

Nepal

Federal Budget Brief

Fiscal Year 2026/27 (2083/84 B.S.)

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Table of Contents

List of Figures	2
List of Tables	3
Abstract	4
Key Takeaways	5
SECTION 1: MACROECONOMIC AND SOCIOECONOMIC CONTEXT	6
1.1 Macroeconomic Trends	6
1.2 Social Development Trends	6
1.3 Policy Framework and Budget Objectives	8
SECTION 2: SIZE AND CLASSIFICATION OF THE FEDERAL BUDGET	9
2.1 Total Budget Size and Trend	9
2.2 Budget Classification	9
Economic Classification: Recurrent, Capital and Financing	10
Administrative Classification: Ministry-wise Budget Allocation	11
Functional Classification: Classification of Functions of Government (CoFOG)	11
SECTION 3: BUDGET EXECUTION AND REVENUE COLLECTION	12
3.1 Budget Allocation Versus Actual Expenditure	12
3.2 Revenue Projection Versus Actual Collection	14
SECTION 4: SOCIAL SECTOR ALLOCATIONS	15
4.1 Education	16
4.2 Health	17
4.3 Social Protection	18
4.4 Water, Sanitation and Hygiene	20
SECTION 5: SUBNATIONAL TRANSFERS AND FISCAL FEDERALISM	21
SECTION 6: FINANCING THE BUDGET	25
6.1 Financing Snapshot	25
6.2 Domestic Revenue	25
6.3 Debt and Sustainability	25

SECTION 7: CROSS-CUTTING BUDGET CLASSIFICATIONS/TAGGING 28

7.1 Gender-Responsive Budgeting	28
7.2 Climate-Responsive Budgeting	29
7.3 Budget Alignment with Sustainable Development Goals (SDGs)	30

SECTION 8: BUDGET TRANSPARENCY 32

ANNEXES 35

Annex A : Federal Budget Summary, FY 2022/23–FY 2026/27 (in NPR billion)	35
Annex B.1 : Allocation and Actual Transfer of Grants from Federal to Province Governments, FY 2021/22 – 2024/25 (in NPR billion)	35
Annex B.2 : Allocation and Actual Transfer of Grants from Federal to LGs, FY 2021/22 – 2024/25 (in NPR billion)	35
Annex C : Gender Responsive Budget (in NPR million)	36
Annex D : Climate Responsive Budget (in NPR million)	38
Annex E: Abbreviations	40

List of Figures

Figure 1: Size of the federal budget, FY 2022/23 – 2026/27 (in NPR billion)	10
Figure 2: Economic classification of the federal budget, FY 2022/23 – 2026/27 (% of the total budget)	10
Figure 3: Top 10 ministries by allocation, FY 2026/27 (in NPR billion and % of the total budget)	11
Figure 4: Functional classification of the budget, FY 2023/24 – 2026/27 (% of the total budget)	11
Figure 5: Budget allocation versus proportion of expenditure, FY 2022/23 – 2026/27	13
Figure 6: Federal revenue: estimates versus proportion of collection, FY 2022/23 – 2026/27	14
Figure 7: Social sector allocations, FY 2022/23 – FY 2026/27 (in NPR billion)	15
Figure 8: Social sector allocations as a share of the federal budget, FY 2022/23 – 2026/27 (% of the total budget)	15
Figure 9: Federal budget allocation of MoES for all three levels of government, FY 2022/23 – 2026/27 (in NPR billion)	17
Figure 10: Federal budget allocation of MoHFS for all three levels of government, FY 2022/23 – 2026/27 (in NPR billion)	18

Figure 11:	Federal budget allocation on social protection for all three levels of government, FY 2022/23 – 2026/27 (in NPR billion)	19
Figure 12:	Federal budget allocation for WASH, FY 2019/20 – 2026/27 (in NPR billion)	20
Figure 13:	Federal grant transfers to province and local governments: allocation versus actual disbursement, FY 2021/22 – 2024/25 (in NPR billion)	22
Figure 14:	Reduction in FEG, FY 2021/22 – 2025/26 (% reduction on the allocation)	23
Figure 15:	Composition of the source of the federal budget, FY 2022/23 – 2026/27 (% of the total budget)	25
Figure 16:	Sources of the federal budget, FY 2022/23 – 2026/27 (in NPR billion)	25
Figure 17:	Accumulation of public debt, FY 2014/15 - 2023/24 (% of the total GDP)	26
Figure 18:	Composition of internal and external loans and borrowing, FY 2022/23 – 2026/27 (in NPR billion)	27
Figure 19:	Gender-responsive budget classification, FY 2022/23 – 2026/27 (% of the total budget)	28
Figure 20:	Climate-responsive budget classification, FY 2022/23 – 2026/27 (% of the total budget)	29
Figure 21:	Nepal's score on the three pillars of Open Budget Survey 2015 – 2025	33
Figure 22:	Nepal OBS performance on transparency and public participation compared to countries in the region, global average, and average of Asia & the Pacific	33

List of Tables

Table 1:	Public Expenditure Pattern by Month, FY 2019/20 – 2023/24 (% of the total expenditure)	13
Table 2:	Composition of tax revenue, FY 2019/20 - 2023/24 (% of the total tax revenue)	14
Table 3:	Population benefitting from social security allowance and corresponding expenditures	19
Table 4:	Allocation of federal fiscal transfers to subnational governments, FY 2022/23 – 2026/27 (in NPR billion)	22
Table 5:	Budget allocation on SDGs, FY 2024/25 – 2026/27 (% of the total budget)	30
Table 6:	Contents of the key budget documents made available by the government to public	34

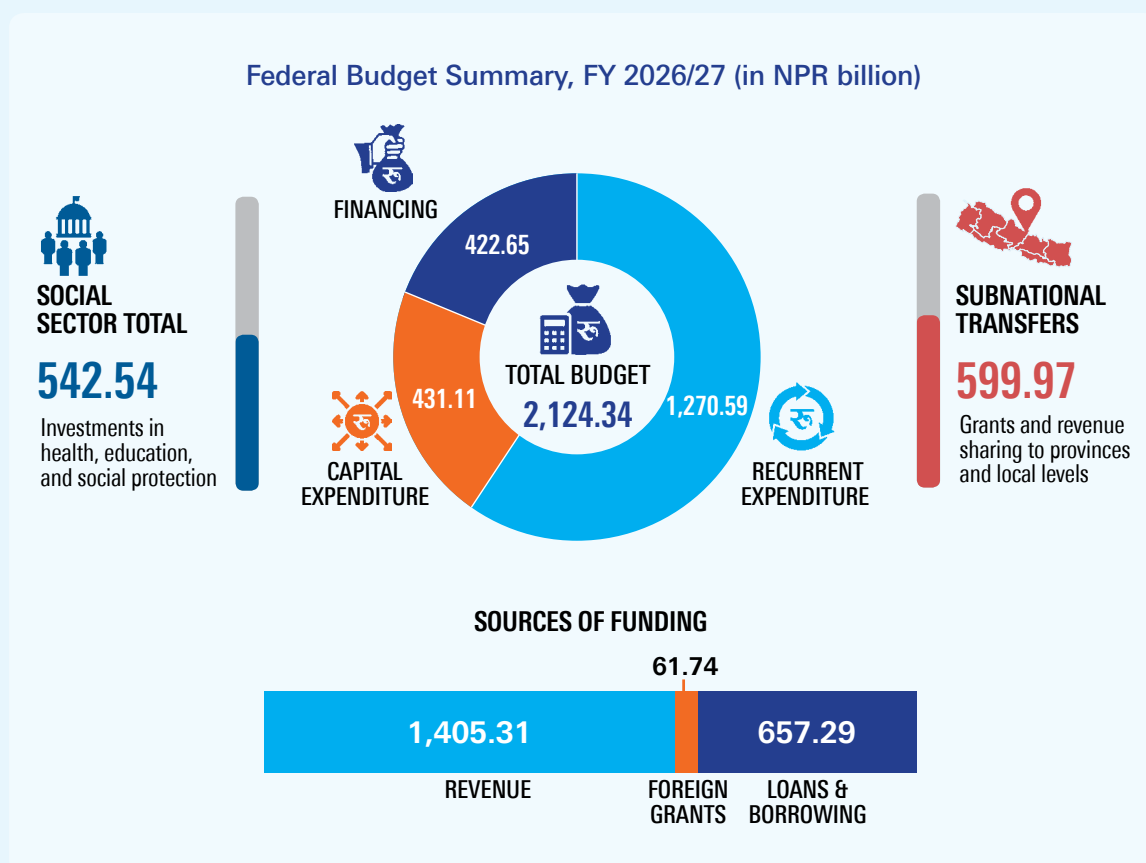


Abstract

The way governments raise revenue and allocate public resources has significant implications not only for overall social and economic outcomes but also for the well-being of children.

This brief examines the federal budget for FY 2026/27, presented to Parliament on 29 May 2026 under Article 119 of the Constitution¹. It analyses the size and composition of the budget, its past execution, allocations to the social sector, intergovernmental fiscal transfers, the financing mix, and cross-cutting classifications, including gender, climate adaptation, and the Sustainable Development Goals (SDGs).

The analysis draws primarily on data and information from the FY 2026/27 Budget Speech and the Economic Survey FY 2025/26 with some references from Consolidated Financial Statements for FY 2022/23 – 2024/25, Nepal Rastra Bank's Current Macroeconomic and Financial Situation of Nepal based on ten months' data of FY 2025/26, and others. It aims to provide a concise and accessible summary of the latest budget data, while highlighting key trends where relevant.



Source: Budget Speech FY 2026/27, MoF

¹ Nepali fiscal year runs 16 July–15 July. FY 2083/84 B.S. is translated as FY 2026/27 A.D. Throughout the report, A.D. is used primarily.



Key Takeaways

The FY 2026/27 budget has optimistic revenue and growth assumptions that sit alongside rising debt service, a shrinking development and social-sector share, and persistent under-execution. Seven messages stand out:

- 1 The FY 2026/27 budget of Nepalese Rupees (NPR) 2,124.34 billion (+8.2% year-on-year, roughly 32% of projected GDP) rests on optimistic assumptions.** The budget targets 7% growth and NPR 1,405.31 billion in revenue, while actual growth in FY 2025/26 is a revised 3.85% and revenue collection has run at only 72–84% of target over the past three completed fiscal years (FY).
- 2 Debt servicing is crowding out development spending.** The financing allocation (NPR 422.65 billion, ~20% of the budget, of which 75.3% is debt servicing) is now nearly equal to the entire capital budget (NPR 431.11 billion). Public debt reached NPR 2,878 billion (43.6% of GDP) by mid-March 2026.
- 3 Budget execution remains stuck at about 80%.** Actual expenditure was 79-81% of allocation in FY 2022/23 - FY 2024/25, with expenditure bunching in the final quarter and month. Capital expenditure is well below the overall expenditure ratio. Between FY 2021/22 and 2023/24, the execution rate of the capital budget ranged between 57.6% - 63.5%, compared to higher execution rates for recurrent and financing budgets, which ranged between 81.37% - 90.07% and 70.48% - 88.55%, respectively.
- 4 The social sector share of the budget is drifting downward.** Health, education and social protection together receive NPR 542.54 billion - 25.5% of the FY 2026/27 budget, down from 28% in FY 2022/23 and 8% of GDP down from 10%. Health has fallen to about 4.5% of the budget ($\approx$ 1.4% of GDP), below international benchmarks.

At the same time, it is difficult to accurately track investments benefiting children, which limits the ability to assess the adequacy, equity, and effectiveness of public spending. **Strengthening budget allocation and expenditure tracking** is therefore essential to establish a baseline and monitor progress over time. The planned rollout of child-responsive budget coding, for which Nepal has already completed the necessary policy and legal preparations, will be a critical step toward systematically identifying and estimating budget allocations for children.

- 5 Dependence on borrowing keeps rising while grants stagnate.** Loans and borrowing (internal and external) finance 31% of the FY 2026/27 budget (NPR 657.29 billion) against 26% in FY 2023/24. Foreign grants remain flat at about 3% (NPR 61.74 billion).
- 6 Fiscal transfers to subnational governments are growing slower than the budget, and disbursement falls short of allocation.** Transfers total NPR 599.97 billion (+NPR 17.14 billion, mostly to provinces). The equalization grant rose just 1.4% against 8.2% overall budget growth, and actual transfers to local governments (LGs) ran NPR 25-40 billion below allocation in recent years.
- 7 Budget credibility is the common thread.** Realistic revenue forecasting, increased capital spending, and a shift from budget tagging to expenditure tracking (gender, climate and SDGs) could do more for development results than additional allocations alone.

Section 1

Macroeconomic and Socioeconomic Context

1.1 Macroeconomic Trends

The Economic Survey 2025/26 estimates annual economic growth at 3.85% for FY 2025/26 – an improvement on the post-pandemic dip yet only half of the 7% target set for FY 2026/27. Inflation has remained within desired range – comfortably inside the 6% ceiling assumed in the budget of FY 2026/27. As of mid-March 2026, the first 8 months of the FY 2025/26, the average consumer inflation stood at 2.13%. In the same period of the previous FY, such inflation was 4.72%. Nominal Gross Domestic Product (GDP) is estimated at roughly NPR 6.6 trillion for FY 2025/26 (an increase of 6.45% compared to nominal GDP for FY 2024/25 which stood at NPR 6.1 trillion), with per-capita gross national income of about USD 1,535.31 (virtually no increase compared to FY 2024/25, for which the equivalent figure is USD 1535.24²).

Remittance inflows for the current FY 2025/26 increased by 41.2% to reach about NPR 1916.90 billion in the ten months compared to an increase of 13.3% in the same period of the previous year³. If the current trend of remittance inflows is to continue, remittances' share as a percentage of GDP will further increase. Remittance is the dominant source of household income and the indirect engine of Value Added Tax (VAT) and import-duty collections.

Foreign exchange reserves by mid-May 2026 hit a record NPR 3,704.55 billion (approx. USD 24.19 billion), covering 19.2 months of imports⁴. On the flip side, the total trade deficit increased 14.9% to Rs.1443.68 billion during the first ten months of FY 2025/26⁵. In the consumption-and-import-led

economy like Nepal, this situation leaves the revenue base heavily exposed to import cycles.

Total public debt has reached NPR 2,878.30 billion. Of this, internal debt accounts for 46.8% and external debt for 53.2%⁶. As a share of GDP, government public debt stands at 43.6%, compared to 43.2 last year⁷.

1.2 Social Development Trends

Nepal has made notable progress in social development, though significant challenges remain. Poverty levels remain substantial, with approximately one in five Nepalis living below the national poverty line (20.27%, NLSS-IV 2022/23), while multidimensional poverty stands at 20.1%⁸.

Human development indicators show gradual improvement. According to Human Development Report 2025, Nepal's Human Development Index (HDI) has reached 0.622, with life expectancy rising to 71.3 years and youth literacy (ages 15–24) at 94.2%⁹.

Health outcomes have also improved, as reflected in declining mortality rates - maternal mortality has fallen to 151 per 100,000 live births as reported in national population census of 2021, infant mortality to 27 per 1,000 live births, and under-five mortality to 31 five years preceding the survey¹⁰.

Access to essential services has expanded, although disparities in quality persist. Basic drinking water

2 [Economic Survey 2082/83 | Ministry of Finance](#)

3 [Current Macroeconomic and Financial Situation-English-Based-on-Ten-Months-data-of-2025.26.pdf](#)

4 Ibid.

5 Ibid.

6 Per the annual report 2024/25 of Public Debt Management Office (PDMO), 90.09% of the external debt is multilateral while 9.91% is bilateral debt.

7 [Economic Survey 2082/83 | Ministry of Finance](#)

8 <https://hdr.undp.org/system/files/documents/global-report-document/mpireport2025en.pdf>

9 [Economic Survey 2082/83 | Ministry of Finance](#)

10 [Nepal Multiple Indicator Cluster Survey 2024-25 | National Statistics Office](#)



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coverage has reached 98% of the population; however, access to safely managed drinking water remains limited at 47.4%¹¹, which shows the need to improve water quality, reliability and safety. Likewise, 40% of the population use sanitation facilities where excreta are safely contained and treated while 92.4% of household members overall use improved sanitation facilities (such as flush/pour-flush to sewer systems, septic tanks, or pit latrines with slabs)¹².

Social protection coverage has also expanded, with 3.641 million beneficiaries receiving social security allowances, nearly half of whom (46.14%) are senior citizens aged 70 and above¹³. According to the FY 2024/25 annual report of Health Insurance Board, 33% of the total population and 43% of all households have enrolled in the health insurance programme at least once¹⁴. Per the report, in FY 2024/25, 21% of insured individuals and 32% of households have registered an insurance policy; among them, 20% of insured individuals (about 5.9 million) and 30%

of households (about 2.1 million) remain active. Out of the total insured population, 75% belong to the general population, while the remaining 25% belong to targeted groups¹⁵. Disaggregation of the active households per province shows Gandaki with highest proportion (35.72%) and Madhesh with lowest (7.58%) while the other five provinces falling in between: Koshi (34.53%), Bagmati (26.47%), Lumbini (14.66%), Karnali (14.36%) and Sudur Paschim (11.15%)¹⁶.

According to the International Labor Organization's report on extending social protection for all in Nepal, published in 2023, only about one-third of the population has access to any social protection provisions. This means, about 20 million Nepalis remain without any form of social protection. There are substantial gaps in coverage for children, persons of working age, particularly workers in the informal economy and self-employment, maternity protection, and universal health care¹⁷.

11 Ibid.

12 Ibid.

13 [Economic Survey 2082/83 | Ministry of Finance](#)

14 <https://hib.gov.np/content/303/annual-report2081-82/>

15 Ibid.

16 Ibid.

17 <https://www.ilo.org/resource/news/new-report-state-social-protection-nepal>

In education, Nepal has achieved near-universal access at the basic level (Grade 1-5), with a net attendance rate of 76.6 %, but net attendance drops significantly at the secondary level to 54.4%. The Gender Parity Index in net enrollment is 1.09 at the basic level (1-5) and 1.05 at the secondary level¹⁸.

Despite these gains, from the point of child protection, significant challenges persist. An estimated 12% of children aged 5–17 are actively engaged in child labour, while 28% of young women aged 20–24 were married before adulthood, although this represents an improvement from 35% in 2022. The Nepal Multiple Indicator Cluster Survey 2024-25 highlights a strong correlation between schooling and delayed marriage. Among young women with no formal education, 52% experienced child marriage, compared with only 5.5% of those who attained higher education. These findings underscore the critical role of education in protecting children, delaying marriage, and improving life opportunities for girls.¹⁹

Likewise, progress toward the SDGs remains uneven. In 2025, Nepal ranked 85th out of 167 countries with an SDG Index score of 68.58, while maintaining a high spillover score of 94.85²⁰. Achieving the SDGs within the remaining timeline will require substantial additional resources, with an estimated annual financing gap of NPR 755 billion²¹.

1.3 Policy Framework and Budget Objectives

The finance minister presented the budget on May 29, 2026 (Jestha 15), in line with the constitutionally mandated timeline.

The budget's key objectives are to promote good governance, strengthen the middle class, generate productive employment, build a competitive economy, and lay the foundation for a dignified life. To support these goals, it prioritizes strengthening public administration, restoring private sector confidence, enhancing technology-enabled and accountable service delivery, and initiating a new economic momentum driven by production, innovation, and entrepreneurship. Priority sectors include energy, agriculture, forestry, industry, tourism, information technology, and human capital.

Macroeconomic conditions remain stable, characterized by low inflation and record-high foreign exchange reserves. However, the budget's projected growth rate of 7% is nearly double the current revised estimate, indicating a degree of optimism.

Independent forecasts are more cautious still. The Government's revised estimate puts FY 2025/26 growth at 3.85%, but the World Bank's November 2025 assessment, issued after the recent political unrest of September 2025, projects growth of just 2.1% in FY 2026, recovering to 4.7% in FY 2027 as reconstruction gathers pace²². The IMF's revised growth projection is 3%²³.

If revenue targets fall short, there is a risk of in-year downward revision of the budget.

18 [Nepal Multiple Indicator Cluster Survey 2024-25 | National Statistics Office](#)

19 Ibid.

20 [Economic Survey 2082/83 | Ministry of Finance](#)

21 Ibid.

22 November 2025 Nepal Development Update, World Bank, slides 16 and 17. Link: <https://thedocs.worldbank.org/en/doc/374767f32c6346c1e0cce6ce09aa4f28-0310012025/original/November-2025-NDU-presentation-Final.pdf>

23 <https://www.imf.org/-/media/files/publications/cr/2026/english/1nplea2026002.pdf>

Section 2

Size and Classification of the Federal Budget

2.1 Total Budget Size and Trend

The federal budget for FY 2026/27 is NPR 2,124.34 billion – an increase of NPR 160.23 billion (+8.2%) over FY 2025/26 and the first time the budget has crossed the NPR 2.1 trillion mark (see Figure 1). After contracting in FY 2023/24, the budget has grown for three consecutive years; with inflation around 4%, this year's increase is positive in real terms as well. The budget equals roughly 32% of projected GDP.

2.2 Budget Classification

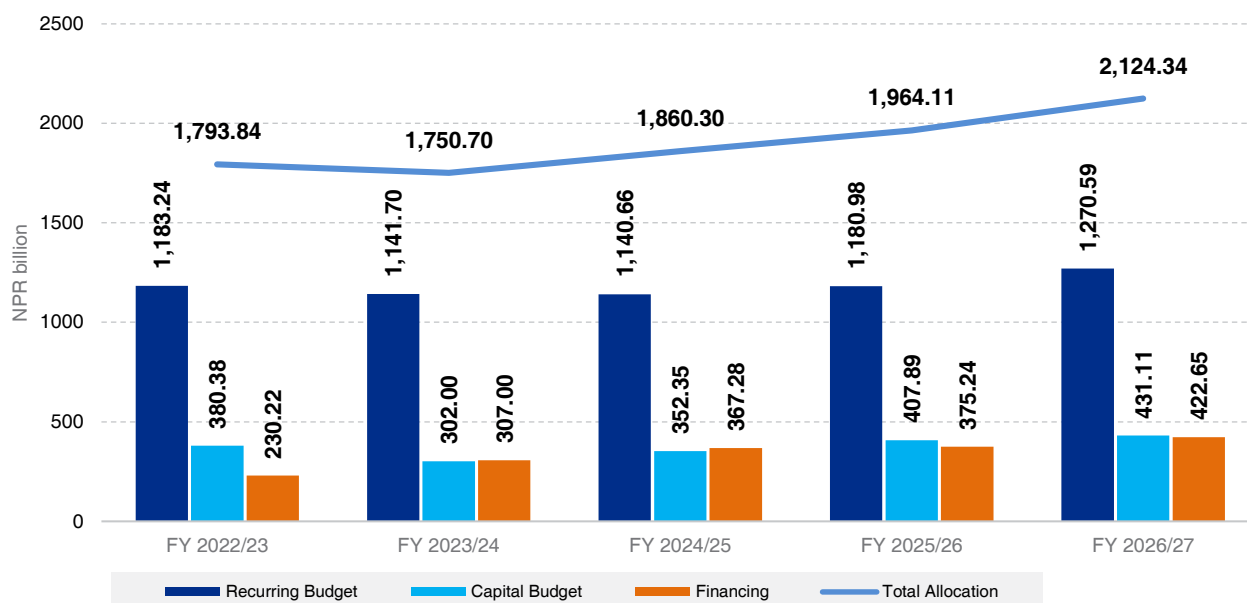
Classification of government budgets can be understood in three simple ways: who spends, how the money is spent, and where it is spent. The administrative classification shows who is responsible for spending, such as ministries, constitutional commissions, or other federal institutions such as the Office of the President, the courts, and the Federal Parliament. The economic classification explains how the money is used, for



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Figure 1

Size of the federal budget, FY 2022/23 – 2026/27 (in NPR billion)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

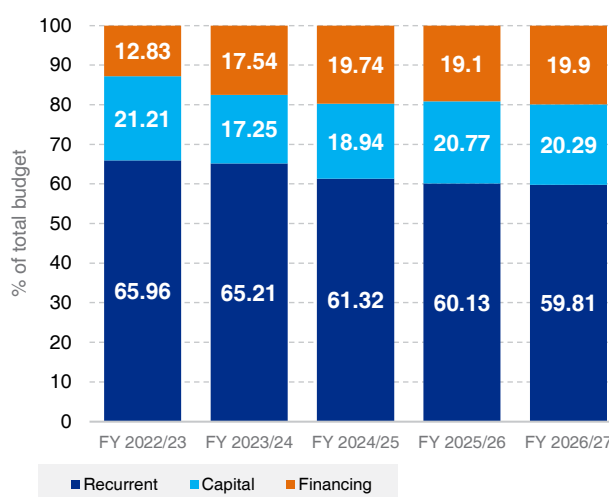
example: recurrent, capital and financing. The functional classification, through the Classification of Functions of Government (CoFOG), shows where the budget is spent. It is a comprehensive framework that categorizes government expenditure according to the functions, or socioeconomic objectives, it aims to achieve. In its current version, CoFOG is structured into ten divisions: general public services; defense; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture, and religion; education; and social protection²⁴.

Economic Classification: Recurrent, Capital and Financing

In the federal budget for FY 2026/27, recurrent spending takes 59.8% (NPR 1,270.59 billion), while capital 20.3% (NPR 431.11 billion) and financing 19.9% (NPR 422.65 billion)²⁵ takes the rest (see Figure 2). The allocation on financing – of which 75.3% is for repayment of public debt principal – has grown from 12.8% of the budget in FY 2022/23 to one-fifth

Figure 2

Economic classification of the federal budget, FY 2022/23 – 2026/27 (% of the total budget)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

today and is now almost equal to the entire capital budget. Per the FY 2024/25 expenditure data, the composition is further tilted towards financing where it consumed 22.0% of the total expenditure size while capital managed only 14.8%²⁶. As debt repayment is unavoidable, any revenue shortfall is absorbed by the capital budget instead.

24 <https://unstats.un.org/unsd/classifications/cofog/revision>

25 In general, a budget encompasses recurrent expenditure for government operations, capital expenditure for infrastructure and development projects, and financial management for debt servicing and lending.

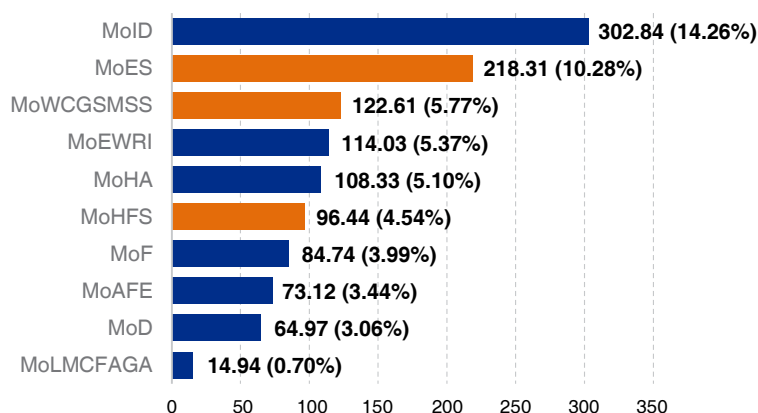
26 Annex – 7, Budget Speech 2026/27, MoF.

Administrative Classification: Ministry-wise Budget Allocation

The Ministry of Infrastructure Development (NPR 302.84 billion) and the Ministry of Education and Sports (NPR 218.31 billion) hold the largest portfolios. The Ministry of Women, Children, Gender and Sexual Minorities, and Social Security is now the third-largest ministry (NPR 122.61 billion), reflecting the transfer of social-security allowance administration from the Ministry of Home Affairs²⁷. Figure 3 below shows allocation of budget to top 10 ministries and their proportion compared to the total size of the budget²⁸.

Figure 3

Top 10 ministries by allocation, FY 2026/27 (in NPR billion and % of the total budget; social ministries in orange)



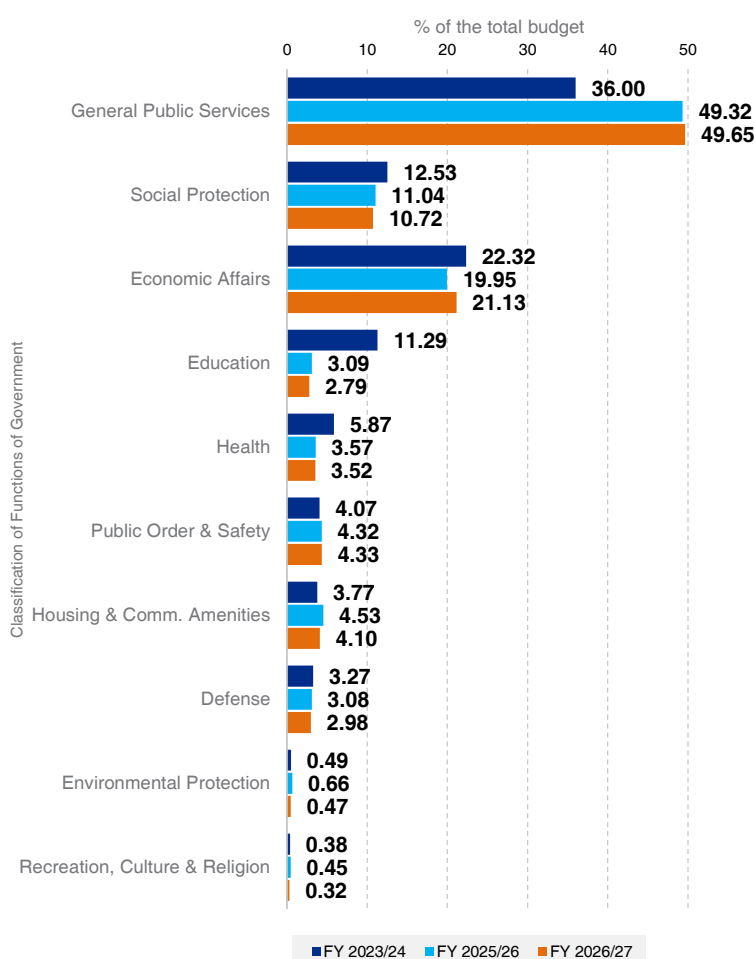
Source: Budget Speech FY 2026/27, MoF

Functional Classification: Classification of Functions of Government (CoFOG)

From function-wise priorities, based on CoFOG, General Public Services absorbs 49.7% of the FY 2026/27 budget, up from 36.0% in FY 2023/24, while education's functional share collapsed from 11.3% to 2.8% and health's share decreased from 5.87% to 3.52%, over the same period (see Figure 4). This may be due to reclassification effect where the ministry-level transfers to provincial and local governments are coded under General Public Services, because most of the transfers are for salaries. The reclassification started in FY 2024/25; therefore, it is important to exercise caution when comparing the CoFOG figures from FYs prior to FY 2024/25. The reclassification has not affected social protection share.

Figure 4

Functional classification of the budget, FY 2023/24 – 2026/27 (% of the total budget)



Source: Budget Speeches FY 2023/24 – 2026/27, MoF

²⁷ In the last fiscal year (FY 2025/26), prior to the reorganization of ministries, the Ministry of Home Affairs accounted for 10.62% of the total budget, while the Ministry of Women, Children, and Senior Citizens accounted for just 0.1%.

²⁸ There has been recent re-organization of ministries like consolidation of Ministry of Infrastructure Development; merger of education and sports; social security moved to MoWCGSMSS. Caution is advised in comparing this fiscal year's ministerial budget with the previous ones.

Section 3

Budget Execution and Revenue Collection

3.1 Budget Allocation versus Actual Expenditure

Nepal's budget consistently promises more than it delivers. Execution was 79% in FY 2022/23, 80% in FY 2023/24 and 81% in FY 2024/25 – meaning roughly NPR 350–370 billion of approved spending goes unexecuted each year (see Figure 5). Capital expenditure is well below this average. Between FY 2021/22 - 2023/24, the execution rate of the capital budget ranged from 57.6% - 63.5%, compared to higher execution rates for recurrent and financing

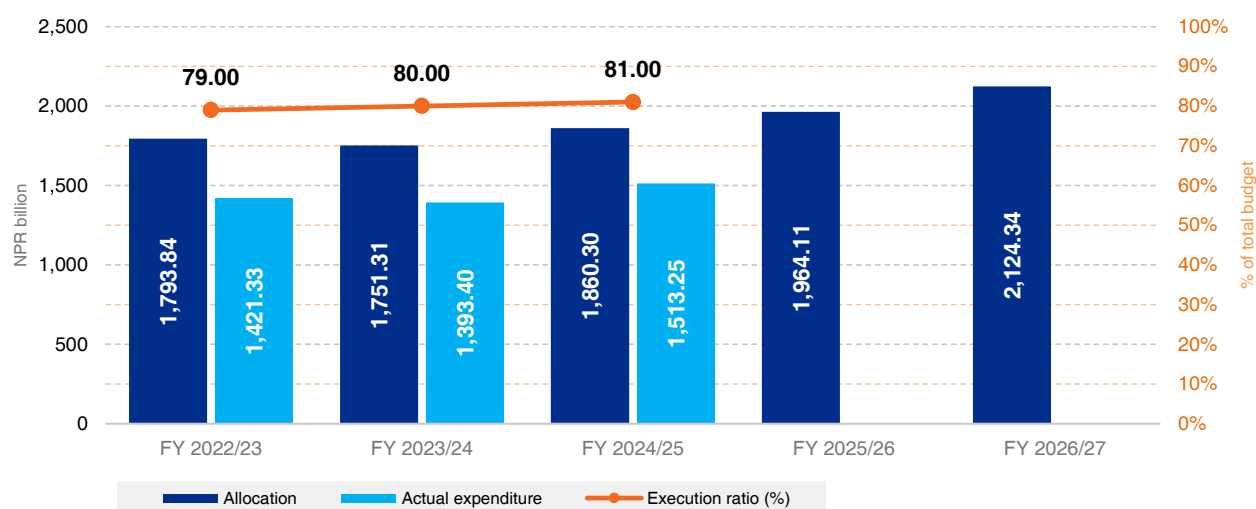
budgets, which ranged from 81.37% - 90.07% and 70.48% to 88.55%, respectively.

Expenditure bunching, also known as *Ashare Kharcha*, is one of the issues observed in the expenditure trend of Nepal which is undermining both value-for-money and the growth payoff the budget assumes. It generally refers to a tendency of government agencies to concentrate a large share of budget spending at the end of the FY (especially in the month of Ashar, which is the last month of Nepali FY) to utilize allocated funds before they lapse.



Figure 5

Budget allocation versus proportion of expenditure, FY 2022/23 – 2026/27 (allocation on the left axis; % of expenditure on the right axis)



Source: Budget Speeches, FY 2022/23 – 2026/27, MoF and Consolidated Financial Statements FY 2022/23 – 2024/25, Financial Comptroller General Office (FCGO)

Note: Actual expenditure data for FY 2025/26 and FY 2026/27 is not available

Between FY 2019/20 and 2023/24, the average share of expenditure in the final month (Ashar) was about 19.2% of the total annual spending, although this has improved in the last two years. Assuming an average monthly execution rate of 8.33% is required

to fully utilize the annual budget, performance has improved over time. However, in FY 2023/24, expenditures in seven out of 12 months still fell below this benchmark. See Table 1.

Table 1

Public expenditure pattern by month, FY 2019/20 – 2023/24 (% of the total expenditure)

Month	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Jul/Aug (Shrawan)	0.39	0.17	0.8	1.57	2.51
Aug/Sep (Bhadra)	5.05	5.56	6.06	7.89	6.34
Sep/Oct (Ashwin)	10.87	11.06	11.05	10.12	12.73
Oct/Nov (Kartik)	4.4	5.68	4.05	5.12	3.94
Nov/Dec (Mangsir)	6.66	4.96	7.59	5.91	6.99
Dec/Jan (Paush)	10.02	7.3	9.13	9.93	8.2
Jan/Feb (Magh)	7.02	7.04	6.44	6.42	8.57
Feb/Mar (Falgun)	11.37	5.97	6.43	7.85	8.25
Mar/Apr (Chaitra)	5.92	9.96	9.08	11.52	7.73
Apr/May (Baisakh)	7.86	11.23	8.75	7.36	10.59
May/Jun (Jestha)	11.21	7.69	9.69	9.02	8.94
Jun/Jul (Ashar)	19.21	23.37	20.93	17.28	15.21

Source: Consolidated Financial Statement FY 2023/24, FCGO

3.2 Revenue Projection versus Actual Collection

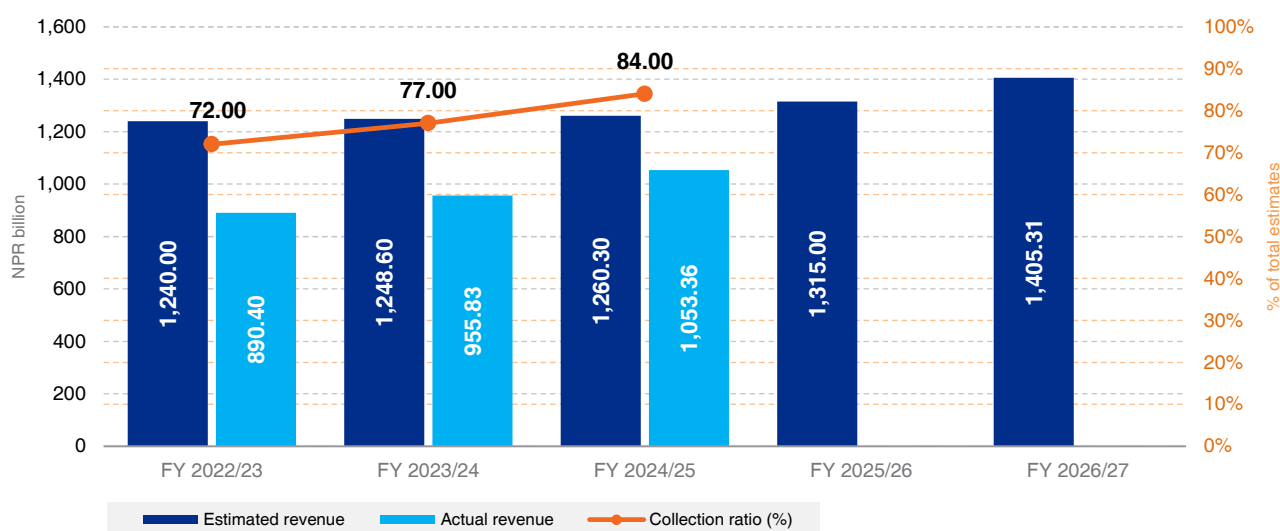
Revenue is the weaker half of the budget challenge for Nepal. As shown in Figure 6, revenue collections reached only 72%, 77% and 84% of target in FY 2022/23 – FY 2024/25. The FY 2026/27 target of NPR 1,405.31 billion is 6.9% above last year's target - and roughly a third above the most recent actual collection (NPR 1,053.36 billion in FY 2024/25). When revenue undershoots, as discussed and shown in Section 5, transfer of the fiscal equalization grant (FEG) to subnational governments is reduced, compared to what is recommended for them by the National Natural Resources and Fiscal Commission (NNRFC).

Nepal's tax base leans heavily on consumption and trade taxes. Import-linked taxes make collections move with the import cycle. VAT, income tax, customs duties, and excise duties constitute the major sources of tax revenue. As shown in Table 2, in FY 2023/24, VAT contributed the largest share of tax revenue at 32.86%, up from 30.14% in FY 2022/23. Income tax accounted for 29.98% in FY 2023/24, while customs duties and excise duties contributed 16.90% and 14.79%, respectively.

With a structural ~20% execution gap and revenue targets that are not met by 16–28% in recent years, the binding constraint on development outcomes in Nepal is delivery capacity, not allocation.

Figure 6

Federal revenue: estimates versus proportion of collection, FY 2022/23 – 2026/27 (estimates on the left axis; % of collection on the right axis)



Source: Budget Speeches, FY 2022/23 – 2026/27, MoF and Consolidated Financial Statements FY 2022/23 – 2024/25, FCGO

Note: Actual revenue data for FY 2025/26 and FY 2026/27 is not available

Table 2

Composition of tax revenue, FY 2019/20 - 2023/24 (% of the total tax revenue)

Sources of Tax Revenue	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Income Tax	34.76	29.1	35.61	26.47	29.98
VAT	25.57	33.79	31.93	30.14	32.86
Custom Duties	20.18	23.51	19.07	15.04	16.9
Excise Duties	18.41	18.11	10.48	10.95	14.79

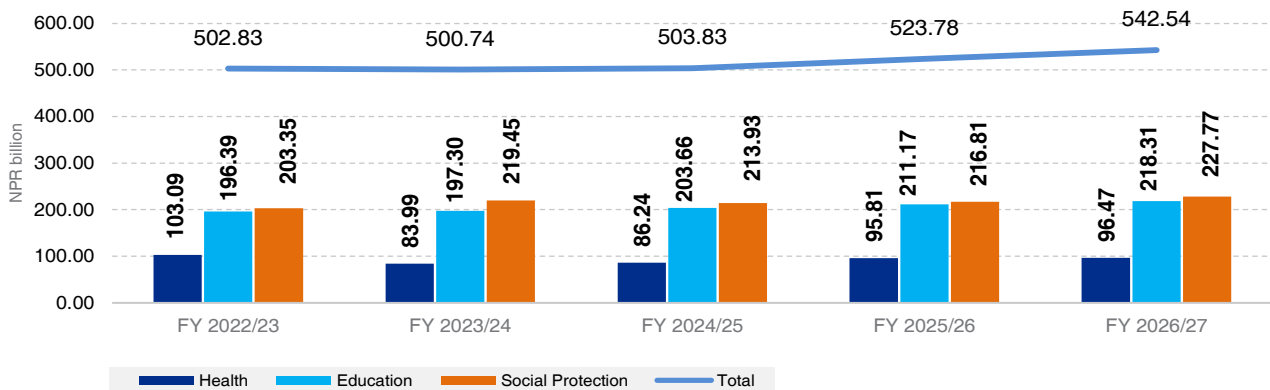
Source: Consolidated Financial Statements 2023/24, FCGO

Section 4

Social Sector Allocations

Figure 7

Social sector allocations, FY 2022/23 – FY 2026/27 (in NPR billion)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

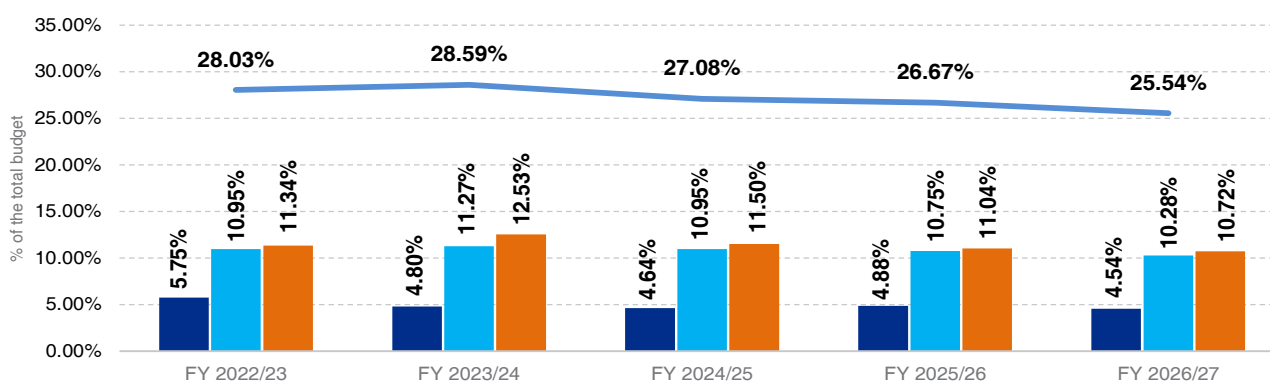
Health, education and social protection together receive NPR 542.54 billion in FY 2026/27 - 25.5% of the budget and about 8% of GDP²⁹. See Figure 7 for federal social sector budget allocation trend for the last five years.

²⁹ Health and education expenditures are presented as ministerial budgets, rather than based on the Classification of Functions of Government (CoFOG). As CoFOG data for the last three years excludes conditional grants to provincial and local governments under the health and education sectors, relying solely on such data would result in significant underreporting. Accordingly, data for fiscal years prior to FY 2026/27 reflect allocations to the Ministry of Education, Science and Technology and the Ministry of Health and Population. In contrast, CoFOG-based data have been used for social protection, where coverage is more consistent.

Nominal allocations rise every year, but the social sector's share of the budget has fallen steadily from 28% in FY 2022/23 (see Figure 8), and its share of GDP from 10% to 8%. Education and health are devolved functions: most frontline service delivery is financed through conditional grants to LGs, so federal ministry figures alone do not represent the investment from the public sector. The figures below include only federal allocations, including transfers to provincial and local governments. They do not capture allocations made by subnational governments through their own budgets, financed from own-source revenues, equalization grants, and other resources.

Figure 8

Social sector allocations as a share of the federal budget, FY 2022/23 – 2026/27 (% of the total budget)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF



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4.1 Education

Ministry of Education and Sports (MoES³⁰) receives NPR 218.3 billion – the largest social allocation (10.3% of the budget), of which NPR 150.8 billion (69%) flows to LGs, mainly as conditional grants covering teacher salaries. See Figure 9 for federal education budget allocation trend for the last five years.

The budget introduces a range of measures aimed at strengthening equitable access and quality in the education sector. An allocation of NPR 1 billion has been made to map the infrastructure needs of community schools nationwide, alongside NPR 8.60 billion earmarked for scholarships supporting students from school through higher education. To promote diversity and learning exchange, student and teacher exchange programmes will be implemented among community schools across provinces, particularly for grades 5 to 8. The Government also plans to operate a model residential school with

adequate infrastructure targeting the children with autism. In addition, students with talent in sports will be identified from an early age and supported through residential training facilities to nurture their potential. To improve access for disadvantaged populations, residential schools will be established for communities lagging in human development, starting with the Chepang community in Chitwan. Additionally, a 3% levy on fees charged by private educational institutions has been introduced to mobilize resources for sectoral improvements³¹.

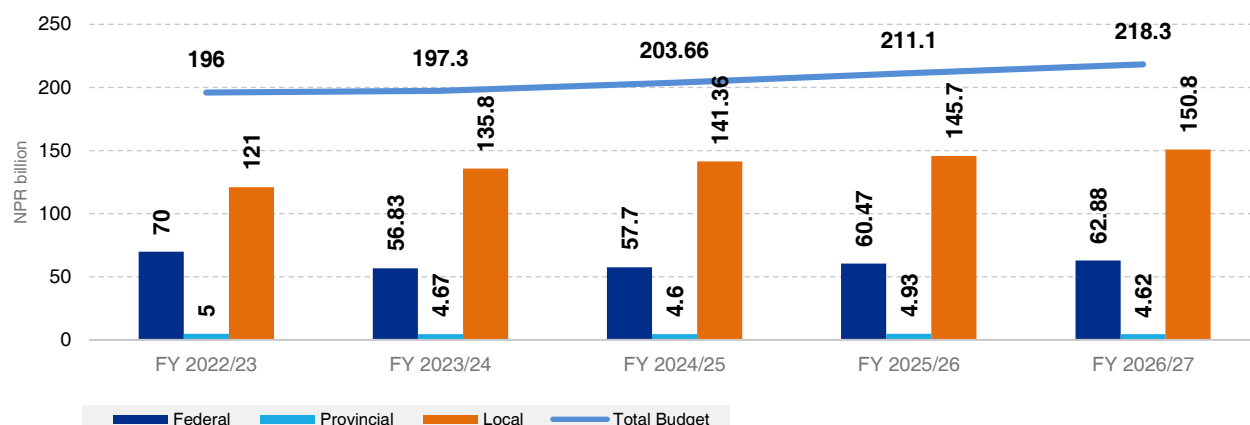
The total allocation is far below the benchmark set by the Incheon Declaration and Framework for Action - endorsed by 184 United Nations Educational, Scientific and Cultural Organization (UNESCO) member states in 2015 – which calls for allocating between 4-6% of GDP, and between 15-20% of public expenditure, to education.

30 Except for FY 2026/27, budget of other fiscal years is for Ministry of Education, Science and Technology.

31 The tax was removed through a Cabinet decision taken within the first week of the new fiscal year.

Figure 9

Federal budget allocation of MoES for all three levels of government, FY 2022/23 – 2026/27 (in NPR billion)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

4.2 Health

The Ministry of Health and Food Safety (MoHFS³²) receives NPR 96.436 billion (4.5% of the budget) – still below its FY 2022/23 nominal level of NPR 103.1 billion. See Figure 10 for federal health budget allocation trend for the last five years.

Of this, NPR 13.15 billion is earmarked for health-related social protection programmes, including treatment for low-income citizens, the Mother

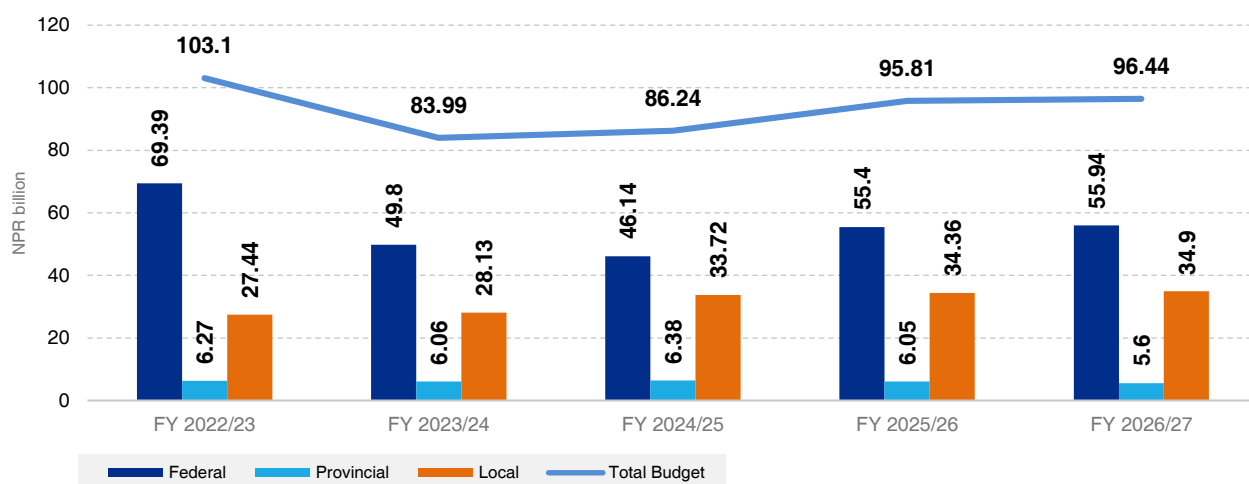
Safety Program, free medicines, and other essential services. The government plans to complete the 336 ongoing basic hospitals within three years, while also prioritizing the construction of basic hospitals in low Human Development Index areas by selecting one local level in each province. Specialized interventions include the provision of free treatment for childhood cancers in government hospitals and the expansion of telemedicine services in remote regions such as Karnali and Sudurpashchim, ensuring access to specialist care through video consultations. To improve affordability, “affordable pharmacies” will be established in all health institutions through

³² Except for FY 2026/27, budget of other fiscal years is for Ministry of Health and Population.



Figure 10

Federal budget allocation of MoHFS for all three levels of government, FY 2022/23 – 2026/27 (in NPR billion)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

partnerships with community, cooperative, and private sectors. Additionally, as in education, there is a provision requiring citizens to pay an additional 3% levy when receiving treatment at private hospitals and healthcare providers³³.

4.3 Social Protection

Social protection³⁴ is allocated NPR 227.77 billion (10.7% of the budget) – the largest year-on-year social increase (+NPR 10.96 billion). See Figure 11 for federal social protection budget allocation trend for the last five years.

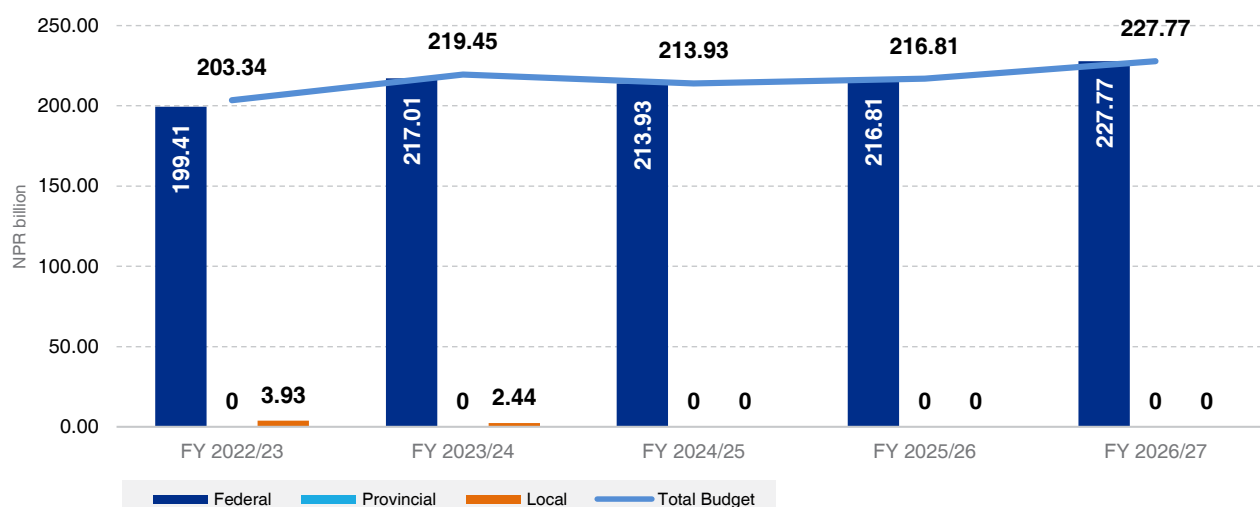
³³ The tax was removed through a Cabinet decision taken within the first week of the new fiscal year.

³⁴ The data are based on the “social protection” sector in the CoFOG and includes social protection budget allocated for local governments as well.



Figure 11

Federal budget allocation on social protection for all three levels of government, FY 2022/23 – 2026/27 (in NPR billion)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

The headline change for children: the monthly child nutrition allowance for Dalit children doubles to NPR 1,000, within NPR 3 billion child-grant envelope. The government is planning to run a voluntary campaign encouraging better-off citizens to relinquish universal social-security allowances – an approach unlikely to generate significant fiscal space.

In FY 2024/25, approximately 3.8 million people benefited from social security allowances. Of the total expenditure on social security allowances (NPR 114.32 billion), 77.46% was allocated to senior citizen allowances, while 4.16% and 1.91% were allocated to child grants for children in designated geographic areas and Dalit children, respectively. See Table 3 for details on the benefiting population and the corresponding expenditure by allowance category.

Table 3

Population benefitting from social security allowance and corresponding expenditures

Beneficiary Category	Basis of Allowance	No. of Beneficiaries	Monthly Allowance Rate	Expenditure Amount (in NPR thousand)	Expenditure %
Other Senior Citizen Allowance	68 years of age	1,719,800	4000	76,862,251	67.23
Senior Citizen Allowance (Dalit)	60 years of age	157,887	2660	4,770,099	4.17
Senior Citizen Single Woman	60 years of age	159,310	2660	6,422,021	5.62
Senior Citizen (Specified Area)	60 years of age	16,950	2660	508,672	0.44
Senior Citizen (Total)		2,053,947		88,563,043	77.46
Single Woman	Any age	416,687	2660	11,295,049	9.88
Fully Disabled (Class A)	Any age	69,952	3990	3,049,442	2.67
Fully Disabled (Class B)	Any age	150,883	2128	3,424,492	3
Children of Specified Areas	Under 5 years	756,409	532	4,750,107	4.16
Dalit Children	Under 5 years	336,706	532	2,188,243	1.91
Endangered Ethnicity	Any age	22,050	3990	1,051,882	0.92
Grand Total		3,806,634		114,322,217	100

Source: Sixty-third annual audit report FY 2024/25, Office of Auditor General



4.4 Water, Sanitation and Hygiene

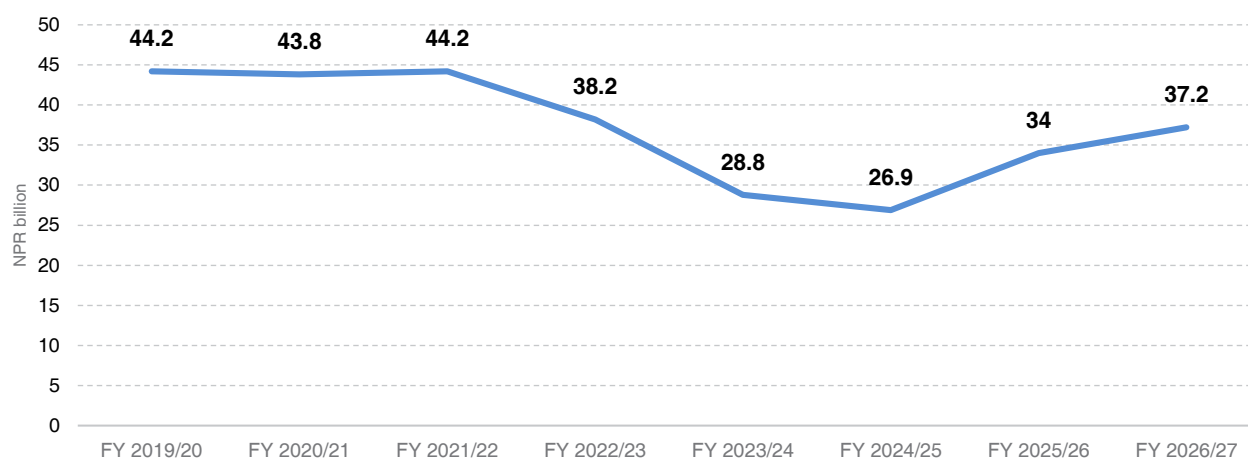
On Water, Sanitation and Hygiene (WASH), the Ministry of Infrastructure Development has allocated NPR 37.1 billion, representing 1.74% of the total federal budget³⁵. Of the total WASH allocation, 21.59% is earmarked for recurrent expenditure,

59.57% for capital expenditure, and 18.82% for financing. In terms of funding sources, 2.35% of the budget will be financed through grants, while 22.91% will be supported by foreign loans. Per the policies and program of the GoN, major priorities WASH areas are universal access target, drinking water supply, WASH in public places, wastewater and sewerage management, environmental health and river cleanliness, and climate-resilient WASH.

³⁵ This budget does not include WASH-related budget under Ministry of Energy, Water Resources and Irrigation and Ministry of Health and Food Safety.

Figure 12

Federal budget allocation for WASH, FY 2019/20 – 2026/27 (in NPR billion)



Source: WaterAid (2026). An assessment of bottlenecks and opportunities for prioritization, allocation and expenditure of WASH budget in Nepal

Section 5

Subnational Transfers and Fiscal Federalism

Federal transfers to provincial and local governments total NPR 599.97 billion in FY 2026/27 – 28.2% of the total budget – comprising four grant types plus revenue sharing (NPR 175 billion). There is increase of NPR 17.14 billion, compared to FY 2025/26, which is directed almost entirely to provinces (+9.5%). Transfers to LGs are flat, with cuts to conditional (–2.2%), special (–3.9%) and complementary (–11.2%) grants only partially offset by NPR 1.23 billion rise in equalization³⁶ (see Table 4).

Critically, the FEG grew by just 1.4%, compared to overall budget growth of 8.2% – indicating a continued

erosion of the only transfer that provides provincial and local governments with flexible resources to meet their exclusive constitutional responsibilities (Schedules 6 and 8 of the Constitution, respectively) and respond to their geographic and population-specific needs.

Overall, the FEG is yet to return to its FY 2022/23 level. The allocation of the grant in FY 2026/27 is NPR 32.73 billion less than the FY 2022/23 allocation in nominal terms. For all four other categories, allocations have already surpassed their FY 2022/23 levels.

During the implementation of the budget, the allocations are not matched with the actual transfer.

³⁶ It is assumed that the revenue sharing allocation is split equally between province and local governments, for ease of presentation.



Table 4

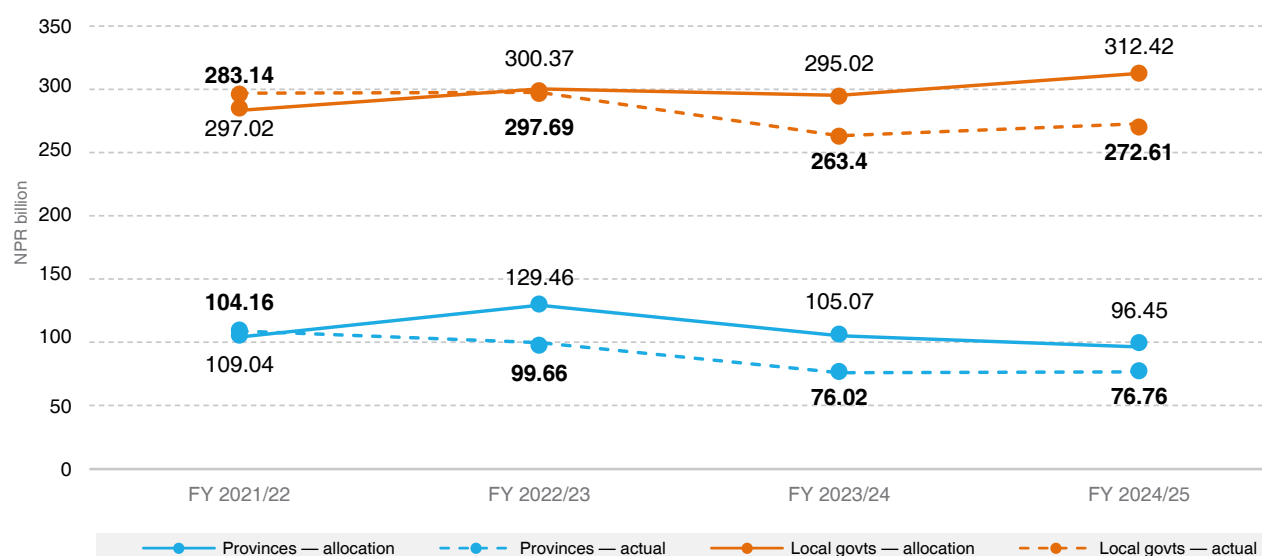
Allocation of federal fiscal transfers to subnational governments, FY 2022/23 – 2026/27 (in NPR billion)

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Equalization Grant	184.43	146.02	148.00	149.63	151.70
Conditional Grant	240.89	227.60	234.77	241.81	246.50
Special Grant	13.70	13.00	12.90	13.05	13.20
Complementary Grant	13.57	13.27	13.20	13.34	13.50
Revenue Sharing	163.03	173.92	159.00	165.00	175.00
Total	615.62	573.81	567.87	582.83	599.90

Source: Intergovernmental Fiscal Transfers Documents and Budget Speeches, FY 2022/23 – 2026/27, MoF

Figure 13 ³⁷

Federal grant transfers to province and local governments: allocation versus actual disbursement, FY 2021/22 – 2024/25 (in NPR billion)



Sources: Economic Survey 2025/26, MoF (annex – 2.6)

The figure below shows that the actual transfers³⁸ are running persistently below allocation. Provinces have received 72–80% of allocated grants between FY 2022/23 and FY 2024/25, which is about NPR 20–30

billion less than budgeted. Similarly, between FY 2022/23 and FY 2024/25, local governments have received 87–99% of allocated grants, which is about NPR 3–40 billion less than budgeted³⁹. Predictability of transfers is an issue. See Figure 13 and 14.

³⁷ The percentages in parentheses indicate the share of the allocated amount that was actually received by the subnational government.

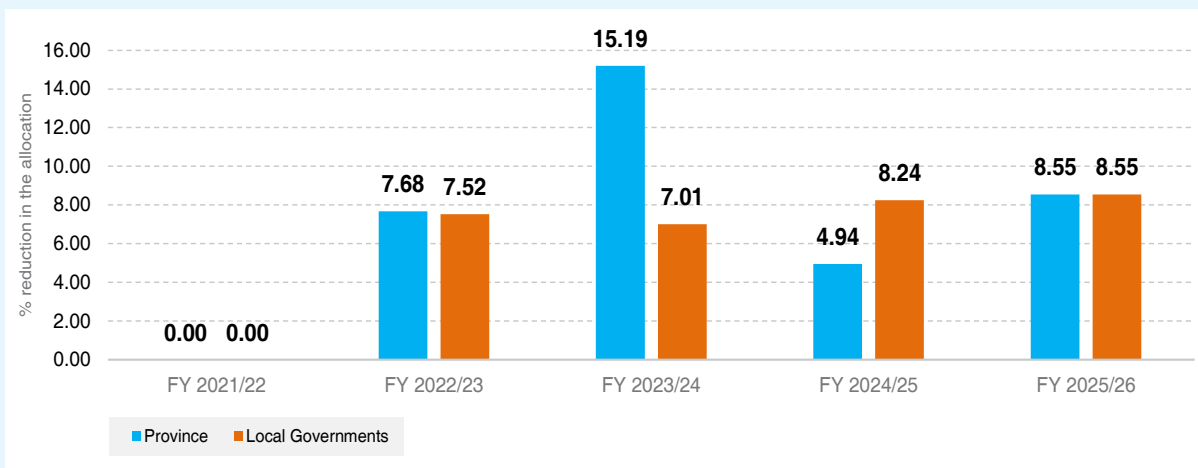
³⁸ Revenue sharing not included in the allocation vs actual comparison in this case.

³⁹ Tables with disaggregated allocation and actual transfer of grants are in the annexes.

A case of Fiscal Equalization Grant

Figure 14

Reduction in FEG, FY 2021/22 – 2025/26 (% reduction on the allocation)



Source: Consolidated Financial Statements FY 2021/22 – 2024/25 and Notices (for FY 2025/26), FCGO and Economic Survey 2025/26, MoF (annex – 2.6)

Fiscal equalization grant is important for subnational governments because it is one of the few flexible funding sources available to provincial and local governments, making it central to their ability to respond to specific needs at local and provincial level to exercise autonomy. The NNRFC has constitutional and legal mandate to recommend the grant amount for each of Nepal's 753 LGs and seven provinces.

The Government of Nepal transferred the full recommended/allocated share of the FEG, sometimes exceeding the allocated amount (for example, in FY 2017/18) to provincial and local governments during the initial years following the rollout of federalism. For the last four FYs, from FY 2022/23 – FY 2025/26, the federal government has not transferred the full allocated share of the FEG to province and local governments, owing to the shortfall in the projected revenue collection⁴⁰. The reduction in the transfer of the FEG to the 753 LGs has ranged between 0 – 8.55%, while the figures range between 0 – 15.19% for seven provinces (see Figure 14).

Fiscal Equalization Grant is important for the subnational governments because it is one of the few flexible funding sources available to them, making it central to their ability to respond to local needs and to exercise autonomy. The NNRFC, which has the constitutional and legal mandate to recommend FEG, has consistently objected to the Government of Nepal's (GoN) decision to cut the grant, arguing that reductions to the FEG are inconsistent with constitutional provisions⁴¹. But the trend has continued.

Rameshwor Khanal, Finance Minister in the interim government of Nepal (September 2026 – March 2027) and Chairperson of the High-Level Economic Reform Recommendation Commission, notes the following regarding the reduction in FEG in his end-of-tenure report⁴²:

⁴⁰ FCGO's notice to District Treasury Control Office on reduction of FEG for FY 2025/26 (in Nepali). Accessed on June 15, 2026. Link: https://giwmscdnone.gov.np/media/pdf_upload/19-05-2026%2009.32_zlkqf3f.pdf

⁴¹ NNRFC's Decision on the Reduction of FEG by the Government of Nepal for FY 2025/26 (in Nepali). Accessed on June 15. Link: <https://nnrfc.gov.np/content/207/commission-s-decision-dated-2082-11-11-regarding-transfer-of-third/>

⁴² End of tenure report of finance minister, page 9 (in Nepali). Accessed June 15. Link: <https://mof.gov.np/content/1699/finance-federal-affairs-and-general-administration-minister/>

Reducing the fiscal equalization grant that the Government of Nepal had allocated to subnational governments ... is contrary to the essence of federalism. It is not appropriate to set technically unrealistic revenue targets, propose budgets based on them, and then, when actual revenue falls short, allow the negative consequences to affect the financial management of provincial and local governments.

Since the Appropriation Act itself contains a legal provision to reduce the fiscal equalization grant based on the percentage of revenue collection, I was compelled, despite my reservations, to cut

the equalization grant for the third trimester this time. In future appropriations, it is necessary to prevent the inclusion of unnecessary provisions related to financial management that go beyond the core purpose of appropriation.

A more realistic initial allocation of the FEG is necessary. Late cuts force province and local governments either to slash budgets hastily (if implementation has not yet started) or to pay contractors out of their own resources (if implementation is already underway or complete) or hold their payments until the next FY, all of which reduces budget credibility.



Section 6

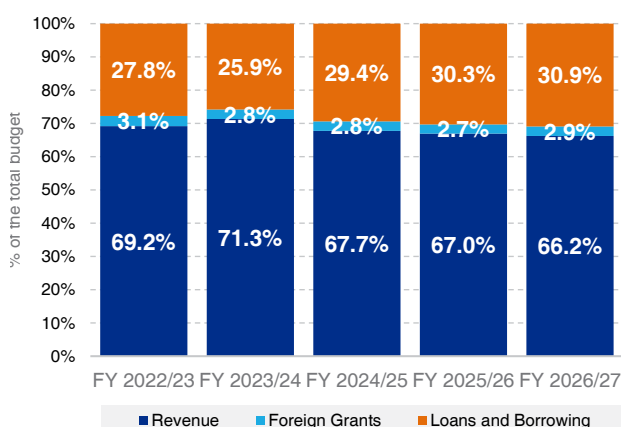
Financing the Budget

6.1 Financing Snapshot

The FY 2026/27 budget is financed by revenue (NPR 1,405.31 billion, 66%), loans and borrowing (NPR 657.29 billion, 31%) and foreign grants (NPR 61.74 billion, 3%). The borrowing share has climbed from 26% in FY 2023/24 to 31%, while the grant share is stagnant – continuing the long-run substitution of debt for grants in Nepal's financing mix. See Figure 15 and 16.

Figure 15

Composition of the source of the federal budget, FY 2022/23 – 2026/27 (% of the total budget)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

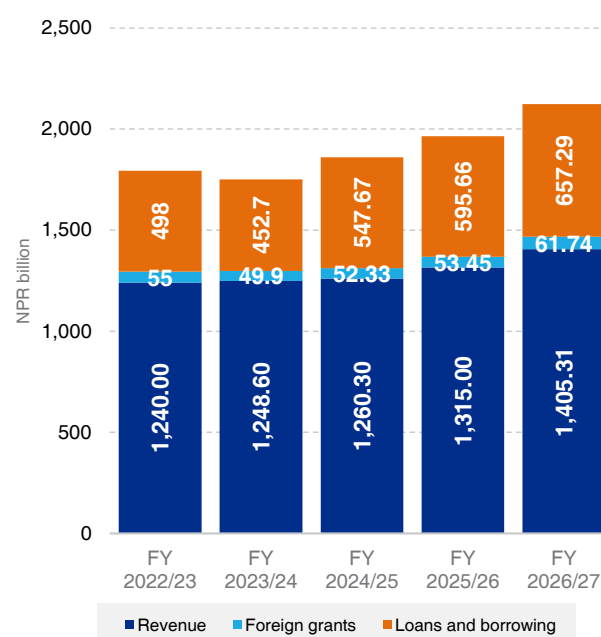
In the last five years, the average share of the revenue in the total budget has been 68.15%, while the corresponding figures for foreign grants and loans and borrowing have been 2.87% and 28.98%, respectively.

6.2 Domestic Revenue

Revenue (excluding the revenue sharing allocation) is targeted at NPR 1,405.31 billion. As shown in Table 2 above, there is a heavy reliance on indirect consumption taxes such as VAT, excise duties, and customs duties. In a remittance-dependent economy

Figure 16

Sources of the federal budget, FY 2022/23 – 2026/27 (in NPR billion)



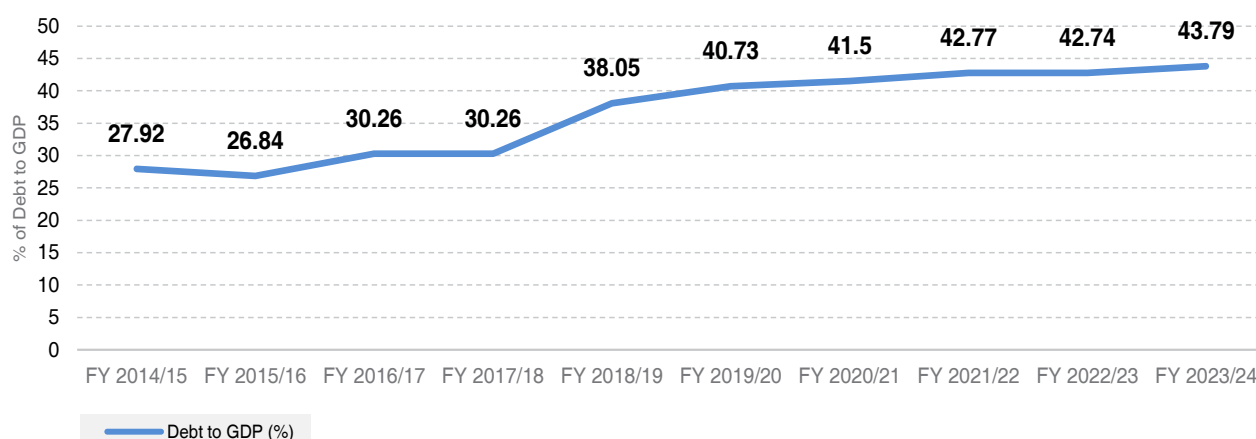
Source: Budget Speeches FY 2022/23 – 2026/27, MoF

like Nepal, where remittances support a significant share of domestic consumption, international economic and political conditions, including geopolitical tensions and disruptions in global supply chains create significant vulnerability. New levies (3% on private health-service charges, an equivalent education equity fee) broaden the base marginally but have raised questions about the cost of education and healthcare⁴³.

6.3 Debt and Sustainability

Public debt stood at NPR 2,878.30 billion (43.6% of GDP) by mid-March 2026, roughly evenly split between internal (46.8%) and external (53.2%) obligations. Public debt as a share of GDP increased

⁴³ The tax was removed through a Cabinet decision taken within the first week of the new fiscal year.

Figure 17**Accumulation of public debt, FY 2014/15 - 2023/24 (% of the total GDP)**

Source: Annual Report 2024/25, Public Debt Management Office.

slightly from 43.2% last year to 43.6% this year⁴⁴.

Per the annual report 2024/25 of Public Debt Management Office (PDMO), the total external debt is NPR 1405.82 billion out of which 90.09% is multilateral while 9.91% is bilateral debt. Similarly, the total internal debt is NPR 1268.22 billion divided into five different components: Treasury Bills (29.61%), Development Bonds (68.90%), Citizen Savings Bonds (1.06%), Foreign Employment Saving Bonds (0.03%), and IMF Value Adjustment Bond (0.41%). Figure 17 shows the accumulation of public debt in relation to GDP⁴⁵.

Nepal's debt remains moderate by regional standards, but the trajectory matters – last decade has seen significant increase in the debt-to-GDP ratio. This is important to note in the context of Nepal's scheduled graduation from Least Developed Countries (LDC) in November 2026⁴⁶ which will progressively raise the cost of new external finance.

According to a joint World Bank and IMF debt

sustainability analysis from July 2024, Nepal is at low risk of both external and overall public debt distress. However, the assessment highlights some areas of concern. For instance, the external debt-to-exports ratio and the debt service-to-exports ratio are assessed as carrying moderate risk, though this remains manageable due to Nepal's exceptionally high level of remittances. The analysis notes that "with remittances exceeding three times exports, they are the major source of foreign exchange earnings in Nepal and, together with concessional external financing, help the country maintain adequate reserves and meet its debt obligations despite a sizeable trade deficit." All other external and public debt risk indicators remain below their respective indicative thresholds across stress tests⁴⁷. The FY 2026/27 budget plans to mobilize NPR 657 billion in new borrowing. Debt servicing absorbs 75.3% of the financing allocation – approximately NPR 318 billion, more than three times the consolidated health budget. In FY 2026/27, as shown in Figure 17, 62.4% of total borrowing (NPR 410 billion) will be sourced internally, while the remaining 37.6% (NPR 247 billion) will be financed through external loans.

44 [Economic Survey 2082/83 | Ministry of Finance](#)

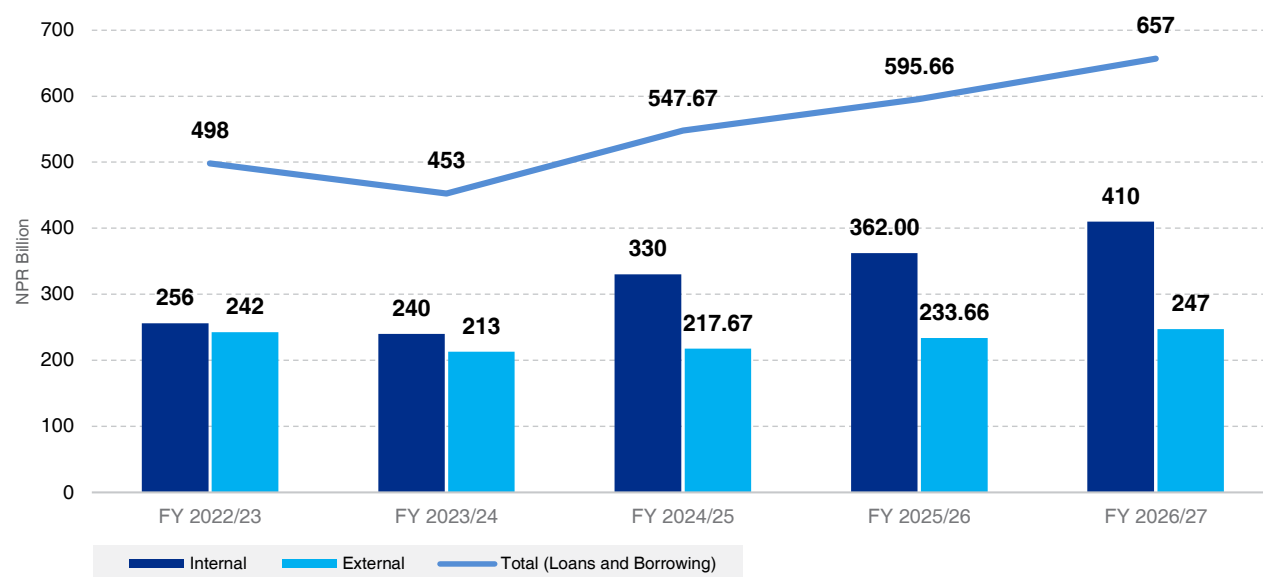
45 Annual Report 2024/25, Public Debt Management Office, MoF.

46 Nepal has formally requested to defer LDC graduation until 2029 in view of changing national and international economic and political circumstances, including geopolitical tensions, disruptions in global supply chains and their impact on remittance inflows. For details, refer to: <https://kathmandupost.com/money/2026/05/22/nepal-moves-to-defer-ldc-graduation-until-2029>

47 <https://documents1.worldbank.org/curated/en/099092524124025314/pdf/BOSIB-c2f7dc4c-b897-4c19-a620-6447ecdc1c9e.pdf>

Figure 18

Composition of internal and external loans and borrowing, FY 2022/23 – 2026/27 (in NPR billion)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF



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Section 7

Cross-Cutting Budget Classifications/Tagging

Three types of budget classification/tagging are applied to the total budget based on the administrative classification: Gender-Responsive, Climate-Responsive, and Sustainable Development Goals (SDGs). The federal government had planned to introduce child budget tagging in FY 2026/27; however, implementation could not begin due to technical issues, despite the announcement in the president's address to federal parliament⁴⁸, approval of the Child Budget Code Procedures⁴⁹, and the issuance of budget circulars recommending that federal institutions initiate the coding practice. The following sub-section presents these three types of budget classification and their trends.

7.1 Gender-Responsive Budgeting

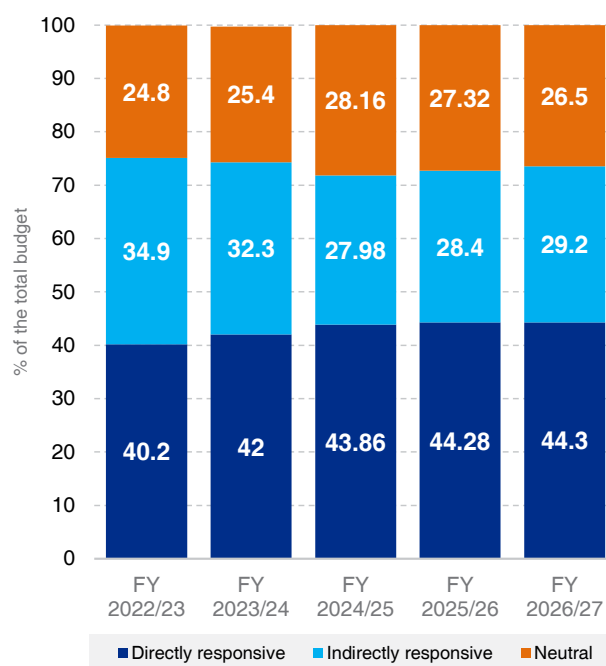
Since FY 2007/08, Nepal has been categorizing its budget to present a "Gender Responsive" classification, following a scored methodology. Three key guidelines on gender-responsive budgeting are: the GRB Formulation Guidelines (2012), the Gender Responsive Budgeting (GRB) Localization Strategy (2016), and the Model GRB Guidelines for Provincial and Local Levels (2021). As per the annex to the budget speech, which presents the classification of the budget from a GRB perspective, budget heads directing 50% or more of their benefits to women are directly responsive, those with more than 20% but less than 50% benefit are indirectly responsive, and those with less than 20% are neutral. Percentage scores of each budget head are derived based on following indicators and weightage:

- ensuring benefits for women and inclusion in decision-making, including programs targeting other marginalized groups – 30%
- increase in women's employment and income generation – 20%
- qualitative improvement in the use of women's time and reduction in workload – 10%

As per the guidelines, in FY 2026/27, 44.3% of the budget is classified as directly gender-responsive, broadly unchanged year-on-year movement compared to FY 2025/26 with 44.28% budget classified as directly gender-responsive (see Figure 19). All allocation planned for local level fiscal transfer (excluding the revenue sharing),

Figure 19

Gender-responsive budget classification, FY 2022/23 – 2026/27 (% of the total budget)



Source: Budget Speeches FY 2022/23 – 2026/27, MoF

48 <https://opmcm.gov.np/content/520/honorable-president-shri-ramchandra-paudel-addressed-the/>

49 <https://mowcsc.gov.np/content/272/procedures-for-operation-and-management-of-children/>

province level fiscal transfer (excluding the revenue sharing), Ministry of Women, Children, Gender and Sexual Minorities & Social Security, Public Service Commission, National Human Rights Commission, and National Women Commission are tagged as directly gender responsive. Refer to Annex C for details on how federal entities' budgets fare against the three categories.

The five ministries with the highest shares of directly gender-responsive budget allocations are: the Ministry of Infrastructure Development (14%), the Ministry of Women, Children, Gender and Sexual Minorities and Social Security (13%), the Ministry of Agriculture, Forests and Environment (6%), the Ministry of Health and Food Safety (6%), and the Ministry of Energy, Water Resources and Irrigation (3%). In total, these five ministries account for 42% of all directly responsive GRB allocations. Notably, this is 4 percentage points lower than the share attributed to subnational fiscal transfers, which alone represent 46% of the total directly responsive gender budget. Due to limited publicly available information on the tagging process, it remains unclear how and why all grants transferred to provincial and local governments are classified as direct.

Likewise, this calls for a deeper examination of why only 0.15% of the Ministry of Education and Sports budget is classified as directly gender-responsive, despite the ministry serving a population in which girls and women account for significant share of all students in schools and higher education institutions.

Nepal's gender-responsive budgeting figures are encouraging, even though the current coding is performed at the budget-head level rather than the activity level. Moving forward, implementing activity-level tagging and an expenditure-tracking system would provide a clearer picture of how these classified allocations are spent, as well as the impact of the GRB practices Nepal has adhered to for the past two decades.

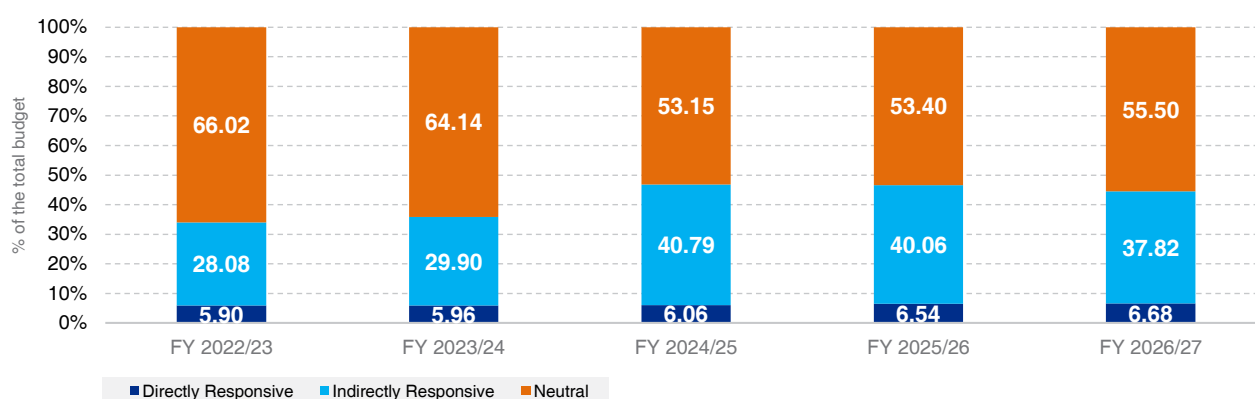
7.2 Climate-Responsive Budgeting

The budget speeches contain tables on the climate responsiveness of the budget. Like the classification for gender responsiveness of the budget, direct benefits imply allocation where climate benefit is expected to be higher than 50%. Indirect benefits imply climate benefits in the range of 20%–50%. Neutral classification is reserved for when climate benefits are expected to be less than 20%.

The most recent budget of FY 2026/27 classified 6.68% of the budget as directly climate-relevant, 37.82% as indirectly relevant and 55.5% as neutral (see Figure 20). While the share of directly climate-relevant budget has grown slowly, there has been an increase of about eight percentage points in the share of the indirectly climate-relevant budget compared to FY 2023/24. It is important to read this data particularly given SDG 13's persistently low budget share (0.51%).

Figure 20

Climate-responsive budget classification, FY 2022/23 – 2026/27 (% of the total budget)



Source: Budget Speeches, FY 2022/23 – 2026/27, MoF

The five ministries with the highest shares of directly climate-responsive budget allocations are: the Ministry of Infrastructure Development (31%), the Ministry of Energy, Water Resources and Irrigation (22%), the Ministry of Agriculture, Forests and Environment (6%), the Ministry of Science, Technology and Innovation (3%), and Ministry of Land Management, Cooperatives, Federal Affairs and General Administration (1%). In total, these five ministries account for 63% of all directly responsive climate allocations. Notably, all fiscal transfers to provinces are categorized as indirectly responsive but the fiscal transfers to LGs have 6% directly responsive climate allocations. Refer to Annex D for details on

how federal entities' budgets fare against the three categories.

7.3 Budget Alignment with Sustainable Development Goals (SDGs)

GoN tags budget allocations against the SDGs, but unlike gender- and climate-responsive budgeting, the budget speech does not provide scoring methodology in the case of SDGs. In FY 2026/27, 57.2% of the budget is mapped to specific goals and 42.8% is not allocated to any SDG. In NPR, the amount the Government reports as SDG-tagged fell

Table 5

Budget allocation on SDGs, FY 2024/25 – 2026/27 (% of the total budget)

SDGs	FY 2024/25 (% of total budget)	FY 2025/26 (% of total budget)	FY 2026/27(% of total budget)
SDG 1: End Poverty in all forms	6.07	6.25	8.82
SDG 2: Zero Hunger	3.87	3.69	3.27
SDG 3: Healthy Lives	2.59	2.98	2.78
SDG 4: Inclusive & Quality Education	3.26	3.35	2.96
SDG 5: Gender Equality	0.05	0.05	0.04
SDG 6: Sustainable clean water/sanitation	1.11	1.32	1.21
SDG 7: Access to modern energy	2.87	2.44	3.3
SDG 8: Inclusive Economic Growth	2.72	2.57	3.33
SDG 9: Resilient infrastructure	8.6	9.21	8.85
SDG 10: Inequality Reduction	6.51	6.33	6.29
SDG 11: Sustainable cities and settlements	7.02	7.43	6.69
SDG 13: Climate change adaptation	0.51	0.67	0.51
SDG 15: Sustainable Utilization of ecosystem	0.56	0.55	0.45
SDG 16: Peaceful, Just and Active Society	8	8.19	8.08
SDG 17: Partnership for Sustainable Development	0.51	0.54	0.62
Not allocated for any SDGs	45.73	44.41	42.81
Total SDG allocation (in NPR billion)	NPR 1,009.51	NPR 1,091.91	NPR 909.36
Total Budget Allocation (in NPR billion)	NPR 1,860.30	NPR 1,964.11	NPR 2,124.34

Source: Budget Speeches FY 2024/25 – 2026/27, MoF



to NPR 909.36 billion, from NPR 1,091.91 billion in FY 2025/26. Allocations to SDG 1 (poverty) rose markedly to 8.82%, while SDG 5 (gender equality, 0.04%) and SDG 13 (climate, 0.51%) remain near-invisible in budget terms. In a context where direct gender-responsive and climate-responsive spending are reported at 44.3% and 6.68%, respectively, while allocations for SDG 5 and SDG 13 remain below 1%, it is necessary to unpack these figures to better understand the underlying reasons.

The top five SDG priorities for FY 2026/27 in terms of budget allocation are SDG 9 (Resilient Infrastructure,

8.85%), SDG 1 (End Poverty in all Forms, 8.82%), SDG 16 (Peaceful, Just, and Active Society, 8.08%), SDG 11 (Sustainable Cities and Settlements, 6.69%), and SDG 10 (Inequality Reduction, 6.29%). See Table 5.

Nepal's tagging architecture (GRB, Climate, SDGs) is among the more developed in the region on paper, but every tag suffers the same weakness: classification without expenditure tracking. Supporting a tag-to-spend verification system would convert three reporting exercises into genuine accountability tools.

Section 8

Budget Transparency

The Open Budget Survey (OBS) provides independent assessment of how governments manage public finances, focusing on three pillars⁵⁰:

- **budget transparency:** measures public access to information on how central government raises and spends public resources. It assesses the online availability, timeliness, and comprehensiveness of eight key budget documents
- **public participation:** assesses the extent to which governments provide formal and meaningful opportunities for public participation across the

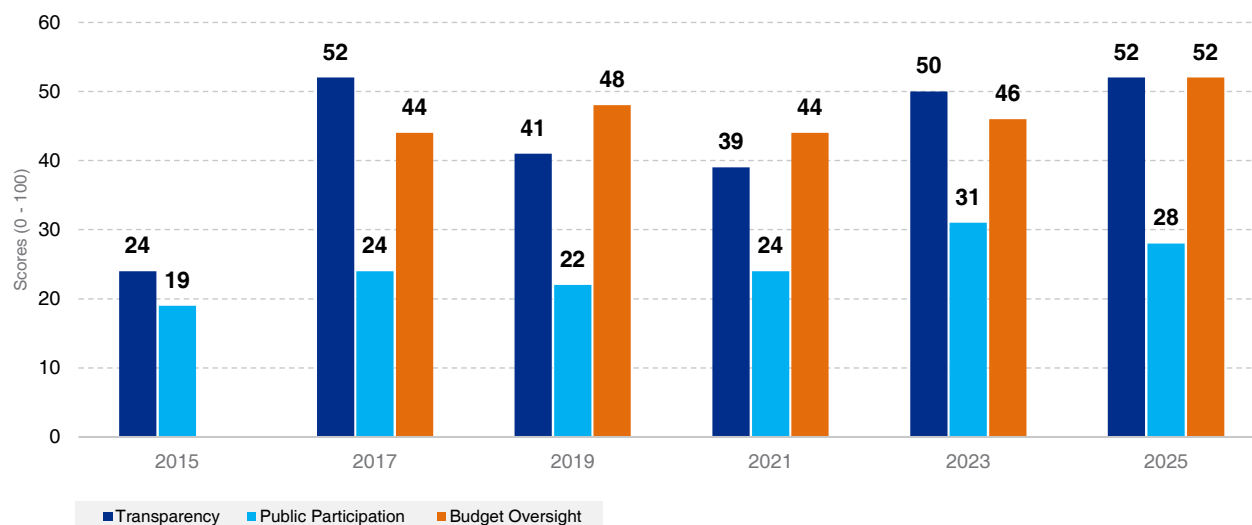
different stages of the budget process. It examines participation practices used by the central government's executive (including line ministries), the legislature, and the supreme audit institution (SAI), recognizing that engagement can occur across different institutions

- **and oversight:** examines the role that legislatures and SAI play in overseeing the budget process, including how effectively they scrutinize budget proposals, monitor budget implementation and review government accounts.

Between 2015 and 2025, Nepal's transparency score increased from 24 to 52, public participation increased from 19 to 28 and budget oversight

⁵⁰ Open Budget Survey Nepal 2025. Accessed on June 25, 2026. Link: <https://internationalbudget.org/open-budget-survey/country-results/2025/nepal>



Figure 21**Nepal's score on the three pillars of Open Budget Survey 2015 – 2025**

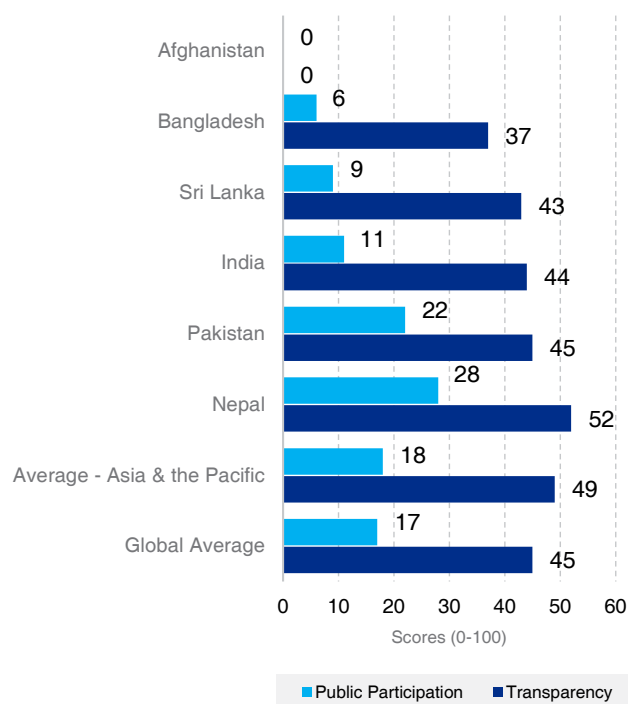
Source: Nepal's Open Budget Surveys 2015 - 2025, International Budget Partnership

Note: Nepal's Budget Oversight score for 2015 is not available

increased from 44 to 52, which is important progress, but remains below the threshold of 61 in all three pillars, which is considered an “adequate” level⁵¹. Compared to 2023 when the previous survey was done, scores on transparency and budget oversight improved from 50 to 52 and 46 to 52 respectively, while public participation score declined from 31 to 28 (see Figure 21).

Despite these improvements, the surveys highlight gaps, particularly in the availability and comprehensiveness of key budget documents. Nepal is yet to produce essential documents such as the Pre-Budget Statement and the Citizens Budget, which limits early-stage transparency and public understanding of fiscal policy decisions (see Table 6). Additionally, the Enacted Budget remains weak in content (score of 28)⁵².

While the OBS findings highlight the need for further reforms to strengthen the inclusiveness, transparency, and accountability of public financial management (PFM), Nepal's performance on transparency and public participation (comparative figures not available for budget oversight) per the OBS Nepal 2025 report is the strongest among countries in the region (see Figure 22).

Figure 22**Nepal OBS performance on transparency and public participation compared to countries in the region, global average, and average of Asia & the Pacific**

Source: Open Budget Survey Nepal 2025, International Budget Partnership

⁵¹ Ibid.

⁵² Ibid.

Table 6**Contents of the key budget documents made available by the government to public**

Key budget document	Document purpose and contents	FY assessed	Document content score
Pre-Budget Statement	Discloses the broad parameters of fiscal policies in advance of the Executive's Budget Proposal; outlines the government's economic forecast, anticipated revenue, expenditures, and debt.	2024–25	Not Produced
Executive's Budget Proposal	Submitted by the executive to the legislature for approval; details the sources of revenue, the allocations to ministries, proposed policy changes, and other information important for understanding the country's fiscal situation.	2024–25	60
Enacted Budget	The budget that has been approved by the legislature.	2024–25	28
Citizens Budget	A simpler and less technical version of the government's Executive's Budget Proposal or the Enacted Budget, designed to convey key information to the public.	2024–25	Not Produced
In-Year Reports	Include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals; issued quarterly or monthly.	2024–25	67
Mid-Year Review	A comprehensive update on the implementation of the budget as of the middle of the fiscal year; includes a review of economic assumptions and an updated forecast of budget outcomes.	2023–24	63
Year-End Report	Describes the situation of the government's accounts at the end of the fiscal year and, ideally, an evaluation of the progress made toward achieving the budget's policy goals.	2022–23	48
Audit Report	Issued by the SAI, this document examines the soundness and completeness of the government's year-end accounts.	2022–23	62

Source: Open Budget Survey Nepal 2025, International Budget Partnership

Annexes

Annex A

Federal Budget Summary, FY 2022/23–FY 2026/27 (in NPR billion)

Indicator	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Total budget	1,793.84	1,750.70	1,860.30	1,964.11	2,124.34
Recurrent	1,183.24	1,141.70	1,140.66	1,180.98	1,270.59
Capital	380.38	302.00	352.35	407.89	431.11
Financing	230.22	307.00	367.28	375.24	422.65
Revenue	1,240.11	1,248.60	1,260.30	1,315.00	1,405.31
Foreign grants	55.0	49.90	52.33	53.45	61.74
Loans & borrowing	498.00	452.70	547.67	595.66	657.29
Actual expenditure	1,421.33	1,393.40	1,513.25	not available	not available
Execution ratio	79%	80%	81%	not available	not available
Social sector total	502.83	500.74	503.83	523.78	542.54
Subnational transfers	615.62	573.81	567.87	582.83	599.97

Sources: Budget Speeches FY 2022/23 – 2026/27, MoF and Consolidated Financial Statements FY 2022/23 – 2024/25, FCGO.

Annex B.1

Allocation and Actual Transfer of Grants from Federal to Province Governments, FY 2021/22 – 2024/25 (in NPR billion)

Province Grants (Federal Government → 7 Provinces)								
Fiscal Year	FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
Grant Type	Allocation	Actual	Allocation	Actual	Allocation	Actual	Allocation	Actual
Fiscal Equalization Grant	57.95	57.95	61.43	53.75	58.67	43.48	60.00	55.06
Conditional Grant	36.33	43.29	57.17	37.76	35.72	23.54	25.85	15.56
Special Grant	4.15	3.37	4.56	3.31	4.46	3.53	4.40	2.59
Complementary Grant	5.72	4.43	6.30	4.84	6.22	5.47	6.20	3.55
TOTAL	104.16	109.04	129.46	99.66	105.07	76.02	96.45	76.76

Source: Economic Survey 2025/26, annex – 2.6

Annex B.2

Allocation and Actual Transfer of Grants from Federal to LGs, FY 2021/22 – 2024/25 (in NPR billion)

LG Grants (Federal Government → 753 LGs)								
Fiscal Year	FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
Grant Type	Allocation	Actual	Allocation	Actual	Allocation	Actual	Allocation	Actual
Fiscal Equalization Grant	94.56	94.57	100.23	92.70	87.35	81.23	88.00	80.74
Conditional Grant	173.62	191.11	183.73	192.88	191.89	171.30	208.92	181.39
Special Grant	8.31	6.35	9.14	6.83	8.73	6.02	8.50	5.99
Complementary Grant	6.65	4.98	7.27	5.29	7.05	4.85	7.00	4.48
TOTAL	283.14	297.02	300.37	297.69	295.02	263.40	312.42	272.61

Source: Economic Survey 2025/26, annex – 2.6

Annex C

Gender Responsive Budget (in NPR million)

Institutions	Direct Benefit (≥50%)	Indirect Benefit (20–50%)	Neutral (<20%)	Total Budget	Contribution to Directly Responsive Budget	Proportion of Directly Responsive Budget
Local Level (Transfers)	314,623.9	0	0	314,623.9	0.33	1.00
Ministry of Infrastructure Development	129,295.8	117,387.9	22,607.4	269,291.1	0.14	0.48
Ministry of Women, Children, GSM & Social Security	121,637.2	0	0	121,637.2	0.13	1.00
Province (Transfers)	109,653.5	0	0	109,653.5	0.12	1.00
MoF — Financial Management	69,599.7	34,172.3	785.1	104,557.1	0.07	0.67
Ministry of Agriculture, Forests & Environment	59,012.3	1,294.8	0	60,307.1	0.06	0.98
Ministry of Health & Food Safety	52,169.2	3,753.4	0	55,922.6	0.06	0.93
Ministry of Energy, Water Resources & Irrigation	28,676.7	13,420.5	506.2	42,603.4	0.03	0.67
Ministry of Finance	18,712.1	36,123	2,734	57,569.1	0.02	0.33
Ministry of Education & Sports	9,244.1	53,651.6	0	62,895.7	0.01	0.15
MoF — Miscellaneous	8,000	81,539.5	890	90,429.5	0.01	0.09
Ministry of Culture, Tourism & Civil Aviation	5,801.8	204.5	1,338.2	7,344.5	0.01	0.79
Ministry of Land Management Cooperatives, Federal Affairs & General Administration	4,524.6	5,392.1	2,861.6	12,778.3	0.00	0.35
Ministry of Science, Technology & Innovation	3,645.8	354.6	0	4,000.4	0.00	0.91
Ministry of Industry, Commerce & Supplies	2,731.8	2,739.9	2,839.4	8,311.1	0.00	0.33
Office of PM and Council of Ministers	1,338.3	2,635.1	3,511.8	7,485.2	0.00	0.18
Ministry of Youth, Labor & Employment	1,042.7	835.6	0	1,878.3	0.00	0.56
Public Service Commission	958.8	0	0	958.8	0.00	1.00
National Human Rights Commission	300.2	0	0	300.2	0.00	1.00
Ministry of Home Affairs	81.5	106,849.3	1,022	107,952.8	0.00	0.00
National Women Commission	70.8	0	0	70.8	0.00	1.00
President	0	0	157	157	0.00	0.00

Institutions	Direct Benefit (≥50%)	Indirect Benefit (20–50%)	Neutral (<20%)	Total Budget	Contribution to Directly Responsive Budget	Proportion of Directly Responsive Budget
Vice President	0	0	53.9	53.9	0.00	0.00
Provincial Chiefs	0	0	214.5	214.5	0.00	0.00
Federal Parliament	0	0	1,734.8	1,734.8	0.00	0.00
Courts	0	0	9,491.6	9,491.6	0.00	0.00
Commission for Investigation of Abuse of Authority	0	0	1,711.9	1,711.9	0.00	0.00
Office of the Auditor General	0	0	769.1	769.1	0.00	0.00
Election Commission	0	0	590.2	590.2	0.00	0.00
Judicial Council	0	0	54.8	54.8	0.00	0.00
NNRFC	0	0	95.8	95.8	0.00	0.00
National Dalit Commission	0	39.6	0	39.6	0.00	0.00
National Inclusion Commission	0	40.8	0	40.8	0.00	0.00
Indigenous Nationalities Commission	0	36.2	0	36.2	0.00	0.00
Madhesi Commission	0	40.9	0	40.9	0.00	0.00
Tharu Commission	0	42.4	0	42.4	0.00	0.00
Muslim Commission	0	41.7	0	41.7	0.00	0.00
Ministry of Law, Justice & Parliamentary Affairs	0	31.1	552.8	583.9	0.00	0.00
Ministry of Foreign Affairs	0	1,161.3	7,576.9	8,738.2	0.00	0.00
Ministry of Defense	0	62,880.6	2,086.9	64,967.5	0.00	0.00
Ministry of Information & Communication	0	1,591.1	4,344.9	5936	0.00	0.00
National Planning Commission	0	187	0	187	0.00	0.00
Office of the Attorney General	0	0	1,509	1,509	0.00	0.00
MoF — Internal Debt Repayment	0	0	328,140	328,140	0.00	0.00
MoF — External Debt Repayment (Multilateral)	0	0	72,257	72,257	0.00	0.00
MoF — External Debt Repayment (Bilateral)	0	0	17,490	17,490	0.00	0.00
MoF — Employee Benefits & Pensions	0	93,850	75,000	168,850	0.00	0.00

Source: Budget Speech FY 2026/27, MoF

Annex D

Climate Responsive Budget (in NPR million)

Institutions	Direct Climate Benefit (≥50%)	Indirect Climate Benefit (20–50%)	Neutral (<20%)	Total Budget	Contribution to Direct Climate Benefit
Ministry of Infrastructure Development	44,494.2	94,802.2	129,994.7	269,291	0.31
Ministry of Energy, Water Resources & Irrigation	31,628.4	10,121.5	853.5	42,603	0.22
MoF — Financial Management	23,248.6	55,372.8	25,935.7	104,557	0.16
MoF — Miscellaneous	19,232.5	4,000	67,197	90,430	0.14
Local Level (Transfers)	9,077.3	305,546.6	0	314,624	0.06
Ministry of Agriculture, Forests & Environment	9,061.7	50,845.6	399.8	60,307	0.06
Ministry of Science, Technology & Innovation	3,645.8	354.6	0	4,000	0.03
Ministry of Land Management Cooperatives, Federal Affairs & General Administration	1,105.9	549	11,123.4	12,778	0.01
Ministry of Industry, Commerce & Supplies	322.6	0	7,988.5	8,311	0.00
Ministry of Women, Children, GSM & Social Security	91	120,762.8	783.4	121,637	0.00
President	0	0	157	157	0.00
Vice President	0	0	53.9	54	0.00
Provincial Chiefs	0	0	214.5	215	0.00
Federal Parliament	0	0	1,734.8	1,735	0.00
Courts	0	0	9,491.6	9,492	0.00
Commission for Investigation of Abuse of Authority (CIAA)	0	0	1,711.9	1,712	0.00
Office of the Auditor General	0	0	769.1	769	0.00
Public Service Commission	0	0	958.8	959	0.00
Election Commission	0	0	590.2	590	0.00
National Human Rights Commission	0	0	300.2	300	0.00
Judicial Council	0	0	54.8	55	0.00
NNRFC	0	0	95.8	96	0.00
National Women Commission	0	0	70.8	71	0.00
National Dalit Commission	0	0	39.6	40	0.00
National Inclusion Commission	0	0	40.8	41	0.00
Indigenous Nationalities Commission	0	0	36.2	36	0.00
Madhesi Commission	0	0	40.9	41	0.00

Institutions	Direct Climate Benefit (≥50%)	Indirect Climate Benefit (20–50%)	Neutral (<20%)	Total Budget	Contribution to Direct Climate Benefit
Tharu Commission	0	0	42.4	42	0.00
Muslim Commission	0	0	41.7	42	0.00
Office of PM and Council of Ministers	0	1,533.6	5,951.6	7,485	0.00
Ministry of Finance	0	31,371.4	26,197.7	57,569	0.00
Ministry of Law, Justice & Parliamentary Affairs	0	0	583.9	584	0.00
Ministry of Home Affairs	0	294.7	107,658.1	107,953	0.00
Ministry of Culture, Tourism & Civil Aviation	0	1,111.7	6,232.8	7,345	0.00
Ministry of Foreign Affairs	0	0	8,738.2	8,738	0.00
Ministry of Defense	0	0	64,967.5	64,968	0.00
Ministry of Education & Sports	0	7,067	55,828.7	62,896	0.00
Ministry of Information & Communication	0	0	5,936	5,936	0.00
Ministry of Health & Food Safety	0	9,989.9	45,932.7	55,923	0.00
Ministry of Youth, Labor & Employment	0	24.9	1,853.4	1,878	0.00
National Planning Commission	0	0	187	187	0.00
Office of the Attorney General	0	0	1,509	1,509	0.00
MoF — Internal Debt Repayment	0	0	328,140	328,140	0.00
MoF — External Debt Repayment (Multilateral)	0	0	72,257	72,257	0.00
MoF — External Debt Repayment (Bilateral)	0	0	17,490	17,490	0.00
MoF — Employee Benefits & Pensions	0	0	168,850	168,850	0.00
Province (Transfers)	0	109,653.5	0	109,654	0.00

Source: Budget Speech FY 2026/27, MoF

Annex E

Abbreviations

Abbreviation	Definition
B.S.	Bikram Sambat (Nepali calendar)
CoFOG	Classification of the Functions of Government
EU	European Union
FCGO	Financial Comptroller General Office
FEG	Fiscal Equalization Grant
FY	Fiscal Year
GDP	Gross Domestic Product
GoN	Government of Nepal
GRB	Gender-Responsive Budgeting
HDI	Human Development Index
LDC	Least Developed Country
LG	Local Government
MoAFE	Ministry of Agriculture, Forests and Environment
MoD	Ministry of Defense
MoES	Ministry of Education and Sports
MoEWRI	Ministry of Energy, Water Resources and Irrigation
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoHFS	Ministry of Health and Food Safety
MoID	Ministry of Infrastructure Development
MoLMCFAGA	Ministry of Land Management, Cooperatives, Federal Affairs and General Administration
MoWCGSMSS	Ministry of Women, Children, Gender and Sexual Minorities, and Social Security
NLSS	Nepal Living Standards Survey
NNRFC	National Natural Resources and Fiscal Commission
NPR	Nepalese Rupee
OBS	Open Budget Survey
PDMO	Public Debt Management Office
SDG	Sustainable Development Goal
SAI	Supreme Audit Institution
UNICEF	United Nations Children's Fund
VAT	Value Added Tax
WASH	Water, Sanitation and Hygiene



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