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पोखरा, नेपाल

Budget Analysis of Gandaki Province

(A study of F.Y. 2018/19-2022/23)



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EXECUTIVE SUMMARY

The purpose of the report titled "**Budget Analysis of Gandaki Province** (A study of FY 2018/19-22/23)" is to provide a comprehensive understanding of the budget process in the Gandaki Province of Nepal during the four years of federalism. The report aims to facilitate the Gandaki Provincial Government, its entities, public citizens, and stakeholders in comprehending the trends in budget allocation, revenue collection, and expenditure patterns from fiscal year (FY) 2018/19 to FY 2022/23. Additionally, it aims to assist policy makers, planners, and external development partners in comprehending the funding of policy commitments through the annual work plan and budget within the framework of federalism. The analysis in the report is based on data obtained from various sources, including the Gandaki Province Government's Budget Statements, Red Book, Economic Surveys, stakeholders discussion, research reports, and financial monitoring reports.

The analysis focused on revenue allocation, expenditure priorities, and sector-wise distribution to assess the province's economic development, social welfare, and infrastructure improvement. The revenue allocation analysis revealed a steady growth in revenue sources, with notable contributions from taxes, grants, and fees.

Expenditure priorities were centered on infrastructure development. The budgetary allocations however indicate need for practical commitment to improving human development indicators and enhancing the quality of public services. There is room for further strengthening and streamlining these sectors to ensure optimal utilization of resources. Infrastructure development received significant attention, with allocations directed towards transportation, energy, and urban development. This reflects the province's commitment to improving physical infrastructure to facilitate economic growth and enhance the quality of life for its residents.

Sector-wise distribution revealed a focus on agriculture, tourism, and industry, recognizing their potential for driving economic growth and employment generation. However, it is crucial to ensure equitable distribution of resources across sectors to maximize their impact and promote inclusive development.

The budget analysis highlights the province's efforts in budget formulation and allocation.

It emphasizes the need for continued improvement in transparency, efficiency, and effectiveness in budgetary processes. Strengthening public participation, enhancing revenue collection mechanisms, and conducting regular evaluations of budgetary outcomes are recommended to achieve optimal resource utilization.

Furthermore, the report also analyzes the budgetary allocation as per gender responsiveness, climate responsiveness, and sustainable development goals. The pride projects of Gandaki provinces are also tracked in terms of their physical and financial progress.

Overall, the budget analysis provides insights into the budgetary trends and priorities of Gandaki Province. It identifies strengths and areas for improvement, enabling policymakers and stakeholders to make informed decisions to support the province's sustainable development and address the needs of its citizens effectively.

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1. Introduction

Nepal underwent a significant transformation in its governance structure after the adoption of a new Constitution in 2015. The Constitution introduced a federal system with three orders of government: federal, provincial, and local. Each order has its own elected executive and legislative branches. The Constitution has outlined the exclusive and concurrent powers of each order of government. To effectively exercise their powers, all three orders of government can formulate laws related to their financial capabilities, impose taxes, collect revenue, create annual budgets, develop plans and policies, and implement them. The process of establishing this federal structure began with the formation of seven provinces in 2018 and the subsequent election of provincial governments in 2017 including Gandaki Province.

Since its establishment, the Gandaki provincial government has set up a planning institution and introduced the first Five-Year Plan from 2019/20-23/24 after completing its two budget cycles. The province has been actively implementing their policies and programs and has successfully completed five budget cycles whereas the sixth budget cycle is currently underway. The Gandaki provincial government now has the authority to address region-specific challenges and promote development initiatives tailored to its respective contexts through its own budget. This report provides an analysis of the plans and programs, budget, its expenditure, revenue collection and its progress from Fiscal Year 2018/19 to 2022/23. It also provides issues, learnings and recommendations of the Gandaki Province budgeting process over the years.

2. Gandaki Province Economy

The economy of Gandaki Province has grown steadily from fiscal year 2018/19 to fiscal year 2020/21. The Gross Domestic Product (GDP) at factor price increased from NRs. 340.83 billion in fiscal year 2018/19 to NRs. 380.46 billion in fiscal year 2020/21. This represents a growth rate of 2.56%, 8.84% and 13.49% respectively.

Table 1: GDP of Gandaki Province (in NRs Billion)

GDP	F.Y. 2018/19	F.Y. 2019/20	F.Y. 2020/21	F.Y. 2021/22
Province GDP at Factor Cost	340.827	349.545	380.453	431.802
Province GDP at Base Price		184.375	190.940	201.848
GDP Growth Rate at Consumer Price	6.93%	-0.71%	3.73%	6.17%

Source: Economic Survey-2021/22, Ministry of Financial Affairs, Gandaki Province

The GDP growth rate at consumers price slowed in fiscal year 2019/20 and 2020/21 due to the COVID-19 pandemic. The GDP at factor price increased to NRs. 431.8 billion in 2021/22. The GDP growth rate of Gandaki Province has been higher than the national GDP growth rate in all four years.

Gandaki Province is currently ranked fifth in terms of contribution to the national GDP of Nepal. The province has consistently contributed around 8.8% to 9% of the national GDP in the during the period of analysis. The average contribution of this province is found to be low due to the fact that most of the land is hilly and mountainous and the productive land is less. Since the economic activities in Manang, Mustang, Gorkha, Myagdi Baglung and Parbat areas are traditional and focused on subsistence farming and animal husbandry, it seems that productive economic activities should be increased by increasing investments to improve the existing economic conditions of this province.

As per the economic survey of Gandaki Province (2021/22), the per capita gross domestic product of this province is 1437 US dollars, which is slightly higher than the national average (1372 US dollars). The sectoral contribution to the GDP of Gandaki Province in FY

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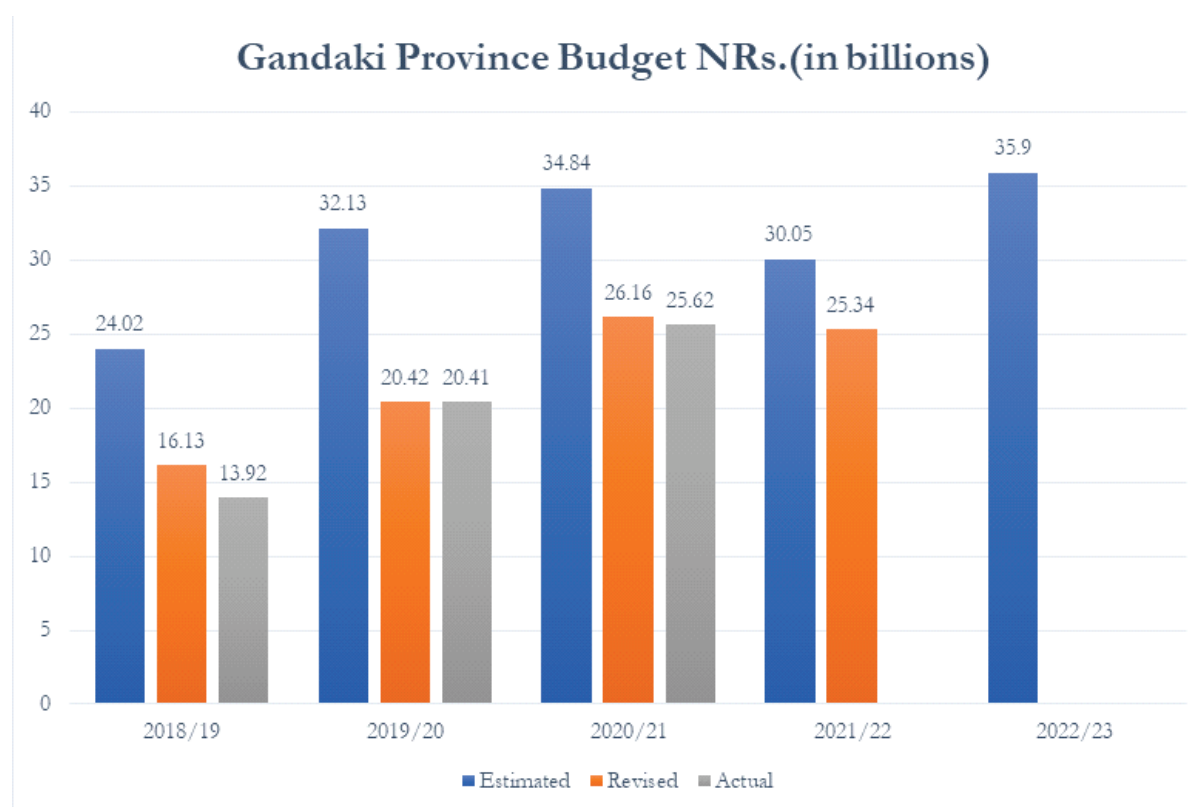
2021/22 shows that education contributed 10.5%, and general administration and defense contributed 10.5%. It seems that wholesale and retail trade, vehicle and motorcycle repair, and construction have a contribution of 9.4%. The service sector, which includes hotels, restaurants, trade, and services contributes the most to GDP at 55.60%, while the agriculture sector contributes 26.80% to GDP.

The data suggests that the economy of Gandaki Province is still an important economic contributor to Nepal. However, the province has room for improvement in order to move up in the rankings. The economy of Gandaki Province has performed well in recent years. However, the province will need to continue to invest in its economy to maintain its growth and contribute to the national economy.

3. Gandaki Province Budget

The data presents the estimated, revised, and actual budget figures for Gandaki Province Government from fiscal years 2018/19 B.S. to 2022/23 B.S. The analysis below highlights the key trends and patterns observed in the budget data.

Figure 1: Gandaki Province Budget from FY2018/19-22/23



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23)

3.1 Trend Analysis Unveiled

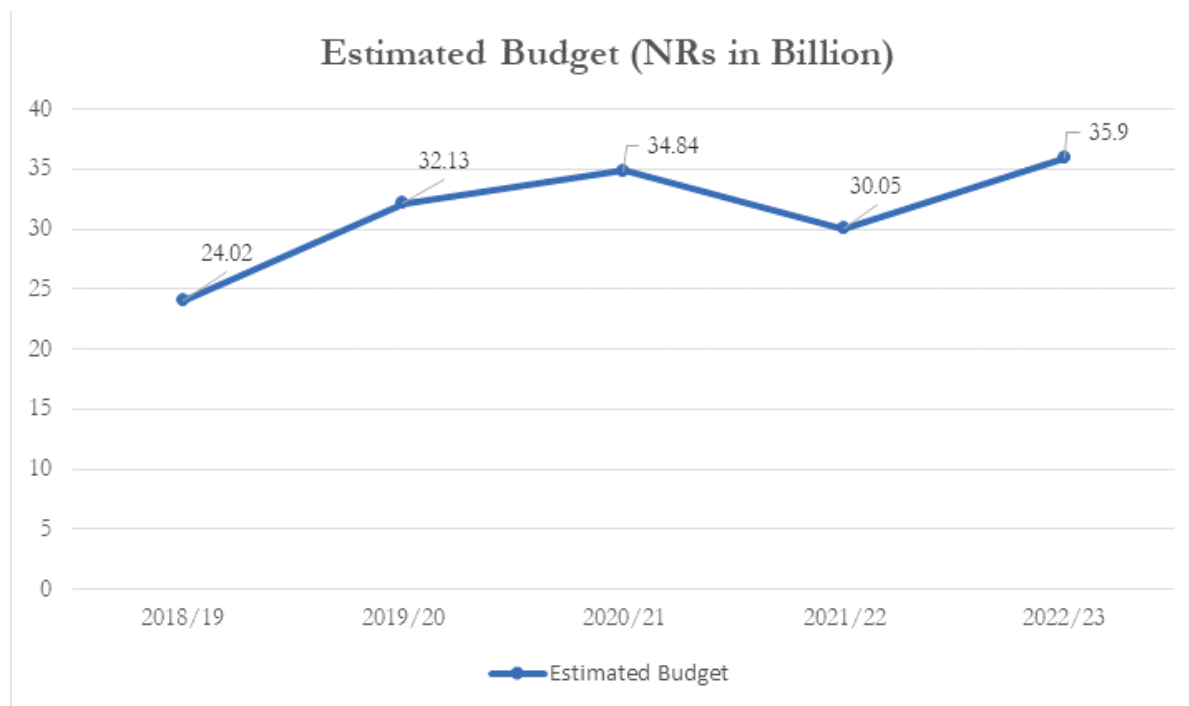
Building the Foundation: An Overview of Estimated Budget Figures

The estimated budget figures show a general increasing trend over the years, starting from 24.02 billion in fiscal year 2018/19 and reaching 35.9 billion in fiscal year 2022/23. This indicates a planned growth in budgetary allocations by the Gandaki Province Government. However, a slight dip was observed in fiscal year 2021/22 with an estimated budget of 30.05 billion. The result coincides with the aftermath of economic impact of COVID-19 pandemic.

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Figure 2: Gandaki Province Estimated Budget (FY 2018/19-22/23)

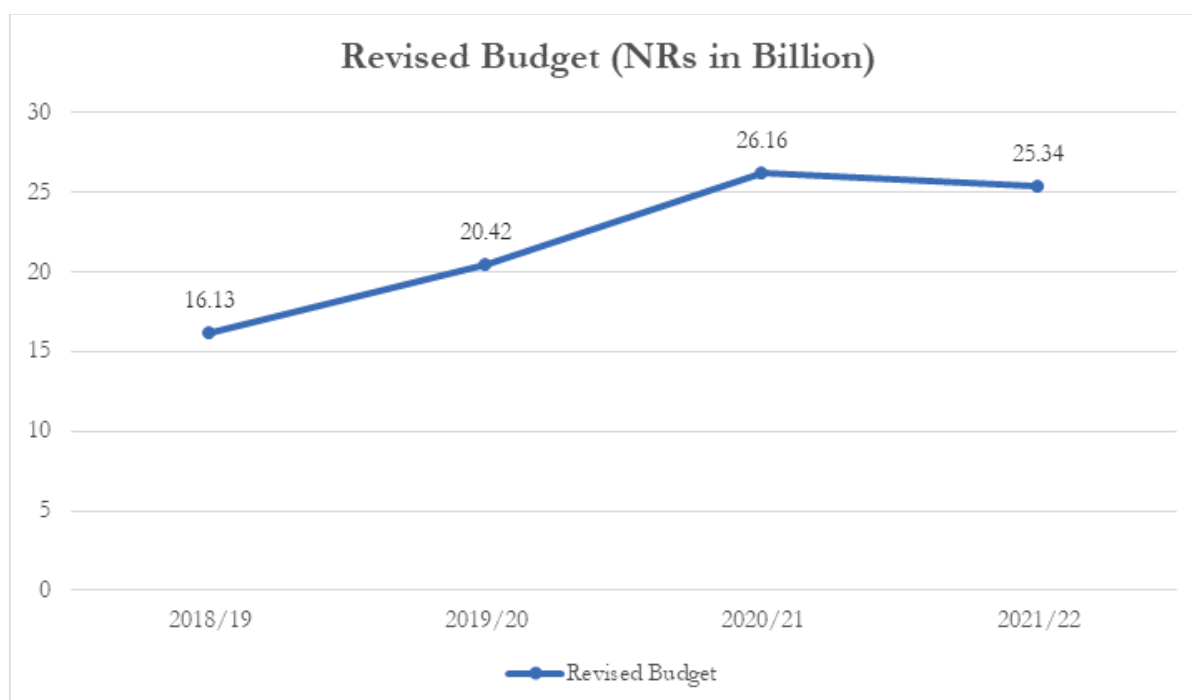


Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23)

Winds of Change: Revealing the Revised Budget Transformations

The revised budget figures, which reflect adjustments made during the fiscal year, also follow a similar increasing trend. The revised budgets range from 16.13 billion in fiscal year 2018/19 to an estimated 25.34 billion in fiscal year 2021/22. In fiscal year 2018/19, the revised budget decreased from NRs. 16.13 billion to NRs. 13.93 billion in the actual budget. This discrepancy suggests challenges in effectively executing the planned budgetary allocations.

Figure 3: Gandaki Province Revised Budget (FY 2018/19-21/22)



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23)

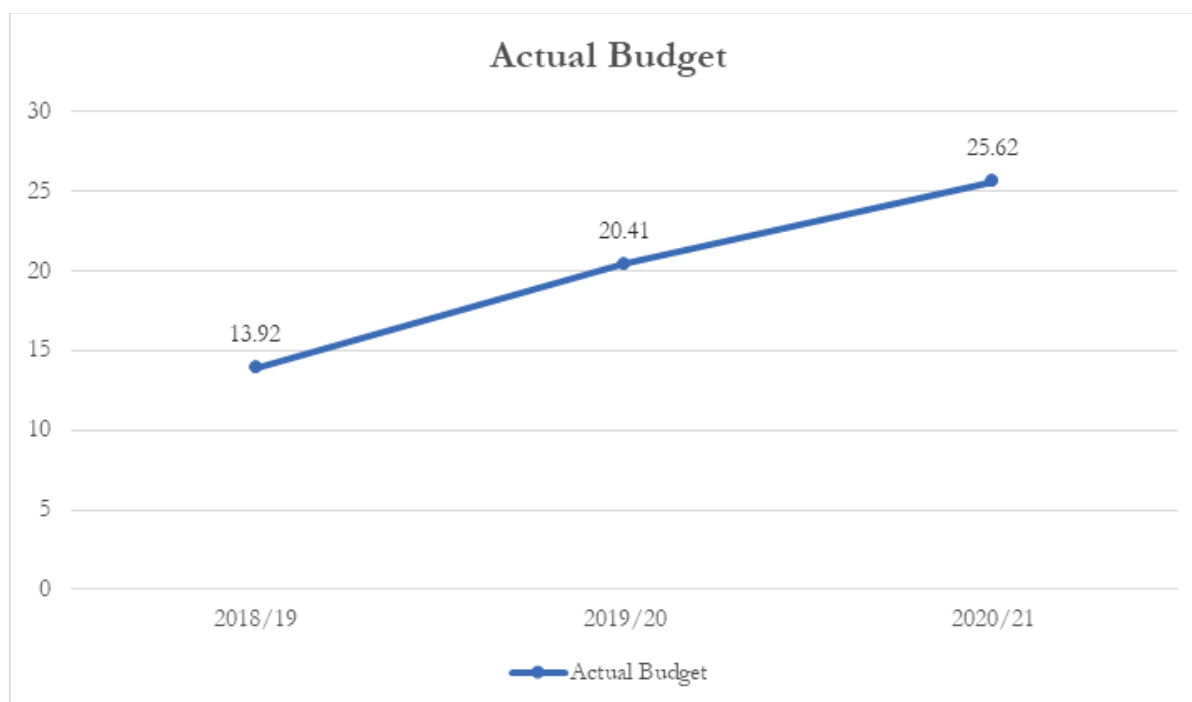
Unveiling Actual Budget Realization

The actual budget figures, representing the final approved budget for each fiscal year, show some deviations from the revised budgets. The actual budgets range from NRs. 13.92 billion in fiscal year 2018/19 to NRs. 25.62 billion in fiscal year 2020/21. The actual budget figures bring forth the culmination of the budgetary process. Fiscal year 2018/19 saw the actual budget approved at NRs. 13.92 billion, deviating by NRs. 2.21 billion from the revised budget. Aligning with the revised budget, fiscal year 2019/20 achieved the desired execution, with the actual budget mirroring the revised budget at NRs. 20.41 billion. Divergence was detected in fiscal year 2020/21, where the actual budget stood at NRs. 25.62 billion, deviating by NRs. 0.54 billion from the revised budget.

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Figure 4: Gandaki Province Actual Budget (FY 2018/19-20/21)



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23)

3.2 Unmasking Differences:

Analysis of the differences shows that the actual budget has been significantly lower than the estimated budget in each fiscal year. In the fiscal year 2019/20, the actual budget was 11.72 billion rupees lower than the estimated budget. The smallest difference in estimated and actual budget is in the fiscal year 2020/21, where the actual budget was 9.22 billion lower than the revised budget. Overall, the gap between estimated and actual budget is high. This alignment suggests ineffective implementation of the budgetary plans of the province.

3.3 Examining Influential Factors

There are a number of factors that could be contributing to the variance between the estimated and actual budgets. These include:

Economic factors: The economy of Gandaki Province has been facing a number of challenges in recent years, including the COVID-19 pandemic, a decline in tourism and a slowdown in foreign investment. This has led to a decrease in government revenue, which

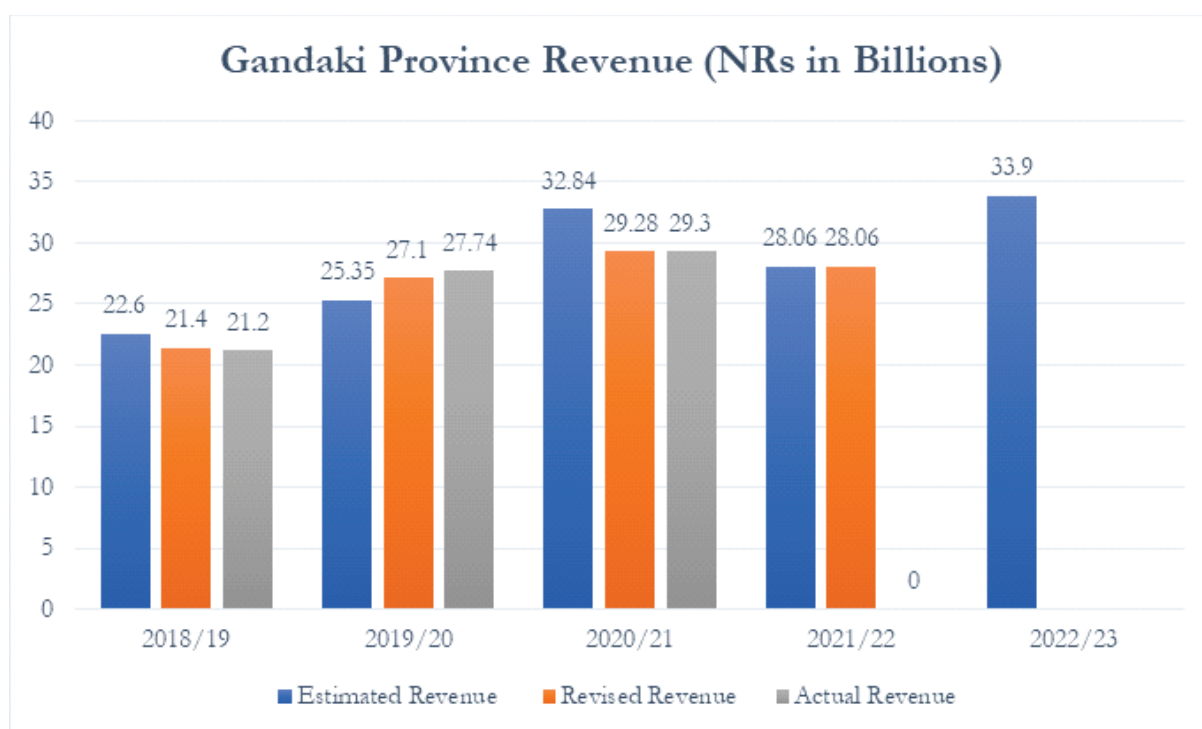
has made it difficult to fund planned expenditures.

Political factors: The government of Gandaki Province is a coalition government, which has made it difficult to reach consensus on spending priorities. This has led to delays in the budget process and a reduction in the amount of funding that is available for certain programs.

Administrative factors: The government of Gandaki Province has a number of administrative challenges, including a lack of qualified staff and a lack of coordination between different government agencies. The lack of commitment of officials and their frequent changes in the provincial deputation, particularly at the secretary level, also has significant negative implications. These challenges have made it difficult to effectively implement the budget and ensure that all of the funds are used in a timely and efficient manner.

4. Revenue

Figure 5: Gandaki Province Revenue (FY 2018/19-22/23)



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23)

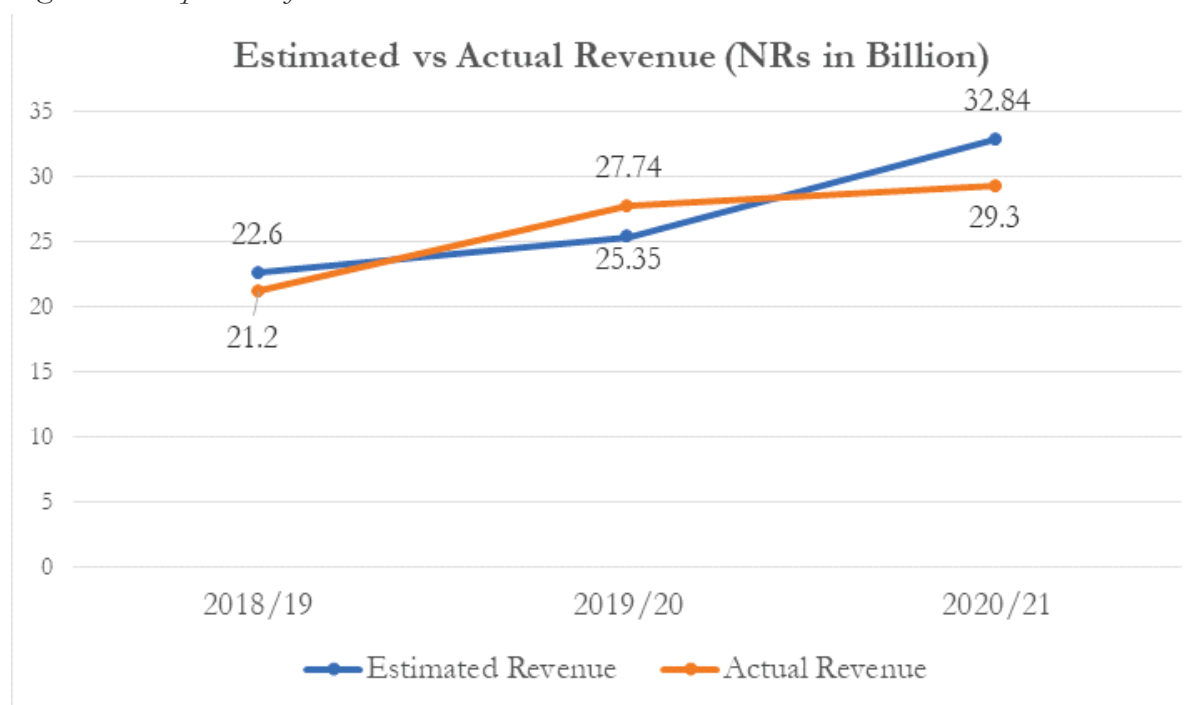
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The estimated revenue shows a fluctuating pattern throughout the given period. It starts at NRs. 22.6 billion in 2018/19 and reaches its peak at NRs. 33.9 billion in 2022/23. However, the actual revenue does not necessarily follow the same trend, indicating a variance between estimates and actual outcomes.

4.1 Estimation vs. Reality: Examining Changes in Revenue Figures

Figure 6: Comparison of Estimated and Actual Revenue



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23)

In 2018/19, the estimated revenue was approximately NRs. 22.6 billion. However, the total revenue trickled down, reaching approximately NRs. 21.2 billion. This is a result of the province relying heavily on federal grants and revenue-sharing because they are just beginning to manage their own resources in this year. The sources of revenue were dependent on the grant and revenue sharing which contributed more than 70% of the revenue. The percentage of grants declined in the coming fiscal years. In the subsequent fiscal year, 2019/20, the estimated revenue rose significantly to NRs. 25.35 billion, while the actual revenue climbed to NRs. 27.74 billion. This is due to the province not being yet able to manage its own resources as well as figure out the amount of revenue that could be collected. In 2020/21, the actual revenue of NRs. 29.3 billion dropped significantly from the

estimation of NRs. 32.84 billion. This negative variance indicates that the province fell short of its revenue targets. The impact of COVID-19 on revenue collection is also evident. This discrepancy between estimates and actuals reveals a substantial difference, highlighting the inaccuracies in forecasting practices as well as impact of COVID-19 affecting revenue generation. Similarly, in 2021/22 the estimated revenue was NRs. 28.06 billion which was revised to the same amount. In the current fiscal year of 2022/23, the revenue of Gandaki Province is estimated to be 33.9 billion.

4.2 Toward a Prosperous Future: Assessing the Potential for Revenue Growth in Gandaki Province

Despite the fluctuations and variances, the overall trend suggests a potential for revenue growth in Gandaki Province. The estimated revenue gradually increased over the years, implying an optimistic outlook for the province's economic prospects. However, it is crucial to improve the accuracy of revenue estimations to enable better financial planning and resource allocation.

4.3 Breakdown of Province's Revenue Sources

Table 2: Break Down of Revenue Sources (NRs in Billions)

Revenue Sources	F.Y. 2018/19	F.Y. 2019/20	F.Y. 2020/21
Province Government's Internal Sources	2.61	2.41	3.21
Equalization Grant	6.78	7.11	7.11
Conditional Grant	4.86	6.02	4.81
Special Grant	0.18	0.86	0.54
Complimentary Grant	0.12	1.11	1.49
Distributed value added tax	4.91	3.71	5.03
Distributed Excise Duty	1.19	1.1	1.45
Received from royalty sharing	0	0.28	0.3
Last year's cash balance	0.83	6.85	5.87
Distribution of vehicle tax	0.395	0.4	0.55
Loan	0	0	0

Source: Economic Survey-2021/22, Ministry of Financial Affairs, Gandaki Province

Revenue Dependence on Federal Grants: The Backbone of Gandaki Province's Finances

The revenue of Gandaki Province has increased by 32.5% from NRs. 18.23 billion in 2018/19 to NRs. 24.12 billion in 2020/21. The most important source of revenue for the province is the Equalization Grant, which is provided from the federal government and remains a major source of revenue of Gandaki Province. It increased by 5.1% from NRs. 6.78 billion to NRs. 7.11 billion. The second most important source of revenue is the Distributed Value Added Tax, which has increased by 2.4% from NRs. 4.91 billion to NRs. 5.03 billion. The third most important source of revenue is the Distributed Excise Duty, which has increased by 22.7% from NRs. 1.19 billion to NRs. 1.46 billion. The data clearly shows that the province's revenue heavily depends on grants from the federal government and the distributed VAT and Excise duty. In the context of the Gandaki Province, the Agricultural Income Tax stands as the sole revenue source falling under its exclusive jurisdiction. Other revenue sources assigned to the provinces are shared with federal or local governments. The Agricultural Income Tax collection by province is yet to be explored and implemented properly by the provincial government.

Challenges in Revenue Powers for Provincial Governments: A Roadblock to Financial Autonomy

The revenue powers of the provinces are inadequate compared to the assignment of functional responsibilities. The Constitution itself has not granted much revenue powers to the provinces, making them dependent on federal grants and transfers, which currently account for more than two-thirds of their total expenditure. Provinces do not have much revenue powers, except those that they have to share with local levels.

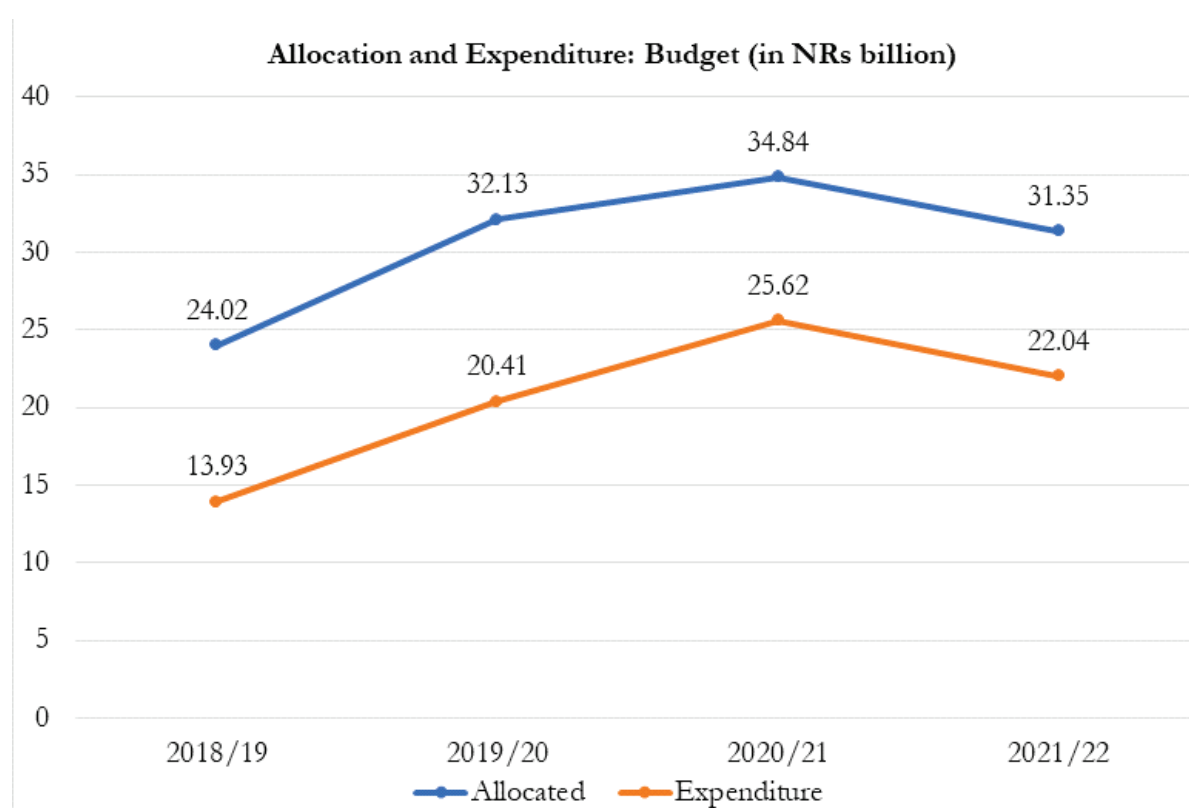
They are heavily reliant on limited sources such as motor vehicle tax and building and land registration fees. The share of province's own source revenue is very low. The province has not completely explored other sources of revenue including those from entertainment and advertisement taxes, income from the sale of services and goods, tourism fees, agricultural income, etc.

The revenue from the Province Government's Internal Sources has been relatively stagnant over the past three years. This suggests that the province needs to focus on increasing its revenue from these sources in order to meet its development needs and become less dependent on external factors to fulfill its budgetary requirements of development.

5 Expenditure

The expenditure of the Gandaki province government has increased from NRs. 13.93 billion in fiscal year 2018/19 to NRs. 22.04 billion in 2021/22. With the objective of laying the foundation for the prosperity of the province, these public funds are spent across diverse sectors such as industry, agriculture, tourism, education, health, social welfare, infrastructure and so on.

Figure 7: Allocation and Expenditure of Budget of Gandalo Province from FY 2018/19-21/22



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23), Consolidated Financial Statement (2019/20-2021/22), Provincial Financial Controller's Office & Study on Budget Implementation and Spending Trends 2022/23, Ministry of Financial Affairs, Gandaki Province

There is an improvement in the budget usage from FY 2018/19 to 2021/22. The Gandaki Province has used most of its budget in FY 2020/21 where 73.54% of the budget is used followed by 73.34% in FY 2021/22. Similarly, In FY 2019/20, the province has used almost 63.52% of its budget followed by 57.99% in its previous year. The government spent less

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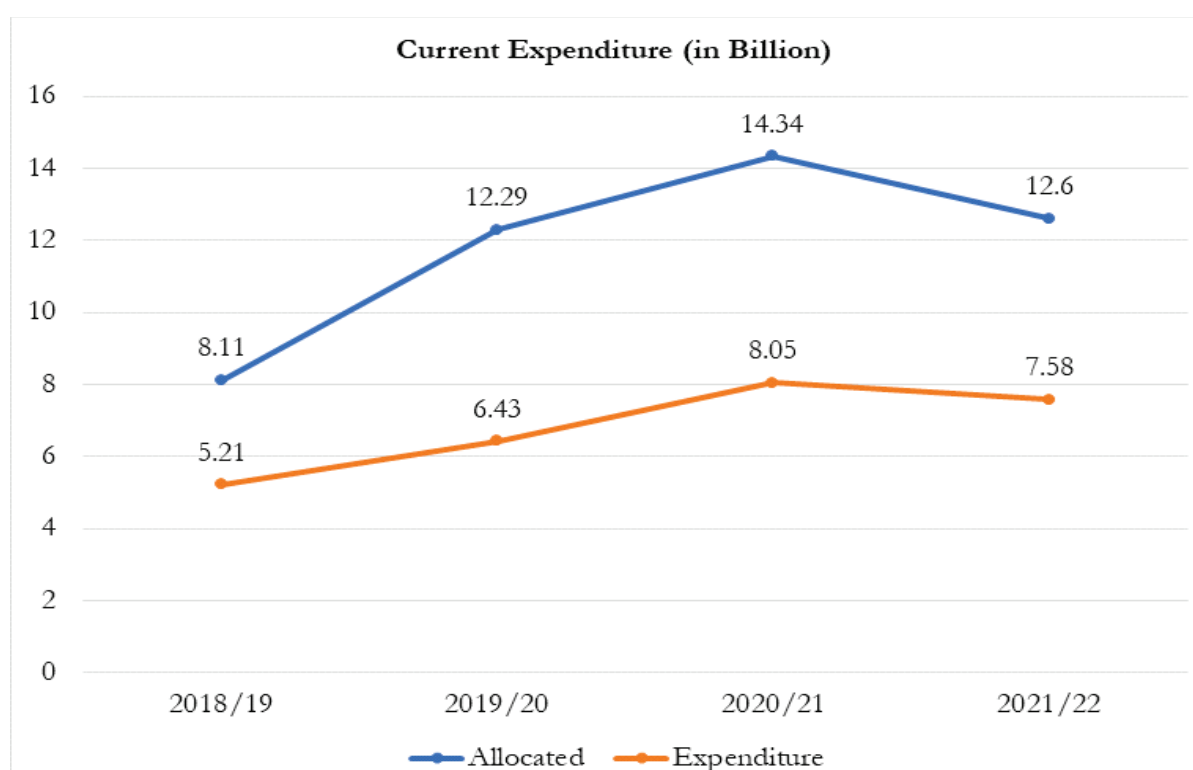
(A study of F.Y. 2018/19-2022/23)

than it anticipated in every financial year starting from 2018/19 to 2021/22. An average of 67.10% of the total allocated budget is spent every year. This suggests that, on average, the province managed to spend around two-thirds of the allocated budget. This interpretation implies that a significant portion of the budget remains unutilized or unspent. It raises questions about the efficiency and effectiveness of budget allocation and expenditure management by the government.

5.1 Unleashing Fiscal Insights: Analyzing Current Expenditure Patterns in Gandaki Province

The allocated amounts indicate the budget set aside for expenditure in each fiscal year. From 2018/19 to 2020/21, there was a gradual increase in the allocated budget, with a peak of NRs. 14.34 billion in 2020/21. However, in 2021/22, there was a slight decrease to NRs. 12.6 billion.

Figure 8 : Allocation and Expenditure of Current Expenditure of Gandaki Province from FY 2018/19-2021/22



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23), Consolidated Financial Statement (2019/20-2021/22), Provincial Financial Controller's Office & Study on Budget Implementation and Spending Trends 2022/23, Ministry of Financial Affairs, Gandaki Province

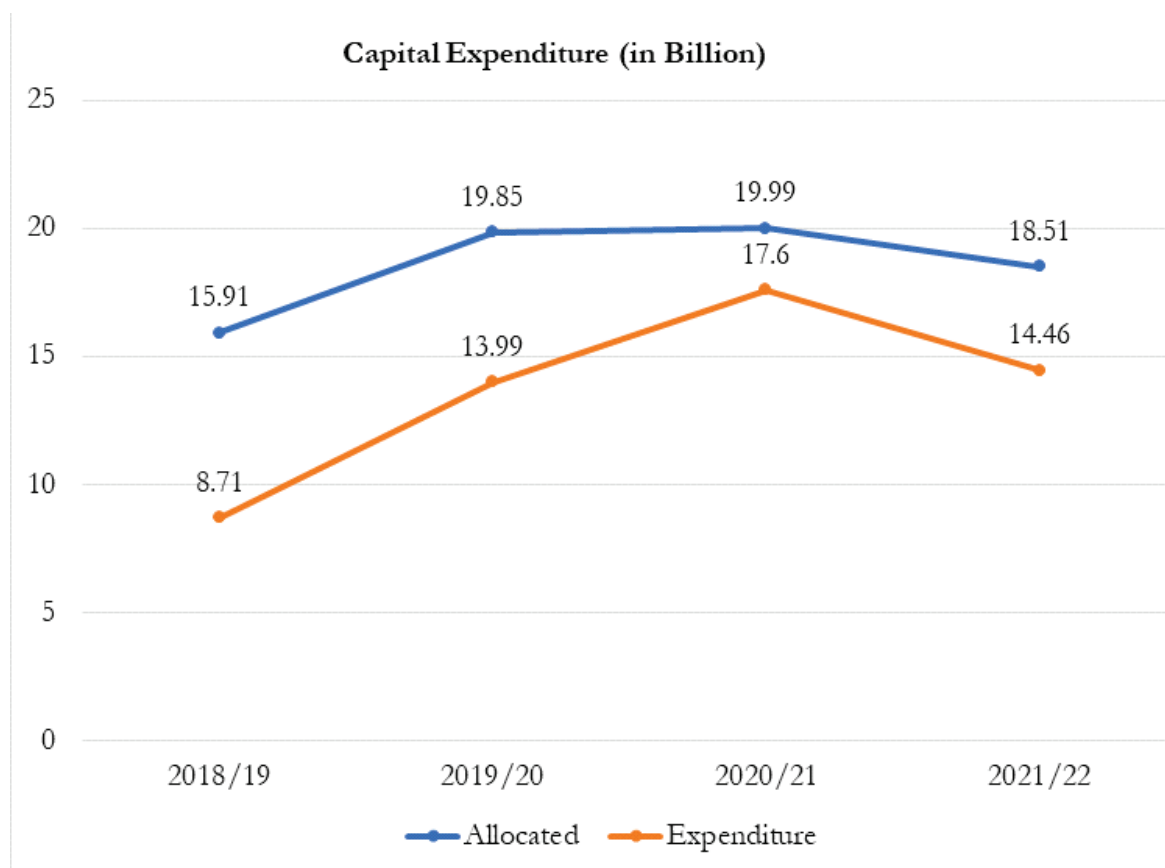
The actual expenditure, on the other hand, showcases the amount of the allocated budget that was utilized. It can be observed that the expenditure figures were consistently lower than the allocated amounts throughout the analyzed period. This suggests that the province did not fully utilize the allocated budget, resulting in unspent funds.

The percentage of actual expenditure compared to the allocated amount varied across the fiscal years. In 2018/19, the expenditure percentage was 64.24% of the allocated budget of NRs. 8.11 billion. The following fiscal year, 2019/20, saw a decrease in the expenditure percentage to 52.31%, representing a utilization of 52.31% of the allocated NRs. 12.29 billion. In 2020/21, the expenditure percentage increased to 55.90%, indicating 55.90% of the allocated NRs. 14.34 billion was utilized. Lastly, in 2021/22, 60.14% of the allocated NRs. 12.6 billion was spent.

The consistently lower actual expenditure compared to the allocated amounts suggests the need for improved budget utilization strategies. The fluctuating expenditure percentages indicate variations in financial management efficiency, with some years demonstrating more effective utilization of the allocated budget than others

5.2 Unearthing the Financial Landscape: Analyzing Capital Expenditure Efficiency in Gandaki Province

Figure 9: Allocation and Expenditure of Capital Expenditure of Gandaki Province from FY 2018/19-2021/22



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23), Consolidated Financial Statement (2019/20-2021/22), Provincial Financial Controller's Office, & Study on Budget Implementation and Spending Trends 2022/23, Ministry of Financial Affairs, Gandaki Province

The allocated amounts represent the budget allocated for capital expenditure in each fiscal year. From 2018/19 to 2020/21, there was a steady increase in the allocated budget, reaching its peak at NRs. 19.99 billion in 2020/21. However, in 2021/22, there was a slight decrease to NRs. 18.51 billion.

The actual expenditure illustrates the amount of the allocated capital expenditure budget that was utilized. Notably, the expenditure figures are consistently lower than the allocated amounts throughout the analyzed period demonstrating that the province was unable to fully utilize the allocated capital expenditure budget.

The percentage of actual expenditure compared to the allocated budget varied across the fiscal years. In 2018/19, 54.74% of the allocated budget of NRs. 15.91 billion was spent on capital expenditure. The following fiscal year, 2019/20, saw a significant increase in the expenditure to 70.47%, signifying a higher utilization of the allocated NRs. 19.85 billion. In 2020/21, the expenditure surged to 87.95%, reflecting a substantial utilization of the allocated NRs. 19.99 billion. Lastly, in 2021/22, the expenditure decreased to 75.14% of the allocated NRs. 18.51 billion.

5.3 Expenditure in FY 2022/23

The total budget allocation for Gandaki Province in fiscal year 2022/23 was NRs. 35.9 billion. Of this, Rs. 13.26 billion (37.1%) was allocated for current expenditure and Rs. 22.14 billion (61.6%) for capital expenditure, and Rs. 0.5 billion (1.4%) was from financial arrangements.

The actual expenditure in the first 10 months of the fiscal year was Rs. 12.11 billion, which is 33.44% of the total budget allocation. Of this, Rs. 5.3 billion (43.8%) was spent on current expenditure and Rs. 6.8 billion (56.4%) was spent on capital expenditure. The budget expenditure of Gandaki province has a history of spending maximum budget in the last two month of fiscal year. The trend of expenditure of the maximum budget in the last two months of the fiscal year seems to continue in this year too. The data on current fiscal year suggests the poor expenditure efficiency continuing in the current fiscal year too.

6 Functional Classification of the Budget

Table 3: Sector wise Allocation of Budget (NRs in Billion)

Sectors	2018/19	2019/20	2020/21	2021/22	2022/23
General Public Service	10.62	7.24	9.09	6.05	5.93
Public Peace Protection	0.06	0.02	0.02	0.01	0.24
Financial Affairs	8.17	18.46	17.43	13.34	18.12
Environmental Protection	0.82	0.59	0.59	1.06	0.43
Housing & Community Facilities	1.42	2.18	2.23	3.49	4.59
Health	1.5	1.05	1.26	2.17	2.76
Entertainment, Culture, Religion	0.11	0.02	0.04	0.38	0.44
Education	0.92	1.03	1.89	1.44	1.69
Social Security	0.41	1.54	2.29	2.11	1.71

Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2018/19-2022/23)

Budget Priorities: Examining the Dominance of General Public Service and Financial Affairs in Gandaki Province

The functional allocation of the budget of Gandaki Province shows that the government is prioritizing General Public Service and Financial Affairs. These two sectors account for an average of 67.1% of total expenditure over the five years. The General Public sector includes Finance related to Executive and Legislative bodies and foreign affairs, basics services and General Research and Development service, whereas the Financial Affairs encompass various domains such as commercial, labor, agriculture, forestry, fisheries, hunting, transport, communication, and other industries.

Neglected Sectors: Uncovering the Challenges Faced by Entertainment, Culture, Religion, and Social Security in Budget Allocation

The least prioritized sectors are Entertainment, Culture, Religion, and Social Security. These sectors account for an average of 1.4% of total expenditure over the five years. These sectors are often seen as being less important than the other sectors, resulting in them receiving a smaller share of the budget. However, it is important to note that these sectors can play a vital role in the development of the province. For example, Entertainment and

Culture can help to promote tourism, which is one of the key drivers of prosperity of the province.

Balancing Economic Growth and Social Welfare: Assessing Budget Allocation in Gandaki Province

Moreover, the budget allocation for two of the most important sectors of development, health and education, allows only relatively low spending. Education accounts for an average of 4.0% of total expenditure over the five years, while Health accounts for an average of 4.5%.

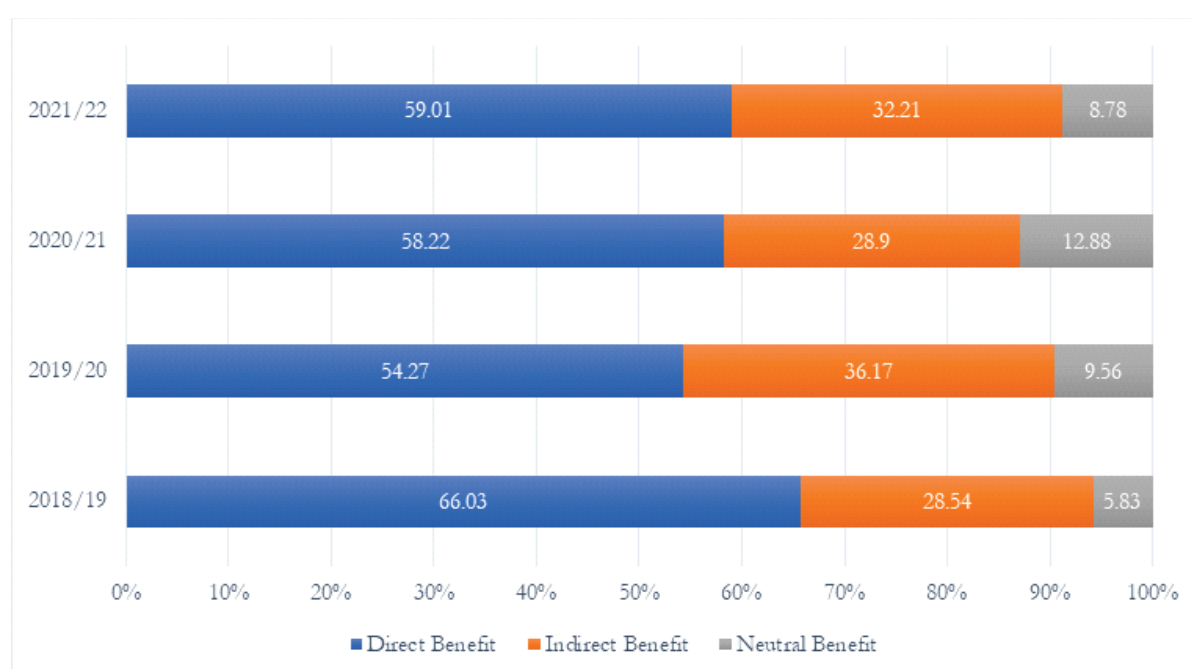
While the budget allocation reflects the priorities and goals of the government, it is important to critically assess the distribution of resources. The relatively low allocation for sectors like Entertainment, Culture, Religion, and Social Security raises questions about the extent to which the province is investing in social and cultural development. It is essential to strike a balance between economic growth and social welfare to ensure holistic development and the well-being of the province's residents.

The functional allocation of the budget shows that the province can only work towards achieving a well-rounded and inclusive development agenda by evaluating and adjusting these budget priorities.

7 Gender Responsive Budgeting

Gender responsive budgeting has been taken as a powerful means to allocate programs and budgets according to the needs of women and men. The Gender Responsive Budgeting System has been implemented since the financial year 2007/08 in Nepal to make the estimation, distribution and use of public funds and resources effective. In 2019/20, the gender responsive guidelines for provinces, which established standards for dividing the budget into categories with direct and indirect advantages for women and men as well as gender-neutral categories, were implemented. Since 2019/20, provincial budgets have been gender responsive. In particular, to increase the meaningful participation of women in decision-making, to distribute proportionate benefits, to qualitatively improve the use of time to increase employment, the Gender Responsive Budgeting System aims to provide direct support to the provincial programs.

Figure 10: Percentage Composition of Direct, Indirect and Neutral Benefits of Budget to Women



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2019/20-2022/23)

In FY 2019/20, 66.03% of the budget was allocated as a direct benefit for gender-specific programs, while 28.54% was allocated as an indirect benefit. In 2020/21, the direct benefit decreased to 54.27%, while the indirect benefit increased to 36.17%. In 2021/22, the direct benefit rose to 58.22%, and the indirect benefit decreased to 28.9%. In the final year, 2022/23, the direct benefit stood at 59.01%, while the indirect benefit was 32.21%.

Compared to all other provinces, Gandaki Province's budget is highly designed to support gender issues ranking first overall in terms of gender responsive budgeting.

The progressive social changes brought about by gender responsive budgeting have increased the number of women who own land, the number of women who work as government schoolteachers, legislators, police officers, micro- and small-business owners, and other occupations. Over the years, various policies have been implemented, including the reduction of land registration fees for properties owned by women, quota systems in the provincial assembly and police, increased accessibility and incentives for maternal health services, safe houses for victims of domestic violence and human trafficking, required restrooms in girls' schools, scholarships to encourage female education, and women-friendly taxation policies. However, significant changes brought about by the gender responsive budget are yet to be seen. The gender responsive budget seems good on paper, but more concrete efforts are necessary to get results in practice.

8 Climate Responsive Budgeting

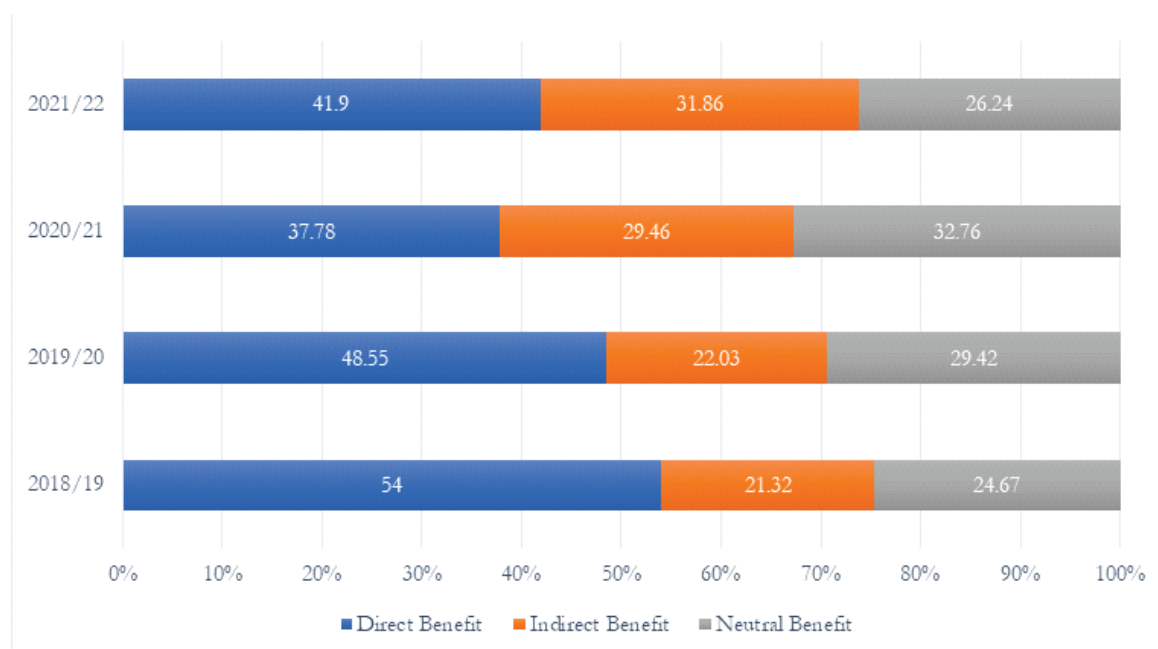
Climate change and its challenges are beginning to emerge in Nepal, and livelihood resources such as water resources, agriculture and food, forest and biodiversity, physical infrastructure, public health and tourism are being greatly affected, so the topic of climate change has become more important and a matter of concern. The Climate Change Policy, 2011 prepared to deal with these problems and improve living standards by reducing the adverse effects of climate change, adapting to the climate, adopting a low-carbon oriented socio-economic development path, and promoting cooperation in accordance with the national and international mechanisms related to climate change.

In view of the need for adapting to and mitigating the effects of climate change, the National Adaptation Program of Action (NAPA) is implemented as a development agenda in accordance with the provisions of the Climate Change Policy, 2011 when implementing all types of programs related to climate change.

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Figure 11: Percentage Composition of Direct, Indirect and Neutral Benefits of Budget in Response to Climate



Source: Budget Statements of Ministry of Financial Affairs, Gandaki Province (2019/20-2022/23)

The data represents the climate-responsive budgeting of Gandaki Province from FY 2018/19 to FY 2022/23, indicating the distribution of resources among direct, indirect, and neutral benefits. Analyzing the table, we observe variations in the allocation of resources over the specified period. In FY 2019/20, the direct benefit accounted for 54% of the budget, while the indirect benefit was 21.32%. However, a substantial portion of resources, 24.67%, was allocated as neutral benefit. In FY 2020/21, the direct benefit decreased to 48.55%, while the indirect benefit slightly increased to 22.03%. The neutral benefit saw a significant increase to 29.42%. In FY 2021/22, the direct benefit further decreased to 37.78%, while the indirect benefit increased to 29.46%. The neutral benefit also increased to 32.76%. Finally, in FY 2022/23, the direct benefit and indirect benefit both slightly increased, to 41.9% and 31.86% respectively, and the neutral benefit decreased to 26.24%. These variations suggest changes in the allocation of resources to address climate-related issues in Gandaki Province, potentially reflecting shifts in priorities or evolving strategies for climate-responsiveness. Except for a few provinces, most notably Gandaki, provincial budgets are climate neutral. Gandaki has demonstrated the biggest direct benefits to climate change in as approximately 45.56% of its total budget.

9 Sustainable Development Goals (SDGs) and Budgeting

Most of the subjects in the list of absolute and shared powers given to the provinces by the Constitution are also related to the sustainable development goals (SDGs). Out of the 16 quantitative goals of sustainable development, with the exception of the 10 quantitative goals of SDG Goal 14, Nepal has implemented a total of 159 quantitative goals and 479 indicators. Notably, 16 goals, 64 quantitative goals, and 139 indicators are directly linked to the provincial level. Provinces are also fulfilling their constitutional responsibilities by implementing sustainable development goals.

Table 4: Allocation and Expenditure of Budget in Reference to SDG Goals (in NRs. Billion)

Goal No.	SDGs	2019/20	2020/21		2021/22		Expenditure status as per allocated budget (%)	
		Budget	Budget	Expenditure	Budget	Expenditure	Budget	Expenditure
0	Not Indicated	3.5	5.01	0	0	0	0	0
1	No Poverty	1.3	0	0	0.28	0.15	0	55.56
2	Zero Hunger	5.8	6.38	5.06	3.75	3.02	79.27	80.67
3	Good Health & Well-being	2.3	2.5	2.06	2.72	1.9	81.62	70.08
4	Quality Education	1.02	0.6	0.25	0.26	0.18	42.36	67.38
5	Gender Equality	0	0	0	0	0	0	0
6	Clean Water & Sanitation	1.6	1.9	2.71	3.64	3.37	137.55	92.58
7	Affordable & Clean Energy	0	0	0	0.13	0.1	0	76.73
8	Decent Work & Economic Growth	0.9	0.72	0.5	0.39	0.31	73.37	79.77
9	Industry, Innovation & Infrastructure	9.4	1.09	10.5	7.5	5.5	96.14	73.67
10	Reduced Inequities	0	0	0	0	0	0	0
11	Sustainable Cities & Communities	0.54	0.25	0.1	0.3	0.23	40.02	76.66
12	Responsible Consumption & Production	0	0	0	0	0	0	0
13	Climate Action	0	0	0	0.18	0.15	0	83.95
15	Life on Land	0.65	0.69		0.73	0.54	71	73.55
16	Peace, Justice & Strong Institutions	2.4	3.6	1.9	6.08	2.76	54.68	45.73

Source: Research Policy Survey of Provincial Public Expenditure Related to Sustainable Development Goals, 2079, Provincial Policy and Planning Commission, Gandaki Province.

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The status of budget allocation and expenditure according to the SDGs from the financial years 2019/20 to 2021/22 was only indexed in the budget.

The budget of the financial year 2019/20 according to the SDGs shows that the budget has not been allocated in the SDG 5, 7, 10, 12, and 13. Looking at the amount of allocated budget according to the SDGs, the highest amount is allocated in SDG 9 (Industry, Innovation and Infrastructure) (NRs. 9.5 billion) and the least in SDG 11 (Sustainable Cities and Communities) (NRs. 5.4 billion). After SDG 9, funds have been allocated in greater amounts in SDG 2, 17, 16 and 3 respectively.

The budget of 2020/21 shows that there is no budget allocation in SDG 5, 7, 10, 12, and 13. The analysis also shows that the highest amount (NRs 10.9 billion) was allocated in SDG 9 and the least amount (NRs 0.26 billion), was allocated in SDG 11, 16, 3, 17 and 6.

Looking at the status of budget allocation and expenditure for the financial year 2021/22, it seems that the budget allocation has been made in all goals except for SDG 5, 10 and 12. The highest budget allocation (NRs. 7.5 billion) has been made in SDG 9 and the lowest (NRs. 0.14 billion) in SDG 7 (Affordable and Clean Energy). On the basis of budget allocation, after SDG 9, respectively, SDG 16, 2, 6, 11, 3 and 4 seem to have more budget allocation.

10 Quantitative Progress of SDG as per the First Five Year Plan

Table 5: Status of Indicators Related to Sustainable Development.

Attainable Goals	Hard to Attain	Unattainable Goals	Not Enough Data
Indicators of Prosperity			
Youth Literacy	Per Capita Income	Economic Growth Rate	Maternal Morality Rate
Enrollment Rate at Basic Education Level	Palma's Ratio	Contribution of Industrial Sector to GDP	
Families with access to electricity	Per-capita electricity consumption per year	Child Mortality Rate	
Families with access to basic drinking water		Hydroelectricity production connected capacity	
Indicators of Happiness			
Children under 5 years of age who are under weight		Percentage of Population in Multidimensional Poverty	
		Percentage of women subjected to physical or mental or sexual violence during their lifetime	

Source: Mid-term review report of the first five-year plan of Gandaki Province (2019/20-2023/24), Provincial Policy and Planning Commission, Gandaki Province.

The Gandaki province government had tried to include the goals of sustainable development while formulating the first five-year plan. Among the 26 indicators of prosperity and 12 indicators of happiness identified by the province, 12 and three indicators, respectively, were found to be comparable to the SDGs. Among the 12 indicators of prosperity directly related to the SDGs, data on maternal mortality could not be obtained. As for the remaining 11 indicators of prosperity, the data of Province Policy and Planning Commission, it was stated that four indicators related to economic growth rate, contribution of industrial sector to gross domestic product, child mortality rate, and hydroelectricity production connected capacity cannot be achieved during the plan period; three indicators - per capita income, Palma's ratio, and per-capita electricity consumption per year - will be hard to attain; and four indicators - youth literacy, enrollment rate at basic education level, families with access to electricity, and families with access to basic drinking water - are attainable goals. Among the three indicators of happiness, only one indicator,

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(children under 5 years of age who are underweight) seems achievable. Two indicators percentage of population in multidimensional poverty and percentage of women subjected to physical or mental or sexual violence during their lifetime do not seem to be met.

11 Pride Project

The initial five-year plan of Gandaki province incorporates 23 projects that hold significant importance for the province, out of which five are considered transformative initiatives. However, it is worth noting that the precise definitions and distinctions between projects of provincial pride and transformative projects have not been officially established yet. Apart from transformative projects, the federal government was supposed to build two of the 18 provincial pride projects, while the private sector intends to build three. The province's budget is intended to be used to complete the remaining 13 projects.

Some of the projects have not yet begun, and the majority are still in the beginning stages. The concept of the Gandaki cow farm and dairy development project has not yet been developed. The source of the investment is still unknown. This initiative is stated to be run by the Provincial Dairy Development Board, but the Development Board has not yet been formed.

The project of constructing a provincial industrial zone in Nawalpur's LokahaKholra and building an integrated provincial administrative headquarters was unable to move ahead due to land acquisition failure. Construction on the provincial police training facility has not yet begun. The building for the provincial administrative center is now in the concept design stage. While the information technology park is undergoing a feasibility study, the Gandaki Technical Institute is currently in the process of preparing its complete project report.

The development of the province cricket ground has not advanced despite the acquisition of land for the project. Similarly, the expected work has not been completed in the e-governance initiative. Construction of the Gandaki University's infrastructure has not fully been completed. However, the work to connect other rural villages to the road network, with the exception of Narpabhumi in the Manang district and Chumanuvri Rural Municipality in the Gorkha district is completed. Additionally, 308 households have received infrastructure construction subsidies as part of the housing expansion and

strengthening project. Similarly, the initiative to be self-sufficient in apples has begun in Manang, Mustang, Gorkha in certain limited places in the northern section, and the Chief Minister's Environmentally Friendly Model Agricultural Village initiative has begun in 87 places.

All three of the projects, which are expected for construction by the private sector, are currently at the detailed project report stage. Overall, it appears that the five-year plan for the province's pride projects is not moving along as quickly as originally anticipated. Implementation of the pride projects has not been given the seriousness that it should given the importance of the projects. It is therefore doubtful that these projects will be finished by the plan's deadline.

12 Issues

Revenue Shortfalls

The actual revenue of Gandaki Province has consistently fallen short of the estimated and revised figures throughout the analyzed period except the year 2019/20. There are a number of reasons behind this issue. A major one being that the province heavily relies on federal grants and transfers due to limited revenue powers granted by the Constitution. It shares these limited powers with local levels and primarily relies on motor vehicle tax and building/land registration fees. Gandaki Province have not fully explored other potential revenue sources like entertainment and advertisement taxes, income from services/goods, tourism fees, and agricultural income. Moreover, the fluctuations observed between the estimated and revised revenue figures indicate a lack of accuracy in revenue projections.

This indicates a potential issue in revenue collection and suggests a need to explore strategies to improve revenue generation. It is crucial for the province to improve its forecasting methods to ensure more reliable estimates, which can aid in effective budget planning and resource allocation as well as exploring untapped revenue sources.

Economic Growth and Stability

The revenue analysis provides insights into the province's economic performance. Fluctuations in revenue figures may be indicative of economic instability or external factors affecting economic growth. Addressing these economic challenges and fostering a conducive environment for sustainable economic growth is essential for revenue generation and budgetary stability.

Reliance on Grants

The analysis reveals that grants constitute a significant portion of the revenue for Gandaki Province. Almost half of the budget of the province is reliant on four federal grants. While grants can provide vital financial support, heavy reliance on external sources may pose challenges in terms of sustain ability and long-term financial stability. Diversifying revenue sources should be considered to reduce dependency on grants.

Inconsistent Revenue Performance

The revenue figures exhibit fluctuations from year to year, indicating inconsistent revenue performance. This inconsistency can make it challenging to establish stable and predictable budgetary plans. The province should focus on implementing measures to stabilize revenue generation and minimize volatility.

Revenue Jurisdiction and Overlaps

Gandaki province is highly dependent upon the federal grants for their budget. The internal revenue generation of the province is not encouraging. As per the Constitution, house and land registration fee, motor vehicle tax, entertainment tax, advertisement tax, tourism, agro-income tax, service charge, fee and penalty fall under the jurisdiction of the provincial government. Likewise, local governments have jurisdiction over local taxes (wealth tax, house rent tax, land and building registration fee, motor vehicle tax), service charge, tourism fee, advertisement tax, business tax, land tax (land revenue), penalty, entertainment tax and land revenue collection. Most of the revenue rights assigned to provincial governments overlap with those of local governments, such as the vehicle tax, land registration fees, entertainment tax and advertisement tax.

Disadvantageous Position of Provincial Governments

Considering the constitutional arrangement of revenue rights, the provincial governments are in a disadvantageous situation compared to local governments. According to the Asia Foundation study report (2021), the vehicle tax (registration and annual fee) and house and land registration fees are the two biggest sources of revenue. However, the provincial governments have to share resources collected from both of these sources with the local governments. Initially, revenue collected from the extraction of sand, stone and pebble mines was supposed to be shared between provincial and local governments as per the Local

Level Operation Act. But, the federal government brought this revenue fully under the local governments' control through the Some Nepal Act Amendments process.

Limited Agricultural Income Tax

Provinces have the exclusive authority to levy the Agricultural Income tax. The revenue collection from agricultural income tax is nominal as the province has not been able to utilize it to collect the maximum revenue possible. To bring intended tangible results, the provincial governments have to start with finding ways to strengthen their revenue collection and then work towards effective implementation and monitoring of their respective activities. In this regard the provincial government should work effectively to transform the traditional mode of agriculture to commercialize farming and other agriculture related activities.

Large Infrastructure Development Projects

Gandaki Province has started to execute large projects of their own, mainly for physical infrastructure development related to tourism, agriculture, education, health, drinking water and sanitation. The capacity enhancement and reconstruction of homestay and Chief Minister Agriculture programme, Ujyalo Gandaki, 'one house one tap' programs for safe drinking water, the establishment of Gandaki University and initiatives towards Gandaki Polytechnic Institute are some notable ones. There is a need of capacity enhancement for effective performance of these areas.

Small Budget Programs

Gandaki Province continues to make provisions for petty programs with small budgets. They have been carrying out many small programs below NRs. 10 million, most of which are focused on distribution. Moreover, the programs mentioned in the Annual Development Programs of the province are very large in number, but most of the projects have a very small amount budgeted to them. For example, Rs. 5 lakhs has been allocated for tens and hundreds of 'small sports' ground all over the province, but there have not been significant budget allocations highlighting significant sports' projects. By agreed principle, provinces should not undertake projects and programs below the ten million thresholds; these should be delegated to local governments.

Critical Budget Freezing Issue

The problem of budget freezing is very critical for the economic growth of the province. Almost 30-40% of the budget is unspent every year. The efficiency of the province government in terms of budget utilization is also questionable due to the ongoing trend of poor utilization of allocated funds.

Weaknesses in Budgeting and Accounting Practices

The Office of Attorney General (OAG) audit report highlighted some of the weaknesses in provincial budgeting and accounting practices, including non-compliance in preparing the consolidated financial statements on time, the practice of refunding unspent conditional grants, a high frequency of programs, the practice of keeping big amounts of inappropriate funds in the provincial budget, and direct procurement in the provinces. Among other things, the OAG report states that provincial programs were not formulated as per the SDGs, periodic plans, and the Mid-term Expenditure Framework (MTEFs).

Ineffective Program Implementation

Budgeted programs are implemented without sufficient preparation and have not been able to yield high returns. None of the major pride projects of the province have been completed and some have not even started yet. It seems that the initiated pride projects will not be completed by the specified time. Moreover, the province tends to spend the most in the last quarter, which is more than the first three quarters combined. It may be due to delay in the execution process and lengthy procurement regulation. This shows clear shortcomings in inter-agency coordination, leading to difficulties in program implementation and achieving results.

Lack of Transformational Policies in Provincial Plans

Provincial plans lack transformational policies and programmes and look like the replication of national plans, appearing to be plans for planning's sake. Most provincial plans are without a concrete vision for rapid transformation that will boost economic growth and employment opportunities. The plans' targets are somewhat unrealistic and difficult to achieve, and they have weak accountability mechanisms for implementation.

Imbalance in Resource Allocation

The Province executes too many petty programs, mostly for securing multiyear commitments. Small programs are proposed without clear guidelines for multiyear budgeting and without introducing the practice of source assurance and commitment accounting. This may create an imbalance in resource allocation in future budget.

Unspecified "Miscellaneous" Expenses

The Province keeps chunks of unspecified “miscellaneous” expenses without detailing activities. It raises concerns regarding transparency and accountability. The lack of detailed information makes it difficult for citizens, stakeholders, and auditors to assess the allocation and utilization of public funds. This opacity hinders the determination of whether these expenses are justified, necessary, or aligned with the province's priorities and objectives. Moreover, the absence of specific details creates a risk of misusing or abusing public funds. Without clear guidelines and oversight, these expenses may be directed towards non-essential or unauthorized activities, potentially leading to corruption. Ensuring transparency and providing detailed information is vital to foster trust and ensure responsible public financial management.

Lack of Project Guidelines and Institutionalization

There are no clear guidelines for project selection, prioritization and multiyear budgeting. Such absence of project guidelines can lead to inefficiencies and inconsistencies in resource allocation, as decisions may be made without proper evaluation or consideration of long-term implications. It becomes challenging to ensure that projects align with the province's goals and objectives, and that resources are allocated effectively to achieve desired outcomes. Moreover, the projects banks are yet to be institutionalized.

Challenges in Prioritizing Cross-Cutting Issues

The province has encountered challenges when it comes to prioritizing cross-cutting issues. Both gender-responsive and climate change budgeting practices are often treated as formalities rather than being considered as high priorities for provincial governments. These issues may not receive the attention and resources they require to effectively address gender disparities and mitigate the impacts of climate change. As a result, gender-responsive and climate change initiatives have not been adequately integrated into provincial budgets and policies, which is observed by the lack of impact and effectiveness in

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the society. Moreover, similar issue is prevalent in the budget allocation as per the Sustainable Development Goals. It is crucial for provinces to recognize the significance of these cross-cutting issues, prioritize them in budgetary allocations, and develop robust strategies that align with national and provincial goals to achieve sustainable and inclusive development.

13 Lesson Learned

- i. Although it is an initial phase, the Gandaki Province has taken significant steps in institutionalizing and implementing various aspects of fiscal federalism. This includes establishing clear mechanisms for revenue assignment, expenditure assignment, intergovernmental fiscal transfers, and revenue sharing. By doing so, the province has laid the foundation for a decentralized fiscal system that can empower local governments and promote balanced regional development.
- ii. Gandaki Province has led the process of building out the province's first five-year plan which seems comprehensive in scope and novel in identifying key areas of priority for development of the province. The plan goes beyond a mere document of projects by considering the unique characteristics and needs of the province, identifying specific sectors and thematic areas for focused investment. This allows for effective resource allocation and decision-making. The plan, in paper, promotes a holistic and integrated approach to development. Overall, the province's first five-year plan showcases its commitment to strategic and inclusive development, serving as a roadmap for sustainable growth.
- iii. The province has also made significant progress in establishing the necessary institutional and legal framework for effective planning and budgeting processes. This ensures the setting of a fundamental pillar for development initiatives to carry out smoothly and in accordance with established guidelines and procedures. By putting these structures in place, the province can foster accountability, transparency, and

efficiency in resource allocation and project implementation. The institutional and legal framework provides a structured approach to planning and budgeting, enabling better coordination among stakeholders and facilitating the effective utilization of resources. Overall, this progress demonstrates the province's commitment to responsible and effective governance in driving its development agenda.

- iv. A significant achievement of the province lies in its ability to streamline mechanisms and coordinate stakeholder interests for the overall development of the province. Through a analysis of the province's strengths and weaknesses, key sectors and province pride projects have been identified. This approach ensures that development efforts are targeted towards areas where the province has a competitive advantage or potential for growth. By aligning stakeholders' interests and coordinating their efforts, the province can maximize the impact of its development initiatives. This success demonstrates the province's commitment to strategic planning and inclusive decision-making, fostering a collaborative approach to achieving sustainable development.
- v. The province has gained valuable insights into the key challenges and major bottlenecks in its development process. Two prominent issues that have been identified are the lack of self-sufficiency in financial resources and the availability of key human resources. The province has recognized that limited financial resources can hinder the implementation of envisioned development programs and projects. Additionally, the availability of skilled human resources has been identified as a critical factor in effectively carrying out these initiatives. While these challenges are acknowledged, it is important to note that they are not impossible.
- vi. The coordination between federal and provincial programs as well as between provincial and local level development programs and projects is one of the felt necessities. While doing the necessary research and preparation for this paper, it was found that leaders and administrators still have a centralized mindset and have not internalized the value of the state's federal restructuring.

14 Recommendations

Expand Revenue Base

The province should focus on expanding its revenue base by exploring untapped sources such as entertainment and advertisement taxes, income from services and goods, tourism fees, and agricultural income. This can diversify the revenue streams and reduce dependency on federal grants. Secondly, improving revenue forecasting methods is essential to provide more accurate estimates and enable better budget planning and resource allocation. Implementing modern data-driven techniques and leveraging technology can enhance the accuracy of revenue projections. Lastly, strengthening tax administration and enforcement measures, such as improving tax compliance and reducing tax evasion, can help increase revenue collection from existing revenue assignment. By adopting these strategies, Gandaki Province can mitigate revenue shortfalls and enhance its financial stability.

Pursue to balance provincial budget allocation:

The province is currently prioritizing physical infrastructure development, which has resulted in relatively lower allocations for social sectors. To ensure a balanced approach to budget allocation, there is a need to strike a fair distribution across various sectors. While physical infrastructure is essential for economic growth, it is equally important to invest in social sectors such as education, healthcare, and social welfare. These sectors play a crucial role in enhancing human development, improving quality of life, and promoting social inclusion. By considering the long-term benefits of a well-rounded development approach, the province can strive to achieve a more equitable allocation of resources, addressing both physical infrastructure and social sector needs for the overall well-being of its residents.

Develop guidelines for the selection and prioritization of projects

The province should establish clear and comprehensive guidelines for the selection and prioritization of projects. These guidelines should include detailed criteria that consider various factors such as the project's alignment with development goals, potential impact, feasibility, and sustainability. They should require thorough resource estimates, including financial, human, and material, to assess project viability accurately. Moreover, the guidelines should emphasize realistic rates of return, evaluating potential economic, social, and environmental impacts. Stakeholder consultations and cost-benefit analyses must be integrated into the process. Transparency and accountability should be prioritized, ensuring fair and unbiased project selection. These guidelines will foster efficient resource allocation,

maximize project outcomes, and drive sustainable development across the province.

Develop guidelines for multi year programs and projects

The province should develop guidelines for multiyear programs and projects to enhance resource management and improve cash planning and forecasting. By implementing commitment accounting, the province can ensure future liability for contracts executed, providing a clear understanding of financial obligations beyond the current fiscal year. This approach allows for effective management of resources, as it enables better planning and allocation of funds over multiple years. Commitment accounting assists in accurate cash flow projections, facilitating informed decision-making and reducing the risk of financial shortfalls. By establishing these guidelines, the province can enhance fiscal discipline and ensure long-term financial sustainability in executing multi year programs and projects.

Discourage unallocated miscellaneous budgets

It is important for provinces to discourage the practice of allocating budgets under vague "finance miscellaneous" headings without providing detailed information about the programs. This practice lacks transparency and accountability as it does not provide clarity on how funds are being allocated and utilized. Without elaborating on the specific programs or initiatives, it becomes difficult for stakeholders and the public to assess the purpose and effectiveness of these budget allocations. By discontinuing this practice and instead providing clear and specific details about the programs, provinces can enhance transparency, facilitate proper evaluation, and ensure responsible use of public funds.

Improve the quality of economic surveys

The economic survey of the Gandaki province often lack data on key economic indicators, such as employment, income, tourism etc. This makes it difficult to track the progress of the province and to identify areas that need attention. The data from the surveys is often inconsistent, making it difficult to compare the province to other provinces or to national trends. This is due to a number of factors, including different methodologies and data collection procedures. The surveys also often lack in-depth analysis of the data, which makes it difficult to understand the drivers of economic growth and to identify the challenges that the province faces. The surveys also often do not provide policy recommendations, which makes it difficult for policymakers to use the information from the surveys to develop effective policies.

By collaborating with relevant counterparts and national-level agencies, the surveys can be

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conducted more effectively, ensuring accuracy and reliability of the information. Publishing these surveys will enhance transparency and enable stakeholders to understand the economic context behind the budget proposals, promoting better fiscal planning and resource allocation.

Make the planning process participatory and bottom-up

To enhance the effectiveness and inclusivity of the planning process, the Gandaki Province government should adopt participatory and bottom-up approaches. Making the planning process participative involves actively involving citizens and stakeholders in decision-making, allowing them to contribute their perspectives, needs, and aspirations. This fosters a sense of ownership and empowerment among the people, as their voices are heard and considered. By embracing bottom-up planning, communities identify their own priorities and development needs from the local level. This approach ensures that planning is demand-driven, responsive to local realities, and tailored to specific contexts. By embracing participatory and bottom-up planning, provincial governments can ensure that development initiatives align with the actual needs and aspirations of the people they serve.

Institutionalize the system of project banks

Institutionalizing the system of project banks requires provinces to develop technical and managerial capacity. This will enable the province to effectively implement its own project bank, which serve as repositories for project proposals and facilitate streamlined project selection and financing processes.

Discourage petty programs

Provincial governments often find themselves involved in executing numerous small-scale programs and projects that could be better handled by local governments. To ensure effective resource utilization and maximize impact, it is essential for provinces to prioritize strategic and transformative programs and projects. By delegating smaller programs to local governments, provinces can concentrate their efforts on larger-scale projects that have a greater potential for driving significant change and development. This approach allows for better coordination, efficient use of resources, and empowers local governments to address community-specific needs effectively.

Set criteria for designating provincial pride projects

The province should establish clear criteria for designating provincial pride projects, supported by evidence. These criteria could include factors such as the project's potential

for significant economic impact, its alignment with the province's development goals, its contribution to job creation, and its ability to address pressing social or infrastructure needs. By setting these criteria, the province ensures a transparent and objective process for identifying projects that truly deserve the "provincial pride" designation. Evidence-based decision-making helps prioritize projects that have the greatest potential to bring pride, development, and long-term benefits to the province and its communities.

Implement guidelines for gender-sensitive budgeting and climate resilient programs

It is crucial to properly implement guidelines for gender-responsive budgeting and climate resilient programs. These guidelines will provide a framework for integrating gender considerations into budgeting processes and decision-making, ensuring that resources are allocated in a way that addresses gender disparities and promotes gender equality. The guidelines for climate resilient programs will also outline strategies for mitigating and adapting to the impacts of climate change, enabling proactive measures to enhance resilience and sustainability. By implementing these guidelines, provinces can strengthen their commitment to inclusivity and environmental stewardship, fostering more equitable and sustainable development.

Improve public disclosure and transparency

To enhance public disclosure and transparency in government finances, the development of an integrated IT system is crucial. This system would consolidate and publicly disclose daily financial information from all government agencies at various levels. By centralizing financial data in an accessible and user-friendly manner, citizens, stakeholders, and auditors can easily access and monitor government spending. This increased transparency fosters public trust and accountability, allowing for effective oversight and scrutiny of financial activities. Such a system ensures that financial information is readily available to the public, promoting open governance and responsible fiscal management.

Implement external audit recommendations

To enhance accountability and address audit irregularities, the province should prioritize the implementation of external audit recommendations. This includes introducing performance or output budgeting to ensure resources are allocated efficiently and effectively. Controlling unproductive expenditure is crucial to eliminate wasteful spending. Prioritizing projects based on their importance and impact enables the province to focus

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resources on key areas. Effective monitoring and internal control systems are essential to ensure transparency and prevent fraud or mismanagement. By taking these measures, the province can improve financial governance, hold offices accountable, and promote responsible and effective use of public funds.

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Annex : I

Province Pride Projects

S.N.	Name of Province Pride Project	Purpose of the project	Ministry implementing the project
A. Provincial Pride Projects to be built by the public sector from the provincial budget			
1	Construction of Road to connect Provincial Headquarter to Local Level Centers	To build road of about 1,260 k.m. long, Track will be opened in the places where there is no track. Gravel will be added to the weathered roads and black top will be added to the gravel roads.	Ministry of Physical Infrastructure Development & Transport Management
2	Integrated province administrative center construction project.	Building a model provincial administrative center that will accommodate all provincial ministers and other provincial level offices in one place	Ministry of Physical Infrastructure Development & Transport Management
3	Chief Minister Environment Friendly Model Agricultural Village Project.	Development of Climate Friendly Model Agricultural System in at least two villages in each constituency of the Provincial Assembly to increase the productivity of the agricultural sector.	Ministry of Land Management, Agriculture & Cooperative
4	Gandaki Cow Farm & Dairy Development Project	Development of Public-Private Model of Gandaki Cow Farm & Dairy Development Project in cooperation with Chinese Government to make province self-reliant in milk.	Ministry of Agriculture & Land Management
5	Project to become self-reliant in apples	Expanding Apple Cultivation in Manang, Mustang, Gorkha, Lamjung & Northern part of Myagdi District to make province self-reliant in apple.	Ministry of Agriculture & Land Management
6	Gharwas (Homestay) Expansion & Strengthening Project	Expanding & Strengthening Homestays to alleviate poverty in rural areas & diversify the tourism sector.	Ministry of Industry, Tourism, Forest & Environment
7	Construction of Provincial Level Industrial Area/Zone in Lokahakhola of Nawalpur	Calling on the private sector to establish medium & large-scale industries to replace imports by building industrial sectors.	Ministry of Industry, Tourism, Forest & Environment
8	Establishment & Operation of Gandaki University	This establishment will increase production & productivity in the province & connect education with the market by producing high-level skilled manpower that will help the province to industrialize.	Ministry of Social Development & Health
9	Establishment & Operation of Gandaki Technical Institute	Connecting education with the market by producing middle-level technical & business manpower that will help the province to industrialize.	Ministry of Social Development & Health
10	Province Cricket Ground Construction Project	To promote sports tourism by building a cricket ground at Pashupatighat of Pokhara Metropolitan City.	Ministry of Social Development & Health
11	Information Technology Park Construction Project	Making a digital Gandaki Province by building & operating information technology in Jamunbot of Pokhara Metropolitan City & connecting province with the international market.	Office of Chief Minister & Council of Ministers

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S.N.	Name of Province Pride Project	Purpose of the project	Ministry implementing the project
12	Construction of Provincial Police Training Center	To strengthen police administration by building a provincial police training center	Office of Chief Minister & Council of Ministers
13	E-Governance Project	Developing Paperless Digital Gandaki Province by e-governance implementation.	Office of Chief Minister & Council of Ministers

B. Projects of transformative Provincial Pride requested resources from Nepal Government

14	Pokhara, Dedgaon, Dumkibas, Triveni Road Construction Project	Road Connecting the entire province from Korala in Mustang to Triveni in Nawalpur to foster industrialization in the southern region of the province.	Ministry of Physical Infrastructure Development & Transport Management
15	Uttarganga Reservoir Power Project	Balanced Development & Industrialization of the Province by building a reservoir power project in Dhorpatan area of Baglung district.	Ministry of Physical Infrastructure Development & Transport Management
16	Preservation & Beautification project of Phewataal	Determining the area of Phewataal, constructing right & left sewers, protecting the watershed area & right & left beautification to attract tourists	Ministry of Industry, Tourism, Forest & Environment
17	Construction of Provincial Level Industrial Area Project in the lower Puditara region between Kaski & Tanahun	To invite the private sector to establish industries by building a province-level industrial area in the area of about 2800 ropani in the lower Puditara region between Kaski and Tanahun	Ministry of Industry, Tourism, Forest & Environment
18	Integrated provincial hospital construction project for heart, kidney and cancer.	Providing accessible health services to the people by building an integrated Province hospital for heart, kidney and cancer in Pokhara, the capital of Province.	Ministry of Social Development & Health

C. Province Pride Project to be implemented by the Government of Nepal

19	Prithvi Highway Upgradation Project	Upgrading Prithvi Highway to 6 Lanes in Pokhara Mugling section market area & 4 Lanes in other areas	Department of Road
20	Siddhartha Highway Upgradation Project	Upgrading & Improving the winding road of Siddhartha Highway	Department of Road

D. Province Pride Project to be built by Private Sector

21	Birethati Muktinath Cable Car Construction Project	Increasing the number of religious tourists by constructing an 84 km long cable car from Birethanti in Kaski to Muktinath in Mustang, capable of carrying 36,000 passengers daily.	Muktinath Cablecar Pvt. Ltd.
22	Buddha Mandala Construction Project	Construction of Prayer House with capacity of holding 10,000 people at once and an 85-meter tall Buddha statue will be built to increase tourist attraction.	Private Sector of Pokhara
23	Fulbari Kaudada Cable Car Construction Project	To construct cable car joining Kahundada's Buddha Mandala from Fulbari Pokhara to promote the tourism	Private Sector of Pokhara

About Pokhara Research Centre!!!

Pokhara Research Centre (PRC) is a research-based non-partisan organization based in Pokhara. Established in 2019, PRC focuses on socioeconomic dimensions of domestic public policy research.

Guided by the motto of "*Economic Freedom with Good Governance*", PRC is following the international principle of individual choice and liberty translated into the equal opportunity of enterprise, rule of law, and the democratic principle of free expression as a tool to design its programs and initiatives; creating positive impact at the province level, through policy reform; PRC works under three broad functional domains; Research, Training, and Advocacy.

PRC's one of flagship program Youth in Policy and Governance Fellowship Programme (YPG Fellowship) aims to train the youth of Gandaki Province in law-making and public policy. The primary role of a PPSP Fellow is to deliver extensive research support to their assigned MP for their parliamentary work. The organization is also focusing on other youth training programs on the free market, entrepreneurship, and economic freedom in the region supported by Atlas.

The organization's core values are; Creating public values, Evidence-based policy-making, and the investment approach to public service delivery. PRC intervenes in areas viz. Enterprise Development, Economic Policy Reform, Governance & Advocacy, and Public Policy Delivery.

The organization has launched programs such as Gandaki Discourse, Political Economic Discussion Series (PEDS), and Formation of Gandaki Leader Circle (GLC) dedicating it to establishing itself as a state-level policy think tank.

Further, PRC is the partner of Atlas Network, Centre for International Private Enterprise, National Endowment for Democracy, United States Embassy in Kathmandu, Samriddhi Foundation, Hriti Foundation, and Bikalpa n Alternative.



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