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Public finance management: What can Nepal do to increase public participation?

Harsh Mahaseth
March 26, 2022

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Public finance management (PFM) is the way certain laws, systems, processes, and rules are used by the authority of a state to gather funds, allocate them to different departments and tiers, use them for public spending, and in the end be accountable and transparent about these payments and receipts. This is [done](#) in the [annual budget cycle](#) which shows the environment in which these practices are followed.

The public finance management level of Nepal is similar to other countries of its level in terms of per capita income but has a [slight edge in certain dimensions](#). This could be seen through the Open Budget Survey (OBS) report by the Open Budget Partnership. The [OBS Report](#) 2019 decreased the score of Nepal to 41 in transparency, 22 in public participation and 48 in budget oversight. It discloses the current picture of transparency and accountability of the government in planning the budget and related information to the public.

It means a change is essential. But, how can this be done?

Problems

The reason for Nepal having a low OBS rank was that it failed to publish pre-budget statements and reports around the year in a timely manner which would have explained its policies and outcomes. There is continuing [weak oversight](#) during the planning and implementation stage of the budget in Nepal. No platform [actively engages](#) with underrepresented or vulnerable groups in the consultations provided by the government for the budget, which should be given priority.

Another reason for the low rank could be the influences from the past when budget delays were contributed by political deadlocks. In the present scenario, due to high fragmentation in votes and weak commitment to pursue political reforms, the governments have overarching policy goals which [do not have a consensus](#) on how to be tackled.

Solutions

The transparency and accountability in budget processes of a country can be increased through an [approach](#) known as the open budget, in which a country publishes the data in public platforms for stakeholders to access freely. This can [help](#) in reducing corruption and give us a way of comparing it with other administrations.

We can see Nepal already trying to integrate itself with the approach. A system has been established which unifies the government bank accounts of Nepal, known as the treasury single account (TSA). This processes the budget expenditure in minutes which would have earlier taken hours or even days. There is also a framework of public expenditure and financial accountability that has been established which is [seen](#) as an internationally approved tool to measure the performance of public finance management.

The civil society organisations (CSO) have been supported by the government with the help of the World Bank through the Programme for Accountability in Nepal (PRAN) in which CSO are [trained](#) on accountability tools and ways to inform citizens about budget processes, and the aims and goals of the budget.

Another major way to improve the public finance management situation is the pre-budget submission process for consultation when the budget is being formulated by Nepal's Ministry of Finance. There is also a [provision](#) for a public hearing for budget proposals where citizens can testify. There is, moreover, e-consultation that has been [provided](#) by the ministry for citizens during the implementation of the budget.

The supreme audit institutions are also involved with the public in Nepal during the budget process. The Office of the Auditor General, the Ministry of Finance, and Policy Research and Development Nepal have created a programme of participatory audits at the local level. Hence, the five-year plan of 2016 was audited by the citizens through a group of CSO and in 2017 an [audit was generated](#) for earthquake-affected areas involving eight CSOs.

Next steps

However, there is much more that can be done to improve the status of public finance management in Nepal. This can be seen through what is happening in the state of Assam in India. World Bank project Assam State Public Finance Institutional Reforms (ASPIRe) in 2017 was [established](#) by the state government.

This programme gave way towards a procurement act and increased disclosure for transparency and accountability. An e-budget app was also launched which not only helped in public finance management but also tried to save the environment by saving paper that is discarded in printing books for the budget. The same can be followed by Nepal.

Moreover, the OBS rank [decrease](#) can be rectified by producing reports online and promptly which will at least lead Nepal to reach previous levels of development in the sector. In 2021, Freedom Forum in collaboration with PEFA conducted a consultation for a civic engagement strategy in public finance management in Nepal with about 200 stakeholders.

These people, organisations and groups [suggested](#) recommendations in the current climate of public finance management for the government of Nepal and related CSOs. All these recommendations for more public participation in public finance management can be reviewed by the government leading to their implementation.

Harsh Mahaseth
Saturday March 26, 2022, 9:05 am



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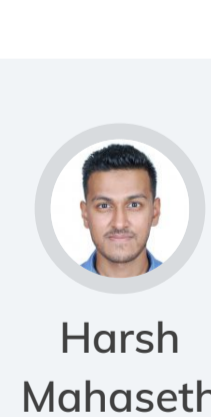
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