



## Federal Democratic Republic of Nepal

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# 1 Background

<b>Socio-economic indicators</b>	
Population in 2008	27 million
Projected population change, 2008–50	81%
GDP per capita (PPP \$US) 2005	\$1,550
Proportion (percent) of population below the Poverty Line (\$1 PPP a day) 2003	24.7%
<b>Gender equality indicators</b>	
Seats in parliament held by women (% of total) 2007	17.3%
Maternal Mortality Ratio (per 100,000 live births) 2005	830
Adult literacy rate, females (aged 15 and older) 2005	34.9%
Adult literacy rate, males (aged 15 and older) 2005	62.7%
Gross secondary enrolment: Ratio of female rate to male rate 2005	0.86
Gross secondary enrolment: Female ratio (% of the female secondary school aged population), 2005	42%
Share of women in wage employment in the non-agricultural sector (% of total employment in the sector) 1999	15.1%
<b>Budgetary indicators</b>	
General Government public expenditure on education (% of GDP) 2002–05	3.4%
General Government public expenditure on education (% of total expenditure) 2002-05	14.9%
General Government public expenditure on health (% of GDP) 2004	1.5%
General Government public expenditure on health (% of total government expenditure) 2005	8.4%
Central Government military expenditure (% of GDP) 2005	2.1%
Central Government public expenditure on defence (% of total outlays) 2007	9.4%
Open Budget Index: Overall Score	43% - Government provides the public with some information on the central government's budget and financial activities during the course of the budget year.

Sources: UNDP (2007) *Human Development Report 2007/08*; Population Reference Bureau (2008) *World Population Data Sheet*; World Economic Forum (2007) *The Global Gender Gap Report*; UN Statistics Division (2008) *Millennium Development Goal Indicators*; United Nations Population Division (2008) *World Population Prospects*, UNESCAP (2008) *Statistical Yearbook for Asia and the Pacific*; IMF (2008) *Government Finance Statistics*; *Open Budget Initiative* (2008) (See Explanatory Notes for details).

The Federal Democratic Republic of Nepal is a land locked country between China and India. Nepal has a population of 27 million. 59% of the population is Hindu, 31% are the indigenous Janajatis, 5.5% are Newars, 4.3% are Muslims, and others (0.2%) includes Sikhs, Bengalis, Marwaris, and Jains.

Nepal has been a monarchy for most of its history. Nepal was ruled by the Shah dynasty of kings from 1768, when Prithvi Narayan Shah unified its many small kingdoms. However, a decade-long People's Revolution by the Communist Party of Nepal, along with several weeks of mass protests by all major political parties of Nepal in 2006, culminated in a peace accord leading to elections for the constituent assembly on May 28, 2008. The vote overwhelmingly favored the abdication of the last Nepali monarch Gyanendra Shah and the establishment of a federal democratic republic.

## 2 Federal Democratic Republic of Nepal

The 2007-2008 *Human Development Report* ranks Nepal 142<sup>th</sup> out of 177 countries with an HDI score of 0.534. Nepal is one of world's poorest countries with an annual per capita gross domestic product (GDP) of US\$1,550 and 24.7% of its population living below US\$1 (PPP) a day.

Nepal ranks 127<sup>th</sup> out of 157 countries in the GDI and 86<sup>th</sup> out of 93 countries in the GEM (with a value of 0.351). The country shows continued low levels of female representation in government with only 17.3% of seats in the lower house being held by women in 2007. There has been a narrowing of the gender gap in the education sector in particular, with the gross secondary enrolment rate for women standing at 42%. However, a significant gender disparity persists in the share of women in wage employment in the non-agricultural sector, which stood at 15.1% in 1999.

## 2 Gender-responsive budgeting

Gender-responsive budgeting (GRB) in Nepal recently has been initiated and has continued to develop while the country has undergone major political and institutional changes. A feature of GRB since its inception in Nepal has been active local participation and research.

UNICEF (2005) reports that the first reference to gender budgeting was in the context of Nepal's Tenth Plan - the *Poverty Reduction Strategy Paper* (2002-2007) where it was identified as a tool for gender mainstreaming (UNICEF 2005). GRB gained momentum with the introduction of budgetary reforms that sought to strengthen the public financial system and the link between planning and budgeting. By 2000/2001, the budget guidelines, prepared by the Ministry of Finance and the National Planning Commission, required ministries – such as agriculture, labor, education and population - to specify their programs' impacts on women and poverty reduction (Acharya et al 2002: 21). In support of these efforts, UNIFEM and UNDP commissioned research on Nepal's budget expenditures and revenues, processes, implementation and outcomes from a gender perspective in 2002. A local research organisation – the Institute for Integrated Development Studies - was utilised with Meena Acharya as the team leader. The research report, *Gender Budget Audit in Nepal*, published as one of UNIFEM's Asian Follow the Money Series, developed an expenditure classification methodology to assess the gender impacts of expenditures (Acharya et al 2002). Budget allocations were grouped in three classes broadly described as: directly benefitting women; indirectly benefitting women; and neutral. The audit showed that in 2000/2001 budget allocations directly benefitting women represented a mere 0.4 percent and allocations indirectly benefitting women were about 13-14%, mainly attributed to ministries such as Local Development, Forest, Agriculture, Education, Health, Women, Children and Social Welfare and Population and Environment (Acharya et al 2002). Acharya et al (2002) concluded that the gender audit demonstrated that gender equality commitments had not trickled down from macro policy level to sector specific program, policies and monitoring mechanisms, and were far from implemented at the district level.

In 2005 GRB was given support within government with the appointment of a gender responsive budgeting expert and a permanent GRB committee within the Ministry of Finance (Bhadra and Baskota 2008; UNIFEM 2008). The government's commitment with GRB was further reaffirmed in the 2006/2007 Budget which required 13 pilot ministries to undertake a gender audit regarding budget allocations above 50 million rupee (Alami 2008; Acharya 2008).

In the 2007/2008 financial year a GRB framework was formally launched with the assistance of UNIFEM (Alami 2008). This framework gave Ministry allocations a value, on a scale of 0-100 points, according to the extent to which they fostered gender equality. Three categories of impact were utilised: expenditures directly benefitting women (scoring 50 to 100 points); expenditures indirectly benefitting women (scoring between 20 and 50); and neutral expenditures (if the program/initiative scored below 20) (Acharya 2008:36).

Five indicators, each weighted at 20% and requiring a gender sensitivity score of between 1 and 20 for each program, were used to calculate the proportion of expenditures in each of the categories:

- capacity building of women;
- women's participation in planning and implementation programs;
- share of benefits for women;
- increase in employment and income generation opportunities for women;
- Decrease in women's workload and time use (Acharya 2008; UNIFEM 2008).

In the 2007/2008 Nepalese budget, 11.3% of the expenditure was classified as directly 'gender responsive', 33.2% grouped as 'indirectly gender responsive' and 55.5% as 'gender neutral' (Bhadra and Baskota 2008:2). The media reported that 'only 10% of spending in economic services was classified as directly supporting gender equality' (Aryal 2008: 1).

The recently elected government has indicated in its National Development Strategy Paper (discussed in April 2009) that it will continue to institutionalise GRB at national and district levels (National Planning Commission 2009). The Minister of Finance, Dr. Babu Ram Bhattarai, in his 2008/2009 Budget Speech affirmed the government's commitment to the GRB and the framework used (Bhattarai 2008: 41):

'In the current year, programs will be implemented in order to attain gender equality for women development by ensuring their participation in economic, social and political process. Gender Responsive Budget Initiative has been implemented. I have appropriated Rs.32 billion 910 million for the directly benefitting programs for women which are 13.9 percent of the total budget.'

Nepal's methodology for tracking budget allocations from a gender perspective incorporates and develops approaches to GRB by other countries in the region. Alami (2008: 4) argues it is an 'innovative approach that can enable the government of Nepal to demonstrate the size of its investment in improving women's access to services and resources and implementing its commitments towards gender equality in line with its national development priorities'. While the Nepalese approach attempts to go beyond the classification used in India (or Sharp's three part classification), Elson (2006: 52) argues it is difficult to apply the 5 criteria for classifying expenditures on an *a priori* or *ex ante* basis which limits the expenditure tracking to an *ex post* analysis. Also the definition of the 'indirect' category of expenditures is very broad and includes all primary education (Elson 2006, 52). The category of 'neutral' expenditures from a gender perspective is problematic because it doesn't investigate whether men and women benefit to the same extent from programs that have positive impacts on both groups.

Other challenges for gender responsive budgeting relate to the skills base, gender disaggregated data, and the budget process. The National Planning Commission in 2009 acknowledged that the success of gender mainstreaming across planning, programming, budgeting and monitoring is limited by scarce skills among staff, poor programming quality and inadequate statistical information (National Planning Commission 2009: 82). Acharya (2008) highlights the existence of budget implementation issues including delays in the development of workplans, conservative cash management, poor procurement planning and poor monitoring of outputs.

Nepal's Ministry of Women, Children and Social Welfare has provided important leadership in GRB. It has engaged with civil society on budget issues, awareness and information initiatives, advocating for the inclusion of GRB in the national development plan, establishing gender focal points in line ministries, advocating for improved statistical information and providing assessments from a gender perspective on several sector programs and budgets such as education and health (Shrestha 2001: 16). The government has acknowledged the contribution of the National Assembly to GRB (Nepal Government 2003: 13).

For example, in March 2000 in a debate organised by the Social Justice Committee of the National Assembly on discrimination and areas for reform, members of parliament argued the need to expand budget allocation on initiatives for women (Nepal Government 2003: 13).

Bhadra and Baskota (2008: 12) highlight the contribution of civil society to the GRB work in Nepal. Throughout 2000-2005 a series of consultations on GRB engaging both government and civil society were carried out with assistance from UNIFEM. Civil society has been engaged in discussing GRB initiatives with key decision-makers, public debates on the subject have taken place and the media has been covering progress.

Donor agencies and international governments have provided assistance utilising local consultants and researchers. Nepal's expenditure tracking methodology has provided a basis for donor's to align their assistance to the government's commitments to gender equality. UNFEM (2008) reports that Nepal's Education for All sector program (2004-2009) identifies a separate expenditure heading for the elimination of gender inequalities in basic education that will contribute to meeting national targets.

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