Effective Public Finance Management in Nepal

Abbreviations and Definitions

TSA: Treasury Single Account

A unified cash-management pool at Nepal Rastra Bank that channels virtually all government receipts and payments through a single real-time ledger, providing the Ministry of Finance with full visibility over liquidity.

CGAS: Computerized Government Accounting System

The web-based general-ledger platform used by the federal government's spending units to post, reconcile, and report every transaction against the budget, producing International Public Sector Accounting Standards-compliant financial statements.

SuTRA: Sub-national Treasury Regulatory Application

The cloud system mandated for all 753 local governments (and provinces) that integrates budgeting, payment processing, and accounting into a single interface with automatic consolidated reporting.

e-GP: Electronic Government Procurement

Nepal's end-to-end online portal (bolpatra.gov.np), where agencies publish tenders, receive and evaluate electronic bids, issue purchase orders, and manage bid securities.

The Background

When the Auditor General of Nepal submitted the 62nd annual report to the president in May 2025, he confirmed that unsettled arrears had climbed to NPR 733 billion and that fresh irregularities worth NPR 91.6 billion had surfaced during fiscal year 2023/24. A few days later, the Financial Comptroller General's Office disclosed that with just one month left in the fiscal year, the government had managed to spend only 41 percent of its capital budget, leaving most projects scrambling to pay contractors before books closed on July 16. These two cases, the rising arrears on one side and chronic underspending on the other, capture the dilemma of impressive reforms on paper, but persistent weaknesses in practice.

Formal Nepali budgeting began in 1951, immediately after the fall of the Rana regime, when Finance Minister Subarna Shamsher broadcast a national budget of just NPR 52.5 million over Radio Nepal. While the early decades relied on handwritten ledgers, the Financial Procedures Act 1999 laid down rules for operating the Consolidated Fund, while the Audit Act 1991 guaranteed independent external scrutiny of all government entities. A further leap came with the Financial Procedures and Fiscal Responsibility Act 2019, which introduced debt-ceiling rules and mandatory fiscal disclosures to anchor budget discipline.

Real digitization started after the Maoist conflict had ended in 2006, and donors started pressing for better fiduciary safeguards. A Treasury Single Account (TSA) was piloted in 2009 and reached all 75 districts by 2016, collapsing 13,717 idle bank accounts and reducing payment lags from days to minutes (Source:worldbank.org). A unified cash-management pool was established at Nepal Rastra Bank that channels virtually all government receipts and payments through one real-time ledger, giving the Ministry of Finance full visibility over the liquidity.

In parallel, the Computerized Government Accounting System (CGAS) automated federal ledgers, and an electronic government procurement (e-GP) portal: www.bolpatra.gov.np, began publishing tenders. Federalization in 2015 triggered a second wave of automation: by fiscal 2020/21, every one of Nepal's 753 municipalities had adopted Sub-national Treasury Regulatory Application (SuTRA), a web-based financial management information system that lets even remote ward offices prepare budgets and record transactions in real time.

The payments at the federal government level flow through the Treasury Single Account (TSA) and Computerized Government Accounting System (CGAS), while provinces maintain hybrid arrangements and local governments rely on SuTRA. Procurement notices appear almost exclusively on the e-GP portal: www.bolpatra.gov.np.

Why the System Still Hurts

Audit recommendations linger: only a few of the queries are resolved within a year, allowing irregularities to soar into the hundreds of billions. Capacity gaps are acute in the government, mainly at the provincial and local levels. This capacity gap creates an environment where managers of public finance are continuously focused on compliance for the whole year, with no time for judgment of efficiency and the outcome. This is why end results never influence policy choices, leaving budgets totally driven by inputs rather than outcomes.

The Road Ahead: Integration, Credibility, Transparency, and Accountability

First, budget credibility hinges on realistic ceilings: the capital expenditure of the parliament-approved budget must become binding to a certain level with political consequences if not complied with. Accountability and transparency are more than abstract principles. Transparency is the first safeguard against misuse of public funds. When the government releases budgets and spending data in open and easy-to-see formats, oversight bodies such as the Public Accounts Committee, civil society, and journalists have the facts they need to flag cost overruns or delays. Development partners also review these disclosures before deciding on providing further aid. If the disclosures are patchy, concessional financing and aid can slip away.

Adding layers of real-time, detailed breakdowns of every transaction to the system, like daily budgetary comparative analysis, currently published by the Financial Comptroller General Office, would let citizens track every rupee from appropriation to supplier payment, raising political cost for delays or leakages. An integrated ecosystem should encompass TSA, CGAS, SuTRA, e-GP, and other related platforms within an API layer, so that a single entry triggers all relevant payments and updates without requiring manual re-entry. Publishing this real-time, detailed, and integrated budgetary analysis with a clear and easily understandable User Interface (UI) can be a revolution in the accountability part of the public finance management in Nepal. Pillar 7 of the National PFM reform strategy-III 2025-30, published by the Ministry of Finance, already aims to promote transparency and accountability through effective external scrutiny and citizen engagement in the PFM system.

What an integrated system will look like:

1. One core database, one chart of accounts: Each commitment, purchase order, or revenue receipt is coded the same way, whether it originates in a ward office in Humla or a ministry in Singha Durbar.
2. Application Programming Interfaces (APIs) to the banking network: Once a payment is approved in SuTRA or CGAS, the instruction lands instantly in the TSA at Nepal Rastra Bank, and the transaction status updates without manual typing.
3. Real-time procurement linkage: A purchase order issued in e-GP automatically creates a commitment in CGAS, reserving the budget ceiling before the supplier is paid.
4. Role-based web dashboards: Ministers see aggregate fiscal space, accountants see ledgers, auditors see drill-downs, and citizens see project spending, each drawn from the same live data.

Audit follow-up should be handled online: each auditor's finding must lead to a time-bound recommendation and action plan, with its status visible to higher authorities and the public, and with penalties for individuals who ignore recommendations.

National PFM Reform Strategy 2025-30 already envisions most of these ideas. What matters now is turning the vision into action with clear milestones, budgets, and commitments. Since that first budget of NPR 52 million in 1951, Nepal has travelled from paper ledgers to internet-based systems capable of tracking every transaction within minutes. Yet the underspending and arrears show that technology and laws, while necessary, are not sufficient. The next leap in effectiveness rests in the combination of integration, credibility, transparency, and accountability. Integrating platforms so that data flow automatically, anchoring budgets in realistic ceilings and forecasts. With commitment from the political and administrative levels, such breakthroughs are both affordable and achievable. If Nepal seizes these lessons and backs them with sustained political and administrative will, every tax rupee and foreign grant can be converted into timely, high-quality services, turning today's dissatisfactions into tomorrow's development.