

Government restores practice of 3-year expenditure plans

After a gap of 12 years, the government has prepared a separate document of three year projection of spending and project planning. The government will soon table the document Medium-Term Expenditure Framework (MTEF) in the parliament to discuss along with the budget tabled on Tuesday.

The National Planning Commission, the apex body that frames governments' plans and policies, has prepared the MTEF and this is similar to the detailed red book but it has explained details about each projects and its rationale, charted out all the projects according to officials of Ministry of Finance and National Planning Commission.

Finance Minister Yuba Raj Khatriwada is likely to table the document which has already been prepared, officials of Ministry of Finance informed. The document has already been sent for printing on Friday. The MTEF is an instrument which sets the three-year expenditure priorities and budget for each sector plans are widely used in globally for proper budget planning in line with periodic development plans and policies.

Unlike in the past years, it is mandatory for the government to table the MTEF document in the parliament as per Inter- Governmental Fiscal Arrangement Act 2017 endorsed last year. According to the act, the MTEF has to justify rationale behind the project selection, its objectives, and targeted milestones and amounts to be allocated for the projects in the next two fiscal years, and also progress indicators.

“Application of MTEF enables the developments projects more predictable because their budgets for next two years are also spelled out in it,” said Tirtha Dhakal, joint secretary of NPC adding that it makes the budget cycle more dynamic.

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Dhakal also said the budget amount written in the MTEF for priority one (P1) projects for the following years is a kind of assurance and project managements can plan their works accordingly.

The sources of financing as well as its outcomes in figures for each project are stated in the MTEF, which is believed to make a disciplined budget making and proper development planning.

The government of Nepal had started preparing MTEF in 2003 in the tenth plan but was dropped without any clear reason after 2006. The budgetary plans and programs were updated accordingly following year, and some positive effects were visible thereafter, government officials recount. Planners and development experts say this helps to make the budget planning more predictable and practicable than allocating resources without considering the goals set by development plans and also the past budget allocation.

Shankar Sharma, who had introduced MTEF during his stint as vice-chairman as National Planning Commission, said that the budget planning for the three years could not sustain along with changing Prime Ministers and ministers as well as even secretaries after 2006. “Every changing governments wanted to make separate budgets on their own without considering the past works,” revealed Sharma. With the restoration of this MTEF, the budget and planning becomes more sustainable and also aligned with long term plans and goals, Sharma added.

All three tiers of the governments including provinces and local levels also have to prepare their own MTEF in the budget making process. The provinces and locals will soon start budget making process.

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