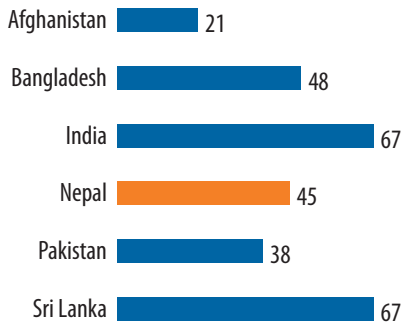


Overall score: 45 (Out of 100) Provides some information to the public in its budget documents during the year.

How Does Nepal Compare to Its Neighbors?



Key Findings

The scores for 92 questions from the Open Budget Survey 2010 (see text box) are used to compile objective scores and rankings of each country's relative transparency. These scores constitute the Open Budget Index (OBI).

Nepal's OBI 2010 score is 45 out of 100, slightly higher than the average score (42) for the 94 countries surveyed, but lower than several other South Asian countries in the survey including Bangladesh (48), India (67) and Sri Lanka (67). Nepal's score indicates that the government provides the public with some information on the central government's budget and financial activities assessed by the survey. This makes it challenging for citizens to hold the government accountable for its management of the public's money.

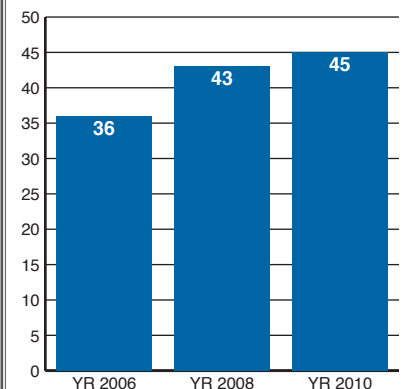
Nepal's OBI score stayed essentially the same from 2008 to 2010.

Information in Public Budget Documents

Adequacy & Availability of Eight Key Budget Documents

Document	Level of Information Grade*	Publication Status
Pre-Budget Statement	E	Not Produced
Executive's Budget Proposal	C	Published
Enacted Budget	E	Produced, Not Published
Citizens Budget	E	Not Produced
In-Year Reports	C	Published
Mid-Year Review	B	Published
Year-End Report	D	Published
Audit Report	D	Published

OBI Scores Over Three Surveys



* Grades for the comprehensiveness and accessibility of the information provided in each document are calculated from the average scores received on a subset of questions from the Open Budget Survey 2010. An average score between 0-20 (scant information) is graded as E; 21-40 (minimal) is graded as D; 41-60 (some) is graded as C; 61-80 (significant) is graded as B; and 81-100 (extensive) is graded as A.

An **Executive's Budget Proposal** is the government's most important policy instrument. It presents how the government plans to raise revenues and where these funds are allocated, thus transforming policy goals into action. In Nepal the budget proposal consists of Budget Details for Fiscal Year 2009-10, Red Book-I Annual appropriation document, Red Book-II Line Item wise Estimates of Expenditure, Finance Bill, Bill on Public Debt, Bill on Debt and Security for Fiscal Year 2009-10, the Annual Development Programme Book and other documents. However, the budget proposal is not sufficiently comprehensive. Some gaps in information are found in the following areas:

The budget proposal lacks information on certain fiscal activities that can have a major impact on the government's ability to meet its fiscal and policy goals, including information on extra-budgetary funds, quasi-fiscal activities, tax expenditures, contingent and future liabilities, and financial and other assets. Absent this information, the public does not know the government's complete fiscal position.

The budget proposal also lacks information on outputs and outcomes. This information is important for those who are interested in monitoring the budget's impact.

A **Pre-Budget Statement** sets forth the broad parameters that will define the government's forthcoming budget. Nepal does not produce a Pre-Budget Statement.

An **Enacted Budget** becomes a country's law and provides the baseline information for all budget analyses conducted during the budget year. In general terms, the Enacted Budget should provide the public with the data it can use to assess the government's stated policy priorities and hold it to account. Nepal produces an Enacted Budget, but it is not made public.

A **Citizens Budget** is a nontechnical presentation of a government's budget that is intended to enable the public — including those who are not familiar with public finance — to understand a government's plans. Nepal does not produce a Citizens Budget.

However, civil society organizations prepare and publicly discuss a model Citizens Budget with different groups and economic experts every year before the executive presents its budget. The Ministry of Finance uses input from this document to finalize the budget presentation.

In-Year Reports provide a snapshot of the budget's effects during the budget year. They allow for comparisons with the enacted budget figures and thus can facilitate adjustments. Nepal's Quarterly Economic Bulletin (In-Year Report) is not sufficiently comprehensive, because it does not allow comparisons of actual expenditure and revenue with estimated amounts.

A **Mid-Year Review** provides a comprehensive overview of the budget's effects at the midpoint of a budget year and discusses any changes in economic assumptions that affect approved budget policies. Information in this report allows the government, legislature, and the public to identify whether or not adjustments related to revenues, expenditures, or borrowing should be made for the remainder of the budget year. Nepal produces a fairly comprehensive Mid-Year

OPEN BUDGET SURVEY 2010

Nepal

The International Budget Partnership's Open Budget Survey assesses the availability in each country assessed of eight key budget documents, as well as the comprehensiveness of the data contained in these documents. The Survey also examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAI), as well as the opportunities available to the public to participate in national budget decision-making processes.

Research to complete this country's Open Budget Survey was undertaken by:

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Review, but it does not include program-level detail for expenditures.

A **Year-End Report** compares the actual budget execution to the Enacted Budget. Year-End Reports can inform policymakers on tax policies, debt requirements, and major expenditure priorities, facilitating adjustments for upcoming budget years. However, Nepal's Consolidated Financial Report, for fiscal Year 2007-08 (Year-End Report) is far from comprehensive. For example, it does not explain the difference between the original macroeconomic forecast and the actual outcome.

An **Audit Report** is an evaluation of the government's accounts by the country's supreme audit institution (SAI). It reports whether the government has raised revenues and spent national revenue in line with the authorized budget, whether the government's bookkeeping is balanced and accurate, and whether there were problems in the management of public funds. Nepal publishes the Annual Audit Report 2065 (Audit Report) but it is far from comprehensive. For example, it does not present audits of extra-budgetary funds.

Public Participation and Institutions of Accountability

Beyond improving the availability and comprehensiveness of key budget documents, there are other ways in which Nepal's budget process can be made more open. These include ensuring the existence of a strong legislature and SAI that provide effective budget oversight, and providing greater opportunities for public engagement in the budget process.

Are oversight bodies effective in their budget role?

Oversight Institution	Strength**
Legislature	Weak
SAI	Moderate

** Legislature and SAI strengths are calculated from the average scores received for a subset of questions from the Open Budget Survey 2010. An average score between 0-33 is graded as weak, 34-66 as moderate, and 67-100 as strong.

According to the Open Budget Survey 2010, budget oversight provided by Nepal's legislature is weak because the legislature does not:

1. have full powers to amend the Executive Budget Proposal at the start of the year;
2. have full powers to make any changes to the budget over the course of the fiscal year;
3. have sufficient time to discuss and approve a budget; and
4. hold open budget discussions which would allow the public to be present during legislative hearings when the executive testifies on its proposed budget.

According to the Open Budget Survey 2010, budget oversight provided by Nepal's SAI is inadequate due to the following reasons:

1. the SAI does not issue timely Audit Reports on the final expenditures of national departments;
2. it does not have proper channels of communication with the public;
3. it does not issue reports on the follow-up steps taken by the executive to address audit recommendations; and
4. it does not have the authority to audit the projects directly funded by the donors and that account for about one third of annual expenditure.

Recommendations

Nepal should:

- publish the Enacted Budget;
- produce and publish a Citizens Budget and Pre-Budget Statement;
- improve the comprehensiveness of the Executive's Budget Proposal;
- provide opportunities for the public to testify at legislative hearings on the budget; and
- empower SAs to publish comprehensive Audit Reports, including reports on extra-budgetary funds.