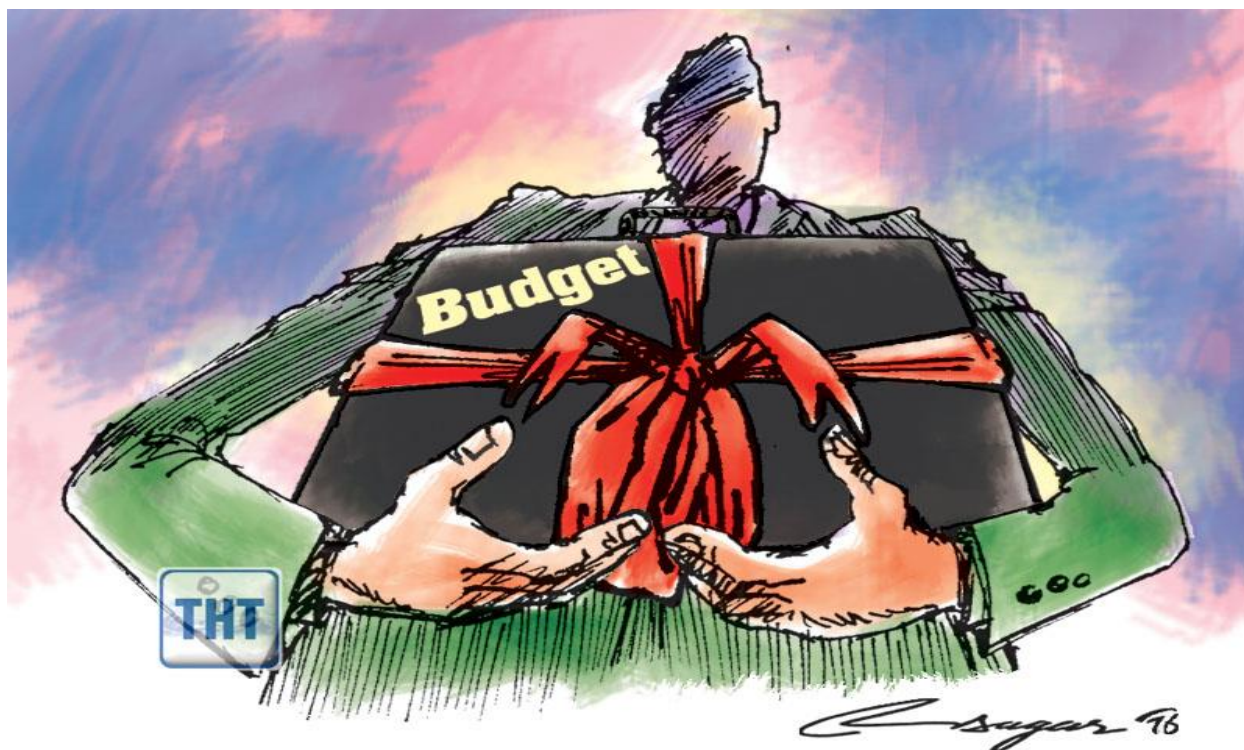


## Provinces receive budget formulation guidelines



The provincial administrations have been given guidance for preparing the budget as the provinces have recently been formed following the recently held provincial assembly election and the schedule to present the budget for next fiscal is drawing closer.

The provincial governments have to present their budget to the provincial assembly (Parliament) by mid-June or a month before new fiscal year. As per provision of Constitution, federal government presents its budget two weeks ahead of the provincial budget and provinces have to give a final shape to their budget by making necessary adjustments as per federal budget.

The local governments have to submit their budget to the budget assembly 20 days ahead of the fiscal year calendar. The provincial governments need to formulate their budget in a similar manner to that of the federal government. The Ministry of Finance of the federal government has drafted the Provincial Fiscal Procedure Act to facilitate the provinces to provide the guidance for budget formulation.

The draft act was initially prepared by the Financial Comptroller General Office (FCGO), with the final touches given by the MoF. "The provincial parliaments can endorse this draft after making necessary adjustments," Damodar Regmi, joint financial comptroller general told *The Himalayan Times*. "Provincial governments are pressed for time as the clock is ticking for formulation of budget."

The draft act has a provision to form a resource committee like in the federal government. The resource committee will determine the need of resources to run the administrative and development works.

## Provinces receive budget formulation guidelines

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While the provinces are independent in planning and budgeting, they require the legal framework for it and the Provincial Fiscal Procedure Act has been drafted to facilitate the process. This draft act has a provision to formulate the annual budget based on the medium-term expenditure framework (MTEF).

MTEF is a tool to estimate three years' revenue and expenditure requirements. The federal government develops budget based on MTEF framework. Under MTEF, the federal and provincial governments have to estimate the resources for the next fiscal budget from the resource committee by mid-February. Likewise, by the end of February, the ministries have to be given the guidance and ceiling of the resources. Budget discussions should be concluded within three months — between mid-March and mid-June.

As financial accountability and transparency is related to the expenditure of lower layers of administration, the draft act has recommended formulation of the 'Financial Responsibility Act', to ensure effective and efficient utilisation of taxpayers' money.

The draft act has incorporated a wide range of issues related to budget formulation process, budget presentation in provincial assembly, providing spending authority to implementing agencies, accounting and reporting of expenses and internal and final audit and settlement arrears.

Source: The Himalayan Times, 22<sup>nd</sup> February 2018