

Introduction

The Medium Term Budget Framework (MTBF) is prepared as per section 10(4) and 10(5) of the Public Money and Budget Management Act, 2009. Following this act, the "Medium Term Budget Framework (MTBF) 2024-25 to 2026-27" has been prepared by coordinating the budget frameworks of 62 ministries/divisions/other institutions. It presents the income and expenditure estimates for the FY 2024-25 and the projections for the subsequent two FYs 2025-26 and 2026-27 of all ministries/divisions and other institutions as per section 10(4) of the Public Money and Budget Management Act, 2009. In addition to budget allocation, mission statements, major functions, strategic objectives, major activities, priority sectors and programs, key performance indicators as well as output indicators and targets have also been incorporated against the activities to be implemented with the allocated resources. That is, according to Section 10(5) of the Public Money and Budget Management Act, 2009, the budget allocation has been linked with the policy and objectives and the performance of ministries/divisions have been linked with the budget allocation as well.

2. Objectives and Effectiveness of the MTBF Process

In the MTBF process, a clear link between budget allocation and performance is established with the government's policies and strategies. The underlying objective of this process in budget formulation is establishing institutional accountability pertaining to ensure aggregate fiscal discipline, increase allocative efficiency in resource distribution as well as operational efficiency in resource use. For this purpose, the Ministries/Divisions and other institutions are provided with preliminary resource ceiling in the medium term. Ministries prepare a realistic expenditure plan in line with activities related to the strategic objectives, policies and priorities reflected in the government's policy documents. In this plan, importance is placed on the outputs and results (outcome) achieved by providing goods or services with the allocated resources in the medium term.

3. Composition of Ministry Budget Framework (MBF)

At the beginning of the second quarter of every fiscal year, Budget Circular-1 is issued by the Finance Division for the purpose of formulating budget. In continuation of this, Budget Circular-1 has been issued in the 2nd quarter of the current fiscal year with the aim of formulating the budget for the next three fiscal year 2024-25 to 2026-27. The circular contains detailed guidelines for formulating the budget framework. The budget framework (MBF) consists of two main parts and six sections. The first part (Part-A) is prepared by the concerned ministry/division/other institution and the second part (Part-B) is prepared by the subordinate departments.

According to this circular, the composition of the Ministry Budget Framework (MBF) is briefly shown in the following box:

Box 1: Composition of MBF

(Part A) is prepared by LMs	(Part B) is prepared by the attached Departments/Agencies
Section-1: Mission Statement and Major Functions of ministry/division	Section 6.1: Recent Achievements of Departments/Agencies
Section-2: Strategic Objectives and activities of ministry/division	Section 6.2: Activities, Output Indicators and Targets against indicators
Section-3: Information on the impact on Poverty reduction, Women's Advancement & Climate Change	Section 6.3: Medium Term Expenditure Estimates/Projections by Operation Units, Programs and Projects
Section-4.1: Priority Spending Areas/Schemes	
Section-4.2: Medium Term Expenditure Estimates (2024-25) and Projections (2025-26 to 2026-27)	
Section-4.2a: Department/Operation Unit wise Expenditure	
Section-4.2b: Expenditure by Economic Group Codes	
Section-5: Key Performance Indicators (KPI)	

4. Capacity Enhancement in Formulation of MBF

Currently all Ministries/Divisions and other institutions are formulating their budget frameworks under MTBF process. This performance-based budget framework includes Strategic Objectives, Activities, Key Performance Indicators as well as Output Indicators. Having clear understanding on the framework is essential for effective formulation and utilization. The desired objectives are not possible to be achieved without proper understanding of the framework linking policies and priorities with allocation.

For this reason, every year after issuing the budget circular, the Finance Division arranges adequate training programs and workshops with the aim of providing assistance in MBF preparation to the officials of the different ministries. The Finance Division has arranged necessary training also for the period 2024-25 to 2026-27, as did earlier, for capacity enhancement in budget preparation.

4. Monitoring and Evaluation of Performance of Ministries/Divisions/ Other Agencies:

MBFs prepared by Ministries/Divisions put forward the activities/projects/programs that will be implemented in the medium-term (upcoming fiscal year and two outer years) using the allocated resources against strategic objectives. Along with this, the departments/agencies under Ministries/Divisions also mention the target of achievable output against every activity for upcoming year and actual achievement for the last year. Moreover, the target of achievable outcome through the utilization of allocated resources in medium term and

achievement for the last year are also mentioned. One of the main purposes of this is to monitor and evaluate implementation progress against the targets and help achieve the desired targets by corrective measures, if necessary. Finance Division also evaluates and discusses the achievements against the targets during reviewing the budget proposals of ministries at the Tripartite Meeting. In addition, according to the provision of the Public Moneys and Budget Management Act, 2009, Finance Division has to present progress report of budget implementation to the national Parliament on quarterly basis.

5. Formulation and Approval Process of MBF

The guidelines on how to formulate the Ministry Budget Framework (MBF) are dispatched to Line Ministries (LM) with Budget Circular-1. Following this guideline, the Budget Management Branches/Wings of LMs prepare/update MBFs. Later, these MBFs are discussed by Budget Working Group of Ministries/Divisions (BWG). After examining the MBF, BWG submits it to Budget Management Committee (BMC) of Ministries/Divisions with recommendations for approval. After approval of BMC, this is forwarded to Finance Division and Planning Commission. The concerned Budget Wings of Finance Division then scrutinizes and presents it with comments at the tripartite meeting. Lastly, the MBFs are finalized incorporating the observation and recommendations of the Tripartite Meetings.

As activities and performance are linked with budget allocation, this framework is helpful in monitoring efficiency and effectiveness of resource utilization. This framework is, thus, able to play a significant role in the overall development of the country by following the direction indicated in the perspective plan, five-year plan, election manifesto and the policies of the government.