

Finance ministry to bring budget preparation guidelines for local units

The Ministry of Finance (MoF) is formulating budget preparation guidelines for the local units.

According to the Intergovernmental Fiscal Management Division of the MoF, local units would have to seek resources and allocate budget for the programmes as per the guidelines set by the central government.

As per the preliminary draft of the guidelines, local units would have to present estimates of expenditure for next three fiscals. Similarly, local units would be directed to present a plan of mid-term review of the budget while presenting annual budget.

Local units can estimate their annual budget on the basis of grant from central and provincial governments, revenue collected by them and loan that can be provide by the central government.

“Local units would have to follow some basic criteria while preparing their annual budget. MoF will facilitate them through the guidelines,” Nirmalhari Adhikari, chief of the division, said. Ministry of Federal Affairs and Local Development had set the guidelines for preparing the budget for this fiscal year.

Now, the local units would have to prepare their budget as per the priority of central government and follow the participatory approach while preparing the budget.

“Local units would also have to submit their plans for utilising the local resources while seeking budget. This would help strengthen their capacity as well,” Adhikari said.

As per MoF, local units should present their estimation of budget to central government and MoF within mid-January from 2019. Similarly they would have to present model of budget implementation to the MoF within mid-October every year.

Likewise, the central government will provide the tentative size of grants to the local units before they prepare the budget for next fiscal.

As per the provision of constitution, central government can provide four types of grants — conditional, fiscal equalisation, matching and special — to the local units.

“Each local unit will get fiscal equalisation grant annually. However, not all 753 units may get the three other types of grants. So, MoF will clarify the mode of receiving grants by the local units,” Adhikari said.

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According to former finance secretary Shanta Raj Subedi, nearly 60 per cent of the total budget is required for federal government for committed costs such as national defence, foreign affairs, judiciary, federal administration, interest and debt serving, social security, among others.

“The central government will be under pressure for resource management, which is why a budget preparation guideline is being formulated for the local units,” Subedi explained.

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