be made for establishing forest university in district Ziarat.
132	Allocation be made for establishing university in Chaman.
133	Allocation be made for establishing livestock university in district Mousa Khel.
134	Allocation be made to establish universities in Khan Pur District Haripur & District Kohistan.
135	Allocation of 800 million be made to develop a Centre of Excellence for Mathematical Sciences at the University of Peshawar.
136	Funds be allocated to establish a medical university in Hub (near Karachi).
137	All pending funds be issued in current fiscal year for long-pending 100 KW MW Transmitter Gwadar.
138	Funds be allocated to establish Custom house for custom gateway at district Zhob Qnardin karez.
139	Funds be allocated for district Ziarat, Sherani, Mousa Khel, Qila Saifullah, Zhob of Balochistan for the protection of natural forests, gabion structure, check dams, wild life conservation, plantation, soil conservation and rain management.
140	Funds be allocated to waive off loans of poor farmers and land owners of Balochistan amounting approximately Rupees 2.75 billion in the current fiscal year.
141	Complete funding be allocated for an Expo Centre, Quetta (Phase-I) in current fiscal year.
142	Funds should be allocated for an establishment of a latest mineral laboratory in Muslim Bagh.
143	Funds should be allocated for the establishment of wool industry at District Musakhel and Harnai.
144	Funds should be allocated for District Mousa Khel to be included in programmes of milk and meat supply chain, improvement and support and livestock production.
145	Funds should be allocated for Zhob, Sibi and Quetta Division be included in the promotion of Olive cultivation on commercial seed.
146	Funds should be allocated for establishment of Arid Zone Research Institute in Muslim Bagh, Balochistan.
147	Funds should be allocated to establish Agriculture Research Institute in Musa Khel and Duki districts of Balochistan.
148	Funds should be allocated in the present federal budget for establishment of a cancer hospital in Loralai Division Headquarter.
149	Funds should be allocated for establishment of Islamabad Allergy Centre and laboratory branches in Quetta, Karachi, Peshawar and Lahore.
150	Funds should be allocated for establishment of latest diagnostic labs in districts Duki, Qilla Sifullah, Pashin, Chaman, Ziarat, Qilla Abdullah, Harnai, Zhob, Musakhel and Sherani in Balochistan province.
151	Funds should be allocated for the establishment of a Cardiac Centre in Balochistan, and be taken on priority with NICVD.
152	The KP government's demand of Rs. 4641 million under the Population Welfare Program needs to be reflected and approved in the PSDP 2018-19.
153	The amount allocated for Climate Division in this year budget should be increased to Rs. 2 Billion.
154	Allocations should be made for the establishment of the Advance Technology Training Centre at Quetta.
155	Allocations should be made for the establishment of the Technical Training Centers at the various districts of Balochistan.
156	Funds should be allocated in the federal budget for establishment of an approved medical college in district Pashine.
157	Allocations be made for infrastructure development at BUTMES Takatu.

**CONCEPT****Effective Parliamentary Oversight**

**Haider Abbas**, Director Finance / Member PIPS' Budget Desk

**Rabea Bibi**, Finance Intern PIPS

**1. Introduction:**

Historically, parliaments have been established to represent on behalf of people and to give voice to citizens and thus provide opportunities for more open and participatory governance. Therefore, it is important for parliaments to play their constitutionally assigned roles. The major challenge which parliaments face is the use their financial oversight responsibilities to ensure that the needs of citizens are met through the delivery of well-designed government programs and services.

**1.1. Functions of the Parliament**

Parliaments perform three functions - *representation*, *legislation*, and *oversight*. They represent the will of the people, which is the legitimate source of authority in democratic countries. In addition to introducing legislation on their own, they have the power to amend, approve or reject government bills and they perform an oversight function by ensuring that governments implement policies and programs in accordance with the wishes and intent of the legislature. They undertake this oversight function in two ways: they oversee the preparation of a given policy before the implementation or execution (*ex-ante* oversight) or can oversee the execution and the implementation of a given policy (*ex post* oversight)<sup>1</sup>.

**1.2. Defining the Concept:**

Oversight and control of public money is a critical factor in any democratic society, but particularly in new democracies. Probing government to account for its finances is one of parliament's oldest functions, and it is central to almost every domestic argument about policy priorities and provision of services to voters. Yet it is also a role that parliaments tend to perform inadequately and presents a particular challenge for parliaments in developing countries, where limited processes, organisational capacity and influence can hinder effective oversight. Oversight under Constitution is:

- Under Article 91(6) *The Cabinet together with Minister of State is collectively responsible to the Senate and the National Assembly.*
- Under Article 130(6) *The Cabinet shall be collectively responsible to the Provincial Assembly.*<sup>2</sup>

**1.3. Statement of Problem:**

Transparency International in its Annual Corruption Perceptions Index 2017 has ranked Pakistan at 117 out of 180 countries included in index. Pakistan was awarded with a score of 32 on scale of 0 to 100 with 0 being highly corrupt and 100 being very clean. In comparison,

<sup>1</sup> Niall Johnston, 'FINANCIAL OVERSIGHT: A HANDBOOK FOR PARLIAMENTARIANS' World Bank Institute, GOPAC Global Secretariat, page 06-20.

<sup>2</sup> Senate of Pakistan. 'The constitution of Pakistan.' Accessed on 30<sup>th</sup> March 2018. Available at <http://www.senate.gov.pk/uploads/documents/constitution%20book%204x5.pdf>



India stood at 81 by scoring 40 and Bangladesh at 143 by scoring 28.<sup>3</sup> In view of prevailing governance situation and corruption in the public sector, it is imperative to further improve the effectiveness of Parliamentary Oversight in Pakistan.

#### 1.4. Scope of study:

The study will deliberate on parliamentary oversight tools and ways to utilize these tools effectively so as to ensure attainment of objectives as narrated below:

- Rational and efficient utilization of Public Finances
- Compliance of statutes, rules and regulations in spending public money
- Transparency, accountability and good-governance
- Improvement in service delivery of public offices
- Transform political vision into reality (Socio-economic well-being of people)
- Economic development of the country

## 2. Issues and Challenges:

The study focuses on issues and challenges which Parliament of Pakistan faces now a days and gives suggestions to resolve these issues and overcome the challenges.

### 2.1. Current Issues:

- Ensuring good governance and better Public service delivery
- The priorities and targets of Government for allocation of its funds
- Deter, prevent and identify corruption
- Ensuring Effective outcomes of spending
- Achievement of Value for money
- Ensuring Achievement of desired purposes of all allocated funds
- Realistic revenue forecast
- Appropriate level of surplus or deficit
- Independent checking of government accounts (PAC)
- To enquire about public important issues
- To Ensure Rule of Law

### 2.2. Challenges:

Parliament faces the following current challenges in implementation of effective oversight in Pakistan.

- Lack of resources
- Organizational and human capacity
- Interest and Priority of the members
- Political and social influence

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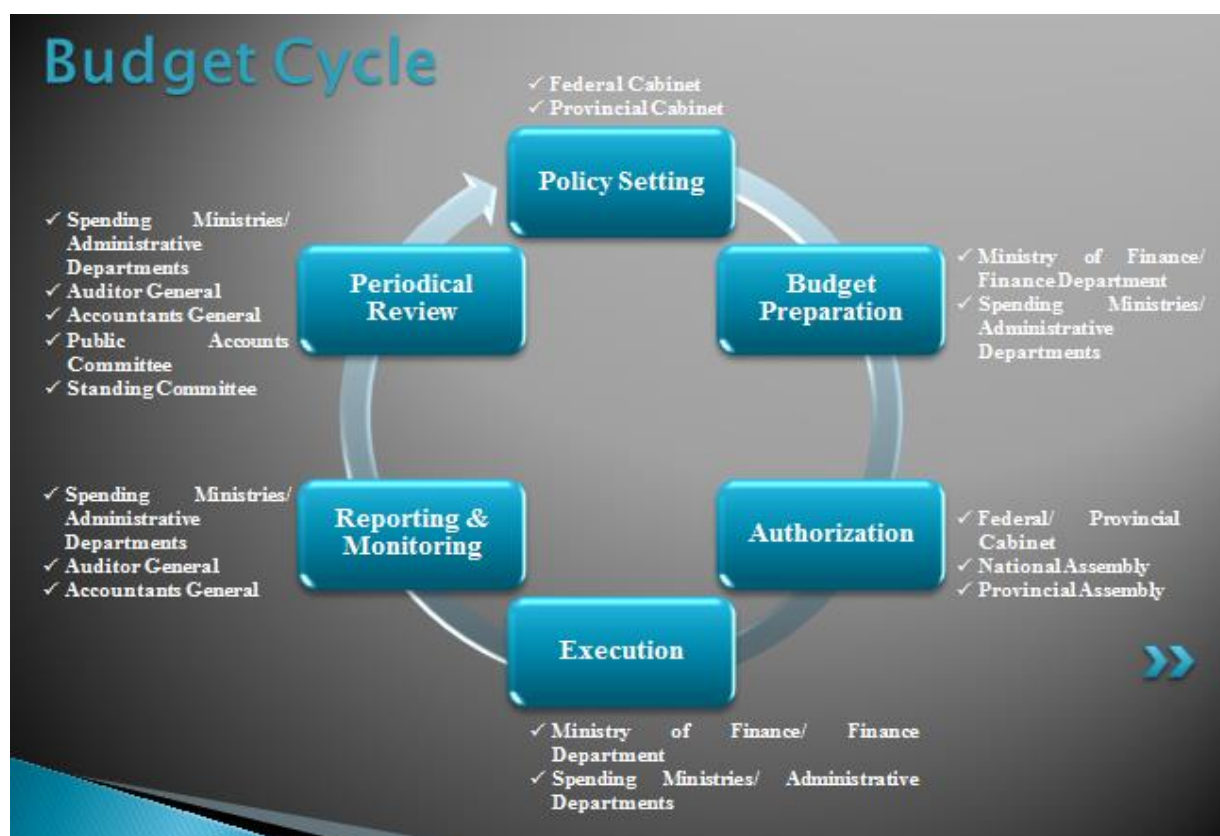
<sup>3</sup> 'Corruption perceptions index 2017', Transparency International, February 21, 2018  
[https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017](https://www.transparency.org/news/feature/corruption_perceptions_index_2017)

**3. Constitutional Provisions on Financial Matters:** The Constitution of Islamic Republic of Pakistan provides the following articles on financial matters.

- 1) Article 78 & 118 – Federal/ Provincial Consolidated Fund and Public Accounts.
- 2) Article 79 & 119 – Custody, etc. of Federal/ Provincial Consolidated Fund & Public Accounts.
- 3) Article 80 & 120 – Annual Budget Statement.
- 4) Article 81 & 121 – Expenditure charged upon Federal Consolidated Fund.
- 5) Article 82 & 122 – Procedure relating to Annual Budget Statement.
- 6) Article 83 & 123 – Authentication of schedule of authorized expenditure.
- 7) Article 84 & 124 – Supplementary and excess grants.
- 8) Article 85 & 125 – Votes on account.<sup>4</sup>

**4. Budget Cycle:**

The federal budget proceeds in six phases. The Policy setting (first phase) is the function of Federal Cabinet and Provincial Cabinet; the second phase covers budget preparation by the Ministry of Finance/ Finance Department and Spending Ministries/ Administrative Departments. The third phase is the budget Authorization by Federal/ Provincial Cabinet, National Assembly and Provincial Assembly.



Then, in the fourth phase, the budget is executed by Ministry of Finance/ Finance Department, Spending Ministries/ Administrative Departments. Reporting and audit review by the

<sup>4</sup> Senate of Pakistan. 'The constitution of Pakistan.' Accessed on 30<sup>th</sup> March 2018. Available at <http://www.senate.gov.pk/uploads/documents/constitution%20book%204x5.pdf>



Accountants General and the Auditor General respectively come under the fifth phase. The sixth and the final phase is the Periodical Review of the budget by the Spending Ministries/ Administrative Departments, Auditor General, Accountants General, Public Accounts Committees and Standing Committees.

## 5. Parliamentary oversight tools under Rules of Procedures:

Parliamentary oversight tools<sup>5</sup> as provided in the Rules of Procedure and Conduct of Business of various Houses are given as follows:

- Financial Matters
- Pre and Post Budget Provisions
- Specific Provisions under Functions of Committee
- Questions & Calling Attention Notices
- Resolutions
- Public Hearing

### 5.1. Procedure in Financial Matters under Rules of Procedures:

Rules 182-197 (Chapter XIX) of Rules of Procedures and Conduct of Business of the National Assembly of Pakistan deal with the financial and budgetary matters.<sup>6</sup> The rules of all other houses, likewise, provide for the financial and budgetary matters. The Cut Motions (for reference Rule 189 of the NA) are very effective tools to be used during budget authorization phase, the three categories of cut motions are as under:

- ✓ Disapproval of Policy Cut (amount of demand be reduced to Re.1)
- ✓ Economy Cut ( Demand may be reduced by specific amount)
- ✓ Token Cut ( Reduced by Rs.100)

### 5.2. Pre & Post-Budget Provisions :

Another way to improve parliamentary oversight on budget preparation and execution is by holding pre and post-budget sessions. The Rules of Procedures of the National Assembly, the Senate, and the Provincial assemblies of Balochistan<sup>7</sup>, KPK<sup>8</sup> and legislative assembly of AJK<sup>9</sup> lack pre and post-budget provisions whereas the Rules of the Provincial/Legislative Assemblies of Sindh, Punjab and Gilgit-Baltistan provide for pre and post-budget sessions in the following manner:

- ✓ **Provincial Assembly of Punjab: 133(A). Pre- Budget** general discussion at least 4 days on budget proposals (Session Jan to March)<sup>10</sup>

<sup>5</sup> Global Partners Governance. 2014, 'Show Me the Money: Improving Financial Oversight Guide to Parliaments Paper 4' Accessed on 30<sup>th</sup> March 2018. [gpgovernance.net](http://gpgovernance.net)

<sup>6</sup> National Assembly of Pakistan, 'Rules of procedure and conduct of business in National Assembly of Pakistan 2007(as modified upto the 26th february, 2016) chapter xix procedure in financial matters'. Accessed on 30<sup>th</sup> March 2018. Available at <http://www.na.gov.pk/en/downloads.php>

<sup>7</sup> Provincial Assembly of Balochistan, 'Rules of procedure and conduct of business in Provincial Assembly of Balochistan (Chapter XIV - THE BUDGET)'. Accessed on 30<sup>th</sup> March 2018. Available at <http://www.pabalochistan.gov.pk/index.php/rop/details/en/49>

<sup>8</sup> Provincial Assembly of the KPK, 'Rules of procedure and conduct of business in Provincial Assembly of KPK (Chapter XIX , Procedure In Financial Matters)'. Accessed on 30<sup>th</sup> March 2018. Available at <http://www.pakp.gov.pk/2013/wp-content/uploads/RULES-OF-PROCEDURE5.pdf>

<sup>9</sup> Legislative Assembly Of Azad Jammu And Kashmir, 'Rules Of Procedure And Conduct Of Business Legislative Assembly Of Azad Jammu And Kashmir (As Modified Upto The 2006) : Chapter XVI Procedure In Financial Matters (Originally Available In Urdu Version Further Translated Into English For The Purpose Of Undertaking This Study)' Accessed On 30<sup>th</sup> March 2018. Available At Retrieved From [Http://Ajkassembly.Gok.Pk/Rulesofprocedure\\_Urdu9.Htm](Http://Ajkassembly.Gok.Pk/Rulesofprocedure_Urdu9.Htm)

<sup>10</sup> Provincial Assembly of the Punjab, 'Rules of procedure and conduct of business in Provincial Assembly of Punjab (Chapter XV-A and XVI : pre-budget and post budget discussions procedure in financial matters)'. Accessed on 30<sup>th</sup> March 2018. Available at <http://www.pap.gov.pk/index.php/rop/details/en/31>

- ✓ **Provincial Assembly of Sindh:** 143. *Pre- Budget* general discussion at least 5 days on budget proposals (Session Jan to March)<sup>11</sup>
  - 144. *Post-budget:* the general discussion on releases and utilization of budget, on quarterly basis.
- ✓ **Gilgit – Baltistan Legislative Assembly:** 133. *Pre- Budget* general discussion at least 4 days on budget proposals (Session Jan to March)
  - 134. *Post-budget:* the general discussion on releases and utilization of budget, on quarterly basis.<sup>12</sup>

### 5.3. Specific Provisions under functions of committee:

Parliamentary Committees work as operational arms of the parliament through which oversight and monitoring functions are executed. These committees not only hold executive accountable to parliament, but also contribute towards good governance. Committees carefully monitor the operations of the government ministries/departments and carry out in-depth analysis of the issues involved. The specific rule position given in the Rules of various houses in respect of oversight function of the committees are as follows:

#### **Senate of Pakistan**

A Committee may examine suo moto the \*[budgetary allocation and its utilization,] administration, delegated legislation, public petitions and policies of the Ministry concerned and its attached corporations and public bodies and may call for views of the Ministry. After examining the views of the Ministry, the Committee shall make a report to the Senate, which may make such recommendations thereon as it may deem fit:

\*\*[Provided that the Committee shall bi-annually examine the budgetary allocation and its utilization by the Ministry concerned and present a report in this regard before the House within forty-five days.] Article 166(4)<sup>13</sup>

#### **National Assembly of Pakistan**

201(6) PSDP Review by each standing committee and recommendation (Feb 1 to March 1)

201(7) within thirty days of the recommendations of the Standing Committee on PSDP, the Ministry concerned shall submit to the Committee its report-

(a) of inclusion of the recommendations in the Federal Budget for the next Financial year; or

(b) Showing reason of non-inclusion of the recommendations in the Federal Budget.

201 (4)A 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 submit its reply to the Committee.<sup>14</sup>

<sup>11</sup> Provincial Assembly of the Sindh, 'Rules of procedure and conduct of business in Provincial Assembly of Sindh (Chapter XVIII-A AND XIX, Pre-Budget And Post Budget Discussions, Procedure In Financial Matters)'. Accessed on 30<sup>th</sup> March 2018. Available at <http://www.pas.gov.pk/index.php/rop/details/en/35>

<sup>12</sup> Gilgit-Baltistan Legislative Assembly, 'Rules Of Procedure & Conduct Of Business 2017 (Chapter-Xvi Pre-Budget And Post Budget Discussion, Chapter-Xvii Procedure In Financial Matters)' Gbla Rules Of Procedure 2017 (Approved 19.10.17).Docx

<sup>13</sup> Senate of Pakistan. 'Rules of Procedures and Conduct of Business in the senate of Pakistan.2012.' Accessed on 30<sup>th</sup> March 2018. Retrieved from <http://www.senate.gov.pk/uploads/documents/updatedrpcb%20upto%207-4-2017b.pdf>

<sup>14</sup> National Assembly of Pakistan, 'Rules of procedure and conduct of business in National Assembly of Pakistan 2007(as modified upto the 26th february, 2016) chapter xix procedure in financial matters'. Accessed on 30<sup>th</sup> March 2018. Available at <http://www.na.gov.pk/en/downloads.php>

### ■ Provincial Assembly of Sindh

167(7). A Committee may examine the expenditures, administration, delegated legislation, public petitions and policies of the Department concerned and its associated bodies, and may forward reports of findings and recommendations to the Department and the Department shall submit its reply to the Committee within a period of two weeks.

### ● Gilgit – Baltistan Legislative Assembly

152(1) A Committee shall review and evaluate the performance of the department and formulate recommendations for introducing improvements and increasing efficiency of the concerned department.

*Whereas there are No Specific Provisions provided for Provincial Assembly of Balochistan, Provincial Assembly of Khyber Pakhtunkhwa, Provincial Assembly of Punjab and Legislative Assembly of Azad Jammu And Kashmir.<sup>15</sup>*

#### 5.4. Public petitions ( Rule 201(5) NA) (rule 166 (5) Senate)

Committee can address the grievances of public by taking into consideration individual complaints against a specific ministry or government department. In Pakistan, standing committee of both houses i.e., Senate and National Assembly can admit public petitions:

- ✓ On any matter connected with the business
- ✓ On any matter of general public interest
- ✓ On Submission of Budgetary proposals relating to PSDP, by each Ministry (Rule 201(6))

#### 5.5. Questions and Calling Attention Notices

Two other very effective oversight tools are ‘questions and calling attention notices.

##### 5.5.1. Question hour,

It is an effective way of holding the executive accountable. Through questions MPs get opportunity to raise any aspects of administrative activity of government. **Supplementary questions** followed by initial question enable the MPs to further clarify on details provided by the government. During the process of eliciting information from the government, Parliament can easily detect any anomalies and demand for redress.

##### 5.5.2. Attention Notices:

- A member may call the attention of a Minister to any matter of urgent public importance
- The Minister concerned makes a brief statement or ask for time to make a statement at a later hour or date

#### 5.6. Resolutions

A resolution may be in the form of a declaration of opinion by the Assembly or specific recommendation addressed to the Government.

<sup>15</sup> Gilgit-Baltistan Legislative Assembly, ‘Rules Of Procedure & Conduct Of Business 2017 (Chapter-XVIII)’ Accessed on 30<sup>th</sup> March 2018. Available at Gbla Rules Of Procedure 2017 (Approved 19.10.17).Docx

### 5.7. Public Hearing

Committee can conduct public hearing by inviting government officials, civil society and general public for deliberating on particular issue/policy/bill so as to ensure all-inclusive and well deliberated policy outcomes.

## 6. Public Accounts Committee

- The Committee shall examine the accounts showing the appropriation of sums granted by the Assembly for the expenditure of the Government, The annual finance accounts of the Government, The report of the Auditor-General of Pakistan and Such other matters as the Minister for Finance may refer to it.
- It shall be the duty of the Committee to satisfy itself: That the moneys shown in the accounts as disbursed were legally available and applicable to the service or purpose to which they have been applied or charged, That the expenditure conforms to the authority which governs it, That every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by the Ministry of Finance.

### 6.1. Report of Public Accounts Committee

The report of the Committee shall be presented within a period of one year from the date on made, directs that the time for the presentation of the report be extended to a date specified in which reference was made to it by the Assembly unless the Assembly, on a motion being the motion.” Provided that the extension in the time for the presentation of the report shall be asked for, before the expiry of the time allowed under the rule.

## 7. Recommendations

- Necessary provisions may be added in the Rules of Procedures and Conduct of Business so the make the oversight function more effective.
- The Standing Committees may be empowered by allocating required resources.
- Institutionalized expert support needs to be provided to committees
- Continuous programs for knowledge sharing and capacity building may be arranged. This may be done by/ through PIPS.

## 8. Conclusion

Parliamentary oversight on financial and budgetary matters needs to be taken care of seriously. Proper financial scrutiny to ensure efficiency and effectiveness is mater of grave importance for the people at large. They are well aware of how much they pay in taxes, what and how they are getting in return. Every aspect of society is affected by the public services on a daily basis, from health, education, electricity, water, employment and pensions It is a responsibility and duty of Parliament to make sure that the public’s money is appropriately raised, used and well spent. Parliaments should ensure that they discharge these responsibilities and duties as effectively as possible and make any necessary changes so that this actually happens.

### **A glance at Recent Bills Passed at the Parliament (*continued*)**

2. **Pakistan Bait-ul-Mal (Amendment) Bill, 2017:** The Bill was introduced in the Senate of Pakistan on 21<sup>st</sup> August 2017 by Honourable Senator Karim Ahmed Khawaja. It was passed by the Senate of Pakistan on 30<sup>th</sup> October 2017. In the National Assembly, the Bill was piloted by Honourable MNA, Syed Naveed Qamar and was passed on 8<sup>th</sup> May 2018. In Pakistan, children with disabilities living in remote and disadvantaged areas have little access to rehabilitation services and support. Due to the absence of rehabilitation centres their rehabilitation needs often remain unmet that could make a meaningful difference to their lives such disabled children. Children suffering from disability such like cerebral palsy are ignored at large. The Bill proposes for establishing rehabilitation and support centres for such disabled children where they could be provided occupational and speech therapy including for cerebral palsy in order to improve their quality of life.
3. **Prevention of Cruelty to Animals (Amendment) Bill, 2018:** The Bill was introduced in the Senate of Pakistan on 22<sup>nd</sup> January 2018 by Honourable Senator Karim Ahmed Khawaja and was passed on 19<sup>th</sup> February 2018. The Bill was piloted by Honourable MNA, Syed Naveed Qamar in the National Assembly of Pakistan and was passed on 8<sup>th</sup> May 2018. The Bill aims to ensure stricter punishments for the protection of animals from human brutality. The Prevention of Cruelty to Animal Act, 1890 is being followed, which was enforced and amended thrice by the British but unfortunately in Pakistan no substantial reforms were introduced to update the law according to present requirements. This Bill proposes stricter punishments for the protection of animals.
4. **Transgender Persons (Protection of Rights) Bill, 2018:** Initially two bills were introduced on the issue of transgender rights. The PIPS Team drafted a Bill for Honourable Senator Karim Ahmed Khawaja, which was introduced in the Senate on 21<sup>st</sup> August 2017. The second legislative proposal on the issue came jointly from Honourable Senator Rubina Khalid, Honourable Senator Rubina Irfan and Honourable Senator Kalsoom Parveen on the same date. Both Bills were referred to the relevant Standing Committee. After deliberations it was decided to merge the two Bills into a single Bill, which was passed by the Senate on 7<sup>th</sup> March 2018. In the National Assembly, the Bill was piloted by Honourable MNA, Syed Naveed Qamar and was passed on 8<sup>th</sup> May 2018.

After adoption of the Bill, the Transgender persons will be able to obtain a driver's licence and passport. They will be able to get their gender changed in NADRA records. Harassment of transgender persons will be prohibited. They will not be discriminated against by educational institutions, employers, in trade and health services, and when using public transport and buying or selling or renting property or casting vote. Safe house will be established for transgender persons to provide them medical and educational facilities as well as psychological counselling. They will also be detained in separate rooms at jails, if convicted. Punishments for violation of the provisions are punishable with imprisonment and fine.

*On 8<sup>th</sup> May 2018, above four private members' bills drafted with technical assistance at PIPS were passed by the National Assembly. The Bills were already passed by the Senate and will become law of the country after assent by the President as provided in Article 75 of the Constitution of Pakistan.*



### Dangers of provincialism sectionalism

So what is the use of saying, 'We are Bengalis, or Sindhis, or Pathans, or Punajbis.' No, we are Muslims. Islam has taught us this, and I think you will agree with me, that whatever else you may be and whatever you are, you are a Muslim. You belong to a Nation now; you have now carved out a territory, vast territory, it is all yours; it does not belong to a Punjabi or a Sindhi, or a Pathan, or a Bengali; it is yours. ...Provincialism has been one of the curses; and so is sectionalism—Shia, Sunni, etc.

It was no concern of our predecessor government; it was no concern of theirs to worry about it; they were here to carry on the administration, maintain law and order, and to carry on their trade and exploit India as much as they could. But now we are in a different position altogether. ...Well, there they were. They had many difficulties. But mind you, their nations were actually in existence and they were great nations; whereas you had nothing. You have got Pakistan only now. But there a Frenchman and belong to a great nation,' and so on. But what happened?...

Now I ask you to get rid of this provincialism, because as long as you allow this position to remain in the body politic of Pakistan, believe me, you will never be a strong nation, and you will never be able to achieve what I wish we could achieve. (*Father of the Nation Quaid e Azam Muhammad Ali Jinnah's Speech, public meeting, Dacca, March 21, 1948*)



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**For feedback feel free to contact Editor at:**

Ataturk Avenue (Service Road), F-5/2, Islamabad

Email: [research@pips.gov.pk](mailto:research@pips.gov.pk)

Web: [www.pips.gov.pk](http://www.pips.gov.pk)

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