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Research Report

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Policy Research Institute

Kathmandu, Nepal

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PREFACE

Nepal stands at a critical juncture in its developmental trajectory, marked by the dual challenges of transitioning to a fully decentralized federal democratic republic and preparing for its graduation from Least Developed Country (LDC) status. Also, the Constitution aims to establish an egalitarian, inclusive, and self-reliant public welfare state through the mobilization of the public, private, and cooperative sectors. To address these challenges and realize the constitutional spirit, the country should prioritize initiatives meant to shift its economy from first-generation administrative adjustments to second-generation structural reforms that prioritize institutional coherence, fiscal discipline, and efficiency. The public expenditure management (PEM) system should be placed at the center of these initiatives, which serve as the primary operational mechanism for translating national resources into equitable and sustainable development outcomes.

A rigorous performance review of Nepal’s public expenditure reveals a persistent and widening gap between formal legislative design and actual performance. Over the past five decades, the growth of public expenditure has consistently outpaced national economic expansion. However, the composition of this spending remains structurally imbalanced; national resources are increasingly consumed by recurrent outlays, social transfers, and expanding debt-servicing liabilities, while productive capital expenditure has stagnated. This imbalance is worsened by severe allocative and operational inefficiencies. Budget allocations frequently fragment across small, interest-driven projects rather than aligning with the Sustainable Development Goals (SDGs). At the operational level, capital expenditure execution suffers from low initial absorptive capacity, leading to a reliance on "year-end spending surges" and unauthorized budget transfers. This is highly visible in National Pride Projects, which face chronic cost and time overruns. At the sub-national level, fiscal federalism remains constrained, with provincial and local governments heavily dependent on federal transfers and facing significant capacity challenges in planning and localized execution.

It was to systematically analyze these vulnerabilities and provide actionable pathways that the Policy Research Institute (PRI) had completed this study. Utilizing a convergent mixed-method research design integrating macro-fiscal econometric modeling (the Autoregressive Distributed Lag [ARDL] approach) with project-level evaluations and extensive field-based consultations across all three tiers of government, this report identifies the structural and institutional root causes of Nepal's fiscal performance gaps. The study maps out a comprehensive reform roadmap, advocating for a strategic fiscal consolidation framework, the institutionalization of the Medium-Term Expenditure Framework (MTEF) linked to a robust national project bank, the reform of intergovernmental fiscal relations, and the technological integration of public finance management information systems. The findings of this report are expected to be valuable for government officials and policymakers, auditors and regulatory bodies, development partners, academics and researchers, civil society organizations, among others.

The Institute expresses deep appreciation to the members of the research team - Dr. Dilli Raj Khanal, Dr. Kalpana Khanal, Dr. Niranjan Devkota, and Pranjal Rijal - for producing this report with dedication and in-depth analysis.

Laxman Prasad Bhattarai
Executive Director
August, 2026

ACKNOWLEDGEMENT

This research report has been prepared by the Policy Research Institute to identify and recommend key reform areas for improving the effectiveness and efficiency of Nepal's public expenditure management system. The data and information required for this study were obtained through extensive literature reviews, analysis of policy documents, primary data collection, public policy dialogues with stakeholders, consultations, and in-depth discussions with relevant experts. We are extremely grateful to the elected representatives, government officials, policymakers, experts and all stakeholders from the federal, provincial, and local levels who provided valuable insights during the data collection, evidence mapping, and the application of other quantitative and mixed research methodologies.

Sincere thanks are also due to the external experts Rameshwore Khanal and Dr. Ram Kumar Phuyal, for their peer reviews, which have elevated the rigor of this report. The Institute owes much to the members of the Publication Review and Recommendations Committee of PRI - Dr. Khagnath Adhikari, Soniya Bashyal, Dr. Maheshwar Giri and Dipendra Prasad Pant - for their thoughtful reviews and constructive recommendations, which significantly strengthened this publication.

The Institute thanks Dipendra Prasad Pant and Dr. Mohan Kumar Sharma for his meticulous editing of the report. Special thanks go to Subin Ulak for the layout design.

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ADB	:	Asian Development Bank
AGR	:	Auditor General Report
ARDL	:	Autoregressive Distributed Lag
ASB	:	Accounting Standards Board
CAO	:	Chief Administrative Officer
CIAA	:	Commission for the Investigation of Abuse of Authority
COFOG	:	Classification of the Functions of Government
CPA	:	Citizen Participatory Audit
CUSUM	:	Cumulative Sum
CUSUMSQ	:	Cumulative Sum of Squares
DCC	:	District Co-ordination Committee
DCP	:	Development Cooperation Policy
DEA	:	Data Envelopment Analysis
DoC	:	Department of Customs
e-GP	:	Electronic Government Procurement
EU	:	European Union
FCGO	:	Financial Comptroller General Office
FNCCI	:	Federation of Nepalese Chambers of Commerce and Industry
GDP	:	Gross Domestic Product
GFCF	:	Government Fixed Capital Formation
GoN	:	Government of Nepal
GovEffindex	:	Government Effectiveness Index
ICAN	:	Institute of Chartered Accountants of Nepal

IFPRI	:	International Food Policy Research Institute
IMF	:	International Monetary Fund
INTOSAI	:	International Organization of Supreme Audit Institutions
LMBIS	:	Line Ministry Budget Information System
MCA	:	Millennium Challenge Account (refers to MCA-Nepal)
MoALD	:	Ministry of Agriculture and Livestock Development
MoEAP	:	Ministry of Economic Affairs and Planning
MoF	:	Ministry of Finance
MoFAGA	:	Ministry of Federal Affairs and General Administration
MTBF	:	Medium-Term Budgetary Framework
MTEF	:	Medium-Term Expenditure Framework
NNRFC	:	National Natural Resources and Fiscal Commission
NPB	:	National Project Bank
NPC	:	National Planning Commission
NRB	:	Nepal Rastra Bank (Central Bank of Nepal)
OAGN	:	Office of the Auditor General of Nepal
ODA	:	Official Development Assistance
OPEC	:	Organization of the Petroleum Exporting Countries
PBB	:	Performance-Based Budgeting
PEFA	:	Public Expenditure and Financial Accountability
PEM	:	Public Expenditure Management
PFM	:	Public Financial Management
PFMRP	:	Public Financial Management Reform Project
PLGs	:	Provincial and Local Governments
PLGSP	:	Provincial and Local Governance Support Programme

PPC	:	Provincial Planning Commission
PPD	:	Public Policy Dialogue
PPMO	:	Public Procurement Monitoring Office
PPPC	:	Provincial Policy and Planning Commission
PRSP	:	Poverty Reduction Strategy Paper
SAP	:	Structural Adjustment Programme
SDGs	:	Sustainable Development Goals
SEE	:	Secondary Education Examination
SNG	:	Subnational Government
SPMP	:	Strengthening Public Management Programme
TSA	:	Treasury Single Account
UNICEF	:	United Nations Children's Fund

EXECUTIVE SUMMARY

Nepal is at a critical juncture in its fiscal governance trajectory. Although public expenditure has grown substantially, its composition has shifted decisively toward recurrent and consumptive spending, including wages, subsidies, and rapidly expanded social transfers. Also, productive capital investment has stagnated as a share of gross domestic product (GDP). This imbalance has occurred alongside rising public debt, increasing fiscal vulnerability, and persistent inefficiencies in project implementation. At the same time, the transition to federalism has not delivered expected gains in spending efficiency or service delivery, with sub-national governments remaining heavily dependent on central transfers and constrained by weak absorptive capacity. Understanding why Nepal's public expenditure system fails to translate resources into development results and how this trajectory can be corrected is therefore of urgent policy relevance. Overall, despite decades of policy reforms and system modernization efforts, Nepal's public expenditure system remains inefficient, fragmented, and inadequately linked to tangible development outcomes.

In this broader context this study report examines the structural characteristics, institutional frameworks, fiscal determinants, and governance dynamics shaping the efficiency and effectiveness of Nepal's Public Expenditure Management (PEM) system in the context of fiscal federalism. Also, it identifies the underlying systemic and institutional causes of performance gaps and proposes evidence-based pathways for achieving a more disciplined, productive, and outcome-oriented fiscal governance framework. Specifically, the report assesses performance through five interconnected analytical lenses: trends and determinants of expenditure; fiscal discipline; allocative and operational efficiency; effectiveness of fiscal decentralization; and overall PEM/Public Finance Management (PFM) system functionality.

The study adopts a convergent mixed-method research design, combining quantitative and qualitative approaches. Macro-fiscal analysis includes econometric estimation using time-series data to identify determinants of expenditure growth and its impact on economic output. Institutional and procedural analysis draws on a systematic review of PEM/PFM policies, laws, and reform initiatives. Performance assessment is informed by sectoral input-output analysis, project-level evaluation of National Pride Projects (NPP), and field-based insights gathered through key informant interviews, focus group discussions, and stakeholder consultations at federal, provincial, and local levels. This integrated approach allows the study to triangulate findings across macro-fiscal, institutional, and implementation dimensions.

The study concludes that Nepal's public expenditure system is characterized by a persistent and pronounced implementation-performance gap. The country has introduced ambitious legal and institutional reforms, but their translation into efficient, effective, and accountable fiscal outcomes remains critically weak. At the macro-fiscal level, public expenditure has exhibited strong, elastic growth over the past five decades, outstripping GDP expansion. However, this growth is structurally imbalanced and increasingly consumption-oriented. Recurrent spending – driven by rising wage bills, grant expenditures, and rapidly scaled social protection programmes – dominates the budget, while capital expenditure's share of GDP has stagnated. Econometric analysis confirms that expenditure growth is sustained by revenue mobilization and domestic borrowing in the long run, and in the short run is significantly influenced by social security spending and wage pressures. Also, it is concluded that the country's fiscal discipline is eroding: public debt has risen sharply, debt servicing now claims a substantial portion of revenue, and chronic gaps between budget estimates and actual outturns – especially for capital budgets – signify weak expenditure control and forecasting.

The evaluation of allocative and operational efficiency reveals systemic deficiencies. Budget allocations are poorly aligned with national development priorities and Sustainable Development Goals (SDGs) commitments. Resources are disproportionately absorbed by general services and fragmented across countless small projects, diluting developmental impact. At the operational level, severe inefficiencies plague project implementation, as evidenced by massive cost and time overruns in National Prided Projects (NPPs) – some with cost escalations exceeding four times original estimates. The absorptive capacity for capital budgets remains low, and harmful practices such as year-end spending surges and intra-budget transfers violate fiscal rules and undermine planning.

The evidence suggests that the expected gains from fiscal federalism have not yet been fully realized because of implementation gaps, capacity constraints, incomplete functional clarity, and continued dependence on intergovernmental transfers. Sub-national governments remain fiscally dependent, with over 70 percent of their budgets funded by federal transfers, reflecting weak own-source revenue mobilization. The intergovernmental transfer system is flawed: over-reliance on conditional grants constrains local autonomy, while allocation criteria lack transparency and do not adequately address equity or expenditure needs. Unclear functional assignments, overlapping jurisdictions, and capacity constraints at provincial and local levels have resulted in duplication, coordination failures, and unmet service delivery expectations.

Across the PEM and PFM system, key performance-oriented tools such as the Medium-Term Expenditure Framework (MTEF) function as procedural formalities rather than effective instruments for strategic budgeting.PFM information systems operate in silos, hindering integrated oversight. Weak accountability mechanisms, a compliance-focused audit culture, and a risk-averse administrative environment further perpetuate inefficiencies and limit the system's ability to link spending with results.

Overall, the study shows that Nepal's public expenditure inefficiencies are not inevitable and are not primarily due to a lack of policy intent or reform initiatives. Rather, they reflect a prolonged failure to translate formal rules and frameworks into consistent implementation, sustained discipline, and performance-oriented governance. Public expenditure has been managed with a focus on compliance and input allocation rather than on outcomes, learning, and systemic accountability. Without a decisive shift toward an implementation-focused, results-driven PEM system, Nepal risks perpetuating a cycle of high fiscal spending with low developmental returns, undermining fiscal sustainability, the promise of federalism, and the achievement of national development ambitions. A strategic, coherent, and politically sustained reform effort is urgently required to ensure that public expenditure becomes a true catalyst for inclusive and sustainable growth.

Hence, the findings and conclusions of this study point to the need for a strategic reorientation of Nepal's public expenditure governance. Hence, this study makes key policy recommendations as follows:

i) Adopt a fiscal consolidation and rebalancing strategy that enforces hard constraints on recurrent spending growth, reorients the budget toward productive capital investment, and embeds credible medium-term debt sustainability frameworks.
ii) Strengthening the functionality of fiscal federalism is essential through clearer functional assignments, reformed transfer systems that enhance predictability and equity, and concerted capacity building for revenue mobilization and expenditure management at sub-national levels.
iii) Instilling performance at the core of PEM by operationalizing the MTEF, integrating it with a robust project bank, and mandating performance-based budgeting with clear output and outcome indicators across major programmes is highly recommended.

iv) Modernizing PFM systems and oversight through the integration of information systems, the adoption of accrual accounting, and the strengthening of external and social audit mechanisms to enhance transparency and accountability.

v) Ensuring macroeconomic and sectoral policies, particularly in debt management, infrastructure planning, and human resource development, are aligned to raise the efficiency and effectiveness of public expenditure.

कार्यकारी सारांश

नेपाल वित्तीय सुशासनको यात्रामा एक निर्णायक मोडमा उभिएको छ । सार्वजनिक खर्च उल्लेखनीय रूपमा वृद्धि भए तापनि यसको संरचना तलब, अनुदान तथा तीव्र रूपमा विस्तार भएका सामाजिक हस्तान्तरणजस्ता चालु तथा उपभोगमुखी खर्चमा केन्द्रित छ भने उत्पादनशील पुँजीगत लगानीको कुल गार्हस्थ उत्पादनमा रहेको हिस्सा स्थिर वा कमजोर अवस्थामै रहेको छ । यस प्रकारको असन्तुलन बढ्दो सार्वजनिक ऋण, वित्तीय जोखिमको विस्तार तथा परियोजना कार्यान्वयनमा देखिएका निरन्तर अक्षमतासँगै उत्पन्न भएको हो । साथै, सङ्घीय शासन प्रणालीको कार्यान्वयनबाट सार्वजनिक खर्चको दक्षता तथा सेवाप्रवाहमा अपेक्षित सुधार हासिल हुन सकेको छैन । प्रदेश र स्थानीय सरकारहरू अझै पनि ठूलो मात्रामा सङ्घीय सरकारबाट प्राप्त हुने वित्तीय हस्तान्तरणमा निर्भर रहेका छन्, सीमित संस्थागत तथा कार्यान्वयन क्षमता तथा कमजोर स्रोत अवशोषण क्षमता (absorption capacity) का कारण उनीहरूको विकास तथा सेवा प्रवाहसम्बन्धी भूमिका प्रभावकारी रूपमा विस्तार हुन सकेको छैन । तसर्थ, नेपालको सार्वजनिक खर्च प्रणालीले उपलब्ध स्रोतहरूलाई किन प्रभावकारी रूपमा विकास परिणाममा रूपान्तरण गर्न असफल भइरहेको छ र यस प्रवृत्तिलाई कसरी सुधार गर्न सकिन्छ भन्ने विषयको बुझाइ नीतिगत दृष्टिले अत्यन्तै महत्त्वपूर्ण र तत्कालीन आवश्यकता बनेको छ । समग्रमा, दशकौँसम्म नीतिगत सुधार तथा प्रणाली आधुनिकीकरणका प्रयासहरू गरिए तापनि नेपालको सार्वजनिक खर्च प्रणाली अझै पनि अक्षम, खण्डित तथा ठोस विकास उपलब्धिहरूसँग पर्याप्त रूपमा जोडिन नसकेको अवस्थामा रहेको छ ।

यही व्यापक सन्दर्भ र नीतिगत चुनौतीहरूको पृष्ठभूमिमा नेपालको सार्वजनिक खर्च व्यवस्थापन प्रणालीसम्बन्धी विद्यमान चुनौतीहरूलाई गहन रूपमा बुझ्न यो अध्ययन गरिएको हो । यस अध्ययन प्रतिवेदनले वित्तीय सङ्घीयताको परिप्रेक्ष्यमा नेपालको सार्वजनिक खर्च व्यवस्थापन प्रणालीको दक्षता र प्रभावकारितालाई प्रभावित गर्ने संरचनागत, संस्थागत, वित्तीय तथा सुशासनसम्बन्धी पक्षहरूको विश्लेषण गरेको छ । साथै, यसले कार्यसम्पादनमा देखिएका कमजोरीका आधारभूत प्रणालीगत र संस्थागत कारणहरू पहिचान गर्दै थप अनुशासित र परिणाममुखी वित्तीय सुशासन प्रणाली निर्माणका लागि मार्गहरू प्रस्ताव पनि गरेको छ । खासगरी, यस प्रतिवेदनले सार्वजनिक खर्चको प्रवृत्ति र त्यसका निर्धारक पक्षहरू, वित्तीय अनुशासन, विनियोजन तथा सञ्चालन दक्षता, वित्तीय विकेन्द्रीकरणको प्रभावकारिता, तथा समग्र सार्वजनिक खर्च/वित्त व्यवस्थापन प्रणालीको कार्यसम्पादनलाई परस्पर सम्बन्धित पाँच आयामहरू मार्फत लेखाजोखा र विश्लेषण गरेको छ ।

यस अध्ययनले गणनात्मक (quantitative) र गुणात्मक (qualitative) दुवै विधिको संयोजन गर्ने convergent mixed-method research design अवलम्बन गरेको छ । समष्टिगत वित्त विश्लेषण (macro-fiscal analysis) अन्तर्गत सार्वजनिक खर्च वृद्धिका निर्धारकहरू तथा त्यसको आर्थिक प्रतिफल (economic output) माथिको प्रभाव पहिचान गर्न समय अन्तरालमा सङ्कलन गरिएका तथ्याङ्कहरू (time-series data) मा आधारित इकोनोमेट्रिक एस्टिमेसन (econometric estimation) गरिएको छ । संस्थागत तथा प्रक्रियागत विश्लेषणका लागि सार्वजनिक खर्च व्यवस्थापन/सार्वजनिक वित्त व्यवस्थापनसम्बन्धी नीति एवम् कानुनहरू र यस सम्बन्धमा गरिएका सुधारका पहलहरूको गहन

समीक्षा गरिएको छ । यस अध्ययनका मुख्य निष्कर्षहरू, कार्यसम्पादन मूल्याङ्कन (performance assessment), क्षेत्रगत input-output विश्लेषण, राष्ट्रिय गौरवका आयोजनाहरूको आयोजनास्तरीय मूल्याङ्कन तथा संघ, प्रदेश र स्थानीय तहमा प्रमुख सूचनादाताहरूसँगको अन्तर्वार्ता (key informant interviews), केन्द्रित समूह छलफल (focus group discussions) र सरोकारवालाहरूसँगका स्थलगत परामर्श (field-based stakeholders consultations) बाट प्राप्त जानकारी र तथ्यगत प्रमाणमा आधारित छन् ।

अध्ययनले नेपालको सार्वजनिक खर्च प्रणालीमा योजना तथा बजेट विनियोजन र वास्तविक कार्यसम्पादनबिच निरन्तर रूपमा उल्लेखनीय कार्यान्वयन-कार्यसम्पादन अन्तर (implementation-performance gap) विद्यमान रहेको र यस सम्बन्धमा कानुनी तथा संस्थागत सुधारहरू भए तापनि ती सुधारहरू सबल, प्रभावकारी र जवाफदेही हुन नसकेका र वित्तीयरूपले ठोस परिणाममा रूपान्तरण हुन नसकेका देखाएको छ । विगत पाँच दशकमा सार्वजनिक खर्च तीव्र रूपमा बढे तापनि यो वृद्धि असन्तुलित र उपभोगमुखी रहेको छ, बढ्दो तलबभत्ता, अनुदान तथा सामाजिक सुरक्षा कार्यक्रमका कारण चालु खर्चले बजेटमा प्रभुत्व जमाएको छ र पुँजीगत खर्च न्यून र स्थिरजस्तै देखिन्छ । बढ्दो तलब तथा पारिश्रमिक दायित्व, अनुदान खर्च र द्रुत रूपमा विस्तार गरिएका सामाजिक सुरक्षा कार्यक्रमहरूद्वारा प्रेरित चालु खर्चले बजेटमा प्रमुख हिस्सा ओगटेको छ, जबकि पुँजीगत खर्चको कुल गार्हस्थ उत्पादनमा रहेको हिस्सा भने स्थिरजस्तै रहेको छ । इकोनोमेट्रिक विश्लेषणले पनि दीर्घकालमा सार्वजनिक खर्चको वृद्धि मुख्यतः राजस्व परिचालन र आन्तरिक ऋणमार्फत धानिएको पुष्टि गरेको छ । छोटो अवधिमा भने सामाजिक सुरक्षा खर्चको विस्तार र तलबसम्बन्धी दबाबहरूले सार्वजनिक खर्च वृद्धिमा उल्लेखनीय प्रभाव पार्ने गरेको देखिन्छ । साथै, वित्तीय अनुशासन कमजोर बन्दै गएको, सार्वजनिक ऋण तीव्र रूपमा बढेको, ऋण भुक्तानीले राजस्वको ठुलो हिस्सा ओगट्न थालेको र विशेष गरी पुँजीगत बजेटको सन्दर्भमा बजेट अनुमान र वास्तविक खर्चबिच ठुलो अन्तर रहेका कारणले खर्च व्यवस्थापन तथा पूर्वानुमान प्रणालीमा संरचनात्मक कमजोरी रहेको देखिन्छ ।

विनियोजन तथा सञ्चालन दक्षताको मूल्याङ्कनको आधारमा हेर्दा प्रणालीगत कमजोरीहरू देखिन्छन् । बजेट विनियोजन राष्ट्रिय विकास प्राथमिकता र दिगो विकास लक्ष्यका प्रतिबद्धताहरूसँग राम्रोसँग मेल खाँदैनन् । स्रोतहरू सामान्य प्रशासनिक सेवामा केन्द्रित छन् भने बजेट असंख्य टुक्रे तथा साना आयोजनाहरूमा वितरित हुँदा विकास परियोजनाहरूका लागि समेत स्रोतहरूको विनियोजन कमजोर छ । आयोजना कार्यान्वयनमा कार्यकुशलताको गम्भीर अभाव देखिन्छ । उदाहरणार्थ, राष्ट्रिय गौरवका आयोजनाहरूमा भएको ठुलो लागत र बारम्बार थपिने समयले कतिपय आयोजनाका लागत प्रारम्भिक अनुमानको चार गुणाभन्दा बढी पुगेको छ । पुँजीगत बजेट खर्च गर्ने क्षमता कमजोर छ भने आर्थिक वर्षको अन्तमा अत्यधिक खर्च गर्ने प्रवृत्ति तथा अधिक मात्रामा रकमान्तर जस्ता गलत अभ्यासहरूले वित्तीय नियमहरूको उल्लङ्घन भई योजना प्रक्रियालाई कमजोर बनाएका छन् ।

वित्तीय विकेन्द्रीकरणको हिसाबले हेर्दा सङ्घीयताले आफ्नो मूल दक्षता र समतामूलक उद्देश्यहरू हासिल गर्न सकेको छैन । वित्तीय विकेन्द्रीकरणको विश्लेषणबाट (assessment of fiscal decentralization) सङ्घीय शासन प्रणालीले सार्वजनिक स्रोतको उपयोगमा दक्षता अभिवृद्धि तथा क्षेत्रीय र सामाजिक समानताको प्रवर्द्धनजस्ता आफ्ना आधारभूत उद्देश्यहरू अझै प्रभावकारी रूपमा हासिल गर्न नसकेको

निष्कर्ष प्राप्त हुन्छ । प्रदेश र स्थानीय सरकारहरू अझै पनि वित्तीय रूपमा अत्यधिक केन्द्रीय अनुदानमा निर्भर छन्, उनीहरूको बजेटको ७० प्रतिशतभन्दा बढी सङ्घीय हस्तान्तरणबाट आउने गरेको छ । यसले आन्तरिक राजस्व परिचालन कमजोर रहेको देखाउँछ । अन्तरसरकारी वित्तीय हस्तान्तरण प्रणालीमा विद्यमान कमजोरीहरूका कारण सङ्घीयताको अपेक्षित लाभ पूर्ण रूपमा प्राप्त हुन सकेको छैन । सशर्त अनुदानमा अत्यधिक निर्भरताले प्रदेश र स्थानीय सरकारहरूको निर्णयात्मक स्वायत्ततालाई सीमित गरेको छ भने स्रोत विनियोजनका आधार र मापदण्डहरू पर्याप्त पारदर्शी नरहेका साथै तिनले समतामूलक वितरण र वास्तविक खर्च आवश्यकताहरूलाई समुचित रूपमा सम्बोधन गर्न सकेका छैनन् । कार्यसम्पादनका जिम्मेवारीहरू स्पष्ट नभएको, तहगत अधिकार क्षेत्रमा दोहोरोपन रहेको र प्रदेश तथा स्थानीय तहहरू आर्थिक रूपले सीमित क्षमतामा रहेका आदि कारणले कामको दोहोरोपन र कमजोर समन्वय रही सेवा प्रवाहसम्बन्धी अपेक्षाहरू पूरा नहुने अवस्था देखिएको छ ।

सार्वजनिक खर्च व्यवस्थापन र सार्वजनिक वित्त व्यवस्थापनको दृष्टिकोणले हेर्दा मध्यमकालीन खर्च संरचनाजस्ता परिणाममुखी उपकरणहरू व्यवहारमा रणनीतिक बजेटिङका प्रभावकारी साधन हुनुभन्दा बढी औपचारिक प्रक्रिया मात्र बनेका छन् । सार्वजनिक वित्त व्यवस्थापनका सूचना प्रणालीहरू अलग-अलग रूपमा सञ्चालन हुने भएकाले समग्र अनुगमन र एकीकृत निगरानी कमजोर बनेको छ । कमजोर जवाफदेहिता संयन्त्र, अनुपालनलाई केन्द्रमा राख्ने (compliance-focused) लेखापरीक्षण संस्कृति र जोखिम लिन नचाहने (risk-averse) प्रशासनिक वातावरणले सार्वजनिक खर्चलाई परिणामसँग जोड्ने प्रणालीगत क्षमता सीमित बनाइरहेको छ ।

समग्रमा, अध्ययनले नेपालको सार्वजनिक खर्च व्यवस्थापनमा देखिएका कमजोरीहरू अपरिहार्य नभएको र ती मुख्यतः नीतिगत अभिप्रायको अभाव वा सुधारका पहलहरूको कमीका कारण उत्पन्न नभएको देखाउँछ । बरु, यी समस्याहरू औपचारिक नियम, नीतिगत ढाँचा र सुधारका प्रयासहरूलाई प्रभावकारी कार्यान्वयन, दिगो अनुशासन तथा कार्यसम्पादनमुखी सुशासनमा रूपान्तरण गर्न लामो समयसम्म असफल रहँदाको परिणाम हुन् । सार्वजनिक खर्च व्यवस्थापन मुख्यतः नतिजा, सिकाइ तथा प्रणालीगत जवाफदेहिताभन्दा पनि नियम पालना र स्रोत विनियोजनमा केन्द्रित रहँदै आएको छ । कार्यान्वयनमा केन्द्रित र परिणाममुखी सार्वजनिक खर्च व्यवस्थापन प्रणालीतर्फ निर्णायक परिवर्तन नगर्ने हो भने नेपाल उच्च वित्तीय खर्च तर न्यून विकास प्रतिफलको दुष्चक्रमा फसिरहने जोखिममा रहनेछ । यसले वित्तीय दिगोपन, सङ्घीयताको अपेक्षित लाभ तथा राष्ट्रिय विकास आकांक्षाहरूलाई पनि कमजोर बनाउँछ । त्यसैले सार्वजनिक खर्चलाई समावेशी र दिगो आर्थिक वृद्धिको वास्तविक उत्प्रेरकका रूपमा रूपान्तरण गर्न रणनीतिक, एकीकृत तथा राजनीतिक रूपमा निरन्तरता प्राप्त गर्ने तथा प्रतिबद्ध सुधारका प्रयासहरू अत्यावश्यक देखिन्छ ।

नीति सिफारिसहरू

तसर्थ, यस अध्ययनका निष्कर्षहरूले नेपालको सार्वजनिक खर्च सुशासन प्रणालीमा रणनीतिक पुनर्संरचना तथा पुनःअभिमुखीकरणको (strategic reorientation) आवश्यकता औंल्याएका छन् । यही आधारमा, सार्वजनिक खर्च व्यवस्थापन प्रणालीको दक्षता, प्रभावकारिता, जवाफदेहिता तथा परिणाममुखीपन अभिवृद्धि गर्न यस अध्ययनले निम्न प्रमुख नीतिगत सिफारिसहरू प्रस्तुत गरेको छः

१. चालु खर्चको अनियन्त्रित विस्तारमा कडा सीमारेखा निर्धारण गर्दै सार्वजनिक खर्चको संरचनालाई उत्पादनमूलक पुँजीगत लगानीतर्फ पुनःकेन्द्रित गर्ने तथा मध्यमकालीन ऋण दिगोपन (medium-term debt sustainability) का विश्वसनीय ढाँचा संस्थागत गर्ने गरी वित्तीय सुदृढीकरण तथा पुनर्सन्तुलन रणनीति (fiscal consolidation and rebalancing strategy) अपनाउने ।

२. वित्तीय सङ्घीयताको कार्यक्षमता सुदृढ गर्न कार्यगत जिम्मेवारीहरू अझ स्पष्टताका साथ निर्धारण गरी पूर्वानुमानयोग्यता र समता बढाउने गरी सुधारिएको अन्तरसरकारी हस्तान्तरण प्रणाली तथा प्रदेश र स्थानीय तहमा राजस्व परिचालन र खर्च व्यवस्थापनका लागि समन्वयपूर्ण क्षमता विकास गर्ने ।

३. मध्यमकालीन खर्च संरचनालाई सार्वजनिक खर्च व्यवस्थापनको केन्द्रमा राखी कार्यसम्पादन गर्ने, उक्त संरचनालाई सुदृढ र विश्वसनीय आयोजना बैंक (project bank) सँग आबद्ध गर्ने, तथा प्रमुख कार्यक्रमहरूमा स्पष्ट प्रतिफल (output) र परिणाम (outcome) सूचकसहित कार्यसम्पादनमा आधारित बजेट प्रणाली अनिवार्य रूपमा लागु गर्ने ।

४. पारदर्शिता र जबाफदेहिता अभिवृद्धिका लागि सूचना प्रणालीहरूको एकीकरण, प्रोदभावी लेखा प्रणाली (accural audit system) को अवलम्बन तथा बाह्य र सामाजिक लेखापरीक्षण संयन्त्रहरूको सुदृढीकरणमार्फत सार्वजनिक वित्त व्यवस्थापन प्रणाली र नियामक तथा अनुगमन निकायहरूको आधुनिकीकरण गर्ने ।

५. सार्वजनिक खर्चको दक्षता र प्रभावकारिता अभिवृद्धि गर्न समष्टिगत आर्थिक तथा क्षेत्रगत नीतिहरू, विशेषगरी ऋण व्यवस्थापन, पूर्वाधार योजना तथा मानव संसाधन विकाससम्बन्धी नीतिहरूबिच आपसी समन्वय र सामञ्जस्य सुनिश्चित गर्ने ।

CHAPTER 1
INTRODUCTION

1.1 Background

Efficiency and effectiveness in public expenditure management play a critical role in maintaining macroeconomic stability, enhancing sustainable growth, and ensuring the well-being of the people more equitably. In a situation where there are intensified pressures on expanding public expenditure amidst perpetuated resource constraints, ensuring efficiency and effectiveness becomes vital. As more resources are accurately allocated and operations are run more efficiently, policy, institutional, structural, and implementation problems are all equally recognized to be important. And they expand the scope and significance of the aspects of efficiency and effectiveness in the system of budgetary and public expenditure management (Hallaert & Primus, 2022; Lavado & Domingo, 2015; Mandl et al., 2008).

1.1.1 Global Context

After the Keynesian revolution in the post-war era, significant transformations in theory and practice in public finances occurred. The re-orientation was reflected in the economic literature dealing with public finance and the government budgeting processes and the practice of public expenditure analysis, decision making, and budgeting. Although one of the major concerns in the pre-war period was with the principles of taxation, the public finance economists of the post-war period shifted their focus to the economics of the decision-making of public expenditure. Significant attempts were undertaken to compare and assess the alternatives to public expenditure. This kind of development led to a new concern regarding establishing a rational and economic decision-making process for allocating the public budget. One of the earliest sources of influence was the emergence of influential theoretical work by Baumol (2004) in the early 1950s. The author's analysis regarding the influence of public decisions on social welfare had a pessimistic tone, and he discussed the possibilities of the failure of the private market as well. However, after the work had been published, several economic theorists started to pay attention to the problem of collective decision-making and efficient public choice.

In the late 1950s and in the 1960s, the focus of economics literature was on the effect of government spending on the size and composition of gross national product (GNP), allocation of national resources and income distribution. This was also aided by parallel advancements in the fields of welfare economics. Development theories advanced during the same period were centered around the issues of the less developed countries. Theoretical advancements of this period emphasized the necessity of greater public investments in the least developed economies. As the bigger role of the public expenditure was emphasized under the influence of the Keynesian revolution, macro and micro development were occurring gradually together. At the macro level, the pursuit of betterment within the budgetary system was emphasized amidst a rapid increase in the level of government spending. At the same time, efforts were being made to develop proper criteria to ensure that the most suitable projects and programmes were included in the budget. The concepts of social benefits and costs, public discount rate and the valuation of the public outputs were widely covered in the literature (Premchand, 1993).

Along with the advancement in cost-benefit requirements on the project and programme level, efforts to enhance the overall budgetary system also received attention. Rather than the focus of the budgetary line-item aspects in the New Deal in the aftermath of World War II, the emphasis switched to greater efficiency in the resource allocation through the planning and programming budgeting system in the 1960s. With the public sector-led crises, the breakdown of Keynesianism was felt since the beginning of the early 1970s in the developed world. Several bold initiatives were undertaken to strengthen the market and minimize the role of the public sector in the economy simultaneously. With the reduction of the role of the public sector, several changes were implemented to enhance the prioritization of various programmes, as well as to enhance accountability. Similarly, a Zero-Based Budgeting system was also introduced.

Starting in the 1980s, the public sector-led crisis happened in many developing and least developed countries. This era was accompanied by the initiation of the liberal economic regime in these countries through the Structural Adjustment Programme (SAP) of the World Bank and the IMF (Kregel, 2008). In combination with initiatives to limit the role of the public sector, there were continued efforts to identify the means and methods to better utilize resources in the sectors where the role of the public sector was considered as necessary, despite the ongoing resource efficiency issues at both project and programme levels. This has been followed by the creation and application of a result-based budgeting system in the 1990s, commonly referred to as the Performance-Based Budgeting (PBB) system (Robinson & Last, 2009). PBB aims to improve the efficiency and effectiveness of public expenditure by linking the financing of the organizations and institutions in the public sector with the outcomes they deliver. It is related to the productivity and efficiency of budget agencies, aggregate fiscal discipline and control, allocation efficiency and prioritization of strategic goals, transparency and accountability (Qi & Mensah, 2012).

Experience shows that the problems of budgeting procedures and their sequencing, weak planning, inadequate execution, and weak performance measurements, assessment and reporting pose significant challenges. Within the limitations of implementing PBB on a full scale, continuous efforts were put towards exploring better alternatives based on the fundamental principles provided by PBB. Public expenditure management (PEM) was proposed as such an approach. PEM was heavily stimulated as early as the 1980s when the structural adjustment programme was introduced to the developing and the least developed countries to resolve the gradually growing fiscal crises. This approach, developed and popularized by the World Bank, emphasizes the necessity to shift towards the due process approach to include all the actors and practices (formal and informal) of the budget process. In PEM, the procedures must aim at ensuring that the desired policy is achieved efficiently (Schiavo-Campo & Tommasi, 1999). PEM consists of the basic components of aggregate fiscal discipline, allocative efficiency, and operational efficiency. Aggregate fiscal discipline is used to denote the relation of government spending with total earnings (government revenues and a sustainable amount of borrowing) (Hagen, 1998). Allocative efficiency is the coordination of budgetary allocations and strategic priorities at the same time, with consideration to efficiency (Brumby, 2007). Operational efficiency is the delivery of public services at a reasonable price and quality, which requires efficiency (minimizing cost per unit of output) and effectiveness (achieving the targeted output).

Basic elements of PEM were popular and were widely used in developing nations since the 1980s. However, by the beginning of 2000, it was realized that there were numerous flaws in the quality of public services attributed to poor financial management and governance of public sector resources (Narayan et al., 2000). Deficiencies in financial data, systems, and skills were increasingly experienced, resulting in unreliable planning, budgeting, reporting, and poor internal controls. The strategy of public financial management (PFM) was implemented in different nations in such a situation. In the developing countries, the PFM approach became a high priority with the introduction of Poverty Reduction Strategy Paper (PRSP) at the turn of the 21st century. The PFM system has been framed around achieving aggregate discipline, including allocation and operational efficiency. It is considered that a powerful PFM system is essential to safeguard public resources, guarantee service delivery, and achieve development goals. It entails revenue mobilization, budget formulation, execution, internal reporting, and external supervision.

As the PRSP rolled out as a combined conditional aid scheme of the World Bank and the IMF, the Medium-Term Expenditure Framework (MTEF) was also rolled out concurrently. MTEF is a method of budgeting and state financial management that is designed to correct imbalances of annual budgeting. It is assumed to be vital in projecting macro fiscal goals and limitations into budgets and detailed expenditure plans, directed by premeditated expenditure priorities (ADB, 2002). To make an MTEF robust, three sequential phases are regarded as essential, and they are MTFF, a medium-term budgetary framework (MTBF), and a medium-term performance framework (MTPF), respectively (World Bank, 2013).

To a great extent, PEM, PFM, and MTEF are closely interrelated. They are currently in use in the developed and developing nations with varying experiences regarding the successes in achieving the stated objectives. A significant number of studies have concentrated on analyzing efficiency and effectiveness as the yardsticks of improvement in the budgetary and public expenditure management system. The experience of the European Union (EU) demonstrates that the efficiency and effectiveness of public spending have not only led to the preservation of fiscal discipline but also supported the structural reform agenda, ensuring lower levels of spending and greater value addition with the same level of spending (Mandl et al., 2008). Within the context of developing countries, several studies have been conducted based on various direct or proxy indices to measure the efficiency and effectiveness of public expenditure. Research indicates that resource distributions towards income-generating activities in poor communities would increase economic growth and reduce poverty because of the efficiency-enhancing effect (International Food Policy Research Institute [IFPRI], 2008). In-depth research with a regional focus on Asia reveals that the adoption of performance-based budgeting will help align incentives to performance as well as improve the efficiency of the input mix (Lavado & Domingo, 2015). The research adds that increased accountability of ministries and politicians through access to information by involving civil organizations would help in checking leakages and increasing efficiency.

1.1.2 Nepal's Context

Like many other nations, Nepal has undertaken numerous reform efforts meant for revising existing and creating new rules, regulations, policies, and programmes that are linked to budgetary, public expenditure, and public financial management over the past several decades. Notably, efficiency and effectiveness in the public expenditure management system through the reduction of budgetary constraints and an increase in the productivity of the public expenditure allow the release of the resources required to amplify long-term development more predictably. Considering such critical roles, changes and reforms have been continuous in Nepal in terms of the budgetary and PEM system. Such efforts have been intensified following the adoption of the Constitution in 2015. These involve the introduction of new initiatives and modifications of old rules and regulations, policy reforms, changes in old institutional structure, or the establishment of new institutions and the introduction of better systems in governance. Enhancement of improved budgetary and public expenditure management systems to achieve greater results and delivery has been one of the major objectives of these initiatives and other related programmes.

The Constitution of Nepal essentially changed the fiscal structure in Nepal and decentralized large amounts of expenditure to provincial and local governments. The Constitution sees fiscal federalism as a mechanism for equitable distribution of resources, improved delivery of services, and greater participation of citizens. Nevertheless, these goals have been curtailed by persistent functional overlap, weak institutional capacity and lack of coordination across the levels of the government (NNRFC, 2024). More than 80 percent of municipalities still rely on federal transfers as a primary source of their expenditure, which reveals structural dependence and insufficient fiscal autonomy. On a positive note, MTEF is now mandatory at all three levels of government (NPC, 2024a).

Despite gradual growth and the reform efforts, the nature and structure of government spending remain a significant policy challenge. Recurrent expenditure has increased at a fast rate, constituting an increasing proportion of overall spending; from 63 percent in FY 2011/12 to above 77 percent in FY 2022/23. During the period, the proportion of capital expenditure remained constant. Such disequilibrium has left limited fiscal space for development-related investments in productive and human capital sectors like education, health and infrastructure (NRB, 2023).

Nepal's debt dynamics have further complicated the fiscal landscape. The ratio of public debt-to-GDP has almost doubled between FY 2014/15 and FY 2022/23, increasing from 22.3 percent to 41.5 percent, and debt servicing has now reached 22 percent of revenue. Increasing domestic borrowing at increased interest rates and depreciated concessional financing in anticipation of Nepal graduating from the Least Developed Country (LDC) category indicates the necessity of wise debt management and fiscal consolidation (NRB, 2023).

Similar inefficiency is reflected in sectoral patterns of expenditure. In education, the total per-student spending rose by 24.2 percent in the period between 2020 and 2022, but the results in learning are still low; only 47.86 percent of Secondary Education Examination (SEE) examinees were qualified for higher studies in 2024 (CEHRD, 2024). However, in the health sector, sustainability is threatened by the existence of enduring inequities and decreasing nutrition allocations regardless of a rise in the general life expectancy and reduction in maternal and child mortality rates (MoHP, 2022). The infrastructure sector is also adversely impacted by chronic project delays and cost overruns. For example, major irrigation projects like Sikta and Babai have seen costs increase more than four times and project completion has taken up to 10 years (OAG, 2022). To sum up, the growth of government spending has not translated well into economic growth or improved delivery of services. Long-term analysis (1975-2022) shows that total expenditure has been increasing at a high rate, but it has not been effective in promoting economic growth, and government capital formation has not been as effective in translating to GDP growth, whereas the role of private sector investment has been more consistent (NRB, 2023).

A brief examination of the general performance of the budgetary system as a whole and the public expenditure management system as a subset shows that there is no significant positive change in these areas and this is supported by numerous studies and reports (PEFA, 2008). This is further supported by an imbalance between the rise in public spending and the overall economic performance. This demonstrates that the exploration of the key issues pertaining to efficiency and effectiveness of the budgetary system in general and the public expenditure system in particular, from the perspectives of exploring better policy alternatives.

1.2 Rationale of the Study

Simultaneously with the reform efforts, a range of studies have been conducted in Nepal, which have devoted their attention to the study of the status and extent of improvement in performance in public expenditure and financial management. There is a practice of preparing reports that explore different issues relating to the enhancement of budgetary, public expenditure, and public financing management systems. Successive governments have formed multiple high-level commissions and task forces to identify underlying issues and make certain recommendations that would bridge the gaps or lapses in the above-mentioned areas.

Although all the reform efforts in the area were not left without the attempt to implement the recommendations of the constituted government commissions and research-based reports, the result of a more recent study shows that there is still a long way to go to make significant changes in these areas (Khanal & Khanal, 2024). The research also outlines the areas that require further investigation to unravel the means and ways of maximizing efficiency and effectiveness in managing the public expenditure at all the three levels of government amidst the recent trend of slowing the pace of growth in the government revenue on one hand and the increases in the combined total government expenditure between federal and sub-national governments on the other, which poses a threat to the sustainability.

The above findings are further supported by more recent reports and studies. According to a report by the Office of the Auditor General of FY 2022/23, other than the accumulating arrears, deep-seated issues surrounding governance have persisted within the budgetary, public expenditure, and financial management system, which have resulted in low returns and outcomes (OAG, 2024). As a part of the continuous update about the process of fiscal federalism, a recent report of the World Bank indicates that, even after the consistent improvements in the process of fiscal federalism implementation, there is still an insufficient alignment between the periodic development plans and the MTEF. Budget allocation is inefficient; the practice of allocating a big portion of the budget to the category of economic miscellaneous violates the principles of transparency. It further points out that a substantial gap between the proposed budget and the actual expenditure is perpetuated, with the most likely increased adverse consequences for both efficiency and effectiveness. According to a recent assessment report of the Ministry of Finance on public expenditure and financial accountability, the actual budget outcomes are characterized by a significant level of underperformance, even though the conducive conditions are present (MoF, 2024).

The promulgation of the Constitution in 2015 created fiscal federalism, which aims at facilitating efficiency, participation and balanced development by decentralizing fiscal powers (Devkota, 2024). However, the practical implementation of the provisions remains constrained by limited capacity, role duplication, and dependence on central transfers (Wasti et al., 2023). Also, the lack of effective integration of planning and budgeting among federal, provincial, and local governments has led to ineffectiveness and the absence of a robust accountability mechanism continues to undermine fiscal discipline (Acharya & Zafarullah, 2020). There are other problems with the expenditure composition – the capital investment in productive sectors has been constrained due to the dominance of recurrent spending, which has been largely fueled by administrative costs and social protection. Meanwhile, the social protection programme's sustainability and adequacy of the public sector wage structure remain central to fiscal stability and the quality of service delivery.

Hence, broadly, the increasing scale and complexity of public expenditure, coupled with the changing fiscal arrangements under federalism, have necessitated reassessing the effectiveness and sustainability of Nepal's fiscal system. The rationale of this study also arises from the need to comprehend the manner in which the mobilization, allocation, and utilization of public resources take place at various levels of government and their effect on long-term growth, equity and stability. In that regard, the paper aims to analyze the trends, determinants of public spending, assess the effectiveness of fiscal federalism, and evaluate the efficiency of government spending in the key sectors, including education, health, and infrastructure. Time-series analysis, fiscal indicators, and qualitative assessments combined, the research seeks to generate evidence-based insights into the effectiveness of the public expenditure system in Nepal. The results are expected to guide policy reforms that will strengthen fiscal discipline, improve resource mobilization, enhance institutional capacity and align the expenditure with the national development priorities and Sustainable Development Goals (SDGs). In Nepal, very few studies have focused exclusively on the efficiency and effectiveness of public expenditure management, and this study takes this opportunity to address these gaps.

1.3 Objectives of the Study

1.3.1 Main Objective

The primary aim of this research is to evaluate the efficiency and effectiveness of the public expenditure management in Nepal within the framework of fiscal federalism with the goal of identifying critical gaps and recommending evidence-based policy reforms to achieve improved fiscal discipline, resource allocation, and developmental outcomes.

1.3.2 Specific Objectives

i) To examine the evolution, institutional structure, and policy framework of Nepal's public expenditure management system in the context of fiscal federalism,

ii) To analyze trends, composition, and growth patterns of public expenditure and their implications for macroeconomic performance and fiscal sustainability,

iii) To identify and analyze the key economic, institutional, and structural determinants of major public expenditure components,

iv) To assess the institutional, procedural, and governance factors affecting efficiency and effectiveness in public expenditure management across the three tiers of government,

v) To evaluate the alignment of public expenditure patterns and outcomes with national development priorities, including long-term growth objectives and the Sustainable Development Goals (SDGs),

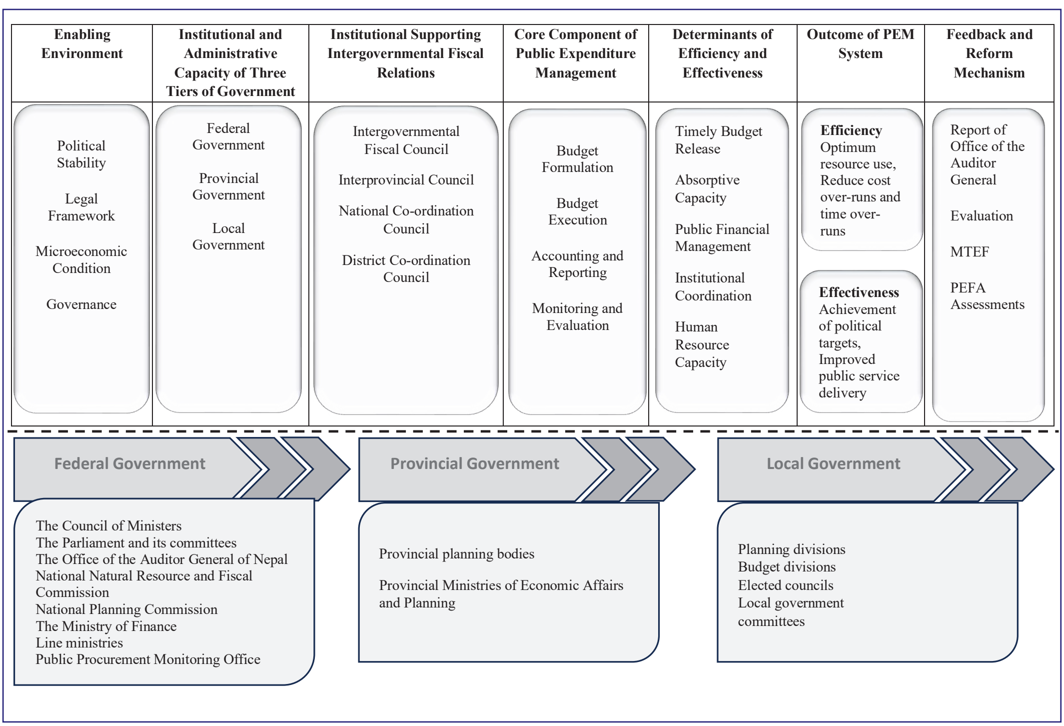
vi) To propose policy, institutional, and operational reforms required to enhance efficiency, fiscal discipline, and expenditure effectiveness in Nepal's public expenditure management system.

1.4 Conceptual Framework

The conceptual framework (Figure 1.1) represents the Public Expenditure Management (PEM) system of Nepal, which is based on a dynamic Theory of Change (ToC) model that represents a causal pathway, starting with the foundational prerequisites, leading to the desired outcomes in the society. The framework shows a sound legal framework, political stability, good governance and sound macroeconomic conditions as the prerequisites for an effective financial management system. And, based on this foundation, the institutional and administrative capacity of the three levels of government, including the federal, provincial and local governments, determines their ability to execute their roles. Specific bodies like the Ministry of Finance, provincial and local planning divisions are involved in budget formulation, budget execution, accounting and reporting, and monitoring and evaluation. The intergovernmental fiscal relations are coordinated through institutional set-ups such as the Fiscal Council and the National Natural Resources and Fiscal Commission (NNFRC), which are essential in terms of guaranteeing coherent fiscal transfers in the federal set-up of Nepal.

The efficiency and effectiveness of the major determinants of this cycle, such as timely budget releases, high absorptive capacity, and institutional coordination, directly rely on the performance of the cyclical process of budget formulation, execution, accounting, and monitoring. These determinants result in the outcome of the PEM System, which is: i) achieving efficiency by utilizing resources in the most optimum way and reducing project cost and time overruns, and ii) achieving better effectiveness in terms of political outcomes and improved public service delivery to the people. Most importantly, the framework includes a feedback and reform mechanism, according to which results are measured using audits, PEFA assessments, and other analyses. This creates a feedback loop that eventually drives evidence-based reforms to enhance the sustainability of the public financial management of Nepal to become more efficient, effective, and equitable in service delivery to the citizens.

Figure 1.1: Conceptual Framework Guiding to Comprehend Efficiency and Effectiveness of Public Expenditure Management in Nepal



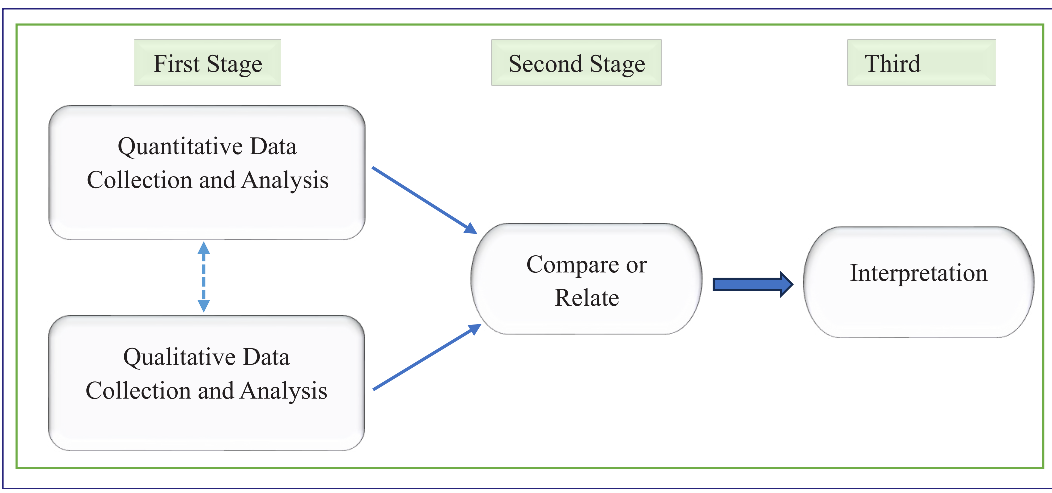
Source: Developed by authors

1.5 Methodology

1.5.1 Research Design

A mixed methodological approach – convergent parallel design has been used in the study (Figure 1.2). This design includes both qualitative and quantitative methods and integrates the results as needed. Before the finalization of the conceptual framework, study objectives and methodology, a one-day policy dialogue was organized with senior officials, experts and development partners to get feedback and suggestions in the research areas. As a part of qualitative analysis, a field survey was also carried out. The details of quantitative and qualitative methods are discussed in subsequent sections. An integrated mixed methodological approach, including both qualitative and quantitative methods were used in the study. As pointed out by Bazeley (2018), integrated mixed method approaches are intentional about using strategies that build interdependence between sources of data, methods, or approaches. Some studies have also acknowledged that mixed methods research can help us better understand and address complex public administration and public policy issues (Hendren et al., 2018).

Figure 1.2: Convergent Parallel Design



1.5.2 Qualitative Method

Under the qualitative method, at first a thorough review of more recent studies and reports were conducted. While doing this, the studies and reports of the international multilateral agencies were appraised, and the research-based studies of various government agencies and researchers were examined. Similarly, policies, rules and regulations associated with periodic plans, MTEFs, budgets, public expenditure and public financial management of all three levels of the governments were thoroughly reviewed.

As a part of qualitative analysis, a field visit was organized in two provinces (Bagmati and Madhesh) where one-to-one discussions with the finance ministers of the provinces were conducted. In both provinces, a one-day interaction was carried out with high-level government officials involved in planning and budgeting processes, the members of provincial policy and planning commissions, representatives of the private sector and various stakeholders, including civil society organizations. In parallel, a separate discussion programme was organized at some selected municipalities in both provinces (see appendices 4.4 and 4.9 for the details regarding the participants who took part in the interaction programmes and key informant interviews at the central level, provincial level and local level interaction programmes and interviews). In the interactions, representatives, apart from pointing out the progress made so far through various initiatives at both provincial and local levels, provided some concrete suggestions on the areas where further reforms will be needed. Also, as per the standard questionnaires developed and distributed by the study team, concerned agencies provided detailed information on the public expenditure management related to various issues. The details on the field visit, including questionnaires, are presented in the Appendices 4.10a and 4.10b.

1.5.3 Quantitative Method

The studies on the efficiency and effectiveness of public expenditure performance generally follow quantitative techniques, under which attempts are made to link the inputs, outputs, and outcomes. A highly efficient public sector is assumed to produce a larger output with a lower level of input. Effectiveness is often related to the input or the output of the outcomes. The outcome is commonly referred to as a growth objective. Such an analysis of efficiency and effectiveness of the public sector is used to demonstrate the success of a nation in using the scarce resources to achieve higher growth objectives (Yun, 2020).

There are several empirical benchmarking studies that focus on the efficiency of public expenditure on different sectors, which employ different methodologies. The earlier studies used expenditure efficiency and technical efficiency to evaluate public sector performance (Herrera & Pang, 2005). Small changes in the efficiency of public spending could have a major impact on GDP and on the attainment of the government's objectives. The first challenge that stakeholders face is measuring efficiency. This paper attempts such quantification and has two major parts. The first part estimates efficiency as the distance between observed input-output combinations and an efficiency frontier (defined as the maximum attainable output for a given level of inputs).

One of the earlier studies examined the efficiency of government expenditure on health in 37 African countries by using per capita education and health spending by the government in purchasing power parity (PPP) as the input measure. Health output measures included life expectancy, infant mortality, diphtheria, pertussis, and tetanus (DPT) and measles immunization rates. Education output measures were primary school enrollment, secondary school enrollment, and adult illiteracy (Gupta & Verhoeven, 2001). Another study examined the efficiency of expenditures in the health and education sectors for a sample of Organisation for Economic Co-operation and Development (OECD) countries. It estimated efficiency frontiers using two kinds of inputs: (i) expenditure and (ii) quantifiable input measures such as instruction time in hours per year for 12–14 years old, number of teachers per student in public and private institutions for secondary education, inpatient beds, medical technology indicators, and health employment (Afonso & Aubyn, 2004). Another study computed public sector performance and public sector efficiency indicators for 23 OECD countries. The indicators included secondary school enrollment and educational achievement for the education sector, and infant mortality and life expectancy for the health sector (Afonso et al., 2005). In 2015, ADB carried out an in-depth study to examine both efficiency and equity in public spending on health, education and social protection in a broad group of Asian Development Bank (ADB) member economies.

Following Herrera and Pang (2005), the study conducted a formal efficiency benchmarking exercise using Data Envelopment Analysis based on input and output data from World Development Indicators (WDI). It additionally looked into service provision inequality within Asian Development Bank (ADB) economies using utilization rates and benefit incidence. It also derived deficiencies in pro-poor spending in some areas (Lavado & Domingo, 2015) - education and social protection in a broad group of ADB. Thus, most of such studies contributed to the literature by measuring public sector efficiency in relation to public expenditure to their respective actual and targeted socio-economic indicators in the form of inputs and outputs. Largely, studies have used what is often called the Data Envelopment Analysis (DEA) technique. The studies typically measured the efficiency of public expenditure by evaluating the relative efficiency of the input in producing output.

The studies also have related government expenditure to economic growth while investigating the efficiency and effectiveness of public spending. In most of the studies, growth models including both endogenous and neo-classical have been used. Though the results are continuously debated in terms of both methodology and results, in most cases, a higher share of productive public spending is positively associated with economic growth (Afonso & Alegre, 2011; Chen, 2006).

In parallel, studies have estimated the determinants of government expenditure using regression models and argued that such an approach and technique help to identify the areas for improving the public sector performance (Esanov, 2009; Wang & Alvi, 2011). Motivated by the existing literature gap, some studies have also extended the analysis by seeking the determinants that could partly explain the expenditure efficiency. One of these studies sought empirical evidence of the public sector efficiency in the new member states of the EU and compared it with that in the emerging market (Afonso & Alegre, 2011). It extended the analysis to identify the exogenous factors that could explain the efficiency of public expenditure. Econometric evidence via the Tobit regression analysis revealed that higher economic status, civil service competence, education levels, and the security of property rights facilitated the prevention of inefficiencies in the public sector. Meanwhile, other factors, such as international trade openness, trust in politicians, and transparency of the political system, failed to deliver a significant influence on the public spending efficiency.

One common technique to assess both efficiency and effectiveness is the analysis of a project profile in which the project appraisal reports are compared with the actual project performances or achievements, which are closely linked to operational efficiency. In such a project-based analysis, the total cost and completion period envisaged, actual cost and project completion period, total output and realized or expected output are examined. In such analysis, quality dimensions including the issues associated with repairs and maintenance and of projects and programmes are also considered (Zidane & Olsson, 2017).

Taking various techniques used by different studies on the one hand and objectives of the present study on the other, following quantitative techniques linking up with the specific focused areas have been used.

Regression Models to Identify Major Determinants of Public Expenditure Growth: When time series data are used to run the regression models, several advanced econometric tests have to be carried out to ensure the robustness of both time series data and estimated models. For this purpose, the following econometric tests and processes were used to transform data and find out the causal relationships between selected variables.

Testing for Stationarity: Time series data has some distinct features as compared to cross-sectional data. When expressed in their original units of measurement, and even after deflation, time series data still tend to exhibit trends, a cyclical pattern, seasonal fluctuation, temporal dependence, and random walking, among others. According to Gujarati (2017, p.217), there are several reasons to be concerned about stationarity in time series.

- Stationarized time series is able to derive meaningful statistical properties such as mean, variance, autocorrelation, etc. Such statistics are useful indicators of future behavior on a stationary time series, as they are constant over time.[1]
- A regression analysis involving two or more nonstationary time series may lead to the phenomenon of spurious or nonsense regression.[2]

A stationary time series is also known as a time series integrated of order zero or I(0) process. If a time series is non-stationary at the level but stationary at first difference, it is said to be an integrated of order one or I (1) process. In general, if a non-stationary time series has to be differenced *d* times to get a stationary series, it is said to be integrated of order *d* or an I (*d*) process (Bhatta et al., 2020). The formal test for stationarity is the test for unit root and many tests have been developed for testing unit root (Herranz, 2017).

In economics, most time series are I(1) and they become stationary after taking their first difference (Granger, 1986, cited in Bhatta et al., 2020). The first difference of a time series is the series of changes from one period to the next. If y_t denotes the value of the time series Y at period t, then the first difference of Y at period t is equal to y_t-y_{t-1}. A simple AR (1) model for testing the unit root test is $y_t = \Phi\, y_{t-1} + \varepsilon_t$; ε_t is a white noise error term. The tests for unit root are essentially a test for the null

1. For example, if the series is consistently increasing over time, the sample mean and variance will grow with the size of the sample, and they will always underestimate the mean and variance in future periods. And, if the mean and variance of a series are not well-defined, then neither are its correlations with other variables. or this reason you should be cautious about trying to extrapolate *regression* models fitted to nonstationary data. https://people.duke.edu/~rnau/411diff.htm#stationarity

2. That is, if you regress a nonstationary time series on one or more nonstationary time series, you may obtain a high R^2 value and some or all of the regression coefficients may be statistically significant on the basis of the usual t and F tests. Unfortunately, in cases of nonstationary time series these tests are not reliable, for they assume that the underlying time series are stationary.

hypothesis against the alternative hypothesis Φ=1 and against the alternative hypothesis of Φ<1.

For this study, the Augmented Dickey-Fuller (ADF) test was used to determine whether the variables are stationary (contain a unit root).[3] In the ADF version of the test, if the calculated *t-statistic* is greater than the critical value, the series is a stationary series (Dickey & Fuller, 1981; Harris, 1992).

In the case of stationarity tests for finite samples and lower values of the parameter, the Kwiatkowski, Phillips, Schmidt, and Shin (KPSS) test can be a suitable choice (Lee & Schmidt, 1996; Clarke & Granato, 2005); hence, the KPSS test was performed to examine the stationarity of the variables under the null hypothesis of level and trend stationarity.

The Model

To examine the determinants of major components of federal government expenditure, three dependent variables (total government expenditure, actual capital expenditure, and actual recurrent expenditure) were analyzed using both long-term and short-term datasets, which included several independent variables. While a 50-year dataset covering FY 1974/75–2023/24 is employed for variables with consistent availability, some important macroeconomic indicators are only available for a shorter period. In such cases, a 15-year dataset spanning FY 2009/10 - 2023/24 is used to ensure completeness and reliability. In any case, the purpose of this study is to capture the federal government structure and its impact on the national economy.

The functional form of total government expenditure (TE) is specified as:

$$TE = f\,(Rev,\ DOMloan,\ Aid,\ Wages,\ GovEffindex)$$

where total government revenue (Rev), internal borrowing (DOMloan), and total foreign aid (Aid, including grants and loans) are examined using the long-term dataset, while expenditure on wages and salaries of employees (Wages) and the Government Effectiveness Index (GovEffindex) are assessed using short-term data.

Similarly, actual capital expenditure (CapE) is conceptualized as:

$$CapE = f\,(Rev,\ DOMloan,\ Aid,\ Lex,\ Floan,\ Wages,\ GovEffindex)$$

3. Despite some limitations the most suitable tests for very short time series are the ADF tests (Arltová & Fedorová, 2016). (DeJong et al., 1992) argue that the augmented Dickey-Fuller procedure is reasonably well-behaved in case the errors follow autoregressive order.

Here, capital expenditure (CapE), total government revenue (Rev), internal borrowing (DOMloan), total foreign aid (Aid), and life expectancy at birth (Lex) are analyzed with long-term data, whereas foreign loan (Floan), Government Effectiveness Index (GovEffindex), and wages and salaries of employees (Wages) are based on short-term data.

Furthermore, actual recurrent expenditure (RecE) is modeled as:

RecE = f (Rev, DOMloan, Aid, GovEffindex, Wages, SSCexp, Msch)

In this case, recurrent expenditure (RecE), total government revenue (Rev), and internal borrowing (DOMloan) rely on the long-term dataset, while wages and salaries of employees (Wages), total social security expenditure (SSCexp), Government Effectiveness Index (GovEffindex), and mean years of schooling (Msch) are drawn from short-term data.

As this study plans three long-run equations and three short-run equations, six different models were prepared and tested to confirm whether there exists any relationship among the variables.

For the long-run analysis, covering the period from FY 2074/75 to 2023/24, three models are specified. Model 1 explores the determinants of total government expenditure (TE), Model 2 focuses on capital expenditure (CapE) and Model 3 examines recurrent expenditure (RecE). The equations prepared for the long run are as follows.

$$TE = \alpha_0 + \gamma_1 Rev + \gamma_2 Domloan + \gamma_3 Aid + \mu \quad \ldots\ldots (1)$$

$$CapE = \alpha_0 + \gamma_1 Rev + \gamma_2 Domloan + \gamma_3 Aid - \gamma_4 LEx + \mu \quad \ldots\ldots (2)$$

$$RecE = \alpha_0 + \gamma_1 Rev + \gamma_2 Domloan + \mu \quad \ldots\ldots (3)$$

For the short-run analysis, based on the period 2009/10 to 2023/24, three models are also considered. Here, Model 4 estimates the determinants of total government expenditure (TE), Model 5 specifies capital expenditure (CapE), and Model 6 captures recurrent expenditure (RecE) in the short run. The short-run equations are:

$$TE = \beta_0 + \delta_1 Rev + \delta_2 Domloan + \delta_3 Wages + \delta_4 Aid - \delta_6 GovEffindex + \mu \ldots. (4)$$

$$CapE = \beta_0 + \delta_1 Floan - \delta_2 GovEffindex + \delta_3 Wages + \mu \quad \ldots\ldots (5)$$

$$RecE = \beta_0 + \delta_1 Rev + \delta_2 Wages + \delta_3 Aid + \delta_4 SSCexp - \delta_5 GovEffindex - \delta_6 MSch + \mu \ldots\ldots\ldots\ldots (6)$$

Together, these six models allow for a comprehensive examination of both the short- and long-run determinants of government expenditure in Nepal.

ARDL Model Specification

To examine the determinants of major federal government expenditure components, this study employs the Autoregressive Distributed Lag (ARDL) model. The ARDL framework, developed by Pesaran et al. (2001), is particularly suitable because it allows for the estimation of both short-run dynamics and long-run equilibrium relationships among variables, regardless of whether they are integrated at I(0) or I(1).

The dependent variables are total expenditure (TE), recurrent expenditure (RecE), and capital expenditure (CapE). Independent variables include government revenue (Rev), domestic borrowing (Domloan), foreign aid (Aid), foreign loan (Floan), wages and salaries (Wages), life expectancy (Lex), social security expenditure (SSCexp), mean years of schooling (Msch), and governance-related indicators such as the Government Effectiveness Index (GovEffindex). Variables are specified in transformed logarithmic forms to ensure robustness. Further, bounds testing confirms the existence of long-run relationships, while short-run dynamics reveal significant effects of revenue, aid, wages, and governance indicators. Diagnostic and stability tests (CUSUM, CUSUMSQ) validate the robustness and stability of estimated coefficients. While the equation for ARDL models for the long-run is as follows:

Model 1: Total Expenditure (TE)

$$\Delta \mathrm{TE}_t = \alpha_0 + \sum_{i=1}^{p} \gamma_i \Delta \mathrm{TE}_{t-i} + \sum_{j=0}^{q} \gamma_{1j} \Delta \mathrm{Rev}_{t-j} + \sum_{k=0}^{r} \gamma_{2k} \Delta \mathrm{DOMLoan}_{t-k} + \sum_{l=0}^{s} \gamma_{3j} \Delta \mathrm{Aid}_{t-l} + \varepsilon_t$$

Model 2: Capital Expenditure (CapE)

$$\Delta \mathrm{CapE}_t = \alpha_0 + \sum_{i=1}^{p} \gamma_i \Delta \mathrm{CapE}_{t-i} + \sum_{j=0}^{q} \gamma_{1j} \Delta \mathrm{Rev}_{t-j} + \sum_{k=0}^{r} \gamma_{2k} \Delta \mathrm{DOMLoan}_{t-k} + \sum_{l=0}^{s} \gamma_{3l} \Delta \mathrm{Aid}_{t-l} + \sum_{m=0}^{t} \beta_{3m} \Delta \mathrm{LEx}_{t-m} + \varepsilon_t$$

Model 3: Recurrent Expenditure (RecE)

$$\Delta \mathrm{RecE_t} = \alpha_0 + \sum_{i=1}^{p} \gamma_i \Delta \mathrm{CapE_{t-i}} + \sum_{j=0}^{q} \gamma_{1j} \Delta \mathrm{Rev_{t-j}} + \sum_{k=0}^{r} \gamma_{2k} \Delta \mathrm{DOMLoan_{t-k}} + \varepsilon_t$$

As there are some of the key variables included in the long run model, where some datasets are not available for the long run, three short run models were further developed as:

Model 4: Short Run Total Expenditure (TE)

$$\Delta \mathrm{TE_t} = \alpha_0 + \sum_{i=1}^{p} \delta_i \Delta \mathrm{TE_{t-i}} + \sum_{j=0}^{q} \delta_{1j} \Delta \mathrm{Rev_{t-j}} + \sum_{j=0}^{r} \delta_{2j} \Delta \mathrm{DOMLoan_{t-j}}$$

$$+ \sum_{j=0}^{s} \delta_{3j} \Delta \mathrm{Aid_{t-j}} + \sum_{j=0}^{t} \delta_{1j} \Delta \mathrm{Wages_{t-j}} + \sum_{j=0}^{u} \delta_{1j} \mathrm{GovEffindex_{t-j}}$$

$$+ \sum_{j=0}^{v} \delta_{1j} \mathrm{ECM_{t-j}} + \varepsilon_t$$

Model 5: Short Run Capital Expenditure (CapE)

$$\Delta \mathrm{CapE_t} = \alpha_0 + \sum_{i=1}^{p} \delta_i \Delta \mathrm{CapE_{t-i}} + \sum_{j=0}^{q} \delta_{1j} \Delta \mathrm{Floan_{t-j}} + \sum_{j=0}^{r} \delta_{1j} \Delta \mathrm{Wages_{t-j}}$$

$$+ \sum_{j=0}^{s} \delta_{1j} \Delta \mathrm{GovEffindex_{t-j}} + \sum_{j=0}^{t} \delta_{1j} \mathrm{ECM_{t-j}} + \varepsilon_t$$

Model 6: Short Run Recurrent Expenditure (RecE)

$$\Delta \mathrm{RecE_t} = \alpha_0 + \sum_{i=1}^{p} \delta_i \Delta \mathrm{RecE_{t-i}} + \sum_{j=0}^{q} \delta_{1j} \Delta \mathrm{Rev_{t-j}} + \sum_{j=0}^{r} \delta_{2j} \Delta \mathrm{Wages_{t-j}}$$

$$+ \sum_{j=0}^{s} \delta_{3j} \Delta \mathrm{Aid_{t-j}} + \sum_{j=0}^{t} \delta_{1j} \mathrm{GovEffindex_{t-j}} + \sum_{j=0}^{u} \delta_{2j} \Delta \mathrm{SSCexp_{t-j}}$$

$$+ \sum_{j=0}^{v} \delta_{2j} \Delta \mathrm{Msch_{t-j}} + \sum_{j=0}^{w} \delta_{1j} \mathrm{ECM_{t-j}} + \varepsilon_t$$

Efficiency and Effectiveness of Public Expenditure: To assess the efficiency and effectiveness of public expenditure, three separate methods have been used, which are as follows:

i) *Calculations of Input/Output Coefficients*: In such calculations, at first, simple input and output coefficients have been derived for selected sectors. To examine whether there is efficiency enhancement over time, such coefficients have been examined for some selected successive years.

ii) *Growth Model to Assess Outcome/Impact:* A simple growth model following the above type of OLS technique has been used for major sectors. Accordingly, three alternative models with GDP as the dependent variable and government expenditure and banking sector credit to the private sector as independent variables have been specified and estimated. Such specifications and estimations have been made for total, recurrent and capital expenditure separately.

iii) *Project-based Quantitative Analysis:* Finally, an exhaustive quantitative analysis has been made to examine the efficiency and effectiveness of project management, which is key to enhancing the overall public expenditure and financial management efficiency. For this, mainly national pride projects have been selected and analyzed.

Additional Analysis on Effectiveness: Though employment of the above diverse methods and their results gives a broad idea of the overall effectiveness of public expenditure management, some additional exercises have been carried out simultaneously. First, the whole gamut of public expenditure management, including financial management, has been reviewed and assessed. Under this, at first, to what extent public expenditure management principles have been followed in the budget-making and implementation processes has been reviewed to assess whether such principles, including set rules, have been implemented effectively or not. As a part of this, the gap between budgeted and actual expenditure has also been assessed by both functional and economic categories.

1.6 Data Sources

Secondary data and information are the main sources for the study. Major data sources include budgetary and planning documents, economic surveys, the Financial Comptroller General Office, the Office of the Auditor General, National Statistics Office and Nepal Rastra Bank. Data has also been collected from provinces and selected municipalities. Similarly, data and information available from multilateral institutions have also been collected and compiled. To complement these secondary sources, primary qualitative data were gathered through field interactions, key informant interviews, and structured questionnaires in two purposively selected provinces - Bagmati Province, being the largest allocation of resources and largest expenditure trend and Madhesh Province, being the province with the largest population size, and their municipalities, providing critical ground-level insights into public expenditure management practices and challenges.

1.7 Limitations of the Study

Public expenditure has been treated as government expenditure. Therefore, it excludes government-owned public enterprises. The selection of input variables of quantitative analysis is limited, and the coverage of project-based analysis is narrow and sector-specific. Given the time constraints, only two provinces and a limited number of municipalities could be covered in the field survey.

Based on the compilation of limited data and scattered indicators, cost effectiveness as well as input and output patterns in the selected areas of important sectors like education and health have been examined. They provide some indicative trends only in selected areas and activities.[4]

1.8 Structure of the Report

Following this introductory chapter, the report is organized into five subsequent chapters, each structured to systematically address the research objectives outlined in Section 1.3. The analytical progression moves from establishing empirical foundations to institutional analysis, performance assessment, and concluding with synthesized policy implications.

Chapter II establishes the empirical foundation by examining historical and contemporary trends in public expenditure across federal, provincial, and local governments. It analyzes compositional shifts, funding patterns, and debt dynamics, directly addressing the requirement of specific objective two to analyze trends, composition, and growth patterns of public expenditure and their implications for macroeconomic performance and fiscal sustainability.

Chapter III advances the analytical rigor by employing autoregressive distributed lag (ARDL) models to identify the key determinants of total, recurrent, and capital expenditure. This econometric investigation supports specific objective three to

4. Despite intensive search from numerous sources, no comprehensive data on input and output or cost and benefits could be obtained. This prevented to estimate such ratios in more details covering major activities within education and health sectors.

identify and analyze the key economic, institutional, and structural determinants of major public expenditure components.

Chapter IV shifts to institutional analysis, reviewing the legal and policy frameworks governing PEM and PFM in Nepal's federal context. Incorporating qualitative data from field research in Bagmati and Madhesh Provinces, this chapter addresses the specific objective one, it examines the evolution, institutional structure, and policy framework of Nepal's public expenditure management system in the context of fiscal federalism. It also contributes to specific objective four, which aims to assess the institutional, procedural, and governance factors affecting efficiency and effectiveness in public expenditure management across the three tiers of government.

Chapter V conducts a comprehensive performance assessment through multiple methodologies: sectoral efficiency analysis in education and health; project-level evaluation of National Pride Projects; and macroeconomic analysis of expenditure effectiveness. This multi-faceted approach directly serves specific objective five, to evaluate the alignment of public expenditure patterns and outcomes with national development priorities and SDGs.

Chapter VI synthesizes empirical, institutional, and evaluative findings from all preceding chapters to address the specific objective six. It presents coherent, evidence-based policy recommendations across short-term, medium-term, and long-term horizons, thereby fulfilling the mandate of specific objective six actionable reform pathways.

This structured approach ensures logical progression from descriptive analysis to causal investigation, institutional evaluation, performance assessment, and finally to policy recommendation, providing a comprehensive framework for understanding and improving Nepal's public expenditure management system. Table 1.1 demonstrates how each objective and methodology aligns with the structure of the report.

Table 1.1: Alignment Between Research Objectives, Methodology and Report Structure

Objective	Methodology	Chapter(s)	Section(s)
1. To examine the evolution, institutional structure, and policy framework of Nepal's public expenditure management system in the context of fiscal federalism	Qualitative institutional analysis; policy and legal review; historical analysis of reforms in budgetary and fiscal systems	Chapter I, Chapter IV	1.1 General Background; 1.2 Rationale of the Study; Sections on evolution of PEM/PFM reforms; Chapter IV sections on fiscal federalism framework, institutional arrangements, and legal structure
2. To analyze trends, composition, and growth patterns of public expenditure and their implications for macroeconomic performance and fiscal sustainability	Descriptive statistical analysis; trend analysis of expenditure aggregates; ratio analysis (expenditure-to-GDP, sectoral shares, recurrent vs capital expenditure)	Chapter II	Sections analyzing historical trends in government expenditure, sectoral allocations, fiscal balances, and revenue-expenditure dynamics
3. To identify and analyze the key economic, institutional, and structural determinants of major public expenditure components	Econometric and analytical methods; regression analysis of expenditure determinants; review of theoretical and empirical literature on public expenditure behavior	Chapter III	Sections examining determinants of public expenditure growth, drivers of sectoral spending, and fiscal pressures

Objective	Methodology	Chapter(s)	Section(s)
4. To assess the institutional, procedural, and governance factors affecting efficiency and effectiveness in public expenditure management across the three tiers of government	Institutional assessment; governance analysis; review of public financial management systems; analysis of budget planning, implementation, monitoring, and reporting mechanisms	Chapter IV, Chapter V	Chapter IV sections on institutional reforms, PFM systems, intergovernmental fiscal arrangements; Chapter V sections assessing budget execution, governance constraints, and implementation challenges
5. To evaluate the alignment of public expenditure patterns and outcomes with national development priorities, including SDGs	Policy analysis; sectoral expenditure review; outcome-based assessment comparing budget allocations with development goals and SDG targets	Chapter V	Sections assessing sectoral expenditure effectiveness, development outcomes, and alignment with national plans and SDGs
6. To propose policy, institutional, and operational reforms required to enhance efficiency, fiscal discipline, and expenditure effectiveness in Nepal's public expenditure management system	Policy synthesis; comparative analysis; interpretation of empirical findings; formulation of reform recommendations based on study results and international best practices	Chapter VI	Sections presenting major findings, policy recommendations, and reform roadmap

CHAPTER 2

PUBLIC EXPENDITURE GROWTH PHENOMENON AT ALL THREE TIERS OF GOVERNMENT AND THE MAJOR CONTRIBUTORY FACTORS

In the areas of public expenditure, no advanced theories exist even today that could be taken as the basis of explaining growth in the public expenditure universally (Chen, 2006).[5] Historically, however, some laws or hypotheses have been developed that are often used to verify the reasons for the growth in public expenditure in both developed and developing countries. Those often cited in the literature include Wagner's Law, Peacock and Wiseman, and Baumol's Productivity-Lag hypothesis (Buchanan, 1960; Khanal, 1988).

Wagner's Law primarily represents the demand side and tries to explain that, along with the rise or expansion in economic activities, there would be a tendency for increased demand for public expenditure simultaneously (Irandoust, 2019; Wagner, 1883). The demand for public utilities, social services, physical infrastructures, among others, is cited for this. The Peacock and Wiseman hypothesis, on the other hand, based on historical data, shows that the growth in public expenditure is closely associated with the supply side represented by revenue. It is argued that a big upper swing in revenue taking place during the war or crisis leads to a jump in the growth of public expenditure, leading to an upward trend in the following years. Funding of war made through revenue mobilization has been cited as the main driving factor (Peacock & Wiseman, 1961). Contrary to these, Baumol's productivity lag hypothesis is based on the argument that due to productivity lag in the public sector compared to the private sector, there is a tendency or compulsion to expand public expenditure, leading to higher growth in public expenditure (Baumol, 1986). The first two combined indicate considering demand and supply factors for identifying the underlying reasons for growth in public expenditure. The last one corroborates those views that higher growth or larger size in public expenditure is caused by inefficiencies and wastages of resources.

5 Diverse factors used by different studies and cited in literature review in Chapter I also corroborate this.

Although the trend in public expenditure growth may be partly explained by these explanations combined, the catalyst role of public expenditure is particularly justified in the early stage of development for overcoming underdevelopment and bringing about prosperity in a country and raising people's wellbeing (Meier & Seers, 1984)[6]. However, as a review of studies has already indicated, from the development and transformation perspectives, not the overall size but the higher share of the public investment in productive areas matters.[7]

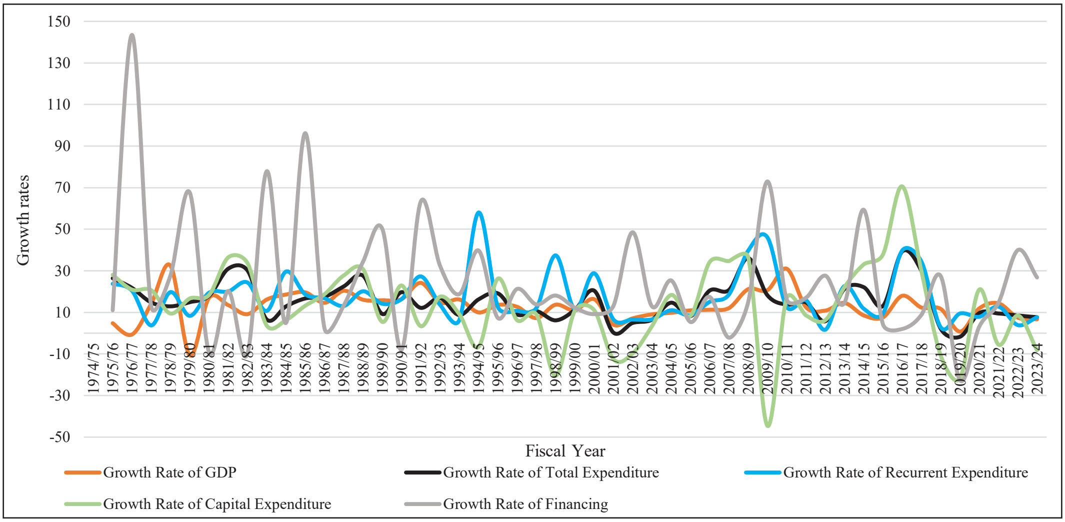
In the following sections, at first aggregate growth and changing patterns in public expenditure at the federal level have been examined. Under this, the structure or composition of public expenditure has been particularly investigated. Second, a brief review of the funding sources of the federal government budget has been conducted. Third, the trends in the debt outstanding and debt servicing liability have been analyzed, which are closely linked to funding sources in general and dependency on external and internal borrowing in particular. In the next section, both growth and the changing pattern of total and major components of public expenditure at the sub-national governments have been analyzed. In that the extent to which the sub-national governments have continuously depended on the federal government for their budget funding has also been analyzed. In the last section, an attempt has been made to delineate major contributing factors to the fast rise in recurrent expenditure.

2.1 Growth Trend of Overall and Major Components of Public Expenditure

An examination of the long-term trend in the overall public expenditure and its major components, viz., recurrent, capital and financing, together with GDP covering the period of forty-nine years (i.e., from the FY 1974/75 to FY 2023/24) provides a broad idea of the expanding pattern of public expenditure growth in Nepal (Appendix Table 2.1). Figure 2.1 shows that there is a highly fluctuating trend in the growth of major components of public expenditure and GDP.

6. Development theories advanced more clearly indicate this. See (Khanal, 2017).
7. See Manescu (2022) for evidence from countries in the European Union.

Figure 2.1: Growth Rates of Major Components of Public Expenditure and GDP



Source: Budget of GoN, MoF (1974-2023), Economic Survey, MoF (1974-2023)

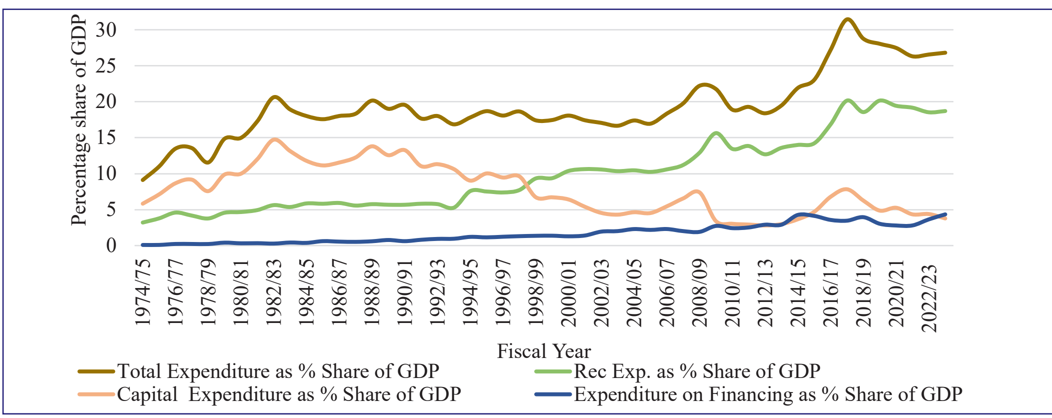
However, the average growth rate calculated for the entire period shows that total public expenditure increased by 16 percent annually compared to 13 percent growth in GDP. It implicitly indicates that the overall public expenditure elasticity to GDP is more than one, apparently corroborating Wagner's law. During this period, the total public expenditure expanded by more than 10 times compared to a 3.4 times rise in the country's GDP. A more interesting phenomenon is observed among the major components of public expenditure. During this period, the rise of financing components was fast at 23 percent on average per annum, followed by recurrent expenditure at 16 percent. The least growth has taken place in capital expenditure at 12 percent on average per annum, which is below the growth in GDP.

When expansion in major expenditure components as a share of GDP is compared, upturns and downturns or shifts in major expenditure components can be seen more clearly (Figure 2.2). The Figure shows that after FY 2012/13, there was an upswing in the total expenditure and reached a peak in FY 2017/18 to 31.5 percent of GDP. In the same fiscal year, the share of internal borrowing was also very high at 6.6 percent[8]. Thereafter, a steady decline in total expenditure and its major components, namely, recurrent and capital expenditure, took place. It was partly due to certain shifts in expenditure responsibilities from the center to the sub-national governments. Interestingly, the slowdown was sharper in capital expenditure compared to the

8. This shows the outcome of expansionary budget. Noticeably, need of reconstruction work in the aftermath of devastating earthquake in 2015 also had some effect on the expansionary budget.

recurring expenditure. Overall, public expenditure as a share of GDP was 9.1 percent in FY 1974/75. Such a ratio for FY 2023/24 was 26.8 percent after some decline in recent years. Interestingly, the share of capital expenditure[9] in FY 1974/75 was higher at 5.8 percent compared to the share of recurrent expenditure at 3.2 percent. In FY 2023/24, the ratio of recurrent expenditure jumped to 18.7 percent compared to the capital expenditure ratio standing at 3.8 percent. A more typical phenomenon is observed in the financing category. The ratio of financing was 0.1 percent in FY 1974/75. Such a ratio reached 4.3 percent of GDP in FY 2023/24, surpassing the capital expenditure ratio. The recent structural shift in Nepal's fiscal landscape is a dual consequence of stringent public accounting reclassifications and an escalating debt-servicing crisis. Historically hidden within broad budget categories, the introduction of the Government Finance Statistics (GFS) framework isolated "Financing" as a distinct budgetary pillar dedicated strictly to debt principal repayments and public enterprise investments (Mahara, 2022). However, this statistical isolation coincides with an authentic, structural surge in fiscal liabilities; the high recurrent costs of running a three-tiered federal system, paired with chronic revenue shortfalls, have forced the government into heavy reliance on shorter-term, high-interest domestic borrowing (Bhoosal & Byanjankar, 2022). As these domestic bonds have rapidly matured, the mandatory cash outlays required to service past debt have exponentially ballooned, meaning Nepal is now functionally spending more of its national output on clearing past liabilities than on generating new capital assets.

Figure 2.2: Major Components of Public Expenditure as Percentage Share of GDP



Source: Budget of GoN, MoF (1974-2023), Economic Survey, MoF (1974-2023)

9. Prior to changes in budget classification, development expenditure has been used as the closest available proxy for capital expenditure. Comparisons across periods should therefore be interpreted cautiously. During that period, it used to be classified as development expenditure which is albeit at the higher side compared to capital expenditure but not to the extent of the gap observed between the two.

A slightly different trend is noticed when a more recent period (FY 2011/12 to 2023/24) is considered (Appendix Table 2.2). It shows a somewhat reduced trend in the growth of overall public expenditure at 13.4 percent on average per annum. Compared to some reductions in the growth rate of recurrent and financing expenditure than the long-term growth reported above, a small upward trend in the growth of capital expenditure is noticed for this period. Transfer of some recurring expenses, such as salary and wages of school teachers, from the federal government budget to the sub-national governments and shift of capital grants from current to the capital also had some effects on these compositional changes. This has had some effect on the average growth rate. However, when the size of each component as a share of GDP is investigated, no expected restructuring and shift in the post-fiscal federalism is noticed, which in turn would have paved the way for larger expansion in the level of capital expenditure.

Had sub-national governments been fully authorized to carry out development works as per the expenditure responsibilities provided by the constitution, expansion in recurrent expenditure of the central government could have been contained to a greater extent without a larger net addition to the recurrent expenditure liabilities in the post-federal system. This would have helped to unleash more resources to support the development programmes.[10] For example, the World Bank (2024) reports that there are repeated complaints regarding capital expenditure, that the funds received through conditional grants do not match the priority investments of the provincial and local governments, often resulting in these grants not being disbursed. Improved vertical coordination between the three tiers of the government is needed to ensure that provincial and local government (PLG) capital expenditure needs are being met when determining the allocation of Fedral Governemnt; for that purpose, the role of the Inter-Governmental Fiscal Council (IGFC) needs to be strengthened.

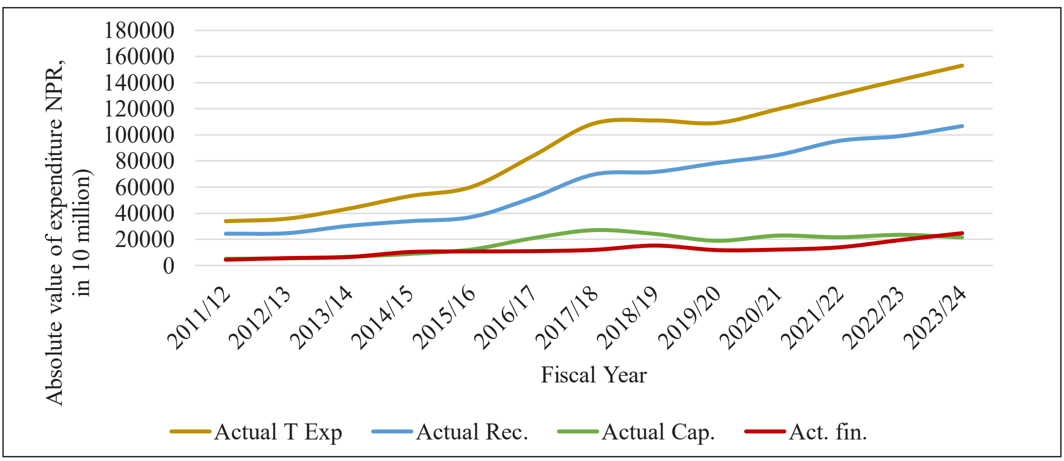
Similarly, the inability to enact the Federal Civil Service Act has been one of the major roadblocks in the implementation of federalism in Nepal because the sub-national governments have not been able to appoint, suspend, and transfer employees according to their needs, given that the Constitution of Nepal envisages that the Federal Civil Service Act will serve as the guiding document for personnel administration laws at the sub-national levels. The absence of the Civil Service Act at the central level has hindered the provinces and local levels from enacting their own administrative laws. This has also caused a shortage of human resources and

10. One of the major criticisms made to the central government is that it still tries to retain the spending power enjoyed during the unitary system of governance. For some early analysis in those lines see PERC 2019.

misalignment of bureaucratic responsibilities in several provinces, including Madhesh Province, Karnali Province and Sudurpaschim Province ('Delay in passing', 2023; also see chapter 4, Table 4.3).[11]

The total expenditure as a share of GDP was 19.3 percent in the FY 2011/12. The share of recurrent expenditure was 13.8 percent, followed by capital expenditure at 2.9 percent and financing at 2.5 percent. As pointed out above, the expansion in capital expenditure expanded meagerly as a share of GDP and reached 3.8 percent in the FY 2023/24, contrary to continued expansion in both recurrent and financing components as a share of GDP (For details, refer to Appendix 2.2). During the implementation of the federal system of governance, administrative functions continued to absorb a major share of resources, it shows that no major expenditure restructuring, including allocative restructuring, took place in the aftermath of the change in the state system, which would have been consistent with the socio-economic transformation focus of the constitution and SDGs commitments. The two Figures presented below (Figure 2.3 and 2.4) for longer and more recent periods by providing year-wise trends offer more insights on this.

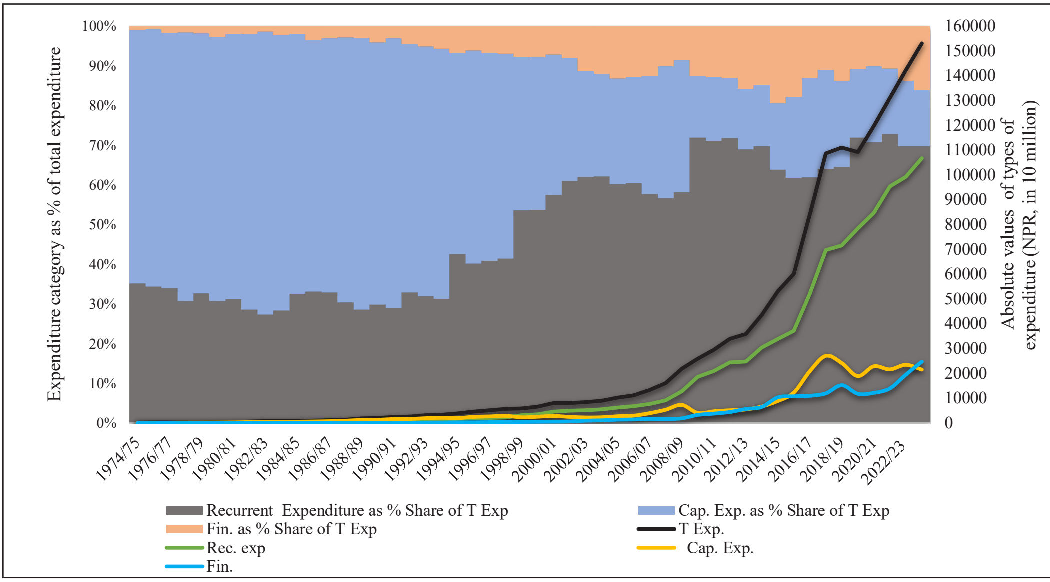
Figure 2.3: Actual Total Expenditure, Recurrent Expenditure, Capital Expenditure, and Financing



Source: Budget of GoN, MoF (FY 2011-2024)

11. Two separate high-level commissions were formed to address administrative reforms and administrative restructuring under the chairmanship of Kashiraj Dahal between 2070 BS and 2076 BS. Even though these commissions submitted reports on four occasions, the recommendations have not been implemented yet. One suggestion proposed by the commissions is to strengthen provincial and local governments while reducing the number of employees at the central level. The suggestion was to reduce the number of federal government secretaries from 73 to 45, however it is still uncertain if this will be implemented ('Local level give', 2024).

Figure 2.4: Percentage Share and Composition of Public Expenditure



Source: Budget of GoN, MoF (1974-2023)

A closer analysis of sectoral resource use patterns by functional classification gives a clearer picture of why such a trend is unfolding over time in Nepal. In the Appendix Table 2.3, actual spending by major functional categories, distinguishing recurring and capital expenditure, is presented. As is clear from the Table, up to FY 2014/15, the share of public services combining both recurring and capital expenses was not very high at 18.9 percent) in FY 2011/12. Such a share steadily increased and reached 24 percent in FY 2014/15.[12] Thereafter, there was a big jump in it, which went up to 47.5 percent in FY 2019/20, predominated by recurring expenses. Though a somewhat declining trend is seen thereafter, the share has remained high at 42.9 percent, especially compared to FY 2011/12 to FY 2014/15. Notwithstanding additional liability due to devastating earthquakes and COVID-19 in some years, there is no plausible reason for the persistence of a very high share of this category, more so in the aftermath of the federal system of governance.

It was expected that the transfer of many similar administrative functions to sub-national governments would create room to reduce the number of ministries, departments, and other organizational and institutional structures at the center, thereby

12. This expenditure covers salaries and allowances to political and administrative officials, operational activities of government offices and public service delivery, among others. Public service includes activities related to people's everyday life such as citizenship certificate, passport services, civil registration, and sale and purchase of land and property registration falls under public services.

drastically reducing expenditures under this category.[13] However, things have not progressed as expected. A major share of resources was consumed in the category under the federal system. During the implementation of the federal system of governance, administrative functions continued to absorb a major share of resources, limiting expenditure in crucial sectors such as economic affairs, health, and education.[14] The share of economic affairs categories reached 26 percent in FY 2014/15, with a larger share of capital expenditure at 66.2 percent. The total share of this category reduced to 18.4 percent in FY 2022/23, along with a reduced share of capital expenditure at 62.8 percent.

Similarly, the share of the health category decreased to 4.2 percent in FY 2022/23 from 7.8 percent in FY 2011/12. The reduction in the share of education services has been sharper, from 21 percent to 4.3 percent during the period. A more unusual phenomenon within this category is that, except in FY 2022/23, the share of capital expenditure remained 0.1 to 0.3 percent of the total. Though in the aftermath of the federal system, a major chunk of spending in the form of wages and salaries of teachers has been done by the local governments, the sharp decline is difficult to justify.

The only other category in which a larger expansion in spending has taken place is social protection. During the period from FY 2011/12 to FY 2022/23, its share in total spending jumped from 3.6 to 14 percent. Though the steady rise in social spending is justified in countries like Nepal, where the share of the vulnerable population is high, there is a rampant critique regarding the jump in spending in this category, which is believed to have taken place at the cost of other critical sectors and in an unsustainable way (Shrestha, 2019; Paudel, 2024).[15]

Tracking budgets spent for social security by various offices and under various programmes is not easy. This makes estimating the total coverage of so many

13. For more details see Wagle (2019) via this link- https://www.nrb.org.np/contents/uploads/2019/12/4.-Fiscal-Imbalances-Achyut-Wagle.pdf

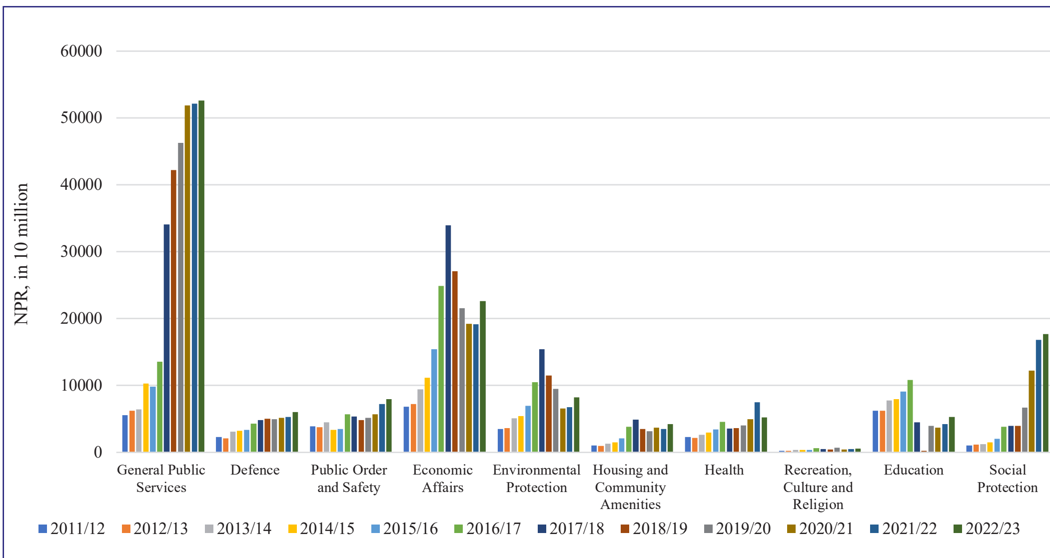
14. It is believed that expenditure in social services is necessary to increase social welfare, reduction of poverty and income inequality, provide economic and social stability, and long-term development of human resources (Meerman,1979; Van De Walle & Nead, 1995; Devarajan & Hossein (1998); Sahn & Younger, 2000). However, François Bourguignon, F. Halsey Rogers (2007) argue that the educational benefits received are relatively low in comparison with the cost of public spending especially where service delivery in education is highly inefficient. This may be the case in poor districts of many developing countries. Furthermore, Sustainable Development Goals also emphasize these aspects. Out of 17 objectives of the sustainable development goals, nine objectives are directly connected to education, health, and social security programmes

15. For more details see- https://myrepublica.nagariknetwork.com/news/review-social-security-allowances-for-macroeconomic-stability/

programmes a herculean task. UNICEF Nepal (2022) points out that the lack of reliable registration data in Nepal makes it difficult to accurately analyze the number of beneficiaries under different social protection programmes and the flow of social security allowances to them. Lack of unified budget codes for social protection is another bottleneck towards accurate estimation of allocated and actual expenditures on social protection. Nepal has close to 90 different programmes classified under social protection and these are implemented by 13 Ministries and agencies working within them (NPC, 2023). However, social protection is only mentioned in the functional classification of budget allocation in the 'Red Book', and it does not fully capture all the social protection programmes in Nepal, for example, it excludes health and school scholarships. The functional classification presented in the Red Book does not fully adhere to the Classification of the Functions of Government (COFOG) and is not useful for any analytical purposes.

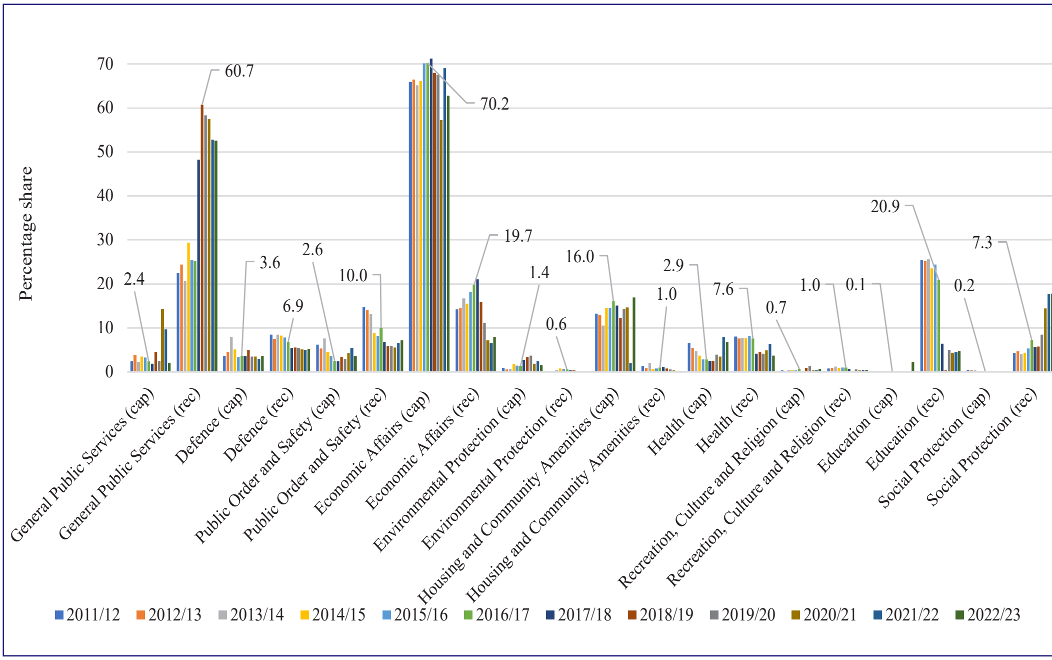
In brief, the changing sectoral spending pattern and priority shift are not compatible with the commitments made in the constitution and SDGs. It also contradicts the popular prosperity agenda of today. Figure 2.5a and 2.5b help to investigate more closely how the declared priorities and their realization do not always align as expected and needed.

Figure 2.5a: Combined Recurrent and Capital Expenditure Trend



Source: Economic Survey, MoF (FY 2011-2023)

Figure 2.5b: Percentage Share of Headings Under Functional Category (Capital and Recurrent)

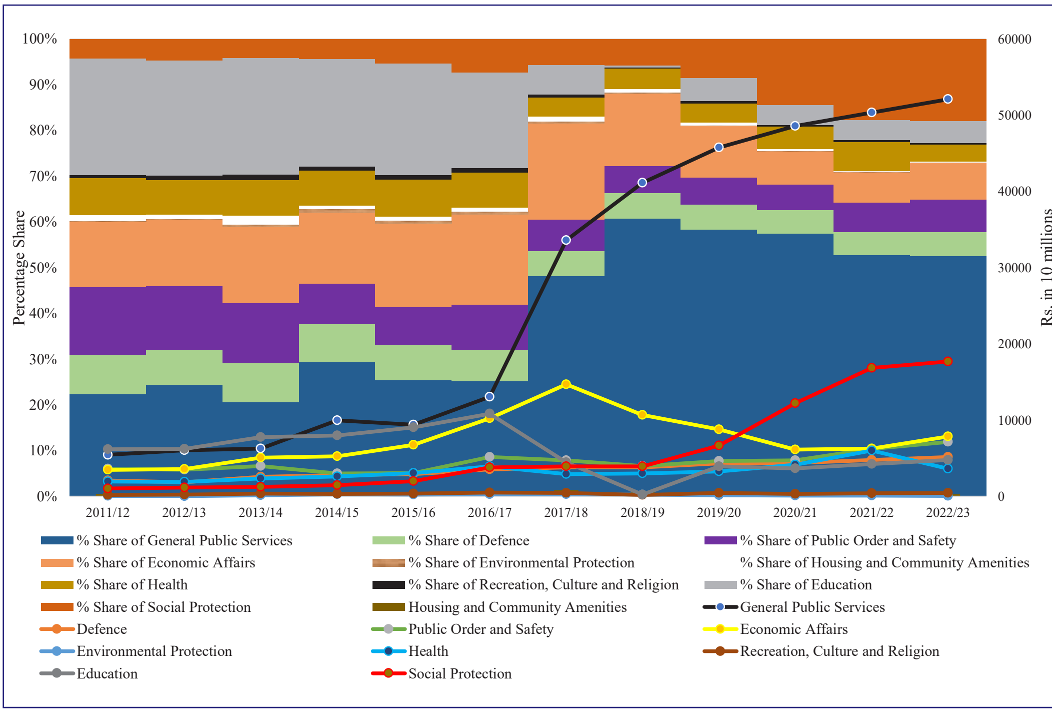


Source: Economic Survey, MoF (FY 2011-2023)

From the standpoint of harnessing development potentials and promoting rapid economic development, the sub-categories within economic affairs are highly important. Major sub-categories under economic affairs include general economic, commercial and labor affairs; agriculture, forestry, fishing and hunting; fuel and energy; minerals, manufacturing and construction; transport; communication; other industries; research and development; and economic affairs not classified elsewhere. Although some changes and expansions in the classification of these sub-categories require careful interpretation of the data, the overall trend does not show any clear, consistent, or predictable pattern. For instance, in FY 2011/12, out of the total expenses in this economic affairs category, about 46.2 percent were in the form of recurring expenses in agriculture, forestry, fishing and hunting. The share of capital expenditure in that category in this fiscal year was 31.2 percent. Also, the next big chunk was absorbed by the transport sector at 64.5 percent in the form of capital expenditure. In other categories, the expenses were limited. In the following years, there were big ups and downs, indicating no firm priority at the spending level.

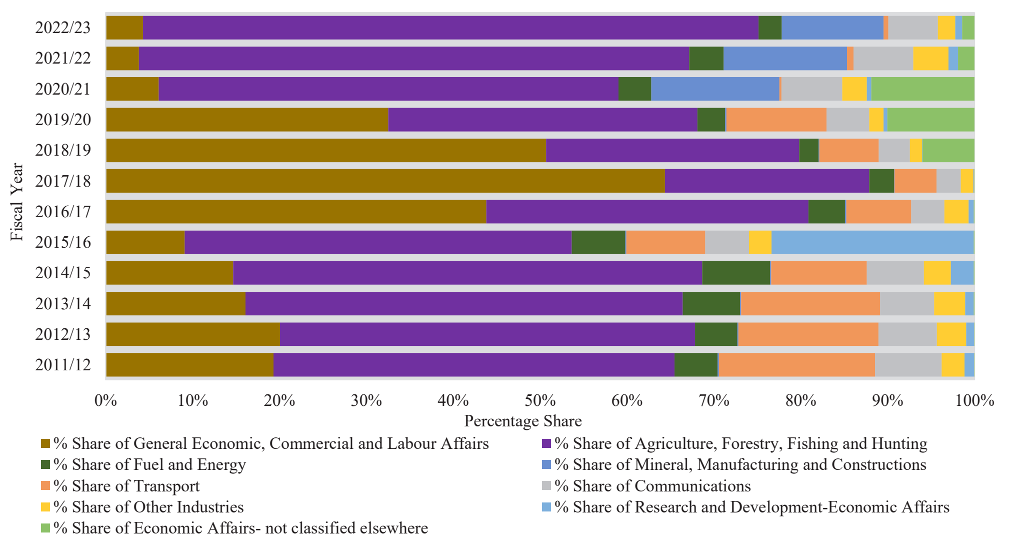
In FY 2018/19, the share of recurrent expenditure in the agriculture sector was 29.1 percent, along with a 10.2 percent share of capital expenditure. In FY 2022/23, however, the share of recurrent expenditure jumped and reached almost 71 percent. In the year, the share of capital expenditure was highest in mineral, manufacturing and construction at 73 percent (Appendix Table 2.4). The unpredictable pattern is exhibited by Figures 2.6a and 2.6b and Figure 2.7(a, b, c, d and e) below more clearly.

Figure 2.6a: Components of Recurrent Expenditure of Functional Classification and Their Percentage Share



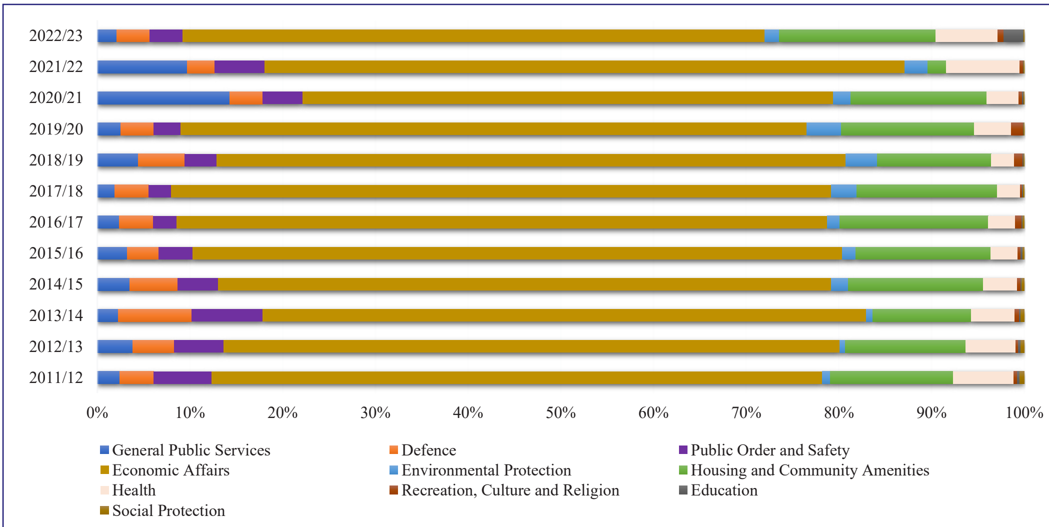
Source: Economic Survey, MoF (FY 2011-2023)

Figure 2.6b: Percentage Share of Different Headings Under Recurrent Expenditure of Economic Affairs



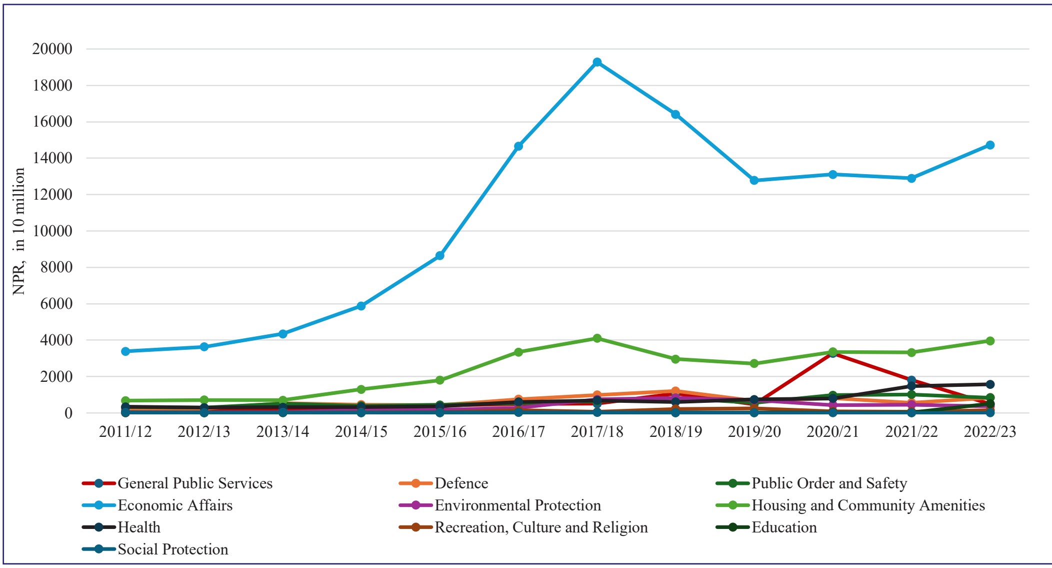
Source: Economic Survey, MoF (FY 2011-2023)

Figure 2.7a: Components of Capital Expenditure of Functional Classification and Their Percentage Share



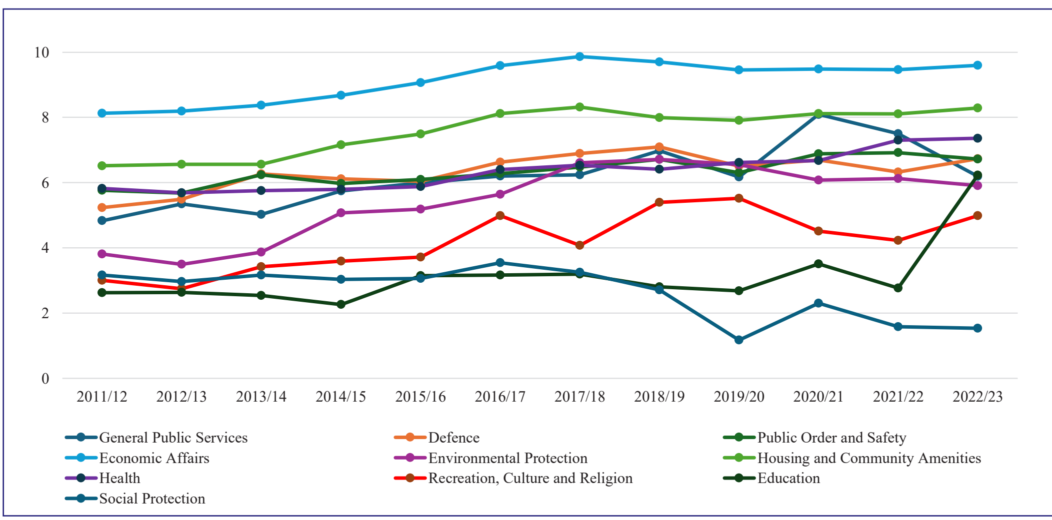
Source: Economic Survey, MoF (FY 2011-2023)

Figure 2.7b: Components of Capital Expenditure Under Functional Category



Source: Economic Survey, MoF (FY 2011-2023)

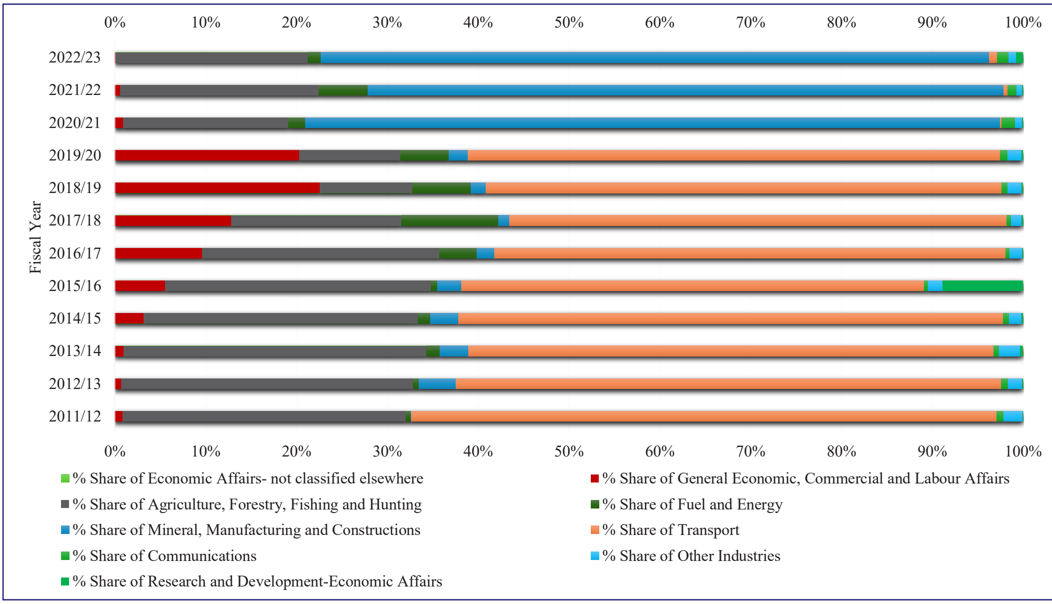
Figure 2.7c: Log Transformed Value of Components of Capital Expenditure Under Functional Headings



Source: Economic Survey, MoF (FY 2011-2023)

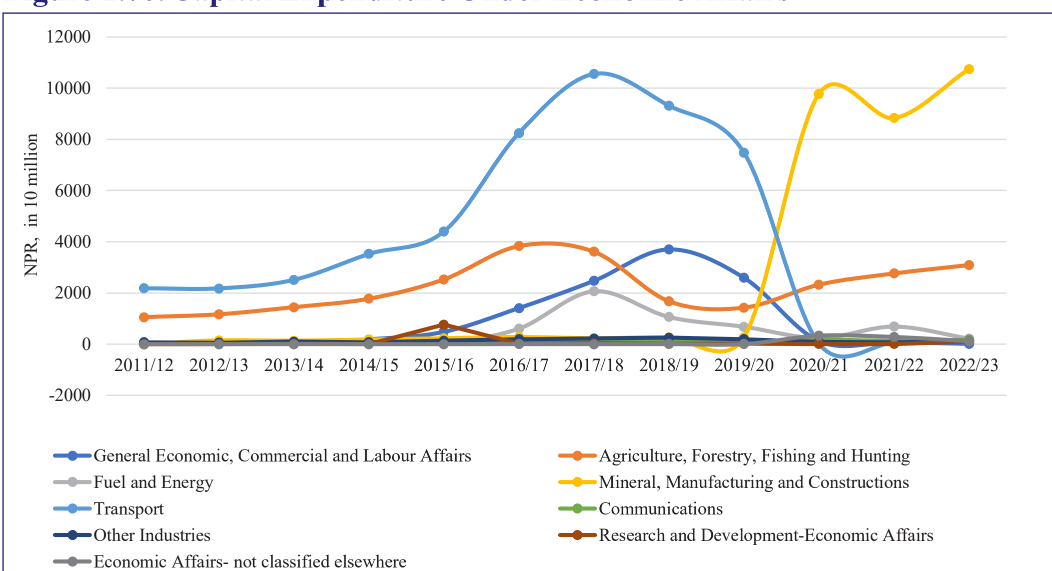
Note: Log value focuses more on relative differences (ratios) than absolute differences which is why it is widely used in economic and policy research

Figure 2.7d: Percentage Share of Different Headings Under Capital Expenditure of Economic Affairs



Source: Economic Survey, MoF (FY 2011-2023)

Figure 2.7e: Capital Expenditure Under Economic Affairs

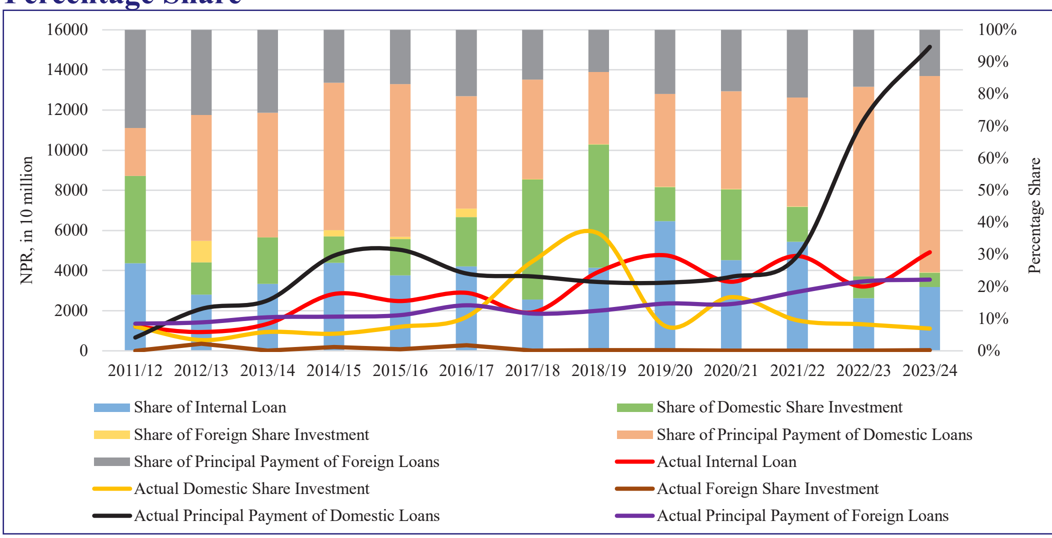


Source: Economic Survey, MoF (FY 2011/2023)

The financial management component shows a very fast rise in recent years. It increased by 5.6 times during the thirteen years from FY 2011/12 to FY 2022/23 on average. Though there has been a bigger fluctuation among some major components of financing, a fast rise has persistently taken place in principal payment of domestic loans, which rose by 22.9 times in thirteen years. Its share in total financing reached 30.5 percent in FY 2022/23 from 15 percent in FY 2011/12. Despite wider fluctuation in the level as well as share of internal loan, domestic share investment and external loan payment have equally been instrumental to push the level of financing to a greater extent (Table Appendix 2.5).

The increasing trend in funding liability of financing components can be gauged by examining Figure 2.8.

Figure 2.8: Trends in Financial Management Components and their Percentage Share



Source: Budget of GoN, MoF (FY 2011/2024), Economic Survey, MoF (FY 2011/2024)

2.2 Trends in Major Funding Sources and Their Role in Public Expenditure Management

The expansion overall and major components of public expenditure, along with changing sectoral spending patterns, are affected by the funding sources to a greater extent. Funding sources also indicate the changing dependency conditions on loans in general and external funding over time in particular, which, to some extent, helps to gauge the gains in economic strength, including a rise in internal capacity to raise revenue. For better understanding such intricacies, funding sources for the longer period (from FY 2074/75 to FY 2023/24) and relatively short period (from FY 2011/12 to FY 2023/24) have been presented in the Appendix Tables 2.6 and 2.7, respectively. They provide an interesting phenomenon among the major funding sources. As the Appendix Table 2.6 depicts, during the period from FY 1974/75 to FY 2022/23, the growth in revenue was 16 percent on average, which is the same as the growth in public expenditure. In the shorter period, however, there has been some slowdown in the revenue growth at 15 percent on average. But in view of the slowdown in the growth of both GDP and expenditure at 10 and 13 percent, respectively, the revenue performance may be regarded as satisfactory. Apparently, it shows that revenue buoyancy is above 1.

On the other hand, if two periods of external aid financing growth are considered, a major shift is observed. From the growth of 16 percent during the longer period (from FY 1974/75 to FY 2023/24), the external loan component increased at a rate of 24 percent per annum on average in the period (from FY 2011/12 to FY 2023/24), which means the dependency on loan financing has further increased in more recent years. This has partly happened as a result of the shift from a grant to a loan. The grant component, which increased at the rate of 11 percent during the longer period, registered a negative growth of 1 percent during the period from FY 2011/12 to FY 2022/23 on average. Amidst wider fluctuation, internal borrowing increased by 15 percent during the longer period and by 7 percent during the shorter period.

The growth in the funding components during the entire period gives a picture of how each component has performed, as it also considers the base level and subsequent growth in that level. Accordingly, it is found that during the entire period from FY 1974/75 to FY 2022/23, the highest rise has taken place in foreign loans at 14 times, followed by revenue 12.4 times. During the same period, the grants rose by 12.1 times, followed by 8.1 times increase in internal borrowing. When the period from FY 2011/12 to FY 2022/23 is considered, certain changes in the growth of major funding sources are witnessed. During this period, total revenue grew by 5.1 times compared to 4.5 times increase in public expenditure. It thus shows that revenue performance in this entire period has been relatively satisfactory. Noticeably, compared to 0.8 times increase in grants components, foreign loans have increased by 13.1 times, which again shows that in recent years, the dependency on foreign loans has continuously increased. During this period, internal borrowing has increased by 2.3 times.

The fast rise in external loans amidst a decline in foreign grant contributions is a major area of concern. However, the considerable increase in the contribution of internal revenue is the light at the end of the tunnel. For instance, in FY 1974/75, out of the total expenditure, about 66.5 percent was funded by the revenue. Such a ratio increased to 83.6 percent in FY 2013/14. The rise in internal revenue contribution increased further and reached 85 percent in 2021/22. Thereafter, however, some deceleration has taken place with such a contribution reducing to 81.9 percent. On the foreign aid front, a big shift in the contribution has taken place from grant to loan. In FY 2074/75, out of the total expenditure, 18.7 percent was funded by a grant, with the loan share remaining close to 6.9 percent. The share of grants was highest at 23.2 percent in FY 1979/80. Thereafter, a sharp fall manifested with its share reducing to just 1.6 percent in FY 2022/23. The contribution of external loans was highest in FY 1998/99 at 19.9 percent. It has been reduced to 9.5 percent in FY 2022/23, which is partly due to low absorptive capacity[16].

Despite the continued rise in the share of internal revenue contribution in recent years, the decline in the share of foreign aid has impacted deficit financing. Though deficit financing has largely been kept within certain limits after the implementation of SAP in the mid-1980s, a reduction in foreign aid has been compensated for by enlarging the size of the internal borrowing amidst a relatively high level of public expenditure. In FY 2017/18, its contribution to total expenditure was 21.1 percent, albeit with a reduction in FY 2022/23 to 19.1 percent. Interestingly, the larger size of internal borrowing is closely associated with the size of the total expenditure. Despite internal revenue contribution remaining persistently high in recent years amidst a reduction in external aid, notably foreign grants, the higher level of public expenditure has been funded through deficit financing. For instance, with expenditure share in GDP standing at 31.5 percent in FY 2017/18, which has been the highest under review, internal borrowing as a share of GDP also reached a correspondingly high level at 6.6 percent.

More recent trends further exhibit that despite some reduction in the total expenditure as a share of GDP, the share of internal borrowing has remained high, which stood at 5.1 percent of GDP in FY 2022/23. This is happening despite revenue as a share of GDP standing at 22 percent or above in more recent years, which is one of the highest in South Asia. Thus, with capital expenditure share remaining stagnant or declining in recent years, the entire phenomenon corroborates that both revenue mobilizations and high levels of internal borrowings have largely been used to fund

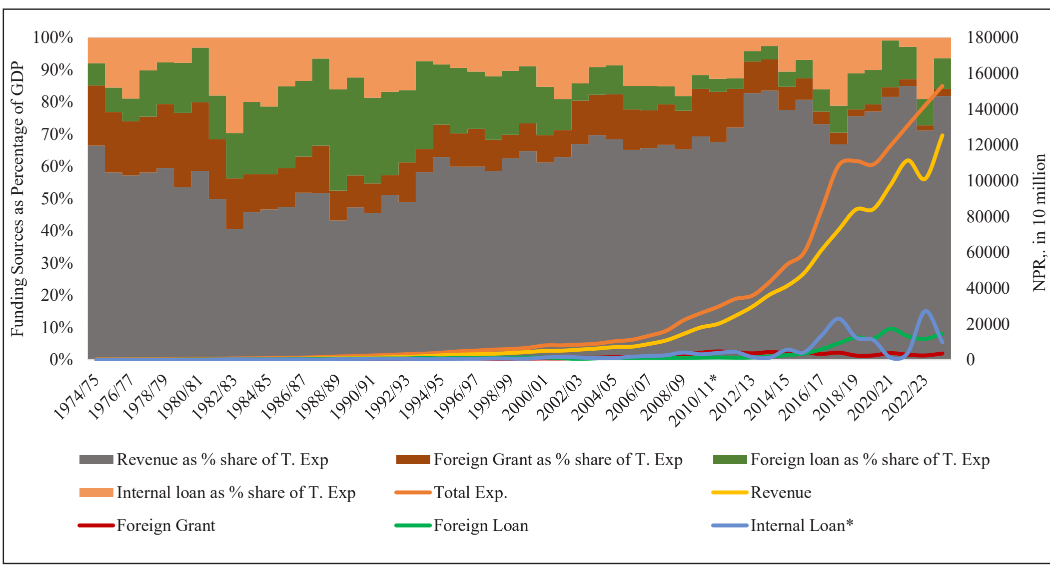
16. The need to improve Nepal's resource absorption capacity for aid effectiveness has been pointed out by some studies including MoF (2024).

recurring expenses and financing. Such a phenomenon portrays the possibilities of increased inefficiencies and ineffectiveness in public expenditure management systems.

Taking it together, the most common phenomenon is that there has been wider fluctuation in the mobilization of both revenue and aid, with an effect on sectoral spending in general and spending in development programmes in particular. Lack of consistent or predictable sectoral spending patterns, especially associated with development programmes, is partly the outcome of increased inefficiencies and ineffectiveness in the public expenditure management system. More noticeably, oscillation in internal borrowing is partly because of performance in revenue and aid front and partly due to low absorptive capacity, which is associated with public expenditure management to a greater extent. This additionally exhibits lower predictability in maintaining fiscal stability, as well as fails to facilitate an investment environment.

The year-to-year trend plotted in Figure 2.9 shows how each component has performed over the years. It also shows likely ramifications on spending patterns in general and public expenditure management in particular, including fiscal stability.

Figure 2.9: Funding Sources and Their Percentage Share



Source: Budget of GoN, MoF (FY 1974/2023), Economic Survey, MoF (FY 1974/2023)

2.3 Implication of Loan on Debt Outstanding and Debt Servicing

The larger dependency on loans has the possibility of rapid expansion in both debts outstanding and debt services. Though Nepal so far is not in the category of a highly indebted country (IMF, 2024), the exponential growth in borrowing despite its limited effectiveness in building productive capacity signals that there are signs of mounting debt stresses. First, during the period from FY 1974/75 to FY 2022/23, the domestic debt increased by 18.8 times. The rise in external debt has been more phenomenal, as it rose by 31.6 times during the same period.

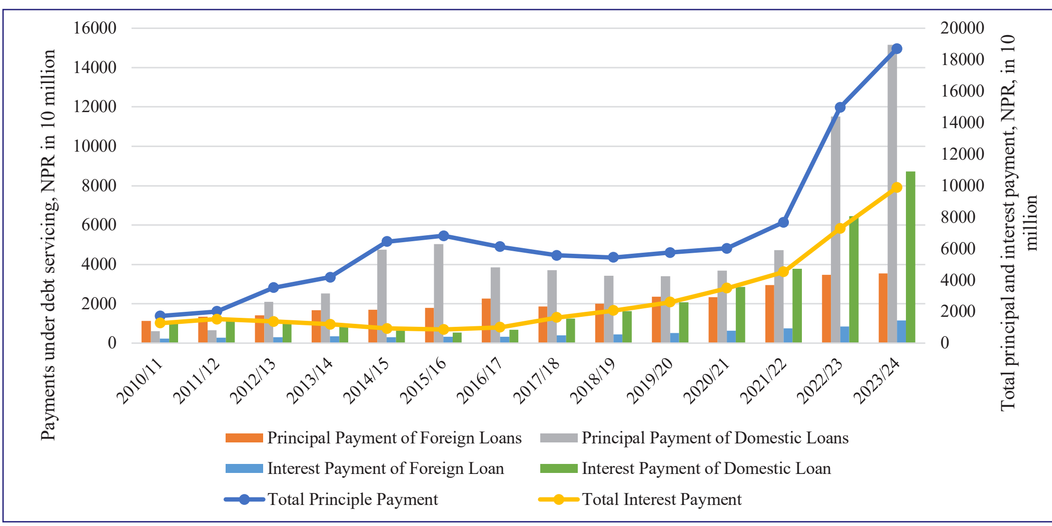
Similarly, as a share of GDP, total debt outstanding was 5.7 percent in FY 1974/75, consisting of 3.6 percent internal and 2.1 percent external debt, which can be regarded as comparatively low. But total debt outstanding escalated continuously and reached 63.9 percent of GDP in FY 2001/02, comprising 47.9 percent external and 16 percent internal debt. With a very high ratio, there were attempts to reduce it in the following years. By FY 2014/15, it went down to 22.3 per cent as a share of GDP, in which ratio of internal loan outstanding was 8.1 percent and external was 14.2 percent. Thereafter, a phenomenon of a marked increase in debt outstanding started and reached 41.5 percent as a share of GDP in FY 2022/23, with an internal debt outstanding ratio of 21.1 and an external debt outstanding ratio of 20.4 percent. Though there was a slight reduction in FY 2022/23 (Appendix Table 2.8), more recent trends indicate the possibility of a rapid rise in debt outstanding in the coming years.

A rapid rise in debt as a share of GDP occurs when outstanding debt grows faster than GDP growth. Considering the fiscal year of picking up the debt ratio, completion of gestation period and likely period of high returns, it is generally expected that after a certain period, debt outstanding starts stabilizing or declining. Such a possibility seems to be remote in the immediate future in Nepal, with a threat of debt sustainability gradually emerging as a major area of concern.

The debt-led crisis in Sri Lanka and Pakistan indicates how debt could have wide-ranging and serious economy-wide effects, leading to aggravation in political and social crises (Wignaraja, 2024; Partington, 2022; Bhowmick & Ghosh, 2023; Reuters, 2024). Though Nepal enjoys the concessional ODA loan so far, it may not be able to get such a facility for long after graduation in 2026 (NPC, 2024). At the same time, internal loans with high interest rates have now outstripped the external loans, leading to a faster rise in debt servicing liability. This can be gauged from the Appendix Table 2.9.

As shown in the Appendix Table 2.9, during the period FY 2010/11, the major increment has taken place in the share of domestic principal payment, from 20 percent in FY 2010/11 to 51.7 percent in FY 2022/23. Again, the next highest share is payment of domestic interest, which was 29 percent in 2022/23. More insightful ideas can be obtained when the share of principal and interest payments is compared with total revenue, total public expenditure and the GDP. Accordingly, the debt servicing has gone up from 15 percent of revenue in FY 2011/12 to 22 percent in FY 2022/23. The debt serving as a share of total expenditure has risen to 15.7 percent from 10.1 percent during the same period. Debt servicing liability as a share of GDP also reached 4.2 percent of GDP in FY 2022/23 from 1.9 percent in FY 2011/12. The debt servicing liability as a share of GDP increased after the 2015 earthquake, which continued throughout the pandemic and even afterwards. (Figure 2.9). An economy facing a serious resource scarcity problem[17], the increased resource diversion towards funding debt servicing liability will lead to a compromise of development efforts. This, in turn, may have some contractionary effect on the economy through the chain effect. Therefore, this issue, which is coming to the forefront very strongly, poses an additional challenge to public expenditure and public financial management. Such possibilities can be gauged from the Figures 2.10, 2.11 and 2.12.

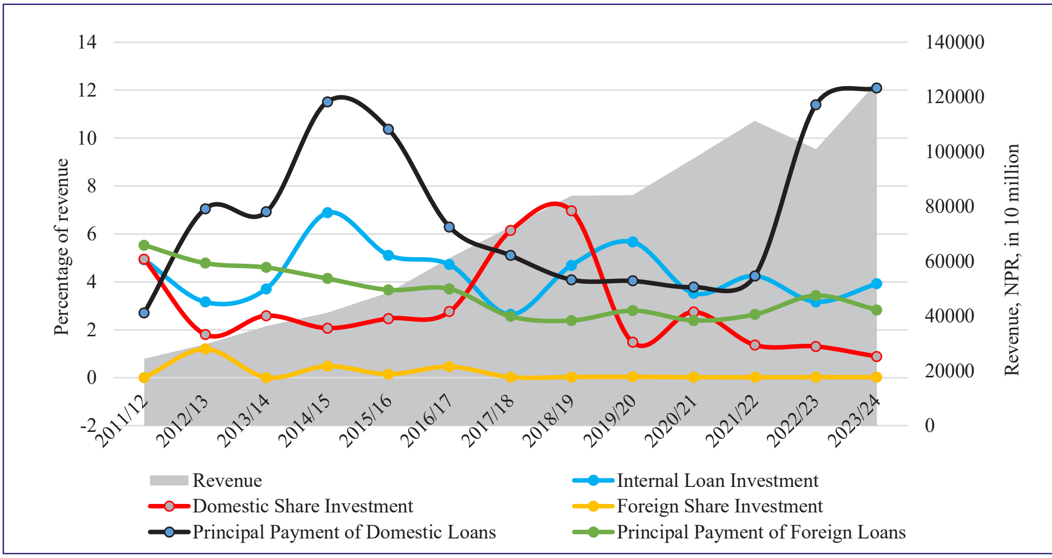
Figure 2.10: Debt Servicing Trend of Major Components



Source: Nepal Rastra Bank (2021), Economic Survey MoF (FY 2010/2024), Budget of GoN MOF (FY 2011/2024)

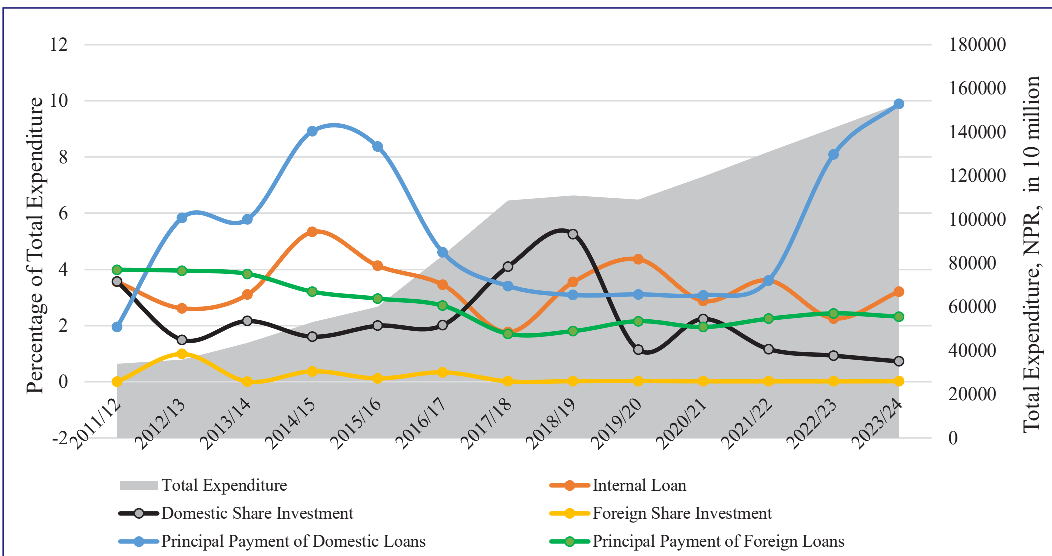
17. Resource gap in funding SDGs is the best example of this. To know what extent Nepal is facing resource gap problem annually toward meeting SDGs see NPC (2017).

Figure 2.11: Debt Serving Components and Their Share in Total Revenue



Source: Nepal Rastra Bank (2021), Economic Survey MoF (FY 2011/2024), Budget of GoN MoF (FY 2011/2024)

Figure 2.12: Debt Servicing Components and Their Share in Total Expenditure



Source: Nepal Rastra Bank (2021), Economic Survey MoF (FY 2011/2024), Budget of GoN MoF (FY 2011/2024)

2.4 Growth and Pattern of Public Expenditure in Sub-National Governments

In the sections below, first, the pattern of combined public expenditure of three levels and sources of funding is presented. This is followed by a brief assessment of the funding sources of sub-national governments' expenses, in which the composition and pattern of fiscal transfer have been specifically looked into. The funding sources give a broad idea of the extent of dependency of provinces on the central government and dependency of local levels at both the federal level and provinces.

2.4.1 Overall and Compositional Pattern of Payments and Funding Sources at Three Tiers of Government

The consolidated expenditure and funding data of federal, provincial and local governments give broad ideas on their tendency in the aftermath of the federal system of governance (Appendix Table 2.10). In FY 2018/19, a full-fledged yearly budget was prepared and implemented by the provincial governments as well. So, taking FY 2018/19 as a base year and tracking the trend up to FY 2023/24, a distinct pattern is observed. In FY 2018/19, the share of federal, provincial and local governments in total expenditure was 76.5, 8.6 and 14.8 percent, respectively. In the funding sources, the share of internal revenue and loans at three levels, viz., federal, provincial and local levels, comes out to be 71.5, 86.0 and 95.37 percent, respectively.

The consolidated expenditure of three levels (as a share of GDP) was 34.1 percent, which went up further in FY 2019/20. One phenomenon is that there are no significant changes in the share of each level in the following years. But certain changes in the funding sources have taken place during the same period. For instance, in FY 2023/24, out of the total expenditure of the three levels combined, the share of domestic funding of federal, provincial, and local levels has been 88.3, 94.8 and 92.5 percent, respectively. In this way, while the share of internal sources in funding expenditure of federal and provincial governments has increased, the internal funding source at the local levels has decreased compared to FY 2018/19. The trends are presented in Figure 2.13 below.

The treasury position of three tiers gives a clear picture of both funding sources and major expenditure categories, viz., recurrent, capital and financial management. The funding sources include all types of fiscal transfers from the center to the provinces and local levels and from provinces to the local levels, as well as revenue sharing among the three tiers (Appendix Table 2.11).[18] As the table indicates, in FY 2018/19, the share of tax and non-revenue as a direct source of the federal government was 86.5 percent in total receipts. Rest came from different sources, including revenue sharing. In the form of financial and non-financial receipts, the shares were 79.3 and 20.3 percent, respectively. On the other hand, total tax and non-tax revenue shares in total receipts of provinces and local levels were meagre at 11 and 7 percent, respectively. There were one hundred percent non-financing receipts at the sub-national governments. In total, the contribution of revenue was 57.4 percent. The share of internal revenue contribution to total receipts did not improve much in subsequent fiscal years at the sub-national government level.

In FY 2021/22, the share of revenue in total receipts was 12.2 and 8.5 percent, respectively. The overdependency of sub-national governments on the federal government can also be gauged from Table 2.11. In FY 2018/19, fiscal transfer from the center to provinces and local level was 60.1 and 69.1 percent. Though there was some decline in the share of such a transfer to both levels in the subsequent years, the reduction in the share was more apparent at the provincial level. In FY 2021/22, for instance, while the fiscal transfer to provinces reduced to 50.6 percent of the total receipts, the share of the local level remained 65.1 percent. The share of non-financial receipts was a hundred percent at both levels. A more interesting phenomenon is observed in the payment front at the sub-national government levels. Out of the total receipts of NPR 183.9 billion and NPR 382.6 billion at the provincial and local level, actual payment was in the order of NPR 112 billion and NPR 306.4 billion, respectively. This shows the poor absorptive capacity of the sub-national governments in that fiscal year.[19] Though the situation improved at the local level in FY 2021/22, no major improvement took place at the provincial level. Out of the total receipt of NPR 219.5 billion, actual payment made in that fiscal year was NPR 187.5 billion.

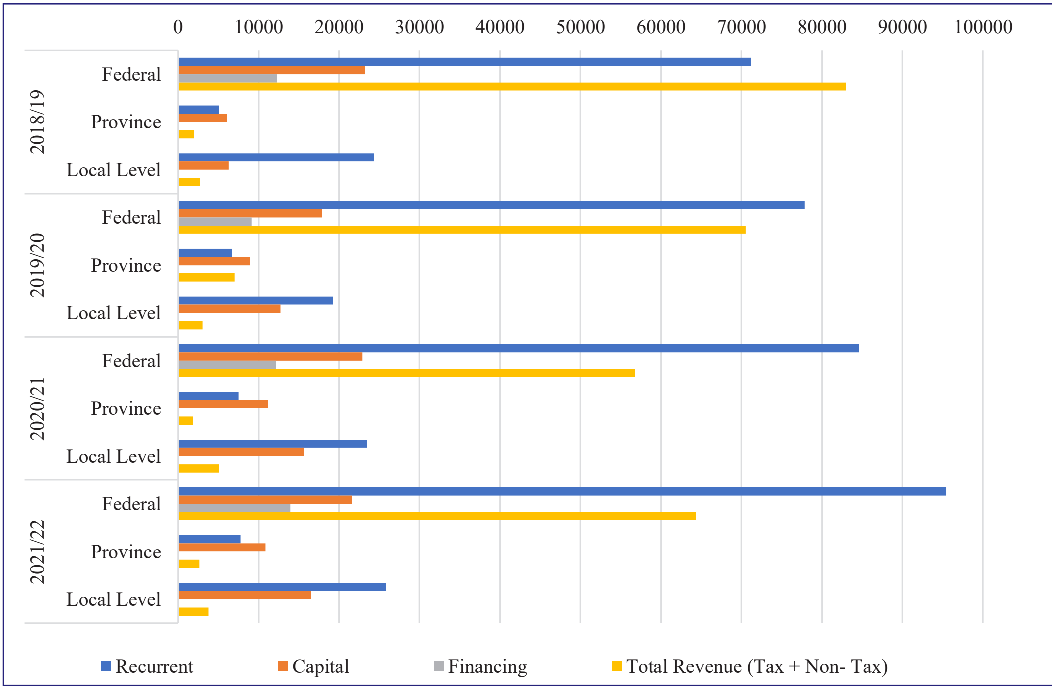
On the expenditure side, total payment at the federal, provincial and local levels increased by 1.2, 1.7 and 1.4 times, respectively during the period from FY 2018/19 to FY 2021/22. Out of the total expenses, payments made for recurrent, capital and financing were 66.7, 21.8 and 11.5 percent, respectively, in FY 2018/19 at the federal level. The share of recurrent and capital expenditure payments at the provincial level was 45.6, 54.4 percent, respectively. At the local level, the share of recurring expenses payments was relatively high, 79.5 percent, as against 20.5 percent payments for capital expenditure categories. While the payments on the

18. As the Appendix Table 2.11 is based on the FCGO statement on consolidated treasury position of three tiers, the numbers slightly vary with the similar data provided in the government budgets.

19. For more on the capacity of local governmnets see Acharya & Scott (2022).

recurrent expenses increased to 72.8 percent at the federal level, the share of such payments decreased at both the provincial and local levels in FY 2021/22. Such a trend can be observed from the plotted Figure 2.13.

Figure 2.13: Consolidated Expenditure and Revenue



Source: Consolidated Financial Statements (FY 2018-2022), Financial Comptroller General Office, GoN

2.4.2 Overall Pattern of Fiscal Transfers to the Sub-national Governments Level

Under fiscal transfers, four types of grants (equalization, conditional, complementary and special) are provided by the federal government to the provinces and local levels. Similar transfers are provided by the provinces to the local levels. Amidst huge inter-provincial imbalances in human development[20] and other socio-economic indicators,[21] how these transfers are divided among the provinces is important. Such transfers also give a broad idea of the extent to which fiscal federalism has been enforced as per the constitutional provisions.

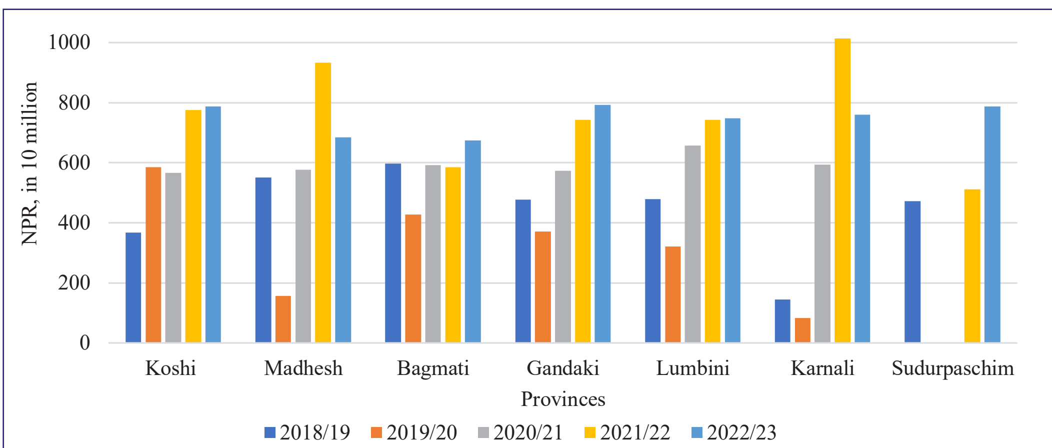
20. For assessing such imbalances more closely see Nepal Human Development Report 2020 (NPC/UNDP 2020).

21. See Nepal Living Standard Survey 2022/23 (NSO, 2024).

In Appendix Table 2.12, the level and composition of fiscal transfer from the federal government to the provinces are given. As the table shows, first, within the fiscal transfers, the share of equalization and conditional grants is high. The share of the other two is very low. At the same time, during the period between FY 2018/19 and FY 2021/22, no major increment in fiscal transfer took place despite some shifts in the share of transfers from relatively developed to the less developed or lagging provinces. From FY 2018/19 to FY 2021/22, there were a 1.3, 1.4, 1.1, 1.3, 1.2, 1.8 and 1.5 times increase in the fiscal transfer to Koshi, Madhesh, Bagmati, Gandaki, Lumbini, Karnali and Sudurpaschim provinces, respectively.

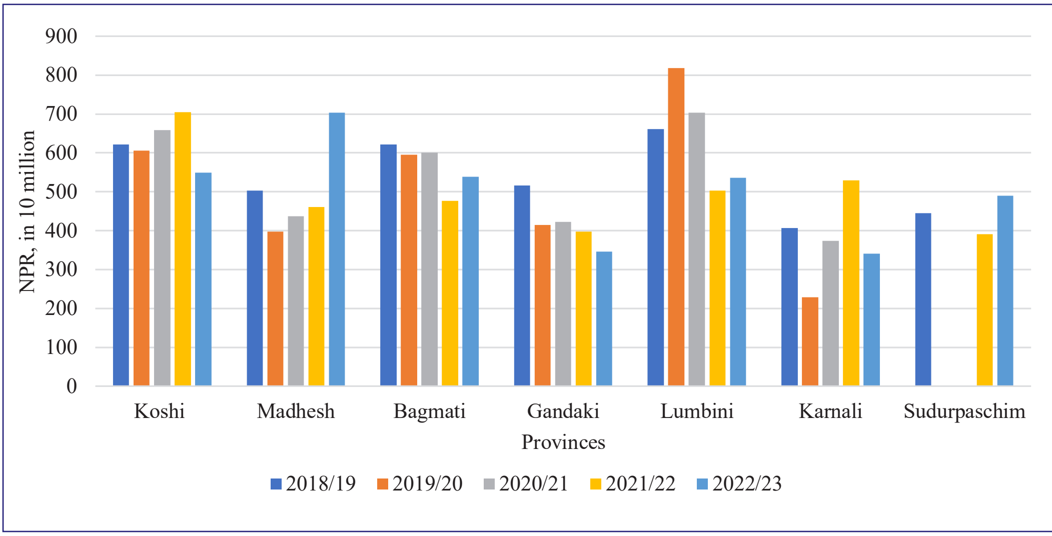
Noticeably, during this period, the total fiscal transfer from the federal government to provinces rose by 1.3 times on average. This means the increment in transfers to Karnali and Sudurpaschim provinces was relatively high. Also, the share of federal transfers to Madhesh, Karnali and Sudurpaschim provinces went up compared to other provinces during the period from FY 2018/19 to FY 2021/22. However, examining the composition of fiscal transfer, very diverse patterns across provinces are found, which is hard to justify. For instance, compared to that of the FY 2018/19, the share of equalization grants increased substantially in FY 2021/22 in Koshi Province. Such an increase was highest in Karnali Province, followed by Gandaki Province. On the other hand, there was a slight increase in the conditional grant to Madhesh province during the period. The overall pattern shows that there are no firm bases of fiscal transfers from the center to the provinces (Figure 2.14 a, b, c and d).

Figure 2.14a: Equalization Grant Received by Provinces



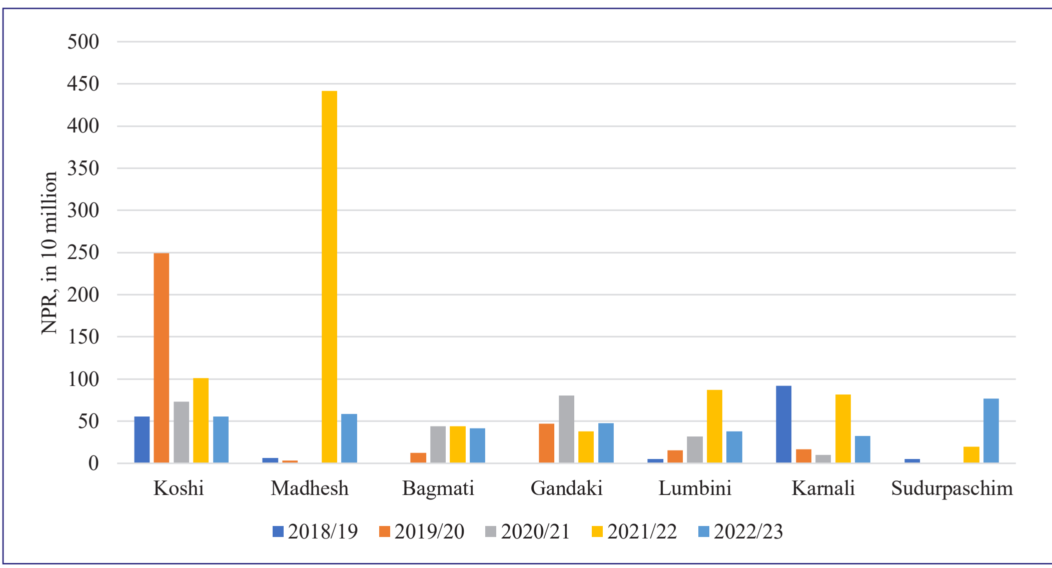
Source: OAG Provincial Annual Reports of respective province, Office of the Auditor General (OAG) Provincial Offices, Various Years, GoN

Figure 2.14b: Conditional Grants Received by Provinces



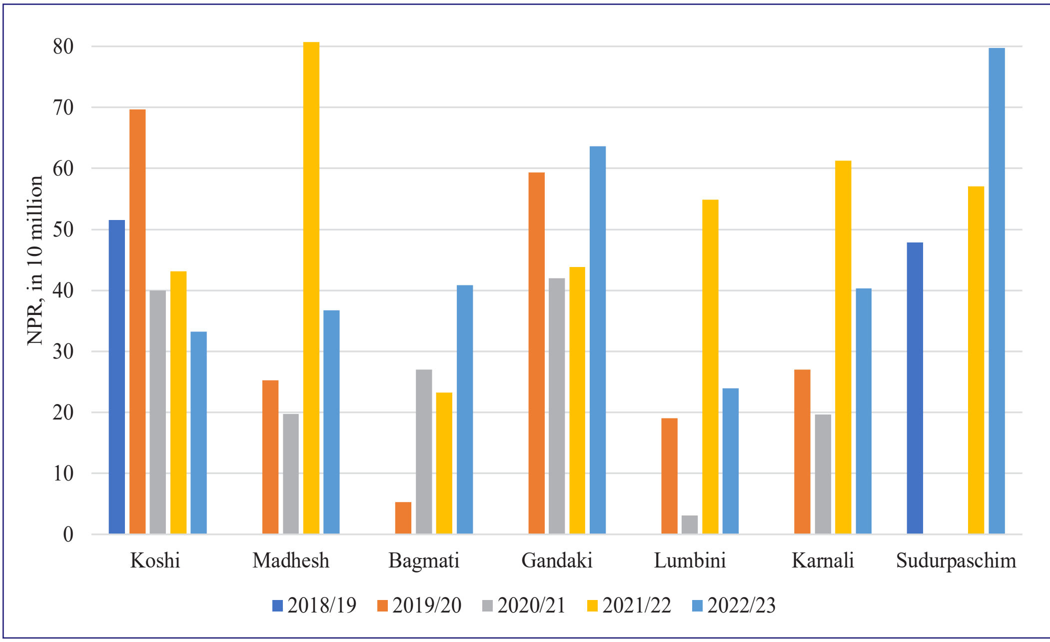
Source: OAG Provincial annual reports of each respective province, Office of the Auditor General (OAG) Provincial Offices of various years, GoN

Figure 2.14c: Complementary Grant Received by Provinces



Source: OAG provincial annual reports of each respective province, Office of the Auditor General (OAG) provincial offices of various years, GoN

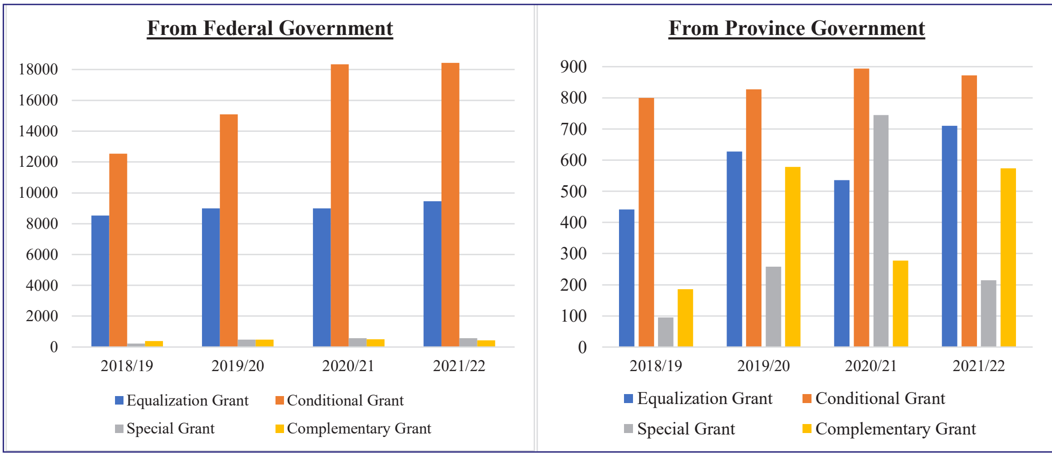
Figure 2.14d: Special Grant Received by Provinces



Source: OAG provincial annual reports of respective province, Office of the Auditor General (OAG) provincial offices of various years, GoN

The pattern of fiscal transfer from the federal and provincial governments to the local level has been different from the transfers to the provinces (Appendix Table 2.13). During the period from FY 2018/19 to FY 2021/22, there was 1.4 times increase in the total transfers, from NPR 232 billion to NPR 324.1 billion, in which the share of the federal government was predominant at almost 93 percent in FY 2021/22. Out of the total transfers, the share of conditional grants from the center increased 57.8 percent in FY 2018/19. Such a share increased further and reached 64.8 percent in FY 2021/22. The transfer pattern of provinces has been slightly different, largely due to a higher share of complementary grants to the local levels, especially in FY 2021/22. Overall, out of 1.4 times growth in transfers, the growth in equalization, conditional, special and complementary grants has been 1.1, 1.5, 1.5 and 1.9 times respectively (Figure 2.15).

Figure 2.15: Grants Transferred to the Local Level from Federal and Provincial Governments



Source: 61st Annual Report of the Office of the Auditor General (OAG), GON

Based on these, shifting of expenditure responsibilities from the center to the sub-national governments has taken place very slowly, lacking the spirit of the Constitution of Nepal. At the same time, the dependency of sub-national governments on the center has not decreased much, which indicates poor revenue generation efforts at the sub-national government level.

Similarly, no firm basis of fiscal transfers is found. On the other hand, there is increased competition to expand the size of the budget, particularly at the provincial level, leading to an upward tendency in the total expenditure as a share of GDP. Though expanding expenses, at the aggregate level, are largely met through internal sources, there is an increased tendency to rely more on internal borrowing, especially at the federal level.

The Intergovernmental Fiscal Management Act 2017 has a provision for sub-national governments to mobilize domestic loans like the central government, within the limit specified by the National Natural Resource and Fiscal Commission.[22] If the sub-national governments also start borrowing domestically without setting priority to tap potential revenue sources amidst excessive dependency on resource

22. The borrowing limit was set at 12 percent of revenue shared by the federal government and their own-source revenue for the provincial governments in the FY 2022/23. Similarly, local governments have the same ceiling, calculated as a share of revenue shared by the federal and provincial governments along with their own-source revenue. Even though, Madhesh, Gandaki, and Lumbini provinces had budgeted domestic borrowing to meet their fiscal deficits in FY 2022/23 based on the legal provision. However, no province actually raised domestic loans to finance their fiscal deficit in FY 2022/23 (World Bank, 2024).

transfers from the center, this may have a destabilizing effect. The situation may worsen further if expanded expenses are poorly managed, resulting from Baumol's hypothesis type upshot.

2.5 Major Contributors of Public Expenditure Growth

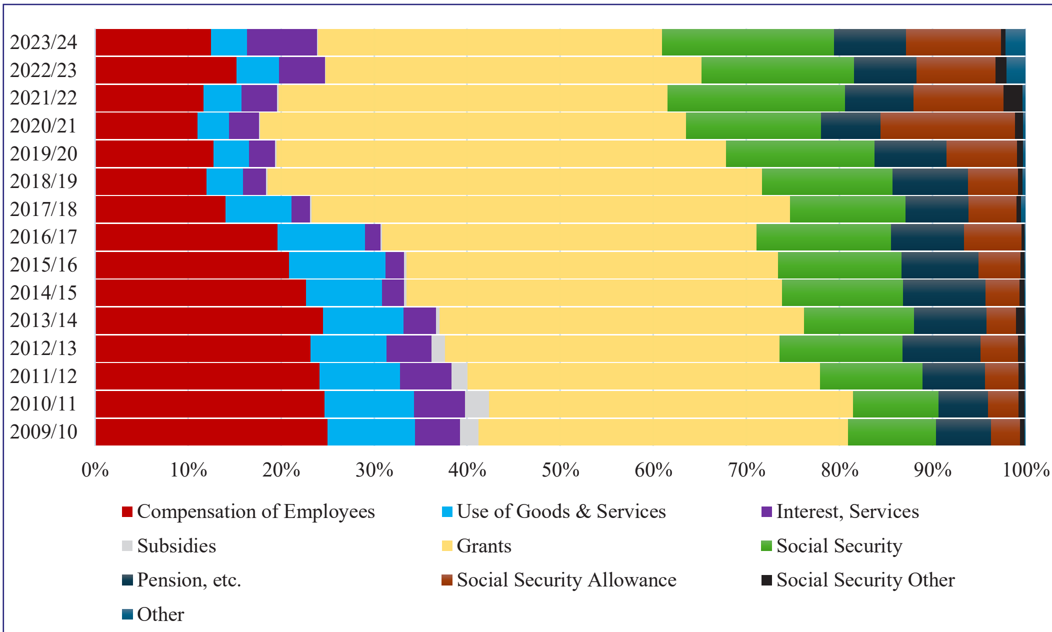
Under the central government, growth tendency in total expenditure and major components has already been discussed above. As shown above, the growth in capital expenditure as a share has either declined or stagnated over the years. Similarly, reasons for the fast growth in financing components have also been analyzed above. Therefore, in this section below, major factors contributing to the growth in recurrent expenditure based on the economic classification are discussed.

As is well known, under economic classification, compensation of employees, use of goods and services, interest services, subsidies, grants and social security constitute the major components. Under social security, pensions to the government employee and social protection to the elderly and other vulnerable populations are the two major expenses. As is clear from the Appendix Table 2.12, the recurrent expenditure constituting these major categories often has outstripped the size of the revenue mobilized in some fiscal years. This is true for the fiscal year FY 2009/10 and FY 2022/23. In the rest of the fiscal years, the combined share of these has been in the range of 82 (FY 2014/15) to 91 (FY 2023/24) percent. During the period from FY 2009/10 to FY 2023/24, the largest growth of spending took place in social protection for the elderly and other vulnerable populations, with a combined growth of social security at 20.2 percent. In that the growth of pensions was also high at 17 percent.

Similarly, interest in services went up by 18.3 percent, followed by grants and compensation of employees at 14.1 and 9.1 percent, respectively. In terms of total growth, social protection increased by 22 times, pension by 13.2 times, interest by 10.6 times, grants by 6.3 and compensation of employees by 3.4 times during the period between FY 2009/10 and FY 2022/23. The share of grants has been persistently high at a minimum of 43.9 percent in FY 2009/10 to highest at 51.7 percent in FY 2021/22. Now the second major recurrent expenditure share has been taken by social security at 22.7 percent in FY 2022/23. Such a share was 10.5 percent in FY 2009/10. In that, social protection to the elderly and other vulnerable populations has now overtaken the pension share. The share of compensation of employees has steadily declined over time, more so in the aftermath of the federal system of governance (Appendix Table 2.13). How the growth and changes in the composition have taken place can be gauged by examining Figures 2.16 and 2.17.

Growth and changes in the composition of major contributing factors of recurrent expenditure portray many likely implications under the baseline scenario. First, the way the grants as well as social security expenses are rising, they may give little space to make expenses in other critical areas. There is no indication of initiatives in the containment of grants. Instead, the pressures of sub-national governments, accompanied by a populist approach followed by successive governments, indicate the possibilities of more and more resource allocation under this heading.

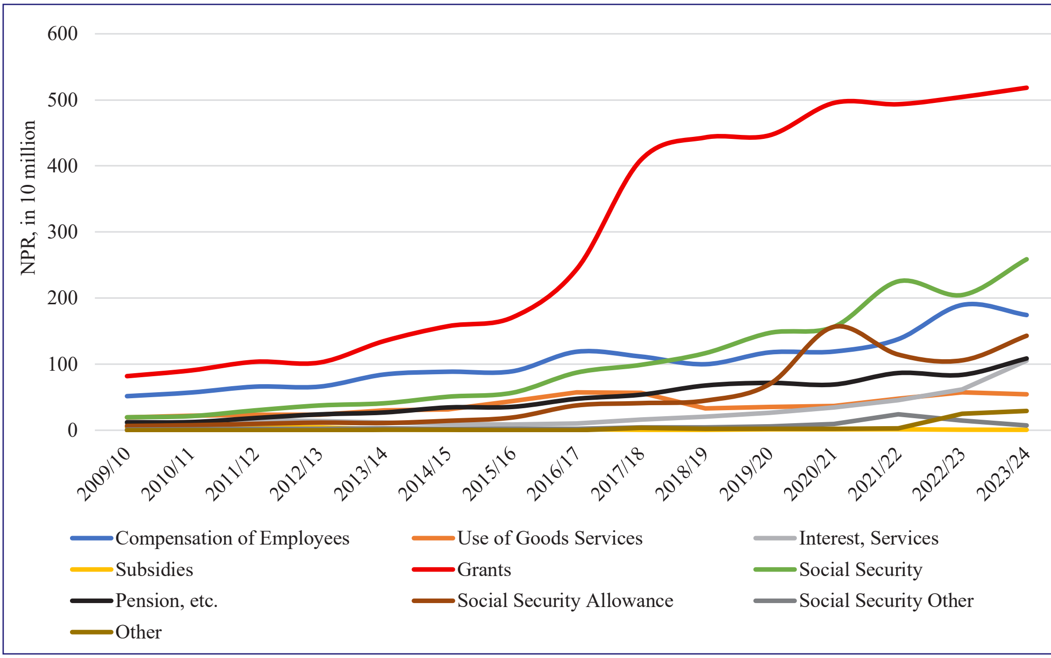
Figure 2.16: Percentage Share of Headings Under Economic Classification



Source: Budget of GoN (various years), MoF, GoN

Likewise, the way social protection programmes have been politicized and pursued following a universal approach without taking viability or sustainability factors into account, it may jeopardize the needed aggressive approach in enhancing human capability development amidst the threat posed by the 4th Industrial Revolution, i.e. technological advancement. It is also more than obvious that for improving governance and better delivery of services, as well as checking corruption and misuse of resources, a hike in wage levels and providing other facilities to the civil servants, workers and other employees will be needed at certain time intervals at least on a par with the rising cost of living.[23] This means there will be more pressure to increase the share of this expenditure head, which has received low priority, as its declining share indicates. All these indicate that public expenditure management is in a very quandary situation in Nepal.

Figure 2.17: Economic Classification Components and Trend



Source: Budget of GoN (various years), MoF, GoN

23. Wages are seen as the most popular motivational tool used by employers to raise the effort levels of employees (Deckop, 1995). The main argument of the efficiency wage hypothesis is that organizations that pay their employees a higher relative wage for comparable amount of work can improve employee performance and productivity (Shapiro & Stiglitz, 1984; Solow, 1979)

CHAPTER 3

DETERMINANTS OF MAJOR FEDERAL GOVERNMENT EXPENDITURE COMPONENTS

In this chapter, at first, major determinants of federal government expenditure have been estimated by using the methodology described in the first Chapter. Accordingly, a standard single equation regression model by using the OLS technique has been employed while computing the models. While doing so, adequate attention has been given to ensure the robustness of data as well as estimates.

Following empirical studies, supply, demand and some specific governance and corruption-related variables were chosen and tested to ensure their robustness for inclusion in the models as both dependent and independent variables.[24] In the models, the dependent variables are total, recurrent and capital expenditure. Among the independent variables considered for the model estimation after econometric tests are internal revenue, internal borrowing, foreign aid, unemployment, Overall Human Development Index, life expectancy at birth, Education Index, government wages, debt servicing, spending on social protection, Government Effectiveness Index and Control of Corruption Index.[25]

Various alternative forms such as levels, rate of change and log forms have been used for variable robustness. Then, a separate regression model for total government expenditure, total recurrent expenditure and total capital expenditure has been computed, taking the expected sign of the dependent variables, overall fitness and predictive capability of the model into account. While estimating the models, separate estimates have been made for dependent variables taking longer-term time series (i.e., from FY 1974/75 to FY 2023/24) and short-term time series (from FY 2009/10 to FY 2023/24). To consider the many policy and priority changes taking

24. For more details see methodology Section 1.5.3 of Chapter 1.

25. Government Effectiveness and Control of Corruption Index were obtained from the World Bank. The government effectiveness index is a ranking of state capacity and it measures the quality of public services, civil service, policy formulation and implementation, and the credibility of a government's commitment to improving or maintaining these aspects. Control of Corruption Index captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests.

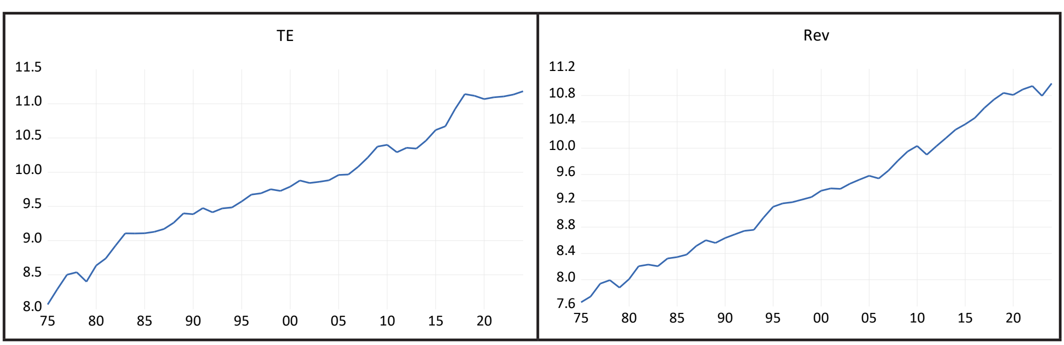
place, especially after the political shift in 2006, separate estimates have been made for comparative analysis purposes.

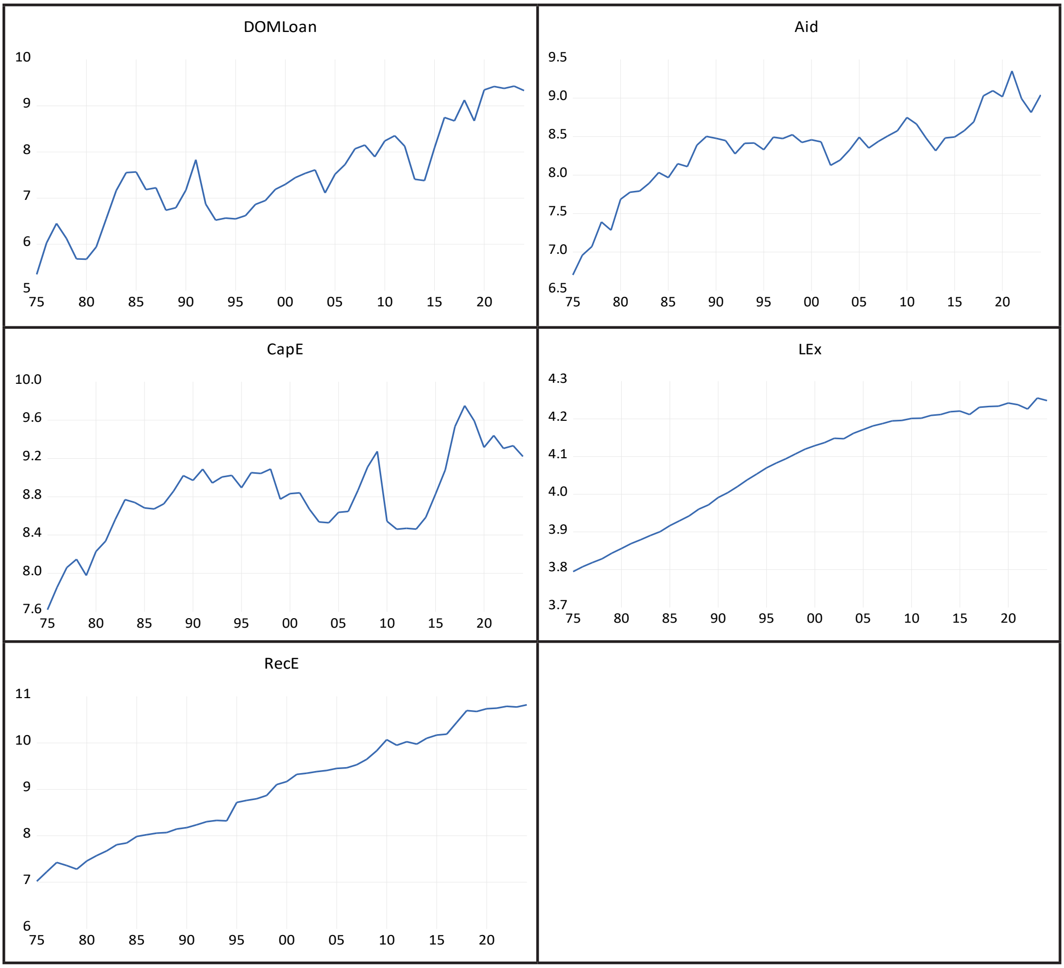
3.1 Determinant of Government Expenditure and Its Major Components

3.1.1 Variables Undertaken for the Long Run

The long-run dataset incorporates variables that have consistent historical availability and reflect fundamental aspects of Nepal's fiscal structure over the past five decades. Total government expenditure, capital expenditure, and recurrent expenditure are considered as dependent variables to capture the overall scale and composition of public spending. On the resource side, total government revenue is included since it reflects the fiscal capacity of the state and its ability to finance expenditures without excessive reliance on debt. Similarly, internal borrowing (DOMloan) is important as it reveals the government's dependence on domestic credit markets, influencing both fiscal sustainability and private sector liquidity. Foreign aid (Aid), including grants and concessional loans, is another crucial long-run factor, given Nepal's historical reliance on external assistance for financing development and social programmes. In addition, life expectancy at birth (Lex) is used as a proxy for long-term human development, reflecting how demographic improvements can influence government allocation patterns, particularly in capital spending.

Figure 3.1: Nature and Trend of Data (From FY 1974/75 to FY 2023/24)



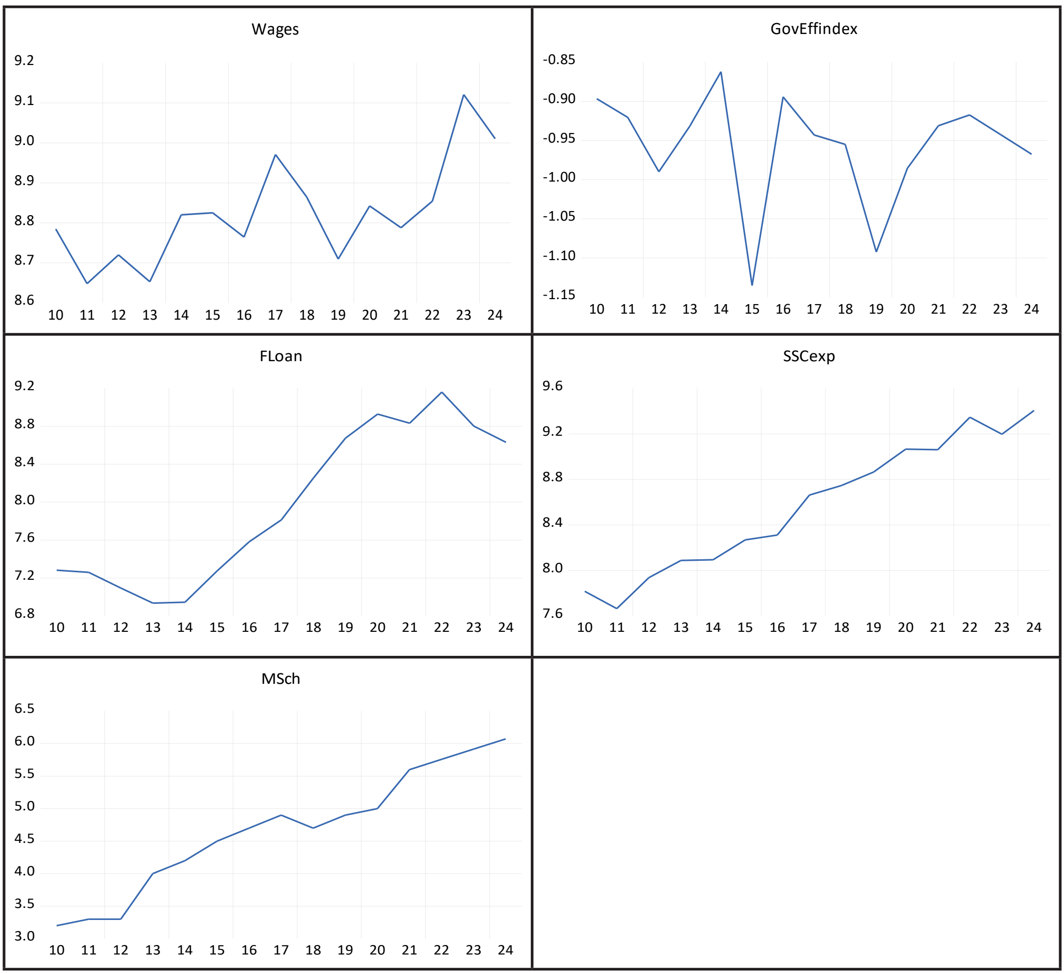


Source: Authors' calculation

3.1.2 Variables Undertaken for the Short Run

The short-run dataset includes variables that, although only available for the past 15 years, are highly relevant to capturing the contemporary fiscal dynamics of Nepal. Wages and salaries of government employees (Wages) represent a significant portion of recurrent expenditure, illustrating how personnel costs shape budgetary priorities. Foreign loan (Floan) is separated from total aid in the short run to capture more recent patterns of debt-financed spending, which have increased with infrastructure expansion. The Government Effectiveness Index (GovEffindex) is incorporated as a measure of institutional quality, governance efficiency, and policy implementation capacity, all of which are central to explaining expenditure efficiency in the short term. Similarly, total social security expenditure (SSCexp) reflects rising welfare commitments in recent years, driven by political promises and demographic shifts. Finally, mean years of schooling (Msch) serves as a proxy for human capital formation, highlighting how investments in education can influence recurrent spending needs and long-term growth trajectories.

Figure 3.2: Nature and Trend of Data (From FY 1974/75 to FY 2023/24)



Source: Authors' calculation

3.1.3 Summary Statistics and Correlation

Table 3.1: Summary of Statistics and Correlation Matrix

Summary of Statistics										
Variable	**lnte**	**lnrev**	**lndomloan**	**lnaid**	**lncape**	**lnlex**	**lnrece**	**lngdp**	**lngovfixed~n**	**lnpscredt**
Mean	9.795	9.315	7.465	8.313	8.8	4.076	9.025	11.467	8.563	9.986
Std. Dev.	0.838	0.981	1.047	0.54	0.442	0.147	1.155	0.633	0.667	1.558
Min	8.06	7.65	5.35	6.7	7.61	3.79	7.02	10.46	6.96	7.3
Max	11.18	10.98	9.42	9.35	9.75	4.25	10.82	12.49	9.85	12.38
Observation	50	50	50	50	50	50	50	50	50	50
Correlation Matrix										
Correlation	**lnte**	**lnrev**	**lndomloan**	**lnaid**	**lncape**	**lnlex**	**lnrece**	**lngdp**	**lngovfixed~n**	**lnpscredt**
lnte	1.000									
lnrev	0.990	1.000								
lndomloan	0.917	0.819	1.000							
lnaid	0.899	0.851	0.813	1.000						
lncape	0.760	0.687	0.718	0.869	1.000					
lnlex	0.951	0.956	0.813	0.856	0.650	1.000				
lnrece	0.986	0.994	0.895	0.844	0.659	0.968	1.000			
lngdp	0.984	0.994	0.878	0.846	0.663	0.975	0.995	1.000		
lngovfixed~n	0.922	0.871	0.849	0.915	0.868	0.817	0.863	0.863	1.000	
lnpscredt	0.983	0.993	0.871	0.853	0.666	0.978	0.995	0.996	0.864	1.000

Source: Authors' calculation.

3.1.4 Unit Root Test

While the long-run dataset was tested for unit roots to establish statistical robustness, the short-run dataset (from FY 2009/10 to FY 2023/24) was included primarily due to the limited availability of important macroeconomic and governance-related variables. Although the short span restricts the ability to capture clear trends or intercepts, these variables reflect recent structural shifts in Nepal's fiscal landscape that cannot be overlooked. Their inclusion, therefore, is not only a practical necessity but also an important step toward broadening the scope of expenditure analysis. This study should be viewed as a primary attempt, recognizing the inherent data constraints yet emphasizing the value of incorporating contemporary variables such as governance quality, social security expenditure, and human capital. Over time, as more years of data become available, these indicators are expected to exhibit stronger statistical properties. Meanwhile, their present use offers meaningful insights that can guide policymakers in designing forward-looking fiscal strategies. The results from the unit root test are presented in Table 3.2.

Table 3.2: Summary of Unit Root Tests (from FY 1974/75 to FY 2023/24)

Variable	ADF	PP	KPSS
TE	-6.067***	-6.037***	-0.981
Rev	-7.074***	-8.848***	-0.035
DOMloan	-6.186***	-9.327***	-0.165
Aid	-7.839***	-7.873***	-1.378
CapE	-5.728***	-5.659***	-1.001
LEx	-5.186***	-9.023***	-4.146
RecE	-7.175***	-8.231***	-0.536

**** Indicate significance at the 1 percent level*

Source: Authors' calculation

The Unit Root Test results (Table 3.2) confirm that most variables are stationary at levels, as indicated by highly significant ADF and PP statistics. For instance, total government expenditure (TE), revenue (Rev), domestic loan (DOMloan), aid (Aid), capital expenditure (CapE), life expectancy (Lex), and recurrent expenditure (RecE) all reject the null hypothesis of non-stationarity at the 1 percent level. This suggests that the long-run dataset spanning about 50 years from FY 1974/75 to FY 2023/24 captures stable relationships among these fiscal and macroeconomic variables. However, the KPSS results present mixed evidence. While variables such as revenue and recurrent expenditure show stationarity consistent with ADF and PP tests, others like aid, capital expenditure, and life expectancy record higher KPSS values, implying some persistence or trend components. This divergence highlights the importance of using multiple tests to confirm stationarity. The results confirm a robust foundation for applying long-run econometric models in analyzing government expenditure dynamics.

3.1.5 Lag Length Selection

The choice of lag length is conducted with the help of the Akaike Information Criterion (AIC) and Schwarz Bayesian Information Criterion (BIC) within the framework of the Schwarz Bayesian Information Criterion. Since the data range between 1975 and 2024, the essential choice of information is moderate, which is the reason it satisfies two criteria; it guarantees soundness in lag selection. AIC is sensitive in smaller samples but can choose longer parameters, whereas BIC is more parsimonious, penalizing subsequent parameters more so and therefore does not over-fit. Using the typical approach in econometrics, AIC and BIC reached the same conclusion, and results are provided to balance the competing roots of consistency and efficiency (Lutzkepohl, 2005).

Table 3.3: Lag Order Selection Criteria for Different Variables

Variable	Likelihood Ratio test (LR)	Final Prediction Error (FPE)	Akaike Information Criterion (AIC)	Hannan–Quinn Information Criterion (HQIC)	Schwarz Bayesian Information Criterion (BIC)	Selected Lag
lnte	1	1	1	1	1	1
lnrev	3	3	3	3	3	3
lndomloan	4	4	4	1	1	4
lnaid	1	1	1	1	1	1
lncape	1	2	2	1	1	2
lnlex	4	4	4	4	4	4
lnrece	1	1	1	1	1	1

Source: Authors' calculation

3.1.6 ARDL Bound Test Co-Integration Results

Table 3.4: ARDL Bounds Test for Long-Run Relationship

Models	Test Statistic	Value	10% CV		5% CV		1% CV		Decision
			I_0	I_1	I_0	I_1	I_0	I_1	
Model 1	F-statistic	14.60	2.37	3.20	2.79	3.67	3.65	4.66	Cointegration
Model 2	F-statistic	5.72	2.20	3.09	2.56	3.49	3.29	4.37	Cointegration
Model 3	F-statistic	14.46	2.63	3.35	3.10	3.87	4.13	5.00	Cointegration

Source: Authors' calculation

To investigate the presence of long-run relations between the variables in the three models mentioned, the ARDL Bounds Test according to Pesaran et al. (2001) methodology has been used. In Model 1 (k = 3), the F-test of 14.60 is greater than the critical values of 5 percent and 10 percent, and this implies that the long-run relationship between and among the variables is statistically significant. Again, Model 2 (k = 4) gave an F-statistic of 5.72, which exceeds the upper-bound critical value [I(1)] even at the 1 percent significance level (4.37). This confirms the existence of a statistically significant long-run relationship among the variables. In the case of Model 3 (k = 2), the F-statistic of 14.46 exceeds all its critical values, which is strong evidence of cointegration. Generally, the comparative outcomes of the ARDL bounds test always show the presence of statistically significant long-run relationships in all three models, which justifies the estimation of the long-run coefficients and implies that the variables change simultaneously, according to the equilibrium over time.

3.1.7 Long Run Estimation Results

Table 3.5: Long-Run Relationship of the Models and the Results of Diagnostic Tests

Variables	Model 1(a)	Model 2(a)	Model 3(a)
Rev	0.549***	0.622***	0.419***
Domloan	0.078***	0.037	0.049
Aid	0.216***	0.729***	-
Lex	-	10.645**	-
Constants	-3.42*	7.800***	-0.597***

Variables	Model 1(a)	Model 2(a)	Model 3(a)
R-square	0.979	0.910	0.995
Adj. R-square	0.968	0.865	0.994
Normality	3.544	2.572	1.399
Serial Correlation	0.909	8.212	0.079
Ramsey RESET	0.114	0.001	4.907
ARCH	0.028	1.755	2.015
Heteroscedasticity	11.077	11.202	8.229

**** Indicate significance at the 1 percent level, ** Indicate significance at the 5 percent level, and * Indicates significance at the 10 percent level.*

Source: Authors' calculation

Their long-run coefficients suggest that the three models have different effects of the explanatory variables on the dependent variable. In Model 1(a), revenue (Rev) is strongly and significantly positive (0.549, $p<0.01$), meaning that high levels of revenue contribute strongly to the dependent variable. The impacts of the domestic loans (Domloan) are also significant and positive (0.078, $p<0.01$), but the effect of aid (Aid) is substantially positive (0.216, $p<0.01$) and enhances the result. The constant is negative and significant at the 10 percent level (-3.42, $p<0.10$). Model 2(a) indicates that Rev and aid are both very strong and significant (0.622, $p<0.01$ and 0.729, $p<0.01$, respectively). Lex (life expectancy at birth) has a positive and statistically significant coefficient (10.645, $p<0.05$), indicating a positive long-run association between human development and capital expenditure. The result suggests that improvements in life expectancy are associated with higher levels of public investment over time. The constant is likewise positive and significant (7.800, $p<0.01$). In model 3(a), Rev has a positive, significant (0.419, $p<0.01$) effect, Domloan is insignificant, and the constant has a significant negative effect (-0.597, $p<0.01$). The R-squared values are large in all models (0.910-0.995), implying that they have good explanatory power. The diagnostic tests indicate that Model 1(a) should pass all the standard assumptions, whereas Model 2(a) presents some problems related to serial correlation and functional form, as well as possible mild heteroscedasticity concerns in Model 3 (a). In sum, the findings support the substantial long-run effects of revenue and aid across models, and the model-specific impacts of the domestic loans and legal quality.

3.1.8 Short Run Estimation Results

Table 3.6: Short-Run Relationship of the Models and the Results of Diagnostic Tests

Variables	Model 1(b)	Model 2(b)	Model 3(b)
Rev	0.771***	-	0.432*
Domloan	0.482	-	
Wages	0.431**	0.601	0.346*
Aid	0.178**	-	0.220**
GovEffindex	0.385	-0.808	-0.050
Floan		0.398***	
SSCexp		-	0.448**
Msch		-	-0.108
Constants	0.342*	-0.200	-2.439
R-square	0.979	0.687	0.985
Adj. R-square	0.968	0.601	0.974
Normality	3.544	2.571	1.426
Serial Correlation	0.090	8.213	2.995
Ramsey RESET	1.276		0.945
Heteroscedasticity	2.819	1.466	6.412

**** Indicate significance at the 1 percent level, ** indicate significance at the 5 percent level, and * indicates significance at the 10 percent level.*

Source: Authors' calculation

In the short run, the dynamics of the three models show great effects and variations of the explanatory variables. In Model 1(b), revenue (Rev) has a substantial positive impact (0.771, $p<0.01$), whereas wages (0.431, $p<0.05$) and aid (0.178, $p<0.05$) have a positive influence on the dependent variable as well. Domestic loans (Domloan) values are good but not significant, and the constant is positive and significant at the 10 percent level (0.342, $p< 0.10$). In Model 2(b), foreign loans have a highly significant positive effect (0.398, $p<0.01$). The other variables, such as government efficiency index (GovEffindex) are not significant and the constant is negative (-0.200). In Model 3(b), revenue is positive and significant at 10 percent

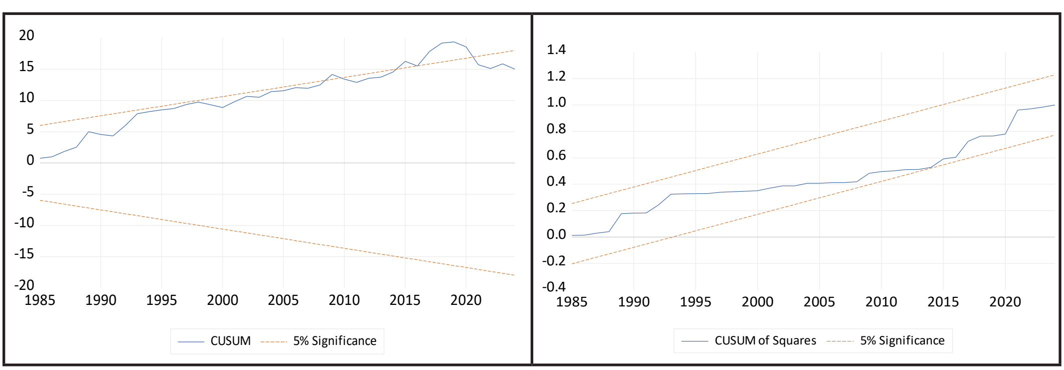
(0.432, p<0.10), wages and secondary school expenditure (SSCexp) is positive and significant (0.346, p<0.10; 0.448, p<0.05), aid significant at 5 percent (0.220, p<0.05), and Msch has a small negative and not significant effect (-0.108). The values of R-squared suggest that Models 1(b) and 3(b) are important in explaining variables (0.979 and 0.985), whereas Model 2(b) will have only moderate explanatory power (0.687). Diagnostics indicate no strong violations in Models 1(b), 3(b), but Model 2(b) gives a potential serial correlations problem. All in all, findings emphasize the fact that revenue, wages, aid, and a few financial/educational variables had significant impacts on short-run outcomes across models.

3.1.9 Robustness and Stability Tests

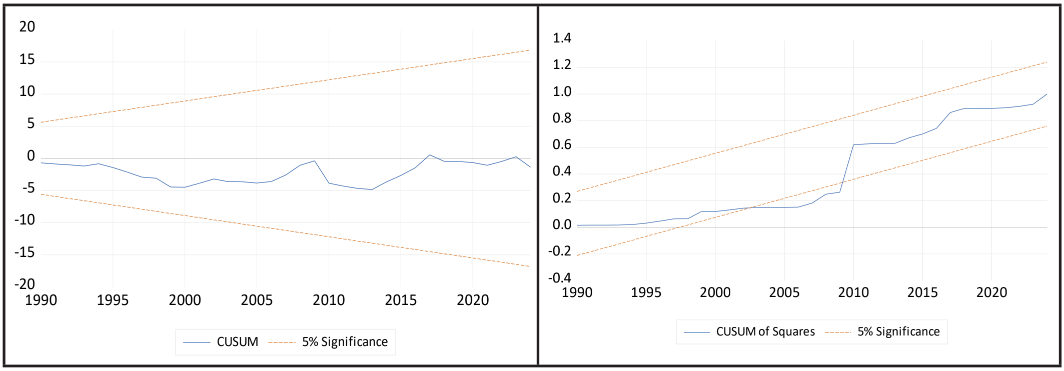
To test the soundness, effectiveness and dependability of the model, CUSUMSQ, and CUSUM, Brown et al. (1975) tests are used. As an extension, the CUSUM test uses the cumulative sum of recursive residuals of the initial n observations and was updated recursively and plotted against breakpoints (Bhatta, 2013). When the plot of the CUSUM statistics falls within the critical bounds of a 5 percent significance level depicted by a set of two straight lines drawn at the critical level of 5 percent, we can not reject the null hypothesis that all coefficients in the error correction model are stable. In case either of the lines intercepts, we can reject the null hypothesis of coefficient constancy at the 5 percent significance level. The calculation of the CUSUMSQ test that uses squared residuals of recursion is conducted similarly.

Figure 3.3: CUSUM and CUSUMSQ Test

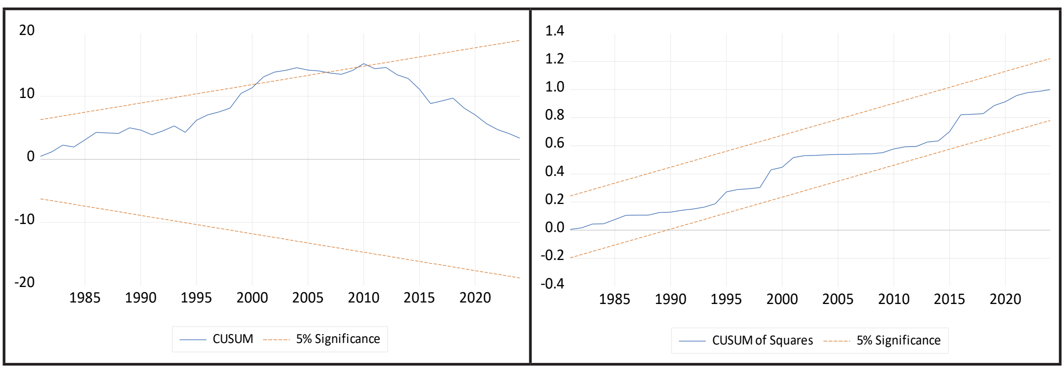
Model 1(a)



Model 2(a)



Model 3(a)



Source: Authors' calculation

The model coefficients were checked through stability tests, CUSUM and CUSUMSQ. All three model specifications result in the CUSUM and CUSUMSQ statistics falling within the 5 percent critical limits. This would prove that the null hypothesis of parameter stability could not be rejected at the 5 percent level of significance. The two coefficients are stable and the coefficients seem to be stable since there are no structural breaks in the sample period. This means that the models yield stable inferences toward the analysis and forecasting since the relationships that exist between the variables are stable over time.

The results presented based on the ARDL Bound Test and Error Correction Model Approach indicate the crucial role of domestic revenue and foreign aid in the long run and point to fiscal capacity and foreign aid as the basis of public expenditure. Variables such as government wages, social security commitments and foreign loans become quite prominent in the short run as contemporary fiscal priorities and structural changes become apparent after the year 2006. All the estimated models were found to have high explanatory power and to satisfy the main diagnostic and stability tests, which proved the validity of the inferences made.

This chapter identifies the main factors that drive public expenditure. However, while revenue, aid, borrowing, wages, and social security spending significantly influence government spending, this does not necessarily mean that higher spending leads to better development outcomes. The next chapter therefore assesses how efficiently, and effectively public resources are converted into outputs, outcomes, and broader development results.

CHAPTER 4

PUBLIC EXPENDITURE MANAGEMENT SYSTEM IN THREE TIERS: MAJOR REFORM INITIATIVES, IMPROVEMENTS AND CHALLENGES

In this Chapter, at first, a closer review of reform initiatives in the areas of public expenditure and public financial management after the introduction of the first budget in FY 1951/52 is made, taking political developments prompting the augmentation of such reforms into account. This is followed by a brief assessment on the progress made and challenges faced, particularly in the inter-linked policy, rules, regulations and institutional fronts, primarily based on the policy dialogue in PRI before the beginning of the study, followed by focus group discussions and key informant interviews carried out in Bagmati and Madhesh provinces.

4.1 Legal Provisions for Public Expenditure Management

Comprehensive legal and regulatory reforms have been made for PEM in Nepal with the enactment of several laws. In line with the Constitution, these laws aim to reform budgetary processes, augment revenue collection, enhance investment, improve debt management, strengthen the procurement system, ensure a better accounting system and bring effectiveness in the functions of external oversight. These laws also grant the Government of Nepal the power to establish rules and regulations to implement the provisions outlined in the constitution. Table 4.1 provides the major changes in PEM and PFM laws and regulations over time, together with changes in the political system in Nepal.

Table 4.1: Historical Context: Origin and Evolution of Public Expenditure Management and Public Financial Management Related Laws in Nepal [26]

S.N.	Details	Timeline
1	i) Nepal's first budget for FY 1951/52 was presented.[27]	1951-1952
2	i) The planning process was institutionalized with the establishment of the National Planning Commission (NPC) in 1956. ii) The First Five-Year Plan for economic development was drafted in 1956 after the downfall of the Rana regime in 1951. The first plan acted as an initial step towards transitioning the Nepali economy from a traditional agrarian economy to a modern and liberalized economy. iii) Monitoring and Evaluation Act, 2024 iv) Statistics Act, 2022 v) National Data Profile, 2019	1956-1961
3	i) Public financing was formalized during the brief tenure of the elected Nepali Congress government in 1959.[28]	1959
4	i) The Loan and Guarantee Act was enacted (Seventeenth Amendment, 2009): It provides the legal framework for the government of Nepal to receive foreign loans in foreign currency to be set as per the prevailing exchange rate, from any foreign government or agency for any approved development plan.	1968

26. Refer to Appendix 4.1 Major clauses in some laws critical from the standpoint of enhancing efficiency and effectiveness of Public Expenditure Management and Public Financial Management. The laws reviewed in detail include: 1) the Constitution of Nepal; 2) Financial Procedure and Fiscal Accountability Act (FPFA), 2019; 3) Inter-governmental Fiscal Management Act, 2017 and, 4) National Natural Resource and Fiscal Commission Act, 2017.
27. While presenting the first budget for FY 1951/52 to the country through Radio Nepal, Nepal's first Finance Minister explained that the estimates under many of the heads were far from accurate or exhaustive. This reflects the state of affairs that had prevailed in the country for so long. Even the second budget presented in October covering the period from July 1952 to June 1953 was not free from deficiencies, though compared to the first budget it was more comprehensive and clearer (Pant, 1955).
28. USAID (2023)

S.N.	Details	Timeline
6	i) The 1990 People's Movement brought an end to absolute monarchy and the Panchayat System and established multiparty democracy and constitutional monarchy through the 1990 Constitution. ii) Formal institutionalization of the planning and budgetary processes after the re-establishment of democracy in 1990, budgeting and planning continued to reflect the administrative process of the pre-democratic era. An examination of government policies and programmes announced after 1990 shows little innovation; planning and budgeting continued to follow a generic programme.	1990
7	i) Audit Act (1991) was enacted: It provides a framework regarding methods of audit, matters to be audited, matters to be audited in view of propriety, audit of corporate bodies wholly/ substantially/ owned by the government of Nepal, annual report of the Auditor General, among others. ii) In 1992, several important acts were passed, including the Village Development Committee Act 1992, the Municipality Act 1992, and the District Development Committee Act 1992, to provide more de jure power to the local bodies. Through these legal provisions, they were assigned responsibilities related to agriculture, basic health, basic education, local infrastructure, vital registration, local tax collection, and other local affairs. However, in practice, local bodies' functions were limited to local infrastructure development, vital registration, and local development affairs because other laws were not revised in line with decentralization principles.[29]	1991
8	i) The Maoist insurgency (1996-2006): From the point of public expenditure management. The conflict led to an increase in government spending on security and a decrease in capital expenditure; this, in turn, had an adverse impact on economic growth.[30]	1996–2006

29. Sapkota (2009)
30. Ra & Singh (2005)

S.N.	Details	Timeline
	ii) The armed conflict caused a significant setback to the devolution of power to the local bodies. Elected local bodies ceased to operate in 2002, at the height of Nepal's internal conflict. From 2002 onward, civil servants were responsible for the management of local bodies, working with unelected councils of line departments and other local stakeholders. iii) Value Added Tax Act (1996): It sets the legal foundation to increase the mobilization of revenue by making the process of collection of revenue effective by managing the process of levying and recovering the value-added tax on all transactions, including sale, distribution, transfer, import, or export of goods or services.	
9	i) A joint NPC-MoF directive was published to make the budgeting process more systematic. Budget Tarjuma Dighadarsan (Budget Preparation Directive 4th Edition (2008) and 8th Edition (2018) (MoF, 2008; 2018)	1996-1997
10	i) Nepal Chartered Accountants Act, 1997: The Institute of Chartered Accountants of Nepal (ICAN) was established. ICAN has two classes of members: Chartered Accountants and Registered Auditors. All Registered Auditors holding an audit license are invited to apply for membership of ICAN. The First Council of ICAN was formed on 1 August 1997.	1997
11	i) The Financial Procedure Act 1999 was enacted with the purpose of regularizing and streamlining financial procedures. It prescribes financial procedures relating to collection, disbursement, recording, internal control, internal and external audits, and actions on irregularities. ii) The Local Self-Government (LSG) Act 1999 was passed, repealing all earlier laws on local bodies. The LSG Act was accompanied by the Local Self-Government Regulations 1999. The LSG Act and its Regulations were the strongest yet attempt to give real power to the DDCs and other local bodies. They gave local bodies a prominent role in local planning, enabling them to actively mobilize community organizations and providing them with unconditional grants (Sapkota, 2009).	1999

S.N.	Details	Timeline
	iii) Local Self Governance Act 1999 envisioned a fiscal commission and initiated a performance-based grants system for the then-local bodies. The Government of Nepal introduced a section within the then Ministry of Local Development to act as the secretariat of the commission. The commission developed the framework for performance assessment of the local bodies and recommended grants to local bodies based on competitive performance (Dhungel, 2004).[31] iv) Nepal Chartered Accountants Regulation 1999: It came into effect with the launch of ICAN along with an international seminar. HMG signed a technical assistance agreement with ADB for capacity building of ICAN for a project of 12 months period.	
	i) Criteria for multi-year contracts of projects ii) Procedures related to participation, co-investment*:* The Constitution of Nepal has a provision for federal, provincial and local governments to co-invest for overall physical infrastructure development through collaboration based on mutual coordination and cooperation, as well as to effectively implement the development of the commercial sector at federal, provincial and local levels. The procedure outlines the framework to ensure collaborative investment in feasible projects.	2000
12	i) The Tenth Five-Year Plan (2002-2007) was designed under the World Bank's Poverty Reduction Strategy Paper framework. The Plan introduced a log framework and a Mid-Term Expenditure Framework, enabling multi-year contracting under government budgets.	2002-2007

31. However, the actual empowerment of local bodies was compromised because of the lack of necessary revisions in related laws. District-level offices run by the central government continued to handle most functions conferred to local bodies, resulting in duplication. For instance, though many schools were officially handed over to communities, local governments lacked a role in their budgeting and planning processes. The situation was similar in the health sector (Dhungel, 2004).

S.N.	Details	Timeline
13	i) Income Tax Act, 2002 (Amendment 2020) ii) Excise Duty Act (2002) iii) Public Debt Act, 2002: Public Debt Act (2002) provides the framework for the issuance and servicing of government securities. iv) *Central Bank Act (20*02): The Central Bank is the manager of the government and advises on formulating the annual borrowing programme. v) Accounting Standards Board (ASB) was formed with an amendment to the Nepal Chartered Accountants Act 1997, incorporating the provision for its establishment and operation.	2002
14	i) Public Procurement Act (PPA), 2007 ii) Public Procurement Regulation (PPR), 2007 a) The PPA was enacted to make the government procurement process more systematic and transparent. The PPA is applicable to all tiers of government entities, including extra-budgetary units. The procurement is decentralized to the spending units, with the PPMO responsible for monitoring. The use of the e-GP system is mandatory for all bidding above the threshold. iii) Customs Act *(*2007)	2007
15	i) Good Governance Management and Operation Act (2008): requires public administration to be pro-people, accountable, transparent, inclusive, corruption-free, comply with rules and regulations, and provide efficient public service delivery.	2008
16	i) Through the Strengthening Public Management Programme (SPMP, 2012–2016), ADB supported the government through the Ministry of Federal Affairs and General Administration (MOFAGA) to implement some of the PFM reforms at the subnational and local government level, as per the ministry's fiduciary risk reduction action plan developed to address local PFM challenges.	2012-2016

S.N.	Details	Timeline
	ii) These included development and piloting of a comprehensive PFM IT system called Municipal Administration and Revenue System, community participation in local governance by financing projects prioritized by community forums, development and implementation of an e-government procurement system, sub-national PEFA (for the first time in Nepal), risk-based internal audit guidelines, and capacity development.	
17	i) Government Accounting Manual (Office of the Auditor General [OAG] forms and formats), 2013	2013
18	i) Development Cooperation Policy (DCP), 2014: The DCP was introduced after repealing the *Foreign Aid Policy 2002* as the prime policy guideline for the administration of foreign aid. This policy has endorsed all the declarations of foreign aid mobilization starting from Rome (2003) to Mexico (2014) and is widely recognized as something well-suited for the unitary system. This policy has subjectively accepted the need for foreign aid and the same provision will probably continue to remain in practice for some more decades to come.[32]	2014
19	The Constitution of Nepal was promulgated (see Appendix 4.1 for details regarding the major articles and sections related to PEM and PFM in the constitution). i) The newly adopted constitution transformed Nepal into a federal democratic republic with governments at three levels: central (federal), 7 provincial, and 753 local level governments. ii) The Constitution delineates the powers and responsibilities for taxation and expenditure among the federal, provincial, and local governments. iii) It establishes a revenue sharing arrangement between all levels of government as well as a system of fiscal transfers from the GoN to the provincial and local governments (PLGs).	2015

32. See MoF (2017) for further details

S.N.	Details	Timeline
	iv) Additionally, the framework for the management of public finances is outlined in the Constitution. The federal, provincial, and local governments are vested with the power to develop and implement plans, policies, and annual budgets within their respective jurisdictions, subject to legislative approval. v) Additionally, the constitution establishes guiding principles for accounting, auditing, internal controls, and legislative oversight.	
20	i) The Federalism Implementation and Restructuring Directive Committee was formed in 2016 under the leadership of the prime minister in order to clarify the division of responsibilities between the federal, provincial and local levels and to address complications inherent in the Constitution. ii) The Committee studied Schedules 5-9 of the Constitution and prepared the Unbundling Report, which was then endorsed by the Council of Ministers. To some extent, this report helped clarify issues regarding the implementation of federalism and the interrelationship between the three levels of government. iii) Internal Audit Procedure Directives 2016 (repealed by Internal Audit Manual 2022)	2016
21	i) Governments in all three tiers were formed in early 2018 following elections in 2017. ii) Local elections were finally held: The prolonged absence of elected representation and extended control of the central bureaucracy had dampened power-sharing and constrained service delivery at the local level. iii) The Intergovernmental Fiscal Arrangement Act 2017 was formulated. It defines the process related to the transfer of grants, revenue-sharing, borrowing, budget management, public expenditure, and financial discipline for all three levels of government (see Appendix 4.1 for details regarding the major articles and sections related to PEM and PFM in the Intergovernmental Fiscal Arrangement Act 2017).	2017

S.N.	Details	Timeline
	iv) Local Government Operations Act 2017 was formulated: It tries to make the financial management system accountable, transparent, and result-oriented. v) The Government of Nepal Work Division Regulations *2017* were enacted. vi) National Natural Resources and Fiscal Commission Act 2017 was formulated: It implements intergovernmental fiscal transfers among the three levels of government and sets the basis for revenue sharing. vii) It elaborates on the functions of the NNRFC and lays out the guidelines for the management of intergovernmental fiscal transfers to address vertical and horizontal imbalances (see Appendix 4.1 for details regarding the major articles and sections related to PEM and PFM in the NNRFC Act 2017). viii) The e-GP system operation manual, 2017: The manual was prepared to formalize the electronic procurement system in Nepal based on Clause 69 and 18 in the Public Procurement Act and Rule 146 in the Public Procurement Regulation. ix) ADB, SPMP was followed by policy advisory technical assistance in 2017, which assessed institutional gaps in fiscal federalism and provided policy recommendations to the government for operationalizing fiscal federalism and improving PFM systems in the sub-national governments. It included comprehensive analysis, policy recommendations, and implementation strategies for improved accounting and reporting, internal control and internal audit, and external audit.[33] x) Integrated Economic Code, Classification and Explanation 2017 (Second Revision) in terms of their compatibility with the Government Finance Statistics Manual 2014 and Classification of the Functions of Government (COFOG) for use throughout the budget formulation, execution, and reporting cycle.	

33. ADB (2018)

S.N.	Details	Timeline
22	i) House of Representatives Regulations, 2018 (now repealed by Regulation of 2023) ii) National Assembly Regulation, 2018 iii) Joint Meeting of Federal Parliament and the Joint Committee (Operation) Regulation, 2018 (now repealed by Regulation of 2023) The Federal Parliament comprises the House of Representatives and the National Assembly. The regulations noted were adopted by the Parliament. They prescribe the procedures to facilitate the transaction of parliamentary business as well as to promote cooperation and harmony. These regulations also cover the role of parliamentary procedures related to the oversight of budget and audit reports. i) Internal Control System Directives, 2018: The FPFA Act and FPFA Regulations provide a comprehensive internal control framework. The internal control system directives issued by the FCGO elaborate on the internal controls prescribed by different acts and regulations. ii) Procedure relating to supplementary grant, 2018 iii) Procedure relating to special grant, 2018 iv) Criteria for Determining National Priority Projects, 2018 v) Procedures related to using the national forest area for national priority plans, 2018 vi) Public Expenditure Review Commissions (PERC)[34] vii) Pension Fund Act 2018	2018
23	i) Financial Procedure and Fiscal Accountability (FPFA) Act, 2019 (see Appendix 4.1 for details regarding the major articles and sections related to PEM and PFM in the FPFA Act). ii) Outlines the institutional arrangement and roles and responsibilities of the NNRFC.	2019

34. The latest of such a Commission was constituted during the time of previous government which submitted its report to the government in 2018 has been published in 2023.

S.N.	Details	Timeline
	iii) The FPFA Act and the FPFA Regulations provide a comprehensive framework for planning, budgeting, accounting, reporting, internal and external auditing, budget execution, and internal controls. iv) National Natural Resources and Fiscal Commission Regulation, 2019: The regulation covers intergovernmental fiscal coordination mechanisms, including revenue rights, revenue sharing, fiscal transfers, grants, loans, budget arrangements, and public expenditures. v) Government Transaction Directives, 2019 (accounting-related)	
24	i) Federal, Provincial and Local Level (Coordination and Interrelations) Act 2020: Provides criteria and standards for intergovernmental relations and coordination, including provisions for resolving disputes among the federal units. ii) National Project Bank Guidelines, 2020: It provides guidelines for identifying, appraising, selecting, and prioritizing developmental projects for inclusion in the NPB. iii) Nepal Government Auditing Standards (NGAS), 2020: NGASs are based on the INTOSAI framework for Professional Pronouncement (IFPP); this guide seeks to incorporate the Nepal audit practices at par with the international best practices.	2020
25	i) Financial Procedure and Fiscal Accountability (FPFA) Regulation, 2021: The Constitution establishes guiding principles for accounting, auditing, internal controls, and legislative oversight. The FPFA Act and the FPFA Regulations provide a comprehensive framework for planning, budgeting, accounting, reporting, internal and external auditing, budget execution, and internal controls. ii) Nepal Public Sector Accounting Standards (NPSAS), 2021: As per the request of the Financial Comptroller General Office (FCGO), ASB Nepal has developed the Nepal Public Sector Accounting Standards (NPSAS) for	2021

S.N.	Details	Timeline
	Financial Reporting under Cash Basis of Accounting in line with the International Public Sector Accounting Standards 2017 and sent it to the Financial Comptroller General Office (FCGO) for the necessary process. iii) Internal Audit Handbook, 2021	
26	i) Public Debt Management Act, 2022 ii) Internal Audit Manual, 2022	2022
27	i) Standard for Project Development, Selection, and Prioritization, 2023: It details the guidelines for specific sectors and includes an economic analysis approach. ii) Financial Audit Guide, 2023: This guide provides a clear picture of methods and approaches to audit that the audit staff is required to comply with in performing their duties. It has been built around the prevailing Audit Act, Nepal Government Auditing Standards (NGASs), and office policies that require conducting a high-quality audit. iii) Citizen Participatory Audit Directives, 2023: iv) The Citizen Participatory Audit (CPA) is an innovative audit methodology, approach and technique to undertake performance audits by OAGN, the Supreme Audit Institution (SAI) of Nepal, in pursuance of its constitutional and legal mandate to audit suitable public entities/ programmes/projects/activities with the participation of eligible Civil Society Organizations (CSOs) as members of its audit team.[35]	2023
28	i) 13th Amendment to the Public Procurement Regulation	2024
29	i) Monitoring and Evaluation Act, 2024	

35. CPA is not a joint audit with CSOs, nor is it a parallel audit undertaken by CSOs and the OAGN, but CPA can be considered as a distinct type of audit mechanism for undertaking performance audits by co-opting CSO representatives to join as members of OAGN's audit team to do performance audits. CPA can be viewed as a strategic partnership of OAGN and CSOs by sharing audit objectives, audit plans to conduct formal performance audits as per the OAGN's approved annual audit plan. CPA enables OAGN's performance audit more open, inclusive and responsive to inputs from citizens, who are beneficiaries of many government programmes. As an audit tool, CPA can also be used in disaster related audits, environmental audits and other performance audits where CSOs will be able to add valuable contribution to enhance OAGN's audit work and audit outcome

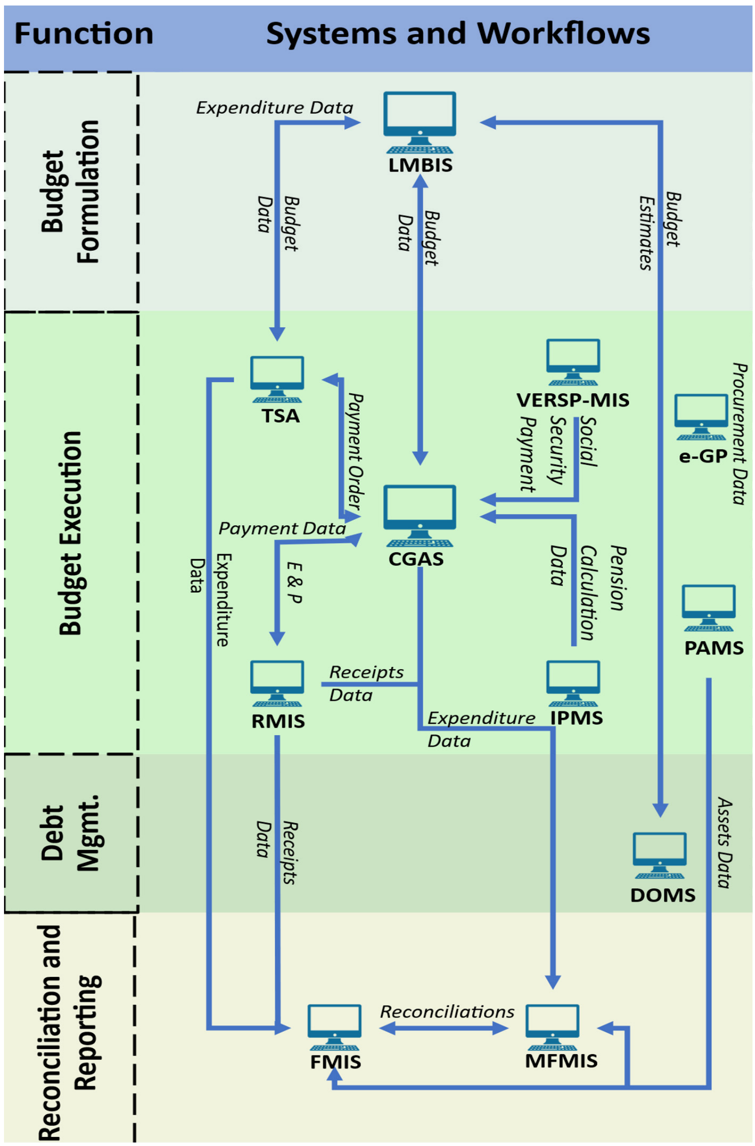
S.N.	Details	Timeline
	ii) The Monitoring and Evaluation Act 2024 of Nepal represents a significant milestone in the country's quest for transparent, accountable, and inclusive governance. As Nepal charts its course towards decentralization, the M&E Act serves as a significant instrument enlightening the path forward with principles of evidence-based decision-making, citizen engagement, and institutional accountability at the federal, provincial, and local levels.	
30	i) Annual appropriation Acts: These are the primary legislation a) governing the management of federal government funds in a given budget year. ii) Finance Act iii) Budget circular and formulation guidelines iv) Annual operational directives The laws and regulations noted herewith cover budgeting aspects, including revenue estimation, expenditure ceilings, budget ceilings and guidance, budget proposals and discussions, budget appropriation, principles and priorities of budgets and programmes, and the Medium-Term. Expenditure Framework (MTEF), the consolidated fund, asset and liability management, and the legislative scrutiny of the budget.	Annual budget-related
	i) Integrated National Social Protection Framework (INSPF)	2023
Miscellaneous		
	i) Development partner Procurement guidelines ii) Standard Bidding Documents	

Source: Authors' compilation based on various sources

4.2 Provisions for Information Management System

The government of Nepal initiated various systems to automate PFM functions. Initially, these systems were developed as separate applications by different agencies but later were updated to meet PFM reform requirements. These systems have now been designed for more effective and efficient PFM performance. However, because the systems were developed independently, there are challenges in integrating services and ensuring the smooth exchange of data. Figure 4.1 shows the interlinkages between different PFM information systems used by the GoN and Box explains the details regarding different information systems (MoF, PEFA Secretariat, 2024).

Figure 4.1: Provisions for Information Management System



Source: PEFA Secretariat (2024)

Box: Details of Different Public Financial Management Information Systems

The Line Ministry Budget Information System (LMBIS) is used by all the line ministries and budgetary entities of the federal and provincial governments for budget formulation.

The Computerized Government Accounting System (CGAS) is used for accounting and expenditure management, with functionalities to generate payment orders.

The Treasury Single Account (TSA) is the budget control and release system used by the District Treasury Controller Offices (DTCOs)/Provincial Treasury Comptroller Office (PTCOs). The Electronic Fund Transfer (EFT) system is a sub-application within the TSA. It is interfaced with bank systems to send payment instructions to banks for payment releases.

The Revenue Management Information System (RMIS) is the system for the accounting of receipts. All the partner banks have been provided with the RMIS login to enable the creation of bank vouchers when any government revenues are deposited by a remitter.

The Financial Management Information System (FMIS) is the reporting application used by the DTCOs and the FCGOs for the preparation and reconciliation of monthly and annual financial statements.

The Ministerial Financial Management Information System (MFMIS) is the reporting application used by the ministries and departments for the preparation and reconciliation of monthly and annual financial statements.

The Debt Operations Management Systems (DOMS) is used for debt management functions, and it is operated by the Public Debt Management Office (PDMO).

The Public Asset Management System (PAMS) was developed by the FCGO to capture asset details in the country.

The Integrated Pension Management System (IPMS) is used for pension management, and monthly pension scrolls are generated and sent to bank branches handling pension payments.

The e-Government Procurement (e-GP) system is a web-based portal covering various activities of the public procurement life cycle.

Vital Event Registration and Social Protection Management Information System (VERSP-MIS) system is a web-based portal to register vital events of Nepali citizens, including social security beneficiaries. Integrated National Employment System(2022) – MoLESS

Source: PEFA Secretariat, (2024)

4.3 Institutional Arrangements for Public Expenditure Management and Public Financial Management at Three Tiers of the Government

S.N.	Institution	Role
Federal Government		
1.	Council of Ministers	Holds executive power according to the Constitution. The Prime Minister is responsible for driving the national plan, the sectoral policies, and the laws through various sectoral line ministries.
2.	Parliament and its Committees	Public Accounts Committee (PAC) of the Parliament scrutinizes the annual report submitted by the Auditor General (AG).
3.	Office of the Auditor General of Nepal (OAGN).	i) OAGN, a constitutional body, conducts audits and publishes annual reports with observations and suggestions about budget and programme execution. ii) OAGN's remit covers all government organizations for the three tiers of government, including all other beneficiaries of public funds. iii) The Constitution also provides for the functional independence of the audit.
4.	National Natural Resource and Fiscal Commission (NNRFC),	i) NNRFC is a constitutional body established with the objective of ensuring the just and equitable distribution of natural and fiscal resources among the federal, provincial, and local governments. ii) The commission determines the detailed basis and modality for the distribution of revenues. iii) It also makes recommendations regarding the distribution of equalization grants. iv) In addition, it prepares the parameters concerning the distribution of conditional grants and v) recommends the ceiling for internal borrowing and sharing of royalties from natural resources among the three spheres of government.

S.N.	Institution	Role
5.	National Planning Commission (NPC)	i) The main agency for national-level plans, policies, and programmes, including monitoring and evaluation (M&E). ii) NPC oversees the implementation of the federal, provincial, and local-level governments' three-year work programmes, and it also coordinates strategic planning. Planning is done using MTEF, which is aligned with sector strategies and business plans.[36]
	Steering Committee	To discuss, suggest, revise, review and approve the documentation of the concept paper and detailed document of Periodic Plans, a Steering Committee is formed. The committee, during the formulation of the 16th plan, included: i) Vice-Chairperson of NPC is the Chairperson, Members include: Chief Secretary, GoN; Chairperson, District Coordination Committee Association; All members of NPC; Governor, Nepal Rastra Bank; All Secretaries, GoN; Chief Statistical Officer, CBS; Chief Secretary of all provinces; Vice Chairman of all Provincial Planning Commissions; Chief Executive Officer, Investment Board of Nepal; Chairperson, Municipal Association of Nepal; Chairperson, National Association of Rural Municipalities of Nepal; President Industry Sector (FNCCI, Chamber of Commerce etc.); President, Cooperative Sector; President, Non-Governmental Organizations Federation; and Chief Division Officer, Economic Management Division, NPC is the member secretary.
	Sectoral committee	The Sectoral Committees include the following members: i) Co-ordinator: Member of Commission overseeing the related sector; Member secretary: programme director, related sector, NPC ii) Members: Division chief of Commission overseeing the related sector; Division chief of planning division of related ministries; Representative of economic management division of NPC;

36. The only two sectors that have national sector strategies are education and health sectors. Other sectors have business plans which are being strengthened for conversion into sector strategies such as the agriculture sector strategy.

S.N.	Institution	Role
		iii) Invited members include: Representatives, Private Sector; Representatives, Cooperatives; Representatives, NGOs
	Technical committee	i) Co-ordinator: Division chief of NPC overseeing the related sector; Member secretary: Programme Officer, related sector NPC ii) Members: Representatives of related ministries; Programme Director of related sector, NPC; Programme Officer of related sector, NPC; and Invited: Sectoral experts/Related stakeholders
6.	Ministry of Finance (MoF)	MoF is responsible for i) Formulation and monitoring of fiscal policy ii) Preparation and implementation of the budget in coordination with the NPC iii) Revenue policy implementation, iv) Revenue collection and administration through its departments
	Inland Revenue Department (IRD) and the Department of Customs (DoC)	IRD and DOC under the MoF are responsible for Revenue collection and administration.
	Financial Comptroller General Office (FCGO).	The accounting, reporting, internal control, and internal audit functions rest with the FCGO. i) It manages budget expenditure management, internal audit, and consolidated financial reporting. ii) It is also responsible for developing internal control system directives as well as developing and operating information and technology (ICT)-based PFM systems communication, technology (ICT)-based PFM systems.

S.N.	Institution	Role
	PEFA Secretariat and a national PEFA/PFM Steering Committee	i) The Secretariat was established under the MoF in 2005 and the first PEFA assessment took place in 2005/2006. The assessment report was released in 2008. ii) A national PEFA/PFM Steering Committee was then formed in 2009 to drive and coordinate PFM reforms. iii) The first PEFA assessment, 2008, included an action plan for Strengthening Public Financial Management Performance (short-term and medium-term), which was used as the first Integrated PFM Reform Strategy. iv) This strategy made recommendations regarding the various PFM components, such as the introduction of the midterm expenditure framework in resource planning, PEFA assessments in 2008 and 2015, followed by the introduction of the Treasury Single Account in 2009, and subsequent development and implementation of PFM reform plans (PFMRP) Phase I 2010-2015, and PFMRP II 2016-2026, currently under implementation. v) Building on the PFMRP-I, a PFM Multi-Donor Trust Fund (MDTF) was established by the World Bank and some bilateral donors in 2010. Since then, it has been supporting the government in improving the PFM system, specifically by preparing the Integrated Public Financial Management Reform Project (IPFMRP) in 2018. The IPFMRP concluded its operations in July 2023 with noteworthy achievements within the PFM cycle.[37]
7.	Line Ministries	i) All the budgetary entities, including the ministries and departments, are responsible for delivering their financial plans (budgets and programmes) to the MoF based on the ceilings set by the National Resource Estimation Committee, chaired by the Vice Chair of the National Planning Commission. ii) All government units use the Line Ministry Budget Information System (LMBIS) for budget preparation.

37. Some of these reforms include– establishing the Project Bank System, implementing the NPSAS, improving and implementing various information systems, enhancing external audit quality, standardizing procurement documents, building the capacity of civil servants in PFM and procurement, etc. (MoF, PEFA Secretariat, 2024, p.10).

S.N.	Institution	Role
		iii) There are various ICT-based systems, such as the Treasury Single Accounts (TSAs), the Revenue Management Information System (RMIS), and the Computerized Government Accounting System (CGAS), that are used to operate PFM in Nepal.
8.	Public Procurement Monitoring Office (PPMO)	i) To oversee procurement activities, the PPMO was established under Clause 64 of the Public Procurement Act (PPA) of 2007. ii) The PPMO is responsible for ensuring competition, efficiency, and transparency in all public procurement activities. iii) It conducts capacity-building activities, monitors and facilitates the procurement process, and issues standard bidding documents (SBDs) and other regulatory documents. iv) The PPMO also manages the single Electronic Government Procurement (e-GP) portal.
	Department of Revenue Investigation	i) Established under the Investigation and Control Act 1996 and under the Office of the Prime Minister and the Council of Ministers Control revenue leaks and misuse of foreign exchange.
Provincial Governments		
10.	Provincial Planning Commissions (PPC)	i) Prepare provincial plans and budgets, policy guidance etc. The commission also works to integrate Sustainable Development Goals (SDGs) into provincial and local levels.
11.	Provincial Ministries of Economic Affairs and Planning (MoEAP)	i) MoEAP, assigned with the responsibilities of planning and implementing economic policies, fiscal management, and executing fiscal transfers from provincial to local levels, was created based on the Intergovernmental Fiscal Arrangement Act, 2017, article 31.
12.	Periodic Plan Formulation Guidance Committee	i) The Committee is envisaged to guide and harmonize the periodic plan formulation process at the provincial level.

S.N.	Institution	Role
		ii) It is chaired by the vice chairperson of Provincial Policy and Planning Commission (PPPC) or Ministry of Economic Affairs and Planning; members include: i) Members of PPPC, ii) Secretary, Office of the Chief Minister and Council of Ministers, iii) Secretaries, Sectoral Provincial Ministries. The secretary for the committee is the secretary of PPPC.
13.	Sectoral Subject Specific Committee	There are four sectoral subject-specific committees. **i) Economic Development:** Sub-sectors relating to this committee include economy, agriculture, livestock, land reform, cooperatives and poverty alleviation, forest and environment, industry, commerce and supply, tourism, labor and employment. **ii) Social Development:** Sub-sectors relating to this committee include education, science and technology, health, youth and sports, women, children and social welfare, culture, drinking-water and sanitation. **iii) Infrastructural Development:** Sub-sectors relating to this committee include energy, irrigation and water induced disaster management, physical infrastructure and transportation management, buildings, housing and urban development, information & communication. **iv) Governance and Interrelated Areas:** Sub-sectors relating to this committee include provincial assemblys, provincial council of ministers, internal affairs, peace and security, legal affairs. The structure of each of these Sectoral Subject Specific Committees is: Co-ordinator: Member of Commission, Provincial Policy and Planning Commission Member: Planning division chief, related ministry/ Organization

S.N.	Institution	Role
		Member-secretary: Planning division chief of the related sector appointed by the PPPC. Related subjects, specific other division chiefs and other subject experts may also be invited.
Local Governments		
14.	Periodic plan formulation Steering Committee	The local level needs to formulate the following Steering Committee for coordination while formulating the periodic plan: i) Coordinator: Chairperson or Chief; Deputy coordinator: Vice-Chairperson or Deputy Chief; Member secretary: Chief Administrative Officer ii) Members: Coordinators of Subject Committees, All Executive Members; Heads of Subject Divisions/ Sections; One female representative designated by the coordinator and 3 local experts in various fields.
	Subject Specific Committee	i) To formulate the periodic plan, the following Subject Specific Sectors are identified, and Subject Specific Sectoral Committees are formed: Economic Development, Social Development, Infrastructure Development, Environment and Disaster Management, Good Governance and Institutional Development. **Structure of Subject Committees** ➢ Co-Ordinator: Member of the executive committee assigned by the municipality ➢ Members include women from the assigned rural/ municipality council, three Dalits and other marginalized members; division/section chief of the relevant sector/branch; subject expert. Subject experts can be invited from the officials of the federal government and provincial government and other relevant experts, individuals from non-governmental organizations, civil society groups, local bodies/ organizations, networks, and the private sectors.

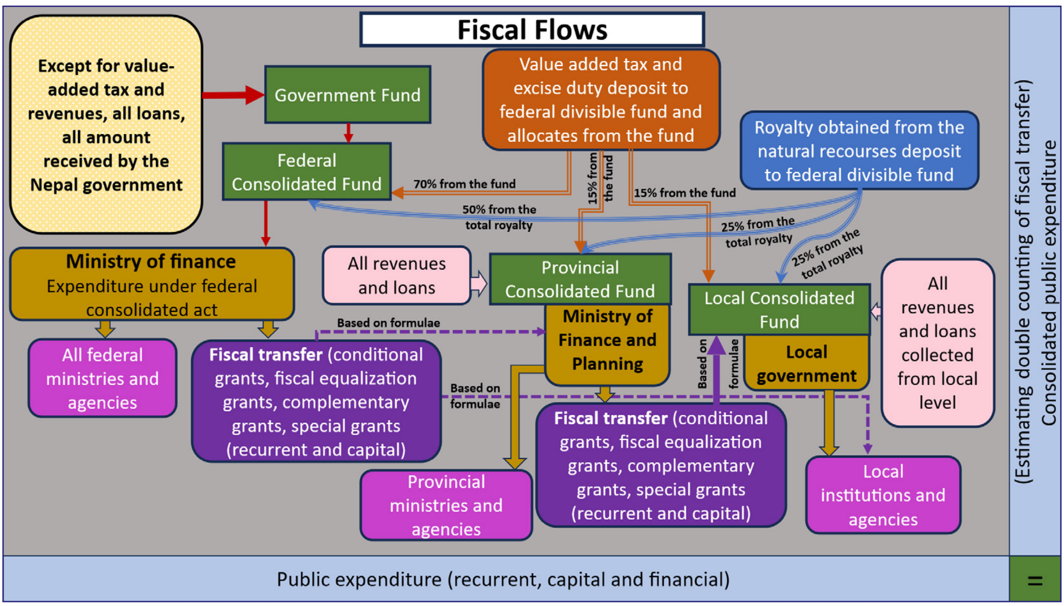
S.N.	Institution	Role
	Coordination and Facilitation Committee	For the effective management, operation, and facilitation of workshops related to periodic plan and programme formulation, a coordination and facilitation committee can be formed as per the need, by including members from the subject committee designated by the Steering Committee.
Institutions Supporting Intergovernmental Fiscal Relations		
	Inter-governmental Fiscal Council (IGFC)	i) A federal statutory body mandated to conduct consultation and coordination between the three spheres of government on fiscal management, created based on the Intergovernmental Fiscal Arrangement Act 2017, Article 33. ii) It is chaired by the federal Finance Minister and includes ministers of finance from seven provinces, two local unit heads or deputy heads from each province, three financial experts and the Secretary of the Ministry of Finance.
	Inter-provincial Council	It is convened by the Prime Minister and consists of some federal ministers and chief ministers from all seven provinces as members. This is formed under the Constitution of Nepal 2015, art 234.
	National Co-ordination Council	It is also convened under the prime minister. Is mandated by the Federal, Provincial and Local Level (Coordination and Interrelations) Act 2020, article 16.
	District Co-ordination Committee	The DCC is formed in accordance with Article 220 of the Constitution of Nepal. The Article provides the DCC with the responsibility of coordinating local levels in the district; regulating development work; and coordinating between offices of the federal and provincial governments in the district and the local level. The DCC can play an important role in resolving misunderstandings that may arise between local governments and offices of the federal and provincial governments or between multiple local governments.

Source: Authors' compilation based on various sources

4.4 Resources and Financial Flows under Fiscal Federalism

Figure 4.2 shows i) how resources flow between three tiers of the government and, ii) the responsible institutions and agencies for various functions. The flows and functions are delineated in various laws, including 1) the Constitution of Nepal; 2) Financial Procedure and Fiscal Accountability Act (FPFA), 2019; 3) Inter-governmental Fiscal Management Act, 2017 and, and 4) National Natural Resource and Fiscal Commission Act, 2017. Also see Appendix 4.1 for details.

Figure 4.2: Flow of Resources and Finance Under Fiscal Federalism in Nepal



Source: Authors' illustration based on Adhikari (2019)

4.5 Challenges Faced by the Three Tiers of Government in the Formulation and Implementation of Periodic Plans and Budgets

Irrespective of the provision for various legislative bodies, legal, institutional and operational arrangements in place to facilitate efficient and effective public expenditure and public finance management (PFM) system in Nepal at all three tiers of the government, each tier is facing unique challenges in some cases and in other cases, is facing interconnected issues. This section discusses the challenges faced by each tier of the government.

4.5.1 Central Government

The way in which the overall structure of the central government budget is determined (including the Mid-term Expenditure Framework) is outlined in Appendix 4.2. and Appendix 4.3 which reflects the timeline of Periodic Plan Preparation by the central government. The Policy Research Institute organized a public policy dialogue (PPD) to solicit feedback and suggestions from the members of parliamentary committees (Finance Committee, Public Accounts Committee, Infrastructure Development Committee), current and former bureaucrats, National Planning Commission, Ministry of Finance and other line ministries, academics and other experts regarding the challenges faced during the periodic plan and budget formulation by the central government (refer Appendix 4.4 for the list of attendees of the event). The PPD held on January 18, 2024, was under the theme “Efficiency and Effectiveness of Public Expenditure Management System in Nepal: Review of Performance and Way Forward”.

Some of the key issues identified during the PPD are outlined and discussed under nine themes, namely 1) General aspects of the budget, 2) Budget process, 3) Budget execution and control, 4) Recording and reporting, monitoring and evaluation, 5) Internal and final audit, 6) Oversight issues, 7) Policies and legal arrangement, 8) Human resource, and 9) Crosscutting issues.

Table 4.2: Major Issues Surrounding Efficiency and Effectiveness Related to Public Expenditure and Public Finance Management System in Nepal Raised During the PPD

Theme	Code(s)	Issues Raised
Budget General Aspects	Source of funds, institutions, programmes, types of expenditure, social transfers	i) Public expenditure needs to be looked into in its entirety; it has an ethical, an administrative, a legal and a political aspect, which is the biggest and most important. ii) Need to address the problem of inefficient revenue collection to manage the resource crunch. iii) Poor implementation of planning due to a lack of coordination between ministries in sectors relating to public expenditure.

Theme	Code(s)	Issues Raised
		iv) While allocating the budget, within expenditure, it is important to pay attention to both capital and recurrent expenditures. And, while looking into revenue, there is a need to pay attention to the total revenue collected and the type of rational interventions utilized for revenue collection. The rise in non-tax revenue is a serious concern, so the diversification of the tax base needs to be seriously considered. v) Regarding capital expenditure, there is a need to pay attention to the allocated amount and within the amount that is spent, the quality of expenditure is what matters the most. In addition to financial terms (IRR), quality needs to be measured in terms of socio-economic spillover effects. vi) Sometimes, financing social security should be planned strategically. vii) There is a mismatch in budget categorization between recurrent and capital. For example, within the Ministry of Agriculture and Livestock Development, the expenses for chemical fertilizer are below the recurrent expenses. viii) While taking foreign loans and grants, donor conditionalities need to be negotiated beforehand. ix) On the part of the government, it is difficult to show achievement and outcomes in the budgetary support system.
Budget process, Finance Minister, (MoF)	Formulation allocation, presentation, approval,	i) Some serious issues surrounding budget allocation, sometimes a national priority project estimated to cost 2 *Kharba* is allocated 25 *lakh* in the annual budget. This can have performance implications -leading to time-overrun and thereby cost overrun. ii) Concerns relating to the implementation of the "Project Bank" mechanism need an investigation.

Theme	Code(s)	Issues Raised
		iii) Many issues related to budget implementation can be solved if the MTEF is prepared based on the project bank and if the annual budget is aligned with the MTEF. iv) MTEF has also been a formality; it is not serving the purpose of improving the budgetary system. v) There is a legal provision to prioritize projects into P1 and P2 categories. However, the system is not diligently put into practice since 90 percent of the projects are under P1. vi) Sometimes, even the allocated budget is not disbursed. And, for some other projects, the disbursed amount is a negligible share of the allocated amount. vii) Contingency liability planning should be part of the budgetary system, e.g., COVID-19, earthquakes, floods, fire, among others, can create *ad hoc* budgetary obligations.
Budget execution and control (Govern-ment)	Allocative efficiency, operational efficiency, resource efficiency	i) Factors leading to low capital expenditure, including the low spending capacity of the government and the quality of expenditure, should be investigated. ii) The need for a more scientific, evidence-based budgetary process to address the problem of allocative, technical and resource inefficiency should be focused. iii) A performance and result-based budgetary system is needed to achieve the substantive growth needed. For that, we need to formulate measurable goals. iv) Resource wastage is a big issue in programme/ project implementation.

Theme	Code(s)	Issues Raised
		v) The task of the project director is one of the most difficult jobs in the case of Nepal, as they are under constant pressure and threat from social welfare and forest ministries, as well as from the police administration. This becomes a major reason for the transfer of the project director, which in turn leads to time overrun and cost overrun in project implementation.
Recording and Reporting, Monitoring and Evaluation (M&E)	Institutional memory related to digital systems,	i) Monitoring and evaluation have remained a formality only. Some directives have been prepared by the NPC, but there are no separate provisions for Monitoring and Evaluation by line ministries and oversight agencies, among others. Therefore, a separate Act is needed with all those provisions. ii) Digitization of public services could help to cut costs. iii) The country has implemented several information management systems, such as LMBIS, TSA, RMIS, TIMS, DOMS, ePG, PTSA, among others. However, as long as inter-system connectivity is not established, it is not possible to meaningfully utilize this information for the reform of overall public financial management. iv) Monitoring and evaluation need to be robust at the microlevel. v) Mutual accountability is needed in donor-funded projects. Development partners, government processes, receiving agencies and clients need to be mutually responsible. Sometimes donor agencies recruit human resources even in cases when consultants can be sufficient. Sometimes, pre-payment is requested against the government policy of payment against progress.

Theme	Code(s)	Issues Raised
		vi) Resource misuse is rampant not only in infrastructure projects but also in soft projects such as health, education and agriculture. Therefore, a performance audit mechanism should be in place during the internal unitary project implementation phase.
Internal and Final Audit (Line Ministries)	Budget deficit, public debt size (internal and external)	i) The size of public debt has significantly gone up,[38] output, outcomes of budget allocation, and indicators such as per capita income, purchasing power of people, and quality of infrastructure haven't improved at the same rate. ii) Financial Comptroller General Office (FCGO) is responsible for overseeing all government expenditure against the budget, tracking revenue collection and other receipts and preparation of consolidated financial statements of the government as per the Economic Procedures and Financial Responsibility Act, 2018. However, FCGO can't punish the agencies that formulate budgets but can't spend. Therefore, just like the revenue policy, fiscal policy needs to be binding. iii) In order to transition from a cash-based accounting system to an actuarial accounting system (this system can capture all assets and liabilities), it is important to introduce the system immediately because the adoption process can take 7-8 years. In preparation, it is important to train the government officials at all three levels about it.

38. See section 2.3 of this report shows that debt servicing has gone up from 15 percent of revenue in FY 2011/12 to 22 percent in FY 2022/23. The debt serving as a share of total expenditure has risen to 15.7 percent from 10.1 percent during the same period. Debt servicing liability as a share of GDP also reached 4.2 percent of GDP in FY 2022/23 from 1.9 percent in FY 2011/12.

Theme	Code(s)	Issues Raised
Oversight (OAGN, Public Accounting Committee (PAC))	Governance issues, corruption	i) Fragmentation of capital to invest in projects guided by personal interest, leading to sub-par completion of projects, compromising sustainability issues, should be investigated. ii) Issues related to public expenditure are often discussed in the PAC; nevertheless, the size of the arrears remains one of the most concerning issues.
Policy related	Enabling environment for investment and development	i) Much-needed amendments in existing laws and policies to ensure smooth implementation of projects and gaps between existing policies and their implementation aspects should be thoroughly studied. ii) Long-term expenditure policy might be helpful to achieve allocative, operational and overall resource efficiency. iii) Lapses in the current public procurement law need to be rectified.[39] Currently, our procurement law is specific to the construction industry, but we are using the same law to procure large airplanes, fertilizers and medical equipment. • Procurement regulations need to be formed to procure specialized items such as sophisticated medical equipment, high-end equipment, chemical fertilizers and pesticides, among others. iv) To ensure resource allocation efficiency in the transportation sector, an integrated transport policy that covers airways, roadways, and ropeways, among others, is necessary. And, within roads, national highways, pro-highways, and local roads need to be planned and developed in an integrated way.

39. For example, the secretary of agriculture noted that the procurement process of chemical fertilizers took as many as 226 days due to complications related to procurement law.

Theme	Code(s)	Issues Raised
	Policy harmoniza-tion, project duplication in three tiers	i) Lack of coordination between central, provincial and local governments in planning and implementation of the budget. ii) We have tried to institutionalize fiscal federalism within a short span of time. However, the implementation of political and administrative federalism remains incoherent. iii) Untimely dissemination of grants to the subnational governments (SNG) leads to most of the expenditure towards the end of the fiscal year. iv) Lack of coordination between the three tiers of the government persists. The central government is reluctant to disseminate power delegated by the constitution to the SNG. v) PFM issues faced in geographically remote rural municipalities need to be addressed. For example, the Appropriation Bill distributes fiscal transfer grants based on population size and not based on need and geographical factors. Hence, when a complementary grant is requested by a rural municipality, it usually surpasses their budget, e.g., when they request 3 *crores* for a road project, because their municipality budget is 5 *crore* they can't complement 3 *crore* for a road. vi) Issues of overlapping budgets among the three tiers of the government. vii) Revenue plans of local governments need to be in place.
Human Resource	Technical, bureaucratic and managerial	i) A bureaucratic system of frequent transfers of officials and reshuffling of the personnel engaged in a particular office/project, among others, hindering smooth functioning and implementations of plans and projects, is a factor influencing poor public expenditure capacity, which also needs to be investigated.

Theme	Code(s)	Issues Raised
		ii) The institutions set up for certain core functions need to efficiently and effectively fulfil their responsibilities with full professionalism. Lack of professional integrity is a big hurdle in our public finance management system. iii) After the implementation of federalism, the administrative human resources have been assimilated into three tiers of government. The technical resources haven't been increased, so some ministries are running under 40 percent of human resources on the technical side. On the administrative side, there is more supply than demand. iv) The system of promotion and transfers is not tied to punishment and rewards; hence, unethical activities are on the rise in civil service. v) Nepal lacks the provision of training for technical human resources, such as engineers. There is a provision of six months' training for administrative hires. vi) In donor-funded projects, consultancy culture has been degrading the capacity of civil servants. Usually, the inefficiency of the donor side translates to inefficiency of the government employees.[40] vii) Lack of procurement-specific human resources within the civil service is an issue. And, the capacity of existing cadres hasn't been enhanced to perform procurement functions effectively. Only providing training is not sufficient; the important point is to utilize the trained people in the same field and build expertise.

40. It is because usually the officer from the donor side needs prior approval and if they haven't received it already, sometimes they may take months/years to get the approval, and this might have cost and time implications.

Theme	Code(s)	Issues Raised
Cross-cutting issues	Bureaucratic complications, legal complications	viii) Persistent blame game among politicians and bureaucrats. ix) Deterioration of the capacity of civil servants. And, misuse of authority by the CIAA. Increasing number of lawsuits for minor causes can cause psychological impediment and reduce motivation. x) Poor planning because of a lack of research, absence of a sound implementation framework and substandard operational capacity due to the absence of training should be one of the major aspects to be focused on.

4.5.2 Provincial Government

The way in which the overall structure of the provincial government budget is formulated (outlined in Appendix 4.5. and Appendix 4.6) reflects the timeline along with activities and responsible agencies to complete those activities while formulating the Periodic Plan by the provincial governments.

During the study, the study team visited two provinces - Bagmati and Madhesh - and interacted with the finance minister, chief secretary and secretaries of various sectoral ministries, vice chairpersons of the provincial planning commission and members of civil society (Refer to Appendix 4.8 for the list of participants during interaction programmes and the key informants who were interviewed).

Some of the key issues identified during the interaction and key informant interviews conducted during the field visit to Bagmati and Madhesh provinces are outlined in Table 4.3. The issues are discussed under twelve headings, namely 1) Lack of clarity in unbundling the roles of three tiers, 2) Policies and legal arrangement, 3) Identification and projection of potential resources, 4) Public Finance/Resource Management and Digital Management System, 5) Challenges of sectoral ministries, 6) Role of the Ministry of Financial Affairs and Planning, 7) Periodic planning, MTEF and proposal of programme and budget, 8) Formulation and Execution of annual plan/budget, 9) Monitoring and Evaluation, 10) Internalization of SDGS at a provincial level, 11) Fiscal transfers, and 12) Cross-cutting issues related to federalism.

Table 4.3: Major Gaps and Challenges Identified During the Interaction Programmes and Key Informant Interviews During the Field Visit to Bagmati and Madhesh Provinces

Topics	Issues Raised
Lack of clarity in the unbundling of the roles of the three tiers of the government	i) The rights ensured to the province and local level by the Constitution were not made based on a participatory method, so it leaves a lot of room for confusion during the implementation process. • For example, there is a problem surrounding the issue of the driving license. The printing of the license is under the federal government, but the distribution is under the provincial government. ii) Federal ministries are still operating under the mechanism that was in place before the implementation of federalism. It reflects a unitary type of governance and power-hoarding mindset. This hinders the process of strengthening provincial ministries. iii) The Federal government has not allocated and transferred enough budget for the provincial government; there needs to be reforms in revenue rights. iv) Forest is under the exclusive rights of province government, but the forest area is under the federal government under the constitution. Also, the animals in the forest are under the federal government, which has created complications.
Policies and legal arrangements	i) Most of the Acts are yet to be enacted to implement the provisions under common rights. For example, the provinces haven't been able to formulate provincial Civil Service Acts because the central government's Civil Service Act (*Nijamati Ain*) hasn't been finalized yet. ii) Policies to address the mobilization of domestic and external loans need to be formulated. While the central government can directly deal with donor agencies and development partners, there is no such provision for SNGs (Secretary, Infrastructure Development Ministry, Madhesh Province).

Topics	Issues Raised
	iii) Public forest-related policy needs reforms and revisions addressing the shift in the usability of forest resources. iv) The interlinkage of wild animals and agriculture is creating a problem as the wild animals hamper agricultural activities, but the management of wildlife damage is not under the agriculture ministry. v) Preparing procedures and directives consumes lots of time and effort from line ministry officials.
Identification and projection of potential resources; Budget and Resource Committee	i) The mechanism of revenue collection is very weak, and major revenue is collected through registration of transportation. ii) The province is like the government without a chest and a gun (*saduk ra banduk binako sarkar*). It has neither the resources nor the power to exercise and implement the plans (Finance Minister, Madhesh). iii) It is important to diversify the revenue base and find a balance between revenue and expenditure. iv) Projection of expenditure is challenging due to a lack of data.
Public Finance/ Resource Management and Digital Management System	i) Digitization and the entry of the project bank have not yet been implemented due to software installation issues in Bagmati Province. ii) LMBIS controls the amount of the budget but does not keep information about activity and there is a problem in planning. iii) Software needs to be developed for planning, implementation, and monitoring in a consolidated way. It should be recommended at a policy level. iv) Data mechanisms are very weak. Ministries need to update their database. Updated data should be measurable, and the public should also get access. It may help in identifying projects. v) Ambitious infrastructure projects, such as stadiums, have been under construction in certain districts where even the entire population of the district won't be able to fill the stadium. These types of projects, without assessment of output and impact and resource use efficiency, lead to the misuse of scarce resources (Secretary, Ministry of Social Development, Bagmati).

Topics	Issues Raised
	vi) Complex layering for project implementation, bureaucratic complications, along with the process orientation to avoid CIAA cases have hampered the overall efficiency of the public financial management system.
Sectoral ministries	i) Hospitals haven't been able to get registered and renew their license because of the delay in the enactment of the provincial health sector Act (*Pradesh swasthya sewa ain*). ii) Forest-related policy is more conservation-oriented than development-oriented (Division head, Ministry of Forest, Bagmati). iii) The provincial forest ministry is just for facilitation, as there is no authority for clearance and tree cutting. The Constitution has provisioned forest and their ownership under the federal government only (Secretary, Ministry of Agriculture and Livestock Development, MoALD, Bagmati). iv) The agriculture ministry is diverted from technical support to cash support, which has increased corruption and misuse of resources (Secretary, MoALD, Bagmati). v) Health insurance has not been decentralized to improve coverage, specifically for the poor population.[41] vi) Sectoral ministries need to change their attitude. Their view that they should immediately receive resources from the Ministry of Financial Affairs and planning when they ask for it needs revision. Sectoral ministries need to strengthen their own commitments, spending capacity, prioritization of expenditures, database management systems, etc. (Secretary, Ministry of Economic Affairs and Planning, Madhesh) vii) There are more than 5000 projects under the drinking water ministry and there are about 300 programmes for each office with a human resource of one engineer and two sub-engineers. There are very few multi-year projects and there is a large volume of fragmented projects (*tukre yojana*), unidentified projects, and maintenance projects; all of this has hampered the overall development process. For example, the construction of a deep tube well might cost 20 *lakhs*, but the budget of 10

41. Focus on distributive policy hasn't been helpful in terms of managing the cost of non-contagious diseases like cancer, diabetes, kidney failures etc. Rather, universal health coverage by insurance should be prioritized and focused (Division Head, Health Ministry, Bagmati)

Topics	Issues Raised
	lakhs is allocated, which is not enough to implement the project. Therefore, a major portion of the ministry's time and energy is used to resolve these issues, which require transfers and modifications (Secretary, Ministry of Energy, Irrigation and Water Supply).
Role of the Ministry of Economic Affairs and Planning	i) The officials from the Finance Ministry sounded as if they are solely responsible for protecting and guarding the nation's public treasury[42] and officials from other ministries feel that it is really hard to get things done because of the bureaucratic red tape of the Ministry of Finance.[43] ii) The Finance Ministry has been overcontrolling at the federal and provincial levels as well. Ministries were autonomous before FY 2008/09, but now the Ministry has been overcontrolling with the tendency to hoard power, which is one of the reasons for decreasing the efficiency of other ministries (Secretary, Ministry of Social Development, Bagmati). iii) In the agriculture sector, the gestation period of several projects, like a fruit orchard, is long and requesting finance ministry each fiscal year for this multi-year project has hampered and victimized the project adversely[44]. iv) A major portion of the time and energy of the province's finance ministry is spent on programme modification and transfer of funds, which hampers the preparation process for the upcoming budget. v) Madhesh Province's finance ministry is trying to make the project implementation process transparent by selecting projects collected after publishing calls for proposals from the local government. vi) Health is a crosscutting sector involving sectors and phenomena such as disaster, infrastructure, agriculture, and environment. So, Bagmati Province has aimed for including health issues in the policies of all the line ministries.

42. I am fortunate, and the nation's treasury is safeguarded; because I exist, this country survives.(Secretary, Ministry of Social Development, Bagmati province).

43. The Ministry of Finance has caused hardship and has not even allowed work to be done.] (Secretary, Ministry of Social Development, Bagmati province).

44. It needs to be clarified through an Organization and Management (O&M) study whether the Ministry of Finance is an entity under the Government of Nepal or a separate institution (Secretary, MoALD, Bagmati)

Topics	Issues Raised
Periodic planning, MTEF and proposal of programme and budget	i) There should be a roadmap for preparing plans. Priority areas should be known, and strategic visionary planning should be developed based on priority areas. All the required tools and resources should be accessible to every division so that we don't need to ask others. ii) Sector-wise priorities (in periodic plans, annual plans, among others) are very generic, for example, in education, agriculture, transportation, among others. We need specific and concrete priorities, such as if the production is 200 tons per hectare, then the priority should be to double production in 10 years. In the case of health, the death rate of Madhesh Pradesh is high. So, priority should be to reduce the death rate by a certain percentage in a specific period. "We don't know our priorities and we don't know that we don't know about our priorities. This is the bigger problem" (Former Member, PPPC, Madhesh Province). iii) PPC should develop a few good, demonstrable, replicable projects with good indicators. If 100 good project drafts are developed in a year, and if at least 20 projects are identifiable and eligible for budgeting, then it would be impactful. (Former Member, PPPC, Madhesh Province). iv) The periodic plan of the province, which is a thick document prepared by a consultant on textbook bases, is not an implementable document and is not referred to during budgeting and planning processes. Mid-Term Expenditure, although prepared, is mostly done in the last quarter of the fiscal year (Vice Chairperson, Policy and Planning Commission, Bagmati Province). v) Multi-year projects are overloaded, which has narrowed the space for new and innovative projects (Vice Chairperson, Policy and Planning Commission, Bagmati Province). vi) MTEF has remained a tool for intellectual discourse; it has not contributed to our planning process. Needs to improve three things: link MTEF with project bank information, resources and improve expenditure projections at sub-national governments (Secretary, Ministry of Economic Affairs and Planning, Madhesh Province).

Topics	Issues Raised
	vii) The entry of projects into the project bank should be live and online. Access should be given at the ministry level or office level. A sorting or prioritization system should be implemented, and a system should be in place to connect the entries of the project bank automatically to MTEF. viii) MTEF seems like a system to rationalize *ad hoc* behavior; this hypothesis needs to be tested (Province Treasury Controller Office, Madhesh Province).
Formulation and Execution of the annual plan/budget	i) Madhesh Pradesh is lower in ranking as compared to other provinces because of a lack of capacity to spend. ii) There are hindrances in implementation due to complications and problems related to tree clearance, land ownership issues, and site clearance issues, which delay the project delivery by contractors. iii) There is no system of ranking for the prioritization of development projects. iv) The users' group model (*upabhokta samiti*)[45] has been a method of direct purchase, which needs to be systematized (Secretary, Ministry of Physical Infrastructure Development, Madhesh Province) v) The Users' Group (*upabhokta samiti*) model was noted to be functioning well compared to the tender process in Madhesh Pradesh[46] (Madhesh Province, Finance Minister).

45. Regarding critiques of user groups see 'upabhoktā samitikā' (2024), 'kāmai nagarne' (2023); For positive sides of user groups see Kafle (2021); Adhikari (2021).

46. While the Finance Minister noted that the user groups model was functional in Madhesh Pradesh, two key informants who were the member of civil society argued in the opposite lines. The first key informant noted that out that around 5000 projects were planned to be carried out by specifying the user groups and selection of user groups was done on the basis of personal interest in the people in power. The only thing that was complied was regulations to make payments. The second key informant saw the user groups as purely playing the role of a middle-man in the corruption process. He mentioned the quality of the project conducted through user groups did not ensure quality as there were multiple layers of commission involved. He further added, even the intellectual group in Madhesh province were involved in protecting the reputations of the politicians. Also see Ghimire (2021).

Topics	Issues Raised
	vi) The fund to be utilized by members of parliament for local development of their constituency (*Samsad Bikas Kosh*) was utilized very well in the constituency and this proved to be very fruitful for the development (Madhesh Province, Finance Minister). vii) Contractors should be made responsible for performance-based maintenance, i.e., free of cost maintenance in the first year and minimal support for the following years, which will ensure the quality of projects and expenditure (Secretary, Ministry of Physical Infrastructure Development, Bagmati).
Monitoring & Evaluation	i) Currently, the staff assigned to M&E tend to think that they have been punished. So, unless M&E is designated as a more powerful body than the implementing body, it can't perform its function well. ii) Critical thinking, reporting and analysis are not in practice. Only depicting the positive side has left no space for improvement in the budget implementation process. iii) The monitoring and evaluation is problematic and there needs to be real-time monitoring with proper reporting mechanisms.
Internalization of SDGs at the provincial level	i) Vice Chairperson, PPC, Bagmati ii) SDG is not discussed and focused enough, but Bagmati PPC is slowly paying attention to the SDG goals. The province has less knowledge than federal; and, the local level has even less knowledge than the province about the SDGs. iii) CGAS has no monitoring mechanism for the progress in SDGs. There needs to be at least one focal person in each provincial ministry to oversee the inclusion of SDGs. Inclusion of SDG in reporting should be made mandatory. iv) Equity and inclusivity are included in the documents and policies, but not sufficiently implemented in the projects.

Topics	Issues Raised
Fisal transfers	i) Madhesh has a large population, but subsidies, revenue distribution, and overall budget allocation are low. ii) The budget distribution and allocation system of Nepal, as provided by the Intergovernmental Fiscal Arrangement Act, states that out of the amount credited to the Federal Divisible Fund, seventy percent shall be distributed to the federal government, fifteen percent to the provinces and fifteen percent to the local levels.[47] iii) NNRFC provisions regarding fiscal transfers need to be revised. "Budget allocation is done based on population and HDI indicators globally but the allocation of budget in Nepal has 18 *Arba* grants for provinces with 16 *lakh* population, and 13 *Arba* grants for provinces with 62 *lakh* population. It cannot be justified in any way. This practice is clearly discriminatory and shows the view of the federal government towards Madhesh Province".[48] (KII with Finance Minister, Madhesh Pradesh). iv) The federal conditional grant[49] has proved to be useless in many cases, as it is difficult to implement projects under this grant. In the case of Bagmati Province, 146 projects under this grant could not be implemented because of not enough budget allocated and many conditionalities tied to it (Secretary, Ministry of Physical Infrastructure Development, Bagmati). v) Conditional grants have become a burden for both province and local levels. As little as NPR 5000 was allocated under this grant to a local level programme called Child-Friendly Local Governance Programme (Secretary, Ministry of Social Development, Bagmati).

47. During the KII, the Finance Minister of the Madhesh Province noted that the power-hoarding and centralized mindset of federal government is one of the problems. He further stated that only 15 percent of the revenue collected had been allocated to the provinces and out of that 1.83 percent (almost *dui takiya*) allocated to Madheh Pradesh. Hence within the local lingua franca the Madhesh government is said to be treated as *do takiya sarkar* by the Constitution.
48. World Bank (2024) reports that the number of earmarked items in conditional grants increased from 80,916 in the year 2022 to 96,619 in the year 2023.
49. The recent PEFA report also points out that there is no transparent procdure for the federal line ministries to determine and distribute conditional grants (MoF, PEFA Secretariat, 2024). Also see Bhattarai (2025).

Topics	Issues Raised
Crosscutting issues related to federalism	i) The rationale of province government is new for the people of Nepal and is not being easily accepted by the people. ii) Coordination among the federal, provincial and local levels is very low and there needs to be an active forum of the provincial government to fill the gap. iii) The provincial secretaries should be provisioned to be hired within the province only. The secretaries deputed by the federal government are mostly absent/on leave and their allegiance and loyalty are completely towards the federal government.[50] The joint and under secretaries are also only loyal to the province secretaries, and the minister cannot exercise and implement the plans and visions prepared due to these hindrances (Minister of Economic Affairs and Planning, Bagmati). iv) The bureaucrats avoid bearing risk due to the fear of a rising number of CIAA cases and pressure from the federal government.[51] v) The technical capacity of employees needs to be developed and increased by providing training and capacity building opportunities, as well as national and international exposure. These opportunities have been out of the reach of the employees of the provincial government. vi) Institutional memory is very low and needs to be strengthened. vii) Employment generation activities are promoted through training, but the use of the skills gained from training is hardly put into practice.

Source: Research team's compilation based on interactions and the key informant interviews conducted in Bagmati and Madhesh provinces.

50. See Ghimire (2023)

51. For more details see- https://www.onlinekhabar.com/2024/08/1524596; https://www.onlinekhabar.com/2024/08/1524629/the-authoritys-proposal-lets-file-a-corruption-case-against-the-employee-who-avoids-making-decisions

4.5.3 Local Government

The Constitution of Nepal, the Local Government Operation Act, and Intergovernmental Financial Management Act have provided the framework/ guiding policy for the annual budget and programme formulation, including the steps and activities to be conducted for the budget formulation by the local government. In these frameworks and guiding policies, there are seven steps and 24 activities (see Appendix 4.7). Similarly, periodic plans are formulated following a series of steps and activities. The periodic plan preparation, analysis, plan formulation and approval have four steps under which 15 activities should be completed. To complete these steps, the National Planning Commission, Provincial Policy and Planning Commission and Federal and Provincial Governments are to be reached out for ease and facilitation. The periodic plan formulation process and steps are tabulated in Appendix 4.8.

For this study, the research team interacted with the officials involved in the preparation of periodic plans and budgets at three local-level governments, namely Hetauda sub-metropolitan city, Bardibas Municipality, and Laxminiya Rural Municipality. Interviews with some key informants were also conducted (refer to Appendix 4.9 for the list of participants during interaction programmes and key informants who were interviewed). Major Issues identified in the interaction programmes and key informant interviews during the field visit to local level governments are listed in Table 4.4.

Table 4.4: Major Gaps Identified and Challenges Faced by the Local Governments During the Formulation and Implementation of Periodic Plans and Annual Budgets

General Topic	Major Gaps Identified and Challenges Faced
Periodic planning, MTEF and proposal of programme	i) Periodic plan formulation meetings were conducted at all 18 wards for the collection of plans and expectations, according to the budget calendar. And, all steps of periodic plan formulation were followed properly, including inclusiveness of stakeholders, formation of sectoral committees, and additional support of external consultants, among others. Even the scheme for the municipal pride project has been prepared (Representative, Financial Management Division, Hetauda).

General Topic	Major Gaps Identified and Challenges Faced
	ii) A five-year periodic plan has been formulated but not implemented, as there is no harmony between the periodic plan and the annual programme/budget (Under-Secretary, Planning Division, Bardibas Municipality). iii) Sector-wise committees have been formulated at the ward level for almost every issue as a formality, but the discussion and discourse on the issue is not carried out on the committees (Ward Chairpersons, Bardibas Municipality). iv) In the past, there was a practice to break down the budget on infrastructure in the city council; currently, the practice is to pass the budget on bulk and specifics are not discussed in the city council (Ward Chairperson, Bardibas Municipality). v) When the city council cannot be held, mostly because the meeting quorum cannot be met, there is no alternative provision for passing the budget and all the files are stopped. Almost 3-4 municipalities haven't passed plans and budgets and in turn haven't paid the salaries of employees for 8-10 months. There needs to be a revision in the policy. There is no relevance to passing the budget passed by the federal government again at the local level (Chief Administrative Officer, Laxminiya Rural Municipality).
Identification and projection of potential resources; resource efficiency	i) There needs to be proper planning for the sustainable revenue stream generation, which is the solution for ensuring the proper implementation of fiscal policies. A Revenue Improvement Action Plan should be prepared and implemented as the internal revenue is seen to be very low in the MTEF (Representative of Civil Society Member, Hetauda). ii) River-based extraction should be made more practical and implementable (Representative, Infrastructure Development Division, Hetauda Submetropolitan City) iii) The provision of utilization of forest resources like timber should be developed (Representative, Infrastructure Development Division, Hetauda Submetropolitan City).

General Topic	Major Gaps Identified and Challenges Faced
	iv) Extraction of riverine materials is allowed by tender process and the official steps are fulfilled only up to the tender process. However, the monitoring and checking mechanism is very weak and the practice of over extraction exists with the "settings" with the stakeholders responsible for monitoring of extraction (multiple Ward Chairpersons, Bardibas Municipality). v) There is an increasing dependence of citizens on the government. Also, there have been demands for money from the government for local festivals like *Teej, Poojas*, among others. (Chief Administrative Officer, Bardibas Municipality).
Project bank, project selection, and prioritization of projects	i) Project bank development, its prioritization and implementable fiscal policy for the local units should be investigated. ii) Sectoral planning is necessary and planning and project selection based on research and development should be emphasized. iii) The project bank has not been prepared yet at Bardibas Municipality (Undersecretary, Planning Division, Bardibas).
Annual programme, budget formulation and implementation aspects	i) The plans selected at the ward level depend on the demand of the ward residents, mostly this plans focus on physical infrastructures like drinking water, roads, and construction. However, even though budget is formulated based on the ceiling provided, the allocated amount is usually much lower. Also, the budget ceiling has been reduced from 9 million in FY 2022/23 to 6 million in FY 2023/24 (multiple Ward Chairpersons, Bardibas Municipality). ii) Sometimes the provincial government launches projects without the knowledge of the municipality. In certain cases, even the ward office is unaware of the programmes being launched by the provincial government within their ward, and projects came to light after the CIAA case (Under-Secretary, Planning Division, Bardibas Municipality; Chief Administrative Officer, Laxminiya Rural Municipality).

General Topic	Major Gaps Identified and Challenges Faced
	iii) There is a serious issue regarding timing and the amount of budget disbursement. For example, in the case of Laxminiya Rural Municipality, 50 percent of the budget from the central government was released in the 3rd quarter and the amount allocated by the province was not disbursed until Chaitra (Chief Administrative Officer, Laxminiya Rural Municipality). iv) Although budget allocation is low in Bardibas Municipality, the disbursement process is smoothly carried out (Ward Chairpersons, Bardibas Municipality. v) During the fiscal year 2080/81, most of the projects were implemented through the Users' Group (*upabhokta samiti*), and around 10 percent was carried out through the tender process (Account officer, Bardibas Municipality).
Monitoring and Evaluation, and oversight agencies	i) At the local level, Local Government Institutional Capacity Self-Assessment (LISA) is used for self-evaluation, but the indicators are not sound. Using the amount of expenditure as the measure of progress is not the best practice. The quality of projects is inspected by the technical team, engineers and by the Monitoring Committee headed by the Deputy Mayor. ii) Often, the evaluation of the projects shows political motivation leading to ineffectiveness of projects (Ward Chairperson, Hetauda Sub-Metropolitan City). iii) Evaluation of expenditure on hard infrastructure projects is relatively easier. However, the amount spent on soft projects such as training at the local and provincial levels, among others, has no monitoring and evaluation mechanisms. iv) The impact and effectiveness of projects need to be seriously reflected on before the formulation of the programme for next year. However, current fiscal policy has no space for the reflection of the evaluation of previous projects (Ward Chairperson, Hetauda Sub-Metropolitan City). v) In charge of city police, requested to quit the position due to difficulties in monitoring the extraction of river-based materials (Mayor, Hetauda Submetropolitan City).

General Topic	Major Gaps Identified and Challenges Faced
	vi) Monitoring the extraction of riverine materials is not possible by the municipalities, as the officials there have neither the time nor the resources to monitor and control the over-extraction and illegal extraction activities. Similarly, there is no incentive for the personnel from the police and District Co-ordination Committee (DCC) and there exists a problem of corruption in these sectors (Chief Administrative Officer, Bardibas Municipality).
Public Finance/ Resource Management and Digital Management System	i) The Payment Centre (*Bhauktani Kendra*) has been developed in all the wards for payments under NPR 20 *lakh* by the ward chairperson themselves. This has increased the overall efficiency of the system (Representative, Financial Management Division, Hetauda Submetropolitan City). ii) The database management system at the municipal level should be enhanced. iii) Accounting is done by the SuTRA software. Most of the payment is done by electronic fund transfer, and payment for social security will also be made by electronic fund transfer from this year (Account Officer, Bardibas Municipality).
Fiscal Transfers and Internal Revenue Management	i) The budget transferred from the province and central government has been problematic and there is no assurance of funding from the province and central government. There is a huge drop in the budget from the province and the central government from the expected amount (Deputy Mayor, Hetauda Submetropolitan City). ii) The equalization grant was seen as a strong and focused grant at the local level, but now there is a major problem, as only 25 percent of the allocated amount is to be disbursed as per the decision of the finance ministry, which will drastically shrink the entire budget ceiling. This will create a disaster in the implementation of several projects due to budget constraints[52] (Vice-Mayor Hetauda).

52. See the report on local levels giving ultimatum of seven days to MoF to rectify reduction in fiscal equalization grant via this link - https://myrepublica.nagariknetwork.com/news/local-levels-give-ultimatum-of-seven-days-to-mof-to-rectify-reduction-in-financial-equalization-grant/

General Topic	Major Gaps Identified and Challenges Faced
	iii) The increase in conditional grants is a burden for the local level, and it is taking away agency of the local level (Ward Chairman, Hetauda). iv) The budget disbursement for projects under conditional grant is never timely done which creates problems in the implementation of such programmes (Representative from Revenue Division, Hetauda). v) Many of the programmes through conditional grants are made compulsory to be conducted through certain organizations and institutions, which increases the administrative cost and overall cost, as many programmes could be done through in-house human resources of the municipality (Representative, Women, Children, and Inclusion Division, Hetauda Submetropolitan City).
Localization of SDG goals	i) The concept of SDGs and its incorporation into the planning and budgeting process is poorly understood by most of the stakeholders. There needs to be capacity-building training for proper understanding of the SDGs for elected members at the local and provincial levels. ii) At the local level, there is a lack of understanding regarding SDGs, which are often literally linked to the Nepali word "*digo*" (sustainable) and are understood as something that lasts long, just like the concrete structures[53]. iii) SDG could not be focused due to low knowledge of SDG and a higher focus on physical infrastructures. (Chief Administrative Officer, Laxminiya Rural municipality). iv) SDG goals have been included in 5-year plans but not incorporated in yearly plans, just like the federal government (Under-secretary, Planning Division, Bardibas Municipality).

53. "Explaining sustainability goals as meaning that cement paving lasts longer and therefore helps achieve sustainable goals." … "Since merely preparing guidelines on how to localize the Sustainable Development Goals does not ensure that everyone is informed about them, there is a need for broad discussion at the local level." - Chairperson of Ward- 4, Hetauda Submetropolitan City

General Topic	Major Gaps Identified and Challenges Faced
Policy harmoniza-tion	i) Lack of alignment of the laws and regulations formulated by federal and provincial levels and the need for the local levels (Chairperson, Laxminiya Rural Municipality). ii) The procedures set for the extraction of river-based construction material are not at all practical and implementable at the local level.[54] This has caused a drop in revenue collection (Representative, Financial Management Division, Hetauda Submetropolitan City).
Oversight agencies	i) Trust in the development process should be established to find solutions related to the issues of CIAA. ii) Undue pressure of CIAA needs to be resolved before late, cases should be resolved with priority based on the classification of the amount of expenses incurred and categorization of the seriousness of the issue (Ward Chairperson, Hetauda Submetropolitan City). iii) Problem in the implementation of the activities of Judicial Committees (*Nyaik Samiti)* (Rijal & Upreti, 2081) iv) A cashless transaction policy needs to be implemented in order to check corruption effectively. More than a hundred cases are pending in the CIAA, which is one of the major hindrances to the implementation of projects (Mayor, Hetauda Submetropolitan City). v) CIAA cases are also a hindrance, for example we had only issued notice for tender for the construction of an administrative building and CIAA forwarded a letter stating that the municipality had committed corruption by working with the contractor[55] (Account officer, Bardibas Municipality).

54. See Singh (2023)

55. In FY 2023/24), the Commission received 26,918 complaints through various mediums. Along with 9,268 complaints carried over from the previous fiscal year, the total number of complaints requiring action stood at 36,186 of which 76.59 percent was resolved through screening and preliminary investigation. Among the complaints received, the highest proportion is related to federal affairs (including local levels) at 38.91 percent. This is followed by Education (including local levels) at 15.79 percent, Illicit Enrichment (Illicit Asset Accumulation) at 6.98 percent, Land Administration at 6.49 percent, Fake Academic Certificates at 4.71 percent, Forests and Environment at 3.82 percent, Health and Population at 3.68 percent, Physical Infrastructure and Transport at 3.61 percent, Home Administration at 3.52 percent, Finance at 2.13 percent, Energy, Water Resources and Irrigation at 2.10 percent, Water Supply and Urban Development at 1.61 percent, and complaints related to other agencies/sectors at 6.65 percent. (CIAA, 2081)

General Topic	Major Gaps Identified and Challenges Faced
	vi) Users' groups (*upabhokta samiti*) are not working efficiently due to the complications in the working process and hindrances due to CIAA cases. Nobody is willing to be a part of the users' group. This is also due to the delayed payment process (Chief Administrative Officer, Laxminiya Rural Municipality).

Source: Research team's compilation based on interactions and key informant interviews at three local level governments, namely Hetauda Submetropolitan city, Bardibas Municipality, and Laxminiya Rural Municipality

CHAPTER 5

EFFICIENCY AND EFFECTIVENESS OF PUBLIC EXPENDITURE SYSTEM: SOME EVIDENCE-BASED ANALYSIS

This chapter combines quantitative and qualitative evidence to evaluate the efficiency and effectiveness of Nepal's Public Expenditure Management (PEM), building on findings from previous chapters. It assesses sector-specific input-output patterns and the cost efficiency and implementation performance of National Pride Projects, uses single-equation regression models to examine the impact of government expenditure, and evaluates the broader role of the PEM/PFM framework in driving improvements against previously identified gaps.[56] To maintain analytical clarity, efficiency is treated as how punctually and cost-effectively public resources convert into outputs (tracked via budget utilization, cost overruns, and delays), while effectiveness assesses whether spending achieves intended development outcomes such as economic growth, infrastructure progress, and SDG targets.

5.1 Efficiency and Effectiveness at the Federal Level

5.1.1 Cost Efficiency and Effectiveness in Programme/Project Implementation

5.1.1.1 Government Spending, Education Achievement, and the Performance of the Health Sector.

Based on the compilation of limited data and scattered indicators, cost effectiveness, as well as input and output patterns in the selected areas of important sectors like education and health, have been examined. They provide some indicative trends only in selected areas and activities. The study examines government expenditure in the education and health sectors of Nepal and reveals that there are long-term discrepancies between the financial investment and the outcomes. In the education sector, per-student spending in primary and middle school till grade 10 went up from NPR 1,608 in the year 2020 to NPR 1,997 in 2022. Nonetheless, the proportional improvement in learning outcomes has not been realized. In 2024, only 47.86 percent (222,472 of 464,765) of students appeared in Secondary Education

56. The previous study by Khanal and Khanal (2024) largely covers up to the FY 2020/21, more recent years have been covered in this study for comparison purposes with more focus on efficiency and effectiveness issues.

Examination (SEE) passed to qualify to move to grade 11. And, the core subjects i.e. Mathematics, Nepali, English, and Science are performing poorly, well below the 15th Plan's targets of 63 to 66 percent pass rate.

The low level of correlation between the rise in expenditure and academic achievement indicates that there also the other problems other than funding levels. The lack of teacher training, the outdated curriculum, and the scarcity of classroom materials, as well as the ineffectiveness of school accountability mechanisms, can diminish the effectiveness of the government funding. In addition, the rate of enrollment has been increasing, but the dropout patterns are not uniform. Examples include an increase in dropout rate in grades one to five rose from 2.6 to 3.2 percent; and in grades 9 to 10, the rate increased from 0.7 to 1.9 percent between FY 2022/23 and FY 2023/24, meaning that the survival rate went to 69.5 percent by grade 10.[57] These indicators suggest that resources are not effectively being translated into long-term learning or retention of students (see Appendix 5.1 for the data used in this analysis). All these additionally indicate the challenges ahead towards accomplishing the SDGs targets in related areas by 2030.

A similar mismatch between expenditure and performance can be observed in the health sector as well. The improvement of SDG-3 targets on communicable and non-communicable diseases and nutrition has been uneven, although the government spending on the issue has been increasing steadily since 2015. The rates of tuberculosis dropped from 158 to 67 per 100,000 between 2015 and 2022. However, diseases such as dengue and lymphatic filariasis continue to re-emerge. The mortality caused by major non-communicable diseases decreased only by a small margin from 2.8 to 2.35 per 1,000, and child stunting dropped from 36 to 28.6 percent, still far from the 2030 SDG target of 15 percent (see Appendix 5.2 for the data used in this analysis).

These disparities indicate there is a gap between the amount of spending and its quality and efficiency. Weak institutional capacity, inequitable service delivery, and lack of skilled human resources in the education and health sectors have limited the impact of investment. To realize the SDGs, especially SDG-4 (quality education) and SDG-3 (good health and well-being), Nepal must strengthen the link between expenditures and outcomes by improving teacher and health worker performance,

57. The analysis above is based on the compilation of data from different sources including Flash Reports from the Centre for Education and Human Resources Development (CEHRD 2023), Progress Reports of SDGs by NPC, 15th and 16th Plan (NPC, 2019 and 2024b) and Economic Survey (MOF 2024).

modernizing curricula and service systems, and improving monitoring and accountability mechanisms.

5.1.1.2 Efficiency and Effectiveness in Project Implementation

One of the best techniques to examine the efficiency of the public expenditure system is to thoroughly review and analyze project and programme cycle (Herrera & Pang, 2005; Zidane & Olson, 2017). Under such a technique, the cost, completion time, expected output and probable outcomes envisaged in the project appraisal are compared with the actual progress and achievements. Following a similar technique, the progress and outcomes of the selected pride projects have been assessed below.[58] Consideration of pride projects is important because, unlike the general projects and programmes, they are given high priority and treated differently by the periodic plans, MTEFs and budgets, recognizing them to be strategically important for the economy.

Altogether 25 projects have been declared as pride projects so far in Nepal. Of these, only four projects have been completed. These completed projects include Upper Tamakoshi Electricity, Gautam Buddha International Airport, Pokhara Regional International Airport and Mahakali Water Supply Project. These Projects were initiated in FY 2010/11, FY 2017/18 and FY 1998/99, respectively. Except for Pokhara Regional International Airport,[59] there was a large cost escalation in these projects. The cost overrun was 4.9 times in Gautam Buddha International Airport, followed by 1.5 times in the Mahakali Water Supply Project and 1.4 times in the Upper Tamakoshi Electricity Project. Despite the completion of four, only Upper Mahakali Water Supply Project and Upper Tamakoshi Electricity project are in operation, with their contribution largely as envisaged in the project appraisals, with irrigation facilities to the farmers in the designated area and easing huge energy supply gaps of the country.

Two completed airports are yet to start or regularly operate commercial flights and, therefore, there have been growing concerns about their economic viability. The Gautam Buddha International Airport was funded by ADB and OPEC. The commercial flight started in May 2022 but could not be continued for long. Also, there are more concerns about the economic viability of the Pokhara Regional Airport because of the agreed high interest rate, compared to the concessional loan

58. The concept of national pride projects was initiated in 2012.

59. However, the issue of contracted cost is still debatable. It is reported that compared to the originally envisaged cost, awarded cost was very high and after wider criticism it was scaled down by 30 percent.

that Nepal enjoys under the ODA loan. Added worry is that despite its completion in 2021, the commercial flights have yet to start from there. These airports not only overburden the debt servicing liability but also add high opportunity costs to the economy.

Amidst such a state of conditions with respect to two crucial completed projects, overall performance and progress in most of the 21 ongoing national pride projects are miserable and disappointing. A quick assessment of the envisaged cost, revised cost, initially estimated completion period, revised timeframe and actual status of the projects corroborates this (Table 5.1). For instance, the Sikta Irrigation Project, situated in Banke and initiated in FY 2004/05 with an estimated cost of NPR 12.80 billion, was expected to be completed by FY 2019/20. It was hoped that by providing irrigation to around 47 thousand hectares of land, it would not only boost production and productivity in the surrounding areas where agriculture has been the mainstay of people, but would also contribute to intensifying the commercialization of agriculture and induce industrial development. But the progress shows that despite a cost overrun by 4.1 times and already 13 years delayed in the completion of the project, the physical progress has been 72 percent.

The performance of the Babai Irrigation project is even worse. With a cost overrun of 6.6 times and already delayed by three years, the progress reported is just 62 percent. Despite being strategically very important, the Mid-Hills Pushpalal Highway, Hulaki Lokmarg, Koshi and Karnali Corridor face similar problems of cost overruns and project completion delays. Worse performers include Nijgadh International Airport and Railway, Metro and Mono-Railway development projects. Thus, they provide a vivid example of how projects, even regarded as strategically crucial, are selected and implemented. In view of project allocative including selection and operational efficiencies being the cornerstone of overall efficiencies and effectiveness of budgetary and public expenditure management, these portray the larger gaps between various reform initiatives and actual outcomes. Such a state of affairs in pride projects further portrays the possibilities of poor performance of the general projects and programmes.[60] The majority of respondents' views presented in the previous chapter largely corroborate this. The biggest worry is that the problems have become systemic and structural at a time when Nepal is confronting bigger challenges of accomplishing SDGs in the stipulated time, which demands a breakthrough on multiple fronts.

60. The practice of extending the deadline of hundreds of sick projects at the end of the fiscal year proves this. See Khanal & Khanal (2024) and also see various reports from the Office of the Auditor General.

Table 5.1: Efficiency and Cost-Effectiveness of National Pride Projects

S. N.	Projects	Date Started (Yr in A.D.)	End Date (Yr. in A.D.)		Cost Estimate (Rs. 10 m.)		Total Expenditure up to Fiscal Year 2080/81 (Rs 10 million)	Cumulative Progress (%)	Cost Escalation	Fixed Completion	Delayed	Physical
			Initial	Revised	Initial	Revised						
1	Sikta Irrigation	2004/5	2019/20	2032/33	1280	5264	1985	39.76	4.1	15	13	72.5
2	Mahakali Irrigation	2006/7	2030/31	2030/31	1117	3500	659.58	18.84	3.1	24	0	15.73
3	Babai Irrigation	1988/89	2022/23	2025/26	287	1896	1264.6	70.03	6.6	34	3	62.2
4	Rani Jamara Kularia Multipurpose	2010/11	2023/24	2023/24	1237	2770.2	1805.6	66.97	2.2	13		58.7
5	Sunkoshi Marin Diversion	2016/17	2023/24	2027/28	4619	4942.3	891.82	21.4	1.1	7	4	7.6
6	Bheri Babai Diversion Multipurpose	2011/12	2022/23	2027/28	1643	3680	1652.8	63.3	2.2	11	5	57
7	Budhigandaki Hydro	2012/13	NA	2026/27	26000	26000	4135	NS	1.0	0		22
8	West Seti Hydropower	2010/11	NA	NA	13208	27385	NS	NS	2.1			0
9	Nijgadh Int. Airport	2014/15	NA	2028/29	16500	70000	NS	NS	4.2			NA
10	Pashupati Area Development	2013/14	2021/22	2021/22	127	201	141.04	85	1.6	8	0	85
11	Lumbini Area Development	2012/13	2022/23	2023/24	555	610	702	87	1.1	10	1	87

S. N.	Projects	Date Started (Yr in A.D.)	End Date (Yr. in A.D.)		Cost Estimate (Rs. 10 m.)		Total Expenditure up to Fiscal Year 2080/81 (Rs 10 million)	Cumulative Progress (%)	Cost Escalation	Fixed Completion	Delayed	Physical
			Initial	Revised	Initial	Revised						
12	Mid-Hills Pushpalal Highway	2007/8	2022/23	2027/28	3336	8433	6476	72.7	2.5	15	5	64.16
13	Hulaki Lokmarg	2009/10	2023/24	2026/27	4724	6520	5965	91	1.4	14	2	81
14	Koshi Corridor	2008/9	2022/23	2027/28	1620	1193	506	42	0.7	14	5	41
15	Kaligandaki Corridor	2009/10	2022/23	2026/27	3200	3579	1357	38	1.1	13	4	20
16	Karnali Corridor	2008/9	2022/23	2027/28	410	666	136	24	1.6	14	5	20
17	Kathmandu-Terai Expressway	2016/17	2023/24	2023/24	11600	21395	3429.8	21.2	1.8	7	0	21
18	Melamchi Water Supp	1998/99	2077/78	2023/24	2400	3554	3102	89.5	1.5	22	3	89.5
19	East-West Railway	2009/10	NA	2029/30	7062	7061	2748	38.5	1.0			38.5
20	Railway, metro & mono-railway dev.proj	2009/10	NS	NS	9550	128000	3044	NS	13.4			
21	Electricity Transmission (MCA Nepal)	2010/11	2027/28	2027/28	NS	NS	307	7.4	NA	17	0	5.01

Source: Research teams' calculations based on the data provided by NPC

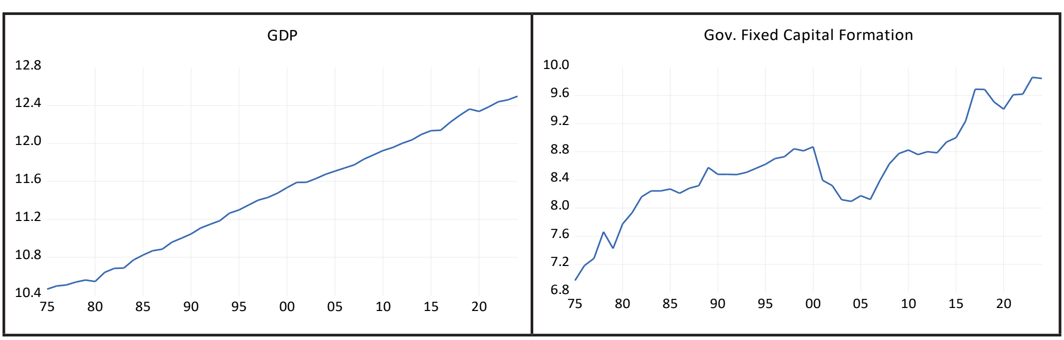
5.1.2 Effectiveness in Public Expenditure Management: Growth Impact

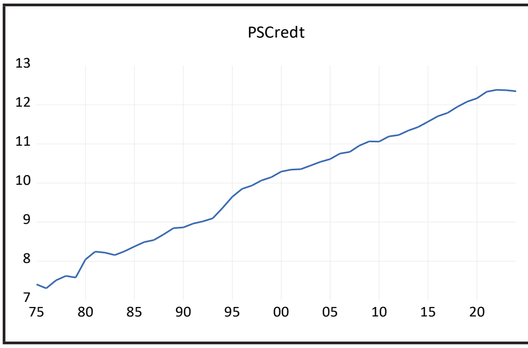
While the ARDL model was employed to identify the determinants of expenditure, the growth models in this chapter assess the effectiveness of expenditure in influencing economic outcomes. One of the ways of assessing the effectiveness of the public expenditure management system is to examine the impact of public expenditure on economic growth, represented by GDP. On the same premises, two single equation regression models (one for the longer run and one for the relatively short run) were run in which GDP was made dependent and government capital formation and credit to the private sector from the banking system as independent variables. As has already been discussed, in countries like Nepal, government capital formation is regarded as one of the keys to push overall growth in the economy through both direct and complementary effects. Similarly, the role of banking and the financial system is regarded as decisive in an economy in mobilizing savings and channelizing them towards private investment through an intermediatory mechanism. Theoretically, financial deepening, represented by private sector credit, which is very high in Nepal compared to other South Asian countries, should have played a larger role in augmenting economic growth. As in the previous chapter, the ARDL Bound Test and Error Correction Model Approach has been used to estimate the effectiveness of public expenditure management.

5.1.2.1 Variables Undertaken

As discussed in the research methods and section 3.1 under Determinant of Government Expenditure and its Major Components, this section deals with effectiveness in public expenditure management from the growth and impact perspectives. The dataset available as per the variables is presented in Figure 5.1.

Figure 5.1: Nature and Trend of Data (FY 1974/75 – FY 2023/24)





Source: Authors' calculation

As demonstrated in Figure 5.1, the economic performance of Nepal, FY 1975/76 – FY 2021/22, indicates that both GDP, government fixed capital formation, and the credit provided by the private sector have been growing steadily. All GDP growth was between 10.4 and 12.6 units, which showed that the economy was resilient and improved structurally. This long-term positive trend emphasizes growth in productive sectors, slower modernization, and the facilitating role of remittances and policy interventions, but the rate of growth is still moderate relative to the fast-growing economies. The general tendency of government fixed capital formation is also upward, starting at 6.9 units and almost reaching 10 units in 2022, although it has stagnated in the early 2000s, as a result of political and economic shocks. This is an indication that Nepal has a long-term desire to improve infrastructure and productive capacity. The clearest and steadiest growth is in private sector credit, which increased by over 13 units since the late 1970s to over 12 units in 2022 as a result of financial sector deepening, improved access to credit, and increased entrepreneurial activity.

These observations are supported by the statistical evidence in Table 5.1. The averages of GDP (11.467), government fixed capital formation (8.563), and credit in the private sector (9.986) follow the upward trends in the figures. In addition, the correlation matrix shows a very tight relationship between GDP and credit of the private sector (0.996), as well as with government fixed capital formation (0.863). These findings highlight the complementary effect of state investment and commercial credit in supporting the economic growth of Nepal.

Table 5.2: Summary of Statistics and Correlation Matrix

Summary of Statistics			
Variable	**lngdp**	**lngovfixed~n**	**lnpscredt**
Mean	11.467	8.563	9.986
Std. Dev.	0.633	0.667	1.558
Min	10.46	6.96	7.3
Max	12.49	9.85	12.38
Observation	50	50	50
Correlation Matrix			
Correlation	**lngdp**	**lngovfixed~n**	**lnpscredt**
lngdp	1.000		
lngovfixed~n	0.863	1.000	
lnpscredt	0.996	0.864	1.000

Source: Authors' calculation

5.1.2.2 Unit Root Test

As in the previous section, here too, Augmented Dickey Fuller (ADF), Phillips Perron (PP), and Kwiatkowski Phillips Schmidt Shin (KPSS) tests were conducted on the variables of the series FY 1974/75 – FY 2023/24 to analyze the stationarity properties of the series. Both Table 1 and Table 2 report that all three variables: GDP, government fixed capital formation (GFCF), and private sector credit (PSCredit) are at levels of stationarity. The ADF and PP values are much greater at the 1 percent level, but the KPSS values are less than the critical value, indicating the lack of a unit root. These findings determine the appropriateness of the dataset to continue with econometric analysis without differencing.

Table 5.3: Summary of Unit Root Tests (FY 1974/75 – FY 2023/24)

Variable	ADF	PP	KPSS
GDP	-7.164***	-8.294***	0.107
GFCF	-6.521***	-6.518***	0.164
PSCredit	-6.742***	-6.771***	0.089

**** Indicate significance at the 1 percent level*

Source: Authors' calculation

5.1.2.3 Lag Length Selection

In this model, the lag length was also determined according to many tests, such as the Likelihood Ratio (LR) test, Final Prediction Error (FPE), Akaike Information Criterion (AIC), Hannan-Quinn Information Criterion (HQIC), and Schwarz Bayesian Information Criterion (BIC). Because Table 5.2 shows that three was the best lag length of GDP, LR, FPE, AIC, and HQIC revealed an identical result, whereas BIC proposed a lag length of one. In both government fixed capital formation (GFCF) and private sector credit (PSCredit), all the criteria pointed to one lag. These results provide a strong model specification to balance explanatory power with parsimony in further estimations.

Table 5.4: Lag Order Selection Criteria for Different Variables

Variable	Likelihood Ratio Test (LR)	Final Prediction Error (FPE)	Akaike Information Criterion (AIC)	Hannan–Quinn Information Criterion (HQIC)	Schwarz Bayesian Information Criterion (BIC)	Selected Lag
GDP	3	3	3	3	1	3
GFCF	1	1	1	1	1	1
PSCredit	1	1	1	1	1	1

Source: Authors' calculation

5.1.2.4 ARDL Bound Test Co-integration Results

The ARDL bounds testing was used to determine the presence of a long-run relationship between Gross Domestic Product (GDP) and its hypothesized determinants: Government fixed capital formation and the private sector credit. The results of Model 4 are reported in Table 5.4, where the computed F-statistic (43.90) significantly exceeds the upper critical values at the 10, 5, and 1 percent significance levels. In particular, the F-test is significantly higher than the I(1) critical value of 5.00 (1 percent level), which is solid evidence of cointegration. This establishes a steady long-run equilibrium between GDP and government fixed capital formation as well as between GDP and the credit of the private sector, which warrants the estimation of both long-run and short-run dynamics in the ARDL framework.

Table 5.5: ARDL Bounds Test for Long-Run Relationship

Models	Test Statistic	Value	10% CV		5% CV		1% CV		Decision
			I0	I1	I0	I1	I0	I1	
Model 4	F-statistic	43.90	2.63	3.35	3.10	3.78	4.13	5.00	Cointegration

Source: Authors' calculation

5.1.2.5 Long Run Estimation Results

Using the ARDL, the relationship between Gross Domestic Product (GDP), Government fixed capital formation (GFCF), and private sector credit (PSCredit) was estimated in the long-run. The results of Model 4(a) are shown in Table 5.5. The coefficients of all the explanatory variables are positive and significant at the 5 percent level. To be more precise, a 1 percentage point rise in GFCF is linked to a rise in GDP by 0.017 percent and a 1 percentage point rise in PSCredit is linked to a rise in GDP by 0.057 percent, other things remaining unchanged. The constant of 1.019 is a reflection of the minimum level of the GDP.

This model has a very good explanatory power, whereby the R2 and adjusted R2 all show the same value at 0.998 that almost all the GDP variation is accounted for by the independent variables. Diagnostic tests also confirm the model: the test statistic of normal distribution (10.07) indicates that there is no significant problem with the distribution of the residues; the test statistic of serial correlation (3.062) indicates that there is no autocorrelation among the results; the test statistic of Ramsey RESET (6.394) indicates that the model is specified correctly; the test statistic of ARCH (0.002) and heteroscedasticity (7.589) indicate the absence of major problems.

In general, the findings support a robust and consistent long-run correlation between GDP, GFCF, and PSCredit and the economic interpretation that government investment and private sector credit are driving forces of long-run economic growth in Nepal.

Table 5.6: Long-Run Relationship of the Models and the Results of Diagnostic Tests

Variables	Model 4(a)
GDP	0.155**
GFCF	0.017**

Variables	Model 4(a)
PSCredit	0.057**
Constants	1.019**
R-square	0.998
Adj. R-square	0.998
Normality	10.07
Serial Correlation	3.062
Ramsey RESET	6.394
ARCH	0.002
Heteroscedasticity	7.589

**** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.*

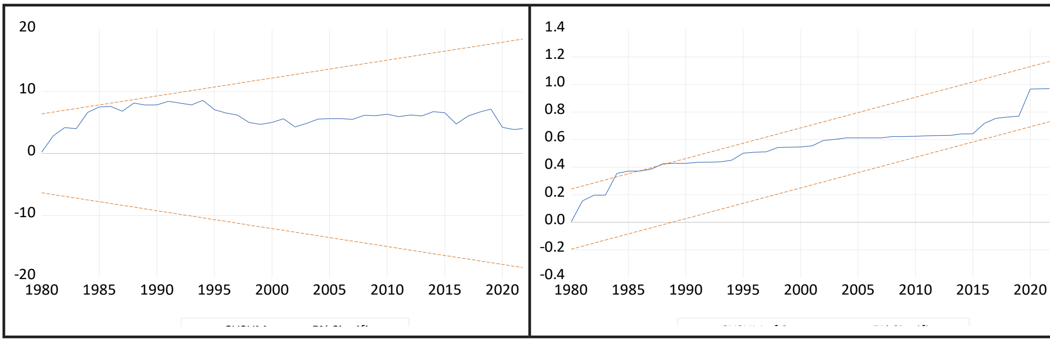
Source: Authors' calculation.

Based on the optimum lag selection criteria, the ARDL(1,0,0) error correction model was used to estimate the short-run coefficients. The lagged error correction, CointEq (-1), has a significantly negative coefficient (-0.155), t = -13.69, p = 0.001), which means that the rate of adjustment to the equilibrium is indeed fast: about 15.5 percent of the deviation is corrected each period. The presence of cointegration is supported by the F-bounds test (F = 43.91). The model describes 18 percent variation in GDP in the short run (R2 = 0.181), and the Durbin-Watson value of 2.44 suggests the absence of autocorrelation, which is a strong and consistent short-run association.

5.1.2.6 Robustness and Stability Tests

We used the CUSUM test and CUSUMSQ test (Brown, Durbin, and Evans, 1975) to examine the stability and reliability of the model. The CUSUM test is a plot of the cumulative sum of recursive residuals versus critical values at the 5 percent level of significance. When the plot does not exceed these bounds, the null hypothesis that the coefficient is stable cannot be rejected but when it does cross, the null hypothesis can be rejected. CUSUMSQ test is also a similar test but uses the squared recursive residual to indicate possible structural instability in the model. The model coefficients were not only verified with stability tests, CUSUM and CUSUMSQ. Each set of model specifications (1(a) to 4(a) gives the CUSUM and CUSUMSQ statistics that lie within the 5 percent critical limits. This would show that the null hypothesis of parameter stability could not be rejected at the 5 percent level of significance. The two coefficients are stable and the coefficients appear to be stable because the sample period has no structural breaks. This implies that the models provide consistent inferences towards the analysis and forecasting as the relationship between the variables remains consistent with time.

Figure 5.2: CUSUM and CUSIMSQ Test Result



Source: Authors' calculation

As indicated by our results, public expenditure management illustrates the positive and strong effect of the government investment and credit by the private sector on the economy of the country. The ARDL bounds test also confirms that there is a long-run cointegrating connection among GDP, GFCF and PSCredit, and estimating the long and short-run dynamics is justified. The long-run ARDL estimates indicate that 1 percent growth in GFCF and PSCredit will lead to growth in GDP by 0.017 percent and 0.057 percent, respectively, which depicts the conclusive contribution of public investment and financial sector development. Hence, the results and discussion indicate that good management of government spending, along with financial deepening, is a significant contributor to a sustainable Nepali economy, and thus, further actions in infrastructure and credit provision to the business sphere are essential.

5.1.3 Overall Efficiency and Effectiveness in Public Expenditure Management

Some of the evidence presented above showing poor or measurable performances are closely associated with the overall public expenditure and financial management system. The core of the problem is that the public expenditure management system is yet to be driven by a performance-based budgetary system, as the resource allocation and use patterns reveal. The MTEF was supposed to make a major contribution toward that end. However, it has largely been a ritualistic exercise which was supposed to fix projects and programmes based on detailed input, output, outcome and impact analysis. Though after wider criticism that in the MTEF, first priority projects and programmes constitute 90 percent of the total proposed spending, some changes have been brought into the MTEF of FY 2024/25, the bifurcation is made in a way that makes it difficult to understand[61].

More importantly, no major intra and inter-sectoral restructuring grounded on input, output, outcome and impact analysis is found, which could have necessitated either dropping some out of hundreds of sick projects or making strategically important ongoing projects and programmes viable, leading to sector priorities compatible with, for instance, SDGs. A somewhat tinkering approach has been followed, which has helped very little to bring about significant changes in FY 2024/25 budget. The unbalanced approach followed in setting sectoral priorities, allocating resources with little attention to spatial dimensions and including thousands of small projects without screening processes and complying with fiscal federalism principles, corroborates this. The inclusion of small projects has led to undermining the priority that had to be accorded to the strategically important projects, including projects that could be completed in time or early.[62] Such a practice also substantiates that the major reforms initiated through the Project Bank approach from the beginning of the 15th Plan are yet to be effectively implemented. As offshoots, there are also doubts on the basis under which gender, poverty, environment and other SDGs related budget is prepared and shown separately in the budget documents.[63]

Amidst no firm budgetary and public expenditure management principles followed in the course of budgetary preparation, one of the serious problems perpetuated without any breakthrough towards improvement is that every fiscal year, there is a big gap between the estimated budget and actual expenditure. This becomes clear when Figures 5.2, 5.3, 5.4 and 5.5 are closely looked into, in which estimated and actual total, recurrent, capital and financing expenditures are shown. As shown in these Figures, every year, actual expenditure is lower than the estimated budget. A more interesting phenomenon is that the gap between the capital budget and actual capital expenditure is very high compared to others. Figure 5.4 shows that the absorptive capacity of capital expenditure is poor and importantly, there are no signs of improvement in recent years. Regarding the foreign aid component being high under the capital expenditure category, this also implies that the absorptive

61. In this fiscal year's MTEF, new division has been made in the form of First P1 and First P2 with budget allocation of 23.4 and 76.6 percent respectively (NPC, 2024).

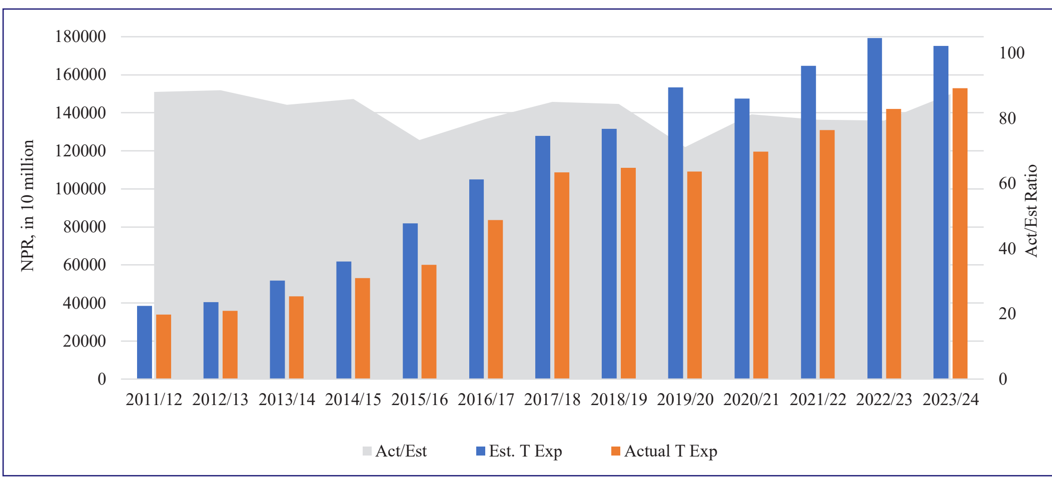
62. Major criticisms were made in the parliament also on almost similar grounds. These issues were also raised by participants of the interaction programmes and key informants during the field visit for this project. See chapter 4 for details.

63. A closer analysis of budgetary allocations in different heads confirms this (MoF, 2024).

capacity of the foreign aid project is equally poor. As is obvious, from both allocative and operational efficiency points of view, this is a serious problem.

Notwithstanding this as a serious problem, it also reveals that there is a practice of fixing the size of the budget in general and capital budget in particular at higher side unrealistically to please various constituents and make it more a tool of populism. It, at the same time, corroborates the views that the budget preparation is largely driven by an expenditure-centric approach under which basic fiscal and financial rules are undermined. More interesting practice is that during the mid-year progress review of the budget, a revision of the budget is made in which downsizing of both total expenditure and its main components, as well as funding sources, takes place without following the similar process of budget approval in the parliament. Thus, such a practice has encouraged structuring or designing budgets without ensuring coherence among goals, strategies, policies, programmes and implementation means.[64] A more serious problem is that such a gap is continuing or enlarging despite the practice of spending allocated budget under different heads without strictly following the rules and regulations.

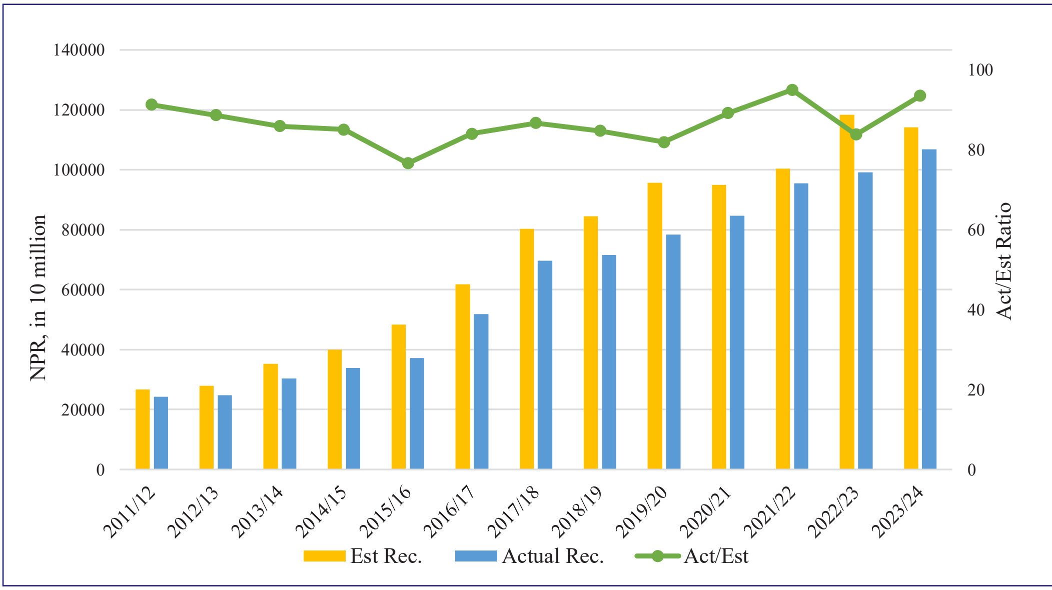
Figure 5.3: Estimated and Actual Total Expenditure



Source: Budget of GoN (FY 2011-2024), MoF

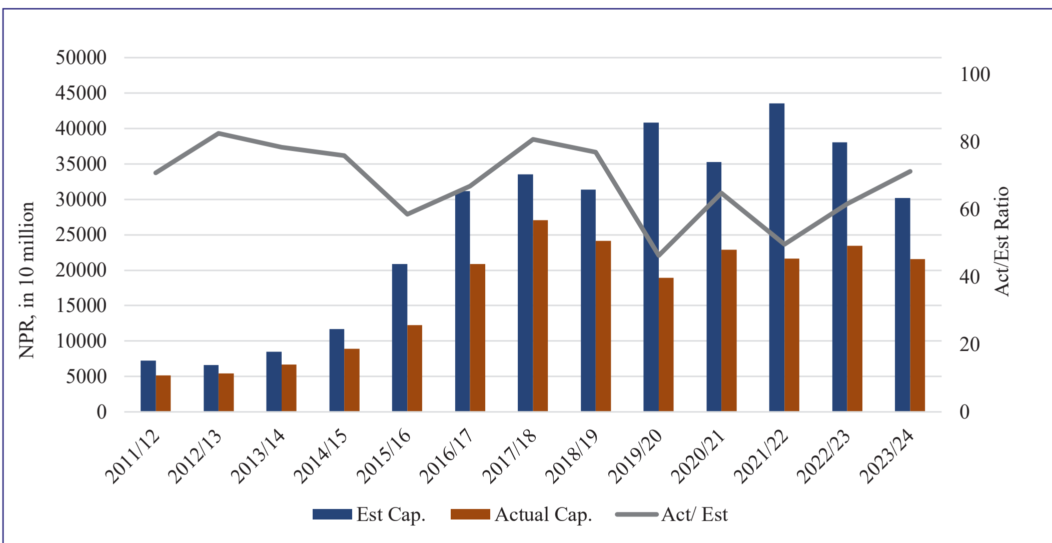
64. It should be noted that in recent years a practice of fixing budget at higher side and cutting it in a large scale during the mid-year review has been pursued. For instance, in the mid-year review of the FY 2080/81, overall size of the budget was reduced by 12.62 percent at about NPR 221 billion with cuts similar cuts in funding sources. While doing this, a lot of changes in programme and project allocation is also made. It is, however, ironical that the revisions are also hardly met.

Figure 5.4: Estimated and Actual Recurrent Expenditure



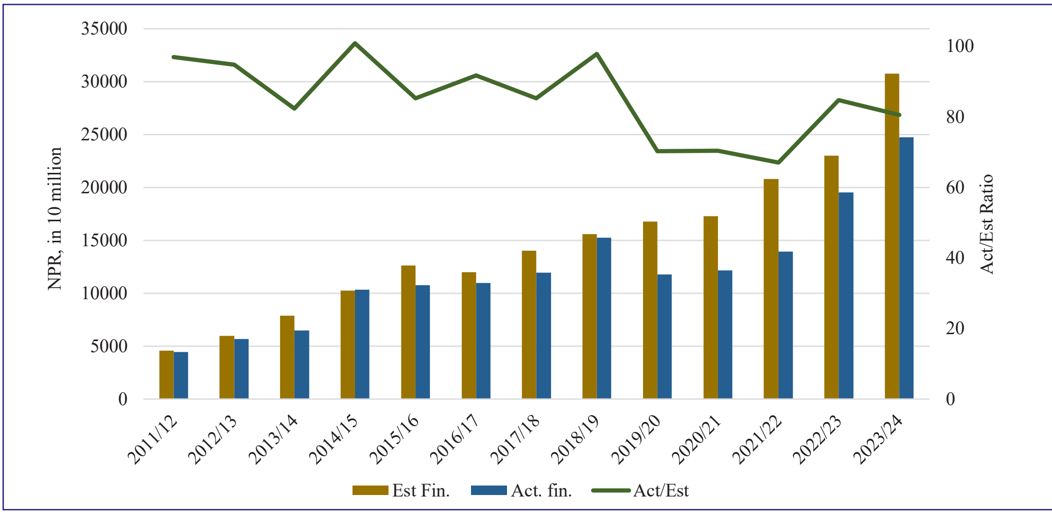
Source: Budget of GoN (FY 2011-2024), MoF

Figure 5.5: Estimated and Actual Capital Expenditure



Source: Budget of GoN (FY 2011-2024), MoF

Figure 5.6: Estimated and Actual Expenditure on Financing



Source: Budget of GoN (FY 2011-2024), MoF

As per the fiscal year calendar, the budget implementation starts in mid-July. It is worth noting that in Nepal, the budget submission to the parliament has to take place on 15th Jestha as per the Constitution of Nepal. This has been made mandatory in order to ensure that adequate time becomes available for the necessary preparatory work before the implementation of the budget starts. Accordingly, every Ministry is directed to prepare a work plan so that projects and programmes can be implemented without delay. In that procurement plan, there also has to be an integral part. So much so, now there is a practice of work responsibility and performing contracts between Ministers and Secretaries, followed by similar contracts up to the project and programme level. Similarly, the spending authorization is given to the concerned authorities from the first day of the next fiscal year. As already indicated, all these have made hardly any notable difference.

The most frustrating aspect is that a major chunk of resources is still spent in the last month of the fiscal year. In that also major chunk is spent in the last week by violating the Financial Procedure and Fiscal Responsibility Act of 2019. The interesting part is that no perceptible improvement has been made in recent years, compared to the period covered in the first part of the study. According to the Auditor General Report of FY 2021/22, out of the total expenses in that fiscal year, almost 21 percent was spent in the last month of the fiscal year. In that, 7.56 percent was spent in the last week of the month. In FY 2022/23, out of the total, 17.28 percent was spent in the last month and of that, 6.24 percent was spent in the last week. The practice of transfers violating the set rules has also been most common and has been continued without a break. For instance, in FY 2021/22, about 15 percent of actual expenditure was transferred from one head to another. In that, six percent was transferred in the last month. Furthermore, 13.74 percent of Total Budget Transfers and 2.07 percent of Total Actual Expenditure/Budget (NPR 26.99 billion) was transferred in last week of the last month of the FY. In FY 2022/23, violating the rule, NPR 6 billion was transferred from the national pride projects. Another unique phenomenon challenging the budget comprehensiveness principle is that every year, numerous programmes not included in the budget are funded through special decisions.[65] The practice of resource assurance by the Ministry of Finance is continued, which has added billions of new liabilities to the government.[66]

It should be noted that when there is a big gap between the allocated budget for particular heads and actual expenses, it raises inefficiencies at the project level and ultimately erodes the competitive strength of the economy, besides eroding the competitive strength of the private sector. The implementation status of the Pride projects has given a good example of this. Similarly, various means adopted to violate fiscal and financial rules lead to an augmentation of distortions in resource allocations and uses. This raises a question on the rationality of setting overall objectives and targets in the budget, since large chunks of expenses are made in the last month without assuring quality and resource use efficiency, compounded by transfers from one head to another, leading to undermining of project and programme targets set in the budgets. In other words, a built-in distortionary practice is embedded in the budgetary and management system. Thus, this is one of the cruxes of the systemic problems. As an offshoot, it indicates that not only is the regular monitoring and supervision system still very weak but also the oversight institutions, including parliament committees, are lacking effectiveness in their role and responsibilities.

5.2 Overall Public Expenditure Management at the Subnational Government Level

In chapter four, various rules and regulations implemented by the sub-national governments towards institutionalizing and strengthening budgetary and public

65. For more details see the report from the Office of the Attorney General of FY 2021/22 and FY 2022/23. The comprehensiveness and transparency is further undermined as more than one fourth of the foreign aid is spent directly without coming through government treasury (Khanal, 2023).

66. Because of too much liabilities added without source and budget provisions billions of Rupees is yet to be received by the contracts from the government.

expenditure management systems have been reported. The progress made and challenges faced by both provinces and local levels in implementing the systems have also been reported based on the feedback received during the field visit. Below, the public expenditure management system is briefly reviewed from the overall efficiency and effectiveness point of view.

Noticeably, either from non-existent or insignificant infrastructural, institutional and technical bases, sub-national governments had to operate amidst high expectations of the people. Along with the steady implementation of rules and regulations and partial fulfillment of other pre-requisites, they have institutionalized a budgetary system and many of the other elements essential to improve the public expenditure and financial management have also been gradually implemented. However, despite steady progress made to fulfil shortcomings and overcome many constraints, the gaps and deficiencies are still huge.

First of all, the absorptive capacity of both provinces and local levels, on average, is still poor. Recent data indicate that out of the total budget, the actual spending capacity of the provinces has remained in the neighborhood of 67 to 72 percent. Compared to the recurrent expenses, the share of capital expenditure has remained high in the provinces.[67] The overall low ratio indicates that there is a practice of preparing more ambitious budgets without a proper assessment of either the implementation capacity constraint or exploring ways in advance to overcome them. The absorptive capacity of the local levels is relatively high, reaching the neighborhood of 84 to 86 percent in recent years. Still, the local levels are unable to spend the money that they mobilize through transfers and internal revenue mobilizations. As a result, every fiscal year, they shift unspent surpluses to the next fiscal year. Interestingly, at the local levels, their absorptive capacity of capital budget is weaker at around 30 percent on average.

From both efficiency and effectiveness points of view, the overall low absorptive capacity of the provinces and the low absorptive capacity of local levels with respect to capital budget is a matter of concern amidst raising high expectations of people through budgets and disappointing performance during the implementation phases. As is obvious, such a practice, apart from escalating the cost of projects and programmes leads to delay in their completion which, in turn, widens the gap between the set physical targets and actual progresses affecting adversely the

67. Nevertheless, such a high percent has to be interpreted carefully because it is reported that many projects are included in the budget without even rough cost benefit analysis and the allocated budget is spent without abiding by financial norms. There are also concerns about the bases under which budget is distinguished as capital.

required socio-economic development momentum at both provincial and local levels. This, along with constraining the ability to augment resource mobilization, leads to perpetual overdependency of provinces and local levels on the center for funding their budgets by circumscribing the scope of expanding revenue bases for larger revenue mobilization.

Amidst such a low absorptive capacity, the violation of fiscal and financial rules is more common at both the provincial and local levels. This is preceded by their inability or negligence to comply with the fulfillment of certain prerequisites. The formulation of periodic plans and MTEFs is mandatory for both levels. Though provinces somehow have managed to prepare both of them, they lack proper cost estimates, timeframe and sector investment priorities based on certain reliable criteria. Therefore, budgets are poorly guided by the periodic plans in general and the MTEF in particular.

With some exceptions, local levels have yet to formulate periodic plans and MTEFs. Similarly, internalization of SDGs is yet to be made at the local level, as already indicated. The most frustrating part is that in both levels, a large chunk of resources is kept unallocated in the budget and later it is spent without following set rules. Similarly, there is a wider practice of transfers apart from a system of spending in the last months of the fiscal year at both levels. There is yet to be an integrated progress reporting and accountability system at both levels. Most of the local levels even lack an integrated income and expenditure system and they are yet to strictly follow the financial rules that require internal auditing.

Apart from the violation of procurement rules, the use of funds by user groups beyond the conditions laid down in the Acts and rules is most common. Consequently, the irregularities together with arrears are increasing phenomenally every fiscal year at both levels. Notwithstanding weaker technical and institutional capability added by scarcity of manpower at both levels, the ongoing budgetary and public expenditure management system demands major improvements in budgetary and public expenditure management system for better delivery and outcomes, which is regarded as the cornerstone of the federal system.[68]

68. The above review is largely based on the report of the Office of the Auditor General of FY 2021/22 and FY 2022/23. The feedbacks received during the field visit have also been partly taken into account.

CHAPTER 6
MAJOR FINDINGS AND RECOMMENDATIONS

6.1 Major Findings

The goal of the study was to assess the efficiency, effectiveness, and performance of the public expenditure management (PEM) in Nepal under a federal governance framework in terms of fiscal sustainability, sectoral allocation, and institutional coordination. The results of the econometric analysis and qualitative evaluation indicate systemic, structural and operational factors that limit fiscal discipline, expenditure efficiency and long-term developmental impacts. Below are the main thematic clusters in which the findings are displayed.

6.1.1 Policy Reforms and Institutional Framework for PEM

Nepal has been undertaking extensive policy and institutional reforms in the last several decades to promote efficiency and effectiveness of its public expenditure management system. The enactment of the Financial Procedure and Fiscal Accountability Act (2019) was a turning point in the process of enhancing fiscal responsibility, transparency, and accountability at all government levels. Similarly, the implementation of the Medium-Term Expenditure Framework (MTEF) has made it mandatory for all three levels of government to align fiscal policy with strategic priorities and achieve fiscal balance and allocative efficiency.

Nevertheless, despite such efforts, loopholes continue to exist. The reforms are yet to be translated into measurable improvements in fiscal discipline or expenditure efficiency. The MTEF is widely adopted, but it remains a formalistic exercise without fully guiding budgetary allocations or enhancing performance-based outcomes. In addition, the lack of institutional coordination, duplication of roles of various levels of the government, and the lack of appropriate implementation of fiscal rules all hinder the intended outcomes of these reforms. The study confirms that there are institutional and legal frameworks in place, they lack operational depth in terms of level of consistency and synergy.

6.1.2 Public Expenditure Structure and Development Orientation

The analysis of the long-term (FY 1974/75-FY 2023/24) and short-term (FY 2011/12-FY 2023/24) expenditures shows a constant increase in aggregate government spending and the elasticity of aggregate government spending was observed to be more than one. Yet, this pattern of growth is associated with low development orientation since recurrent and financial management expenditures have been increasing at a higher rate than the rate of capital expenditures. The growth of capital spending, the driver of the growth of infrastructure and productivity, has been stagnant or even decreased relative to GDP during the post-federal transition period.

Sectoral allocation patterns further indicate this imbalance. General public services and social protection have been absorbing an increasing portion of resources and expenditures on economic affairs, health, and education, especially in capital formation and innovation has remained subdued. This change is in opposition to the constitutional goal of achieving equitable and sustainable development, and this change undermined commitments to the Sustainable Development Goals (SDGs). The findings indicate that the recurrent expenditure composition is less growth-promoting and more consumption-oriented, limiting long-term development prospects.

6.1.3 Fiscal Sustainability and Debt Dynamics

As the internal mobilization of revenue has improved over time, it has also been accompanied by the increased dependency on borrowing, particularly internal borrowing with high interest rates. The research reveals a disturbing pattern of rise in the total debt outstanding; it was 22.3 percent of GDP in FY 2014/15 and reached 41.5 percent in FY 2022/23. Similarly, debt servicing burden rose from 1.9 percent to 4.2 percent of GDP in the same timeframe. The developments have augmented financial instability, with growing percentages of revenue being channeled into debt servicing instead of financing productive investments.

This analysis cautions that the trend is threatening fiscal sustainability particularly upon Nepal's graduation from Least Developed Country (LDC) category in 2026, which may limit concessional borrowing facilities. Unless the borrowing is strategically associated with high-paying projects, the increasing debt burden will continue to crowd out vital state spending and weaken the fiscal space necessary for development spending.

6.1.4 Sub-National Spending, Fiscal Dependency

Since FY 2018/19, both provincial and local governments have shown a tremendous increase in total expenditure. Nevertheless, their fiscal independence is constrained, with more than 70 percent of their budgets being funded by federal transfers. Such dependency has been reinforced by weak local revenue mobilization and poor absorptive capacity, which raises concerns over sustainability and accountability.

The fiscal transfer system, which is governed by the National Natural Resources and Fiscal Commission (NNRFC), has not been able to ensure equity and transparency. The criteria used to determine equalization and conditional grants tend to be inconsistent with the expenditure requirements and revenue potentials, favoring better-off regions in terms of geography. In addition, the shift from equalization to conditional grants has weakened fiscal federalism by limiting local discretion. The study also finds frequent delays in grants disbursement, leading to spikes in spending in the last quarter of a year and inefficiencies in the project execution.

6.1.5 Recurrent Spending and Sustainability Issues

A decomposition of recurrent expenditure reveals that social protection, debt servicing and grants have increased very fast at the expense of developmental spending. The universalization of social protection programmes, although socially desirable, has been done without analyzing long-term fiscal risks, and this poses long-term fiscal risks. Simultaneously, the process of wage suppression in the civil service could lead to personnel demotivation, compromise the quality of service delivery and foster corruption and inefficiencies indirectly. The study highlights that the current composition of recurrent spending poses a sustainability challenge and requires specific reforms to ensure fiscal prudence.

6.1.6 Long-Run and Short-Run Growth Impact of Public Expenditure

The long-run ARDL estimates confirm the existence of a strong and positive relation between the government fixed capital formation (GFCF) and economic growth rate. An increase in GFCF by one percent boosts GDP by 0.017 percent and an increase in private sector credit (PSCredit) by one percent boosts GDP by 0.057 percent, demonstrating the role of the two drivers of growth, namely, productive growth in the public sector and financial deepening. The strong explanatory capacity (R^2=0.998) and the positive diagnostics indicate the strength of the long-term relationships and confirm the fact that the well-managed capital expenditure, when allocated to the infrastructure and to productive sectors, can have a real and sustainable impact on the output growth and fiscal sustainability.

The error-correction coefficient (-0.155) in the short-run model implies that approximately 15.5 percent of the disequilibrium moves to the long-run equilibrium every year, and this shows that there exists strong policy responsiveness and fiscal and financial stability when management is coordinated. The short-run model justifies 18 percent variance in GDP and exhibits no serial correlation, indicating that the fiscal system of Nepal can absorb temporary shocks and revert toward equilibrium efficiently when spending and credit policies are disciplined.

The complementary relation between fiscal expansion and financial intermediation is confirmed by the positive correlation (0.863 between GDP and GFCF; 0.996 between GDP and PSCredit). While government investment brings physical and social infrastructure, financial deepening brings together the mobilization of private investment and entrepreneurship. Such a synergy suggests that the growth momentum of Nepal is reliant on effective fiscal management as well as on dynamic credit markets and macro-financial coordination.

The cointegration test and long-term equilibrium between GDP, GFCF and PSCredit are overwhelmingly satisfied and acceptable since the ARDL bounds test (F= 43.90) exceeds all the critical values. CUSUM and CUSUMSQ graphs remain within five percent critical values, demonstrating the stability of the parameters and no structural break between FYs 1974/75 and 2023/24. The correlation between growth and expenditure is therefore policy-consistent, structurally stable and empirically sound.

6.1.7 Policy Coordination and Implementation Gaps

There are significant gaps in the implementation of fiscal federalism due to unclear role division among the three levels of government. Overlap in authority, duplication of functions and recurring interference of the central authorities in the sub-national domain have diluted accountability and increased administrative expenses. For example, federal ministries still get involved in projects that are constitutionally mandated to provinces or local governments, and some provinces override local mandates.

The field findings indicate that project planning and screening remain a major weakness, where unstable projects like overbuilt infrastructure have oftentimes been included in budgets. Frequent staff transfers, insufficient technical capacity, and the weak coordination between the three tiers of the government have further undermined expenditure execution. A considerable number of local governments do not have a periodical plan, MTEF, or SDG integration, which leads to fragmented and inconsistent spending priorities.

6.1.8 Public Projects and Programmes Efficiency and Effectiveness

The micro-level analysis of the study highlights severe effectiveness and efficiency issues within the education, health, and large-scale infrastructure projects. Expenditure on education has increased significantly without corresponding improvements in outcomes. This is evidenced by low student survival rates (69.5 percent), as well as poor performance in secondary examinations. Additionally, expenditure on health has also expanded but continues to exhibit wide disparities in terms of gender, geography, and equity, which undermine the aim of universal coverage.

The flagship projects under the national Pride Projects reveal cost overruns, time overruns, and poor performance. Some of them, including the Sikta and Babai Irrigation Projects, have had up to four to six cost escalations and a delay of more than a decade. These findings validate the fact that there exist systemic vulnerabilities in the planning, procurement and monitoring systems, which have rendered most of the projects financially unsustainable and developmentally ineffective.

6.1.9 Systemic Inefficiencies in Budgetary Practices

The general effectiveness of budget management is low despite the numerous reforms implemented. Budget allocation continues to be expenditure-centric rather than performance-driven. Low accountability and weak absorptive capacity are depicted by large variances between budget estimates and actual disbursements, especially in capital expenditure. A large fraction of the funds is disbursed during the last month of the fiscal year, which undermines efficiency and violates the provisions in the Financial Procedure and Fiscal Responsibility Act 2019.

Other recurrent problems identified in the study include off-budget programmes, unsanctioned transfers and weak audit mechanisms. Sub-national governments often keep large amounts of their budgets unallocated, have no coherent financial systems, and also fail to perform internal audits. In aggregate, all these factors can be interpreted as deep-rooted inefficiencies that limit the effectiveness of fiscal decentralization and the public expenditure management system in Nepal.

6.2 Policy Recommendations

Based on the empirical, institutional, and field-level findings of this research, policy recommendations are offered. This will make public expenditure management in Nepal more efficient, effective, and financially viable. The recommendations aim to connect both structural reforms and long-term developmental outcomes and fiscal sustainability, in addition, while aligning with the goals of federalism and the Sustainable Development Goals (SDGs). The recommendations are organized based on implementation timeframe: short-term (immediate to 2 years), medium-term (3-5 years), and long-term (5+ years).

6.2.1 Enhancing Legal, Institutional and Organizational Structures

One of the main foundations of good public expenditure management is a well-established legal and institutional framework that explains roles, rationalizes structures, and enhances accountability. Though there have been tremendous reforms, there are still ambiguities in the unbundling of functions, and lack of some important legislation, including the Federal Civil Service Act, has hampered the operation of the subnational governments.

Short-Term Actions

i) Enact the Federal Civil Service Act and other facilitating legislation on the provincial and local level to define roles, ensure service delivery, and facilitate implementation of development mandates.
ii) Revise the unbundling report to eliminate overlaps, demarcate fiscal roles, and put in place the systems that avoid overlaps between the three levels of government.
iii) Dissolve district coordination committees whose jurisdiction duplicates, and discontinue unnecessary boards, committees, and funds established through budget statements.
iv) Establish dedicated SDG focal units in every provincial ministry, which are backed by systematic monitoring and reporting systems.

Medium-Term Actions

i) Complete institutional restructuring by reducing the number of unnecessary ministries, departments, and budgetary agencies to eliminate administrative inefficiency and minimize financial burdens.
ii) Strengthen institutional capacity at all levels and particularly within provincial planning authorities, local units, and monitoring agencies through targeted training sessions and technical assistance.
iii) Enhance the capacity of the National Planning Commission (NPC) to serve as a viable, professional entity for strategic planning, policy coordination and project evaluation.

Long-Term Actions

i) Strengthen the role of NPC in establishing periodical plans, reviewing projects, and establishing priorities in the sector to enhance consistency between national goals and fiscal realities. Institutionalize proactive and effective intergovernmental coordination systems that will ensure sustained cooperation across all levels of the government.

ii) Install a culture of accountability and performance orientation within all government entities through sustained institutional capacity building.

6.2.2 Reforming the Planning and Budgeting Systems

The coherence and the efficiency of public spending are determined by the strength of the planning system. At this point, the process of planning continues to remain fragmented, data-deficient, and it is not sufficiently connected to the budget allocation process.

Short-Term Actions

i) Restructure the role of NPC to have vertical and horizontal balance in project selection. Also, enforce project bank scrutiny before including the projects in the budget to avoid the inclusion of politically instigated or non-viable projects.

ii) Align provincial and local periodic plans and Medium-Term Expenditure Frameworks (MTEFs) with annual budgets.

iii) Develop and execute Revenue Improvement Action Plans (RIAPs) at the subnational levels to reduce dependency on transfers from the federal government.

Medium-Term Actions

i) Develop a scientific, evidence-based and data-driven planning framework that facilitates coordination between goals, strategies, sectoral priorities, and projects.

ii) Streamline federal-level planning by adopting advanced techniques, credible data systems and analytical models.

iii) Institutionalize the integration of SDGs into planning and budgeting using clear monitoring indicators and reporting standards.

Long-Term Actions

i) Develop comprehensive data infrastructure and analytical capacity across all levels of government to achieve evidence-based planning.
ii) Strengthen local fiscal independence with viable, transparent, and ecologically sustainable revenue collection-regulated riverbed mining, responsible exploitation of forestry resources and other local natural resources.
iii) Establish a systematic connection between planning, budgeting, implementation and monitoring to make sure that resource allocation is continuously improved.

6.2.3 Implementing Sound Medium-Term Fiscal Structures

The research indicates that there is an urgent need to strengthen the Medium-Term Expenditure Framework MTEF, the Medium-Term Revenue Framework (MTRF), and the Medium-Term Budgetary Framework (MTBF) and integrate them in terms of their performance. Currently, these structures are more procedural than practical in the direction of fiscal policy.

Short-term Measures

i) Incorporate the input, output, outcome and impact aspects into the MTEF to have a clear connection between expenditure and outcomes.
ii) Develop MTRF to periodically assess the fiscal capacity and resource availability.
iii) Make sectoral ministries prepare MTBF that is based on medium to long-term strategic plans.

Medium-Term Actions

i) Establish MTEF, MTRF, and MTBF structures at provincial and local levels, which are backed with focused capacity-building programmes.
ii) Enable the subnational governments to prioritize viable projects, abandon the underperforming ones and increase transparency in resource allocation.

Long-Term Actions

i) Transition Nepal towards a fully functioning performance-based budgetary system that enhances fiscal discipline and expenditure efficiency across all governance levels.

ii) Establish a systematic review and updating mechanism for all medium-term frameworks in response to the evolving fiscal conditions and development priorities.

6.2.4 Reform Fiscal Transfers and Encourage Equity

Nepal needs to immediately reform its fiscal transfer system to strengthen fiscal federalism and minimize disparities. The existing framework is too conditional and lacks equity orientation.

Short-Time Measures

i) Revise the fiscal transfer policy to support more equalization grants so that lagging provinces and remote municipalities obtain proportionate support based on their expenditure requirements and fiscal capacity.
ii) Make conditional grants more flexible so that subnational governments can design programmes to meet local needs.

Medium-Term Actions

i) Enhance the coordinating role of the Intergovernmental Fiscal Council (IGFC) in ensuring that fiscal transfers are consistent with capital expenditure needs and in enhancing vertical coordination between the three levels of government.
ii) Introduce performance-linked transfers that encourage subnational governments that demonstrate effective resource utilization and transparent reporting.

Long-Term Actions

i) Establish a comprehensive, multi-purpose, equity-based fiscal transfer system, which automatically adjusts to fluctuations in fiscal capacity and expenditure needs.
ii) Establish procedures for routinely updating and recalibrating the transfer formulae based on the empirical evaluation of fiscal outcomes and service delivery performance.

6.2.5 Enhancing the Effectiveness of Foreign Aid

Foreign aid continues to be a major financing source for the capital expenditure in Nepal. To maximize its developmental impact, aid effectiveness must be enhanced with greater alignment to national priorities, increased ownership, and enhanced accountability.

Short-Term Interventions

i) Channel all aids through the national treasury and comply with Nepal's procurement and reporting standards.
ii) Rationalize the conditionalities of donors to ensure flexibility and reduce administrative burdens.
iii) Institutionalize clear disclosure mechanisms for frequent monitoring of aid performance.

Medium-Term Actions

i) Carry out a major overhaul of the Foreign Aid Policy in terms of post-pandemic world financing realities and the upcoming graduation of Nepal from the least-developed country (LDC) category.
ii) Direct more foreign aid towards infrastructure, technology transfer, and institutional capacity building, especially at the subnational level.

Long-Term Actions

i) Build strong domestic capacity to absorb and effectively utilize foreign aid, to reduce external dependency on technical assistance.
ii) Ensure that development cooperation translates into tangible and sustainable outcomes through systematic evaluation and accountability frameworks.

6.2.6 Reforming the Macroeconomic and Fiscal Policy

The existing macroeconomic policy regime that focuses on short-term fiscal equilibrium has led to pro-cyclical expenditure patterns, increasing unproductive recurrent spending at the cost of capital expenditure.

Short-Term Measures

i) Institutionalize fiscal rules to limit recurrent expenditures and restrict politically motivated programmes.
ii) Enhance the debt management strategies to check the increasing debt level and protect fiscal sustainability.

Medium-Term Actions

i) Shift macroeconomic policy orientation from expenditure control to a fiscal policy that is based on productivity.

ii) Integrate structural and institutional reforms that enhance the return on public spending while maintaining fiscal stability.

Long-Term Actions

i) Transform the fiscal policy focus towards growth-promoting investment, infrastructure development, and innovation, ensuring that macroeconomic management supports long-term development goals.
ii) Establish countercyclical fiscal mechanisms that will sustain productive investment during recessions and limit unproductive recurrent expenditure.

6.2.7 Revamping Budgetary Systems to be Efficient and Accountable

The key solution to Nepal's systemic inefficiencies lies in budgetary reform. A performance-based budgeting (PBB) system should be implemented at all levels by the government to ensure that there is a connection between resource allocation and quantifiable outputs and results.

Short-Term Actions

i) Rationalize recurrent spending, especially administrative and social protection spending.
ii) Reform general social protection programmes to targeted programmes focusing on the vulnerable population under the poverty line.
iii) Discontinue sick or redundant capital projects, reevaluate national pride projects and take all new programmes to the project bank review.
iv) Standardize budget classification systems at the subnational level and eliminate the practice of unallocated reserves and last-minute expenditure.
v) Enhance internal/external audit mechanisms, especially of projects introduced via user groups, through physical audits and community oversight.

Medium-Term Actions

i) Introduce a performance-based budgeting (PBB) system at all levels of the government to tie the distribution of the resources with the quantifiable outputs and outcomes.
ii) Implement specific laws that regulate grants, subsidies and donations to ensure that they are not abused and duplicated.

iii) Reform procurement by a new, consultative Public Procurement Law, which minimizes frequent amendments and improves transparency.
iv) Interconnect digital systems (LMBIS, TSA, RMIS, TIMS, DOMS, ePG, and PTSA) to accommodate real-time sharing of information.
v) Diversify the digital payment networks with models like the "payment center" that was piloted in Hetauda Municipality.

Long-Term Actions

i) Complete adoption of an accrual-based accounting system at all tiers of government.
ii) Develop a holistic performance measurement framework that evaluates the outcomes and impact of the public expenditure in a systematic manner.
iii) Establish a culture of budgetary innovation and transformation to new fiscal demands within the organization.

6.2.8 Strengthening Governance, Transparency and Oversight

The key to good fiscal management is transforming governance. Responsiveness, accountability and transparency should be made part of the operations of any government entity.

Short-Term Actions

i) Establish an effective reward and punishment mechanism to enforce compliance to the fiscal laws and improve service delivery.
ii) Strengthen the legislative control of the Parliamentary Public Accounts Committee (PAC) to ensure budgetary execution and check on the misuse of resources.
iii) Institutionalize the role of the civil society groups, the media, and citizens' groups as partners in fiscal accountability.

Medium-Term Actions

i) Give the Commission for the Investigation of Abuse of Authority (CIAA) the mandate to take decisive action against corruption while ensuring that legitimate development activities are not unduly hampered.
ii) Introduce overall transparency criteria and public disclosure mechanisms for all fiscal operations.

Long-Term Actions

i) Instill a culture of openness, accountability and responsiveness across all the government entities.

ii) Establish a feedback mechanism that enables citizens to participate meaningfully in the budgetary processes and to hold governments accountable for fiscal performance.

iii) Establish institutional incentives that encourage good governance and penalize non-compliance, corruption and inefficiency.

6.3 Conclusions

Nepal's journey toward an efficient and effective public expenditure management (PEM) system reflects a persistent gap between ambitious reforms and their implementation. This study finds that while substantial legal and institutional frameworks – particularly under fiscal federalism – have been established, their translation into disciplined, productive, and outcome-oriented spending remains critically weak. Public expenditure has grown in volume but not in quality, creating a concerning divergence between the scale of spending and its developmental impact.

Long-term trends reveal a structurally imbalanced fiscal landscape. Expenditure growth is strong but overwhelmingly skewed toward recurrent consumption, including wages, grants, and expanding social protection programmes, while productive capital investment has stagnated. These patterns reflect underlying determinants such as fiscal federalism, reliance on domestic borrowing, and political prioritization of short-term consumption over long-term investment. This imbalance demonstrates a failure to reorient spending toward growth-enhancing sectors after the transition to federalism. While fiscal federalism is often cited as a driver of rising recurrent costs, the imbalance stems less from the federal structure itself and more from the high administrative overhead of its implementation. This is what has squeezed capital fiscal space. Furthermore, the stagnation in productive investment reflects a capacity gap at sub-national levels, where grants are frequently absorbed by immediate administrative needs rather than long-term developmental projects. Also, the imbalance is exacerbated by the weak Own-Source Revenue generation mechanisms and systems at sub-national levels, which force local governments to rely almost entirely on federal grants to cover even their basic operational costs, leaving little for investment. Concurrently, heavy reliance on borrowing for recurrent costs and rising debt servicing threatens medium-term fiscal sustainability and crowds out essential development spending.

At the operational level, systemic inefficiencies persist. Budget allocations remain poorly aligned with national development goals and the Sustainable Development Goals (SDGs), fragmented across numerous small projects, and often guided by political rather than strategic priorities. National Pride Projects illustrate broader failures in planning, procurement, and execution, while decentralization has yet to deliver efficiency gains. Sub-national governments remain dependent on conditional grants, face overlapping functions, and exhibit weak absorptive capacity, resulting in duplication, coordination failures, and unmet service delivery expectations.

The core weakness lies within the PEM and public financial management (PFM) systems themselves. Performance-oriented tools, such as the Medium-Term Expenditure Framework (MTEF), remain largely procedural rather than operational guides for budgeting. Institutional fragmentation, risk-averse administration, and compliance-focused oversight perpetuate inefficiency and weaken accountability. Consequently, increased spending in critical sectors like education and health has not generated proportional improvements in outcomes, highlighting a broken link between expenditure and results.

The central challenge for Nepal is not merely to spend more but to spend better. Ensuring fiscal stability, equitable development, and the constitutional vision of shared prosperity requires transforming public expenditure from an input-focused, compliance-driven mechanism into an outcome-oriented, performance-driven engine of growth. This transformation demands decisive actions: rebalancing expenditure toward productive investments, strengthening fiscal rules and debt management, enhancing the autonomy and equity of sub-national governments, integrating rigorous performance monitoring into budgeting, and empowering oversight institutions to enforce transparency and accountability.

Ultimately, the effectiveness of public spending hinges on systemic reforms that anchor fiscal governance in efficiency, effectiveness, and inclusivity. By explicitly addressing the trends, composition, and underlying determinants of public expenditure, this study highlights how Nepal can close the persistent implementation gap, maximize the developmental impact of public resources, and deliver tangible, sustainable benefits to all citizens.

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APPENDICES

Appendix Table 2.1: Growth Rate and Percentage Share of Public Expenditure in GDP (1974/75-2022/23)

NPR, in 10 million

Fiscal Year	GDP	GR	T Exp.	GR	% Share of GDP	Rec. exp	GR	% Share of T Exp	% Share of GDP	Cap. Exp.	GR	% Share of T Exp	% Share of GDP	Fin.	GR	% Share of T Exp	% Share of GDP
1974/75	1660		151.4		9.1	53.2		35.1	3.2	96.7		63.9	5.8	1.5		1.0	0.1
1975/76	1739	4.8	191.3	26.4	11.0	65.8	23.8	34.4	3.8	123.9	28.1	64.7	7.1	1.6	11.0	0.8	0.1
1976/77	1728	-0.7	233.0	21.8	13.5	79.3	20.4	34.0	4.6	149.8	20.9	64.3	8.7	3.9	143.5	1.7	0.2
1977/78	1973	14.2	267.5	14.8	13.6	82.3	3.7	30.8	4.2	180.8	20.7	67.6	9.2	4.4	13.0	1.7	0.2
1978/79	2613	32.4	302.1	12.9	11.6	98.5	19.8	32.6	3.8	197.9	9.4	65.5	7.6	5.7	27.8	1.9	0.2
1979/80	2335	-10.6	347.1	14.9	14.9	106.7	8.3	30.7	4.6	230.9	16.7	66.5	9.9	9.5	67.7	2.7	0.4
1980/81	2731	16.9	409.2	17.9	15.0	127.5	19.5	31.2	4.7	273.1	18.3	66.7	10.0	8.6	-9.1	2.1	0.3
1981/82	3099	13.5	536.1	31.0	17.3	153.1	20.1	28.5	4.9	372.7	36.5	69.5	12.0	10.4	20.3	1.9	0.3
1982/83	3382	9.1	697.9	30.2	20.6	190.4	24.4	27.3	5.6	498.2	33.7	71.4	14.7	9.4	-9.8	1.3	0.3
1983/84	3929	16.2	743.7	6.6	18.9	210.7	10.7	28.3	5.4	516.4	3.6	69.4	13.1	16.7	77.9	2.2	0.4
1984/85	4659	18.6	839.5	12.9	18.0	273.1	29.6	32.5	5.9	548.9	6.3	65.4	11.8	17.5	4.9	2.1	0.4
1985/86	5573	19.6	979.7	16.7	17.6	324.1	18.7	33.1	5.8	621.3	13.2	63.4	11.1	34.3	96.2	3.5	0.6
1986/87	6386	14.6	1151.3	17.5	18.0	378.5	16.8	32.9	5.9	737.8	18.7	64.1	11.6	35.1	2.3	3.0	0.5
1987/88	7691	20.4	1410.5	22.5	18.3	428.0	13.1	30.3	5.6	942.8	27.8	66.8	12.3	39.8	13.4	2.8	0.5
1988/89	8927	16.1	1800.5	27.6	20.2	514.2	20.2	28.6	5.8	1232.9	30.8	68.5	13.8	53.4	34.4	3.0	0.6
1989/90	10342	15.8	1966.9	9.2	19.0	587.0	14.1	29.8	5.7	1299.8	5.4	66.1	12.6	80.2	50.2	4.1	0.8

Fiscal Year	GDP	GR	T Exp.	GR	% Share of GDP	Rec. exp	GR	% Share of T Exp	% Share of GDP	Cap. Exp.	GR	% Share of T Exp	% Share of GDP	Fin.	GR	% Share of T Exp	% Share of GDP
1990/91	12037	16.4	2355.0	19.7	19.6	683.1	16.4	29.0	5.7	1598.0	22.9	67.9	13.3	73.9	-7.9	3.1	0.6
1991/92	14949	24.2	2641.8	12.2	17.7	869.8	27.3	32.9	5.8	1651.3	3.3	62.5	11.0	120.7	63.3	4.6	0.8
1992/93	17147	14.7	3089.8	17.0	18.0	988.6	13.7	32.0	5.8	1941.4	17.6	62.8	11.3	159.8	32.4	5.2	0.9
1993/94	19927	16.2	3359.7	8.7	16.9	1051.1	6.3	31.3	5.3	2118.8	9.1	63.1	10.6	189.8	18.8	5.6	1.0
1994/95	21918	10.0	3906.0	16.3	17.8	1661.2	58.0	42.5	7.6	1979.5	-6.6	50.7	9.0	265.3	39.8	6.8	1.2
1995/96	24891	13.6	4654.2	19.2	18.7	1871.4	12.7	40.2	7.5	2498.1	26.2	53.7	10.0	284.8	7.3	6.1	1.1
1996/97	28051	12.7	5072.4	9.0	18.1	2072.8	10.8	40.9	7.4	2654.3	6.3	52.3	9.5	345.3	21.3	6.8	1.2
1997/98	30085	7.2	5611.8	10.6	18.7	2324.3	12.1	41.4	7.7	2894.4	9.0	51.6	9.6	393.1	13.8	7.0	1.3
1998/99	34204	13.7	5957.9	6.2	17.4	3194.4	37.4	53.6	9.3	2299.2	-20.6	38.6	6.7	464.3	18.1	7.8	1.4
1999/00	37949	10.9	6627.3	11.2	17.5	3557.9	11.4	53.7	9.4	2548.1	10.8	38.4	6.7	521.3	12.3	7.9	1.4
2000/01	44152	16.3	7983.5	20.5	18.1	4583.7	28.8	57.4	10.4	2830.7	11.1	35.5	6.4	569.1	9.2	7.1	1.3
2001/02	45944	4.1	8007.2	0.3	17.4	4886.4	6.6	61.0	10.6	2477.3	-12.5	30.9	5.4	643.5	13.1	8.0	1.4
2002/03	49223	7.1	8400.6	4.9	17.1	5209.1	6.6	62.0	10.6	2235.6	-9.8	26.6	4.5	956.0	48.6	11.4	1.9
2003/04	53675	9.0	8944.3	6.5	16.7	5555.2	6.6	62.1	10.3	2309.6	3.3	25.8	4.3	1079.5	12.9	12.1	2.0
2004/05	58941	9.8	10256.1	14.7	17.4	6168.6	11.0	60.1	10.5	2734.1	18.4	26.7	4.6	1353.3	25.4	13.2	2.3
2005/06	65408	11.0	11088.9	8.1	17.0	6701.8	8.6	60.4	10.2	2960.7	8.3	26.7	4.5	1426.5	5.4	12.9	2.2
2006/07	72783	11.3	13360.5	20.5	18.4	7712.2	15.1	57.7	10.6	3973.0	34.2	29.7	5.5	1675.2	17.4	12.5	2.3
2007/08	81566	12.1	16135.0	20.8	19.8	9144.7	18.6	56.7	11.2	5351.6	34.7	33.2	6.6	1638.7	-2.2	10.2	2.0
2008/09	98827	21.2	21966.2	36.1	22.2	12773.9	39.7	58.2	12.9	7308.9	36.6	33.3	7.4	1883.4	14.9	8.6	1.9
2009/10	119277	20.7	25968.9	18.2	21.8	18659.8	46.1	71.9	15.6	4051.0	-44.6	15.6	3.4	3258.2	73.0	12.5	2.7
2010/11	156268	31.0	29536.3	13.7	18.9	21016.8	12.6	71.2	13.4	4732.8	16.8	16.0	3.0	3786.8	16.2	12.8	2.4
2011/12	175838	12.5	33916.8	14.8	19.3	24346.0	15.8	71.8	13.8	5139.1	8.6	15.2	2.9	4431.7	17.0	13.1	2.5
2012/13	194929	10.9	35863.8	5.7	18.4	24745.5	1.6	69.0	12.7	5459.8	6.2	15.2	2.8	5658.4	27.7	15.8	2.9

Fiscal Year	GDP	GR	T Exp.	GR	% Share of GDP	Rec. exp	GR	% Share of T Exp	% Share of GDP	Cap. Exp.	GR	% Share of T Exp	% Share of GDP	Fin.	GR	% Share of T Exp	% Share of GDP
2013/14	223253	14.5	43505.2	21.3	19.5	30353.2	22.7	69.8	13.6	6669.5	22.2	15.3	3.0	6482.6	14.6	14.9	2.9
2014/15	242364	8.6	53134.0	22.1	21.9	33927.8	11.8	63.9	14.0	8875.5	33.1	16.7	3.7	10330.7	59.4	19.4	4.3
2015/16	260818	7.6	60103.2	13.1	23.0	37098.7	9.3	61.7	14.2	12235.0	37.9	20.4	4.7	10769.5	4.2	17.9	4.1
2016/17	307714	18.0	83724.7	39.3	27.2	51861.4	39.8	61.9	16.9	20874.9	70.6	24.9	6.8	10988.3	2.0	13.1	3.6
2017/18	345595	12.3	108728.0	29.9	31.5	69692.0	34.4	64.1	20.2	27071.4	29.7	24.9	7.8	11964.7	8.9	11.0	3.5
2018/19	385893	11.7	111045.7	2.1	28.8	71641.8	2.8	64.5	18.6	24156.3	-10.8	21.8	6.3	15247.7	27.4	13.7	4.0
2019/20	388870	0.8	109133.3	-1.7	28.1	78429.1	9.5	71.9	20.2	18914.0	-21.7	17.3	4.9	11790.2	-22.7	10.8	3.0
2020/21	435255	11.9	119667.6	9.7	27.5	84621.7	7.9	70.7	19.4	22883.6	21.0	19.1	5.3	12162.3	3.2	10.2	2.8
2021/22	497656	14.3	131000.1	9.5	26.3	95431.7	12.8	72.8	19.2	21621.3	-5.5	16.5	4.3	13947.1	14.7	10.6	2.8
2022/23	534853	7.5	142132.7	8.5	26.6	99150.7	3.9	69.8	18.5	23462.5	8.5	16.5	4.4	19519.5	40.0	13.7	3.6
2023/24	570484	6.7	153035.6	7.7	26.8	106749.7	7.7	69.8	18.7	21530.7	-8.2	14.1	3.8	24755.3	26.8	16.2	4.3
G.R		12.9		15.5			17.2				11.9				22.5		
Total G	344		1010.9			2006.6				222.6				17072.6			

Source: Budget of GoN, 2068-80

Appendix Table 2.2: Estimated and Actual Total, Recurrent, Capital and Financing Expenses(2011/12-2023/24)

Fiscal Year	Est. T Exp	Actual T Exp	Act/ Est	Est Rec.	Actual Rec.	Act/ Est	Est Cap.	Actual Cap.	Act/ Est	Est Fin.	Act. fin.	Act/ Est	T exp as % of GDP	Cap. exp as % of GDP	Rec. exp as % of GDP	Fin. as % of GDP
2011/12	38490	33917	88.1	26661	24346	91.3	7261	5139	70.8	4568	4432	97.0	19.3	2.9	13.8	2.5
2012/13	40482	35864	88.6	27901	24746	88.7	6613	5460	82.6	5968	5658	94.8	18.4	2.8	12.7	2.9
2013/14	51724	43509	84.1	35342	30357	85.9	8510	6669	78.4	7872	6483	82.3	19.5	3.0	13.6	2.9
2014/15	61810	53134	86.0	39895	33928	85.0	11676	8875	76.0	10239	10331	100.9	21.9	3.7	14.0	4.3
2015/16	81947	60103	73.3	48427	37099	76.6	20888	12235	58.6	12633	10769	85.3	23.0	4.7	14.2	4.1
2016/17	104892	83725	79.8	61716	51861	84.0	31195	20875	66.9	11981	10988	91.7	27.2	6.8	16.9	3.6
2017/18	127899	108728	85.0	80353	69692	86.7	33518	27071	80.8	14029	11965	85.3	31.5	7.8	20.2	3.5
2018/19	131516	111046	84.4	84545	71642	84.7	31400	24156	76.9	15572	15248	97.9	28.8	6.3	18.6	4.0
2019/20	153297	109133	71.2	95710	78429	81.9	40801	18914	46.4	16786	11790	70.2	28.1	4.9	20.2	3.0
2020/21	147465	119668	81.2	94894	84622	89.2	35292	22884	64.8	17279	12162	70.4	27.5	5.3	19.4	2.8
2021/22	164758	131000	79.5	100436	95432	95.0	43524	21621	49.7	20798	13947	67.1	26.3	4.3	19.2	2.8
2022/23	179384	142133	79.2	118324	99151	83.8	38038	23462	61.7	23022	19520	84.8	26.6	4.4	18.5	3.6
2023/24	175131	153036	87.4	114178	106750	93.5	30207	21531	71.3	30745	24755	80.5	26.8	6.2	20.0	6.4
Average Growth	13.5	13.4		12.9	13.1		12.6	12.7		17.2	15.4		2.8	6.4	3.1	8.1

Source: Budget of GoN, 2068-80

Appendix Table 2.3: Actual Recurrent and Capital Expenditure by Functional Classification and Their Share (2011/12-2023/24)

NPR, in 10 million

Fiscal Year	2011/12						2014/15						2018/19					
Functional Headings	Rec.	Share in %	Cap.	Share in %	Total	Share in Total	Rec.	Share in %	Cap.	Share in %	Total	Share in Total	Rec.	Share in %	Cap.	Share in %	Total	Share in Total
General Public Services	5455.0	22.4	125.4	2.4	5580.5	18.9	9978.6	29.4	313.1	3.5	10292	24.0	41124.9	60.7	1072.6	4.4	42197.5	45.9
Defence	2078.0	8.5	187.8	3.7	2265.8	7.7	2807.3	8.3	453.4	5.1	3261	7.6	3793.5	5.6	1207.9	5.0	5001.5	5.4
Public Order and Safety	3607.5	14.8	319.0	6.2	3926.6	13.3	3004.2	8.9	392.7	4.4	3397	7.9	3976.1	5.9	822.5	3.4	4798.5	5.2
Economic Affairs	3473.7	14.3	3387.9	65.9	6861.6	23.3	5260.6	15.5	5877.4	66.2	11138	26.0	10699.8	15.8	16407.7	67.9	27107.5	29.5
Environmental Protection	46.5	0.2	45.2	0.9	91.7	0.3	281.5	0.8	160.5	1.8	442	1.0	233.0	0.3	823.7	3.4	1056.7	1.2
Housing and Community Amenities	323.4	1.3	678.5	13.2	1001.9	3.4	238.9	0.7	1292.5	14.5	1531	3.6	525.7	0.8	2961.9	12.3	3487.6	3.8
Health	1949.5	8.0	337.5	6.6	2287.0	7.8	2618.8	7.7	328.0	3.7	2947	6.9	2993.1	4.4	606.9	2.5	3599.9	3.9
Recreation, Culture and Religion	186.4	0.8	20.2	0.4	206.6	0.7	298.7	0.9	36.4	0.4	335	0.8	202.8	0.3	221.5	0.9	424.3	0.5
Education	6191.4	25.4	13.9	0.3	6205.3	21.0	7974.5	23.5	9.6	0.1	7984	18.6	244.1	0.4	16.6	0.1	260.7	0.3
Social Protection	1034.5	4.2	23.7	0.5	1058.2	3.6	1477.6	4.4	20.8	0.2	1498	3.5	3919.5	5.8	15.1	0.1	3934.5	4.3
Total	24346	100	5139	100	29485	100.0	33941	100	8884	100.0	42825	100	67712	100	24156	100	91868.6	100

2019/20						2020/21						2021/22						2022/23					
Rec.	Share in %	Cap.	Share in %	Total	Share in Total	Rec.	Share in %	Cap.	Share in %	Total	Share in Total	Rec.	Share in %	Cap.	Share in %	Total	Share in total	Rec.	Share in %	Cap.	Share in %	Total	Share in Total
45768.0	58.4	481.6	2.5	46249.6	47.5	48607.7	57.4	3275.2	14.3	51882.9	48.3	50369.6	52.8	1807.3	9.7	52176.9	44.6	52099.7	52.5	488.8	2.1	52588.5	42.9
4310.9	5.5	668.2	3.5	4979.1	5.1	4379.9	5.2	811.5	3.5	5191.4	4.8	4771.5	5.0	558.2	3.0	5329.7	4.6	5163.5	5.2	837.8	3.6	6001.4	4.9
4636.3	5.9	550.1	2.9	5186.4	5.3	4728.0	5.6	976.4	4.3	5704.3	5.3	6227.6	6.5	1010.9	5.4	7238.5	6.2	7140.6	7.2	835.8	3.6	7976.4	6.5
8791.0	11.2	12773.3	67.6	21564.2	22.2	6121.8	7.2	13107.0	57.3	19228.8	17.9	6281.4	6.6	12896.1	69.1	19177.5	16.4	7869.4	7.9	14727.4	62.8	22596.8	18.4
140.4	0.2	702.5	3.7	842.9	0.9	101.8	0.1	435.8	1.9	537.6	0.5	87.4	0.1	457.4	2.4	544.8	0.5	75.6	0.1	369.6	1.6	445.2	0.4
451.3	0.6	2718.6	14.4	3169.9	3.3	325.8	0.4	3351.6	14.6	3677.5	3.4	182.4	0.2	3323.4	2.0	3505.7	3.0	263.5	0.3	3966.4	16.9	4230.0	3.4
3273.0	4.2	746.6	3.9	4019.6	4.1	4160.0	4.9	791.3	3.5	4951.3	4.6	6014.8	6.3	1478.6	7.9	7493.4	6.4	3631.9	3.7	1574.8	6.7	5206.7	4.2
435.2	0.6	249.7	1.3	684.9	0.7	314.7	0.4	91.3	0.4	406.0	0.4	400.4	0.4	68.7	0.4	469.2	0.4	433.7	0.4	147.3	0.6	581.0	0.5
3925.5	5.0	14.6	0.1	3940.1	4.0	3681.0	4.3	33.6	0.1	3714.6	3.5	4245.8	4.4	15.9	0.1	4261.7	3.6	4777.1	4.8	509.9	2.2	5286.9	4.3
6683.4	8.5	3.2	0.0	6686.7	6.9	12201.0	14.4	10.0	0.0	12211.0	11.4	16850.8	17.7	4.9	0.0	16855.7	14.4	17695.7	17.8	4.6	0.0	17700.3	14.4
78415	100	18908	100	97323	100.0	84622	100	22884	100	107505	100	95432	100	21621	100	117053	100	99151	100	23462	100	122613	100

Source: Economic Surveys of Various Years, MoF

Appendix Table 2.4: Sectoral Breakdown of Recurrent and Capital Expenditure Under Economic Affairs Category

NPR, in 10 million

Year	2011/12				2012/13				2013/14				2014/15			
Expenditure Type	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total
General Economic, Commercial and Labour Affairs	670.5	19.3	30.7	0.90527	721.2	20.1	25.6	0.7	815.8	16.1	43.5	1.0	771.4	14.7	187.6	3.2

Year	2011/12				2012/13				2013/14				2014/15			
Expenditure Type	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total
Agriculture, Forestry, Fishing and Hunting	1604.5	46.2	1056.2	31.1762	1718.4	47.8	1167.0	32.2	2549.9	50.3	1446.4	33.3	2840.7	54.0	1775.1	30.2
Fuel and Energy	171.7	4.9	18.2	0.53807	175.1	4.9	22.4	0.6	335.3	6.6	64.9	1.5	411.6	7.8	81.6	1.4
Mineral, Manufacturing and Constructions	5.2	0.1	0.8	0.02458	4.6	0.1	148.0	4.1	6.2	0.1	136.6	3.1	6.3	0.1	180.5	3.1
Transport	623.6	18.0	2184.8	64.4872	580.1	16.1	2179.5	60.1	810.7	16.0	2512.3	57.8	579.8	11.0	3524.9	60.0
Communications	267.2	7.7	25.7	0.75985	241.9	6.7	28.9	0.8	314.8	6.2	27.7	0.6	344.3	6.5	40.4	0.7
Other Industries	91.4	2.6	70.4	2.0784	121.6	3.4	53.7	1.5	181.7	3.6	99.5	2.3	164.7	3.1	78.3	1.3
Research and Development-Economic Affairs	37.6	1.1	0.0	0.00088	32.1	0.9	3.6	0.1	50.6	1.0	11.8	0.3	137.2	2.6	8.5	0.1
Economic Affairs- not classified elsewhere	1.9	0.1	1.0	0.03013	1.6	0.0	0.3	0.0	3.1	0.1	1.3	0.0	4.6	0.1	0.6	0.0
Total of Economic Affairs	3473.7	100	3387.9	100.001	3596.5	100	3629	100	5068.1	100	4343.9	100	5260.6	100.0	5877.4	100.0
Total Expenditure	24346.0		5139.1	29485.1	24745.5		5459.8		30353.2		6669.5		33940.8		8884.4	
Economic affairs as % of Total Expenditure	14.3		65.9	6861.6	14.5		66.5		16.7		65.1		15.5		66.2	

Source: Economic Surveys, Various Years, MoF

Year	2015/16				2016/17				2017/18				2018/19			
Expenditure type	**Rec**	**% of Total**	**Cap**	**% of Total**	**Rec**	**% of Total**	**Cap**	**% of Total**	**Rec**	**% of Total**	**Cap**	**% of Total**	**Rec**	**% of Total**	**Cap**	**% of Total**
General Economic, Commercial and Labour Affairs	614.1	9.1	480.1	5.6	4481.9	43.8	1409.7	9.6	9464.0	64.4	2473.4	12.8	5424.6	50.7	3702.2	22.6
Agriculture, Forestry, Fishing and Hunting	3013.9	44.5	2531.3	29.3	3793.0	37.1	3831.9	26.2	3458.8	23.5	3610.4	18.7	3116.4	29.1	1676.9	10.2
Fuel and Energy	418.5	6.2	58.4	0.7	430.1	4.2	606.0	4.1	420.7	2.9	2065.9	10.7	239.6	2.2	1060.0	6.5
Mineral, Manufacturing and Constructions	7.0	0.1	231.8	2.7	16.0	0.2	278.3	1.9	10.1	0.1	234.3	1.2	9.7	0.1	270.9	1.7
Transport	615.8	9.1	4403.2	50.9	764.2	7.5	8247.2	56.3	711.2	4.8	10559.1	54.8	732.1	6.8	9316.5	56.8
Communications	340.9	5.0	36.7	0.4	391.0	3.8	69.6	0.5	409.6	2.8	89.1	0.5	382.7	3.6	104.1	0.6
Other Industries	175.9	2.6	135.3	1.6	285.4	2.8	195.3	1.3	214.8	1.5	219.2	1.1	152.1	1.4	256.4	1.6
Research and Development-Economic Affairs	1573.5	23.3	765.8	8.9	61.5	0.6	11.2	0.1	8.5	0.1	29.2	0.2	1.6	0.0	17.8	0.1
Economic Affairs- not Classified Elsewhere	6.0	0.1	0.7	0.0	6.5	0.1	2.3	0.0	6.2	0.0	2.0	0.0	640.8	6.0	2.9	0.0
Total of Economic Affairs	6765.6	100.0	8643.3	100.0	10229.6	100.0	14651.4	100.0	14703.9	100.0	19282.6	100.0	10699.7	100.0	16407.7	100.0
Total Expenditure	37129.7		12325.1		51861.6		20874.8		69692.0		27071.4		67712.4		24156.3	
Economic Affairs as % of Total Expenditure	18.2		70.1		19.7		70.2		21.1		71.2		15.8		67.9	

Source: Economic Surveys of Various Years, MoF

Year	2019/20				2020/21				2021/22				2022/23			
Expenditure Type	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total	Rec	% of Total	Cap	% of Total
General Economic, Commercial and Labour Affairs	2858.7	32.5	2593.0	20.3	373.2	6.1	119.8	0.9	239.6	3.8	72.8	0.6	337.0	4.3	13.7	0.1
Agriculture, Forestry, Fishing and Hunting	3127.8	35.6	1425.8	11.2	3239.5	52.9	2323.7	17.7	3978.4	63.3	2761.6	21.4	5578.3	70.9	3090.3	21.0
Fuel and Energy	281.9	3.2	679.9	5.3	231.4	3.8	237.7	1.8	250.5	4.0	684.5	5.3	207.5	2.6	215.7	1.5
Mineral, Manufacturing and Constructions	12.3	0.1	269.3	2.1	903.2	14.8	9780.2	74.6	892.0	14.2	8832.5	68.5	923.4	11.7	10751.7	73.0
Transport	1012.0	11.5	7483.4	58.6	15.5	0.3	20.7	0.2	47.2	0.8	55.7	0.4	42.3	0.5	127.8	0.9
Communications	434.4	4.9	105.8	0.8	427.9	7.0	187.6	1.4	432.1	6.9	126.2	1.0	449.9	5.7	180.1	1.2
Other Industries	142.8	1.6	194.6	1.5	172.4	2.8	95.5	0.7	252.9	4.0	74.9	0.6	158.5	2.0	118.4	0.8
Research and Development-Economic Affairs	39.9	0.5	18.6	0.1	30.7	0.5	9.4	0.1	70.3	1.1	7.8	0.1	61.5	0.8	110.5	0.8
Economic Affairs- not classified elsewhere	881.1	10.0	2.8	0.0	728.0	11.9	332.5	2.5	118.4	1.9	280.1	2.2	111.0	1.4	119.3	0.8
Total of Economic Affairs	8791.0	100.0	12773.3	100.0	6121.8	100.0	13107.0	100.0	6281.4	100.0	12896.1	100.0	7869.4	100.0	14727.4	100.0
Total Expenditure	78414.9		18908.5		84621.7		22883.6		95431.7		21621.3		99150.7		23462.5	
Economic affairs as % of Total Expenditure	11.2		67.6		7.2		57.3		6.6		59.6		7.9		62.8	

Source: Economic Surveys of Various Years, MoF (https://mof.gov.np/category/economic-survey/)

Appendix Table 2.5: Total Financing and Share of Major Components (2011/12-2022/23)

Table 2.5.1: Total Financing and Major Components (2011/12-2022/23)

NPR, in 10 million

Fiscal Year	Internal Loan			Domestic Share Investment			Foreign Share Investment			Principal Payment of Domestic Loans			Principal Payment of Foreign Loans			Total Financing
	Est.	Actual	Ratio of Act/ Est	Est.	Actual	Ratio of Act/ Est	Est.	Actual	Ratio of Act/ Est	Est.	Actual	Ratio of Act/ Est	Est.	Actual	Ratio of Act/ Est	
2011/12	1844.7	1206.4	0.7	693.0	1209.4	1.7	0.0	0.0		1366.0	662.7	0.5	664.3	1353.2	2.0	4431.7
2012/13	2022.9	937.8	0.5	576.9	535.7	0.9	283.0	354.5	1.3	1584.6	2094.0	1.3	1500.5	1419.0	0.9	5341.0
2013/14	3002.6	1349.8	0.4	718.6	941.2	1.3	0.0	3.9		2516.7	2515.3	1.0	1634.4	1672.5	1.0	6482.6
2014/15	3567.9	2833.9	0.8	1389.4	852.4	0.6	0.0	198.6		3254.5	4743.0	1.5	2027.7	1704.2	0.8	10332.1
2015/16	5091.2	2481.7	0.5	1194.7	1199.4	1.0	0.0	70.7		4110.3	5033.5	1.2	2236.3	1779.5	0.8	10564.7
2016/17	5364.5	2891.1	0.5	2169.1	1687.5	0.8	100.0	283.3	2.8	1800.9	3856.1	2.1	2546.7	2270.3	0.9	10988.3
2017/18	3476.3	1919.6	0.6	5175.4	4460.9	0.9	360.1	16.8	0.0	2004.8	3708.5	1.8	3012.1	1858.9	0.6	11964.7
2018/19	3897.1	3942.7	1.0	5791.1	5845.8	1.0	17.0	24.0	1.4	3506.5	3431.3	1.0	2360.0	2003.9	0.8	15247.7
2019/20	3236.1	4763.7	1.5	6244.5	1243.8	0.2	29.0	29.0	1.0	3982.3	3397.7	0.9	2681.6	2356.0	0.9	11790.2
2020/21	5970.8	3442.5	0.6	4437.6	2677.6	0.6	35.0	19.2	0.5	4527.5	3690.1	0.8	2307.8	2332.9	1.0	12162.3
2021/22	10650.5	4730.0	0.4	1779.6	1522.1	0.9	35.0	19.6	0.6	4831.9	4733.8	1.0	3500.8	2941.6	0.8	13947.1
2022/23	7427.2	3206.7	0.4	2248.6	1320.3	0.6	35.0	21.3	0.6	9059.2	11509.5	1.3	4251.8	3461.8	0.8	19519.5
2023/24	6759.6	4914.9	0.7	1433.2	1109.3	0.8	35.0	29.1	0.8	18255.7	15152.3	0.8	4261.8	3549.9	0.8	24755.4
Total G	3.7	4.1		2.1	0.9					13.4	22.9		6.4	2.6		5.6

Source: Economic Surveys of Various Years, MoF

Table 2.5.2: Share of Major Components of Total Financing (2011/12-2022/23)

NPR, in 10 million

Fiscal Year	Total Financing	Share of Internal Loan	Share of Domestic Share Investment	Share of Foreign Share Investment	Share of Principal Payment of Domestic Loans	Share of Principal Payment of Foreign Loans	Total
2011/12	4431.7	27.2	27.3	0	15.0	30.5	100.0
2012/13	5341.0	17.6	10.0	6.6	39.2	26.6	100.0
2013/14	6482.6	20.8	14.5	0.05	38.8	25.8	100.0
2014/15	10332.1	27.4	8.3	1.9	45.9	16.5	100.0
2015/16	10564.7	23.5	11.4	0.6	47.6	16.8	100.0
2016/17	10988.3	26.3	15.4	2.5	35.1	20.7	100.0
2017/18	11964.7	16.0	37.3	0.1	31.0	15.5	100.0
2018/19	15247.7	25.9	38.3	0.1	22.5	13.1	100.0
2019/20	11790.2	40.4	10.5	0.2	28.8	20.0	100.0
2020/21	12162.3	28.3	22.0	0.1	30.3	19.2	100.0
2021/22	13947.1	33.9	10.9	0.1	33.9	21.1	100.0
2022/23	19519.5	16.4	6.8	0.1	59.0	17.7	100.0
2023/24	24755.4	19.9	4.5	0.1	61.2	14.3	100.0

Source: Economic Survey 2078/79, Budget of GoN 2068/79

Table 2.5.3: Total and Major Sub-Components of Financing as Percentage of Total Revenue

NPR, in 10 million

Fiscal Year	Revenue	Internal Loan Investment	Domestic Share Investment	Foreign Share Investment	Principal Payment of Domestic Loans	Principal Payment of Foreign Loans	Total
2011/12	24456.1	4.9	4.9	0.0	2.7	5.5	18.1
2012/13	29677.6	3.2	1.8	1.2	7.1	4.8	18.0
2013/14	36349.3	3.7	2.6	0.0	6.9	4.6	17.8
2014/15	41184.8	6.9	2.1	0.5	11.5	4.1	25.1
2015/16	48523.9	5.1	2.5	0.1	10.4	3.7	21.8
2016/17	61259.8	4.7	2.8	0.5	6.3	3.7	17.9

Fiscal Year	Revenue	Internal Loan Investment	Domestic Share Investment	Foreign Share Investment	Principal Payment of Domestic Loans	Principal Payment of Foreign Loans	Total
2017/18	72671.8	2.6	6.1	0.0	5.1	2.6	16.5
2018/19	83966.2	4.7	7.0	0.0	4.1	2.4	18.2
2019/20	84131.3	5.7	1.5	0.0	4.0	2.8	14.0
2020/21	97630.9	3.5	2.7	0.0	3.8	2.4	12.5
2021/22	111384.9	4.2	1.4	0.0	4.2	2.6	12.5
2022/23	101065.1	3.2	1.3	0.0	11.4	3.4	19.3
2023/24	125352.8	3.9	0.9	0.0	12.1	2.8	19.7

Source: Budget of GoN 2068/79, Eco Survey 2078/79

Appendix Table 2.6: Sources of Public Expenditure Funding (2074/75 to 2023/24)

NPR, in 10 million

Fiscal Year	GDP	Total Exp.	% Share in GDP	Revenue	% Share of T. Exp	Share in GDP	Foreign Grant	% share of T. Exp	Share in GDP	Foreign Loan	% Share of T. Exp	Share in GDP	Internal Loan*	% Share of T. Exp	Share in GDP
1974/75	1660	151.4	9.1	100.7	66.5	6.1	28.3	18.7	1.7	10.4	6.9	0.6	12.0	7.9	0.7
1975/76	1739	191.3	11.0	111.2	58.1	6.4	36.0	18.8	2.1	14.6	7.6	0.8	29.6	15.5	1.7
1976/77	1728	233.0	13.5	133.2	57.1	7.7	39.3	16.8	2.3	16.4	7.1	1.0	44.2	19.0	2.6
1977/78	1973	267.5	13.6	155.3	58.1	7.9	46.7	17.4	2.4	38.2	14.3	1.9	27.3	10.2	1.4
1978/79	2613	302.1	11.6	179.8	59.5	6.9	59.9	19.8	2.3	39.0	12.9	1.5	23.3	7.7	0.9
1979/80	2335	347.1	14.9	185.7	53.5	8.0	80.6	23.2	3.4	53.5	15.4	2.3	27.3	7.9	1.2
1980/81	2731	409.2	15.0	240.0	58.7	8.8	86.9	21.2	3.2	69.3	16.9	2.5	13.0	3.2	0.5
1981/82	3099	536.1	17.3	267.6	49.9	8.6	99.3	18.5	3.2	73.0	13.6	2.4	96.2	17.9	3.1
1982/83	3382	697.9	20.6	283.5	40.6	8.4	109.0	15.6	3.2	98.6	14.1	2.9	206.8	29.6	6.1
1983/84	3929	743.7	18.9	340.6	45.8	8.7	87.7	11.8	2.2	167.1	22.5	4.3	148.4	19.9	3.8
1984/85	4659	839.5	18.0	391.7	46.7	8.4	92.3	11.0	2.0	175.5	20.9	3.8	180.0	21.4	3.9
1985/86	5573	979.7	17.6	464.5	47.4	8.3	117.3	12.0	2.1	250.1	25.5	4.5	147.9	15.1	2.7
1986/87	6386	1151.3	18.0	597.5	51.9	9.4	128.5	11.2	2.0	270.6	23.5	4.2	154.7	13.4	2.4
1987/88	7691	1410.5	18.3	729.0	51.7	9.5	207.7	14.7	2.7	381.6	27.1	5.0	92.2	6.5	1.2
1988/89	8927	1800.5	20.2	777.7	43.2	8.7	168.1	9.3	1.9	566.6	31.5	6.3	288.1	16.0	3.2

Fiscal Year	GDP	Total Exp.	% Share in GDP	Revenue	% Share of T. Exp	Share in GDP	Foreign Grant	% share of T. Exp	Share in GDP	Foreign Loan	% Share of T. Exp	Share in GDP	Internal Loan*	% Share of T. Exp	Share in GDP
1989/90	10342	1966.9	19.0	928.8	47.2	9.0	197.5	10.0	1.9	596.0	30.3	5.8	244.6	12.4	2.4
1990/91	12037	2355.0	19.6	1073.0	45.6	8.9	216.5	9.2	1.8	625.7	26.6	5.2	439.8	18.7	3.7
1991/92	14949	2641.8	17.7	1351.3	51.1	9.0	164.4	6.2	1.1	681.7	25.8	4.6	444.5	16.8	3.0
1992/93	17147	3089.8	18.0	1514.8	49.0	8.8	379.3	12.3	2.2	692.1	22.4	4.0	503.5	16.3	2.9
1993/94	19927	3359.7	16.9	1958.1	58.3	9.8	239.4	7.1	1.2	916.4	27.3	4.6	246.0	7.3	1.2
1994/95	21918	3906.0	17.8	2457.5	62.9	11.2	393.7	10.1	1.8	731.2	18.7	3.3	323.5	8.3	1.5
1995/96	24891	4654.2	18.7	2789.3	59.9	11.2	482.5	10.4	1.9	946.4	20.3	3.8	436.0	9.4	1.8
1996/97	28051	5072.4	18.1	3037.3	59.9	10.8	598.8	11.8	2.1	904.4	17.8	3.2	531.8	10.5	1.9
1997/98	30085	5611.8	18.7	3293.8	58.7	10.9	540.3	9.6	1.8	1105.5	19.7	3.7	672.3	12.0	2.2
1998/99	34204	5957.9	17.4	3725.1	62.5	10.9	433.7	7.3	1.3	1185.2	19.9	3.5	613.9	10.3	1.8
1999/00	37949	6627.3	17.5	4289.0	64.7	11.3	571.2	8.6	1.5	1181.2	17.8	3.1	585.9	8.8	1.5
2000/01	44152	7983.5	18.1	4889.4	61.2	11.1	675.3	8.5	1.5	1204.4	15.1	2.7	1214.4	15.2	2.8
2001/02	45944	8007.2	17.4	5044.6	63.0	11.0	668.6	8.4	1.5	769.9	9.6	1.7	1524.2	19.0	3.3
2002/03	49223	8400.6	17.1	5623.0	66.9	11.4	1133.9	13.5	2.3	454.6	5.4	0.9	1189.1	14.2	2.4
2003/04	53675	8944.3	16.7	6233.1	69.7	11.6	1128.3	12.6	2.1	762.9	8.5	1.4	819.9	9.2	1.5
2004/05	58941	10256.1	17.4	7012.4	68.4	11.9	1439.1	14.0	2.4	926.6	9.0	1.6	877.9	8.6	1.5
2005/06	65408	11088.9	17.0	7228.2	65.2	11.1	1382.7	12.5	2.1	821.4	7.4	1.3	1656.5	14.9	2.5
2006/07	72783	13360.5	18.4	8771.2	65.7	12.1	1580.1	11.8	2.2	1005.4	7.5	1.4	2003.8	15.0	2.8
2007/08	81566	16135.0	19.8	10762.3	66.7	13.2	2032.1	12.6	2.5	898.0	5.6	1.1	2442.7	15.1	3.0
2008/09	98827	21966.2	22.2	14347.4	65.3	14.5	2638.3	12.0	2.7	996.9	4.5	1.0	3983.6	18.1	4.0
2009/10	119277	25968.9	21.8	17994.6	69.3	15.1	3854.6	14.8	3.2	1122.3	4.3	0.9	2997.4	11.5	2.5
2010/11*	156268	29536.3	18.9	19981.9	67.7	12.8	4592.2	15.5	2.9	1207.6	4.1	0.8	3754.7	12.7	2.4
2011/12	175838	33916.8	19.3	24456.1	72.1	13.9	4081.0	12.0	2.3	1108.3	3.3	0.6	4271.3	12.6	2.4
2012/13	194929	35863.8	18.4	29677.6	82.8	15.2	3523.0	9.8	1.8	1196.9	3.3	0.6	1466.3	4.1	0.8
2013/14	223253	43505.2	19.5	36349.3	83.6	16.3	4220.6	9.7	1.9	1799.9	4.1	0.8	1135.4	2.6	0.5
2014/15	242364	53134.0	21.9	41184.8	77.5	17.0	3817.4	7.2	1.6	2553.1	4.8	1.1	5578.6	10.5	2.3
2015/16	260818	60103.2	23.0	48523.9	80.7	18.6	3954.4	6.6	1.5	3445.6	5.7	1.3	4179.3	7.0	1.6
2016/17	307714	83724.7	27.2	61259.8	73.2	19.9	3193.2	3.8	1.0	5801.3	6.9	1.9	13470.4	16.1	4.4
2017/18	345595	108728.0	31.5	72671.8	66.8	21.0	3931.9	3.6	1.1	9223.3	8.5	2.7	22901.1	21.1	6.6
2018/19	385893	111045.7	28.8	83966.2	75.6	21.8	2289.9	2.1	0.6	12437.3	11.2	3.2	12352.4	11.1	3.2
2019/20	388870	109133.3	28.1	84131.3	77.1	21.6	2371.9	2.2	0.6	11664.4	10.7	3.0	10965.8	10.0	2.8
2020/21	435255	119667.6	27.5	97630.9	81.6	22.4	3648.1	3.0	0.8	17294.8	14.5	4.0	1093.7	0.9	0.3

Fiscal Year	GDP	Total Exp.	% Share in GDP	Revenue	% Share of T. Exp	Share in GDP	Foreign Grant	% share of T. Exp	Share in GDP	Foreign Loan	% Share of T. Exp	Share in GDP	Internal Loan*	% Share of T. Exp	Share in GDP
2021/22	497656	131000.1	26.3	111384.9	85.0	22.4	2748.8	2.1	0.6	13069.4	10.0	2.6	3797.1	2.9	0.8
2022/23	534853	142132.7	26.6	101065.1	71.1	18.9	2338.4	1.6	0.4	11618.8	8.2	2.2	27110.4	19.1	5.1
2023/24	570484	153035.6	26.8	125352.8	81.9	22.0	3434.6	2.2	0.6	14544.4	9.5	2.5	9703.8	6.3	1.7
Growth	13	16		16.0			10.5			16.3			15.0		
T Growth	344	1011		1244.8			121.4			1398.5			808.6		

Source: Budgets (https://mof.gov.np/category/budget-speech/) and Economic Surveys (https://mof.gov.np/category/economic-survey/) of various years, MoF

Appendix Table 2.7.1: Sources of Public Expenditure Funding (2011/12 to 2023/24)

NPR, in 10 million

Fiscal Year	GDP	Total Exp.	% Share in GDP	Revenue	% Share of T. Exp	Share in GDP	Foreign Grant	% Share of T. Exp	Share in GDP	Foreign Loan	% Share of T. Exp	Share in GDP	Internal Loan*	% Share of T. Exp	Share in GDP
2011/12	175838	33916.8	19.3	24456.1	72.1	13.9	4081.0	12.0	2.3	1108.3	3.3	0.6	4271.3	12.6	2.4
2012/13	194929	35863.8	18.4	29677.6	82.8	15.2	3523.0	9.8	1.8	1196.9	3.3	0.6	1466.3	4.1	0.8
2013/14	223253	43505.2	19.5	36349.3	83.6	16.3	4220.6	9.7	1.9	1799.9	4.1	0.8	1135.4	2.6	0.5
2014/15	242364	53134.0	21.9	41184.8	77.5	17.0	3817.4	7.2	1.6	2553.1	4.8	1.1	5578.6	10.5	2.3
2015/16	260818	60103.2	23.0	48523.9	80.7	18.6	3954.4	6.6	1.5	3445.6	5.7	1.3	4179.3	7.0	1.6
2016/17	307714	83724.7	27.2	61259.8	73.2	19.9	3193.2	3.8	1.0	5801.3	6.9	1.9	13470.4	16.1	4.4
2017/18	345595	108728.0	31.5	72671.8	66.8	21.0	3931.9	3.6	1.1	9223.3	8.5	2.7	22901.1	21.1	6.6
2018/19	385893	111045.7	28.8	83966.2	75.6	21.8	2289.9	2.1	0.6	12437.3	11.2	3.2	12352.4	11.1	3.2
2019/20	388870	109133.3	28.1	84131.3	77.1	21.6	2371.9	2.2	0.6	11664.4	10.7	3.0	10965.8	10.0	2.8
2020/21	435255	119667.6	27.5	97630.9	81.6	22.4	3648.1	3.0	0.8	17294.8	14.5	4.0	1093.7	0.9	0.3
2021/22	497656	131000.1	26.3	111384.9	85.0	22.4	2748.8	2.1	0.6	13069.4	10.0	2.6	3797.1	2.9	0.8
2022/23	534853	142132.7	26.6	101065.1	71.1	18.9	2338.4	1.6	0.4	11618.8	8.2	2.2	27110.4	19.1	5.1
2023/24	570484	153035.6	26.8	125352.8	81.9	22.0	3434.6	2.2	0.6	14544.4	9.5	2.5	9703.8	6.3	1.7
Growth	10	13		14.6			-1.4			23.9			7.1		
T Growth	3	4.5		5.1			0.8			13.1			2.3		

Source: Budgets (https://mof.gov.np/category/budget-speech/) and Economic Surveys (https://mof.gov.np/category/economic-survey/) of various years, MoF

Appendix Table 2.7.2: Sources of Public Expenditure Funding (2011/12 to 2022/23)

NPR, in 10 million

Fiscal Year	GDP	Total Exp.	Revenue	% Share of GDP	Deficit (T Exp.- Revenue)	Foreign Grant	% Share of GDP	Deficit After Foreign Grant	Foreign Loan	% Share of GDP	Internal Loan	% Share of GDP
1974/75	1660	151.4	100.7	6.1	50.7	28.3	1.7	22.4	10.4	0.6	10.0	0.6
1975/76	1739	191.3	111.2	6.4	80.1	36.0	2.1	44.2	14.6	0.8	20.0	1.1
1976/77	1728	233.0	133.2	7.7	99.9	39.3	2.3	60.6	16.4	1.0	30.0	1.7
1977/78	1973	267.5	155.3	7.9	112.2	46.7	2.4	65.5	38.2	1.9	24.0	1.2
1978/79	2613	302.1	179.8	6.9	122.3	59.9	2.3	62.3	39.0	1.5	20.0	0.8
1979/80	2335	347.1	185.7	8.0	161.4	80.6	3.4	80.8	53.5	2.3	18.0	0.8
1980/81	2731	409.2	240.0	8.8	169.2	86.9	3.2	82.3	69.3	2.5	25.0	0.9
1981/82	3099	536.1	267.6	8.6	268.5	99.3	3.2	169.2	73.0	2.4	50.0	1.6
1982/83	3382	697.9	283.5	8.4	414.4	109.0	3.2	305.4	98.6	2.9	100.0	3.0
1983/84	3929	743.7	340.6	8.7	403.1	87.7	2.2	315.4	167.1	4.3	157.7	4.0
1984/85	4659	839.5	391.7	8.4	447.8	92.3	2.0	355.5	175.5	3.8	180.0	3.9
1985/86	5573	979.7	464.5	8.3	515.3	117.3	2.1	398.0	250.1	4.5	140.3	2.5
1986/87	6386	1151.3	597.5	9.4	553.8	128.5	2.0	425.3	270.6	4.2	164.5	2.6
1987/88	7691	1410.5	729.0	9.5	681.5	207.7	2.7	473.8	381.6	5.0	113.0	1.5
1988/89	8927	1800.5	777.7	8.7	1022.8	168.1	1.9	854.8	566.6	6.3	133.0	1.5
1989/90	10342	1966.9	928.8	9.0	1038.1	197.5	1.9	840.6	596.0	5.8	215.0	2.1
1990/91	12037	2355.0	1073.0	8.9	1281.9	216.5	1.8	1065.5	625.7	5.2	455.3	3.8
1991/92	14949	2641.8	1351.3	9.0	1290.6	164.4	1.1	1126.2	681.7	4.6	207.9	1.4
1992/93	17147	3089.8	1514.8	8.8	1574.9	379.3	2.2	1195.6	692.1	4.0	162.0	0.9
1993/94	19927	3359.7	1958.1	9.8	1401.7	239.4	1.2	1162.3	916.4	4.6	182.0	0.9
1994/95	21918	3906.0	2457.5	11.2	1448.5	393.7	1.8	1054.8	731.2	3.3	190.0	0.9
1995/96	24891	4654.2	2789.3	11.2	1864.9	482.5	1.9	1382.4	946.4	3.8	220.0	0.9
1996/97	28051	5072.4	3037.3	10.8	2035.0	598.8	2.1	1436.2	904.4	3.2	300.0	1.1
1997/98	30085	5611.8	3293.8	10.9	2318.0	540.3	1.8	1777.8	1105.5	3.7	340.0	1.1
1998/99	34204	5957.9	3725.1	10.9	2232.8	433.7	1.3	1799.1	1185.2	3.5	471.0	1.4
1999/00	37949	6627.3	4289.0	11.3	2338.3	571.2	1.5	1767.1	1181.2	3.1	550.0	1.4
2000/01	44152	7983.5	4889.4	11.1	3094.2	675.3	1.5	2418.8	1204.4	2.7	700.0	1.6
2001/02	45944	8007.2	5044.6	11.0	2962.7	668.6	1.5	2294.0	769.9	1.7	800.0	1.7
2002/03	49223	8400.6	5623.0	11.4	2777.6	1133.9	2.3	1643.7	454.6	0.9	888.0	1.8
2003/04	53675	8944.3	6233.1	11.6	2711.2	1128.3	2.1	1582.8	762.9	1.4	560.8	1.0
2004/05	58941	10256.1	7012.4	11.9	3243.6	1439.1	2.4	1804.5	926.6	1.6	893.8	1.5

Fiscal Year	GDP	Total Exp.	Revenue	% Share of GDP	Deficit (T Exp.-Revenue)	Foreign Grant	% Share of GDP	Deficit After Foreign Grant	Foreign Loan	% Share of GDP	Internal Loan	% Share of GDP
2005/06	65408	11088.9	7228.2	11.1	3860.7	1382.7	2.1	2478.0	821.4	1.3	1183.4	1.8
2006/07	72783	13360.5	8771.2	12.1	4589.3	1580.1	2.2	3009.2	1005.4	1.4	1789.2	2.5
2007/08	81566	16135.0	10762.3	13.2	5372.7	2032.1	2.5	3340.6	898.0	1.1	2049.6	2.5
2008/09	98827	21966.2	14347.4	14.5	7618.8	2638.3	2.7	4980.5	996.9	1.0	1841.7	1.9
2009/10	119277	25968.9	17994.6	15.1	7974.3	3854.6	3.2	4119.7	1122.3	0.9	2991.4	2.5
2010/11*	156268	29536.3	19981.9	12.8	9554.4	4592.2	2.9	4962.2	1207.6	0.8	4251.6	2.7
2011/12	175838	33916.8	24456.1	13.9	9460.6	4081.0	2.3	5379.6	1108.3	0.6	3641.9	2.1
2012/13	194929	35863.8	29677.6	15.2	6186.2	3523.0	1.8	2663.2	1196.9	0.6	1904.3	1.0
2013/14	223253	43505.2	36349.3	16.3	7155.9	4220.6	1.9	2935.3	1799.9	0.8	1998.3	0.9
2014/15	242364	53134.0	41184.8	17.0	11949.2	3817.4	1.6	8131.7	2553.1	1.1	4236.8	1.7
2015/16	260818	60103.2	48523.9	18.6	11579.3	3954.4	1.5	7624.9	3445.6	1.3	8777.5	3.4
2016/17	307714	83724.7	61259.8	19.9	22465.0	3193.2	1.0	19271.7	5801.3	1.9	8833.8	2.9
2017/18	345595	108728.0	72671.8	21.0	36056.2	3931.9	1.1	32124.4	9223.3	2.7	14475.1	4.2
2018/19	385893	111045.7	83966.2	21.8	27079.5	2289.9	0.6	24789.7	12437.3	3.2	9638.2	2.5
2019/20	388870	109133.3	84131.3	21.6	25002.1	2371.9	0.6	22630.2	11664.4	3.0	19464.2	5.0
2020/21	435255	119667.6	97630.9	22.4	22036.7	3648.1	0.8	18388.5	17294.8	4.0	22400.0	5.1
2021/22	497656	131000.1	111384.9	22.4	19615.2	2748.8	0.6	16866.4	13069.4	2.6	23263.6	4.7
2022/23	534853	142132.7	101065.1	18.9	41067.6	2338.4	0.4	38729.2	11618.8	2.2	25729.0	4.8
2023/24	570484	153035.6	125352.8	22.0	27682.7	3434.6	0.6	24248.2	14544.4	2.5	24000.0	4.2

Source: Budgets (https://mof.gov.np/category/budget-speech/) and Economic Surveys (https://mof.gov.np/category/economic-survey/) of various years, MoF

Appendix Table 2.8: Total Government Debt Outstanding

NPR, in 10 million

Fiscal Year	Amount			As Percentage of GDP		
	Domestic Debt	Foreign Debt	Total Debt	Domestic Debt	Foreign Debt	Total Debt
1974/75	59.9	34.6	94.5	3.6	2.1	5.7
1975/76	73.7	47.7	121.4	4.2	2.7	7.0
1976/77	101.4	62.9	164.3	5.9	3.6	9.5
1977/78	122.5	97.2	219.7	6.2	4.9	11.1
1978/79	139.5	132.1	271.6	5.3	5.1	10.4
1979/80	150.3	180.7	331.0	6.4	7.7	14.2
1980/81	144.4	245.1	389.5	5.3	9.0	14.3

Fiscal Year	Amount			As Percentage of GDP		
	Domestic Debt	Foreign Debt	Total Debt	Domestic Debt	Foreign Debt	Total Debt
1981/82	190.0	317.8	507.8	6.1	10.3	16.4
1982/83	287.8	471.8	759.6	8.5	13.9	22.5
1983/84	433.7	632.1	1065.8	11.0	16.1	27.1
1984/85	603.2	920.3	1523.5	12.9	19.8	32.7
1985/86	719.0	1033.0	1752.0	12.9	18.5	31.4
1986/87	899.7	1517.2	2416.9	14.1	23.8	37.8
1987/88	1163.6	2082.6	3246.2	15.1	27.1	42.2
1988/89	1288.8	2921.7	4210.5	14.4	32.7	47.2
1989/90	1467.3	3680.1	5147.4	14.2	35.6	49.8
1990/91	2085.6	5950.5	8036.1	17.3	49.4	66.8
1991/92	2323.5	7092.4	9415.9	15.5	47.4	63.0
1992/93	2545.6	8742.1	11287.7	14.8	51.0	65.8
1993/94	3063.1	10196.7	13259.8	15.4	51.2	66.5
1994/95	3205.8	11300.1	14505.9	14.6	51.6	66.2
1995/96	3424.2	12804.4	16228.6	13.8	51.4	65.2
1996/97	3589.1	13208.7	16797.8	12.8	47.1	59.9
1997/98	3840.7	16120.8	19961.5	12.8	53.6	66.4
1998/99	4967.0	16946.6	21913.6	14.5	49.5	64.1
1999/00	5435.7	19069.1	24504.8	14.3	50.2	64.6
2000/01	6004.4	20155.1	26159.4	13.6	45.6	59.2
2001/02	7362.1	22012.6	29374.7	16.0	47.9	63.9
2002/03	7951.8	22343.3	30295.1	16.2	45.4	61.5
2003/04	8613.4	23277.9	31891.3	16.0	43.4	59.4
2004/05	8756.4	21964.2	30720.6	14.9	37.3	52.1
2005/06	8995.5	23396.9	32392.4	13.8	35.8	49.5
2006/07	9930.4	21662.9	31593.3	13.6	29.8	43.4
2007/08	11123.9	24996.5	36120.5	13.6	30.6	44.3
2008/09	12087.4	27704.0	39791.4	12.2	28.0	40.3
2009/10	14286.0	25624.3	39910.3	12.0	21.5	33.5
2010/11*	17932.8	25955.2	43888.0	11.5	16.6	28.1

Fiscal Year	Amount			As Percentage of GDP		
	Domestic Debt	Foreign Debt	Total Debt	Domestic Debt	Foreign Debt	Total Debt
2011/12	20912.0	30928.7	51840.7	11.9	17.6	29.5
2012/13	20700.2	33344.2	54044.3	10.6	17.1	27.7
2013/14	20181.8	34681.9	54863.7	9.0	15.5	24.6
2014/15	19678.6	34326.2	54004.8	8.1	14.2	22.3
2015/16	23415.8	38876.3	62292.1	9.0	14.9	23.9
2016/17	28371.1	41397.9	69769.0	9.2	13.5	22.7
2017/18	39089.9	52615.4	91705.3	11.3	15.2	26.5
2018/19	45296.8	59492.6	104789.4	11.7	15.4	27.2
2019/20	61321.2	81966.7	143287.9	15.8	21.1	36.8
2020/21	80032.0	93469.5	173501.5	18.4	21.5	39.9
2021/22	98428.5	102584.7	201013.2	19.8	20.6	40.4
2022/23	112518.8	109334.9	221853.8	21.0	20.4	41.5
2023/24	112910.4	109334.9	229935.2	19.8	19.2	40.3
Total Growth	1884.0	3159.1	2432.1			

Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situations 2023

Appendix Table 2.9: Trends in Debt Servicing

NPR, in 10 million

Fiscal Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total Growth
Total Principal Payment	1722.0	2015.9	3513.0	4187.7	6447.2	6813.0	6126.5	5567.4	5435.2	5753.7	6023.0	7675.4	14971.27	8.7
Principal Payment of Foreign Loans	1121.8	1353.2	1419.0	1672.5	1704.2	1779.5	2270.3	1858.9	2003.9	2356.0	2332.9	2941.6	3461.79	3.1
Principal Payment of Domestic Loans	600.2	662.7	2094.0	2515.3	4743.0	5033.5	3856.1	3708.5	3431.3	3397.7	3690.1	4733.8	11509.48	19.2
Total Interest Payment	1273.7	1516.2	1373.7	1203.8	926.3	867.3	1002.4	1624.7	2071.5	2606.0	3484.3	4522.6	7289.3	5.7
Interest Payment of Foreign Loan	232.2	283.2	300.3	336.5	303.6	331.1	326.4	386.0	450.5	523.8	627.5	754.1	839.9	3.6
Interest Payment of Domestic Loan	1041.5	1233.0	1073.4	867.3	622.7	536.2	676.0	1238.7	1621.0	2082.3	2856.8	3768.5	6449.4	6.2
Total	2995.8	3532.1	4886.7	5391.5	7373.5	7680.3	7128.8	7192.1	7506.7	8359.8	9507.3	12198.0	22260.6	7.4
Share in Total (%)														
Principal Payment of Foreign Loans	37.4	38.3	29.0	31.0	23.1	23.2	31.8	25.8	26.7	28.2	24.5	24.1	15.55121	
Principal Payment of Domestic Loans	20.0	18.8	42.9	46.7	64.3	65.5	54.1	51.6	45.7	40.6	38.8	38.8	51.70341	
Interest Payment of Foreign Loan	7.8	8.0	6.1	6.2	4.1	4.3	4.6	5.4	6.0	6.3	6.6	6.2	3.8	
Interest Payment of Domestic Loan	34.8	34.9	22.0	16.1	8.4	7.0	9.5	17.2	21.6	24.9	30.0	30.9	29.0	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Debt Ser/Revenue	15.0	14.4	16.5	14.8	17.9	15.8	11.6	9.9	8.9	9.9	9.7	11.0	22.0	
Debt Ser/T Exp	10.1	10.4	13.6	12.4	13.9	12.8	8.5	6.6	6.8	7.7	7.9	9.3	15.7	
Debt S/GDP	1.9	2.0	2.5	2.4	3.0	2.9	2.3	2.1	1.9	2.1	2.2	2.5	4.2	

Source: Financial Comptroller General Office (2022); Public Debt Management Office (2021)

Appendix Table 10: Combined Expenditure Pattern of Three Levels of Government

NPR, in 10 million

Fiscal Year	Details	Total Estimated Expenditure	Share of Each Level	Total as % share of GDP	Source of Funding			
					Nepal gov. (including internal loan)	Foreign Grant	Loan	Total
2018/19	Federal	100667.5	76.5	26.1	71973.4	4983.7	23710.4	100667.5
	Provincial	11343.4	8.6	2.9	9755.7	357.0	1230.8	11343.4
	Local	19505.3	14.8	5.1	18602.7	540.9	361.7	19505.3
	Total	131516.2	100.0	34.1	100331.8	5881.6	25302.8	131516.2
2019/20	Federal	121930.2	79.5	31.4	87838.3	5004.7	29087.1	121930.2
	Provincial	9984.4	6.5	2.6	9570.3	234.6	179.5	9984.4
	Local	21382.1	13.9	5.5	20205.2	560.3	616.7	21382.1
	Total	153296.7	100.0	39.4	117613.8	5799.6	29883.3	153296.7
2020/21	Federal	111201.4	75.4	25.5	77785.4	5107.9	28308.2	111201.4
	Provincial	9987.4	6.8	2.3	9470.3	374.8	142.3	9987.4
	Local	26275.8	17.8	6.0	24206.2	570.1	1499.5	26275.8
	Total	147464.5	100.0	33.9	111461.8	6052.8	29949.9	147464.5
2021/22	Federal	126086.0	76.5	25.3	90495.9	5346.4	30243.6	126086.0
	Provincial	10370.3	6.3	2.1	9908.0	373.4	88.8	10370.3
	Local	28301.5	17.2	5.7	27086.8	617.8	596.9	28301.5
	Total	164757.7	100.0	33.1	127490.7	6337.6	30929.3	164757.7
2022/23	Federal	136400.5	76.0	25.5	109565.7	4516.5	22318.4	136400.5
	Provincial	12946.1	7.2	2.4	12278.0	360.3	307.8	12946.1
	Local	30037.2	16.7	5.6	27768.1	669.1	1600.0	30037.2
	Total	179383.7	100.0	33.5	149611.8	5545.8	24226.1	179383.7
2023/24	Federal	135122.5	77.2	23.7	112232.6	3943.7	18946.2	135122.5
	Provincial	10506.7	6.0	1.8	9555.5	319.5	631.7	10506.7
	Local	29502.0	16.8	5.2	27073.9	731.1	1697.0	29502.0
	Total	175131.2	100.0	30.7	148862.0	4994.3	21274.9	175131.2

Source. Budgets (https://mof.gov.np/category/budget-speech/), MOF

Appendix Table 11: Overall, Recurrent and Capital Expenditure Growth by Province

NPR, in 10 million

Fiscal Year	Province	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim	Total
2017/18	T. Exp	65.3	52.3	27.0	23.1	19.1	23.4	26.0	236.2
	Rec. Exp.	43.5	26.6	14.5	10.3	12.5	12.3	16.6	136.3
	Cap. Exp.	21.8	25.7	12.4	12.8	6.6	11.2	9.4	99.8
	Share of Rec. Exp	66.6	50.8	53.8	44.7	65.7	52.4	63.8	57.7
	Share of Capital Exp	33.4	49.2	46.2	55.3	34.3	47.6	36.2	42.3
2018/19	GDP	59924.2	50353.7	146289.1	34082.7	54000.2	15189.2	26053.9	385893.1
	T. Exp	2120.3	1509.2	2065.3	1392.8	1703.4	1001.6	2139.6	11932.3
	T. Exp as % of GDP	3.5	3.0	1.4	4.1	3.2	6.6	8.2	3.1
	Rec. Exp.	976.4	662.8	1109.8	521.1	686.1	460.1	723.3	5139.6
	Rec. Exp. as % of GDP	1.6	1.3	0.8	1.5	1.3	3.0	2.8	1.3
	Rec. Exp. % of T. Exp	46.1	43.9	53.7	37.4	40.3	45.9	33.8	43.1
	Cap. Exp.	1143.9	846.5	955.4	871.7	1017.3	541.5	1416.3	6792.6
	Cap. Exp. as % of GDP	1.9	1.7	0.7	2.6	1.9	3.6	5.4	1.8
	Cap. Exp. as % of T. Exp	53.9	56.1	46.3	62.6	59.7	54.1	66.2	56.9

Fiscal Year	Province	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim	Total
2019/20	GDP	61236.5	51882.9	145477.6	34445.6	54987.2	16058.3	27382.1	391470.1
	T. Exp	2983.3	1801.7	2795.1	2041.4	2540.7	1688.0	1761.2	15611.4
	T. Exp. as % of GDP	4.9	3.5	1.9	5.9	4.6	10.5	6.4	4.0
	Rec. Exp.	1196.7	978.2	1226.9	642.7	1068.6	734.5	832.4	6679.9
	Rec. Exp. as % of GDP	2.0	1.9	0.8	1.9	1.9	4.6	3.0	1.7
	Rec. Exp. as % of T. Exp	40.1	54.3	43.9	31.5	42.1	43.5	47.3	42.8
	Cap. Exp.	1786.7	823.5	1568.2	1398.7	1472.1	953.5	928.8	8931.5
	Cap. Exp. as % of GDP	2.9	1.6	1.1	4.1	2.7	5.9	3.4	2.3
	Cap. Exp. as % of T. Exp	59.9	45.7	56.1	68.5	57.9	56.5	52.7	57.2
2020/21	GDP	66360.0	56166.4	160765.1	37216.3	59557.3	17175.9	29391.3	426632.2
	T. Exp	2795.1	2254.6	3559.5	2562.3	3210.3	2204.2	2296.8	18882.9
	T. Exp. as % of GDP	4.2	4.0	2.2	6.9	5.4	12.8	7.8	4.4
	Rec. Exp.	1208.5	864.1	1558.7	802.8	1359.9	847.2	1036.6	7677.7
	Rec. Exp. as % of GDP	1.8	1.5	1.0	2.2	2.3	4.9	3.5	1.8
	Rec. Exp. as % of T. Exp	43.2	38.3	43.8	31.3	42.4	38.4	45.1	40.7
	Cap. Exp.	1586.6	1390.5	2000.8	1759.6	1850.4	1357.1	1260.2	11205.2
	Cap. Exp. as % of GDP	2.4	2.5	1.2	4.7	3.1	7.9	4.3	2.6
	Cap. Exp. as % of T. Exp	56.8	61.7	56.2	68.7	57.6	61.6	54.9	59.3

Fiscal Year	Province	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim	Total
2021/22	GDP	78000.0	65000.0	181900.0	43700.0	69700.0	20100.0	34500.0	492900.0
	T. Exp	2996.6	2226.0	3669.5	2204.4	3005.5	2416.5	2087.7	18606.3
	T. Exp. as % of GDP	3.8	3.4	2.0	5.0	4.3	12.0	6.1	3.8
	Rec. Exp.	1312.7	1033.6	1570.0	758.0	1264.7	909.4	892.5	7740.9
	Rec. Exp. as % of GDP	1.7	1.6	0.9	1.7	1.8	4.5	2.6	1.6
	Rec. Exp. as % of T. Exp	43.8	46.4	42.8	34.4	42.1	37.6	42.8	41.6
	Cap. Exp.	1683.9	1192.4	2099.5	1446.4	1740.8	1507.1	1195.2	10865.3
	Cap. Exp. as % of GDP	2.2	1.8	1.2	3.3	2.5	7.5	3.5	2.2
	Cap. Exp. as % of T. Exp	56.2	53.6	57.2	65.6	57.9	62.4	57.2	58.4
2022/23	GDP	84900.0	77000.0	198100.0	48200.0	76200.0	22100.0	37300.0	543800.0
	T. Exp	3075.8	2687.0	4626.2	2361.5	3024.4	2226.7	2406.3	20407.9
	T. Exp. as % of GDP	3.6	3.5	2.3	4.9	4.0	10.1	6.5	3.8
	Rec. Exp.	1264.5	1067.0	1798.2	835.4	1250.8	949.0	824.9	7989.8
	Rec. Exp. as % of GDP	1.5	1.4	0.9	1.7	1.6	4.3	2.2	1.5
	Rec. Exp. as % of T. Exp	41.1	39.7	38.9	35.4	41.4	42.6	34.3	39.2
	Cap. Exp.	1811.3	1620.0	2828.0	1526.1	1773.7	1277.7	1581.5	12418.1
	Cap. Exp. as % of GDP	2.1	2.1	1.4	3.2	2.3	5.8	4.2	2.3
	Cap. Exp. as % of T. Exp	58.9	60.3	61.1	64.6	58.6	57.4	65.7	60.8

Source: Economic Survey, CBS Provincial Data, CBS Quarterly Statistical Bulletins of Various Years

Appendix Table 13: Sources of Funding of Local Levels of Government

NPR, in 10 million

Fiscal Year / % of Total	Equalization Grant	Conditional Grant	Special Grant	Complementary Grant	Total
Total from the Federal and Provincial					
2018/19	8970.8	13333.7	322.2	572.0	23198.6
2019/20	9624.5	15927.1	741.3	1053.6	27346.6
2020/21	9533.1	19224.3	1328.2	786.1	30871.7
2021/22	10163.3	19291.4	798.6	1013.4	31266.6
2022/23	10000.8	20376.8	931.2	1100.2	32409.1
From the Federal Government					
2018/19	8528.8	12534.3	227.7	385.7	21676.5
% of Total	39.3	57.8	1.1	1.8	100.0
2019/20	8996.5	15099.4	482.8	475.4	25054.2
% of Total	35.9	60.3	1.9	1.9	100.0
2020/21	8997.3	18330.3	583.4	508.9	28419.8
% of Total	31.7	64.5	2.1	1.8	100.0
2021/22	9452.7	18419.3	584.1	440.3	28896.3
% of Total	32.7	63.7	2.0	1.5	100.0
2022/23	9269.8	19288.0	683.0	528.8	29769.6
% of Total	31.1	64.8	2.3	1.8	100.0
From Provincial Government					
2018/19	442.0	799.4	94.5	186.2	1522.1
% of Total	29.0	52.5	6.2	12.2	100.0
2019/20	628.0	827.7	258.5	578.2	2292.4
% of Total	27.4	36.1	11.3	25.2	100.0
2020/21	535.8	894.1	744.8	277.3	2451.9
% of Total	21.9	36.5	30.4	11.3	100.0
2021/22	710.6	872.1	214.5	573.1	2370.3
% of Total	30.0	36.8	9.0	24.2	100.0
2022/23	731.0	1088.8	248.2	571.5	2639.4
% of Total	27.7	41.3	9.4	21.7	100.0

Source: 61st Annual Report of OAG, GON

Appendix Table 14: List of Policies Reviewed and Cited in the Report

S.N.	List of Policies
1	The Constitution of Nepal
2	13th Amendment to the Public Procurement Regulation, 2080
3	Annual Appropriation Acts
4	Annual Reports of the Auditor General
5	Audit Act, 1991
6	Budget Circular and Formulation Guidelines
7	Budget Preparation Directive 4th Edition (2008) and 8th Edition (2018).
8	Nepal Rastra Bank Act, 2058 (2002)
9	Citizen Participatory Audit Directives, 2023
10	Criteria for Determining National Priority Projects, 2018
11	Customs Act, 2007
12	Development Cooperation Policy (DCP), 2014
13	District Development Committee Act, 1992
14	e-GP system operation manual, 2017
15	Excise Duty Act, 2002
16	Federal, Provincial and Local Level (Coordination and Interrelations) Act, 2020
17	Finance Acts
18	Financial Audit Guide, 2023
19	Financial Procedure Act, 1999
20	Financial Procedure and Fiscal Accountability (FPFA) Act, 2019
21	Financial Procedure and Fiscal Accountability (FPFA) Regulation, 2021
22	Foreign Aid Policy, 2002
23	Good Governance (Management and Operation) Act, 2008
24	Government Finance Statistics Manual, 2014
25	Government of Nepal Work Division Regulations, 2017
26	Government Transaction Directives, 2019

S.N.	List of Policies
27	House of Representatives Regulations, 2018 (Repealed by Regulation of 2023)
28	Income Tax Act, 2002 (Amendment 2020)
29	Integrated Economic Code, Classification and Explanation 2017 (Second Revision)
30	Integrated National Social Protection Framework (INSPF)
31	Intergovernmental Fiscal Arrangement Act, 2017
32	Internal Audit Handbook, 2021
33	Internal Audit Manual, 2022
34	Internal Audit Procedure Directives, 2016 (repealed by Internal Audit Manual 2022)
35	Internal Control System Directives, 2018
36	Joint Meeting of Federal Parliament and the Joint Committee (Operation) Regulation, 2018 (now repealed by Regulation of 2023)
37	Loan and Guarantee Act was enacted (Seventeenth Amendment, 2009)
38	Local Government Operations Act, 2017
39	Local Self-Governance (LSG) Act, 1999
40	Monitoring and Evaluation Act, 2024
41	Municipality Act, 1992
42	National Assembly Regulation, 2018
43	National Natural Resource and Fiscal Commission Act, 2017.
44	National Natural Resources and Fiscal Commission Regulation, 2019
45	National Project Bank Guidelines, 2020
46	Nepal Chartered Accountants Act, 1997
47	Nepal Chartered Accountants Regulation, 1999
48	Nepal Government Auditing Standards (NGAS), 2020
49	Nepal Public Sector Accounting Standards (NPSAS), 2021
50	Office of the Auditor General (OAG) Provincial Annual Reports of each respective province (2018-2023)
51	Pension Fund Act, 2018
52	Procedures related to using the national forest area for national priority plans, 2018

S.N.	List of Policies
53	Public Debt Act, 2002
54	Public Debt Management Act, 2022
55	Public Expenditure Review Commissions (PERC), 2018
56	Public Procurement Act (PPA), 2007
57	Public Procurement Regulation (PPR), 2007
58	Special grant, 2018
59	Standard for Project Development, Selection, and Prioritization, 2023
60	Statistics Act, 2022
61	Supplementary grant, 2018
62	Value Added Tax Act, 1996
63	Village Development Committee Act, 1992

Appendix 4.1 Major Clauses in Some Laws Critical From the Standpoint of Enhancing Efficiency and Effectiveness of Public Expenditure Management and Public Financial Management in Nepal

1. Constitution of Nepal

Part-10 of the Constitution delves into detail regarding the Federal Financial Procedures

Article 115-1 (1) enforces that no tax shall be levied and collected except in accordance with law.

Article 116 has the provision for the Federal Consolidated Fund. Based on this, except for the revenues of trusts (*Guthi*), all revenues received by the Government of Nepal, all loans raised on the security of revenues, all amounts received in repayment of any loans made under the authority of any Act and any other moneys received by the Government of Nepal, except as otherwise provided by a Federal Act, should be credited to a Government Fund to be known as the Federal Consolidated Fund.

Article 119 has the provision for designation of role regrading estimates of revenues and expenditures: (1) The Minister for Finance of the Government of Nepal is responsible to lay before the joint sitting of both Houses of the Federal Parliament an annual estimate considering: (a) an estimate of revenues, (b) the moneys required to meet the charges on the Federal Consolidated Fund, and (c) the moneys required to meet the expenditure to be provided for by a Federal Appropriation Act.

Article 120 has the provision of the Appropriation Act (*Biniyojan Ain*).

Article 125 has the provision for a Federal Act relating to financial procedures, based on which matters relating to the transfer of money from one head to another and other financial procedures shall be as provided.

To make the Government of Nepal responsible and accountable to the Parliament of Nepal, Part 8, Article 97 of the Constitution has the provision to create sector-wise parliamentary sub-committees. These subcommittees have a governing/regulatory role to monitor and evaluate the work done by the government, including providing necessary guidance or advice. The Economic Committee (*Artha Samiti*) is responsible for monitoring the activities of the Ministry of Finance, National Natural Resources and Fiscal Commission, the Investment Board and the Planning Commission. The Public Accounting Sub-committee (*Sarwajanik Lekha Samiti*) is responsible for monitoring the public accounting system and the issues related to the annual report of the Office of the Auditor General.

Part 16 of the Constitution delves into detail regarding the Provincial Financial Procedures

Article 203 enforces that tax cannot be levied and a loan cannot be raised at the Provincial level except in accordance with law.

Article 204 has the provision of the Province Consolidated Fund

Article 207 designates the role to estimate revenues and expenditures for every financial year to the state minister for Finance. They shall present an annual estimate of revenues and expenditures in front of the house, taking into consideration the following matters: (a) an estimate of revenues, (b) the moneys required to meet the charges on the State Consolidated Fund, and (c) the moneys required to meet the expenditure to be provided for by a State Appropriation Act.

Article 208 has the provision for the Province Appropriation Act (*Pradesh Biniyojan Ain*), based on which the money required to meet the expenditure to be provided for by any State Appropriation Act shall be specified under appropriate heads in an Appropriation Bill.

Article 209 has the provision for supplementary estimates: (1) The provincial Minister for Finance may lay before the Provincial Assembly a supplementary estimate if it is found in any financial year,- (a) that the sum authorized to be spent for a particular service by the Province Appropriation Act for the current financial year is insufficient, or that a need has arisen for expenditures upon some new service not provided for in the Province Appropriation Act for that year, or (b) that the expenditures made during that financial year are in excess of the amount authorized by the Province Appropriation Act.

Article 212 has the provision for the Provincial contingency fund.

Article 213 has the provision to create an Act relating to financial procedures: Matters relating to the transfer of moneys appropriated by the State Act from one head to another and other financial procedures shall be as provided for in the State Act.

Part-19 of the Constitution delves into detail regarding Local Financial Procedures

Article 229 has the provision for the Local Consolidated Fund.

Article 230 mandates the Village Body and Municipality to estimate revenues and expenditures every year and have the estimate passed by the Village Assembly and the Municipal Assembly, respectively, as provided for in the Local law. (2) If, in laying an estimate of revenues and expenditures under clause (1), the Village Executive or Municipal Executive is required to make a deficit budget, it must also provide the sources to meet the deficit as provided for in the Federal law and the State law

Part-22 of the constitution ensures the provision of the Auditor General, who shall be appointed by the President of Nepal on the recommendation of the Constitutional Council.

Article 241 delineates the functions, duties and powers of Auditor-General: (1) The accounts of all Federal and State Government Offices including the Office of the President, Office of the Vice-President, Supreme Court, Federal Parliament, State Assembly, State Government, Local level, Constitutional Bodies and Offices thereof, Courts, Office of the Attorney General, Nepal Army, Nepal Police and Armed Police Force, Nepal shall be audited by the Auditor-General in accordance with law, having regard to, inter alia, the regularity, economy, efficiency, effectiveness and the propriety thereof.

Part-26 Article -250 ensures the provision of the National Natural Resources and Fiscal Commission, consisting of a maximum of five members, including a chairperson.

2. National Natural Resource and Fiscal Commission Act, 2017

Both the National Natural Resources and Fiscal Commission Act, 2017, and the Intergovernmental Fiscal Arrangement Act, 2017, have been promulgated to enable legal provisions for fiscal transfers. These Acts specify the definition and distribution criteria of grants and revenue sharing.

Functions, duties and powers of the National Natural Resources and Fiscal Commission according to the National Natural Resources and Fiscal Commission Act, 2017

Chapter-4 of the Act deals with the Mobilization of Natural Resources, Revenue Distribution and Grants

Article 14 is about the bases to be taken during the mobilization of Natural Resources: (1) The Commission delegated the role to determine the portion of investment to be made by the Government of Nepal, State and Local Level, in relation to the mobilization of natural resources, on the following bases and make recommendations to the Government of Nepal: (a) status of revenue and capacity to collect it, (b) capacity to make investments, (c) portion to be obtained, (d) portion of consumption made from the portion obtained, (e) condition of infrastructure and necessity, (f) economic condition and geographical terrain.

Article 15 is about bases to be considered during distribution of revenues: (1) The role of the Commission is to determine the detailed bases and framework for the distribution of revenues between the Government of Nepal, State and Local Level and State and Local Level, on the following bases and make a recommendation to the Government of Nepal: (a) population and demographic details, (b) territory/area, (c) Human Development Index, (d) requirement of expenditure, (e) attempts made for revenue collection, (f) infrastructure development, (g) special condition.

Article 16 envisages the bases to be considered while making recommendations for grants: (1) The Commission, while making recommendations to the Government of Nepal and Provinces, in relation to the Fiscal Equalization Grant to be provided by the Government of Nepal to Provinces and Local Level and by the Provinces to Local Level in accordance with the prevailing laws, need to take the following bases into consideration: (a) Human Development Index like education, health, drinking water within State and Local Level, (b) situation of balanced development within other State and Local Level (c) situation of economic, social or any other discrimination prevalent within other State and Local Level, (d) situation and necessity of infrastructure development of State and Local Level, (e) services to be provided by the State and Local Level to the citizens, (f) situation of revenue of the State and Local Level and their capacity to collect it, (g) necessity of expenditure of the State and Local Level.

Chapter 4 Section (2) outlines the bases for Conditional Grant to be provided by the Government of Nepal to Provinces and Local Level and by Provinces to Local Level, in accordance with prevailing laws. The bases include the subjects contained in the clause (c) and sub-section (1) of sub-article (1) of Article 251 of the Constitution.

Chapter 4 Section (3) outlines the bases for the fiscal equalization grant to be received by every state and Local Level.

In addition to the functions, duties and powers mentioned otherwise in the Constitution and in this act (NNRFC, 2017), other functions, duties and powers of the commission (NNRFC) are as follows:

1) to recommend fiscal equalization grants to be provided by the state to the Local Level in accordance with state laws,
2) To recommend the criteria of conditional grants to be provided by the state to the Local Level in accordance with the State law.
3) to facilitate and assist in resolving the dispute arises during the distribution of revenues among the Government of Nepal, the State and the Local Level, necessarily,
4) to suggest the Government of Nepal, relating to the grants to be provided by the Government of Nepal to the States and Local Levels,
5) to provide necessary suggestions relating to revenue distribution as per the demand of the Government of Nepal or the State,
6) to provide necessary suggestions relating to the tax to be imposed by the Government of Nepal, the State and Local Level as per the demand of the Government of Nepal, the State, or Local Level,
7) to provide necessary suggestions relating to the conservation and use of natural resources to the Government of Nepal, the State, or Local Level.

3. Inter-governmental Fiscal Management Act, 2017

Both the National Natural Resources and Fiscal Commission Act, 2017, and the Intergovernmental Fiscal Arrangement Act, 2017, have been promulgated to enable legal provisions for fiscal transfers. These Acts specify the definition and distribution criteria of grants and revenue sharing.

There are four types of fiscal transfers: Fiscal Equalization Grants, Conditional Grants, Matching Grants and Special Grants. Nepal's fiscal federalism allows fiscal transfers from the provincial to the local level, in addition to transfers between the federal and sub-federal levels. Similar to the four types of grants transferred to the provincial level from the federal level, the local level also received

Chapter 4: Provisions of Grants

Article 8 discusses Fiscal Equalization Grants: (1) The Government of Nepal shall, on the recommendation of the Commission, distribute fiscal equalization grants to the State and Local Level based on their need for expenditures and revenue capacity. (2) The State shall distribute fiscal equalization grants to the Local Level falling under its domain from the grants obtained from the Government of Nepal under Sub-Section (1) and from its resources in accordance with the State law based on their need for expenditures and revenue capacity.

Article 9 discusses Conditional Grants: (1) The Government of Nepal shall provide conditional grants to the province or local level to implement any project of the province or local level or the Government of Nepal on the basis as prescribed by the Commission pursuant to Clause (c) of Sub-Article (1) of Article 251 of the Constitution.

(2) The Government of Nepal may, while providing conditional grants under Sub-Section (1), specify necessary terms and conditions in relation to the implementation of the project and the concerned province and local level shall abide by such terms and conditions.

(3) The State may provide conditional grants at the local level according to the basis prescribed by the Commission in accordance with the provincial laws.

Article 10 discusses Complementary Grants: (1) The Government of Nepal may provide complementary grants to the province or local level to implement any project related to infrastructure development. (2) While providing complementary grants pursuant to sub section (1), the following criteria shall be taken into account:-

(a) Feasibility of the project, (b) Project cost, (c) outputs or benefits to be achieved from the project, (d) financial and physical capacity or human resources for the implementation of the project, (e) need and priority of the project. (3) The province may provide complementary grants to the local level in accordance with provincial law. (4) The Complementary Grants pursuant to Sub-Section (1) and (3) shall be provided based on the ratio of the total cost of any project. (4) The Complementary Grants pursuant to Sub-Section (1) and (3) shall be provided based on the ratio of the total cost of any project. (5) The procedure and other provisions to provide complementary grants shall be as prescribed by the Government of Nepal.

Article 11 discusses Special Grants: (1) The Government of Nepal may provide special grants for any specific project to be operated by the province or local level having any of the following objectives: (a) to develop and deliver basic services like education, health and drinking water, (b) to achieve balanced development of inter-State or inter-local level, (c) to uplift or develop the class or community discriminated economically, socially or in any other form. (2) The province may provide special grants to the Local Level in accordance with the provincial law. (3) The procedure and other provisions to provide special grants shall be as prescribed by the Government of Nepal.

Chapter 5: Foreign Assistance and Internal Loans

Article 12 envisages the Right to Obtain Foreign Assistance: (1) The right to obtain foreign grants or loans shall rest with the Government of Nepal. (2) The Government of Nepal shall, while obtaining foreign grants or loans, ensure macroeconomic stability of the country. (3) The Government of Nepal may obtain foreign grants and assistance for the plan or programme to be implemented by the province or local levels. (4) The province or local levels shall not obtain any form of foreign grant or assistance, or shall not implement or cause to implement any plan or programme with the foreign grants or assistance, without prior consent of the Government of Nepal.

Article 13 discusses the area and use of foreign assistance: (1) The Government of Nepal shall transparently obtain foreign assistance by assessing the outputs and outcomes to be achieved from the mobilization of foreign assistance. (2) The Government of Nepal shall mobilize the foreign assistance (1) in the following areas of national needs and priorities: (a) Construction, maintenance and renovation of physical infrastructures, (b) Education, health and human development, (c) Domestic production and productivity growth, (d) Employment generation and capacity development in the country, (e) Disaster management, (f) Development and transfer of science and technology, (g) Environment protection and Climate Change, (h) Investment to be made under public-private partnership, (i) Areas as determined by the Government of Nepal as appropriate to obtain foreign assistance from among the areas that are beyond the capacity of public, private, cooperative and community sector.

Article 14 has detailed provisions regarding internal loans. Internal Loans: (1) The Government of Nepal, the province and the local level may obtain internal loans within the limits as recommended by the Commission. Provided that the province and local level shall, before obtaining internal loans, obtain the consent of the Government of Nepal. (2) The Government of Nepal and the province may raise internal loans by issuing bonds subject to the prevailing law. (3) The province and local level shall, while seeking consent from the Government of Nepal to obtain loans, submit a proposal to the Ministry along with particulars of the plan for which loans have been sought, outputs and outcomes likely to be achieved from the plan, the loan payment plan and the institution extending the loans. (4) The Government of Nepal may, if the proposal submitted pursuant to Sub-Section (3) is found to be eligible for implementation, grant consent to the concerned State or Local Level to obtain internal loans.

Article 15 provisions that Government of Nepal may Extend Loans: (1) The Government of Nepal may extend loans to the province and local levels.

Chapter 6: Public Expenditure Arrangement

Article 16 discusses the need to prepare an Estimated Statement of Public Expenditures: (1) The Government of Nepal, the province and local level shall prepare an estimated Statement of public expenditures to be made each Fiscal Year. (2) While preparing the statement (1) amount required for recurrent expenditures, capital expenditures and fiscal arrangements shall also be allocated therein.

Article 17 outlines the Mid-term Expenditures Framework to be prepared: (1) The Government of Nepal, province and local level shall, while preparing the Statement of public expenditures, develop a mid-term expenditures framework along with expenditures projection of the next three Fiscal Years. (2) The following details shall be set out in the mid-term expenditures framework: (a) Objective of the proposed plan, (b) Justification of the need to conduct feasibility study or allocate expenditures for the proposed plan, (c) Outputs and outcomes likely to be achieved in the fiscal year and in successive two fiscal years of the implementation of the proposed plan, (d) Details of expenditures required for the implementation of the proposed plan, (e) Source of expenditures and the projection of outputs and outcomes likely to be achieved made from the expenditures, (f) Mid-term expenditures strategy of the proposed plan and its relation with annual expenditures, (g) In case of operating plan, actual details whether or not the goal was achieved in conformance with the expenditures allocated in the last fiscal year.

Article 18 has the provision for projection of income and expenditures: (1) The province and local level shall submit to Ministry the following particulars with the statistics of projection of income and expenditures of next Fiscal Year by the end of Poush each year:- (a) Estimate of expenditures, (b) Estimated revenues to be collected from own source, (c) Estimated amount to be obtained from revenue sharing, (d) Estimated amount to be obtained from grants, (e) Estimated amount needed to meet the budget deficit and sources thereof. (2) The Government of Nepal, with the consultation of the Commission, by the end of Falgun of the current fiscal year, shall report to the province and local level the particulars of the estimated source of fiscal equalization grants and revenue sharing to be provided to the province and local level by the Government of Nepal in the next fiscal year.

Article 19 has the provision for Revenue Proposal to be Prepared: (1) The Government of Nepal, the province and local level shall, while proposing tax or non-tax revenues or if they require making any change in the existing tax or non-tax revenues, prepare a proposal by also assigning its necessity, rationale and the potential impacts therefrom. (2) While preparing the revenue proposal (1), the State and Local Level shall do so in such a way that it is consistent with the tax or non-tax and their rate fixed by the Government of Nepal, other provinces and local levels on the same subject as possible.

Chapter 7: Estimates of Revenues and Expenditures

Article 20 discusses the provision to submit the Economic Survey: The Government of Nepal shall submit to the Federal Parliament an economic survey prior to submission of estimates of revenues and expenditures.

Article 21 has the provision of submission of Estimates of Revenues and Expenditures: (1) The Minister for Finance of the Government of Nepal is the responsible agency to submit the estimates of revenues and expenditures of the next Fiscal Year to the joint sitting of both Houses of the Federal Parliament in accordance with the Constitution. (2) The Minister for Finance of provinces shall submit the estimates of revenues and expenditures of the next Fiscal year within the 1st date of the month of Ashadh each year to the province Assembly. (3) Village Executive (*Gaaun kaaryaapaalikaa*) and Municipal Executives shall submit the estimates of revenues and expenditures of the next Fiscal year within the 10th date of the month of Ashadh each year to the concerned Village or Municipal Assembly. (4) The province and local levels shall submit the estimates of revenues and expenditures in such a way that the revenues collected by them and the amount to be received from revenue sharing pursuant to this Act shall cover the administrative costs.

Article 22 discusses the particulars to be Attached with Estimates of Revenues and Expenditures: (1) The Government of Nepal and the province shall, while submitting the estimates of revenues and expenditures, attach the following particulars:- (a) Particulars whether or not the revenues were collected as per the estimates of revenues and whether or not the target was achieved as per the expenditures amount allocated to each Ministry and the expenditures made in previous Fiscal Year, (b) Mid-term Expenditures Framework, (c) Projection of revenues, income and expenditures of next three Fiscal years, (d) Particulars related to loans, investment and liabilities, (e) Fiscal policy containing the strategies to be adopted to maintain fiscal balance, (f) Macroeconomic status mentioning the growth rate in Gross Domestic Product (GDP) of the next three Fiscal Years, status of inflation, current account balance and the balance of payments, (g) Details of discount granted in tax or non-tax, (h) Particulars of obtaining foreign assistance in the previous fiscal year. (2) In the case of failure to collect revenues as per the estimates or if the expenditures of the amount allocated to each Ministry are below the target, the Government of Nepal and the provinces shall also mention in the particulars the reasons and measures to be adopted to improve thereof.

Article 23 outlines the Power to Submit Deficit Budget: (1) The Government of Nepal, the province and local levels may submit to the concerned Legislature the deficit budget as per the necessity. (2) While submitting a deficit budget (1) a clear basis of the sources to meet the deficit shall also be purposed (3) While submitting a deficit budget pursuant to Sub-Section (1) by the province and local levels, the Government of Nepal needs to offer suggestions or directives in accordance with the Constitution and the prevailing law. (4) A deficit budget may not be submitted to bear the administrative cost.

Article 24 is on Votes on Account: (1) When an Appropriation Bill is under consideration, the sum involved shall not exceed one-third of the estimates of expenditures of the current fiscal year in all three tiers of the government.

Article 33 has a provision of the Intergovernmental Fiscal Council:

Article 34 is related to Power of the Government of Nepal to Give Directives: (1) Based on Article 232 of the Constitution, the Government of Nepal may give necessary directives to the State Council of Ministers on fiscal-related matters to be coordinated among provinces and it shall be the duty of the concerned province's Council of Ministers to abide by such directives.

4. Financial Procedure and Fiscal Accountability Act (FPFA), 2019

The main purpose of Financial Procedures Act, 2055 (1999), Financial Procedures Rules 2064 (2007) and Financial Procedure and Fiscal Accountability Act (FPFA), 2019 is to make necessary provisions relating to the federal fiscal management system accountable, transparent, result oriented and responsible, to keep and maintain the stability of the macro-economic structure, and to regulate as well as make efficient the financial procedures of the Federal, the Province and the Local Level governments by adopting efficient methods of operation and management of the federal consolidated fund and other governmental funds, budgeting, apportionment and disbursement. As well as accounting and reporting measures of the financial transactions, the internal control system, the audit systems and other fiscal activities, and matters connected therewith or incidental thereto.

Chapter –2 Operation of Federal Consolidated Fund and Consolidated Financial Statement

Article 3 is about the Operation of Federal Consolidated Fund. 3(2) designates the responsibility to keep up-to-date with the accounts of the Federal Consolidated Fund and prepare an annual report to the Financial Comptroller General Office.

Article 4(1) discusses the responsibility of the Local Level to prepare a report, incorporating the grants made available to the offices under their control by the Government of Nepal and the appropriate Province Government, moneys receipt under the allocation of revenues, internal incomes, loans, and grants, as well as expenditures. The local level is also responsible for submitting the report to the Province Treasury Control Office and the Financial Comptroller General Office.

Under Article 4(2) the Province Treasury Controller Office is required to prepare a report incorporating the grants made available to the offices under their jurisdiction by the Government of Nepal and moneys receipt under the allocation of revenues, internal incomes, loans, and grants, as well as expenditures of appropriate Province

Government, and an consolidated financial statement of all Local Level within the Province based on the report received under 4 (1) and submit the same to the Financial Comptroller General Office.

Under Article 5(1), a Consolidated Financial Report needs to be prepared by the Financial Comptroller General Office based on the financial statements of the Federal Consolidated Fund, the Provincial Consolidated Fund, the Local Consolidated Fund and other governmental funds, if any and forward it to the Ministry of Finance.

Under Article 5(3) the District Treasury Controller Office is required to prepare a report incorporating the grants made available to the offices under its competency by the Government of Nepal and appropriate Province Government, and moneys receipt under the allocation of revenues, internal incomes, loans, and grants, as well as expenditures of appropriate Province Government, and an consolidated financial statement of all Local Level within appropriate Province and forward the same to the Financial Comptroller General Office.

Under Article 5 (6), the Ministry of Finance is required to make the consolidated report public within the last day of the month of Poush each year.

Chapter– 3 Estimation of Revenue and Expenditure

Based on Article 3(6-1), the Medium Term Expenditure Framework (MTEF) is to be prepared: (1) The Planning Commission is required to prepare an MTEF for each three years based on the period plan in every year.

Article 3(6-2) requires each Ministry to prepare a ministry-specific MTEF with a projected expenditure for the subsequent three years, based on the periodic plan, sectoral policies and programmes and submit it to the Planning Commission and the Ministry of Finance. Under Article 3(6-3), the Planning Commission is required to prioritize each project or programme in the medium-term expenditure framework specifying an aggregate finance framework for the next three years, a framework of budget and expenditure, together with a description of each activity for proposed projects or programmes,[69] per unit estimated costs, and an estimated time to be required and results to be attained.

69. A project or programme for which a feasibility study or a detailed study report has been prepared, as the case may be, or of which is registered in a project bank under a category that can be implemented by conducting a feasibility study.

Article 7 outlines the provisions during the estimation of fiscal resources and determination of expenditure ceiling: (1) For the purposes of formulating a MTEF and budget as well as programmes for the next fiscal year, the NPC, in coordination with the MoF, shall prepare an appraisal of fiscal resources available and expenditure ceiling for the subsequent three years, within 15th day of Magh of the current fiscal year. (2) For the same purposes (1), there is a National Resource Estimate Committee (NREC) chaired by the Vice Chairperson of the NPC. (3) The role of NREC is to estimate cumulative national funds available in the Federal, Provincial and Local levels for the next three years based on projected investments and fiscal necessity. (4) Estimating fiscal resources is done objectively based on aggregate fiscal indicators of the entire period of last fiscal year and six months of the current fiscal year, revenues to be collected in the following fiscal years, development grants and internal loans, including money to be deposited into the Federal Consolidated Fund. (5) Expenditure ceiling needs to be fixed considering the MTEF of the current fiscal year. (6) The arrears payable to obligations and commitments assumed in accordance with section 12 are to be included in the expenditure ceilings to be fixed without harming the overall fiscal stability. (7) The NREC shall require the submission of the report on the estimation of fiscal resources and expenditure ceiling prepared in accordance with subsections (3) and (5).

Article 8 envisages the provision of the Budget Ceiling: (1) Subject to the fiscal resources and expenditure ceiling fixed by the NREC under section 7, the Planning Commission shall send appropriate ministries, commissions, secretariats, or entities budget guidance and framework, together with the budget ceiling, and MTEF for the next three years at the end of Magh month of the current fiscal year.

Article 9 has the provision to discuss proposal of budget: (1) In accordance with the budget ceiling, each appropriate accounting office is required to prepare the next year's budget proposal, together with policies and programmes of its office as well as its branch offices or entities, in a prescribed form within a time as prescribed in the budget ceiling and guidance and send it to the NPC and the MoF.

Article 10 discusses Appropriation of Budget: (1) The MoF is required to present a proposition of budget for the next fiscal year based on the budget discussion held as well as appraisal and analysis of the programmes, namely (a) while proposing budget for a regular and capital expenditures as well as fiscal arrangements, to submit a statement to ensuring budget with reasons and basis including policies and matters as specified in laws, treaties, agreements, expenditure norms and social activities, and priority of state, targets, and outcomes of an organization; (b) while proposing budget for a new project or programme, and if it is capital-intensive, to propose the sums which may be used in the next fiscal year based on the feasibility study report; (c) to propose necessary sums in order to realize the action plan and outcomes for the next fiscal year based on evidence of the approval of regular programme, procurement masterplan, annual procurement plan, or contract in the case of a project with a feasibility study approved, and executing on a regular basis; (d) in proposing budget for a project or programme, to propose them to achieve better outcomes or results, and having added comparative advantages and social paybacks; (e) to propose budget based on expenditure norms as prescribed. (2) While proposing a budget, an adequate budget for a new project and programme shall be proposed only after setting off enough sums for liabilities and commitments incurred for salaries, allowances, and administrative costs. (3) The capacity with the use of the budget shall be taken into account in appropriating the budget.

Article 11 discusses the provision for principle and priority of budget and programme: (1) The Minister for Finance is required to lay a statement of budget in Federal Parliament, specifying the principle of budget as well as priority of projects or programmes to be specified in the upcoming budget 15 days before laying it before the Federal Parliament for each fiscal year.

Article 13 outlines the requirement to prepare estimate of revenue and expenditure: (1) While estimating revenue and expenditure the MoF needs to include (a) whether or not the projected revenues were collected in the previous fiscal year, or the allocated budget to each ministry was expended and the targets was achieved as per the expenditures; (b) The MTEF; (c) A description of programmes that each line item of expenditure be funded by the resources of the Government of Nepal, foreign aids or internal loans; (d) A projection of revenues and expenditures for the next three fiscal years; (e) A description regarding loans, investments and liabilities; (f) A fiscal policy that specifies a strategy to be applied for maintaining fiscal balance; (g) A macro-economic condition which explains growth rate of the GDP in the next three fiscal year, balance of current accounts, balance of payments; (h) A description of tax or non-tax exemption given; (i) A description of foreign aids received in the previous fiscal year.

Article 14 has the provision to estimate revenue and expenditure: (1) Every fiscal year the Minister of Finance, of the Government of Nepal, presents annual estimate of revenues and expenditures and an appropriation bill to the joint sitting of both Houses of the Federal Parliament on the 15th day of Jestha each year. (2) The

Minister for Finance shall conduct an economic survey before the Federal Parliament before laying the estimate of revenues and expenditures.

Article 15 has the provision to present a deficit budget: (1) The estimate of revenues and expenditures to be laid in accordance with section 14 could be tabled as a deficit budget, as necessary. (2) In laying the deficit budget in accordance with sub-section (1), the bases of resources mobilization to cover such deficit budget shall clearly be stated. (3) and no deficit budget should be laid to incur administrative costs.

Article 17 has the provision for classification of projects and project bank: (1) With the recommendation of the NPC, the Government of Nepal shall make classification of projects to be carried out by the Federal, the Province and the Local Level. (2) There shall be a national project bank with the NPC. (3) The appropriate ministry shall cause the entry projects into the project bank under subsection (2) as per the criteria prescribed by the NPC.

Chapter – 4 Budget Release, Expenditure and Control

Article 18 has the provision for budget release: (1) Following the commencement of the Appropriation Act or a Vote on Accounts Act, a spending office may send such amounts as are specified in the Schedule of the Appropriation Act based on approved budget lines and annual programmes in accordance with this Act. (2) In cases where the allocated funds are required to be spent by more than one office, the appropriate ministry or entity shall require providing a spending authorization to the relevant offices or departments, together with intended results and outcomes, plus funds apportioned within the seven days from the commencement of the Appropriation Act or a Vote on Accounts Act.

Article 20 has the provision for virement and funds transfer: (1) The MoF may make virement, out of the underspent amounts, from one or more grant symbols to another for which additional funds are needed, within the scope as may be prescribed by the Appropriation Act. (2) The secretary of the relevant ministry may make a virement of the funds from one line item of the budget under the recurrent expenditure, where there is sufficient funding, to another in the same category within the parameters set by the Appropriations Act, and without changing the sources to cover the intended expenses. (3) Virement concerning the capital and fiscal arrangements shall be made by the Ministry of Finance only.

Article 21 has the provision to freeze or control the budget and surrender: (1) The MoF may freeze or control, in full or in part, other amounts assigned, except otherwise charged on the Federal Consolidated Fund, taking into account the economic condition of the country and the amounts deposited into the Federal Consolidated Fund.

Article 22 is regarding the Fiscal Transfer. The distribution of revenues accruing to the Federal Consolidated Fund between the Federal and the Province and the Local Level, as well as the transfer of subsidy, shall therefore be done through the MoF in accordance with the prevailing law of Nepal.

Article 23 discusses monitoring and evaluation of budget and programme: (1) Appropriate minister and secretary shall be held responsible for carrying out the monitoring and evaluation of the projects or programmes under their command, as well as execution of the budget on a monthly and trimestral basis. Section (2) of the article discusses provisions to be considered when carrying out the monitoring and evaluation of the budget.

Article 24 covers procedures and norms for expenditure: An authorized officer shall manage to provide an expenditure authorization on the basis of the approved budget and available funds. The officer shall make payments for any work within 15 days after receiving valid documents, limited to the allocated budget. (4) The MoF may issue expenditure norms to maintain consistency and parsimony in public expenditures. (5) It shall be the duty of all governmental entities to comply with the norms as specified in subsection (4).

Chapter –5 Accounts of Transactions

Article 26 discusses maintaining accounts of transactions: (1) Each office is required to maintain accounts of appropriation, revenue, and other funds, including such amounts received from any aids or funds as per the agreement entered into with the Government of Nepal. (2) If any transaction is not included in the budget, the appropriate office shall require to maintain a separate record in a format as may be prescribed. (3) An accounting officer is required to prepare a consolidated financial report and a central account by obtaining detailed statements on appropriation, revenue, and other funds from its subordinate offices, and provide it to the Financial Comptroller General Office within a time period as may be prescribed. (5) The Financial Comptroller General Office is required to prepare a consolidated report of assets and liabilities of the Government of Nepal.

Article 29 has the provision to submit accounts and financial statement: (1) The FCGO is required to submit a consolidated financial statement of the central accounts to the OAG, which contains the accounts of the Federal Consolidated Fund, foreign grants and loans, details of investments, including appropriation, revenue, surety, as well as other funds, within a period of time as may be prescribed. (2) The accounting officer is required to prepare a central financial statement comprising all incomes and expenditures of each year and report it to the FCGO and the OAG within a prescribed time. (3) The person in charge shall report to the accounting officer or the office designated by him or the OAG about the statement of accounts and related documents within the prescribed time.

Article 30 has the provision for recovery of loss and damage: If the Government of Nepal has suffered any loss or damage as a result of failure to maintain the accounts of business in accordance with this Act, such loss shall be recovered from the person who is liable to pay as arrears owed to the GoN.

Chapter -6 Internal Control and Audit

Article 31 has the provision for Internal Control System: (1) All offices under the Federal, Provincial, and Local Level are required to prepare an internal control system and implement it.

Article 32 discusses the provision of the audit and internal control committee: (1) For the implementation of the internal control system and the audit reports of the internal and external audit, there shall be an internal control committee in each ministry or entity. The function of the committee is to make the internal control system solid and effective, ensuring the effective functioning of the appropriate office and its subordinate offices, minimizing financial risks, making financial statements reliable and settling irregularities specified by the audit.

Article 33 has the provision for Internal Audit: (1) The Auditor General shall oversee the final audit of all financial transactions of each office of the Government of Nepal and the internal audit of the FCGO, having regard to, among others, regularities, economy, efficiency, effectiveness and propriety.

Article 34 discusses the provision regarding Internal Audit of the Province and the Local Level: (2) It shall be the duty of the Province and the Local Level to implement reforms as indicated by the internal audit report. (3) The Province and the Local Level shall constitute an Audit Committee to examine if reforms are carried out, and take necessary measures. (4) The Province and the Local Level shall present the internal audit report to the Province Minister and the Chief of the Local Level.

Article 35 has the provision for Final Audit: (1) Having presented a statement of all income and expenditure as well as accounts and financial statements, each office shall conduct an audit by the Office of the Auditor General. (2) The internal audit report shall form the basis for the final audit.

Article 36 discusses the accounts of transactions and statements to be submitted: (1) It shall be the duty of an appropriate officer or a person-in-charge to answer the auditor's questions and send the requested documents within a specified time by the auditor during the inspection of cash, in-kind, statement of income and expenditure, internal, or final audit. (3) The appropriate officer shall be held accountable for irregularities or remarks established owing to failure to answer questions or send the documents requested within the time given.

Article 37 discusses the action to be taken on the initial audit report: (1) The appropriate office shall request a follow-up audit by correcting the irregularities specified in the initial audit report of the OAG within 45 days after receiving a notice of irregularities.

Article 38 discusses the requirement to maintain records of irregularities: (1) A person in charge is required to maintain a record of irregularities, funds to be recovered, or paid back, as dictated in an initial audit report under section 37. (2) All central-level offices are required to maintain a record of irregularities for their offices, including those under their jurisdiction.

Article 39 is about correction of irregularities: (1) The person implicated in irregularity and a person in charge related to fiscal matters shall be held accountable and required to make corrections to irregularities reported by the audit by way of submitting audit evidence, or resulting in regularized or recovered. If such persons do not remain in office due to transfer, promotion, or other reasons prior to correction of irregularities reported, their successor shall be responsible for submission of such documents and records as well as correction of such irregularities.

Article 40 is about correction and settlement of irregularities: (1) It shall be the duty of an accounting officer to recover irregular funds upon correction of such irregularities reported in an audit report. (2) In cases where, for irregularities reported as recoverable or payable under subsection (1), an accounting officer shall require the officer involved in transactions to obtain statements or explanations from an officer involved in transactions and make corrections of such irregularities.

Article 41 has the provision for discussion on annual report: (1) During a discussion on irregularities reported in audit reports of the OAG in the Public Accounts Committee in Parliament, an accounting officer shall be held accountable to present in meetings of the Committee, take part in discussions, furnish his views, comments, or written notes and perform or cause to perform works related to correction of irregularities. (2) The Auditor General and the account officer shall be held responsible for executing suggestions provided by the Public Accounts Committee under subsection (1) to the House of Representatives once approved. (3) The OAG shall remove such irregularities from the record based on the report of the Public Accounts Committee appointed by the House of Representatives within 30 days and report to the Public Accounts Committee and the relevant accounting officer. (4) The Public Accounts Committee of the House of Representatives shall be required to monitor the works under this section.

Article 42 is about the provision of the irregularity settlement committee: (1) With consultation with the Public Accounts Committee and the Auditor General, the Government of Nepal may constitute an Irregularity Committee to deal with such irregularities which cannot be settled in a normal manner.

Article 43 covers the function, duty and power of the irregularity committee.

Chapter –9 Fiscal accountability, responsibility and answerability

Article 50 discusses fiscal accountability: (1) It shall be the duty of appropriate constitutional chief for the constitutional bodies or entities, and the Minister or Minister for State for the ministries, or central level secretariats or commissions to maintain or cause to maintain fiscal accountability of which requires selection of any projects, preparation of a MTEF, preparation of a budget proposal, protection and management of the public assets either to be protected or managed, surrender or cause to surrender of the budget, and monitoring of projects or programmes under this Act. (2) It shall be the duty of the appropriate accounting officer to keep accounts, spend funds, settle irregularities, and ensure fiscal accountability. (3) The Prime Minister for the departmental minister or minister for state, if applicable, under sub–section (1), the appropriate constitutional chief for the officials under subsection (2) and the Minister or Minister for State for other entities, shall be held responsible for the supervision of fiscal accountability, of which they have borne or not appropriately.

Article 52 is about the responsibility to run financial administration: (1) It shall be the responsibility of the appropriate accounting officer to determine whether the prevailing laws on the financial administration are complied with, and to conduct inspection, examination and supervision thereof and require that accounts of the subordinate offices be incorporated into the central accounts.

Article 54 discusses the action to be taken for misusing or embezzling government cash or in-kind: (1) If, based on the records of cash, or in-kind or the internal or final audit, or the inspection or examination thereof in any manner, it is found that government funds have been misused or misappropriated, action shall be taken by appropriate chief of office or the superior office or appropriate official as may be prescribed against those who has misused or misappropriated under the prevailing law of Nepal.

Appendix 4.2 Determination of the Structure of the Overall Budget (Including Mid-Term Expenditure Framework)

S.N.	Description of Work	Responsible Body	Deadline for Completion
1	Budget Basis Determination		
1.1	Before the projection of the budget for the upcoming fiscal year, a concept paper for budget projection based on the three-year expenditure patterns should be formulated. This is done to prepare the preliminary report for budget projection and is prepared by coordination and discussions among the finance ministry, other ministries, related organizations and agencies of the government at the National Planning Commission.	National Planning Commission / Ministry of Finance / Related ministries	2nd week of Kartik
1.2	The National Resource Estimation Committee then analyzes the overall national economic situation and prepares the preliminary estimate/projection (including ministerial and functional) and forwards the report to the Budget Committee.	National Planning Commission / Resource Committee	3rd week of Kartik

S.N.	Description of Work	Responsible Body	Deadline for Completion
1.3	The National Resource Estimation Committee then determines the size and limit of the federal government's budget.	Resource Committee / National Planning Commission / Budget and Programme Division, Ministry of Finance	2^{nd} week of Mangsir
2	Sending Budget Preparation Guidelines and Limits		
2.1	Sending budget ceiling limits and guidelines of ministries and functional categories.[70]	National Planning Commission / Ministry of Finance	3^{rd} week of Mangsir
2.2	Sending budget limits and guidelines received to subordinate divisions/districts, offices and projects.	Related ministries	4^{th} week of Mangsir
3	Preparing and Proposing Budget Programmes (including MTEF)		
3.1.1	Departments/Agencies prepare the budget so as to achieve the annual targets and goals and enter it into LMBIS and forward it to related divisions.	Related office/unit for expenditure	2^{nd} week of Poush
3.1.2	Prepare the budget for the respective division and complete the entry into LMBIS and also carry out discussions and reviews of budget proposals received from subordinate offices and projects.	Related department	End of Poush

70. A budget ceiling set by the National Planning Commission (NPC) is the maximum funding limit allocated to ministries, government organizations, and entities based on national priorities and resource availability. Programmes defined by the NPC outline sectoral initiatives aligned with development goals, ensuring efficient resource distribution and strategic planning for sustainable economic growth and public service delivery.

S.N.	Description of Work	Responsible Body	Deadline for Completion
3.1.3	Overall, functional policies and guidelines should be incorporated and a Purchase Plan should be formulated. Also, the discussions should be carried out with the divisions about the fiscal programmes.	Related ministry	1st week of Magh
3.1.4	Resend the updated budget proposal to the ministry and the National Planning Commission by revising the proposals obtained from the local level and central offices by coordinating and reviewing the proposals included in LMBIS	Related ministry	3rd week of Magh
4	Programme and Budget Discussion (including three-year expenditure projection)		
4.1	Discuss the budget proposals obtained from LMBIS and coordinate with the National Planning Commission for preliminary discussions on the recurrent expenditure on programmes, capital expenditure, financing and detailed planning.	National Planning Commission, with the participation of the Ministry of Finance and the related ministry	4th week of Magh – 2nd week of Falgun
4.2	Concerned sectoral ministries should send the fiscal/annual plans and programmes to the Office of the Prime Minister and the Council of Ministers and also inform the National Planning Commission and Ministry of Finance, to present the Annual Plan and Programme by the Hon. President to the Federal Parliament.	Related ministry	3rd week of Falgun

S.N.	Description of Work	Responsible Body	Deadline for Completion
4.3	With the consultation of the National Natural Resources and Finance Commission, the estimated details of revenue distribution and financial equalization grant are forwarded to the Provincial government and the local level.	Ministry of Finance and National Natural Resources and Fiscal Commission	At the end of Falgun
4.4	The recurrent expenditure, capital expenditure, and expenditure on financing received from the LMBIS are discussed.	Ministry of Finance, with the participation of the National Planning Commission and related ministries	4^{th} week of Falgun – End of Chaitra
4.5	Prepare the preliminary budget draft	Ministry of Finance	1^{st} week of Baishakh
4.6	The principles and prioritization of the budget are discussed in the Finance Committee of the Federal Parliament	Finance minister	1^{st} week of Baishakh
4.7	The government's plans and programmes are presented to the federal parliament by the Hon. President.	President	2^{nd} week of Baishakh
4.8	The draft budget and programmes are presented at the meeting of the National Planning Commission and discussions are carried out.	Finance minister	3^{rd} week of Baishakh

S.N.	Description of Work	Responsible Body	Deadline for Completion
4.9	The plans and programmes addressed by the budget are approved by the meeting of the National Planning Commission.	Finance Minister, National Planning Commission	1st week of Jesth
4.10	The draft of the budget and programmes is submitted to the Office of the Prime Minister and Council of Ministers.	Finance minister	2nd week of Jesth
5	Presentation of theFiscal Policy/Budget and Approval of the Budget and Policy Programmes by the Federal Parliament		
5.1	Present the budget.	Finance minister	15th of Jesth
5.2	Present the budget implementation guidelines and policies.	Finance secretary	16th of Jesth
5.3	Approve the fiscal policy/budget.	Federal parliament	16th of Jesth – End of Asar
6	Monitoring and Evaluation		
6.1	Monthly discussions at the ministry level on the progress of budget implementation policies and programmes	All ministries	Within the 7th of every month
6.2	Bi-monthly discussions at the finance ministry on the progress of budget implementation policies and programmes.	Related ministry, Ministry of Finance	Within the 15th of next month, every 2 months
6.3	Annual evaluation of the previous fiscal year's budget.	Ministry of Finance	Within the end of Mangsir
6.4	Semi-annual review report of the previous fiscal year's budget.	Ministry of Finance	Within end of Magh

Appendix 4.3 Timeline of Periodic Plan Preparation

S.N.	Activities	Major Responsible Person/Division	Supporting Person/ Division	Time Period
1	Preparation of the work schedule for the preparation of the 16th plan, along with the timeline	Vice Chairperson/ Economic management division	Members/ All divisions	4th week of Jesth, 2080
2	Formation of the Steering Committee under the chairmanship of the Vice-President of the Commission and the Subject Specific Sectoral Committee under the chairmanship of Members of the Commission.	Vice Chairperson/ Economic management division	Members/ All divisions	4th week of Jesth
3	Discussions with the experts about the concept development of the 16th Periodic Plan: ➢ Discussions with former Officials of the Commission (Vice-chairperson, Members, Member Secretaries) ➢ Discussions with secretaries of ministries and subject experts.	Vice Chairperson/ Economic management division	Members/ All divisions	1st week of Asar
4	Preparation of the 16th plan's draft and forwarding to the Steering Committee for approval	Vice Chairperson/ Economic management division	Members/ All divisions	1st week of Shravan

S.N.	Activities	Major Responsible Person/Division	Supporting Person/ Division	Time Period
5	Approval of the draft of the concept paper of the 16th plan, along with suggestions by the Steering Committee	Vice Chairperson/ Economic management division	Members/ All divisions	1st week of Shravan
6	Exchange of information to ministries and related agencies for the preparation of a detailed plan along with the approved draft of the Concept Paper.	Members/All divisions	Vice Chairperson/ Economic management division	2nd week of Shravan
7	Gathering information from the related Sectoral Ministries for the formulation of the plan.	Members/All divisions	Vice Chairperson/ Economic management division	1st week of Bhadra
8	Preparation of economic and investment framework (including economic modeling)	Vice Chairperson/ Economic management division	Members/ All divisions	2nd week of Bhadra
9	Preparation of the sectoral plan framework	Members/All divisions	Vice Chairperson/ Economic management division	End of Bhadra
10	Preparation and approval of the sectoral integrated preliminary proposal (1)	Vice Chairperson/ Economic management division	Members/All divisions	2nd week of Ashoj

S.N.	Activities	Major Responsible Person/Division	Supporting Person/ Division	Time Period
11	Formation of the National Development Council; distribution of the integrated preliminary proposal to council members	Government of Nepal (Council of Ministers)/ Administrative Division	Members/All divisions	3rd week of Ashoj
12	Interaction on Provincial and Local Level	Vice Chairperson/ Economic management/ Administrative division	Members/All divisions	3rd week of Kartik
13	Draft preparation of the 16th plan with necessary suggestions from Provincial states and local level (2)	Vice Chairperson/ Economic management/ Administrative division	Members/All divisions	2nd week of Mangsir
14	National level discourse: participation of Elected representatives of Parliament, Members of Political parties, the private sector, civil society, subject experts, ministry secretaries, and relevant stakeholders	Vice Chairperson/ Economic management/ Administrative division	Members/All divisions	3rd week of Mangsir
15	Draft preparation of the 16th plan with necessary suggestions from the national level discourse (3)	Vice Chairperson/ Economic management division	Members/All divisions	2nd week of Poush

S.N.	Activities	Major Responsible Person/Division	Supporting Person/ Division	Time Period
16	Recommendation to forward the draft to the National Development Council by the Steering Committee	Vice Chairperson/ Economic management division	Members/All divisions	3rd week of Poush
17	Meeting of the National Development Council and amendment of the draft, along with necessary recommendations/ suggestions.	Vice Chairperson/ Administrative division	Members/All divisions	End of Poush
18	Forwarding the final draft (4) received from the National Development Council for approval to the Council of Ministers.	Vice Chairperson/ Economic management/ Administrative division	Members/All divisions	3rd week of Magh
19	Approval of the final draft of the 16th plan by the Government of Nepal (Council of Ministers) and publication of the 16th plan	Vice Chairperson/ Economic management/ Administrative division	Members/All divisions	End of Magh, 2080

Appendix 4.4 Attendees of the PPD held on January 18, 2024, under the theme "Efficiency and Effectiveness of Public Expenditure Management System in Nepal: Review of Performance and Way Forward"

1) Hon. Santosh Chalisey (Chairperson, Finance Committee, Parliamentary Committee)
2) Hon. Rajendra Kumar K.C (Member, Public Accounts Committee, Parliamentary Committee)

3) Hon. Bina Lama (Member, Infrastructure Development Committee, Parliamentary Committee)
4) Dr. Govinda Prasad Sharma (Secretary, MoALD)
5) Dr. Dilli Raj Khanal (Senior Economist)
6) Dr. Chandramani Adhikari (Former member, National Planning Commission)
7) Mr. Than Prasad Pangeni (Joint-Financial Comptroller, Financial Comptroller General Office)
8) Mr. Padam Raj Poudel (Deputy Auditor General, Office of The Auditor General)
9) Mr. Durganidhi Sharma (Former Secretary, Nepal Government)
10) Dr. Teertha Raj Dhakal (Former Secretary, Nepal Government)
11) Mr. Baburam Subedi (Joint Secretary, MoF)
12) Mr. Lok Bahadur Karki (Director, National Statistical Office)
13) Mr. Umesh Bindu Shrestha (Joint-Secretary, MoPIT)
14) Mr. Prabhat Kumar Jha (DDG, DoR)
15) Mrs. Laxmi Pandeya Gautam (Programme Director, National Planning Commission)
16) Mrs. Laxmi Ghimire (Programme Director, National Planning Commission)
17) Mr. Kamal Prasad Bhattrai (Joint Secretary, MoFAGA)
18) Mr. Rambabu Nepal (Vice President, Council of Former Public Employees of Nepal)
19) Mr. Balkrishna Prasai (President, Council of Former Public Employees of Nepal)
20) Mr. Rameshwar Khanal (Former Secretary, Nepal Government)
21) Mr. Surya Prasad Upadhyaya (Under-Secretary, MoUD)
22) Mr. Lekhnath Pokharel (Advisor, NARMIN)

Appendix 4.5 Timeline of the Annual Budget Formulation Process at the Provincial Level

S.N.	Steps	Deadline
1	The projection of revenue and expenditure, along with the data-validated details, is presented to the Nepal Government.	At the end of Poush
2	The ceiling and limit of fiscal transfer is provided to the provincial government by the federal government.	At the end of Falgun
3	Resource estimation and budget ceiling decision: ➢ The Budget and Resource Committee determines the provincial resources and budget ceiling	Within 15th Chaitra
4	Forwarding the upcoming fiscal year's budget ceiling to the concerned ministries/organizations.	Within the 20th of Chaitra
5	Budget and Programmes are presented by the sectoral ministries.	Within the 10th of Baishakh
6	Finalizing the discussions on the budget and programmes	Within the 15th of Jesth
7	Finalizing and approving the annual development programmes by the commission.	Within the 25th of Jesth
8	Presenting the budget to the Provincial Parliament.	Within the 1st of Asar
9	Approval of the budget by the provincial parliament.	At the end of Asar
10	Publishing the budget and programmes for the information to the public.	Day of submission to the Provincial Assembly

Sources: Authors' Compilation based on official websites of Provincial Planning Commissons

Appendix 4.6 Activities, Institutional Responsibility and Timeline while Formulating Periodic Plans at the Provincial Level

S.N.	Activities for Plan Formulation	Responsible Organization/Body	Time Period
1	Meeting for the preparation of the periodic plan.	Vice president of the Commission, Member or Minister of the Ministry of Economic Affairs and Planning and Secretary of the Subjective ministry	Within the 15th of Shrawan
2	Collection and analysis of the provincial economic situation and preparation of the information summary.	Subjective ministry and commission / Ministry of Economic Affairs and Planning	End of Bhadra
3	Formation of subject-wise technical committees and commencement of work.	Commission / Ministry of Economic Affairs and Planning / Subjective ministry or body	Within the 15th of Asoj
4	Preparation of the periodic plan outline document.	Commission / Ministry of Economic Affairs and Planning	Within the 15th of Kartik
5	Sectoral committee/ workshop for periodic plan formulation.	Subject area-related committee / Related ministry and commission	At the end of Kartik
6	Submission of preliminary resource estimates from the Sectoral Ministries.	Subject area related committee / Related ministry and commission / Ministry of Economic Affairs and Planning	At the end of Mangsir
7	Resource identification and overall financial/ economic projection.	Commission / Ministry of Economic Affairs and Planning	At the end of Poush
8	Consolidated draft of the plan base papers (aadhar patra).	Commission / Ministry of Economic Affairs and Planning and the Subjective ministry	At the end of Magh

S.N.	Activities for Plan Formulation	Responsible Organization/Body	Time Period
9	Interaction with the stakeholders on the consolidated draft of the plan based on papers (*aadhar patra*).	Commission / Ministry of Economic Affairs and Planning	At the end of Falgun
10	Revision by the Provincial Development/ Coordination Council on the consolidated draft.	Commission / Ministry of Economic Affairs and Planning	Within the 15th of Chaitra
11	Revision by the meeting of the Commission and approval of the draft base paper by the Provincial Council of Ministers.	Commission / Ministry of Economic Affairs and Planning and Provincial council of ministers	At the end of Chaitra
12	A detailed document of the plan is prepared.	Commission / Ministry of Economic Affairs and Planning and Subjective ministry/body	Within the 15th of Jesth
13	Approval and publishing of the detailed document of the plan.	Commission / Ministry of Economic Affairs and Planning and Provincial council of ministers	At the end of Asar

'Commission' means Provincial Planning Commission, Provincial Policy and Planning Commission, or Provincial Policy Commission.

Appendix 4.7 Timeline of Formulation of Budget at the Local Levels

Phase	Activities Related to Plan Formulation	Deadline	Major Responsibility
1. Pre-budget preparation	Collect and analyze information related to the sectoral subject-specific areas and situation paper update.	At the end of Mangsir	Subjective division/branch
	Prepare details of expenditures and programmes for the next three fiscal years, along with the MTEF, including sectoral area-wise expenditure.	Within the 15^{th} of Poush	Subjective division/branch, Chief Administrative Officer, Subjective committee
	Projection of the revenue collection target for the upcoming fiscal year (including internal sources, revenue distribution, royalties, grants and loans)	Within the 15^{th} of Poush	Revenue advisory and Resource estimation and budgeting committee
	The information and data relating to the projection of revenue and expenditure are forwarded to the federal and provincial finance ministries.	Up to the end of Poush	Revenue and Financial Administration Section
	Subject-specific sector division and providing members with responsibilities.	At the end of Magh	Executive

Phase	Activities Related to Plan Formulation	Deadline	Major Responsibility
2. Resource estimation and total budget ceiling determination	Ceilings of the grants, revenue distribution and royalty from the federal and provincial government, along with the guidelines.	Falgun for Centre and End of Chaitra for Province	Chief Administrative Officer
	NGOs, consumer associations, and cooperatives are invited for the discussions on the planning and pre-budget discussions.	At the end of Chaitra	Chief / Chairperson
	Preparation of policy and programmes and presenting it to the council through the Chairperson/ Chief.	Within the 7th of Baishakh	Chief / Chairperson
	Formulation of methods/ guides based on the prioritization of budget and programmes.	Within the 7th of Baishakh	Resource estimation and budgeting committee
	Total budget estimation, ceiling determination and budget formulation related guidelines formulation	Within the 10th of Baishakh	Resource estimation and budgeting committee
	Subject-specific division/ section and ward offices are provided with the budget ceiling and guidelines.	Within the 15th of Baishakh	Chief Administrative Officer

Phase	Activities Related to Plan Formulation	Deadline	Major Responsibility
3. Community/Tole level programme/ project selection	Community/Tole level meeting schedules are prepared and responsibility delegation is done.	At the end of Baishakh	Ward committee
	Community / Tole level programme is selected and is presented to the ward committee.	At the end of Baishakh	Ward committee and assigned members of the committee
4. Ward-level project prioritization and determination	The programmes/ projects received from the Community / Tole level interaction are classified into a subject/sector-specific manner.	Within the 10th of Jesth	Ward committee and office
	The budget limit/ceiling of the wards and other important projects are prioritized on the subject-specific topics and presented to the budget and programmes formulation committee.	Within the 10th of Jesth	Ward committee and office

Sources: Authors' compilation based on official websites

Appendix 4.8 Timeline of Formulation of Period Plans at the Local Levels

Phase	Tasks to be Completed	Major Responsibility	Time Period
Preparation phase	Orientation and preparation workshop.	Executive, Steering Committee and Subjective committee	1st month 1st week
	Review of the status and achievements in the development sector.	Executive, Subjective committee, Division/Branch	Within 1st month

Phase	Tasks to be Completed	Major Responsibility	Time Period
Analysis phase	Data collection, processing, and analysis.	Steering Committee, Subjective committee, Division / Branch	2nd month
	Preparation of base map.	Subjective division/branch	2nd month
	Objective situation analysis	Subjective committee, division/branch	2nd month
	Preparation and updating of the objective situation	Subjective division/branch	Within 3rd month
Plan formulation phase	Vision, Goals, Objectives, Strategies and Prioritization determination	Executive, Steering Committee and Subjective committee	4th month 1st week
	Determination of quantitative goals	Executive, Steering Committee and Subjective committee	4th month 1st week
	Resource estimation, projection and sectoral distribution	Steering Committee	4th month 2nd week
	Subject-specific sectoral plan formulation	Steering Committee and Subjective committee, division/branch	4th month 3rd and 4th week
	Draft of the periodic plan document preparation	Division/branch and Consultant	5th month 2nd week
	Draft presentation, suggestions/ recommendations collection and final structure preparation	Steering Committee and Subjective committee, division/branch	5th month 4th week

Phase	Tasks to be Completed	Major Responsibility	Time Period
Approval phase	Plan approval	Executive	5th month 4th week
	Printing and publication of the plan document	Division/branch and Consultant	6th month
	Implementation, monitoring, and evaluation of the plan	Subjective committee, division/branch and Monitoring committee	Continu-ous, Periodic and After the end

Sources: Authors' compilation based on official websites

Appendix 4.9 List of Participants During PPDs and KIIs at Provinces and Local Levels During the Field Visit

S.N.	Name	Position	Affiliated Organization
FGD/Public Policy Dialogue/Interaction at Hetauda Sub-Metropolitan City Office			
1	Mina Kumari Lama	Mayor	Hetauda Sub-Metropolitan City
2	Rajesh Baniya	Vice-mayor	Hetauda Sub-Metropolitan City
3	Damodar Gautam	Ward Chairperson	Ward no. 7, Hetauda Sub-Metropolitan City
4	Uddhab Satyal	Ward Chairperson	Ward no. 17, Hetauda Sub-Metropolitan City
5	Nabin Sigdel	Ward Chairperson	Ward no. 4, Hetauda Sub-Metropolitan City
6	Sabin Neupane	Ward Chairperson	Ward no. 1, Hetauda Sub-Metropolitan City
7	Juna Dahal	Ward Chairperson	Ward no. 11, Hetauda Sub-Metropolitan City
8	Bishnu Gopal Maharjan	Ward Chairperson	Hetauda Sub-Metropolitan City

S.N.	Name	Position	Affiliated Organization
9	Sunil Moktan	Ward Chairperson	Ward no. 15, Hetauda Sub-Metropolitan City
10	Sushil Ghimire	Ward Chairperson	Hetauda Sub-Metropolitan City
	Furba Dorje Lama	Ward Chairperson	Ward no 10, Hetauda Sub-Metropolitan City
11	Shankar Rai	Executive Committee Member	Ward no 3, Hetauda Sub-Metropolitan City
12	Arjun Rai	Executive Committee Member	Ward no 17, Hetauda Sub-Metropolitan City
13	Bit Bdr. Bishwokarma	Executive Committee Member	Ward no. 16, Hetauda Sub-Metropolitan City
14	Ishwori Bishwokarma	Executive Committee Member	Hetauda Sub-Metropolitan City
15	Patali Maya Gomba	Executive Committee Member	Hetauda Sub-Metropolitan City
16	Bishnu Kumari Lamichhane	Director	Hetauda Sub-Metropolitan City Office
17	Laxman Mainali	Section Officer	Hetauda Sub-Metropolitan City Office
18	Jay Shrestha	Section Officer	Hetauda Sub-Metropolitan City Office
19	Rajeshwori Sahi	Deputy Director	Hetauda Sub-Metropolitan City Office
20	E. Satya Narayan Sah	Senior Engineer	Hetauda Sub-Metropolitan City Office
21	Dr. Shankar Prasad Upadhyaya	Associate Professor	Makwanpur Multiple Campus, Hetauda
22	Dr. Krishna Prasad Dhital	Expert Advisor	Hetauda Sub-Metropolitan City Office

S.N.	Name	Position	Affiliated Organization
23	Anirudra Nepal	Deputy Director, Finance Division	Hetauda Sub-Metropolitan City Office
24	Chanda Khadka	Environment Engineer	Hetauda Sub-Metropolitan City Office
25	Manoj Kumar Subedi	Section Head	Hetauda Sub-Metropolitan City Office
26	Sunil Chaudhary	Section Office	Hetauda Sub-Metropolitan City Office
27	Rajan Dahal	Mayor Secretariat	Hetauda Sub-Metropolitan City Office
28	Rupa Bidari	Mayor Secretariat	Hetauda Sub-Metropolitan City Office
29	Bhim Prasad Timilsina	Division Chief	Hetauda Sub-Metropolitan City Office
30	Bhanubhakta Thapaliya	ITO	Hetauda Sub-Metropolitan City Office
31	Badri Prasad Nepal	Assistant Level 4th	Hetauda Sub-Metropolitan City Office
32	Bibek Chandra Adhikari	Computer Operator	Hetauda Sub-Metropolitan City Office
33	Sitaram Koirala	Education Director	Hetauda Sub-Metropolitan City Office
34	Suman Praja	Assistant	Hetauda Sub-Metropolitan City Office
35	Sushil Shrestha	Assistant	Hetauda Sub-Metropolitan City Office
36	Shankar Rajbhandari	Assistant	Hetauda Sub-Metropolitan City Office
KII with Experts of the Sub-Metropolitan City			
1	Dr. Shankar Prasad Upadhyaya	Associate Professor	Makwanpur Multiple Campus, Hetauda
2	Dr. Krishna Prasad Dhital	Expert Advisor	Hetauda Sub-Metropolitan City Office

S.N.	Name	Position	Affiliated Organization
FGD/Public Policy Dialogue/Interaction with Secretaries/Officials of Bagmati Provincial Government			
1	Dr. Nar Bikram Thapa	Vice-Chairperson	Province Policy and Planning Commission, Bagmati Province
2	Dr. Pradip Kumar Mainali	Member	Province Policy and Planning Commission, Bagmati Province
3	Humkala Pandey	Province Secretary	Office of the Chief Minister and Council of Ministers, Bagmati Province
4	D.P. Dhakal	Chief Political Advisor to the Chief Minister	Office of the Chief Minister and Council of Ministers, Bagmati Province
5	Krishna Kumar Karki	Province Secretary	Office of the Chief Minister and Council of Ministers, Bagmati Province
6	Balram Niraula	Province Secretary	Ministry of Labor, Employment and Transport, Bagmati Province
7	Imnath Kandel	Division Chief	Ministry of Industry, Commerce, Land and Administration, Bagmati Province
8	Krishna Bahadur Thapa	Division Chief	Ministry of Forest and Environment, Bagmati Province
9	Amrit Shrestha	Province Secretary	Ministry of Physical Infrastructure Development, Bagmati Province
10	Indra Dev Bhatta	Province Secretary	Ministry of Drinking Water, Energy and Irrigation, Bagmati Province
11	Hemraj Bhatta	Account Officer	Provincial Financial Comptroller General’s Office, Bagmati Province

S.N.	Name	Position	Affiliated Organization
12	Padam Ojha	Section Officer	Provincial Public Service Commission, Bagmati Province
13	Rajendra Koirala	Province Secretary	Ministry of Agriculture and Livestock Development, Bagmati Province
14	Gyan Bahadur Dhakal	Province Secretary	Province Policy and Planning Commission, Bagmati Province
15	Purna Bahadur Darji	Province Secretary	Ministry of Internal Affairs and Law, Bagmati Province
16	Nischal Raj Pandey	Province Secretary	Office of the Chief Minister and Council of Ministers, Bagmati Province
17	Dr. Bhisma Kumar Bhusal	Province Secretary	Ministry of Social Development, Bagmati Province
18	Dr. Khageshwor Gelal	Division Chief	Ministry of Health, Bagmati Province
19	Shreekrishna Acharya	Section Officer	Ministry of Economic Affairs and Planning, Bagmati Province
20	Dipak Chaulagain	PFM Expert	PLGSP, PPIU, Bagmati Province
21	Bimochan Ghimire	Section officer	Office of the Chief Minister and Council of Ministers, Bagmati Province
KII with the Finance Minister of Bagmati Province			
1	Hon. Jagannath Thapaliya	Finance Minister	Ministry of Economic Affairs and Planning, Bagmati Province
2	Uttam Sedai	Official Secretary of the Finance Minister	Ministry of Economic Affairs and Planning, Bagmati Province
3	Hen Kumar Pandey	Forest Officer / Personal Secretary	Division Forest Office, Makwanpur

S.N.	Name	Position	Affiliated Organization
FGD/Public Policy Dialogue/Interaction in Bardibas Municipality			
1	Tara Devi	Vice-Mayor	Bardibas Municipality
2	Dharmananda Joshi	Chief Administrative Officer	Bardibas Municipality
3	Laxman Singh	Ward Chairperson	Ward no. 13, Bardibas Municipality
4	Shamsher Singh Lama	Ward Chairperson	Ward no. 8, Bardibas Municipality
5	Dipak Kumar Mahato	Ward Chairperson	Ward no. 14, Bardibas Municipality
6	Ram Swagarath Yadav	Ward Chairperson	Ward no. 7, Bardibas Municipality
7	Pramod Kumar Moktan	Ward Chairperson	Bardibas Municipality
8	Murari Prasad Timilsina	Section Officer	Bardibas Municipality
9	Ganesh Prasad Dahal	Section Officer	Bardibas Municipality
10	Pratima Bishwokarma	Executive Committee Member	Ward no. 8, Bardibas Municipality
11	Tirtha Bahadur Acchame	Executive Committee Member	Bardibas Municipality
12	Ansila Lama	Executive Committee Member	Ward no. 13, Bardibas Municipality
13	Bina Kumari Pakhrin	Executive Committee Member	Ward no 10, Bardibas Municipality
14	Laxmi Koirala	Executive Committee Member	Ward no 1, Bardibas Municipality

S.N.	Name	Position	Affiliated Organization
15	Samyog Dhakal	Environment Technician	Bardibas Municipality
16	Siwesh Kumar Singh	Engineer	Bardibas Municipality
17	Chitra Raj Niraula	Section Officer	Bardibas Municipality
18	Prem Kumari	Assistant	Bardibas Municipality
19	Sita Adhikari	Officer	Bardibas Municipality
20	Binita Dahal	Officer	Bardibas Municipality
21	Ram Babu Yadav	Officer	Bardibas Municipality
22	Revati Prasad Parajuli	Under-secretary	Bardibas Municipality
23	Dipak Raj Poudel	Officer	Bardibas Municipality
24	Lila Kumari Bhujel	Entrepreneurship Development Facilitator	Bardibas Municipality
25	Nirman Pakhrin	Ward Secretary	Bardibas Municipality
26	Sanjiv Baral	Account Officer	Bardibas Municipality
27	Manjuri Magarati	MIS Operator	Bardibas Municipality
28	Pushpa Kumari Karn	Psychological Consultant	Bardibas Municipality
29	Som Kumar Phuyal	IT Officer	Bardibas Municipality
30	Sharmila Tamang	Account Head	Bardibas Municipality
FGD/Public Policy Dialogue/Interaction with Secretaries/Officials of Madhesh Provincial Government			
1	Bishnu Prasad Poudel	Province Secretary	Office of the Chief Minister and Council of Ministers, Madhesh Province
2	Dipak Kumar Das	Province Secretary	Ministry of Physical Infrastructure Development, Madhesh Province
3	Subash Chandra Siwakoti	Province Secretary	Ministry of Economic Affairs and Planning, Madhesh Province

S.N.	Name	Position	Affiliated Organization
4	Birendra Kumar Mishra	Provincial Financial Comptroller General	Provincial Financial Comptroller General Office, Madhesh Province
5	Sohan Prasad Sah	Former Member	Province Policy and Planning Commission, Madhesh Province
6	Jay Kumar Raut	Director	Province Research and Training Center, Madhesh Province
7	Bishownath Prasad Yadav	Division Chief	Ministry of Drinking Water, Energy and Irrigation, Madhesh Province
8	Laxmi Bahadur Rokaya	Section Officer	Ministry of Industry, Commerce and Tourism, Madhesh Province
9	Uddhab Bahadur Ghimire	Province Secretary	Ministry of Forest and Environment, Bagmati Province
10	Achyut Sharma Ghimire	Section Officer	Province Research and Training Center, Madhesh Province
11	Dipesh Majhi	Programme Assistant	PLGSP, Madhesh Province
12	Indra Raj Badu	Capacity Development Expert	PLGSP, Madhesh Province
KII with Civil Society Members of Madhesh Province			
1	Shailendra Mahato	Journalist	Online Khabar
2	Rohit Mahato	Journalist	Setopati
KII with the Finance Minister of Madhesh Province			
1	Hon. Sanjay Yadav	Finance Minister	Ministry of Economic Affairs and Planning, Madhesh Province

S.N.	Name	Position	Affiliated Organization
2	Shiv Adhikari Yadav	Press Coordinator of the Finance Minister	Ministry of Economic Affairs and Planning, Madhesh Province
FGD/Public Policy Dialogue/Interaction at Laxminiya Rural Municipality Office			
1	Bhogendra Mishra	Chairman	Laxminiya Rural Municipality
2	Phul Kumari Yadav	Vice-Chairperson	Laxminiya Rural Municipality
3	Nagendra Yadav	Chief Administrative Officer	Laxminiya Rural Municipality
4	Ramesh Kumar Sah	Ward Chairperson	Ward no. 4, Laxminiya Rural Municipality
5	Dukh Haran Yadav	Ward Chairperson	Ward no. 5, Laxminiya Rural Municipality
6	Jitendra Yadav	Ward Chairperson	Ward no. 1, Laxminiya Rural Municipality
7	Ram Prabidh Sah	Executive Committee Member	Laxminiya Rural Municipality
Total number of respondents = 111			

Appendix 4.10.a: Set of Questions for Focus Group Discussion and Key Informant Interviews with the Stakeholders related to the Province Level Government

नीति अनुसन्धान प्रतिष्ठानको अनुसन्धान परियोजना, "नेपालको सार्वजनिक खर्च व्यवस्थापन प्रणालीको कुशलता एवम् प्रभावकारिता: कार्यसम्पादनको समीक्षा र दिशानिर्देश, "प्रदेश सरकारका प्रतिनिधिहरूसँग लक्षित समूह छलफल प्रश्नावली

लक्षित समूह (Focus Groups)

राजनीतिक

मन्त्रिपरिषद्

प्रदेश सभाका सभामुख, सभाका समितिका सभापतिहरू र सभाका सदस्यहरूसँग

मन्त्री, आर्थिक मामिला तथा योजना मन्त्रालय

प्रदेश योजना आयोग

उपाध्यक्ष, प्रदेश योजना आयोग

सदस्यहरू, प्रदेश योजना आयोग

कर्मचारी

प्रमुख सचिव, मुख्य मन्त्री तथा मन्त्रिपरिषद्को कार्यालय

सचिव, आर्थिक मामिला तथा योजना आयोग

सचिवहरू, प्रदेश विषयगत मन्त्रालय

प्रमुख, प्रदेश कार्यालय, नेपाल राष्ट्र बैङ्क

प्रमुख, प्रदेश कोष तथा लेखा नियन्त्रक कार्यालय

प्रमुख, योजना तथा बजेट महाशाखा , आर्थिक तथा योजना मन्त्रालय

नागरिक समाज र निजी क्षेत्र

शिक्षकहरू

प्राध्यापकहरू

योजना आयोगका पूर्वउपाध्यक्ष र सदस्यहरू

गैरसरकारी क्षेत्रका प्रतिनिधि

निजी क्षेत्रका प्रतिनिधि

लक्षित समूहछलफलको लागि प्रश्नावली (सम्भाव्य स्रोतको पहिचान र प्रक्षेपण)

प्रदेश तहले आफ्नो आवधिक योजना तर्जुमा गरेर अगाडि बढ्ने संवैधानिक प्रावधान रहेकोमा, यहाँको प्रदेशमा निम्न चरणहरूमा कस्ता व्यावहारिक चुनौतीहरू सामना गर्नु परेको छ?

क) नेपालको संविधानमा भएको प्रावधानअनुरूप प्रदेशको एकल अधिकार तथा साझा अधिकारका सूचीअन्तर्गत विद्यमान कानुन बमोजिम प्राप्त राजस्व अधिकारको उपयोग गर्दा।

ख) अन्तरसरकारी वित्तीय हस्तान्तरण तथा राजस्व बाँडफाँटबाट प्राप्त हुने स्रोतको अनुमान गर्ने सन्दर्भमा राष्ट्रिय प्राकृतिक स्रोत तथा वित्त आयोग र नेपाल सरकार अर्थ मन्त्रालयबाट प्राप्त हुने बजेट सीमाका आधारमा प्रवृत्ति विश्लेषण गरी प्रक्षेपण गर्ने क्रममा।

ग) ऋणयोग्य आयोजनाको सम्भाव्यता अध्ययनको आधारमा ऋण परिचालन हुने रकम र सार्वजनिक-निजी साझेदारीमा सञ्चालन हुन सक्ने सम्भाव्य आयोजनाको आधारमा निजी क्षेत्रबाट परिचालन गर्न सकिने रकमको प्रक्षेपण गर्ने क्रममा।

सार्वजनिक वित्त व्यवस्थापन

मध्यकालीन खर्च संरचना तर्जुमा

क) सार्वजनिक खर्चलाई बढी प्रभावकारी र कुशल बनाई लक्षित प्रतिफल सुनिश्चित गर्न १) प्रदेश सरकारलाई प्राप्त हुने मध्यम अवधिको आन्तरिक र बाह्य स्रोतको वास्तविक अनुमान गरी बजेट खाका तर्जुमा गर्ने, २) प्रदेशको विकास योजनाको प्राथमिकताका क्षेत्रमा लगानीको सुनिश्चितता प्रदान गर्न साधन स्रोतको कुशल विनियोजन गरी प्राथमिकता प्राप्त विषयगत क्षेत्रमा बजेट बाँडफाँट गर्ने र ३) सम्बन्धित निकाय/कार्यालयको बजेट अनुमान वास्तविक वा अनुमानयोग्य बनाउने र आर्थिक अनुशासन कायम गर्ने विषयमा यहाँको प्रदेशमा मध्यमकालीन खर्च संरचनाले कत्तिको प्रभावकारी भूमिका खेल्न सकेको छ ? यसको प्रभावकारिता अझ बढी बढाउन के-कस्ता थप उपायहरू अवलम्बन गर्नु पर्ला ?

बजेट तथा स्रोत समितिको भूमिका

क) बजेट तथा स्रोत समितिले प्रदेशको समष्टिगत अर्थतन्त्रको वर्तमान स्थिति, चालु आवधिक योजना, मध्यमकालीन खर्च संरचना, कुल गार्हस्थ्य उत्पादनको प्रक्षेपण, वित्तीय स्थिति, वित्तीय साधनको सम्भावना, करको लचकता, राजस्व प्रक्षेपण तथा कार्यगत नीति र प्राथमिकताको आधारमा आगामी तीन आर्थिक वर्षको कुल बजेटको आकार र सीमा निर्धारण तथा प्रक्षेपण गर्नु पर्ने भूमिका निभाउँदा के-कस्ता चुनौतीहरूको सामना गर्नु परेको देखिन्छ ? चुनौती समाधानका उपायहरू के-के हुन सक्लान् ?

विषयगत मन्त्रालयहरूको भूमिका

क) बजेट तथा स्रोत समितिले तयार गरेको बजेटको सीमाभित्र रही विषयगत मन्त्रालयहरूले, मन्त्रालयगत र कार्यगत रूपमा चालु, पुँजीगत र वित्तीय व्यवस्था सहितको बजेटको सीमा र मार्गदर्शन तयार गर्नुपर्ने आफ्नो भूमिका निभाउँदा के-कस्ता चुनौतीहरूको सामना गर्नु परेको देखिन्छ? चुनौती समाधानका उपायहरू के-के हुन सक्लान् ?

प्रदेशको विभिन्न क्षेत्रगत योजना तर्जुमा

क) विषय/क्षेत्रगत योजना तर्जुमा गर्दा योजनाको समग्र लक्ष्य, उद्देश्य र रणनीतिलाई मध्यनजर गरी सम्बन्धित कार्यक्रम, क्रियाकलाप आदि प्राथमिकताअनुरूप कत्तिको तय भएको पाइन्छ ? यस क्रममा के-कस्ता व्यावहारिक जटिलता सामना गर्नु परेको छ ?

आर्थिक मामिला तथा योजना मन्त्रालय

क) मन्त्रालयगत बजेट सीमा र मार्गदर्शन आर्थिक मामिला तथा योजना मन्त्रालयले मन्त्रालयगत बजेट सूचना प्रणाली (LMBIS) वा (SuTRA) मा प्रविष्ट गरी सम्बन्धित मन्त्रालयहरूमा पठाउनुपर्ने हुन्छ, के यो भूमिका निर्धारित समयमै निभाउन सकिएको छ? यसमा के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ ?

आयोजना बैङ्क र आयोजनाको छनौट तथा प्राथमिकीकरण

क) सम्बन्धित प्रदेशको आवश्यकता, समस्या र सम्भाव्यता अनुसार कार्यान्वयनयोग्य र बढी प्रतिफल प्राप्त हुने आयोजनाहरू छनौट गरी उक्त प्रदेशमा सञ्चालन गर्ने विभिन्न विषयगत क्षेत्रको आयोजनाको पहिचान, विश्लेषण तथा प्राथमिकिकरण र छनौट गरी प्राथमिकता क्रमका आधारमा आयोजना समावेश गरी आयोजना बैङ्क बनाउनुपर्ने हुन्छ । यी प्रक्रियाहरू कत्तिको प्रभावकारी ढङ्गले कार्यान्वयन हुने गरेका छन् र यसमा के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ ?

ख) विकास आयोजनालाई प्राथमिकिकरण गर्नको लागि ६ वटा सामान्य आधार र २ वटा क्षेत्रगत आधारहरू तय गरी सामान्य आधारलाई कुल ७० अङ्क र क्षेत्रगत आधारलाई कुल ३० अङ्क राखिएको छ । यी आधारहरूबाट आउने अङ्क अनुसार कार्यक्रमलाई, कुल प्राप्ताङ्क ७५ वा सो भन्दा बढी अङ्क भएमा (P1) र ७५ भन्दा कम अङ्क भएमा (P2) गरी २ वटा प्राथमिकिकरणमा वर्गीकरण गरिने प्रावधान छ । यस प्रावधानले आयोजना कार्यान्वयनलाई प्रभावकारी बनाउन सहयोग पुऱ्याएको छ कि छैन ? छैन भने आयोजना प्राथमिकीकरण प्रक्रियालाई कसरी अझ व्यावहारिक र प्रभावकारी बनाउन सकिएला ?

ग) आयोजना बैङ्कमा समावेश भएका आयोजनाको प्राथमिकता क्रमको आधारमा मध्यमकालीन खर्च संरचनामा आयोजना छनौट गरी समावेश गर्नुपर्ने र यसरी छनौट गरी समावेश गरिएको आयोजनाको लागि त्रिवर्षीय खर्च प्रक्षेपणसहित आगामी आर्थिक वर्ष र थप दुई आर्थिक वर्षको लागि बजेट विनियोजन गर्नुपर्ने क्रममा के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ ?

घ) विभिन्न मन्त्रालय/निकायबाट प्रस्तावित आयोजना/कार्यक्रमको त्रि-वर्षीय खर्च प्रक्षेपणसहितको मध्यमकालीन खर्च संरचना र बजेटमाथि सम्बन्धित विषयगत प्राविधिक समितिमा छलफल गर्नुपर्ने हुन्छ । यहाँको प्रदेशमा यस्तो छलफल हुने गरेको छ कि छैन? छ भने यस्तो छलफलको प्रभावकारिता माथि प्रकाश पार्नुहोस् ।

मध्यमकालीन खर्च संरचना, कार्यक्रम तथा बजेट प्रस्ताव

क) प्रदेश बजेट तथा स्रोत समितिले तयार गरी पठाएको सीमा र मार्गदर्शनभित्र रही सम्बन्धित मन्त्रालय/निकायले आफ्ना आवश्यकता र प्रथामिकीकरणका आधारमा छनौट भएका आयोजना/कार्यक्रमको त्रि-वर्षीय खर्च प्रक्षेपणसहितको मध्यमकालीन खर्च संरचना र आगामी आर्थिक वर्षको

बजेट तयार गरी LMBIS वा SuTRA मा प्रविष्ट गरी योजना आयोग र मन्त्रालयमा पठाउनु पर्ने काम समयमै गर्न सकिएको छ कि छैन ? छैन भने मूल कारणहरू के-कस्ता रहेका छन् ?

वार्षिक योजना/वार्षिक विकास कार्यक्रम तर्जुमा

क) बजेट तथा कार्यक्रम छलफल गरी प्रस्ताव भएका कार्यक्रम/आयोजनाहरू आयोगको पूर्ण बैठक वा आर्थिक मामिला तथा योजना मन्त्रालयबाट वार्षिक विकास कार्यक्रम जेठ २५ गतेभित्र स्वीकृत गरी प्रदेश सभामा असार एक (१) गतेभित्र पेस गर्नुपर्ने र प्रदेश सभाले स्वीकृत गरेको वार्षिक बजेट तथा कार्यक्रम सर्वसाधारणको जानकारीको लागि प्रकाशित गरी यसको एक/एक प्रति प्रधानमन्त्री तथा मन्त्रिपरिषद्को कार्यालय, राष्ट्रिय योजना आयोग, अर्थ मन्त्रालय र सम्बन्धित विषयगत मन्त्रालयमा पठाउनुपर्ने प्रावधान रहेकोमा, यी सबै प्रक्रिया समयमै पूरा गर्न यहाँको प्रदेश कत्तिको सफल रहेको छ ? के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ ?

ख) बजेट र कार्यक्रमले के-कसरी जनताका चाहना तथा आवश्यकता तथा प्रदेशका सम्भावना एवम् प्राथमिकताको प्रतिनिधित्व गर्ने गरेको छ? के-कस्ता प्रक्रियागत, नीतिगत र संस्थागत सुधारको खाँचो छ ?

वार्षिक योजना/वार्षिक विकास कार्यक्रम कार्यान्वयन कार्ययोजना

आयोजना कार्यान्वयनका लागि आवश्यक पूर्वाधार सिर्जना गर्नुपर्ने तथा सरोकारवालाबिच समन्वय एवम् साझेदारी गर्नुपर्ने भएकाले प्रदेशले आवधिक योजनामा उल्लिखित आयोजनाको सार्वजनिक निर्माण एवम् सेवा खरिद सम्बन्धमा सार्वजनिक खरिद ऐन २०६३, सार्वजनिक खरिद नियमावली २०६४, आर्थिक कार्यविधि ऐन २०५५ तथा आर्थिक कार्यविधि नियमावली २०६४ र संविधान तथा अन्य प्रचलित कानुनको अधिकार क्षेत्रभित्र रही निर्माण गरेका ऐन नियमअनुसार गर्नुपर्ने प्रावधान रहेको छ । यसरी कार्यान्वयन विधि निर्धारण गर्दा ठेक्कापट्टा, उपभोक्ता समिति, सेवा करार, संयुक्त व्यवस्थापन वा साझेदारी, गैरसरकारी संस्था मार्फत गर्ने सम्बन्धमा सार्वजनिक खरिद ऐनको परिधिभित्र रही आयोजना वा कार्यक्रम सञ्चालन हुनुपूर्व निश्चित गर्नुपर्ने प्रावधान छ । त्यसैले,

क) माथिका सबै प्रक्रिया पूरा गरी प्रदेशले आर्थिक वर्ष सुरु भएको एक महिनाभित्र आफ्नो वार्षिक खरिद योजना र गुरुयोजना स्वीकृत गरी सोअनुरूप खरिद कार्यको व्यवस्थापन गर्नुपर्नेतर्फ यहाँको प्रदेश कति सफल देखिन्छ? के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नुपरेको छ?

ख) उपभोक्ता समिति मार्फत आयोजना कार्यान्वयन गर्दाका फाइदा र चुनौतीहरू बारे उल्लेख गर्नुहोस् ।

ग) ठेक्कापट्टा, सेवा करार, संयुक्त व्यवस्थापन वा गैरसरकारी संस्था मार्फत कार्यान्वयन गर्दाका फाइदा र चुनौतीहरूबारे उल्लेख गर्नुहोस् ।

कार्यक्रम कार्यान्वयनको चरण

क) यहाँको प्रदेशमा तर्जुमा भएका आयोजना व्यावहारिक रूपमा कत्तिको कार्यान्वयनयोग्य देखिएका छन् ? बजेटले निर्दिष्ट गरेअनुरूप कार्यान्वयन विधि, कार्यतालिका उपयोग गरेको र जिम्मेवारी कत्तिको पूरा गरेको पाइन्छ ?

ख) बजेटभन्दा बाहिरबाट, स्रोत सुनिश्चितताको प्रक्रियाबाट र रकमान्तरबाट खर्च गर्ने गरिएको छ कि छैन? यस्तो गर्ने गरिएको भए बजेट कार्यान्वयनमा के-कस्तो असर पर्ने गरेको छ र यस्तो प्रवृत्ति रोक्ने तर्फ सम्बन्धित निकायबाट कस्तो भूमिका हुने गरेको छ?

ग) वार्षिक योजनाको कार्यान्वयनमा समय सीमाको पालना कत्तिको भएको पाइन्छ? समयमा आयोजना कार्यान्वयन हुन नसकेको अवस्थामा के-कस्ता चुनौती सामना गर्नुपरेको छ ?

आयोजना/कार्यक्रम कार्यान्वयनको अनुगमन तथा मूल्याङ्कन

कार्यान्वयन गरिएका योजना, नीति, कार्यक्रम तथा आयोजना के-कति सान्दर्भिक, लाभदायी, प्रभावकारी र उपलब्धिमूलक छन् भन्ने कुराको लेखाजोखा गर्न आन्तरिक वा बाह्य मूल्याङ्कनकर्ताबाट मूल्याङ्कन गर्न जरुरी हुन्छ । त्यसैले,

क) राष्ट्रिय सरोकारका विषय, मानव विकास सूचकाङ्क, दिगो विकास लक्ष्य आदिका सूचकलाई यहाँको प्रदेशले आफ्नो अधिकार क्षेत्रका विषयमा योगदान गर्ने सूचक स्थापित गरी अनुगमन योजना बनाउन कत्तिको सफल भएको पाउनु भएको छ ?

ख) आयोजनाको निम्नलिखित विभिन्न चरणका मूल्याङ्कन समापन भएका वा चलिरहेका केही परियोजनाहरूको उदाहरणसहित प्रस्ट पार्नुहोस् । विभिन्न किसिमको मूल्याङ्कन प्रक्रिया यहाँको प्रदेशको लागि कत्तिको प्रभावकारी देखिएका छन्?

१) कार्यान्वयन चरणमा गरिने आयोजनाको लेखाजोखा

२) आयोजना कार्यान्वयन समाप्तिपछि आयोजनाको लक्ष्य, उद्देश्यअनुरूप काम भए नभएको लेखाजोखा गरिने आयोजनाको मूल्याङ्कन

३) आयोजना समाप्त भएपछि त्यसको सञ्चालनको केही वर्षपछि गरिने प्रभाव मूल्याङ्कन

ग) आयोजना कार्यान्वयनदेखि बेरुजु आदि प्रदेश सभा लगायत अन्य निरीक्षणकारी भूमिकामा रहेका संस्थागत संरचना (oversight institutions) हरूले अनुगमन गर्ने गरेका छन् कि छैनन् ? छन् भने तिनको प्रभावकारिता कस्तो छ ?

घ) बजेटलाई परियोजना कार्यान्वयनसँग जोडेर हेर्दा पारदर्शिता र जबाफदेहिताको परिपाटी कत्तिको प्रभावकारी छ? यसमा थप सुधार गर्न के गर्नु पर्ला ?

दिगो विकास लक्ष्य तथा अन्य परिमाणात्मक लक्ष्यहरू र प्रदेश तहमा स्थानीयकरण

क) नेपालको संविधानले तीनै तहका एकल र साझा कार्यसूची मार्फत सहकारिता, समन्वय र सहअस्तित्वमा आधारित शासन व्यवस्थाको सिद्धान्त अवलम्बन गरेको छ । यसै सन्दर्भमा दिगो विकासका लक्ष्यलाई कार्यान्वयन तहमा लैजान यसका लक्ष्यहरू, परिमाणात्मक लक्ष्यहरू र सूचकहरूलाई स्थानीयकरण गरी प्रदेश स्तर र स्थानीय तहको योजनामा आन्तरिकीकरण/ मुलप्रवाहीकरण (internalization/ mainstreaming) गर्नु आवश्यक छ । यसमा यहाँको प्रदेश कति सफल भएको छ? के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ ?

ख) प्रदेश र स्थानीय स्तरमा दिगो विकासका लक्ष्यलाई स्थानीयकरण गरी प्रदेश स्तर र स्थानीय तहको योजनामा आन्तरिकीकरण/मूलप्रवाहीकरण गर्ने क्रममा गठन हुने संस्थागत संयन्त्रमा अन्तरप्रदेश र अन्तर स्थानीय तहगत एकरूपता भेटिन्छ कि भेटिँदैन ?

ग) यसमा, सङ्घ, प्रदेश र स्थानीय तहबिचको अन्तरआवद्धता (inter-connection) कत्तिको छ? छैन भने बढाउन के गर्नु पर्ला ?

ससर्त, विशेष र समपूरक अनुदानबाट सञ्चालित आयोजना कार्यान्वयन

क) सङ्घ बाट प्रदेशलाई दिइने ससर्त, विशेष र समपूरक अनुदानका आयोजनाको कार्यान्वयनमा के-कस्ता व्यावहारिक चुनौतीहरू सामना गर्नु परेको छ ?

प्रदेशले लिन सक्ने ऋण/सहायता

क) प्रदेशले राष्ट्रिय प्राकृतिक स्रोत तथा वित्त आयोगको सिफारिसको सीमाभित्र रही सम्बन्धित प्रदेश सभाबाट स्वीकृत हुने गरी उत्पादनशील, रोजगार मूलक, आन्तरिक आय वृद्धि तथा पुँजीगत कार्यको लागि आन्तरिक ऋण लिन सक्ने प्रावधान रहेकोमा यहाँको प्रदेशले त्यस्तो ऋण लिएको छ वा लिन प्रयास गरेको छ?

ख) प्रदेशले विदेशी सहायता लिने प्रक्रिया के छ र लिने प्रयास भएको छ ?

थप प्रश्नहरू

१) प्रादेशिक तहमा सार्वजनिक खर्च व्यवस्थापन प्रणाली का मूल समस्या के-के हुन् र यसमा विनियोजन र कार्यान्वयन कुशलता एवम् प्रभावकारिता बढाउन के गर्न सकिन्छ? यसमा विषयमा अनुसन्धानकर्ताहरूले कस्ता विषयवस्तु र सन्दर्भ सामग्रीमा ध्यान केन्द्रित गर्नुपर्ला ?

२) प्रदेशमा चालु र पुँजीगत खर्चमा प्रभाव पार्ने मुख्य कारकहरू के हुन्? किन तुलनात्मक रूपमा चालु खर्चको अनुपात बढी दरमा बढ्ने गरेको छ?

३) प्रदेशमा विनियोजित रकम र त्यसमा पनि पुँजी खर्च गत लक्ष्य अनुसार हुन नसक्नुका मुख्य कारणहरू के हुन् ?

४) प्रादेशिक तहमा अहिले भएका नीतिहरू तथा त्यसका कार्यान्वयन पक्षमा के-कस्ता अन्तर छन् ?

५) सार्वजनिक खर्च व्यवस्थापन प्रणालीको कुशलता एवम् प्रभावकारिताको लागि तीन तहको सरकारबिचको सहकार्य र समन्वयलाई कसरी बढाउन सकिन्छ होला ?

६) प्रादेशिक सरकारहरूलाई आफ्ना संवैधानिक अधिकारको उपयोग गर्न के कुरा बाधक रहेको होला? नेपालको संविधान धारा ६० अनुसूची १ अनुसार यहाँको प्रदेश तहमा राजस्व सङ्कलनका लागि प्रयोग भएका उल्लेखनीय उदाहरण अवगत छ भने लेखिदिनुहोला ।

क) प्रदेशको आन्तरिक स्रोतको सम्भावना र परिचालनको अवस्था कस्तो छ? हालसम्म सङ्घसँगको निर्भरता कति छ र यसले प्रदेशको विकास निर्माणमा कत्तिको सकारात्मक योगदान गरेको छ?

ख) सङ्घमाथिको निर्भरता क्रमशः कम गर्ने तर्फ प्रदेशले के-कस्ता पहलहरू गर्दैछ?

७) सङ्घ र प्रदेशको योजना कार्यक्रममा दोहोरोपन कत्तिको छ र यसलाई कसरी हटाउन सकिएला ?

८) प्रदेशको योजना र बजेट प्रक्रियामा निजी क्षेत्रको भूमिका कस्तो छ? बजेट र खर्च प्रणालीले निजी क्षेत्रको लगानी प्रवर्धनमा के-कस्तो सकारात्मक प्रभाव पारेको छ र थप प्रभावकारी बनाउन के गर्नुपर्ला ?

९) प्रदेशको योजना र बजेट प्रक्रियामा नागरिक समाजको संलग्नता र भूमिका के-कस्तो छ ? योजना र बजेटले गैरसरकारी क्षेत्रको प्रवर्धनमा के-कस्तो भूमिका खेलेको छ र अझ प्रभावकारी बनाउन के गर्नुपर्ला ?

१०) माथि नसमेटिएका अन्य थप सुझाव केही छन् कि ?

Appendix 4.10b: Set of Questions for Focus Group Discussion and Key Informant Interviews with the Stakeholders Related to the Local Level Government

नीति अनुसन्धान प्रतिष्ठानको अनुसन्धान परियोजना, "नेपालको सार्वजनिक खर्च व्यवस्थापन प्रणालीको कुशलता एवम् प्रभावकारिता, कार्यसम्पादनको समीक्षा र दिशानिर्देश" का लागि स्थानीय तहको सरकारका प्रतिनिधिहरूसँग लक्षित समूह छलफल प्रश्नावली

लक्षित समूह

राजनीतिक

महानगरपालिका, उपमहानगरपालिका, गाउँ विकास समिति, वडा आदि स्थानीय सरकारका,

अध्यक्ष वा प्रमुख

उपाध्यक्ष वा उपप्रमुख

विषयगत समितिका संयोजकहरू

कार्यपालिकाका सबै सदस्यहरू (महिला, दलित वा अल्पसङ्ख्यक सदस्यसहित)

सम्बन्धित क्षेत्रको विषयगत महाशाखा, शाखा प्रमुखहरू

कर्मचारी

प्रमुख प्रशासकीय अधिकृत

कार्यपालिकाको राजस्व महाशाखा र विभाग वा शाखा प्रमुख

नागरिक समाज र निजी क्षेत्र

शिक्षकहरू

प्राध्यापकहरू

महानगरपालिका, उपमहानगरपालिका, गाउँ विकास समिति, वडा आदि स्थानीय सरकारका पूर्वअध्यक्ष र प्रमुख, उपाध्यक्ष र उपप्रमुख, सदस्यहरू

गैरसरकारी क्षेत्रका प्रतिनिधि

निजी क्षेत्रको प्रतिनिधि (उद्योग वाणिज्यसम्बन्धी मान्यता प्राप्त संस्थाको गाउँ वा नगर तहको अध्यक्ष वा निजले तोकेको प्रतिनिधि निजी)

घरेलु तथा साना उद्योगसम्बन्धी मान्यता प्राप्त संस्थाको नगर वा गाउँ तहको अध्यक्ष वा निजले तोकेको प्रतिनिधि

लक्षित समूह छलफलको लागि प्रश्नावली - स्थानीय आवधिक योजना

संस्थागत संयन्त्र

१) स्थानीय तहको आवधिक योजना तर्जुमाको समग्र प्रक्रियालाई निर्देशन र समन्वय गर्न, निम्नलिखित[७१] भूमिकासहितको, निर्देशक समितिको गठन गर्नुपर्ने प्रावधान रहेको छ। यस सन्दर्भमा तल उल्लिखित भूमिका प्रभावकारी रूपमा निभाउन निर्देशक समिति के-कति सफल देखिन्छ? प्रभावकारिता बढाउन के गर्नु पर्ला?

२) स्थानीय तहको वार्षिक योजना, बजेट तथा कार्यक्रम र आवधिक योजना तर्जुमा कार्यका लागि विषयगत क्षेत्रहरू पहिचान गरी विषयगत समितिहरू गठन गर्नुपर्ने प्रावधान छ । यस सन्दर्भमा

७१. नेपाल सरकारबाट उपलब्ध गाउँ/नगर वस्तुस्थिति विवरण तयारी र योजना तर्जुमा दिग्दर्शन बमोजिमको प्रोफाइल तयारी तथा आवधिक योजना तर्जुमाको ढाँचा र औजार स्वीकृत गर्ने; वस्तुस्थिति विवरण तयारी र आवधिक योजना तर्जुमासम्बन्धी आवश्यक निर्णयहरू गर्ने; आवधिक योजना तर्जुमाका लागि विषयगत समितिलाई पूर्णता दिने, परिमार्जन गर्ने, आवश्यकता अनुसार बैठक आयोजना तथा परामर्श गर्ने; प्राविधिक टोली, कर्मचारी र स्थानीय सरोकारवालासँग राय परामर्श गर्ने; कार्यशाला गोष्ठीहरूमा समावेशी सहभागिता हुने कुरा सुनिश्चित गर्ने; वस्तुस्थिति विवरण तथा आवधिक योजना तर्जुमा प्रक्रियामा मार्गदर्शन प्रदान गर्ने; कार्यपालिकाको कार्यालय, विषयगत महाशाखा, शाखा, उपशाखा, एकाइ, केन्द्र तथा वडा कार्यालयबाट तथ्याङ्क तथा विवरण सङ्कलनको व्यवस्था मिलाउने; गाउँपालिकासँग सम्बन्धित अध्ययन, सर्वेक्षण, योजना तथा बजेट सम्बन्धी दस्तावेज, पुस्तिका अध्ययन र विश्लेषणको व्यवस्था गर्ने, आवधिक योजना निर्माणको कार्यशर्तमा सैद्धान्तिक सहमति र योजना निर्माणमा संलग्न प्राविधिक टिमको संरचना स्वीकृति गर्ने ।

विभिन्न विषयगत समितिहरू (आर्थिक विकास, सामाजिक विकास, पूर्वाधार विकास, वातावरण तथा विपद् व्यवस्थापन, सुशासन तथा संस्थागत विकास समितिहरू) गठन भएका छन् कि छैनन्? छन् भने आफ्नो तल उल्लिखित[७२] भूमिका प्रभावकारी रूपमा निभाउन विषयगत समिति के-कति सफल देखिन्छन्? प्रभावकारिता बढाउन के गर्नु पर्ला?

३) आवधिक योजना तर्जुमासम्बन्धी कार्यशाला व्यवस्थापन, सञ्चालन र सहजीकरण तथा योजना तर्जुमा कार्यशालाको छलफल निष्कर्ष तथा उपलब्धिहरूलाई अभिलेखीकरण गरी आवधिक योजनाको दस्तावेज लिपिबद्ध गर्न निर्देशक समितिले तोकेको समितिको सदस्यको संयोजकत्वमा आवश्यकता अनुसार आवधिक योजना तर्जुमा संयोजन तथा सहजीकरण समिति गठन गर्न सकिने प्रावधान छ। यस सन्दर्भमा देहाय अनुसार[७३] कार्य जिम्मेवारी प्रभावकारी रूपमा निभाउन आवधिक योजना तर्जुमा संयोजन तथा सहजीकरण समिति के-कति सफल देखिन्छ? प्रभावकारिता बढाउन के गर्नुपर्ला?

४) आवधिक योजना तयारी, विश्लेषण, योजना तर्जुमा र स्वीकृति गरी चार चरणमा पन्ध्र कार्यहरू पूरा गरी तर्जुमा गर्नु पर्दछ। यसका लागि आवश्यकता अनुसार राष्ट्रिय योजना आयोग, प्रदेश नीति तथा योजना आयोग र सङ्घ तथा प्रदेश सरकारको सहयोग लिन सकिने प्रावधान रहेको छ। कार्यान्वयन तहमा यी विभिन्न तहका संस्थागत संरचनाहरूबाट के-कस्तो सहयोग प्राप्त हुने गरेको छ? यस सन्दर्भमा, संघ, प्रदेश र स्थानीय तहबिचको अन्तरआबद्धता (inter-connection) बढाउन के गर्नुपर्ला ?

५) स्थानीय तहको आवधिक योजना विभिन्न चार चरणमा पन्ध्र कार्यहरू पूरा गरी तर्जुमा गर्नुपर्ने प्रावधान छ । यस सन्दर्भमा यहाँको स्थानीय तह कति सफल भएको छ? देहायबमोजिमका चरणहरूमा के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ? यी कठिनाइहरू समाधानका उपायहरू के-के हुन सक्लान् ?

क) तयारी चरण (अभिमुखीकरण तथा तयारी कार्यशाला, विकासको विद्यमान स्थिति तथा उपलब्धिको समीक्षा)

ख) विश्लेषण चरण (तथ्याङ्क सङ्कलन, प्रशोधन र विश्लेषण, आधार नक्सा (basemap) तयारी, वस्तुस्थिति विश्लेषण, वस्तुस्थिति विवरण तयारी तथा अद्यावधीकरण)

ग) योजना तर्जुमा चरण (सोच, लक्ष्य, उद्देश्य, रणनीति तथा प्राथमिकता निर्धारण; परिमाणात्मक लक्ष्य निर्धारण; स्रोत अनुमान, प्रक्षेपण तथा क्षेत्रगत बाँडफाँट, विषय क्षेत्रगत योजना तर्जुमा,

७२. आवधिक योजना तर्जुमा प्रक्रियामा विषयगत समितिको देहायअनुसार जिम्मेवारी रहने प्रावधान रहेको छ। यस सन्दर्भमा विषय क्षेत्रगत आधाररेखा सूचना तयार गर्ने; विषय क्षेत्र वस्तुस्थिति विश्लेषण गरी विवरण तयार गर्ने; वडास्तर, लक्षित समूह तथा स्थानीय विज्ञसँग परामर्श गर्ने; कार्यशाला गोष्ठीमा विषय क्षेत्रगत समूह छलफल गर्ने; विषय क्षेत्रगत रूपमा प्रमुख आयोजना तथा कार्यक्रम तर्जुमा गर्ने; विषय क्षेत्रगत रणनीति तथा कार्यनीतिको मस्यौदा तयार गर्ने; विषय क्षेत्रगत अपेक्षित उपलब्धि तथा नतिजा खाका तयार गर्ने; भौतिक लक्ष्य निर्धारण गरी आवश्यक स्रोत अनुमान तथा प्रक्षेपण गर्ने; योजना दस्तावेज तयारीमा प्राविधिक सहयोग टोलीलाई सहयोग गर्ने।

७३. विद्युतीय प्रणाली तथा अन्य माध्यमबाट सूचना सङ्कलन तथा विश्लेषण गरी वस्तुस्थिति विवरण तयार तथा अद्यावधिक गर्ने; विषय क्षेत्रगत रूपमा तथ्याङ्क विश्लेषण गरी आधाररेखा सूचना तयार गर्ने; आवधिक योजना तर्जुमासम्बन्धी कार्यशाला गोष्ठी आयोजना, सञ्चालन र सहजीकरण गर्ने; कार्यशाला गोष्ठी, छलफल तथा परामर्श गोष्ठीको निष्कर्ष तथा उपलब्धिको अभिलेखीकरण गर्ने; विषयगत महाशाखा/शाखाका कर्मचारी वा परामर्शलाई आवधिक योजना दस्तावेज लेखनको व्यवस्था गर्ने; आवधिक योजना दस्तावेज तयार गर्न सहयोग र सहजीकरण गर्ने।

आवधिक योजनाको दस्तावेजको मस्यौदा तयारी, मस्यौदा प्रस्तुति, सुझाव सङ्कलन र अन्तिम स्वरूप प्रदान)

घ) स्वीकृति चरण (योजना स्वीकृति, योजना दस्तावेज छपाइ र प्रकाशन, योजना कार्यान्वयन, अनुगमन तथा मूल्याङ्कन),

दिगो विकास लक्ष्य तथा अन्य परिमाणात्मक लक्ष्यहरू र स्थानीय तहमा स्थानीयकरण

१) नेपालको संविधानले तीनै तहका एकल र साझा कार्यसूची मार्फत सहकारिता, समन्वय र सहअस्तित्वमा आधारित शासन व्यवस्थाको सिद्धान्त अवलम्बन गरेको छ । यसै सन्दर्भमा दिगो विकासका लक्ष्यलाई कार्यान्वयन तहमा लैजान यसका लक्ष्यहरू, परिमाणात्मक लक्ष्यहरू र सूचकहरूलाई स्थानीयकरण गरी प्रदेश स्तर र स्थानीय तहको योजनामा आन्तरिकीकरण/मुलप्रवाहीकरण (internalization/mainstreaming) गर्नु आवश्यक छ। यसमा यहाँको स्थानीय तह के-कति सफल भएको छ? के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ?

२) प्रदेश र स्थानीय स्तरमा दिगो विकासका लक्ष्यलाई स्थानीयकरण गरी प्रदेश स्तर र स्थानीय तहको योजनामा आन्तरिकीकरण/मुलप्रवाहीकरण गर्ने क्रममा गठन हुने संस्थागत संयन्त्रमा अन्तर-प्रदेश र अन्तर स्थानीय तहगत एकरूपता भेटिन्छ कि भेटिँदैन ?

३) यसमा, संघ, प्रदेश र स्थानीय तहबिचको अन्तरआबद्धता (inter-connection) कत्तिको छ? छैन भने बढाउन के गर्नुपर्ला ?

सम्भाव्य स्रोतको अनुमान, प्रक्षेपण र क्षेत्रगत बाँडफाँट

१) स्थानीय तहको वित्तीय अधिकार र उपलब्ध हुने स्रोतको बारेमा नेपालको संविधान, स्थानीय सरकार सञ्चालन ऐन तथा अन्तर सरकार वित्त व्यवस्थापन ऐनले स्पष्ट गरेअनुरूप योजना अवधिको लागि उपलब्ध हुन सक्ने वित्तीय स्रोत साधनको विश्लेषण गर्दा संविधानतः स्थानीय तहको राजस्व अधिकारका क्षेत्रबाट परिचालन हुने आन्तरिक आय, राजस्व बाँडफाँटबाट प्राप्त हुने रकम, अन्तर सरकारी वित्तीय हस्तान्तरण, आन्तरिक ऋण, जनसहभागिता र अन्य स्रोतहरूबाट प्राप्त हुन सक्ने स्रोतको अनुमान तथा प्रक्षेपण गर्नुपर्दछ। सम्भाव्य स्रोतको अनुमान तथा प्रक्षेपण गर्ने कार्य वार्षिक योजना तथा बजेट तर्जुमाको लागि गठित स्रोत अनुमान तथा बजेट सीमा निर्धारण समितिको सहयोगमा निर्देशक समितिले गर्नुपर्ने प्रावधान छ। स्रोतको अनुमान तथा प्रक्षेपण गर्ने सन्दर्भमा यहाँको स्थानीय तह के-कति सफल भएको छ? के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ?

२) यहाँको स्थानीय तहले योजना अवधिमा विकास साझेदार, गैरसरकारी संस्था तथा अन्य स्थानीय संघ/संस्थाहरूबाट के-कस्ता स्रोत परिचालन गर्न सकेको छ र निजी क्षेत्रबाट के-कस्ता लगानीको सम्भाव्यता देखिएका छन् ?

मस्यौदा प्रस्तुति, सुझाव सङ्कलन तथा अन्तिम स्वरूप प्रदान

१) सरोकारवालाबाट प्राप्त सुझाव तथा पृष्ठपोषणका आधारमा आवधिक योजनाको मस्यौदालाई परिमार्जन गरी आवधिक योजनाको दस्तावेजलाई अन्तिम रूप प्रदान गर्नुपर्ने प्रावधान रहेको छ र आवधिक योजनालाई अन्तिम रूप प्रदान गर्नुअघि राष्ट्रिय तथा प्रादेशिक लक्ष्य, उद्देश्य, रणनीति र प्राथमिकतासँग तादात्म्य भए-नभएको यकिन गरी योजनाको गुणस्तर सुनिश्चितता लागि योजनाको मस्यौदा दस्तावेज सङ्घीय मामिला तथा सामान्य प्रशासन मन्त्रालय र प्रदेश नीति तथा योजना आयोगमा पठाउनुपर्ने प्रावधान रहेको छ। यस सन्दर्भमा, सोही प्रयोजनका लागि सङ्घीय मामिला तथा सामान्य प्रशासन मन्त्रालयमा रहेको स्थानीय आवधिक योजना सुझाव समितिले यहाँको स्थानीय तहलाई के-कस्तो सहयोग पुऱ्याउँदै आएको छ? यसमा, सङ्घ, प्रदेश र स्थानीय तहबिचको अन्तरआबद्धता वृद्धि गर्न के गर्नुपर्ला ?

मध्यमकालीन खर्च संरचना

१) स्थानीय सरकार सञ्चालन ऐन, २०७४ को दफा २४ मा गाउँपालिका तथा नगरपालिकाले आफ्नो अधिकार क्षेत्रभित्रका विषयमा स्थानीय स्तरको विकासका लागि आवधिक, वार्षिक, रणनीतिक विषय क्षेत्रगत मध्यमकालीन तथा दीर्घकालीन योजना बनाई लागु गर्नुपर्ने व्यवस्था रहेको छ। त्यसैगरी अन्तरसरकारी वित्त व्यवस्थापन ऐन, २०७४ को दफा १६ मा स्थानीय तहले सार्वजनिक खर्चको विवरण तयार गर्नुपर्ने व्यवस्था गरेको र दफा १७ मा यस्तो विवरण तयार गर्दा आगामी तीन आर्थिक वर्षमा हुने खर्चको प्रक्षेपणसहितको मध्यमकालीन खर्च संरचना तयार गर्नुपर्ने व्यवस्था रहेको छ। यस्तो मध्यमकालीन खर्च संरचना बनाउने सन्दर्भमा यहाँको स्थानीय तह के-कति सफल भएको छ? के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ ?

२) मध्यमकालीन खर्च संरचना आवधिक योजना र वार्षिक बजेटबिच तादात्म्य कायम गर्ने औजार भएकाले वार्षिक बजेट निर्माणमा यसको महत्त्वपूर्ण भूमिका रहन्छ। यसका लागि स्थानीय तहमा देहाय बमोजिमको संस्थागत समितिहरूको व्यवस्था गर्नुपर्ने प्रावधान रहेको छ। आफ्नो भूमिका प्रभावकारी रूपमा निभाउन यी के-कति सफल देखिन्छन्? यिनको प्रभावकारिता बढाउन के गर्नुपर्ला ?

क) स्रोत अनुमान तथा बजेट सीमा निर्धारण समिति

ख) मध्यमकालीन खर्च संरचना प्राविधिक समिति/कार्यदल

ग) विषयगत योजना तर्जुमा समितिहरू

घ) बजेट तथा कार्यक्रम तर्जुमा समिति

वार्षिक बजेट तथा कार्यक्रम

१) आवधिक योजनासँग तादात्म्य कायम गर्दै, चालु आर्थिक वर्षको मध्यमकालीन खर्च संरचनाको आधारमा तयार गरिने आर्थिक वर्षको बजेट तथा कार्यक्रम (वार्षिक योजना) को उद्देश्य विकास कार्यक्रममा पारदर्शिता, स्थानीय स्रोत साधनहरूको न्यायोचित वितरण र विनियोजित बजेटबाट अपेक्षित उपलब्धि हासिल गर्नु पनि हो । यस सन्दर्भमा यहाँको स्थानीय तहको बजेट र कार्यक्रमले के-कसरी जनताका चाहना तथा आवश्यकता तथा स्थानीय तहका सम्भावना एवम् प्राथमिकताको प्रतिनिधित्व गर्ने गरेको छ? के-कस्ता प्रक्रियागत, नीतिगत र संस्थागत सुधारको खाँचो छ?

२) आर्थिक वर्षको बजेट तथा कार्यक्रम (वार्षिक योजना) तर्जुमा गर्दा देहायका विषयहरूमा के-कति ध्यान दिएको पाइन्छ? यी विषयहरूलाई समेटेर बजेट तथा कार्यक्रमलाई अझ बढी प्रभावकारी बनाउन के-कस्ता प्रयासहरू हुन जरुरी छ?

क) वातावरण संरक्षण, जलवायु परिवर्तन अनुकूलन र विपद् जोखिम न्यूनीकरण तथा व्यवस्थापनमा प्रत्यक्ष योगदान पुग्ने कार्यक्रम;

ख) सुशासन, लैङ्गिक समानता तथा सामाजिक समावेशीकरण, बालमैत्री स्थानीय शासन र लक्षित वर्गको सशक्तीकरण जस्ता अन्तरसम्बन्धित विषयहरू;

ग) समाजका सबै वर्ग, क्षेत्र र समुदायको अधिकतम सहभागिता सुनिश्चित गर्ने विषयहरू;

घ) अन्तर स्थानीय तहको योजना कार्यान्वयनमा सघाउ पुग्ने विषयहरू;

ङ) विषयगत क्षेत्र र भौगोलिक सन्तुलन कायम गर्ने पक्षहरू;

च) दिगो विकास लक्ष्यको स्थानीयकरण तथा लक्ष्य प्राप्तिका लागि स्थानीय तहले गर्नुपर्ने कार्यहरू ।

३) स्थानीय तहले आफ्नो कार्य क्षेत्रभित्र परिचालन गर्न सक्ने राजस्वका स्रोत, दायरा र दर समेतको विश्लेषण गरी आगामी आर्थिक वर्षमा प्राप्त हुन सक्ने राजस्वको अनुमान गर्ने प्रयोजनको लागि एक स्थानीय राजस्व परामर्श समिति गठन गर्नुपर्ने प्रावधान रहेको छ । यस सन्दर्भमा यहाँको स्थानीय तहमा राजस्व परामर्श समिति छ कि छैन? छ भने यसको प्रभावकारिता बढाउन के गर्नु पर्ला ?

४) गाउँपालिका/नगरपालिकामा प्राप्त हुने आन्तरिक आय, राजस्व बाँडफाँटबाट प्राप्त हुने रकम, अनुदान, ऋण र अन्य आयको प्रक्षेपण र सोको सन्तुलित वितरणको खाका तथा बजेट सीमा निर्धारण गर्न स्रोत अनुमान तथा बजेट सीमा निर्धारण समिति गठन गर्नुपर्ने प्रावधान रहेको छ । यस सन्दर्भमा यहाँको स्थानीय तहमा स्रोत अनुमान तथा बजेट सीमा निर्धारण समितिको भूमिका के-कति प्रभावकारी छ ? प्रभावकारिता बढाउन के गर्नु पर्ला ?

५) गाउँ/नगरपालिकामा रहने प्रत्येक वडामा वडा अध्यक्ष र चार जना सदस्यहरू रहेको वडा समिति रहने प्रावधान छ । संविधान तथा स्थानीय सरकार सञ्चालन ऐन, २०७४ अनुसार वडा समितिको काम, कर्तव्य र अधिकार कार्यपालिकाले तोके बमोजिम हुने व्यवस्था रहेको छ । वडा समितिले

वडाको दैनिक कार्य सञ्चालन, नियमन, नियन्त्रण, योजना तर्जुमा, प्राथमिकता निर्धारण, कार्यान्वयन र अनुगमनका अतिरिक्त योजना तर्जुमा सम्बन्धमा विभिन्न भूमिका निभाउन पर्ने हुन्छ । यस सन्दर्भमा यहाँको स्थानीय तहमा रहेका वडा समितिको भूमिका के-कति प्रभावकारी छ? प्रभावकारिता बढाउन के गर्नु पर्ला ?

६) कार्यपालिकाले विषयगत महाशाखा/शाखाबाट प्राथमिकता निर्धारण भई बजेट तथा कार्यक्रम तर्जुमा समितिमा पेस भएका आयोजना तथा कार्यक्रमलाई विषय/क्षेत्रगत रूपमा छलफल, विश्लेषण र प्राथमिकता निर्धारण गरी पेस गर्न विषयगत समितिहरू (आर्थिक विकास, सामाजिक विकास, पूर्वाधार विकास, वन, वातावरण तथा विपद् व्यवस्थापन, सुशासन तथा संस्थागत विकास) गठन गर्नुपर्ने प्रावधान रहेको छ । यस सन्दर्भमा यहाँको स्थानीय तहमा रहेका विषयगत समितिहरूको भूमिका के-कति प्रभावकारी छ? प्रभावकारिता बढाउन के गर्नु पर्ला ?

७) स्रोत अनुमान तथा बजेट सीमा निर्धारण समितिबाट निर्धारण भएको राजस्वको प्रक्षेपण, वितरणको खाका र बजेट सीमामा आधारित भई स्थानीय तहको वार्षिक बजेट तथा कार्यक्रम तर्जुमा गर्न बजेट तथा कार्यक्रम तर्जुमा समिति गठन गर्नुपर्ने प्रावधान रहेको छ । यस सन्दर्भमा यहाँको स्थानीय तहमा रहेको बजेट तथा कार्यक्रम तर्जुमा समितिको भूमिका के-कति प्रभावकारी छ? प्रभावकारिता बढाउन के गर्नु पर्ला ?

८) नेपालको संविधान, स्थानीय सरकार सञ्चालन ऐन र अन्तर सरकारी वित्त व्यवस्थापन ऐनले स्थानीय तहको वार्षिक बजेट तथा कार्यक्रम तर्जुमा सम्बन्धमा गरेका व्यवस्थाहरूलाई एकीकृत गरी ७ चरणमा (बजेटको पूर्व तयारी, स्रोत अनुमान र कुल बजेट सीमा निर्धारण, बस्ती/टोल स्तरबाट योजना छनौट, वडा स्तरीय योजना प्राथमिकता निर्धारण, एकीकृत बजेट तथा कार्यक्रम तर्जुमा, कार्यपालिकाबाट स्वीकृत र सभामा पेस, सभाबाट स्वीकृति) वर्गीकरण गरिएको छ र यी चरणहरू भित्र २४ क्रियाकलापहरू छन् । यहाँको स्थानीय तहमा यी चरणहरू र क्रियाकलापहरू तोकिएको समय सीमाभित्र पूरा हुन सकेका छन् कि छैनन्? यी चरणहरू पूरा गर्ने क्रममा के-कस्ता चुनौतीहरू सामना गर्नु परेको छ ?

वार्षिक विकास कार्यक्रमको अनुगमन तथा मूल्याङ्कन

१) गाउँपालिका तथा नगरपालिकाको वार्षिक विकास कार्यक्रमको अनुगमन तथा मूल्याङ्कनको प्रक्रिया देहाय अनुसार हुनुपर्ने प्रावधान रहेको छ । यस सन्दर्भमा यहाँको स्थानीय सरकारमा यी प्रक्रियाहरू के-कति प्रभावकारी रूपमा सम्पन्न हुने गरेका छन्? प्रभावकारिता बढाउन के गर्नु पर्ला ?

क) कार्यपालिकामा एकीकृत कार्यान्वयन कार्ययोजना पेस गरेको १५ दिनभित्र अनुगमन तथा सुपरिवेक्षण समितिले अनुगमन तथा मूल्याङ्कन योजना बनाउनुपर्ने;

ख) सञ्चालित आयोजना तथा कार्यक्रमको अनुगमन प्रक्रियामा आवश्यकता अनुसार एकभन्दा बढी विधिको प्रयोग गर्न सकिने;

ग) स्थानीय तहबाट सञ्चालित आयोजना तथा कार्यक्रमको लागत, परिमाण, समय सीमा र गुणस्तरको आधारमा अनुगमन गरी आवश्यक पृष्ठपोषण दिनको लागि गाउँ/नगरपालिका स्तरीय अनुगमन तथा सुपरिवेक्षण समिति गठन गर्नुपर्ने;

घ) वडाभित्र सञ्चालित आयोजनाको लागत, परिमाण, समय सीमा र गुणस्तरीयताका आधारमा अनुगमन गरी आवश्यक पृष्ठपोषण दिन वडा स्तरीय अनुगमन समिति गठन गर्नुपर्ने;

ङ) अनुगमन तथा सुपरिवेक्षण समितिले अनुगमन कार्यको प्रतिवेदन प्रत्येक दुई महिनामा कार्यपालिकाको बैठकमा पेस गरी छलफल गर्नुपर्ने;

च) गाउँपालिकाले पाँच करोडभन्दा बढी, नगरपालिकाले १० करोडभन्दा बढी, उपमहानगरपालिका र महानगरपालिकाले २५ करोडभन्दा बढी लागतका आयोजना/कार्यक्रम सम्पन्न भएको दुई वर्षभित्र तेस्रो पक्षबाट प्रभाव मूल्याङ्कन गराउनु पर्ने;

२) वार्षिक बजेट तथा कार्यक्रममा दिगो विकास लक्ष्यको आन्तरिकीकरणको लागि देहायअनुसारको व्यवस्था गर्नुपर्ने प्रावधान रहेकोमा यहाँको स्थानीय सरकारमा यी प्रावधानहरू के-कति प्रभावकारी रूपमा समेटिने गरेका छन्? प्रभावकारिता बढाउन के गर्नु पर्ला ?

क) वार्षिक बजेट तथा कार्यक्रममा स्थानीय तहको अधिकार क्षेत्रका सबै वित्तीय स्रोतहरू जस्तै आन्तरिक राजस्व, रोयल्टी तथा राजस्व बाँडफाँट, अन्तसरकारी वित्तीय हस्तान्तरणका साथै जनसहभागिता र गै.स.स तथा समुदायमा आधारित संस्थाहरूको सम्पूर्ण कार्यक्रम समेटिएर विस्तृत रूपमा तयार गर्नुपर्ने;

ख) गाउँ/नगरपालिकाले वार्षिक बजेट तथा कार्यक्रम तर्जुमा गर्दा नतिजामूलक बजेट प्रणालीलाई कार्यान्वयनमा ल्याउनु पर्ने । स्थानीय तहको योजना तथा बजेट नतिजामूलक हुन प्रस्तावित बजेटको कुनै खास कार्यमा खर्च (जस्तै, स्थानीय स्वास्थ्य सेवा) तथा हासिल गर्ने लक्ष्य तथा उद्देश्य (जस्तै, गुणस्तरीय स्वास्थ्य सेवामा पहुँच तथा मातृ मृत्युदरमा कमी) बिच बलियो सम्बन्ध भएको हुनुपर्छ । कार्यगत तरिकाबाट खर्च गर्ने गरी बजेट तर्जुमा भएमा यस्तो सम्बन्ध कायम गर्न सहज हुने हुनाले यसको लागि स्थानीय तहको बजेट तथा कार्यक्रम स्थानीय तहको प्राथमिकता प्राप्त विषय क्षेत्रअनुसार हुनुपर्ने;

ग) वार्षिक बजेट तथा कार्यक्रम सहभागिता मूलक प्रक्रिया बमोजिम तर्जुमा गरी समुदायको प्राथमिकता सँगसँगै स्थानीय तहको दीर्घकालीन लक्ष्य सुनिश्चित भएको हुनुपर्ने;

घ) वार्षिक बजेट तथा कार्यक्रमलाई आवधिक योजनासँग जोड्न वार्षिक बजेटसँगै मध्यमकालीन खर्च संरचना तयार गर्नुपर्ने;

ङ) स्थानीय तहले समय सीमाभित्रै वार्षिक बजेट तथा कार्यक्रम तयार गरी तथा स्वीकृत गरेको हुनुपर्ने प्रावधान रहेकोमा अन्तरसरकारी समन्वय सुनिश्चित गर्न स्थानीय तहले आफ्नो बजेट तथा कार्यक्रम कार्यान्वयन SuTRA मा प्रविष्टि गरी सोहीअनुरूप प्रतिवेदन तयार गर्नुपर्ने;

च) स्थानीय सरकारहरूले योजना तथा बजेट तर्जुमा गर्दा सङ्घीय वित्तीय नीतिको अनुसरण तथा वित्तीय हस्तान्तरणका साथ प्राप्त सर्त र मार्गदर्शनहरूको पालना गरी वार्षिक बजेट तथा कार्यक्रम तयार गर्नुपर्ने;

छ) संस्थागत क्षमता र चालु तथा पुँजीगत बजेटबिच सन्तुलन कायम गर्नको लागि कुन वडामा कति बजेट विनियोजन गर्ने भन्दा पनि दिगो विकास लक्ष्यको प्राथमिकताअनुरूप स्वास्थ्य, शिक्षा, कृषि, सिँचाइ, खानेपानी, वातावरण, विपद् जोखिम न्यूनीकरण तथा व्यवस्थापन आदि विषय क्षेत्रहरूमा के कति बजेट विनियोजन गर्ने भनी आधार तय गर्नुपर्ने; साथै वडास्तरको प्रशासनिक खर्चलाई आर्थिक तथा प्रशासनिक खर्चभित्र वा वडालाई एकाइको रूपमा मानेर विनियोजन गर्नुपर्ने;

ज) वार्षिक बजेट तथा कार्यक्रमलाई मध्यमकालीन खर्च संरचनासँग तादात्म्य कायम गर्नुपर्ने;

झ) दिगो विकास लक्ष्य, आवधिक योजना र नेपाल सरकार, प्रदेश सरकारको योजनासँग स्थानीय तहको वार्षिक बजेट तथा कार्यक्रमको तादात्म्य रहनुपर्ने;

३) यहाँको स्थानीय तहको आवधिक योजना र वार्षिक योजनाबिच के-कति अन्तरसम्बन्ध स्थापना भएको पाउनु हुन्छ ? आवधिक योजनाको नतिजामूलक खाकाअनुरूप बजेटको प्राथमिकता निर्धारण र आयोजना तथा कार्यक्रम छनौट हुन सकेको छ कि छैन ?

वार्षिक योजना/वार्षिक विकास कार्यक्रम कार्यान्वयन कार्ययोजना

१) माथिका सबै प्रक्रिया पूरा गरी स्थानीय सरकारले आर्थिक वर्ष सुरु भएको एक महिनाभित्र आफ्नो वार्षिक खरिद योजना र गुरुयोजना स्वीकृत गरी सोअनुरूप खरिद कार्यको व्यवस्थापन गर्नुपर्ने तर्फ यहाँको स्थानीय सरकार कति सफल देखिन्छ? स्थानीय तहले सार्वजनिक खरिद नियमावली तर्जुमा गरी लागु गर्नुपर्ने प्रावधान रहेको छ, यसमा यहाँको स्थानीय सरकारले के-कस्ता व्यावहारिक कठिनाइहरू सामना गर्नु परेको छ?

२) उपभोक्ताहरूको लागत सहभागितामा सञ्चालन हुने आयोजनाहरू उपभोक्ता समितिबाट कार्यान्वयन गर्न प्राथमिकता दिनुपर्ने प्रावधान रहेको छ। यहाँको स्थानीय तहको हकमा उपभोक्ता समितिबाट सञ्चालन हुने/भएका आयोजनाहरूमा के-कस्तो चुनौतीहरू सामना गर्नु परेको छ र उपभोक्ता समिति मार्फत आयोजना कार्यान्वयन गर्दाका फाइदा के छन् ?

३) स्थानीय सरकारबाट स्वीकृत/लगानी भएका कार्यक्रम/आयोजनाहरू, नेपाल सरकार वा प्रदेश सरकारबाट प्राप्त स्रोत साधन मार्फत सञ्चालित आयोजनाहरू, स्थानीय सरकारको क्षेत्रभित्र गैरसरकारी संस्था मार्फत सञ्चालित आयोजनाहरूको अनुगमनका लागि यहाँको स्थानीय तहमा रहेको गाउँपालिका/नगरपालिका/वडा स्तरीय अनुगमन तथा सुपरिवेक्षण समितिको भूमिका के-कति प्रभावकारी रहेको छ? प्रभावकारिता बढाउन के गर्नुपर्ला?

४) ठेक्कापट्टा, सेवा करार, संयुक्त व्यवस्थापन वा गैरसरकारी संस्था मार्फत कार्यान्वयन गर्दाका फाइदा र चुनौतीहरू बारे उल्लेख गर्नुहोस् ।

आयोजना बैङ्क र आयोजनाको छनोट

१) आर्थिक कार्यविधि तथा वित्तीय उत्तरदायित्व ऐन, २०७६ को दफा १७ ले आयोजनाको वर्गीकरण, आधार, मापदण्ड निर्धारण र आयोजना बैङ्कसम्बन्धी व्यवस्था गरेको छ । आर्थिक कार्यविधि तथा वित्तीय उत्तरदायित्व नियमावली, २०७७ को नियम २६ को उपनियम (८) मा राष्ट्रिय योजना आयोगले स्थानीय तहमा आयोजना बैङ्क स्थापना गर्न तथा आयोजनाको पहिचान, मूल्याङ्कन, छनौट तथा प्राथमिकीकरण गर्न आवश्यक सहजीकरण गरिदिन सक्ने व्यवस्था गरी स्थानीय तहमा आयोजना बैङ्क स्थापनाको आवश्यकतालाई औंल्याएको छ । यसैगरी, सङ्घीय बजेटबाट प्रदेश तथा स्थानीय तहमा कार्यान्वयन गरिने आयोजनाहरूको राष्ट्रिय आयोजना बैङ्कमा अनिवार्य प्रविष्टि गर्नुपर्ने र राष्ट्रिय आयोजना बैङ्कमा समावेश नभएको आयोजनाको लागि बजेट विनियोजन गर्न नपाइने समेत व्यवस्था गरी आयोजना बैङ्क स्थापनालाई अनिवार्य बनाइएको छ । यस सन्दर्भमा यहाँको स्थानीय तह कतिको सफल रहेको छ? स्थानीय तहमा आयोजना बैङ्कको प्रभावकारिता बढाउन के गर्नु पर्ला ?

२) राष्ट्रिय योजना आयोग (गठन तथा कार्य सञ्चालन) आदेश, २०७४ को दफा ६ (क) को उपदफा (४) मा लागत लाभ लगायतका विविध विश्लेषणका आधारमा आयोजना बैक (project bank) तयार गर्ने/गराउने प्रावधान रहेकोमा यस्तो आयोजना बैङ्क राष्ट्रिय तहमा मात्रै नभई प्रदेश र स्थानीय तहमा समेत तयार गर्नु जरुरी छ । यस सन्दर्भमा यहाँको स्थानीय तहमा आयोजना बैक बनाउँदा लाभ लगायतका विविध विश्लेषणका आधारहरूलाई कत्तिको ध्यान दिएको पाइन्छ?

३) आयोजनाको पहिचान, अध्ययन तथा विश्लेषण र प्राथमिकता निर्धारणविना नै आयोजना छनौट गर्दा धेरै सङ्ख्यामा हचुवाको भरमा टुक्रे आयोजना छनौट तथा बजेट विनियोजन हुने र यसबाट ठोस उपलब्धि हासिल हुन नसक्ने समस्या विद्यमान रहेकोमा यहाँको स्थानीय तहको हकमा के-कस्तो अवस्था छ टिप्पणी गर्नुहोस् ।

४) नयाँ आयोजनाको हकमा आयोजनालाई प्राथमिकीकरणको आधार र आयोजना कार्यान्वयनको अवस्थालाई तीन—तीन समूहमा वर्गीकरण गरेपछि गुणन विधिको प्रयोग गरेर आयोजनाको सूचीलाई आयोजना तालिका (matrix) मा राखी A देखि E सम्मका विभिन्न नौ श्रेणी क्रममा वर्गीकरण गर्नुपर्ने प्रावधान रहेकोमा यहाँको स्थानीय तहको हकमा यस्तो प्रक्रिया पूरा गर्ने गरेको पाइन्छ कि पाइँदैन ?

५) चालु आयोजनाको हकमा आयोजनामा हुने लगानीलाई खण्डीकरण हुन र दक्षताहीन तरिकाले उपलब्ध रकम तथा स्रोतको उपयोग हुनबाट रोक्न चालु आयोजनाको पुनर्मूल्याङ्कन र पुनः प्राथमिकता निर्धारण गर्नुपर्ने प्रावधान छ । यसका लागि मध्यमकालीन खर्च संरचनामा प्रयोग गरिने

आयोजना प्राथमिकीकरणको आधार तथा विधि प्रयोग गरी चालु आयोजनाको पुनःप्राथमिकीकरण सम्बन्धित विषयगत महाशाखा/शाखा/कार्यालयले गर्नुपर्ने हुन्छ र नयाँ आयोजनाका लागि प्रयोग गरिने आयोजना तत्परता मूल्याङ्कनको प्रक्रिया प्रयोग गरी चालु आयोजना कार्यान्वयनको अवस्थाको लेखाजोखा गर्नुपर्ने हुन्छ । यहाँको स्थानीय तहको हकमा यस्तो प्रक्रिया पूरा गरेको पाइन्छ कि पाईंदैन ?

६) आयोजना कार्यान्वयनदेखि बेरुजु आदि स्थानीय सरकार, नागरिक समाज, लगायत अन्य निरीक्षणकारी भूमिकामा रहेका संस्थागत संरचना (oversight institutions) हरूले अनुगमन गर्ने गरेका छन् कि छैनन् ? छन् भने तिनको प्रभावकारिता कस्तो छ ? हालका वर्षमा बेरुजु बढ्दै जानुका कारण के होलान्? समाधानका उपाय के हुन सक्लान्?

७) बजेटलाई परियोजना कार्यान्वयनसँग जोडेर हेर्दा पारदर्शिता र जबाफदेहिताको परिपाटी कत्तिको प्रभावकारी छ? यसमा थप सुधार गर्न के गर्नुपर्ला ?

थप प्रश्नहरू

१) स्थानीय सरकार सञ्चालन ऐन, दफा १०५ अनुरूप प्रदेश तथा स्थानीय तहले गर्ने काम कारबाहीमा नीतिगत सामञ्जस्य, योजना व्यवस्थापनमा रणनीतिक साझेदारी, साझा अधिकार क्षेत्रको प्रयोग, प्राकृतिक स्रोत साधनको उपयोग र बाँडफाँटसम्बन्धी विषयमा प्रदेश र स्थानीय तहबिच समन्वय कायम गर्न एक प्रदेश समन्वय परिषद् रहने प्रावधान रहेको छ । यहाँको अनुभवमा प्रदेश समन्वय परिषद्को भूमिका के-कति प्रभावकारी पाउनु भएको छ? प्रभावकारिता बढाउन के गर्नु पर्ला?

२) स्थानीय तहमा सार्वजनिक खर्च व्यवस्थापन प्रणाली का मूल समस्या के-के हुन् र यसमा विनियोजन र कार्यान्वयन कुशलता एवम् प्रभावकारिता बढाउन के गर्न सकिन्छ ? यसमा विषयमा अनुसन्धानकर्ताहरूले कस्ता विषयवस्तु र सन्दर्भ सामग्रीमा ध्यान केन्द्रित गर्नुपर्ला ?

३) स्थानीय तहमा चालु र पुँजीगत खर्चमा प्रभाव पार्ने मुख्य कारकहरू के हुन्? किन तुलनात्मक रूपमा चालु खर्चको अनुपात बढी दरमा बढ्ने गरेको छ?

४) स्थानीय तहमा विनियोजित रकम र त्यसमा पनि पुँजीगत खर्च लक्ष्य अनुसार हुन नसक्नुका मुख्य कारणहरू के हुन् ?

५) स्थानीय तहमा अहिले भएका नीतिहरू तथा त्यसका कार्यान्वयन पक्षमा के-कस्ता अन्तर छन् ?

६) सार्वजनिक खर्च व्यवस्थापन प्रणालीको कुशलता एवम् प्रभावकारिताको लागि तीन तहको सरकारबिचको सहकार्य र समन्वयलाई कसरी बढाउन सकिन्छ होला ?

७) स्थानीय सरकारहरूलाई आफ्ना संवैधानिक अधिकारको उपयोग गर्न के कुरा बाधक रहेको होला? संविधानको धारा ६० दफा १ अनुसार यहाँको स्थानीय तहमा राजस्व सङ्कलनका लागि केही उल्लेखनीय तरिकाहरू प्रयोगमा आएका छन् भने उदाहरणसहित लेखिदिनुहोला ।

i) स्थानीय तहको आन्तरिक स्रोतको सम्भावना र परिचालनको अवस्था कस्तो छ? हालसम्म प्रदेशसँगको निर्भरता कति छ र यसले स्थानीय तहको विकास निर्माणमा कत्तिको सकारात्मक योगदान गरेको छ?

ii) सङ्घ र प्रदेश माथिको निर्भरता क्रमशः कम गर्नेतर्फ स्थानीय तहले के-कस्ता पहलहरू गर्दैछ?

८) प्रदेश र स्थानीय तहको योजना कार्यक्रममा दोहोरोपन कत्तिको छ र यसलाई कसरी हटाउन सकिएला?

९) स्थानीय तहको योजना र बजेट प्रक्रियामा निजी क्षेत्रको भूमिका कस्तो छ? बजेट र खर्च प्रणालीले निजी क्षेत्रको लगानी प्रवर्धनमा के-कस्तो सकारात्मक प्रभाव पारेको छ र थप प्रभावकारी बनाउन के गर्नुपर्ला ?

१०) स्थानीय तहको योजना र बजेट प्रक्रियामा नागरिक समाजको संलग्नता र भूमिका के-कस्तो छ ? योजना र बजेटले गैरसरकारी क्षेत्रको प्रवर्धनमा के-कस्तो भूमिका खेलेको छ र अझ प्रभावकारी बनाउन के गर्नु पर्ला ?

माथि नसमेटिएका अन्य थप सुझाव केही छन् कि?

Appendix 5.1: Data and Indicators Used for the Education Sector

NPR, in million

Target of the 15th Periodic Plan on Literacy Rate						
Indicator	**Base Year 2019**	**2020**		**2021**		**Target of 15th Plan 2024**
		Target	**Outcomes**	**Target**	**Outcomes**	
Literacy rate 6+ years	65.9	85	78	88	78	96
Literacy rate 15+ years	58	65	58	75	58	95
Literacy rate 15-24 years	92	92	92	94	88	99

SDG Targets									
Goals	**Indicator**	**2015**	**2019**	**2020**	**2021**	**2022**	**2025**	**2030**	**Sources of Data**
SDG-4	Target 4.6 By 2030, ensure that all youth and at least 95 per cent of adults, both men and women, achieve literacy and numeracy.								
SDG-4	Proportion of population in a given age group achieving at least a fixed level of proficiency in functional (a) literacy and (b) numeracy skills, by sex								
SDG-4	Literacy rate of 15-24 years old (%)	88.6c	91.4			95	98	99	NPHC, NLSS, NLFS

SDG-4	Literacy rate of 15-24 years old (women) (%)	87.4b	90.5			92.8	95.1	99	NPHC, NLSS, NLFS
SDG-4	Public spending per student (Basic education in '000)	15c	19			22	25	30	EMIS
Status/Outcomes									
Literacy Rate		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Literacy rate 6+ years		65.9	65.9	78	78	78	78	78	78
Literacy rate 15+ years		56.5	57	57	57	57	58	58	58
Literacy rate 15-24 years		84.7	84.7	88.6	88.6	88.6	88.6	88.6	88.6
Expenditure									
Expenditure Headings		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Total Expenditure on Education		798409	906895	1085901	450190	26070	394009	371458	426166
a. Pre-primary and Primary Education		283640	284574	442693	3557	317728	4246	4426	4459
b. Secondary Education		142491	143751	115880	0	150	0	0	0
SDG Targets									
Goals	**Indicator**	**2015**	**2019**	**2020**	**2021**	**2022**	**2025**	**2030**	**Sources of Data**
SDG-4	Target 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes								
SDG-4	Proportion of children and young people: (a) in grades 2/3; (b) at the end of primary; and (c) at the end of lower secondary, achieving at least a minimum proficiency level in (i) reading and (ii) mathematics, by sex								
SDG-4	1 Net enrolment rate (NER) in primary education (%)	96.6a	98.5			99	99	99.5	EMIS, NMICS, NLSS, NPHC
SDG-4	2 Primary completion rate (%)	80.6a	90.7			93.1	95.5	99.5	EMIS
SDG-4	3 Proportion of pupils enrolled in grade one who reach grade eight (%)	76.6a	81.5			92	93	95	EMIS

Target of 15th Plan on Enrollment							
Indicator	**Base Year 2019**	**2020**		**2021**		**Target of 15th Plan 2024**	
		Target	**Outcomes**	**Target**	**Outcomes**		
Gross enrollment rate in classes 1-8	93	96	93.4	98	94.7	99	
Gross enrollment rate in class 9-10	46	47	47.6	53	51.2	65	
Percentage of dropouts Class 1-8	3.8	3..4	3.4	2.9	3.4	1	
Percentage of dropouts Class 9-12	2.6	2.1	2.1	1.8	2.1	0.5	
Status/Outcomes							
Indicator	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**		
Gross enrollment rate in class 1	121.9	120.7	127	125.7	115.9		
Net enrollment rate in class 1	96.9	97.3	96.3	95.9	95.7		
Gross enrollment rate in classes 1-5	119.2	118.2	122	129.5	124.8		
Net enrollment rate in classes 1-5	97.1	97.4	96.9	97.1	95.6		
Gross enrollment rate in class 6-8	96.1	104.6	110.71	114.3	116.1		
Net enrollment rate in class 6-8	90.6	92.4	93.33	94.3	94.4		
Gross enrollment rate in grades 1-8	110.4	113.2	118	119.3	121.6		
Net enrollment rate in grades 1-8	93.4	94.7	95.1	96.1	95.2		
Gross enrollment rate in class 9-10	94.6	96.9	97.85	98.4	98.7		
Net enrollment rate in class 9-10	71.4	75.7	76.1	76.4	76.5		
Percentage of dropouts in grades 1-5	3.6	3.5	2.9	2.6	3.2		
Percentage of dropouts grades 6-8	3.8	3.5	3.4	3.3	2.8		
Percentage of dropouts grades 9-10	2.8	2.7	0.8	0.7	1.9		
Percentage of repeaters grades 1-5	6.4	3.3	8.8	7.8	8.7		
Percentage of repeaters grades 6-8	3.8	3.3	1.8	1.4	5.2		
Percentage of repeaters grades 9-10	0	1.8	2.7	2.2	2.2		
Survival rate up to grade 8	79.3	82.2	83.5	83.8	86.3		
Survival rate up to grade 10	60.3	64.6	66.1	66.5	69.6		
Expenditure							
Expenditure Headings	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**		
Salary and allowances of teachers at the pre-primary level	493.3	585.0	598.8	640.5	741.9		
Salary and allowances of teachers at the primary level	53.9	61.7	62.0	79.3	88.4		

Salary and allowances of teachers at the secondary level			136.0	162.8	167.9	178.7	206.2		
School operation and management grant			15.6	16.3	19.1	18.5	19.0		
Free textbook grant for students of public schools			22.1	27.6	33.7	34.0	35.8		
Expenditure up to grade 10			777.2	928.5	990.0	1065.0	1212.7		
Expenditure up to grade 8			641.2	765.7	804.0	864.6	982.5		
SDG Targets									
Goals	**Indicator**	**2015**	**2019**	**2020**	**2021**	**2022**	**2025**	**2030**	**Sources of Data**
SDG-4	Target 4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.								
SDG-4	Proportion of children under 24-59 months of age who are developmentally on track in health, learning and psychosocial well-being, by sex								
SDG-4	Participation rate in organized learning (one year before the official primary entry age), by sex								
SDG-4	1) Coverage of child grant for pre-primary education (number in '000)	506c	596			620	650	700	EMIS
SDG-4	2) Attendance to early childhood education (Gross Enrollment) (%)	81a	85.8			89.4	93	99	EMIS
SDG-4	Target 4. a Build and upgrade education facilities that are child, disability and gender sensitive.								
SDG-4	Proportion of schools offering basic services, by type of services.								
SDG-4	Schools with access to electricity (%)	40				60	75	99	EMIS, NPHC
SDG-4	Schools with access to the internet (%)	3.9c	28.6			47.2	65.8	99	EMIS, NPHC

SDG-4	Basic schools with access to "WASH" facilities (%)	80j	85			88.3	91.9	99	EMIS, NPHC, NWASH MIS
SDG-4	Disability friendly schools (%)					40	65	99	EMIS, NPHC
SDG-4	Target 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes								
SDG-4	Learning achievement/ score (Math) for class 5 (%)	53.3	55			58	63	65	EMIS/ NASA
SDG-4	Learning achievement/ score (Nepali) for class 5 (%)	63	66			70	72	75	EMIS/ NASA
SDG-4	Learning achievement/ score (English) for class 5 (%)	53.6	57			60	63	68	EMIS/ NASA
SDG-4	Target 4.c. By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing states.								
SDG-4	Proportion of teachers with the minimum required qualification by education level.								
SDG-4	1. Proportion of teachers in basic education who have received at least the minimum organized teacher training. (%)	95.5a	96.5			97.5	98.4	100	EMIS, NPHC
SDG-4	2. Proportion of teachers in secondary education who have received at least the minimum organised teacher training. (%)	95.4a	96			97	98.5	100	EMIS, NPHC

Target of the 15th Periodic Plan on Learning							
Indicator	Base Year 2019	2020		2021		Target of 15th Plan 2024	
		Target	Outcomes	Target	Outcomes		
Grade 8 scores:							
Mathematics (Score)	35	42	42	55	42	63	
Nepali (Score)	48	51	51	57	51	66	
English (Score)	41	48	48	55	48	63	
Science (Score)	49	52	52	55	52	63	
Status/Outcomes							
Indicators	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**		
Total number of students in community schools, class 1	596993	648207	581912	569645	530137		
Total number of students in the community schools class 2	494135	524112	528729	496795	462247		
Total number of students in the community schools class 3	474003	496522	511466	504035	459960		
Total number of students in the community schools class 4	464382	484283	475436	485349	460098		
Total number of students in the community schools in class 5	458873	475048	465662	473295	457321		
Total number of students in the community schools in class 6	429587	451742	426307	433959	428674		
Total number of students in the community schools in class 7	431724	450371	431149	438460	428465		
Total number of students in the community schools in class 8	456942	479199	458776	461320	465957		
Total number of students in the community schools in class 9	427133	449040	439888	440420	411956		
Total number of students in the community schools in class 10	367052	390168	393584	391068	375631		
Total number of community schools in Nepal	28833	28941	27890	28761	27963		
Total number of community schools (Basic level 1-5)	11203	10811	15686	16387	15794		
Total number of community schools (1-8)	4481	4392	5026	5190	4964		
Total number of community schools (1-10)	3692	3771	3675	3482	3529		
Total number of community schools (1-12)	3095	3203	3503	3668	3676		

Number of teachers in community schools 1-5		149647	150193	102035	102035	102035		
Number of Teachers in community schools: 6-8		37512	28989	25861	25861	25861		
Number of teachers in community schools: 9-10		26865	27322	19520	19520	19520		
Number of teachers in community schools 11-12		13862	13977	5859	5859	5859		
Results	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
SEE appeared students	405338	437326	445564	463700	475003	482983	484278	495648
SEE passed students	192267	433591	In Grades					
Total passed in subject (SEE examinations)	2018	2019	2020	2021	2022			
English	80399	346132	461399	476771	364325			
Nepali	98852	411039	464511	476141	427519			
Maths	30334	176492	383249	460641	171881			
Science	80973	326804	459206	476591	347394			
Expenditure								
Expenditure Headings		**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**		
Salary and allowances of teachers at the pre-primary level		493.3	585.0	598.8	640.5	741.9		
Salary and allowances of teachers at the primary level		53.9	61.7	62.0	79.3	88.4		
Salary and allowances of teachers at the secondary level		136.0	162.8	167.9	178.7	206.2		
School operation and management grant		15.6	16.3	19.1	18.5	19.0		
Teaching assistance grant for English, Mathematics, and Science subjects in basic level classes (Grades 6-8)				8.6	9.4	12.8		
Teaching assistance grant for English, Mathematics, and Science subjects in secondary level classes (Grades 9-10)				18.1	21.6	24.1		
Free textbook grant for students of public schools		22.1	27.6	33.7	34.0	35.8		
Expenditure up to grade 10		777.2	928.5	990.0	1065.0	1212.7		
Expenditure up to grade 8		641.2	765.7	804.0	864.6	982.5		

Source: Economic Survey, Red Books, MoF of various years, Flash Reports MoEST of various years, Education Information Book various Years, SEE Book various years.

Appendix 5.2: Data and Indicators Used for the Health Sector

NPR, in million

SDG Targets									
Goals	**Indicator**	**FY 2015**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2025**	**FY 2030**	**Sources of Data**
SDG - 2	Target 2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.								
SDG - 2	Prevalence of undernourishment	36.1a	27.3			20.6	14	3	MICS, AHS
SDG - 2	Target 2.2 By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.								
SDG - 2	Prevalence of stunting (height for age <-2 standard deviation from the median of the World Health Organization (WHO) Child Growth Standards) among children under 5 years of age	36d	32			28.6	20	15	NDHS, NMICS, Panel
Expenditure to address Nutritional Deficiencies		**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**		
		4604.2	4313.2	4700.5	3517.2	363.6	523.0		
SDG Targets									
Goals	**Indicator**	**FY 2015**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2025**	**FY 2030**	**Sources of Data**
SDG - 3	By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.								
SDG - 3	Number of new HIV infections among adults 15–49 years old (per 1000 uninfected population)	0.03	0.022			0.018	0.014	0.014	HMIS
SDG - 3	Tuberculosis (TB) incidence (per 100,000 population)	158	85	93	95	67	55	20	HMIS
SDG - 3	Malaria incidence (per 1,000 population)	0.1	0.05			0.04	0.03	0.01	HMIS
SDG - 3	Lymphatic Filariasis cases	30,000	25,100			21,000	18,400	14,000	HMIS
SDG - 3	Dengue cases	728	455			364	228	0	HMIS
Target of the 15th Periodic Plan on Communicable Diseases									

Indicator	Base Year 2019	2020 Target	2020 Outcomes	2021 Target	2021 Outcomes	Target of 15th Plan 2024
Number of new HIV infections (per 100000 uninfected population)	30	22	9.4	22	9.7	17
Tuberculosis (TB) incidence (per 100,000 population)	158	85	91.1	79	91.1	64
Lymphatic Filariasis cases	3.21	0		0	1.55	0
Dengue cases	985	455	22382	425	22382	325

Service Status

Indicator	2019	2020	2021	2022	2023		
Total tested for HIV	237496	147968	176895	376191	558219		
Total HIV positive reported	2298	2416	2944	3270	3046		
Total TB positive reported (rate per 1,00,000 population)	109	93	95	129	126		
Malaria positive reported			377	491	533		

Expenditure to tackle communicable diseases	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
HIV / AIDS		2628.1	3169	2946.3	1718	1613.8		
Tuberculosis (TB)		941.4	719.7	1360.1	1246.5	1292.8		
Malaria		97.7	161.6	278.1	298.9	277.6		

SDG Targets

Goals	Indicator	FY 2015	FY 2019	FY 2020	FY 2021	FY 2022	FY 2025	FY 2030	Sources of Data
SDG - 3	Target 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.								
SDG - 3	Mortality rate attributed to cardiovascular disease, cancer, diabetes, or chronic respiratory disease								
SDG - 3	Mortality between 30 and 70 years of age from Cardiovascular disease, Cancer, Diabetes, or chronic respiratory disease (per 1000 population)	2.8	2.54			2.35	2.15	1.96	HMIS, BoD Report
SDG -3	a) Mortality from cardiovascular disease (per 1000 population)	1.44	1.31			1.21	1.11	1.01	HMIS, BoD Report
SDG -3	b) Mortality from cancer (per 1000 population)	0.67	0.61			0.56	0.52	0.47	HMIS, BoD Report
SDG -3	c) Mortality from diabetes (per 1000 population)	0.27	0.25			0.23	0.21	0.19	HMIS, BoD Report

SDG -3	d) Mortality from chronic respiratory disease (per 1000 population)	0.8	0.73			0.67	0.62	0.56	HMIS, BoD Report
Target of the 15th Periodic Plan on Communicable Diseases									
Indicator			**Base year 2019**	**FY 2020**		**FY 2021**		**Target of 15th plan FY 2024**	
				Target	**Outcomes**	**Target**	**Outcomes**		
Mortality between 30 and 70 years of age from Cardiovascular disease, Cancer, Diabetes, or Chronic respiratory disease (per 1000 population)			2.8	2.54	2.8	2.45	2.8	2.3	
Expenditure to Tackle Non-Communicable Siseases		**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**		
Cardiovascular diseases			3216	3716.5	7522.6	5456.5	7113.4		
Diabetes			313.3	113	1392	770	827.8		
Respiratory Diseases			1609.2	345.7	3090	2305.6	2153		
Total Human Resource		**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**		
		772580	88882	90803	90946	90946	90369		
Doctor		2550	2550	2640	2640	2640	2640		
Nurse		20423	20423	20510	20653	20653	20653		
Kaviraj		570	570	613	613	613	613		
Baidhya		451	693	693	693	693	693		
Health Assistant		1264	12646	14347	14347	14347	14347		
Female Healthcare Volunteers		52000	52000	52000	52000	52000	51423		
Target of the 15th Periodic Plan on Communicable Diseases									
Indicator			**Base Year 2019**	**FY 2020**		**FY 2021**		**Target of 15th Plan FY 2024**	
				Target	**Outcomes**	**Target**	**Outcomes**		
Number of healthcare workers per 100,000 population			1050	4450	881	4450	3080	4450	
Number of doctors per 100,000 population			78	80	78	85	97	100	
Expenditure on Compensation of Employees		**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**		
		19222.1	21626.8	19824.5	17970.8	13820.7	21259.1		

Source: National Health Accounts of Various Years (MoHP), Sustainable Development Goals Revised Indicators (NPC), Mid-term review of 15th Periodic Plan, Economic Survey of various years

नीति अनुसन्धान प्रतिष्ठान
POLICY RESEARCH INSTITUTE

PRI is a think tank of the Government of Nepal established on 26 September 2018 in accordance with the Policy Research Institute Board (Formation) Ordinance with a vision to contribute to effective and responsive public policy for national prosperity. PRI's mission is to establish itself as a credible institution that offers informed public policy and its goal is to generate reliable, evidence-based and transformative knowledge for public policy. Its seven core values – quality, objectivity, integrity, diversity, transparency, accountability and engagement – define its workings.

PRI carries out policy research on all issues and sectors of public policy concerns and recommends to the Government of Nepal what reforms it has to undertake in each of these policy areas. All researches are conducted in accordance with PRI's public policy research process and standard, which form part of a broad policy cycle.

Knowledge management is an important component of PRI. It operates a public policy dialogue forum as a regular mechanism for learning, sharing and debating policy issues. In PRI's belief, public policy formation requires the combination of three types of knowledge: (a) scientific knowledge generated through research and analysis, (b) administrative knowledge gathered through bureaucratic experiences and (c) societal knowledge developed through social and political processes, such as political debates, media advocacy as well as people's experiences.

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