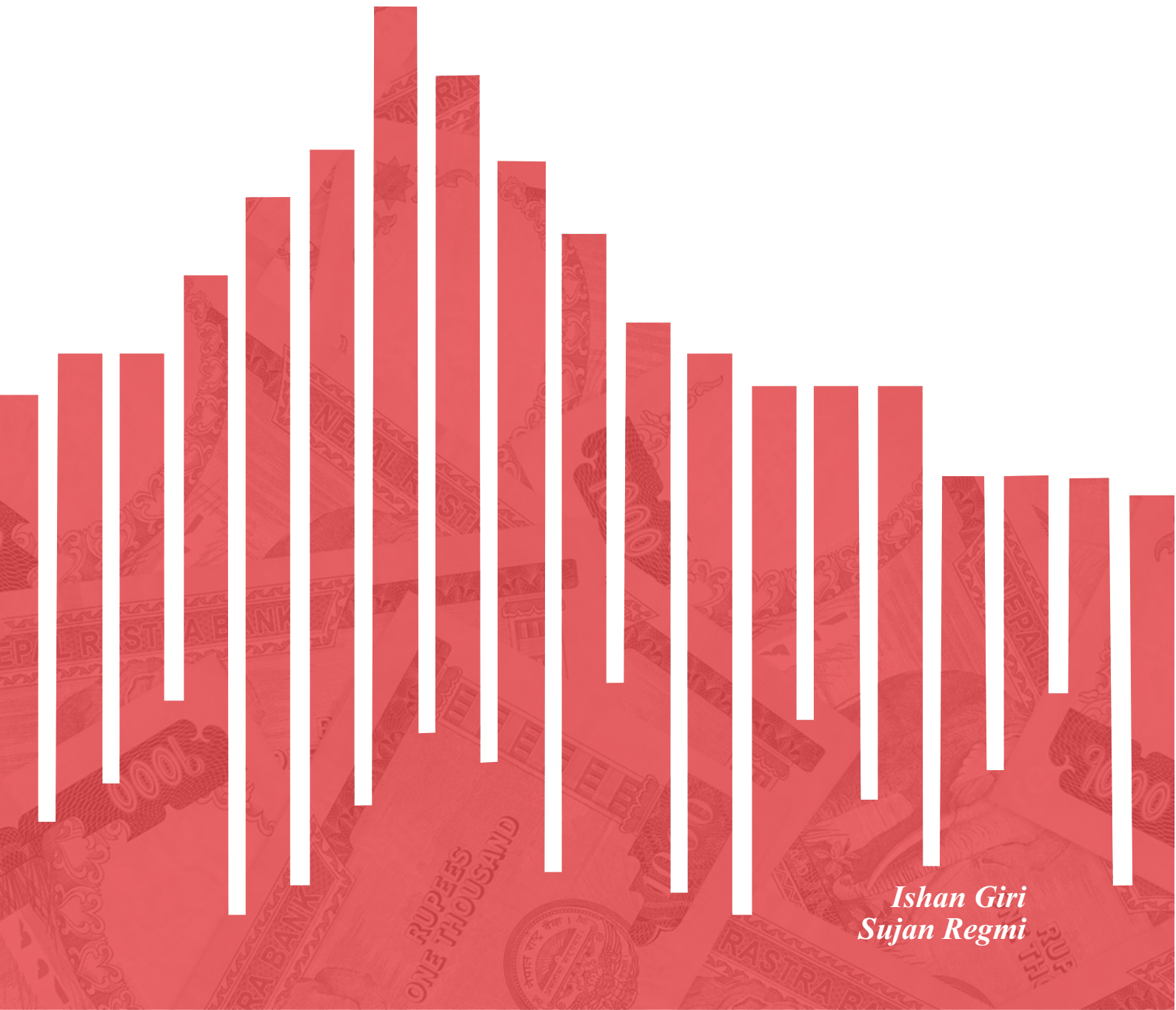


**POKHARA**  
RESEARCH CENTRE

*Overseeing  
Gandaki Province  
Budget:*  
**A Primer**



*Ishan Giri  
Sujan Regmi*

**Overseeing Gandaki Province Budget:  
A Primer**

**August, 2023**

Ishan Giri  
Sujan Regmi  
Pokhara Research Centre

**Author:**

**Ishan Giri**

Researcher

Pokhara Research Centre

**Sujan Regmi**

Executive Director

Pokhara Research Centre

**Supported by:**



**DISCLAIMER:** This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgment of Pokhara Research Centre (“PRC”). The opinions expressed herein are entirely those of the author(s). PRC makes every effort to use reliable and comprehensive information, but PRC does not represent that the contents of the report are accurate or complete. PRC is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

## Table of Content

Introduction	1
Oversight through Province Budget	3
What happens once the budget is presented in the Provincial Assembly?	5
What is the role of Committees in the budget process?	6
What happens if the government needs to spend additional money during the year?	6
Oversight After Budget is Passed:	7
Understanding Gandaki Province Government Finances	9
What are the sources of revenue for Provincial Government?	9
What are the own source revenues of the Gandaki Province?	11
Where do the provincial government expenditures lie?	12
Difference in Revenue and Expenditure; Deficit or Surplus?	14
Do budget estimates match actual spending by the government?	14
How are the budget documents organized?	16
What do Various Budget Documents of Gandaki Province Look Like?	18
How to find the relevant information on budget?	20
Where in the budget documents do I find the total expenditure, total receipts, financial provisions, budget deficit/surplus?	20
Budget Estimates, Revised Estimates and Actuals	21
What are the major sources of revenue of the Gandaki Province?	22
How can we obtain information on the funds allocated to different budget heads in a particular ministry or department?	23
Conclusion	24
Sources	25

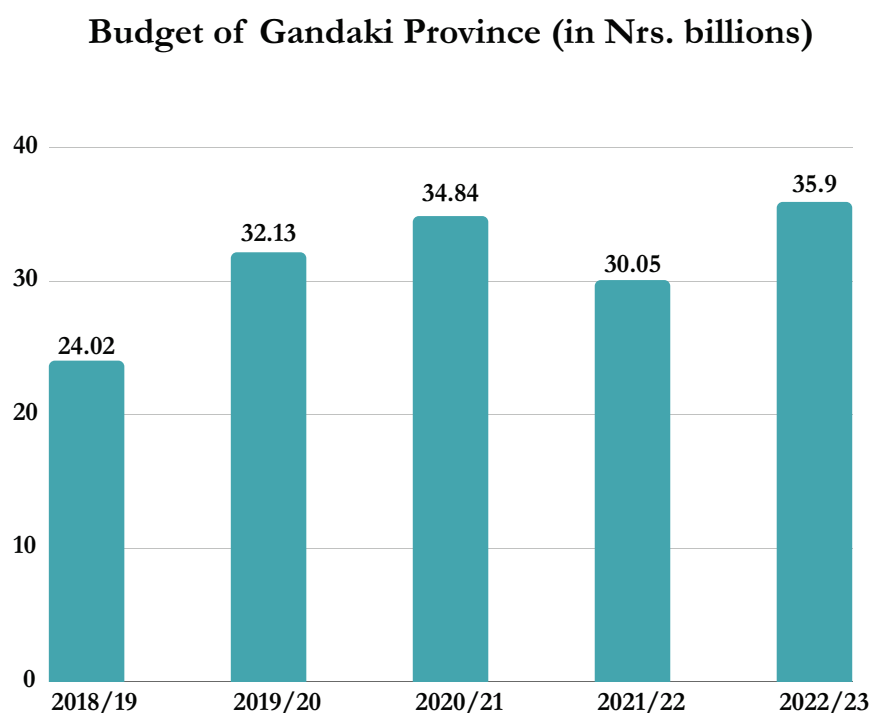


## **Introduction**

The Government Budget is a critical aspect of governance that ensures transparency, accountability, and responsible financial management within a government. Its impact extends to various aspects of society, economy & governance. The Constitution of Nepal 2015, marked a significant shift in governance, establishing a federal system with three orders of government: federal, provincial, and local, each with its own elected branches, delineated powers, and authority to manage finances and governance. The Article 59 of the Constitution of Nepal states that the federal government, provincial governments, and local governments have the power to make laws, annual budgets, decisions, formulate and implement policies and plans on any matters related to financial powers within their respective jurisdictions.

In the context of Gandaki Province, where the provincial government wields significant financial powers granted by the Constitution, the role of understanding the budget becomes paramount. This budget primer aims to provide a comprehensive understanding of how the Gandaki Province Government manages its finances, allocates resources, and ensures that public funds are used wisely and effectively to promote the province's development and prosperity. Through the examination of key budget documents, legislative processes, and financial procedures, this primer sheds light on the mechanisms in place to oversee the allocation and utilization of public funds in Gandaki Province.

The expenditure estimates of the Gandaki province government have increased from NRs. 24.02 billion in fiscal year 2018/19 to NRs. 33.42 billion in FY 2023/24. With the aim of establishing the groundwork for the province's prosperity, these public funds are spent across diverse sectors such as agriculture, tourism, industry, education, health, social welfare, infrastructure and so on.

*Figure 1: Budget Expenditure Estimates of Gandaki Province Government Over Five Fiscal Years (in billions)*

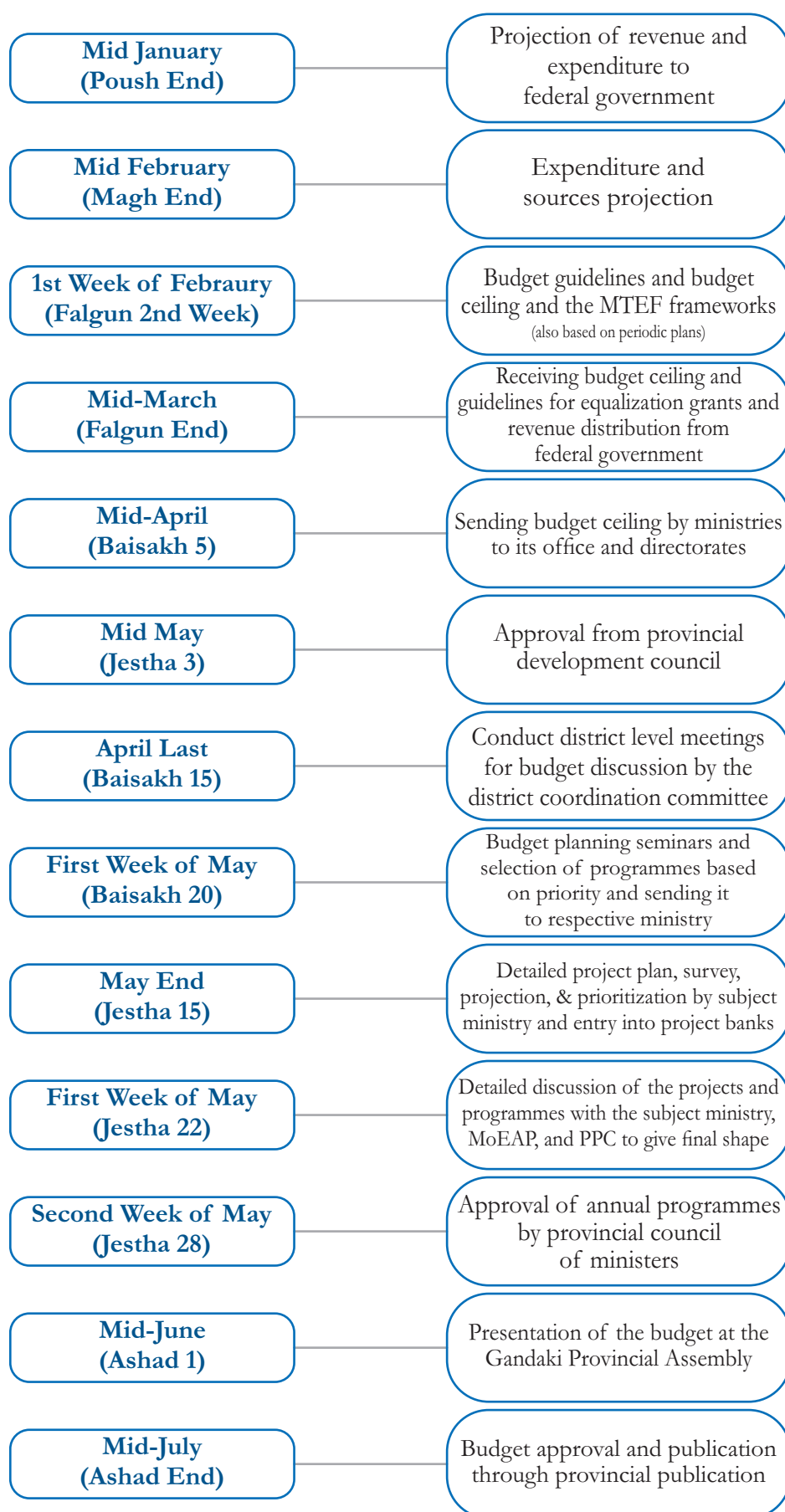
*Source: Budget Statements, Ministry of Financial Affairs, Gandaki Province (2018/19-2023/24)*

Members of the Provincial Assembly (MPAs) play an important role in overseeing how the provincial government uses public funds. They do this by scrutinizing and approving the provincial budget before the start of each fiscal year, and by examining audit reports on the approved spending to see whether the money was used effectively and appropriately. In the first stage, MPAs review the provincial budget to see how the money is being raised, how it is planned to be spent, and whether the spending is likely to achieve the desired outcomes. They also have the opportunity to propose amendments to the budget. In the second stage, MPAs examine audit reports to see whether the fund was used effectively and appropriately. The role of MPAs in overseeing the use of public funds is essential to ensuring that taxpayers' money is used wisely and effectively.

**Oversight through Province Budget**

Parliamentary oversight of public funds refers to the process by which MPAs review and monitor how the government spends public money. This includes scrutinizing and approving the government's expenditure and taxation proposals, and examining how the money is actually spent.

Parliamentary oversight is important because it helps to ensure that public money is used effectively and efficiently, and that it is not wasted or misused. It also helps to hold the government accountable for its spending decisions.



Source: *Planning and Budgeting in the Provinces of Federal Nepal (2021)*, The Asia Foundation

***What happens once the budget is presented in the Provincial Assembly?***

With the presentation of budget estimation through the upcoming fiscal year's budget speech, the Minister of Financial Affairs also tables the Finance Bill for discussion. The Ministry submits the following details and bills along with the General Budget to the Gandaki Provincial Assembly:

1. Details of expenditure estimates (including expenditure headings and source-wise)
2. Ministry progress report booklet of previous financial year
3. Appropriation Bill
4. Finance Bill
5. Bill to raise provincial debt if internal debt is proposed
6. Annual Development Program Booklet
7. Medium Term Expenditure Framework
8. Policy on Grants, Public Debt and Investment

Following the presentation of the budget in the Provincial Assembly (PA), the meeting then adjourns for few a days. During this time, the MPAs scrutinize the budget estimates presented by the minister. Afterwards, comprehensive discussion on the budget takes place. At this point, the budget estimates are simply subject to a general review and discussion; voting is not done. At the conclusion of this discussion, the Minister of Financial Affairs answers questions about the Appropriation Bill, and then presents the bill to the Provincial Assembly for approval. This Bill aims to withdraw funds from the consolidated Fund of Gandaki for authorized expenditures.

Subsequently, the Provincial Assembly may adjourn again for some days after the general discussion on budget estimates. During this period, the MPAs scrutinize the detailed estimated of Statement of Expenditure Estimates (Red Book) and Annual Development Programs.

The next meeting of the Provincial Assembly starts as the Minister of Financial

Affairs tables the proposal to discuss Appropriation Bill in the Provincial Assembly. The proposal is then voted on by the MPAs. During this discussion, detailed budget estimates of every ministry is discussed in-depth. At the end, all ministers answer the questions raised in the discussion.

The Provincial Assembly then passes both the Appropriation Bill and the Finance Bill.

***What is the role of Committees in the budget process?***

The Province Assembly Committees review the allocation of funds to ministries under their supervision. They examine the revenue and expenditure estimates of ministries, directorates, and subordinate agencies under their purview, and make suggestions for alternative policies. They also instruct the relevant bodies on how to save money in the annual estimate and submit an annual report with their recommendations to the Provincial Assembly.

***What happens if the government needs to spend additional money during the year?***

The Minister of Financial Affairs can present Supplementary Estimates in the Provincial Assembly on two occasions:

- i. If the provincial government needs to spend more money than the authorized amount or;
- ii. If the amount authorized to be spent for any service in accordance with the Provincial Appropriation Act for the current fiscal year is insufficient or if it is necessary to spend on new services not authorized by the Provincial Appropriation Act for that year.

The Supplementary Estimates is then discussed in the Provincial Assembly.

**Oversight After Budget is Passed:****Public Accounts Committee:**

After the financial year ends, the Office of Auditor General (OAG) audits the income and expenditure accounts of the government and tables its report in the Provincial Assembly. The Public Accounts Committee is entrusted with examining the findings of the OAG audit reports and scrutinizing whether the government is spending money for the purpose for which Parliament sanctioned the expenditure. The committee then includes its findings on the yearly report and submits it in the parliament.

**Respective Committees:**

The Finance and Development Committee, Provincial Affairs and Law Committee, and Social Development and Agriculture Committee all study, monitor and evaluate whether there is embezzlement of public property of the government agency related to their purview, and submit annual reports with appropriate comments, recommendations and instructions to the Provincial Assembly. Similarly, they monitor and evaluate the work done by ministries, directorates and other agencies and give necessary instructions in this regard.

## Exploring Gandaki Province Government Finances



## **Understanding Gandaki Province Government Finances**

As part of the budget for the upcoming fiscal year, the Minister of Financial Affairs presents the Budget Speech, also known as Budget Statement of the Province. This speech comprises a comprehensive budget summary, outlining the projected expenditure of the provincial government for the coming fiscal year. It also includes estimates of the revenue that the provincial government expects to generate from various sources, including taxes, non-tax income, fees, grants, royalties, and more.

The statement includes a comparison of the revised revenue and expenses of the current fiscal year, offering insights into any adjustments made during the year. Additionally, it provides the actual expenditure and revenue figures from the previous fiscal year, giving an overview of the government's financial performance in that period.

### ***What are the sources of revenue for Provincial Government?***

The revenue of provincial government are the resources available to government to finance its expenditure. Provinces have been given the power to raise revenue through different channels, including taxes and non-tax sources, as well as royalties from natural resources. The revenue powers granted to provinces encompass a range of taxes such as agricultural income tax, house and land registration fees, motor vehicle tax, entertainment tax, vehicle tax, tourism fees, service fees, fines, penalties, and other taxes that align with provincial laws governing matters within their jurisdiction. Provinces also generate revenue through other means, including grants, revenue sharing, and loans. The revenue sources specific to provinces are listed as follows:

### **Internal Revenue**

It includes various tax and non-tax sources, which may be either exclusive or shared. Non-tax sources encompass income from the sale of goods and services, proceeds from the sale of natural resources, fines, penalties, administrative fees, and other miscellaneous revenues. The tax sources include agricultural income tax, house and land registration fees, motor vehicle tax, entertainment tax and vehicle tax. Provinces

have the exclusive authority to levy the Agricultural Income tax, which is one of their own revenue sources.

## **Grants**

Provinces receive grants from the federal government based on criteria set by the National Natural Resources and Finance Commission (NNRFC). These grants include *Fiscal Equalization Grants*, *Special Grants*, *Conditional Grants*, and *Complementary Grants*. Fiscal equalization grants are allocated based on the province's expenditure needs and revenue capacity. Special grants are designated for specific projects to promote balanced development. Conditional grants have specific requirements for project implementation by the provincial government, while complementary grants are provided based on a certain ratio of the project's total cost, viability, expected inputs and outputs, and the capacities of various levels of government.

## **Revenue Sharing**

The federal government shares Value Added Tax (VAT) and Excise Duty with provinces and local levels in an equitable manner, taking into account factors like population, demographics, geographical area, human development index, expenditure needs, revenue collection efforts, infrastructure development, and socio-economic disparities. While 70% of the collected VAT and excise duty goes to the federal government, 15% each is distributed to the province and local governments.

## **Royalty Sharing**

Revenues generated from natural resources, such as water resources, mountaineering, electricity, forests, mines, and minerals, are shared among the federal, provincial, and local governments. The Intergovernmental Fiscal Arrangement Act (IGFA) mandates that 50% of the natural resource royalties go to the federal government, 25% to provincial governments, and 25% to local governments.

## **Loan**

Provincial governments, like other governmental entities, have the option to borrow internal loans subject to approval from the Government of Nepal (GoN) and within the borrowing limits suggested by the NNRFC in case of a deficit. The GoN can also provide loans to the provincial government, and the NNRFC may adjust the borrowing cap for the federal, provincial, and local levels, considering national economic indicators.

## **Cash Balances**

It includes cash balance from the previous fiscal year.

### ***What are the own source revenues of the Gandaki Province?***

The provinces of Nepal, including the Gandaki Province, possess limited revenue-raising authority in accordance with the constitutional framework. These revenue-raising powers are categorized into tax revenue, non-tax revenue, and various other revenue sources. Specifically, with respect to tax revenue, the Gandaki Province exclusively exercises its authority over the collection of Agriculture Income Tax. However, other forms of tax revenue, such as House and Land Registration Fee, Vehicle Tax, Entertainment Tax, and Advertisement Tax, are subject to revenue-sharing arrangements between the province and local levels. For instance, Gandaki Province is responsible for collecting revenue from Vehicle Tax and retains 60% of the proceeds, while allocating 40% to local levels, as mandated by the provisions outlined in the Constitution of Nepal. Conversely, local levels within the province collect the remaining tax revenues and share 40% of the collected revenue to Gandaki Province.

Non-tax revenue sources encompass Service Fees, Tourism Fees, as well as fines and penalties whereas the province's own other revenue sources encompass additional taxes and non-tax revenues imposed or levied in accordance with provincial laws and other applicable legislation within the province's jurisdiction.

Table 1 : Revenue Raising Powers of Gandaki Province

Revenue	Sources
<b>Tax Revenue</b>	<ol style="list-style-type: none"> <li>1. House and Land Registration Fee</li> <li>2. Vehicle Tax</li> <li>3. Entertainment Tax</li> <li>4. Advertisement Tax</li> <li>5. Tax on Agricultural Income</li> </ol>
<b>Non-Tax Revenue</b>	<ol style="list-style-type: none"> <li>1. Service Fee</li> <li>2. Tourism Fee</li> <li>3. Fines and Penalties</li> </ol>
<b>Other Revenue</b>	<ol style="list-style-type: none"> <li>1. Other tax and nontax raised/levied according to the provincial law and other prevailing laws on the provincial jurisdiction.</li> </ol>

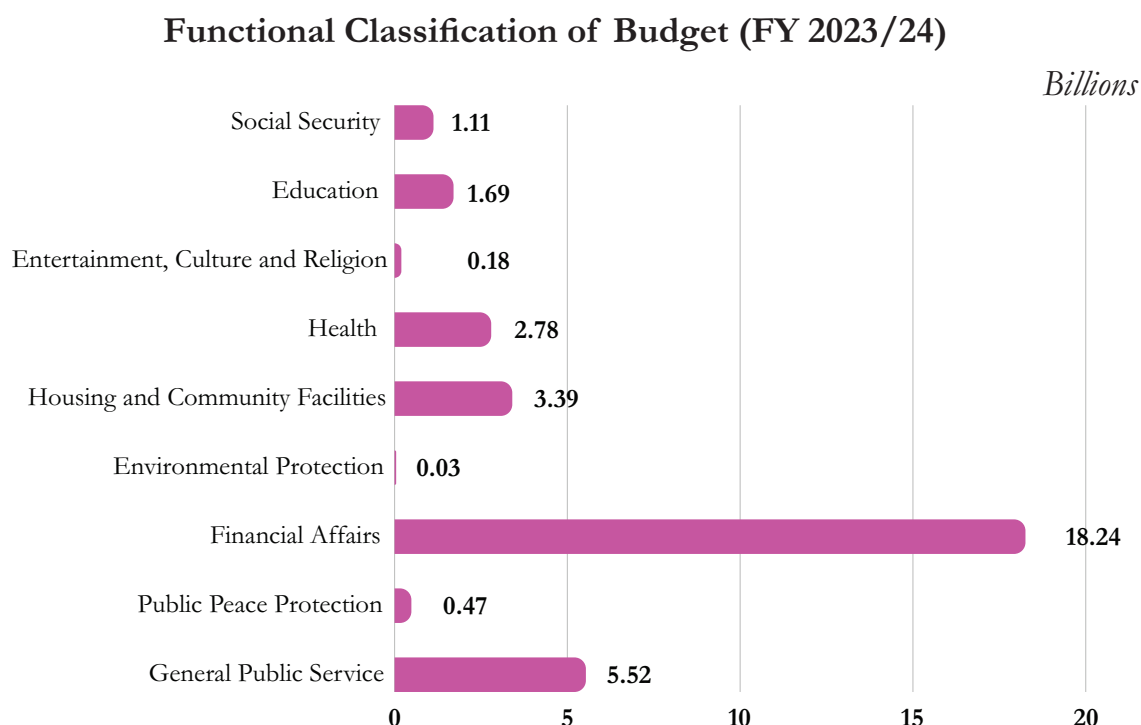
*Source: Adapted from The Fiscal Architecture of Subnational Governments in Federal Nepal, by K.L. Devkota, 2021, p. 8. Copyright 2021, the Andrew Young School of Policy Studies, Georgia State University.*

### ***Where do the provincial government expenditures lie?***

The Constitution of Nepal divides the powers and responsibilities of the federal, provincial, and local governments into exclusive and concurrent powers. The respective level of government has the power to make expenditures in matters under its exclusive jurisdiction. Provinces are assigned with exclusive functions, such as Provincial Police Administration, Operations of Banking and Financial Institutions, Operation of Radio, FM, Television, Provincial Statistics, Provincial Highways, Agriculture and Livestock Development, Factories, Industrialization, Trade, Business, Transportation, etc. They also share concurrent powers with the Federal and Local governments, such as Cooperatives, Education, Health, Agriculture, Hydropower, Drinking Water, Irrigation, Forest, Environment, Mines and Minerals, Social Security, and Vital Registration.

The government allocates funds for various sectors to meet the needs and welfare of the general public. These expenditures are categorized into nine functional categories: general public service, public peace protection, financial affairs, environmental protection, housing and community facilities, health, entertainment, culture and religion, education, and social security. These areas fall under the seven ministries of Gandaki Province Government.

Figure 3: Functional Classification of Budget (FY 2023/24)



Source: Budget Statement, Ministry of Financial Affairs, Gandaki Province (2023/24)

### Transfer to Local Governments

According to the Province Finance Management Act, 2018, the provincial government transfers fiscal equalization grant, conditional grant, complimentary grant, and special grant to the local level. The province allocates fiscal equalization grants to local levels within its jurisdiction, utilizing funds acquired from both the Government of Nepal and its internal resources. These grants are distributed based on the financial needs and revenue-generating capacity of each local level as per province laws based on criteria established by the National Natural Resources and Fiscal Commission (NNFRC). The province also disburses conditional grants to local levels in accordance with the criteria established by the NNFRC. These grants serve specific purposes, such as facilitating project or program implementation. Moreover, the province offers complementary grants to local levels, enhancing their existing resources and enabling utilization for endeavors deemed most beneficial to the respective local level. The province offers supplementary grants to the Local Level as per provincial law, and has the discretion to grant special grants in line with the same legal framework. Typically reserved for emergencies or unforeseen situations, these grants are provided on a case-by-case basis.

***Difference in Revenue and Expenditure; Deficit or Surplus?***

When the government spends more money than it receives from taxes and other sources in a given year, there is a fiscal/budget deficit. According to Intergovernmental Fiscal Arrangement Act (2017), a clear basis of the sources to meet the deficit should also be purposed while submitting the deficit budget. The government fulfills such budget shortcomings through borrowings. In context of Gandaki Province, the government can borrow from other levels of government and from internal loan as well. Cash balances of the previous year are also utilized to fulfill the budget deficit.

Likewise, when the government expenditure is lower than the receipts, the budget is surplus.

***Do budget estimates match actual spending by the government?***

Budget estimates do not always match actual spending by the provincial government. The provincial government presents its financial estimates for the coming fiscal year. Once the year concludes, the actual financial outcomes are reviewed by the Province Financial Comptroller Office (PFCO). These audited results are then shared with the Provincial Assembly along with the next budget. This creates a two-year delay between the estimated budget and the actual budget.

Changes to some of the government's initial predictions may occur during the year, and these adjustments are reflected in the actual financial numbers.

Several reasons account for the variance between budget estimates and actual spending. Economic conditions can change, affecting revenue generation and expenditure needs. Unforeseen events, emergencies, or shifts in priorities may necessitate adjustments to spending plans. Additionally, administrative and operational challenges can impact the execution of budgeted programs and projects.

Governments typically conduct regular reviews of their budgets and make adjustments as needed throughout the year. This process, known as budget revisions, allows governments to adapt to changing circumstances and ensure that essential services are adequately funded.

## Organization of Budget Documents

***How are the budget documents organized?***

This section describes the budget documents that are presented in province assembly and the information provided within them.

**Budget Speech:**

The Finance Minister in the budget speech underlines the objectives of the budget as well as government's policy priorities for the coming year. The schedules of the budget speech comprise of summary of the proposed estimates of revenue and expenditure.

The Finance Procedure Acts of the provinces stipulate that in addition to expenditures incurred on the Provincial Consolidated Fund and those authorised by the Province Appropriation Act, budget statements must also include details of the previous fiscal year's actual revenue and expenditure, the MTEF projection, and statements on grants, public debt and investments.

**Medium-Term Expenditure Framework (MTEF):**

The Medium-Term Expenditure Framework (MTEF) is a three-year fiscal plan that outlines the government's objectives, justification, and outcomes for spending. It also includes projections of revenue and expenditure for the next three fiscal years. The MTEF is used to help provinces create a rollover budget, which is a budget that is based on the progress of actual expenditures.

**Red Book**

The Red Book provides comprehensive information about the budget allocations and expenditure plans for the province. It presents in details the Estimates of Expenditure in various ministries. The document includes Summary of Budgetary Allocation for Fiscal Year, Budget Summary for Appropriated Items, and Budget Head-wise Estimates of Expenditure Appropriated from Consolidated Fund. The Annexes of the Red Book also contain classification of budget in terms of gender responsiveness, climate responsiveness, budget indicated as per Sustainable Development Goals (SDGs), as well as sectoral allocation of budget.



### **Annual Development Program**

The Annual Development Program booklet refers to a document that outlines the development projects and programs planned for the upcoming fiscal year. It contains details about every program/project to be carried out by the provincial government through different offices within its purview. It also consists of name, source of fund and amount allocated for every program/project.

### **Economic Survey**

The Economic Survey of Gandaki Province is a comprehensive document that provides an overview of the province's economy. It is prepared by the Ministry of Financial Affairs of the Gandaki Province government and is submitted to the Provincial Assembly every year. It covers a wide range of topics, including the province's economy size, structure, performance, macroeconomic trends, sectoral performance, investment and development, challenges and opportunities, and policy recommendations.

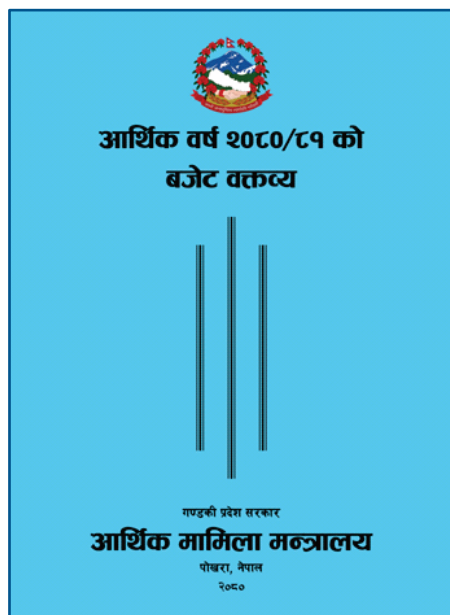
### **Appropriation Act**

The Appropriation Act is a law that allows the provincial government to spend money. It is typically prepared by the Ministry of Financial Affairs and is approved by the Provincial Assembly. The Appropriation Act typically provides spending authority for one fiscal year. It authorizes the allocation and spending of funds from the province's consolidated fund for services and works to be carried out by the provincial government in that fiscal year.

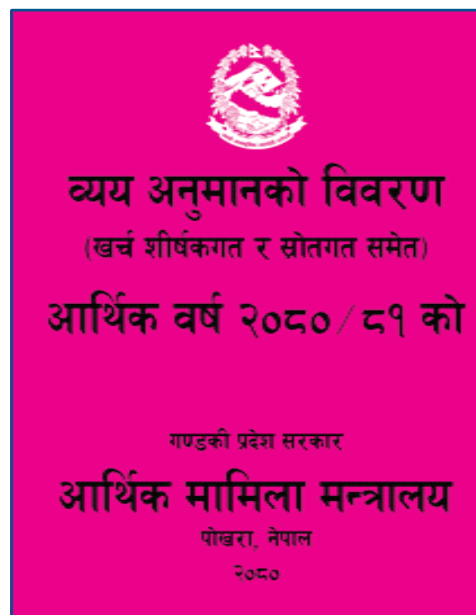
### **Finance Act**

The Finance Bill of Gandaki Province outlines revenue collection, tax reduction, increase and exemption, and revenue administration to implement the financial proposals of Gandaki Province Government.

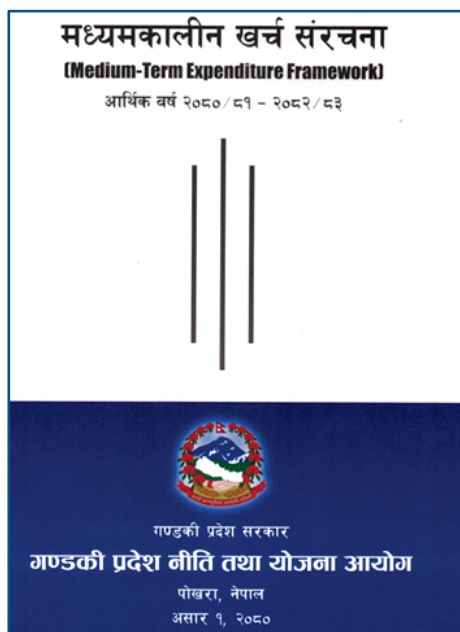
## What do Various Budget Documents of Gandaki Province Look Like?



Budget Speech/Statement (FY 2023/24)



Red Book (FY 2023/24)



Medium-Term Expenditure Framework (FY 2023/24)



Economic Survey (FY 2022/23)



## प्रदेश राजपत्र

गण्डकी प्रदेश सरकारद्वारा प्रकाशित  
खण्ड ०६) पोखरा, असार ३१ गते, २०८० साल (बर्तिमारा १२)

भाग १

गण्डकी प्रदेश सरकार  
मुख्यमन्त्री तथा मन्त्रिपरिषद्को कार्यालयको सूचना  
नेपालको संविधान बमोजिम प्रदेश सभाले बनाएको देशव्यापी बमोजिमको ऐन  
सर्वसाधारणको जानकारीको लागि प्रकाशन गरिएको छ।

संख्या २०८० सालको ऐन नं. २  
गण्डकी प्रदेश सरकारको अर्थ सम्बन्धी प्रस्तावलाई कार्यान्वयन गर्न गरेको ऐन

प्रस्तावना: गण्डकी प्रदेश सरकारको अर्थिक वर्ष २०८०/८१ को अर्थ सम्बन्धी  
प्रस्तावलाई कार्यान्वयन गर्न राज्य सङ्कलन गर्ने, कर छुटाउने, बढाउने र छुट दिने  
तथा राज्य प्राप्तन सम्बन्धी प्रचलित प्रदेश कानूनलाई संशोधन गर्न बाध्यता  
भएकोले,  
गण्डकी प्रदेश सभाले यो ऐन बनाएको छ।

Finance Act (FY 2023/24)



## प्रदेश राजपत्र

गण्डकी प्रदेश सरकारद्वारा प्रकाशित  
खण्ड ०६) पोखरा, असार ३१ गते, २०८० साल (बर्तिमारा ११)

भाग १

गण्डकी प्रदेश सरकार  
मुख्यमन्त्री तथा मन्त्रिपरिषद्को कार्यालयको सूचना  
नेपालको संविधान बमोजिम प्रदेश सभाले बनाएको देशव्यापी बमोजिमको ऐन  
सर्वसाधारणको जानकारीको लागि प्रकाशन गरिएको छ।

संख्या २०८० सालको ऐन नं. १  
अर्थिक वर्ष २०८०/८१ को सेवा र कार्यको लागि प्रदेश सभिल ओषाट केही रकम  
विनियोजन र खर्च गर्ने सम्बन्धमा व्यवस्था गर्न गरेको ऐन

प्रस्तावना: अर्थिक वर्ष २०८०/८१ को सेवा र कार्यको लागि प्रदेश सभिल ओषाट  
ज्याय हुने रकम विनियोजन गर्ने र खर्च गर्ने अधिकार दिन बाध्यता  
भएकोले,  
गण्डकी प्रदेश सभाले यो ऐन बनाएको छ।

Appropriations Act (FY 2023/24)



## आर्थिक वर्ष २०८०/८१ को वार्षिक विकास कार्यक्रम



गण्डकी प्रदेश सरकार

## आर्थिक मामिला मन्त्रालय

पोखरा नेपाल

२०८०

Annual Development Program (FY 2023/24)

***How to find the relevant information on budget?***

This part provides examples of how to find information on key parameters in the budget documents, which are available on the website *mof.gandaki.gov.np*.

***Where in the budget documents do I find the total expenditure, total receipts, financial provisions, budget deficit/surplus?***

The summary of total expenditure, total receipts, financial provisions and budget deficit/surplus are presented in Schedule-1 of the budget statement/speech. The detailed summary of revenue and grants is located in Schedule 2 of the budget statement. Similarly, the summary of expenditure on different sub-headings are presented in Schedule 1, 2-10 and 12 of the budget statement.

The detailed expenditure estimates are presented in the Red Book. It details current and capital expenditure estimates under various ministries and government institutions along with source of funding. If you need to find details on every program with their name, amount and source of funding, then you will have to go through the Annual Development Program booklet.

## Budget Estimates, Revised Estimates and Actuals

The information on budget estimates, revised estimates and actuals are in Schedule 1 of the budget speech/statement.

### आय व्ययको विवरण

आर्थिक वर्ष २०८०/८१

अनुसूची - १  
(रु.हजारमा)

विवरण	२०७८/७९ को यथार्थ	२०७९/८० को संशोधित अनुमान	२०८०/८१ को लक्ष्य			
			रकम	स्रोत		
				प्रदेश सरकार	संघ अनुदान	
					संघ	वैदेशिक
१ राजस्व (२+३+४)	१४,३१,६१,८९.१	१६,३६,१४,०८	१७,६२,३२,००	१७,६२,३२,००	०	०
२ कर	८,५३,९७,३२	१०,०४,०२,१०	१०,१६,१८,००	१०,१६,१८,००	०	०
३ अन्य राजस्व	२,२४,१८,०४.१	३,३८,३८,९८	३,५१,६२,००	३,५१,६२,००	०	०
४ विविध प्राप्ति	३,५३,४६,५३	२,९३,७३,००	३,९४,५२,००	३,९४,५२,००	०	०
५ प्रदेश सञ्चित कोषमा दाखिला हुने(१-४)	१४,३१,६१,८९.१	१६,३६,१४,०८	१७,६२,३२,००	१७,६२,३२,००	०	०
६ वित्तीय हस्तान्तरण अनुदान	१३,८७,४४,८०	१४,७२,१४,००	१४,१०,४०,००	०	१२,९३,४५,००	१,१६,९५,००
७ प्रदेश सरकारको राजस्व र अनुदान (५+६)	२८,१९,०६,६९.१	३१,०८,२८,०८	३१,७२,७२,००	१७,६२,३२,००	१२,९३,४५,००	१,१६,९५,००
८ खर्च (९+१०+११)	२२,०८,२५,४३.५७५	२७,४४,९६,४६.६२५	३२,९२,७२,००	१८,८२,३२,००	१२,९३,४५,००	१,१६,९५,००
९ चालु	५,७८,६०,७१.१५	१२,२६,५६,८५.५२७	१०,६३,१२,३८	८,३५,२८,८१	१,७९,२९,५५	४८,५४,०२
१० पूँजीगत खर्च	१४,६०,२१,६२.४२५	१३,०७,१९,६१.०९८	२०,१९,०४,६२	८,३६,४८,१९	११,१४,१५,४५	६८,४०,९८
११ वित्तीय हस्तान्तरण चालु	१,६९,४३,१०	२,११,२०,००	२,१०,५५,००	२,१०,५५,००	०	०
१२ बजेट बचत(-) न्यून(+) (८-१२)	-६,१०,८१,२५.५२५	-३,६३,३१,६१.३७५	१,२०,००,००	१,२०,००,००	०	०

Source: Budget Statement, Ministry of Financial Affairs, Gandaki Province (2023/24)

The estimated budget, also known as the original budget or initial budget, is the financial plan presented at the beginning of the fiscal year. It outlines the government's revenue expectations, expenditure allocations, and funding priorities for various programs, projects, and services. The estimated budget serves as a blueprint for financial management, reflecting the government's intended direction for resource allocation and spending for the upcoming year.

Budgets are revised to accommodate changing financial needs, economic conditions, and emerging priorities during the fiscal year. Adjustments address unforeseen expenses, optimize resource allocation, and reflect accurate revenue estimates, ensuring effective financial management and alignment with economic dynamics. So,

along with the budget estimates of the upcoming fiscal year, the revised budget of current fiscal year is also presented in the Provincial Assembly.

The actual budget reflects the government's financial performance at the end of the fiscal year. It encompasses the actual revenues collected, the actual expenditures incurred, and the overall financial outcome. This budget is derived from audited financial statements and provides an accurate assessment of how well the government's financial plans were executed in practice. The actual budget of the previous fiscal year is presented with the budget estimates of the upcoming year.

*In the budget statement of fiscal year 2023/24, the estimated budget of fiscal year 2023/24 is presented with the revised budget of fiscal year 2022/23 and the actual budget of fiscal year 2021/22.*

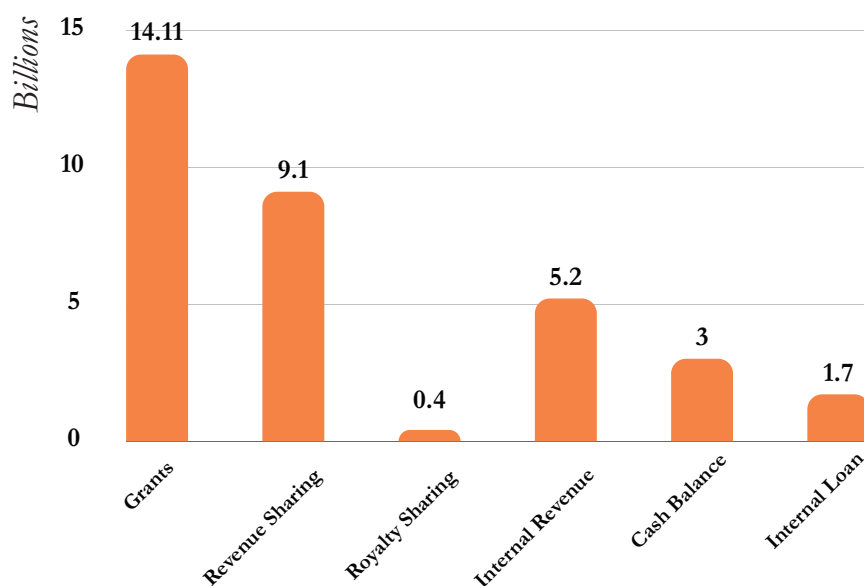
### ***What are the major sources of revenue of the Gandaki Province?***

As mentioned earlier, the summary of revenue receipts is presented in Schedules 1 and 2 of the budget speech. These schedules provide information on how the provincial government plans to raise money through various sources in the coming fiscal year.

As shown in the figure below, the main contributor to the revenue of Gandaki Province in FY 2023/24 is the grants (NRs.14.11 billion) received from the federal government. There are four types of grants that the province receives: Fiscal Equalization Grant, Complementary Grant, Conditional Grant and Special Grant. Revenue sharing from federal and local government on Value Added Tax (Vat), Excise Duty, Motor Vehicle Tax, and Advertisement and Entertainment Tax contributes the second largest (NRs. 9.1 billion) amount to the province's revenue. The internal revenue of the province contributes NRs. 5.2 billion followed by cash remains of the previous year, internal loans and royalty sharing.



## Revenue of Gandaki Province (FY 2023/24)



*How can we obtain information on the funds allocated to different budget heads in a particular ministry or department?*

In the ***Red Book***. The Red Book, also known as Statement of Expenditure Estimates, provides detailed information on the fund allocated to different budget headings within particular ministry or department. The figure below shows the details of expenditure estimates of Ministry of Law, Communication and Provincial Affairs.

[illegible]

*Source: Red Book, Ministry of Financial Affairs, Gandaki Province (2023/24)*

## **Conclusion**

The Constitution of Nepal has significantly transformed the governance structure of the country, empowering each province with increased budgetary powers and autonomy. Article 59 of the Constitution grants provinces the authority to prepare budgets, formulate policies, and implement plans related to financial matters within their jurisdiction. This constitutional provision has paved the way for provinces to play a more active role in shaping their own development and prosperity.

The purpose of this budget primer is to provide a general understanding of the Gandaki Province budget to the broader readership. It aims to demystify the complexities of the budget process, shed light on the crucial role of parliamentary oversight in ensuring fiscal responsibility, and introduce the various budget documents that guide the province's financial management. However, it is essential to note that this primer offers a simplified overview and does not delve into the comprehensive details of the provincial budget.

As Nepal continues to embrace federalism, understanding the budgetary processes at the provincial level becomes increasingly important for citizens, policymakers, and stakeholders alike. By shedding light on the fundamental aspects of the Gandaki Province budget, this primer aims to contribute to a more informed and engaged public, ultimately fostering transparency, accountability, and effective governance in the province.



## Sources

Annual Development Program Book, 2023/24. *mof.gandaki.gov.np*.

Budget Speech Documents, 2018/19 to 2023/24. *mof.gandaki.gov.np*.

Devkota, Khim Lal, *"The Fiscal Architecture of Subnational Governments in Federal Nepal"* (2021). ICEPP Working Papers. 104. <https://scholarworks.gsu.edu/icepp/104>

Gandaki Province Appropriation Act, 2023/24. *mof.gandaki.gov.np*.

Gandaki Province Assembly Procedure. Gandaki Province Assembly Secretariat, 2023

Gandaki Province Finance Act, 2023/24. *mof.gandaki.gov.np*.

Intergovernmental Fiscal Arrangement Act, 2074 (2017). *mof.gov.np*.

Planning and Budgeting in the Provinces of Federal Nepal, (2021). The Asia Foundation. <https://asiafoundation.org/wp-content/uploads/2021/06/Planning-and-Budgeting-in-the-Provinces-of-Federal-Nepal.pdf>

Province Finance Management Act, 2018. *mof.gandaki.gov.np*.

Red Book, 2018/19 to 2023/24. *mof.gandaki.gov.np*.

The Constitution of Nepal, 2015

## About Pokhara Research Centre (PRC)

**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, Samridhi Foundation, Hriti Foundation, and Bikalpa an Alternative.



Pokhara, Kaski, Gandaki Province, Nepal

Tel.: 061-587111

Email: [centre.pokhara@gmail.com](mailto:centre.pokhara@gmail.com)

Website: [www.pokharacentre.org](http://www.pokharacentre.org)