

PRESS RELEASE

Kathmandu, 16 Nov: Growing fiscal anarchism if shifted to province and local level will be disastrous therefore it needs to be tackled to achieve effective and productive public expenditure at all levels of the government, experts pointed out during an interaction program today held in Kathmandu.

The programme 'Public Expenditure System in Federal Structure: Opportunities and Challenges' was jointly organized by Public Expenditure Review Commission (PERC) and South Asia Watch on Trade, Economics and Environment (SAWTEE) to discuss the complexities of public expenditure in the fledgling federal system, especially in the context of agricultural development.

Dr. Dilli Raj Khanal, Chairman, PERC pointed out that one of the biggest reasons for the mismanaged public expenditure was the tendency of starting projects without proper readiness in terms of planning, which created complications during implementation leading to unspent budget allocation.

Therefore he emphasized on spending substantial amount of time on planning and preparedness which would then ensure effective implementation.

Dr. Posh Raj Pandey, Executive Director, SAWTEE also cautioned that Nepal's current expenditure allocation had been growing since some time and increased number of administrative units would further add to it. He pointed out that growing fiscal anarchism were shown by tendency of allocating budget without figuring out the sources of funds and projects being launched without completing necessary pre-requisites. Lack of preparation causes projects to suffer cost and time over-run making the administration inefficient, he said. He cautioned that lack of accountability in maintaining budgetary discipline may lead to provincial and local level governments replicating similar tendencies compromising their absorptive capacity.

He further added that the constitutional provisions of creating overlap between the responsibilities of different tiers of government for e.g. in agriculture may be a potential source of conflict. Similarly the imposition of export or business taxes in agricultural produce and the tendency to use agriculture related conditional grants to other sectors may hinder agricultural development.

Referring to mismatched project prioritization and budget allocation, Mr. Balananda Poudel, former Secretary and former Chairman, Local Bodies Restructuring Commission said that government needed to effectively implement medium-term expenditure framework even at provincial and local levels. He urged PERC to become proactive in questioning government and its entities at all levels on their expenditure policy and patterns to instill a sense of accountability.

Dr. Baikuntha Aryal, Secretary, National Natural Resource and Finance Commission, insisted that all the levels of governments need to undertake budgetary exercise in the manner that federal government does before announcing the plans and fund allocation.

However, not all the entities are equally capable, as still 55 local bodies have yet to submit their budget even at the end of second quarter of the fiscal year, he said. He said local bodies need some time to make the expenditure smoother but he cautioned that the lapse in the first year should not be taken as precedence for second and third years.

Dr. Mukunda Poudel, Member-Secretary, PERC shed light on the objectives and responsibilities of PERC which aims at making public expenditure efficient and effective.

Participants included representatives of federal and provincial governments, including secretaries, joint secretaries; representatives of municipal and rural councils also shared their experiences. They emphasized that the lack of sufficient personnel and procedural confusion had created problem in service delivery thus creating inefficiency. Having a transition plan for distribution of fiscal responsibilities from federal to lower levels could have made the transition smoother. Similarly, they also urged the federal government to set up a centralized and uniform accounting and reporting information technology for efficient and integrated system.