COMPARATIVE ANALYSIS OF GOVERNMENT EXPENDITURE AND REVENUE ASSIGNMENT AMONG PROVINCES IN NEPAL

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Submitted By

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LETTER OF RECOMMENDATION

This thesis entitled **"COMPRATIVE ANALYSIS OF GOVERNMENT EXPENDITUR AND REVENUE AMONG THE PROVINCES IN NEPAL"** has been prepared by Shanku Prasad Jaishi under my supervision. I hereby recommended this thesis for examination by the Thesis Committee as a partial fulfillment of the requirements for the Degree of Master of Arts in Economics.

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APPROVAL LETTER

We certify that this thesis entitled **"COMPARATIVE ANALYSIS OF GOVERNMENT EXPENDITURE AND REVENUE AMONG THE PROVINCES IN NEPAL"** submitted by Shanku Prasad Jaishi to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of MASTER OF ARTS in ECONOMICS has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the said degree.

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LIST OF ABBREVIATIONS

AFC	Average Fiscal Capacity
CA	Constituent Assembly
DDC$_s$	District Development committees
EFC	Effective Fiscal Capacity
FFC	Federal Finance Commission
FY	Fiscal Year
GST	Goods and Service Tax
HDI	Human Development Index
IGFR	Intergovernmental Fiscal Relation
IGFT	Intergovernmental Fiscal Transfer
LB	Local Bodies
LGFC	Local Government Financial Commission
LSGA	Local Self Governance Act
MoF	Ministry of Finance
MOLD	Ministry of Local Development
GoN	Government of Nepal
NRB	Nepal Rastra Bank
OLS	Ordinary Least Square
SFCLB	Secretary of Fiscal Commission and Local Bodies
SNG	Sub National Government
SPC	State Planning Commission
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Federalism is derived from the Latin word "foedus" meaning covenant. It is a political concept in which a group of members are bound together by covenant with a governing representative head. The term is also used to describe a system of the government in which sovereignty is constitutionally divided between a central governing authority and constitutional political units (like states or provinces). Federalism is a system in which the power to govern is shared between national state governments, creating what is often called a federation (Omar, 2012).

Fiscal federalism is a financial relation between units of governments in a federal government system. It is the part of broader public finance discipline. The concept was introduced by the German-born American economist Richard Musgrave in 1959. It deals with the division of governmental functions and financial relations among levels of government. The theory of fiscal federalism assumes that a federal system of government can be efficient and effective at solving problems governments face today, such as just distribution of income, efficient and effective allocation of resources, and economic stability. Economic stability and just Allocation of income can be done by federal government because of its flexibility in dealing with these problems. Because states and localities are not equal in their income, federal government intervention is needed. Distribution of resource can be done effectively by states and local governments. Musgrave argued that the federal or central government should be responsible for the economic stabilization and income redistribution but the allocation of resources should be the responsibility of state and local government.

The theory of fiscal federalism addresses three issues related to fiscal decision-making: assignment of responsibilities and functions between the federal government and the regional governments, the assignment of taxation power and the design of inter -governmental transfer (subsidy) of fiscal resources coupled with provisions about the borrowing windows to sub-national governments. These factors give rise to a third issue of the relative size of the public sector in the national economy. It is

therefore the dynamics of these processes and public policy choices that ultimately shapes the performance of the fiscal sector and its impact on the national economy(Omar, 2012).

An important aspect of the exercise of fiscal federalism is the assignment of fiscal functions to the federal and the sub-national governments and the appropriate means of financing these responsibilities. The theory of fiscal federalism does not provide a clear-cut separation of fiscal responsibilities that would promote economic efficiency and resource distribution. (Hochman, Harold &Rodgers, 1969)The argument is based on the reasoning that lower levels of government have limited capacity and policy instruments to provide stabilization and redistribution functions. Due to the nature of the responsibilities, the federal government usually assumes macroeconomic stabilization and income redistribution functions and make sure that regional governments would not take measures that are not compatible with such functions. Moreover, there are functions such as national defense and foreign affairs that have national public good character and hence usually assigned to the central government.

Fiscal federalism derives its nature and characteristics from constitutional provisions as well as the state of economic development, the pattern of income and resource distribution, and the institutional capacity of the system. The constitutional provisions define the framework within which decision-making would be exercised and establishes the vertical and horizontal structures that find meaning within the prevailing socio-economic environment of the system. The vertical structure defines the assignment of fiscal decision-making power between the federal and lower tiers of government. The horizontal structure outlines the nature of interaction across cross-sections of government levels. This aspect addresses how regional governments interact to each other especially when there are externalities and spillovers.

1.1.1 Revenue and Expenditure Assignments

In this context, the present research paper attempted to analyze the revenue and expenditure assignment in Nepal. Breaking the long tradition of unitary form of government, Nepal entered into the discourse of new political system, federalism after the success of 'People's Movement 2' (Jana Andolan 2) in 2006 which paved the way for: preamble of Federalism in 'Interim Constitution of Nepal 2006'; declaration of Nepal as 'Federal Democratic Republic' in the first meeting of Constituent Assembly

(CA) on May 20, 2008; and finally institutionalizing the provision on 7 provinces into the legal framework of 'Constitution of Nepal 2015' by second CA on 20 September 2015.

1.1.1.1 Expenditure Assignment

As the first step in designing the intergovernmental relationship, expenditure assignment clearly divides responsibilities of public functions among the different tiers of government. The design of other pillars of fiscal decentralization without clear expenditure assignment would be like putting the 'cart before the horse' (Martinez-Vazquez, 2001). There is no any hard and fast rule on the allocation of functional responsibilities among central and sub-central levels of government. The key principle to resolve this issue is the 'subsidiarity principle' which suggests that government services should be provided by lowest levels of government that are capable of providing public goods and services efficiently (Boex, 2001). Richard Musgrave, one of the pioneer public economists, provided the normative insights for intergovernmental functional assignments. He suggested that central governments are best suited for (i) the provision of public goods and services that benefit the entire country, (ii) income redistribution, and (iii) government activities that produce negative externalities among jurisdictions (Musgrave, 1959). Local governments are suitable to provide local public goods and services.

While designing expenditure assignment in any country requires efficient allocation of revenue and resources via a responsive and accountable government, an equitable provision of services to citizens of different jurisdictions, preservation of macro-economic stability and promotion of economic growth.

1.1.1.2 Revenue Assignment

It is all about division of taxing powers among different orders of government. In well-designed revenue assignment system, local governments have powers to choose the tax base, assess the tax base, decide the rate, collect the tax, and retain the tax proceeds. The basic principle of revenue assignment is that local government should not be subject to unfunded mandates. The services that local governments provide should be clearly linked to the revenue sources needed to finance them (Freire & Garzon, 2014). Division of taxing powers between national and sub-national

government entities has been one of the unresolved issues in the design of intergovernmental fiscal architecture.

1.2 Statement of the Problem

Although there is no single model for improved local government in the world, improving local government capacity is an important strategy in dealing with resource constraints. Improving local government means not only strengthening the competence of councilors, officers and services but also making sure it has a sound financial base and not downsizing or cutting necessary budgets. The adequate local revenue is necessary to improve the financial base of local government that includes both taxes and innovative ways to mobilize local assets and community resources. There is a large gap of share of tax income in GDP between developed countries and developing countries around 38% and 18% of GDP respectively.

The growing problems to the local bodies in raising revenue and in augmenting internal funding capacity become quite visible when revenue trend of the local body is observed. The important element of fiscal federalism beginning has thus been recognition of the probable need for intergovernmental grant to close the revenue gap. Local governments almost invariably rely in part and sometimes very heavily upon transfers from upper-level governments to finance the services for which they are responsible. So, the system of unconditional fiscal equalization grants is an essential component of an efficient and equitable fiscal federal system. Own revenues of local government are a necessary but not a sufficient condition for fiscal decentralization.

There is no similar type of decentralization in the world in practice. Federal systems differ enormously in the ways they allocate money, power, and authority across level of government. Some federal arrangements are therefore likely to foster corruption and inefficiency while others foster economic growth. Central governments are able to deal with a revenue flow that is unstable than are local government, precisely because the latter cannot usually borrow. Local government cannot run deficits, and they provide more essential services that are not easily postponed. Similarly, the issue is that the higher taxes on natural resources can address the national deficit issue and can help keep the domestic tax burden lower. Moreover, shifting natural resource

revenues to local government would allow it (versus the national government) more latitude or autonomy to direct investment.

A major reservation about sharing natural resource revenues with local government is that they will squander/waste the money. One concern is just that sub -national governments do not have the capacity to deliver many types of public services at adequate levels. Although fiscal decentralization has emerged as a focus of public sector reform in many less-developed nations, the substantial body of theory and research on public finance in developing countries includes little substantive work on the fiscal role and performance of local government. Thus, in light of these facts, the present study aims to answer some peculiar questions or research problems relating to revenue and expenditure assignments in federal setup which include:

i.   What is the status, pattern and trend of expenditure in provinces of federal Nepal?

ii. What is the status, pattern and trend of revenue in provinces of federal Nepal?

iii. What are the gaps between revenue and expenditure the provinces comparatively?

1.3 Objectives of the Study

The main objective of the present research paper is to analyze the practice of revenue assignment and expenditure mobilization in Nepal and predict its future framework in Federal Nepal with reference to the review of theories on fiscal federalism, fiscal decentralization and local government finances with justifying empirical evidence in global and Nepalese context. However, the specific objectives are:

i.   To assess the status, pattern and trend of expenditure in provinces in Nepal.

ii. To evaluate the status, pattern and trend of revenue in provinces in Nepal

iii. To figure out gap between revenue and expenditure among the provinces comparatively

1.4 Significance of the Study

It is the fact that there is vast resource gap in local level to meet the need and aspiration of people. Moreover, Nepal's Interim Constitution, 2007 also declared

Nepal as decentralized federal democratic republic state and has a provision of high-level commission in order to recommend on state restructuring to the constituent assembly but it has not been formed yet because of various political reasons. At the same time, it has also been reviewed and made commitment to expand the bases of revenues sources of local government such as tax, non-tax, and the grant from central government to local government by strengthening the fiscal foundation.

Moreover, the plan has focused to develop and implement the scientific formula to allocate and transfer all kinds of grant to be given to local government by the central government. The draft reports submitted by the various thematic committees of the Constituent Assembly (CA) have not explicitly provisioned the fiscal decentralization in new constitution as a part of democratic governance system. However, CA committee namely Natural Resource, Fiscal Authority and Revenue Sharing has indicated the poor or lower transfer of national budget to the local bodies as compare to the increase of national revenue and total annual budget of government of Nepal.

According to legal provision municipalities mobilize more local development fee at their own jurisdiction. Therefore, the dependency on central grant of municipalities is lower than of DDCs and VDCs. Now, Nepal is at the new juncture of restructuring of state in terms of tiers of governments; number and size of both state and local governments; functions of all tires of 8 governments; and bases of resource sharing among all tires of governments.

Therefore, based on these backgrounds, the study has recommended some important aspects of fiscal federalism by reviewing some general principles for revenue and expenditure assignments between different levels of government, and challenges in securing fiscal responsibility at sub-national levels with respect to fiscal arrangements, revenue sharing, fiscal independence, expenditure responsibility and overall fiscal management in federal structure.

1.5 Limitations of the Study

This study has some limitations as which are listed below:

) The sole base of present research is secondary data which might limit the preciseness, purpose, and in-depth/specific analysis of subject matter.

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) This study may not reveal the exact fiscal condition in federal structure since the data used for analysis are from unitary fiscal setup.

) Due to time, knowledge, scope and resource constraints, there may be some lacking in the research.

) Reliance on qualitative descriptive research methodology with no use of econometric models may question the empiricism of research.

1.6 Organization of the Study

The study has been divided into seven chapters:

Chapter 1: Introduction
This chapter contains background of the study, statement of problem, objectives of study, significance of study, limitation of the study, and organization of the study itself.

Chapter 2: Review of Literature
This chapter consists of theoretical and empirical literature reviews on related topic.

Chapter 3: Research Methodology
This chapter explains the research methodology used in the study. It includes selection of the geographical region for the study, research design, nature and sources of data, data collection methodology, and tools and techniques.

Chapter 4: Expenditure Assignment
It includes analysis of expenditure assigned to the seven provinces of federal Nepal.

Chapter 5: Revenue Assignment
It includes analysis of revenue assigned to the seven provinces of federal Nepal.

Chapter 6: Comparative Analysis of Revenue and Expenditure Among Provinces
This chapter compare and contrast the status, revenue-expenditure gap, and projected the fiscal viability of the seven Nepalese provinces.

Chapter 7: Conclusion and Recommendations
This chapter consists of conclusion of findings and recommendations of the study. The final chapter is followed by references and appendices.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Theoretical Review

Decentralization is a generic term that embodies several concepts. In tandem with the evolution in thinking about governance, its concepts have changed rapidly over the past quarter of a century (Cheema & Rondinelli, 2007). Until the early 1980s, decentralization was understood as the process of transferring authority, resources, and responsibilities of public functions from the center to lower levels of government. Today, decentralization is understood not only as the process of transferring authority within state hierarchy but also as the system of sharing power, authority, resources, and responsibilities among broader governance institutions including private and civic sectors (Drummond & Mansoor, 2003). Decentralization processes embody both vertical and horizontal decentralization. Vertical decentralization transfers power, authority, and resources from central government to local government. Horizontal decentralization, on the other, empowers local communities and their organizations to claim their rights and to best utilize the transferred powers for their benefits (Kauzya, 2007,).

Vertical decentralization consists of concentration, delegation and devolution. Deconcentrating is the redistribution of public responsibilities among the national and local branches of central government by shifting the administrative workloads from central government officials located in the capital to subordinate field offices in the regions, provinces, or district (Vista-Baylon, 2001). Delegation is a more extensive form of administrative decentralization. Through delegation, central government transfers the management authority and responsibility of specific public functions to specialized agencies, semi-autonomous bodies, or local governments while retaining the supervisory power at the center (Rondinelli, 2003). Devolution is the highest form of decentralization. Devolution transfers decision-making power, authority, resources, and responsibilities of public functions to elected local governments (Kauzya, 2007). The most important element of devolution is the presence of periodically elected local bodies. The devolved local governments generally (i) have corporate status, (ii)

recruit their own staffs, (iii) occupy clear and legally recognized geographic boundaries, and (iv) raise own-source revenues (Vista-Baylon, 2001).

Decentralization is often understood through its political, administrative, and fiscal dimensions. Fiscal decentralization is not a separate form of decentralization. Instead, it is financing mechanisms that underpin both the political and administrative forms of decentralization (Alam & Scott, 2011). Fiscal decentralization is mainly about equipping local government with required fiscal resource to meet their expenditures. It involves the transfer of expenditure responsibilities and revenue sources from central to local government (Vista-Baylon, 2001). Subsidiarity principle is the key theoretical construct behind the fiscal decentralization. According to this principle, taxing, spending, and regulatory functions should be exercised by lower levels of government unless a convincing case can be made for assigning them to higher tiers of governments (Shah & Shah, 2006). Advanced by Oates (1977), the "decentralization theorem" also provides the normative economic justification for fiscal decentralization. According to this theorem, "each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision" (as citied in Subedi, 2014).

Fiscal federalism/decentralization is concerned with the division of revenue and expenditure responsibilities among different tiers of government. Hence, allocation of tax and expenditure function to the various level of government is the foremost issue of fiscal federalism. It is actually the study of how competencies (Expenditure side) and fiscal instruments (Revenue side) are allocated across different vertical layers of the administration, which argues that expenditure assignment should be decided before tax assignment. Fiscal federalism is commonly understood by its four pillars: (i) expenditure assignment; (ii) revenue assignment; (iii) intergovernmental fiscal transfers; and (iv) local borrowing (Boex, 2001; Litvack & Seddon, 1999).

2.1.1 Expenditure Assignments

The expenditure assignments are the base of fiscal decentralization. It is the first step in designing an inter-governmental fiscal system (Martinez, 1994). Without role and responsibility, there is no need of revenue. The functions should be assigned on the basis of principle of efficiency. Revenue assignment without solid expenditure

assignment would weaken the decentralization process. Therefore, expenditure assignment is the first step in designing an intergovernmental fiscal system (Martinez, 1994). The information about the international practice of possible detail expenditure assignment is presented in appendix-2. There should be an equitable provision of public services and redistributive justice. The assignment should be based on economies of scale, benefits/cost spillovers, consumer sovereignty and political proximity. The principle of finance should follow function must be practiced properly. Moreover, revenue should match with expenditure needs. It indicates the fiscal deficit must be addressed. The major objectives of revenue allocation are to provide sufficient revenue for macroeconomic stabilization functions, redistribution functions, essential government goods and services.

Fiscal federalism does not provide a clear guidance to expenditure assignment (Hemming & Spahn, 1997). Although the system of inter-governmental relations varies from country to country and country specific conditions determine the outline of expenditure assignment, an effective decentralization a well-defined framework is necessary in the assignment of expenditure responsibility. Fiscal decentralization involves shifting some responsibilities for expenditure and revenue to lower levels of government. Expenditure assignment means the functions and expenditure responsibilities for each level of government. The essence of expenditure assignment is who will do what? And who will pay for what (Ligal et al, 2004) Similarly, functional assignment ideally requires good analysis and consensus among all stakeholders with due care which takes much time otherwise conflict arises and stalls the process across the level of governments (GTZ, 2009).

2.1.1.1 Expenditure Assignments

The four criteria with regard to assign the functions, roles and responsibilities to different spheres of governments are recommended as follows (Oates (1972).

(1) There are no equal economies of scale across services and goods. Therefore, economies of scale must be considered while providing particular goods and services to the residents. Oates argues that the economies of scale are ensured at a higher level of government for the special sectors.

(2) Decentralization of responsibilities is appropriate if the society or groups are separated by border due to heterogeneity in terms of preference owing to different climate and topography, and different language for delivery of services.

(3) The activities, which have externalities may be positive or negative, should be centralized or those functions to be carried out by local government must be coordinated properly at local level. So that externalities might not be appeared. It is because it has an important impact on the individuals or business of other jurisdiction.

(4) Lastly, competition at local level promotes to increase or introduce best practices in the society. Decentralization of functions helps to create the favorable environment to compete each other and initiate best experience in the community.

In general, there are two different approaches in expenditure assignment such as "Expenditure-led" and the "Revenue-led" approaches. In expenditure led approach, functions are first designed with clear responsibility based on "subsidiarity" principle. Likewise, in revenue-led approach, public revenue resources are first allocated in general way between levels of governments. This approach is regarded as politically sensitive rather than cleaning up the confusion and ambiguity due to overlapping of functions at different level of government (Ligal et al, 2004a). As compare to the revenue assignment approach, expenditure assignment approach is considered as best approach to categorize the expenditure assignment to all levels of government. It helps to minimize the problems of duplication and overlapping of the functions across the level of governments.

The fundamental thing is that the basic rule of efficient expenditure assignment is to assign each function to the lowest level of government consistent with its efficient performance. This is referred as the principle of subsidiarity by the European Union (Bird & Vaillancourt, 2006). At the same time, the public services to sub-national government (local or regional) can be based on considerations such as economies of scale, economies of scope (appropriate bundling of public services to improve efficiency through voter participation and cost recovery), cost benefit spillovers, proximity to beneficiaries, consumer preferences, and flexibility in budgetary choices on composition of public spending. The expenditure assignment could be asymmetric

which can be based on size of population, rural-urban classification, and fiscal capacity (WB, 2015).

The activities of government should be separated into three sectors such as macroeconomic stabilization, income redistribution and resource allocation (Vazquez et al, 2006). Macroeconomic stabilization can be obtained through high employment and price stability, which is possible, only by central government. It is because sub-national governments have no power to print money and often have limited power to borrow money and there is no much effect on microeconomic stability by sub-national governments due to their limited jurisdictions. Moreover, the distribution system means the equitable distribution of income. These functions are also theoretically assigned to the central government, because it is difficult to manage by sub-national governments and are likely to distort the geographical allocation of economic resources.

Table 2.1 Theoretical basis of expenditure assignments between governmental units

Expenditure category	Service responsibility	Provision of service	Comments
Defense	F	F	Benefits/costs are national
Foreign affairs	F	F	Benefits/costs are national
International trade	F	F	Benefits/costs are national
Environment	F	F	Benefits/costs are national
Banking and currency	F	F	Benefits/costs are national
Internal commerce	F	F	Benefits/costs are national
Immigration	F	F	Benefits/costs are national
Airways/ railways	F	F	Benefits/costs are national
Industry and agriculture	F,S,L	S,L	Significant interstate spillover

Education	F,S,L	S,L	Transfers in kind
Health	F,S,L	S,L	Transfers in kind
Social welfare	F,S,L	S,L	Transfers in kind
Police	S,L	S,L	Primary local benefits
Highways	F,S,L	S,L	Some roads have interstate spillover, others are primarily local
Natural resources	F,S,L	S,L	Promotes a common interest

Note: F= Federal, S= State, L= Local

Source: Adapted form Anwar Shah, 1994

2.1.2 Revenue Assignments

Revenue assignment is the second but very important feature of fiscal decentralization. The sub-national governments have the authority and responsibility to own-finance local services at the margin. There is no ideal assignment of revenue sources between central and lower levels of government. Nevertheless, the three major functions need to be determined as revenue assignment (Musgrave, 1959). The functions relating to the macroeconomic stabilization (maintenance of high employment and price stability) and income redistribution (maintenance of equitable geographical allocation of economic resources) should be assigned to the central government and the function of allocation of resources is better to assign to the sub-national government. Moreover, a set of 'tax-assignment rules' has been developed in the traditional fiscal federalism theory (Oates, 1972). Furthermore, in developing countries the administrative capabilities of local government in revenue design (that is, deciding on revenue bases and setting rates) must be taken into consideration (Bird, 1990). Moreover, in large and diverse countries the issue of revenue harmonization between jurisdictions is important when assigning taxing powers.

On the other hand, the traditional theory of fiscal federalism argues that taxes which are easily administered at local level should be given to sub-national. The service provided by the sub-national governments can be financed through benefit taxes such as user charges, other local fees like taxes to be levied on motor vehicles, fuels and construction fees etc (Ebel & Serdar 1999). These principles relate to the respective

responsibilities of central and lower tiers of government in macroeconomic stabilization, income redistribution, and resource allocation (Boadway et al, 2000). There should be a control over own resource of sub national government to promote fiscal decentralization. Independent source of revenue is necessary for the effective and pragmatic fiscal autonomy. Otherwise, sub-national governments are- under the financial thumb of the central government (Martinez, 2006).

It is important to understand the five core issues with respect to intergovernmental finance (Neumann and Robinson, 2006). The first issue is about expenditure assignments (Who should do what?). The second is about revenue assignment (Who should levy what taxes?). The third is in relation to fiscal transfer to address the imbalance between revenue and expenditure (How should any imbalance between revenue and expenditure of sub-national governments be addressed?). Similarly, the fourth concern is regarding the horizontal fiscal imbalance that occurs when different units of the same order of government, with similar expenditure responsibilities, have significantly differing fiscal capacities (How are any horizontal imbalances addressed?) Finally, the issue is about the legal provision of borrowing of sub-national governments (How to address the issue of sub national borrowing?).

2.1.2.1 Principle of revenue assignment

In other word, revenue assignment is also known as revenue sharing among the level of governments. The major principles of revenue assignment are as follows (Kandel, 2009):

1. Taxes on mobile factors and tradable goods should be assigned to central government.

2. According to national equity consideration point of view, progressive or redistributive taxes should be assigned to central government.

3. The taxes should be assigned to the jurisdiction with the best ability to monitor relevant assessment. It helps to reduce the administrative cost and potential tax evasion. Local governments are the appropriate authorities to collect property and land taxes.

4. To ensure accountability revenue means should be matched as closely as possible to expenditure needs.

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Tax is one of the major sources of internal revenue of government (Shah, 2007). Decentralization of responsibilities without an allocation of the sufficient financial resources would not allow the full realization of the benefits of decentralization (Quebec, 2002). Taxes are the most important component of government revenue. User charges and borrowing can't provide all that is needed. Federal aid is unlikely to fill the gap. Taxes must produce enough revenue to fund necessary services. The principles of taxation are specific tax measures up in terms of simplicity, horizontal equity, vertical equity, and distortion of economic decisions, volatility and revenue adequacy (John, 2002).

The relationship between different levels of government, and their interactions on the financial side, has been the subject of considerable scrutiny in recent years. There are broadly two strands to this literature. The optimal assignment of public service provision and it is financing between different levels of government; this is the classic literature on fiscal federalism (Julia, 2004). High incidences of tax evasion are the high tax rate, low probability of detection and low penalty of tax evasion. It is associated with undervalued and officially unrecorded transactions. It is so called underground economy, informal, shadow, second economy, subterranean or hidden economy (Suliman, 2005).

2.1.2.2 Tax assignment principle

Regarding the tax assignment among different tiers of government, international experience suggests that some taxes are better suited for local government than others. International lessons provide a number of economic rationales of taxation in a federal setting (McLure 1983). Maintaining efficiency is often emphasized for the assignment of local taxes. This is because decentralizing tax systems can often interfere with the efficiency of nationwide economic integration. The detail information about the international practice of revenue assignment/tax assignment is presented in appendix-3. However, commonly emphasized criteria of tax assignment are as follows:

(1) Local taxes should be independent from national policy goals such as income redistribution objectives and economic stability.

(2) The local tax base should exhibit low mobility between jurisdictions.

(3) Benefit taxes and user charges are appropriate to local taxes.

In addition to the aforementioned efficiency criteria, economic principles, such as national equity, administrative costs, and fiscal needs are important for developing countries (Boadway, Roberts & Shah 1994). Thus,

(1) Sub-national engagement in perverse redistributive policies, using both taxes and transfers, should be restrained.

(2) Rules to allocate tax revenue among jurisdictions, restricting tax evasion and avoidance, will be required.

(3) Revenue means should be matched as closely as possible to revenue needs.

2.1.2.3 Revenue instruments for local government

In addition to raising revenues, local revenue mobilization has the potential to foster political and administrative accountability by empowering communities (Oates 1999). However, prescriptions deriving from the theory and from good international practice impose huge constraints on the choice of revenue instruments for local government. Although, there is no ideal assignment of revenue sources between central and lower government, a sound revenue system is an essential pre-condition for the success of fiscal decentralization (Olowu & Wunsch 2003). In general, there are two main categories of current revenue for local authorities in Africa: (i) 'own revenue', which includes taxes, user fees, and various licenses, and (ii) transfers from the central or regional levels, usually in the form of grants and revenue sharing (Bahl, Smoke and Solomon, 2003). In some countries, municipalities are also allowed to borrow money for capital investments in infrastructure.

2.1.2.4 Revenue sources of local government

Local governments are the closest people representative institution that delivers and provides timely services to the people at their own door. It is assumed that the services provided by the local government would be more participatory, transparent, and efficient. The financial resource is necessary in order to expedite the assigned role and responsibilities for local government. The resources of local government can be generally grouped under the following four broad heads (McLure, 1999).

1. **Own Resources:** The very important source of income of local governments is their own revenue. However, own revenues are a necessary but not a sufficient

condition for fiscal decentralization. The local government can collect revenue from the various resources locally. Basically own tax comprises property/house tax, professional tax, vehicle tax, tax on agricultural land, pilgrim tax, tax on animal, fees and other non-tax revenue etc.

2. **Assigned/Shared Revenue:** The collected revenue can be shared in both ways such as vertical sharing from central to sub-national and vice versa. Likewise, there can be horizontal revenue sharing between one state and another and one local government and another. However, the taxes levied and collected are shared to the local governments by the state and the central government.

3. **Grants:** The central government provides fund to the local government to implement the activities assigned to them at the local level. The grants are given either as incentive for tax efforts or for matching the efforts in maintenance of services. It may be both conditional and un-conditional. Unconditional grant means the money that is given or transferred to the local government to run decentralized services from central government. It is generally given to the provinces and local government based on a formula set at the national level. Similarly, the conditional grant is money given to the local government to finance programs agreed between central and local government. Both conditional and unconditional grants are to be provided to the poorer provinces and local government based on equalization process. Equalization means the amount of money to be paid to local government for giving subsidies or making special provisions for the least developed governance units.

4. **Other revenues:** Non-tax revenue consists of the taxes charged on properties like shops, bus stands guest house etc. as prescribed by local law and regulation.

In addition to above transfer and borrowing are other very important source of revenue of local government to implement the assigned expenditure. Almost without exception, governments across the world assign more expenditure functions to local authorities than can be financed from their own revenue sources. The result of this mismatching of functions and finances–often referred to as 'vertical imbalances'– is that local government are generally dependent on transfers from higher levels of government. There are a number of methods to close the fiscal imbalances of sub-

national governments, some of which also reduce imbalances between jurisdictions (Ahmad, 1997).

There are several reasons that can justify the fiscal transfers from central to sub-national and between sub-national governments for the vertical equalization which helps to improve the revenue adequacy of sub-national government (Schroeder and Smoke, 2002; Shah, 2007). It is also necessary for horizontal balance of the resources which leads to promote inter jurisdictional redistribution of resources. However, the horizontal transfer system is usually considered more controversial as compared to vertical transfer (Shah, 2007). In practice, generally transfers may be in the form of surcharges or revenue sharing whereby a local government receives a share of the revenues from particular taxes collected by the central government within its jurisdiction (McLure, 1999). The main mechanism for intergovernmental transfers in Africa, however, is conditional and/or unconditional grants from central to local government. On the other hand, in some countries, for instance in South Africa, municipalities are also given the right to borrow to finance investments in local capital infrastructure (Bahl & Smoke 2003).

In order to improve the financial base of local government, it is required increase revenue which includes both taxes and innovative ways to mobilize local assets and community resources. It requires strengthened financial management and accountability systems in local government. This includes robust, independent regulatory bodies, and strengthening of 'downward accountability which will promote transparency and combat corruption (CLGF, 2009). Moreover, the vertical fiscal gap and vertical fiscal imbalance is arisen if there are inappropriate assignment of responsibilities, centralization of taxing powers, pursuit of beggar-thy-neighbor (wasteful tax competition), and lack of tax room at sub-national levels due to heavier tax burdens imposed by the central government (Shah, 2007). Broadly speaking, intergovernmental transfer or grant is generally classified into two categories such as general purpose transfers (unconditional) and specific purpose transfers (conditional or earmarked) transferred which are transferred from central to sub-national governments (Shah, 2007). Generally unconditional transfers are mandatory by law but sometimes central governments may provide these types of transfers in ad hoc and

discretionary (flexible) manner. The objective of these transfers is to safeguard local autonomy and improve inter-jurisdictional equity.

Table 2.2 Theoretical basis for tax assignments between governmental units

Tax type	Determination of		Collection and administration	Comments
	Base	**Rate**		
Customs	F	F	F	International trade taxes
Corporate income	F	F	F	Mobile factor
Resources taxes	F	F	F	Unequally distributed
Personal income	F	F,S,L	F	Redistribution, mobility, stabilization
Wealth taxes	F	F,S	F	Redistributive
Payroll	F,S	F,S	F,S	Social program
Value added tax	F	F	F,S	Admin. Costs stabilization
Sales tax	S	S,L	S,L	Higher compliance costs
"sin" taxes alcohol, tobacco	F,S	F,S	F,S	Health care shared responsibility
Gambling, lotteries	S,L	S,L	S,L	State and local responsibility
Motor fuels effluent charges	F,S,L	F,S,L	F,S,L	Tolls on road use/ by extent of pollution
Congestion toll	F,S,L	F,S,L	F,S,L	Tolls on road use
Parking fees	L	L	L	Local congestion
Business tax	S	S	S	Benefit tax
Excises	S	S	S	Immobile base
Poverty	S	L	L	Benefit tax, immobile
Land	S	L	L	Benefit tax immobile
Betterment	S,L	L	L	Cost recovery
Poll tax	S,L	S,L	S,L	Non distorting
Note: F= federal, S= state, L= local government				

Source: Adapted from Boadway, Roberts and Shah, 1994

2.1.3 Intergovernmental Fiscal Transfers

It has been taken as the dominant source of financing for local governments in most countries (Boadway & Shah, 2007). Intergovernmental fiscal transfers are the main instruments to resolve the issues of vertical and horizontal fiscal gaps. Vertical fiscal gaps arise when there are differences in revenue means and expenditure needs at local governments. Among others, inappropriate assignment of responsibilities, lack of tax rooms at local levels due to heavier tax burdens imposed by the centre, and centralization of taxing powers are the main causes of such gaps (Shah, 2007). Horizontal fiscal gaps, on the other hand, arise when there are differences in the ability of individual local government to raise revenue. Intergovernmental fiscal transfers play an important role to minimize these gaps through the system of fiscal equalization (Ebel & Muwonge, 2014). For instance, Government of Nepal is providing formula-based grants to local governments to reduce these gaps.

Inter-governmental fiscal transfer is the third pillar of the fiscal decentralization. It has many names such as grants, subsidies, subventions etc. The intergovernmental fiscal transfers are important tool of public sector finance in both industrial and developing countries in three major reasons (Shrivastave, 2002). First, the central government will have opportunity to raise more revenue and maintain good relationship with the sub-national governments and on the other hand, sub-national governments will have advantages to deliver quality services as required by the people in transparent and efficient manner.

Second, in most cases, there are considerable differences in revenue-raising capacity between sub-national governments. If they were fully autonomous to mobilize revenue and solely depend on their own revenue, richer jurisdictions would be capable to spend more on public service as compare to the lower income jurisdictions. This kind of situation has both equity and efficiency implications in service delivery process of sub-national government. Therefore, in order to support lower income jurisdictions, central government makes fiscal transfer to bridge the gap of resources to support local economic development. Third, resource transferred from central to sub-national level helps to address the national priorities areas such as health, education, sanitation, drinking water etc. through the initiation of sub-national

government. It is more helpful to promote equity and efficiency of sub-national governments and be supportive for poverty reduction agendas at grass root level.

The "piggybacking" approach may be appropriate to the tax sharing to sub-national governments. From the theoretical point of view, the asymmetric decentralization relates to a transfer of different "dosages" of fiscal powers, authority and responsibility in different local governments taking into consideration the conditions and requirements for each particular country and local development. There is inherent tradeoff between central government control and local flexibility (Shotton, 2010). Moreover, there are several kinds of centre-local fiscal instruments. The major purposes are to shut the vertical gap, to minimize the horizontal gap by equalizing across SNGs, to compensate for spillovers and externalities, to encourage SNG expenditure in national priority areas, to build SNG capacity and encourage SNG performance and to help remove political discretion, patronage and corruption (Shotton, 2010). The main types of IGFT instrument are share of a national tax (share may be distributed to SNGs by area of derivation or a formula base system), unconditional block grants based on formula for general SNG expenditure like administrative and development, specific (conditional) grants which is more or less tied on specific service, cost reimbursement for delegated functions, targeted transfers for national priority programmes and so on (Shotton, 2010).

2.1.4. Sub-national Borrowing

Local Bodies (LBs) play crucial roles to develop socio-economic infrastructures at the local level. For the long-term projects, they join either in financial and/or capital markets. Since borrowing is a transfer of liabilities to the future generation, it should be used only for capital investments that generate long-term economic benefits (Freire, 2014). However, local borrowing often invites macro-economic instability. As such, instituting local borrowing without hard budget constraints could be fiscally risky in the management of fiscal federalism.

Sub-national borrowing is the fourth and final pillar of fiscal decentralization. Sub-national governments are entitled to receive borrow/debt from the finance company in the development activities of the jurisdiction. However, this provision is applied or not applied in practice depending upon the state law of the respective countries.

Generally, there are two schools of thought about the borrowing of sun-national government. The first view is in favor of the borrowing of sub-national government. According to the first view, if the own revenue of sub-national government doesn't meet the public expenditure, they should have right to borrow to meet the expenditure assignment. Further, borrowing is one of the most important and preferred option to meet the gap between expenditure and revenue. So the sub-national governments should have authority to meet the development expenditure through borrowing (Mica, 2000).

The two data sets such as (1) state and local government in the U.S. and (2) international sample of 43 countries to test the decentralization hypothesis "the size of public sector should be inversely with the extent of fiscal decentralization were surveyed (Oates, 1985). Firstly, the cross-sectional data of 48 states in the U.S was analyzed by using dependent variable the size of public sector measured by aggregate state-local tax receipts in each state as a fraction of personal income. At the same time, the independent variables used in the analysis were (1) state share of state-local general revenues, (2) state share of state-local total expenditure, and (3) absolute number of local government units in a state.

In order to make consistent with decentralization hypothesis, the size of public sector and state revenue share and state expenditure share measures are assumed to be positive and the relationship between the dependent variable and number of local government is anticipated to be negative. First, according to the simple correlation analysis he found that the correlation coefficients of three pairs of variables are all negative. It indicates that a more centralized state-local sector in terms of revenue and expenditure tends to be associated with a smaller state-local sector that is not consistent with decentralization hypothesis. Similarly, in terms of number of local government, a more centralized state-local sector tends to be linked with a larger state-local sector. However, in all cases, there was no statistical significant relationship.

Correspondingly, he carried out regression analysis of the dependent variable and each measures of the independent variable by both ways with and without control variable. The control variables used by him were (1) per capita income (2) population size (3) urbanization, and (4) the percentage of state-local general revenues that

comes from intergovernmental grants. The result of analysis shows that there is no statistically significant relationship between dependent and independent variables with and without control variables. 3 In this way, he concluded that multiple-regression analysis did not support for either the view of decentralization constraints the size of the public sector or it results in a more expansive government sector. From the analysis of cross-sectional data of 43 countries, he finally concluded that the decentralization is not a factor that affects the public sector size at all. Second, Oates (1985) measured competition among jurisdictions as absolute number of local government units in a state.

The institutional setting and capacity of local authorities of Nepal and the governmental and quasi-governmental relations in terms of service delivery and coordination; and proposed some fundamental proposals with regard to the decentralization strategies for strengthening local authorizes in a democratic framework have been reviewed and assessed (McLure, 1999). Moreover, the author has assessed the legal framework of local authorities enacted immediately after the restoration of multi-party democracy in Nepal. The legal provision of inter-governmental fiscal transfer has also been reviewed but not analyzed by using statistical database at all.

2.1.5 Revenue and Expenditure Assignments in Nepalese Context

Boschmann (2009) rightly says, particularly during the last two decades, countries throughout the world have been decentralizing responsibilities for infrastructure delivery from the central state to lower spheres of government.

The World Bank (1994) stresses that improvement of basic infrastructures such as, roads, water, sewerage, and electricity, etc. are the essential ingredients in improving the life of the poor in many countries. As stated by bank these are the basic services to generate the income of the poor in the short run and enhancing the productivity of the country in the long run. It has long been held that, in theory, fiscal decentralization may be conducive to economic growth.

The process of decentralization began in 1962 by initiating the formation process of 75 districts, 14 zones and later 5 development regions in 1972 (Kelly, 2011 and Koirala, 2011). Nepal began the journey of decentralized governance with the

enactment of Local Self- Governance Act (LSGA) in 1999. The current Local Governments structure is embodied in the LSGA, together with the Local Self Governance Regulation, 2000. These laws lay the legal basis for the current local government structure in Nepal and define the various LGs expenditure and revenue functions and provides the underpinnings for strong local autonomy in planning and budgeting. The LSGA makes an important point when it creates Local Bodies (LBs) instead of LGs. It envisioned three types of LBs including DDCs (district development committees), VDCs (village development committees) and MNCs (municipalities) under decentralized government mechanism. These LBs have performing the task of local government through the fiscal arrangement based on LSGA, LSGR and other constitutional and institutional framework. However, these LBs were transformed into new federal framework by the Constitution of Nepal, 2015 which envisioned 1 central government, 7 provincial governments with LBs comprising 730 'gaupalika' (village council) and 'nagarpalika' (municipality) along with 75 'jillasabha' (district council). The constitution provisioned a much powerful local government with higher fiscal autonomy.

LBs are assigned with the expenditure responsibilities and revenue authorities by LSGA and LSGR. In addition to revenue and expenditure assignments, every year Government of Nepal (GON) is providing different grants, both conditional and unconditional to them. Besides, GON is directly investing a huge sum of money annually for socio-economic and infra-structural development at the local level through its district level agencies and offices. LBs in Nepal mobilize fund through own-source revenues, intergovernmental fiscal transfers, revenue sharing, external financing, and, to some extent, from local borrowing. In addition, they are collecting own source revenues by using various types of tax and non-tax sources. LSGA 1999 has entrusted them with the power to impose a business tax, integrated property tax, professional tax, advertisement tax, vehicle tax, entertainment tax, and house and land tax (Subedi, 2014). However, most of these taxing powers have been constrained by other central regulations. Similarly, the reluctance of LBs not fulfilling the expenditure need like education, health, infrastructure and other regular and capital expenditure at local level is characterized by the heavy dependence on central government grants.

2.2 Empirical Review

2.2.1 International Context

There is no consensus among the scholars, academics and researchers on the contribution of fiscal decentralization in local governance. Instead, empirical studies on this topic have found conflicting conclusions. Classical public economists (Musgrave, 1959; Tiebout, 1956; Buchanan, 1965; Oates, 1972) argued for normative benefits of fiscal decentralization assuming the state as benevolent actor that always serves the best interests of people. However, other scholars challenge this proposition arguing that fiscal decentralization can lead to expansion of leviathan that seeks gains at the cost of larger public.

Kim (1995) found a positive relationship between fiscal decentralization and economic growth using an international panel data set. Using data for 80 countries, Huther and Shah (1996) also found a positive correlation between fiscal decentralization and economic growth. Martinez-Vazquet and Mcnab (2001) review the current knowledge on an issue of increasing policy interest and found that fiscal decentralization may indeed have a direct impact on economic growth. Akai and Sakata (2002) used US states as their unit of analysis. They found a positive relation between fiscal decentralization within states and state economic growth.

Broadway & Shah (2007) also found that fiscal decentralization in general is positively correlated with favorable economic outcomes. In contrast, Davoodi, et al(1998) found a negative relationship between fiscal decentralization and economic growth in developing nations, but no relationship in developed nations. Xie (1999) found a negative, but insignificant relation between the aggregate local share of US government spending and US economic growth. Further, using data from Chinese provinces, Zhang and Zou (1997) found a negative relationship between the ratio of provincial government spending to central government spending and provincial economic growth.

In a cross-country empirical analysis, Martinez-Vazquez (2009) found that the level of total public sector employment opportunities in a country increases with its level of fiscal decentralization. Moreover, fiscal decentralization relocates such opportunities

from centre to local. Their empirical works also showed that total public sector employment is higher in unitary countries than in federal countries. They also found that public sector employment increases with the pace of country's economic openness. These findings are critically important in Nepal as the country has embarked on the journey of federal governance and there are arguments and counter-arguments about the pros and cons of federalism.

A comparative study of China and India by John (2002) has shown that the degree of fiscal decentralization in both countries is far from the point where its effect on economic growth becomes positive. Despite the dangers of widening disparities in terms of interregional fiscal resource distribution from further decentralization, no substantial evidence shows a trade-off between horizontal fiscal equalization and growth in either country an in-depth and more thorough going fiscal decentralization with greater emphasis on equalization of fiscal disparities are required in order to effect sustainable economic growth as well as social harmony in these two Asian countries.

2.2.2 National Context

There are limited empirical studies on effectiveness of fiscal decentralization in Nepal. Taking the case of district development committees, Devkota (2014) examined empirically about the impact of fiscal decentralization on per capita GDP of district and found positive influences of revenue and expenditure decentralization indices on per capita district GDP. The regression results were robust in this study. Subedi (2014) asserted that fiscal decentralization not only demands strong supply-driven initiatives but also depends on the level of awareness in society. He also urged the need of elected representatives for functioning decentralized governance in Nepal.

The issues associated with fiscal decentralization namely expenditure assignment, revenue assignment, and estimation of expenditure needs, fiscal gap, and intergovernmental fiscal transfers have been analyzed (Ligal et al, 2004b). The study has broadly focused on revenue assignment, assessed resource gaps, and suggested some measures for minimizing the fiscal gaps of the local bodies in the country. The overall objective of the study is to design revenue assignment to local bodies namely VDCs, Municipalities and DDCs, identify potential tax and non-tax areas of local

bodies, estimate total revenue along with expenditure needs quantify resource gaps in relation to expenditure requirement and suggest modalities of intergovernmental transfer to address the resource gaps among local bodies.

The study on expenditure pattern of local government submitted to Asian Development Bank of Nepal has focused on expenditure patterns of local governance in the context of rural poverty alleviation (Kandel, 2006). The study has reviewed the various aspects of the responsibility given to the local bodies (LBs); present status of LBs expenditure in Nepal; the present status of poverty in the rural sector of Nepal; and the rural poverty reduction strategy adopted in Nepal. He has also tried to identify the role of LBs in poverty reduction strategy of Nepal, and the central government's responsibility that can be transferred to local bodies in the context of rural poverty alleviation. Besides, the policy improvements needed to strengthen local bodies to reduce rural poverty in Nepal also has been analyzed.

The study "Nepal's Fiscal Federalism Model in the New Constitution: Agenda for Amendments" reviewed the modality presented in the new constitution on the natural resources, economic rights and revenue allocation and recommended some amendments. The study finds that the fiscal decentralization initiatives have not been successful in minimizing the political, social, economic, regional and ethnic inequalities inherent for nearly 240 years of a unitary system of governance in Nepal. The study recommends: VAT and income taxes will have to be collected concurrently at both the central and sub-national levels. Other taxes including excise duties will have to be collected by the sub national governments which will support the expenditure responsibilities of the sub-national governments adequately in federal Nepal. Intergovernmental transfer modality has to be included in the constitution. A Federal Finance Commission (FFC) and the National Planning Commission will have to be constituted at the central level to make national level development plans and to make recommendations for additional grants and loans. A State Planning Commission (SPC) and a State Finance Commission can be established in each state to prepare state development plans and to deal with the transfers to be made to local bodies. (Prasad, 2016)

CHAPTER THREE

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them.

The main objective of this study is to analyze the revenue and expenditure pattern and structure and assignment in Nepal. So, the present chapter outlines the entire research methodology used and followed in this study. It has focused on research design, nature and sources of data, processing procedure and statistical tools analysis.

3.1 Selection of Study Area and Sample

The study is concentrated on proposed seven states in new Federal Nepal. The sample data relating to government expenditure and revenue as per geographical and administrative units for the analysis were collected from reliable secondary sources including MOF.

3.2 Research Design

Research design is planned structure and strategy of investigation conceived to obtain answer to research objective through analysis of data. The first step of the study is to collect necessary information and data concerning the study. Therefore, research design means the definite procedure and technique, which guides the study and propounds ways or doing research. The type of research design covered in the study is both descriptive and analytical in nature. By using qualitative research methodology, the research attempted to portray the revenue and expenditure status nature and mobilization in Nepalese context.

3.3 Sources of Data

The study has based on secondary data; present study is basically on exploratory one. The analytical dimension, has been however, given where possible. The secondary data including information from journals, articles, unpublished thesis, workshop, and website were collected from Ministry of Local Development, Ministry of Finance,

Central Bureau of Statistics, Central Library of Tribhuvan University, Nepal Rastra Bank, Forum of Federation, Central Department of Economics and various other sources.

3.4 Data collection Methodology

To understand the basic concept of revenue and expenditure assignment; its policy and provision different kinds of journals, books, articles, and thesis were studied to broaden our perspective of revenue and expenditure assignment in fiscal federal concept. The researcher visited the Ministry of Finance, Ministry of Local Development, Nepal Rastra Bank, T.U Central Library, TU Central Department of Economics, and Forum of Federation. The collected data of Rukum, Nawalparashi district are divided in two equal parts for easy analysis.

3.5 Data Analysis Technique

For the analytical study, the research uses tabular, graphical presentation of data. Basic statistical tools like measures of central tendency were used to depict the trend, composition and prediction from secondary data sources. Furthermore, the comparative analysis of revenue-expenditure gap among seven provinces projected the viability of the provinces. Having profound policy implications on the subject of fiscal management, the research paves the way for further analysis especially through the use of econometrics.

CHAPTER FOUR

EXPENDITURE ASSIGNMENT

This chapter consists of expenditure assignment of different layer of government such as central, provincial and local level government of Nepal. To audit and examine the income and use task amongst focal and neighborhood government is extremely pivotal while considering the monetary decentralization. The monetary course of action as far as aggregate wage and use of focal and nearby government in Nepal is exhibited in this section

4.1 Constitutional provision of expenditure assignment of Nepal 2015

4.1.1 Public Expenditure

The role and size of the government expenditure has always been in debate. Although neoclassical economists argue for a small role of the government in economic affair, some roles of the government cannot be ignored in economic activities. There are some public goods like physical infrastructure, and semi-public goods like education and health, in which we expect the significant role of the government. Private sectors do not generally enter into these sectors because of externality, long gestation period and need of huge investment.

Table 4.1 Expenditure Assignment in the Constitution

Central	Provincial	Local
⟩ Defense, army and war ⟩ Arms and ammunition ⟩ Police, secret service, investigation and peace/security ⟩ Foreign affairs ⟩ International treaties, policies and borders ⟩ International trade, exchange, port and	⟩ Provincial police administration and peace/security ⟩ Operation of financial institutions in compliance with the policies of Nepal Rastra Bank ⟩ Co-operative organizations, foreign	⟩ Municipal police ⟩ Cooperative organizations ⟩ FM operation ⟩ Management of local services ⟩ Maintaining local statistics and records ⟩ Development projects of local level

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- quarantine
- Citizenship, passport, visa and immigration
- Central planning, central bank, currency, banking, monetary policy, foreign assistance and loan
- Environment, carbon service, national parks, wildlife reserves and wetland areas
- Nuclear energy, atmosphere and space
- Transnational and inter-provincial electricity transmission lines
- Air flight and international airports
- Telecommunications, transmission and postal service
- Social security and poverty alleviation
- Insurance policy, securities, and regulation of cooperatives
- Conservation of water resources, policies and standards relating to multidimensional use
- Large electricity, irrigation and other projects of central level

</td><td>

- assistance and grants at the consent of the center
- Operation of radio, DM, television stations
- Provincial civil service and other government services
- Provincial statistics
- Electricity, irrigation and drinking water supply and transportation of province level
- Provincial university, higher education, library, museum
- Health services
- Provincial Assembly, Provincial Council of Minister
- Trade within the province
- Provincial highway
- Provincial Investigation Bureau
- Physical management of provincial government offices and other necessary issues
- Provincial Public

</td><td>

- Basic and secondary education
- Basic health and sanitation
- Management of local market, environment protection and bio-diversity
- Local roads, rural roads, agriculture roads, irrigation
- Village Assembly, Municipal Assembly, District Assembly, local court, management of reconciliation and arbitration
- Management of local records
- Distribution of house/land ownership certificate
- Agriculture and animal husbandry, management of agricultural products, veterinary, cooperatives
- Management of senior citizens, persons with disabilities and incapacitated persons

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⟩ Mine excavation	Service Commission	⟩ Data collection of unemployment
⟩ Land use policy, settlement development policy, and tourism policy	⟩ Land management, maintaining records of land	⟩ Management, operation and control of agricultural expansion
⟩ National transportation policy, management of railway and national highways	⟩ Mineral exploration and management	⟩ Drinking water, micro-hydroelectricity project, alternative energy
⟩ Intellectual property	⟩ Protection and use of language, script, culture, fine arts and religions	⟩ Disaster management
⟩ Standard and metrology	⟩ Use of national forest and water resources and environment management within the province	⟩ Conservation of watershed, wildlife, mines and minerals, protection and development of language, culture and fine arts
⟩ Security press		
⟩ Places of archaeological importance and ancient monuments		
⟩ Central university, academy of central level, university standards and regulation, central library	⟩ Agriculture and livestock development, factories, industrialization, trade	
⟩ Health policy, health service, health standards, quality and monitoring, specialized service providing hospital, traditional treatment service, control of communicable diseases	⟩ Management of business, transportation and trust	
⟩ Central statistics		
⟩ Federal Parliament, Federal Executive, affairs relating to local levels, special structures		
⟩ Supreme/Higher/District		

courts and laws relating to the judiciary	
ʃ Federal civil service, judiciary service and other government services	
ʃ Constitutional bodies, commissions of national importance	
ʃ Formulation of criminal and civil laws	

Source: Constitution of Nepal, 2015

Table 4.2 Concurrent Expenditure Assignments in the Constitution 2015

Federal and Provincial	Federal, Provincial and Local
ʃ Tourism, drinking water and sanitation	ʃ Education, sports and newspapers/magazines
ʃ Medicines and pesticides	ʃ Health
ʃ Preventive detention with respect to the security issues of the country, prison and custody management and arrangements of peace/security	ʃ Service like electricity, drinking water, irrigation, etc.
ʃ Transfer of accused, inmates and prisoners from one province to another	ʃ Forest, wildlife, birds, water use, environment, ecosystem and bio-diversity
ʃ Laws relating to family affairs	ʃ Agriculture
	ʃ Cooperatives
ʃ Property and land acquisition and rights over them	ʃ Mines and minerals
ʃ Relating to contract, partnership and agency	ʃ Disaster management
	ʃ Social security and poverty alleviation
	ʃ Squatter management
ʃ Relating to bankruptcy and insolvency	ʃ Personal incidents, birth, death, marriage and statistics
	ʃ Archaeology, ancient monuments and

) Planning, family planning and population management	museums
) Social security and employment, settlement of industrial disputes, functions relating to rights, interests of laborers and labor disputes	) Royalty collected from natural resources
) Poverty alleviation and industrialization	) Motor vehicle licensing
) Legal service, audit, engineering, medicines, Ayurveda medicines, veterinary, amchi (traditional Tibetan medical practitioner) and other professions	
) Provincial border, river, waterway, environment protection, bio-diversity	
) Relating to media	
) Industries and minerals and physical infrastructure	
) Casino, lottery	
) Natural and non-natural disaster preparedness, rescue and relief and recovery	
) Motion picture, cinema hall, sports	
) Operation and management of insurance business	
) Scientific research, science technology and human resource development	
) Forests, mountains, forest conservation areas, water use spreading to inter-provinces	
) Land policies and related laws	
) Employment and unemployment	

	assistance
	∫ Criminal and civil procedures, and evidences and oath
	∫ Supply, distribution, price control, quality and monitoring of essential goods and services

Source: Constitution of Nepal, 2015

4.2 Expenditure of provinces in different fiscal years

Table 4.3 Total expenditure in NPR Million and its provincial share in percentage 2000/01 to 2015/16

FY	Total Exp. In Million	p1	p2	p3	p4	p5	p6	p7
2000/01	81,806.67	9.61	6.39	61.58	5.70	8.37	3.44	4.90
2001/02	85,019.86	8.34	5.41	59.79	5.21	11.84	4.56	4.85
2002/03	83,144.10	7.69	5.52	67.13	5.49	6.96	2.96	4.25
2003/04	90,816.21	8.88	6.77	64.28	5.21	7.04	3.35	4.47
2004/05	88,640.91	8.85	6.39	61.12	6.03	8.26	3.91	5.44
2005/06	96,604.01	9.21	6.48	58.03	6.70	9.29	4.44	5.85
2006/07	135,560.62	8.20	5.63	62.34	7.14	8.04	3.72	4.92
2007/08	165,657.74	8.13	5.77	60.64	8.82	8.13	3.56	4.95
2008/09	219,661.92	9.16	6.82	58.58	6.37	9.17	4.20	5.69
2009/10	172,705.49	14.84	11.76	33.25	9.82	14.66	6.73	8.94
2010/11	295,363.43	9.79	7.18	56.68	6.44	9.43	4.54	5.93
2011/12	339,167.49	9.91	6.92	56.49	6.46	9.73	4.47	6.02
2012/13	358,637.98	8.89	6.52	59.72	5.92	9.21	3.96	5.78
2013/14	435,052.28	9.15	6.41	58.98	5.86	9.45	4.11	6.05
2014/15	528,620.10	8.78	6.44	60.65	5.31	9.24	4.15	5.43
2015/16	597,582.23	9.09	6.75	59.15	5.67	9.51	4.18	5.64

Source: Author's calculation based on financial consolidated report

The province 6 has coverage in an average 4 percentage expenditure of total government expenditure. In fiscal years 2000 province 6 covers 3.44% of total expenditure and it continuously increase by nominal rate over the time period. The

province 3 covers the more expenditure than other provinces whereas in an average 60% of total expenditure and only 40% expenditure expend on other provinces. This figure shows overall expenditure pattern of government of Nepal over the sixteen years period.

The expenditure assignment of government of Nepal among various provinces is highly inequitable. The expenditure on province 3 is higher than total expenditure on all other six provinces. The expenditure on province 3 from FY 2000/01 to FY 2015/16 is Rs. 2,200,541.07 million which is greater than total sum of expenditures from other six provinces (Rs. 1,573,499.97 million). The expenditure assignments on province 1 and province 5 are similar. There is second highest expenditure on province 5 totaled Rs. 355,875.39 million while province 1 consists of third highest expenditure assignment of total amount Rs. 351,440.32 million from FY 2000/01 to FY 2015/16. There is more or less similar expenditure pattern on province 2, province 4, and province 7. The expenditure assignments on province 2, province 4 and province 7 are fourth highest, fifth highest and sixth highest total expenditure being Rs. 255,333.30 million, Rs. 235,072.18 million and Rs. 216,431.92 million respectively from FY 2000/01 to FY 2015/16. There is lowest expenditure assignment in province 6 where total amount of expenditure is Rs. 159,346.86 million from FY 2000/01 to FY 2015/16.

4.3 Highest and lowest expenditure of provinces

Province 6 is the lowest among all seven provinces on the basis of expenditure assignment. It's expenditure generally increasing from FY 2000/01 to FY 2015/16. However, on FY 2002/03 and FY 2012/13 there is decrease in expenditure

Figure 4.1 Trends of Total Expenditure in Province 6, 2000/01 to 2015/16
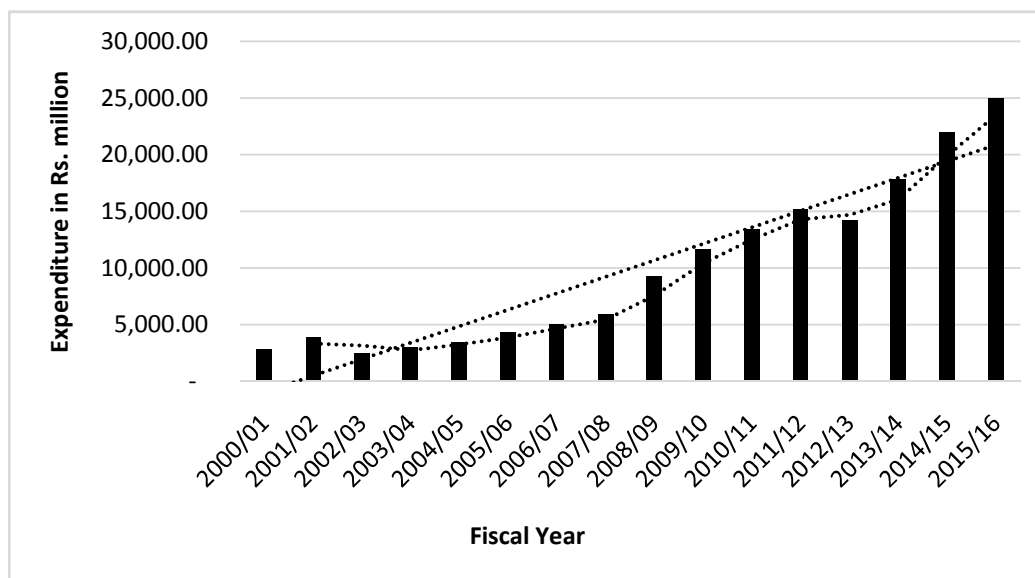
Source: Author's calculation based on financial consolidated report

Province 3 is the largest among all seven provinces on the basis of expenditure assignment. It's expenditure assignment generally increasing from FY 2000/01 to FY 2015/16. However, on FY 2004/05 and FY 2009/10 there is decrease in expenditure.

Figure 4.2 Trends of Total Expenditure in Province 3, 2000/01 to 2015/16
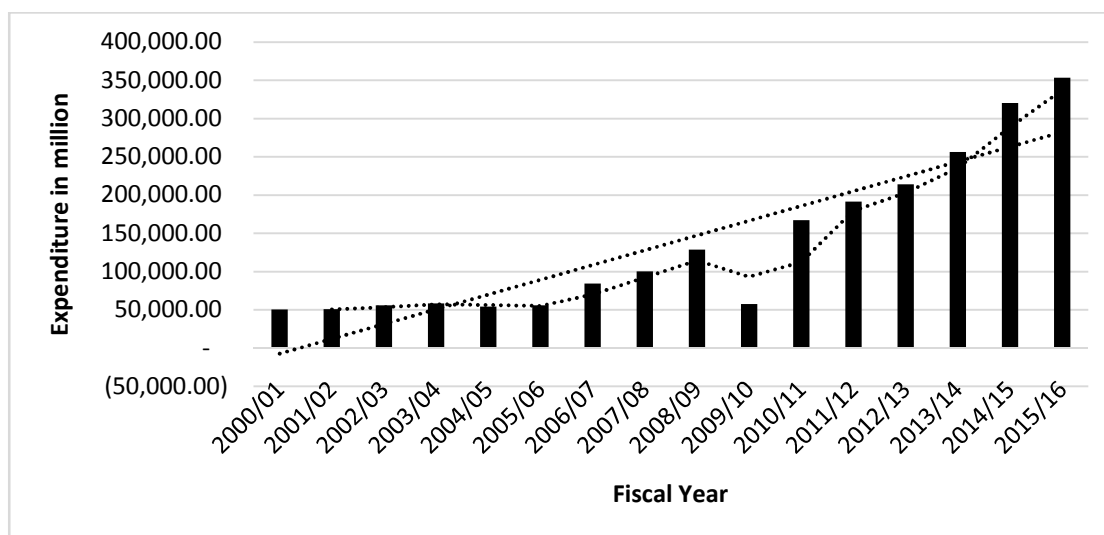
Source: Author's calculation based on financial consolidated report

4.4 Sectroal and Functional Government Expenditure

Table 4.4 Total expenditure in NPR in million share in percentage 2011/12 to 2015/16

particulars/ Fiscal Years	2011/12	2012/13	2013/14	2014/15	2015/16
General Public Services	25.38	27.46	32.16	30.83	25.80
Defense	10.54	9.16	9.50	9.77	8.76
Public Order and Sefety	15.98	16.56	13.20	10.18	9.14
Economic Affiars	31.92	31.68	32.46	33.36	40.50
Environmental Protection	0.43	0.27	0.76	1.32	1.13
Housing and Community Ammnities	3.27	3.18	2.74	4.17	5.05
Health	1.80	1.55	1.07	1.03	0.97
Recreation, Cultural and Religion	0.47	0.36	0.44	0.54	0.60
Education	9.77	9.63	7.50	8.52	7.54
Social Protection	0.45	0.15	0.17	0.28	0.51
Total expenditure Rs in million	21497.03	22805.78	34054.64	33382.9	38051.13

Source: Author's calculation based on Economics Survey, 2016/17

Sectorial and functional assignment of government has also major concern of expenditure assignment. In sectorial expenditure assignment expenditure on general public services high among others budget heads were 25.38, 27.46, 32.16, 30.83, 25.80% in 2011/12, 2012/13, 2013/14, 2014/15, and 2015/16 respectively. In this ways expenditure on defense also more amount in 2011/12 amount spend on this 10.54 percentage and in 2015/16 has 8.76%. In order to public order and safety, economic affairs, environment protection, housing and community amenities, health, recreation, culture and religion, education and social protection chronologically in order of highest to lowest sectoral expenditure of government. The table shows expenditure on education are low in 20011/12, 9.77% and in 2015/16, 7.54 percentage.

Table 4.5 provincial share in total expenditure in percentage 2011/12 to 2015/16

Fiscal years	Expenditure Head	p1	p2	p3	p4	p5	p6	p7
	Recurrent	82.46	81.25	64.64	83.21	77.17	84.72	79.72
2011/12	capital	17.54	18.75	12.22	16.79	22.83	15.28	20.28
	Financing	-	-	23.13	-	-	-	-

2012/13	Recurrent	82.35	82.29	61.48	83.44	74.43	84.19	77.26
	capital	17.65	17.71	12.10	16.56	25.57	15.81	22.74
	Financing	-	-	26.42	-	-	-	-
2013/14	Recurrent	83.69	83.70	61.57	85.58	75.21	85.75	79.23
	capital	16.31	16.30	13.16	14.42	24.79	14.25	20.77
	Financing	-	-	25.26	-	-	-	-
2014/15	Recurrent	78.44	81.02	55.29	82.44	69.20	74.01	77.58
	capital	21.56	18.98	12.48	17.56	30.80	25.99	22.42
	Financing	-	-	32.22	-	-	-	-
2015/16	Recurrent	75.78	73.00	54.44	78.02	64.80	70.51	71.97
	capital	24.22	27.00	15.44	21.98	35.20	29.49	28.03
	Financing	-	-	30.12	-	-	-	-

Source: Author's calculation based on financial consolidated report, 2016/17

The table shows the expenditure assigned on the basis of recurrent, capital and financing for the seven provinces from FY 2015/16. The recurrent expenditure is decreasing on five provinces except on province 2 and province 3 from FY 2011/12 to FY 2012/13. And capital expenditure is increasing for 3 provinces. Provinces 3, provinces 5 and provinces 7 while for province 1, province 2, province 4 and province 6 capital expenditure is decreasing. But from FY 2012/13 to FY 2015/16 both capital and recurrent expenditure increasing on all provinces. The recurrent expenditure on all the provinces are more than capital expenditure. On an average there is 80% expenditure and 20% on capital expenditure on all provinces. The division of expenditure assignment on the basis of recurrent, capital and financing for FY 2015/16 of seven provinces is shown in diagram as below:

Figure 4.3 Provincial shares in total expenditure in 2015/16
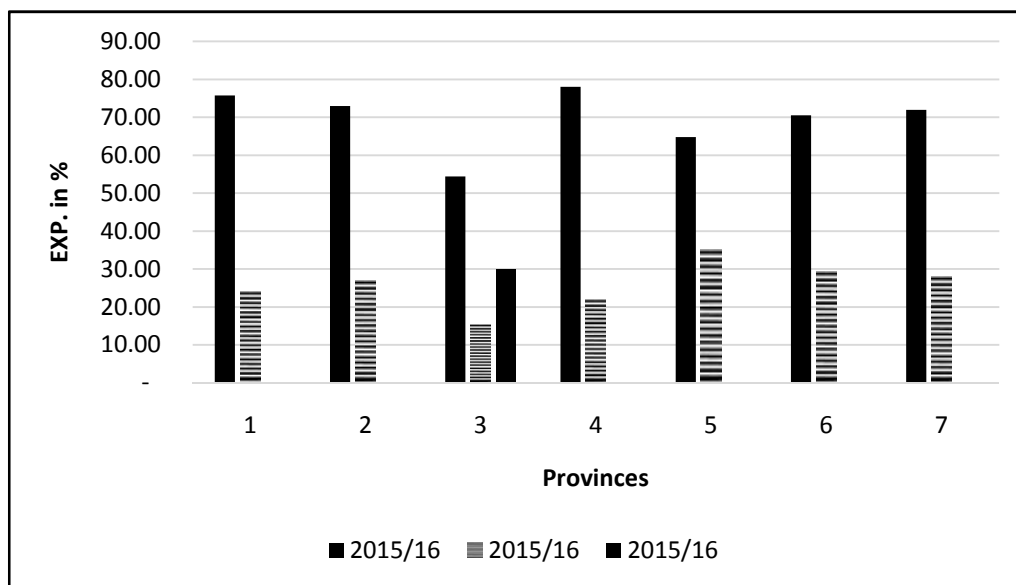
Source: Author's calculation based on financial consolidated report, 2016/17

The diagram shows the recurrent, capital and financing expenditures of various provinces for FY 2015/16. In all provinces recurrent expenditure is very much higher than capital expenditure. And province 3 has largest expenditure on recurrent as well as capital expenditure while province 6 has lowest expenditure on both recurrent and capital for the FY 2015/16. This same pattern can be seen on all the years from FY 2000/01 to 2015/16.

4.5 Expenditure trend of Province 3

The figure shows the increasing trend of expenditure assignment of province 3 from FY 2011/12 to FY 2015/16. All the recurrent, capital and financing expenditures are increasing over the given time period. This figure also shows large amount of recurrent expenditure in comparison to capital and financing expenditure. The same pattern can be seen on all seven provinces and for simplicity province 3 is taken and it also consists of financing expenditure.

Figure 4.4 Expenditure pattern of Province 3 in percentage, 2011/12 to 2015/16
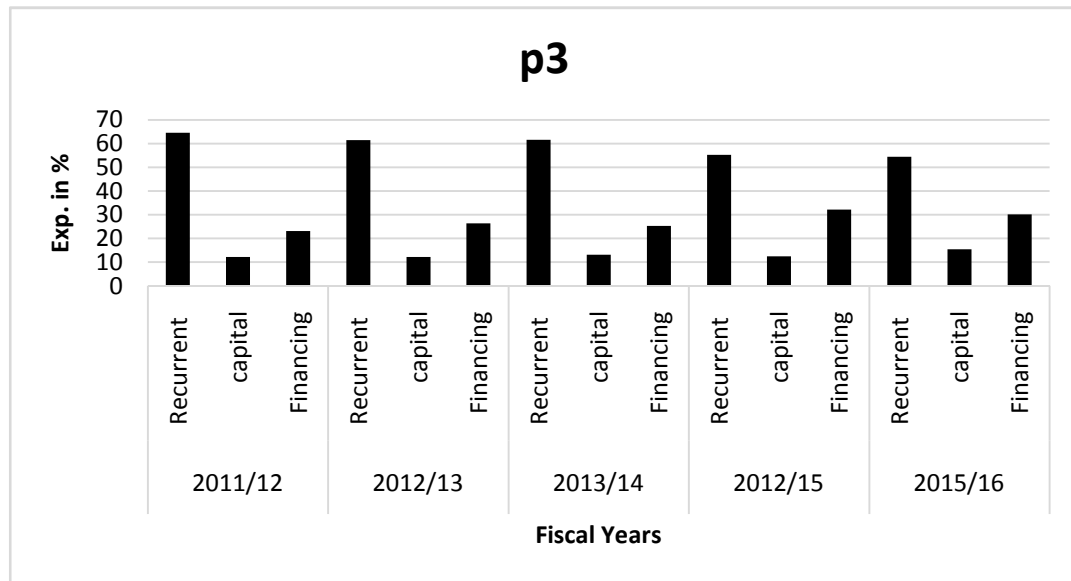
Source: Author's calculation based on financial consolidated report, 2016/17

CHAPTER FIVE

REVENUE ASSIGNMENT

The revenue and expenditure assignment are two vital parts of fiscal federalism. This analytical part of study concerned on pattern and trend of Nepal's revenue and expenditure structure in fiscal years. To review and analyze the revenue and expenditure assignment between central and local government is most important part of fascial federalism. The fiscal arrangement in terms of total income and expenditure of central and local government in Nepal is presented in this chapter.

5.1 Provision of Resource Mobilization in the Constitution 2015

Revenue means income federal government collection from different sources such as from tax sources non tax sources, grants, loan so on. In the Constitution of Nepal 2015, federal, provincial and local governments have shared authority to raise taxes, service charges and fees as given in the annexes of the Constitution. Table 5.1 summarizes the revenue assignment among the three levels of the government.

Table 5.1 Revenue Assignment in the Constitution

Federal	Provincial	Local
Customs	Registration Fee -Land & House	Registration Fee – Land & House
Excise-duty	Tax on Agricultural Income	Property Tax
Value Added Tax (VAT)	Vehicle Tax	House Rent Tax
Individual Income Tax	Entertainment Tax	Land Tax (land revenue)
Corporate Income Tax	Advertisement Tax	Business Tax
Tax on Remuneration	Tourism Fee	Vehicle Tax
Passport Fee	Service Charge/Fee	Entertainment Tax
Visa Fee	Penalties and Fine	Advertisement Tax
Tourism Fee		Tourism Fee
Service Charge/Fee		Service Charge/Fee
Penalties and Fine		Penalties and Fine

Source: Constitution of Nepal, 2015

The Constitution of Nepal (2015) has not made substantial changes in existing base of own source revenue (OSR) of the municipalities. The authority of raising taxes,

service charges and fees as given in LSGA has been continued. In addition, the authority of raising rent tax has been given to the local bodies. This new provision will be a major potential source of internal revenue of the municipalities.

Taxes and fees are the major sources of OSR of the local bodies (LBs). The Constitution of Nepal has given new power and responsibilities to the LBs in providing various services in its jurisdiction like drinking water supply, small electricity generation, alternative energy, local roads, and irrigation. These services need to be handled with care to make them sustainable. There will be additional burden of resources on the existing limited LBs' fund in order to operate such services. LBs should frame out a cost recovery policy in order to operate these services effectively and efficiently. If the cost recovery policy is not implemented at the start of their implementation, operation of these services will not be efficient and the limited resources of the LBs will be diverted to keep these services operational. Diversion of limited resources to these activities will have direct impact in other essential developmental works.

5.2 Revenue collection provincial wise in different fiscal years

Table 5.2 Total revenue in NRP, million and provincial shares in percentage 2000/01 to 2015/16

FY	Total Revenue in Rs.Million	p1	p2	p3	p4	p5	p6	p7
2000/01	48,670.66	9.99	22.66	56.52	1.46	8.22	0.09	1.05
2001/02	50,445.49	10.60	25.23	51.84	1.46	9.51	0.12	1.23
2002/03	56,157.96	10.17	26.83	49.85	1.40	10.30	0.11	1.33
2003/04	67,485.72	8.76	25.65	47.98	1.38	15.09	0.12	1.03
2004/05	70,575.94	10.66	26.81	50.80	1.40	9.18	0.13	1.03
2005/06	72,706.89	10.20	27.32	50.65	1.57	9.22	0.15	0.90
2006/07	89,384.93	9.48	28.34	49.88	1.67	9.49	0.17	0.96
2007/08	107,577.81	7.68	29.32	52.13	1.36	8.34	0.26	0.91
2008/09	144,386.62	8.17	29.78	50.96	1.41	8.62	0.20	0.86
2009/10	181,994.56	8.30	32.12	47.52	1.35	9.55	0.23	0.93
2010/11	202,947.37	8.30	30.21	49.34	1.23	9.65	0.25	1.02
2011/12	246,986.53	8.24	28.91	51.01	1.24	9.37	0.16	1.06
2012/13	297,942.34	8.11	29.95	49.59	1.18	9.88	0.15	1.14
2013/14	359,764.63	7.77	29.68	49.55	1.20	10.45	0.17	1.17
2014/15	411,956.97	8.14	29.72	48.70	1.61	10.49	0.18	1.15
2015/16	481,961.70	8.76	18.05	51.27	1.84	18.44	0.18	1.46

Source: Author's calculation based on financial consolidated report

In an average revenue collection ofgovernment Nepal increases over the 17 years. The revenue collection from province 6 and 7 is so nominal and in province 3 recovered more revenue than other provinces. In province 3 in an average it fill 50% of total revenue and in this way the province 2 is covered the 28 % of total revenue.

5.3 Revenue trend of province 1

The table shows generation of revenue from province is third highest among all seven provinces. The revenue collection trend in province 1 shows the increasing order. In FY 2000/01 the total revenue collected was Rs. 4,863.20 million which was increased to Rs. 5,347.75 million in FY 2001/02. Similarly, the revenue collection was increased from Rs 5,712.20 to Rs 5,912.47 million respectively on Fy 2002/03 and FY 2003/2004. There is slight decrease in revenue collection from Rs. 7522.35 million on FY 2004/05 to Rs 712.63 million on FY 2005/06. The revenue totaled Rs 8475.25 million, Rs 8263.83 million, Rs 11,794.69 million, Rs15,109.02 million, Rs 1685.76 million, Rs 20,360.97 million on FY 2006/7, FY 2007/08, FY 2008/09, FY 2009/10, FY 2010/11 and FY 2011/12 respectively. The revenue on FY 2012/13 was Rs 24154.16 million, on FY 2013/14 was 27,964.16 million on FY 2014/15 was 33541.41 million and on FY 2015/16 was highest amounted to 42217.33 million. The increasing order of revenue collection trend of province 1 can be shown in graph as following.

Figure 5.1 Revenue trend of Province 1
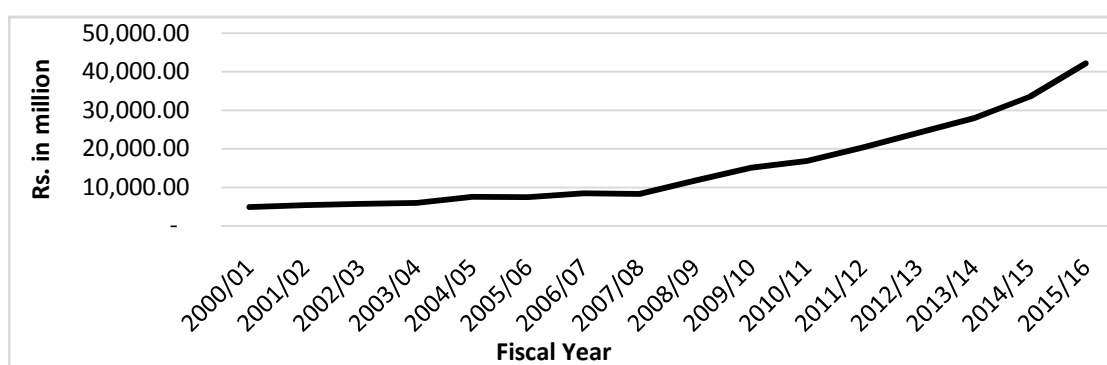
Source: Author's calculation based on financial consolidated report

There is slow increase in revenue collection from FY2000/01 to FY 2007/08. The rate of increment in revenue collection from FY 200809 to FY 2015/2016 is of rapid order.

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5.4 Revenue trend of province 2

Revenue collected by government from province 2 is second highest among all seven provinces. The revenue collection trend of government of Nepal on province 2 exhibits increasing order. The total amount collected as revenue was Rs11, 030.47 million on FY 2000/01 which was increased to Rs.412, 72.984 million on FY 2001/02; Rs13, 069.53 million on FY 2002/03; Rs17, 307.44 million on FY 2003/04 and Rs18913.63 million on FY 2004/05. There is large amount of increment from Rs19, 803.18 million on FY 2005/06 to Rs25, 331.28 million on FY 2006/07. Similarly, the increasing trend become higher on succeeding years: Rs. 31,543.22 million on FY 2007/08; Rs. 42,997.89 million on FY 2008/09; Rs. 58,463.94 million on FY 2009/10; Rs61,304.55 million on FY 2010/11; Rs. 71,410.54 million on FY 2011/12; Rs.89225.46 million on FY 2012/13; Rs. 106,772.0 million on FY 2013/14. The revenue collection on FY 2014/15 was highest totaled to Rs 122,450.6 million and there is decrease in revenue on FY 2015/16 to Rs 86,983.82 million. This can be shown in graph as following.

Figure 5.2 Revenue trend of Province 2
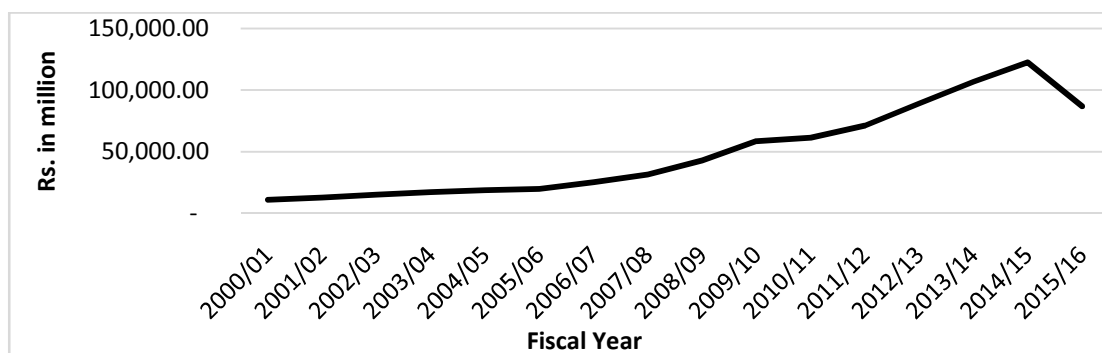
Source: Author's calculation based on financial consolidated report

The graph shows gradual increase in revenue collection form FY 2000/01 to FY 2005/06. There is rapid increase in revenue from 2006/07 to FY 2014/15. There is decrease in revenue collection from FY 2014/15 to FY 2015/16.

5.5 Revenue trend of province 3

The table shows revenue collection of government of Nepal from province 3 is highest among all seven provinces. The revenue collection trend of government of Nepal on province 3 exhibits increasing order and it has highest collection than other

provinces. The total amount collected as revenue was Rs. 27,510.37 million on FY 2000/01 which was increased to Rs. 32377.75 million on FY 2003/04; Rs. 35853.99 million on FY 2004/05; Rs 36826.81 million on FY 2005/06. There is large amount of increment from Rs.44589.17 million on FY 2006/07 to Rs. 56,074.95 million on FY 2007/08. Similarly, the increasing trend become higher on succeeding years: Rs.73583.68 million on FY 2008/09; Rs 86,481.31 million on FY 2009/10; Rs. 100,131.31 million on FY 2010/11; Rs. 125,992.75 million on FY 2011/12; Rs. 178,249.63 million on FY 2013/14; Rs 200,642.35 million on FY 2014/15. The revenue collection on FY 2015/16 was highest totaled to Rs. 247,123.95 million. This can be shown in graph as following.

Figure 5.3 Revenue trend of Province 3

Source: Author's calculation based on financial consolidated report

The graph shows the gradual increase in reenue collection from FY 2000/10 to FY 2006/07. There is somewhat steeper growth from FY 2007/08 to FY 2015/16 in collection of revenue of government

5.6 Revenue trend of Province 4

The revenue collected by government of Nepal from province 4 is third lowest among all seven provinces. The revenue collection trend of province 4 is also of increasing order. The total amount of revenue collected on FY 2000/01 was Rs. 709.70 million. The increasing trend continued upto FY 2006/07 where total revenue collection was Rs. 1496.96 million. Thereafter revenue collection decreased to Rs. 1461.82 million on FY 2007/08. The revenue collection on FY 2008/09 was Rs. 2,039.82 million which was increased to Rs. 2,457.53 million on FY 2009/10. Similarly, the total

revenue collection of the government increased in succeeding years amounted: Rs. 2,486.47 million on FY 2010/11; Rs. 3,070.89 million on FY 2011/12; Rs. 3,508.29 million on FY 2012/13; Rs. 4,334.49 million on FY 2013/14; Rs. 6,626.09 million on FY 2014/15 and Rs. 8872.56 million on FY 2015/16.

Figure 5.4 Revenue trend of Province 4

Source: Author's calculation based on financial consolidated report

The graph shows increasing trend of revenue collection. There is gradual increase from FY 2000/01 to FY 2006/07 thereafter the increasing rate becomes little more upto FY 20012/13 and there is sharp increase in revenue collection from FY 2013/14 to FY 2015/16.

5.7 Revenue trend of Province 5

The revenue generation for gonernment of Nepal from province 5 is fourth largest among all seven provinces. The table shows overall increase in revenue collection trend in province 5. The revenue collection was Rs. 4002.48 million on FY 2000/01. There is gradual increase in revenue collection upto FY 2002/03 where total collection on that year was Rs. 5785.36 million. However, there was rapid increment in revenue collection on FY 2003/04 totaled Rs. 10180.46 million and thereafter it decreased to Rs. 6479.41 million on FY 2004/05. Then there is gradual increase in revenue collection upto FY 2007/08 amounting Rs. 8975.06 million on that year. The revenue increased rapidly from Rs. 12,446.24 million on FY 2008/09 to Rs. 17383.84 million on FY 2009/10. The revenue collection was largest on FY 2015/16 being Rs. 88859.39 million which was more than double of previous fiscal year 2014/15 where

revenue collection was Rs. 43299.69 million. The increasing trend of revenue collection is presented on following graph:

Figure 5.5 Revenue trend of Province 5
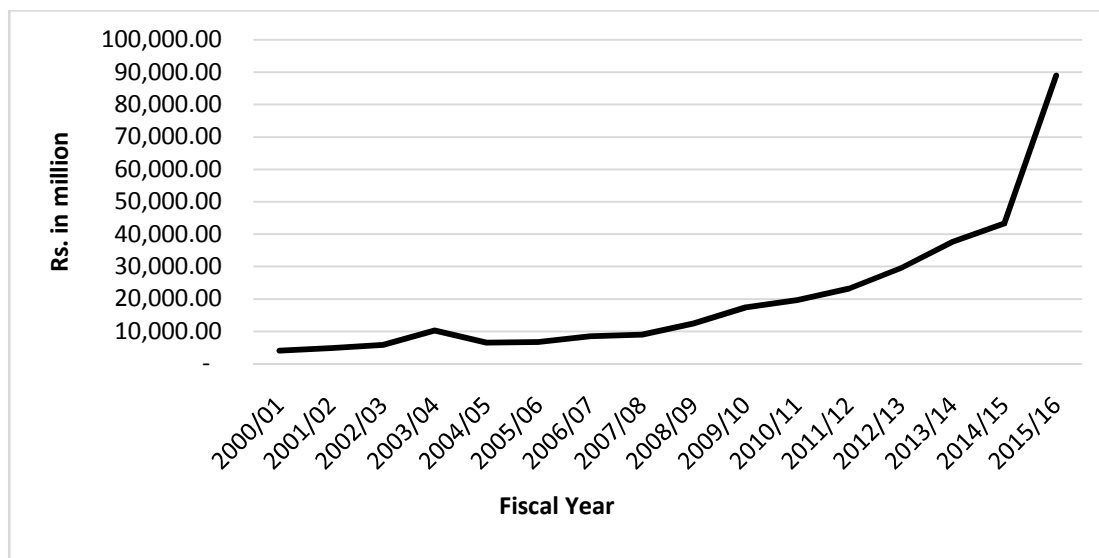
Source: Author's calculation based on financial consolidated report

The graph shows gradual revenue growth trend from FY 2000/01 to FY 2003/04. Thenafter revenue collection decreased for FY 2004/05. From FY 2005/06 to FY 2014/15 the revenue collection of government increased positively. And there is very sharp increase in revenue generation of government from FY 2014/15 to FY 2015/16.

5.8 Revenue trend of Province 6

The revenue collection in province 6 is lowest among all other provinces. The table shows the increasing order of revenue collection of government of Nepal in province 6 also. The revenue collection on FY 2000/01 was Rs. 45.63 million which gradually increased upto FY 2005/06 being Rs. 106.17 million on that year. There is rapid increment in revenue collection for two fiscal years: 2006/07 and 2007/08 where revenue collection was Rs.150.92 million and Rs. 280.04 million respectively. Afterthat revenue collection increased slowly on FY 2008/09 amounting Rs. 282.23 million. The revenue generation for the fiscal year 2009/10 and 2010/11 was Rs. 414.78 million and 515.26 million respectively. There is decrease in revenue collection on FY 2011/12 totaling Rs. 400.26 million. Thenafter the revenue collection increased gradually on succeeding fiscal years: Rs. 457.19 million on FY

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2012/13; Rs. 617.69 million on FY 2013/14; Rs. 745.30 million on FY 2014/15 and Rs. 889.24 million on FY 2015/16. This can also be shown with the help of following graph for clear view.

Figure 5.6 Revenue trend of Province 6
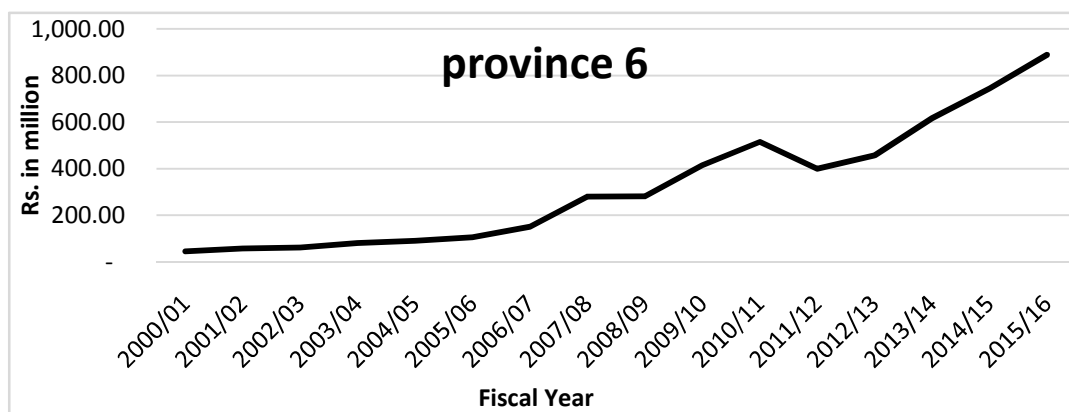
The graph shows gradual increase in revenue collection trend of government from FY 2000/01 to FY 2005/06. There is decrease in revenue generation for the fiscal year 2011/12, thenafter, there is gradual increase in revenue collection trend upto FY 2015/16.

5.9 Revenue Trend in Province 7

The revenue collection of government from province 7 is second lowest among all seven provinces. The table exhibits the increasing trend of revenue collection from FY 2000/01 to FY 2015/16. The revenue on FY 2000/01 was Rs. 508.82 million which stood Rs. 621.30 million on FY 2001/02. The revenue collection increased to Rs. 749.71 million on FY 2002/03, thereafter it decreased to Rs. 697.66 million on FY 2003/04. Thenafter it increased to Rs. 723.84 million on FY 2004/05 and again decreased to Rs. 655.73 million on FY 2005/06. There is gradual increase in revenue collection on the succeeding fiscal years: Rs. 858.30 million on FY 2006/07; Rs. 978.78 million on FY 2007/08; Rs. 1242.06 million on FY 2008/09; Rs. 1684.07 million on FY 2009/10; Rs. 2079.30 million on FY 2010/11; Rs. 2617.14 million on FY 2011/12; Rs. 3400.03 million on FY 2012/13; Rs. 4218.33 million on FY 2013/14 and Rs. 4721.54 million on FY 2014/15. There is sharp rise in revenue collection on FY 2015/16 totaling Rs. 7015.42 million. For the vividness revenue collection trend of province 7 is also shown in graph as following:

Figure 5.7 Revenue trend of Province 7

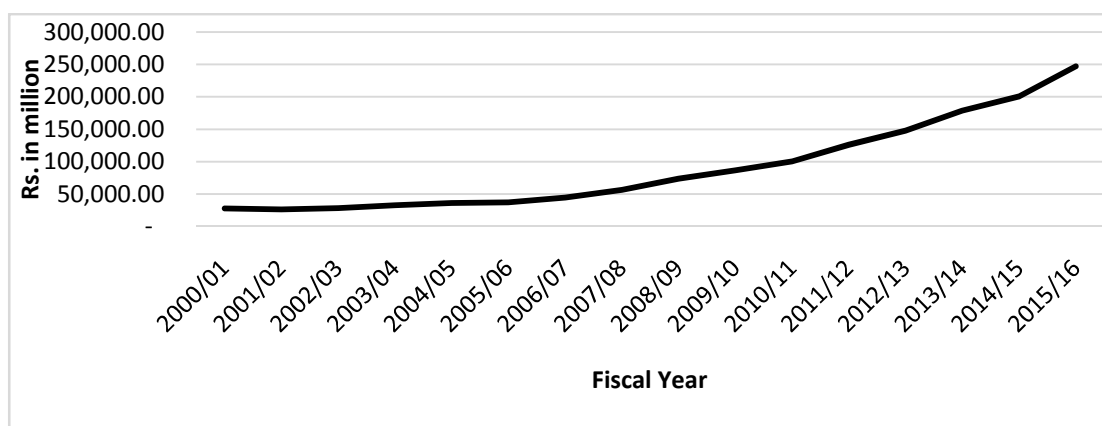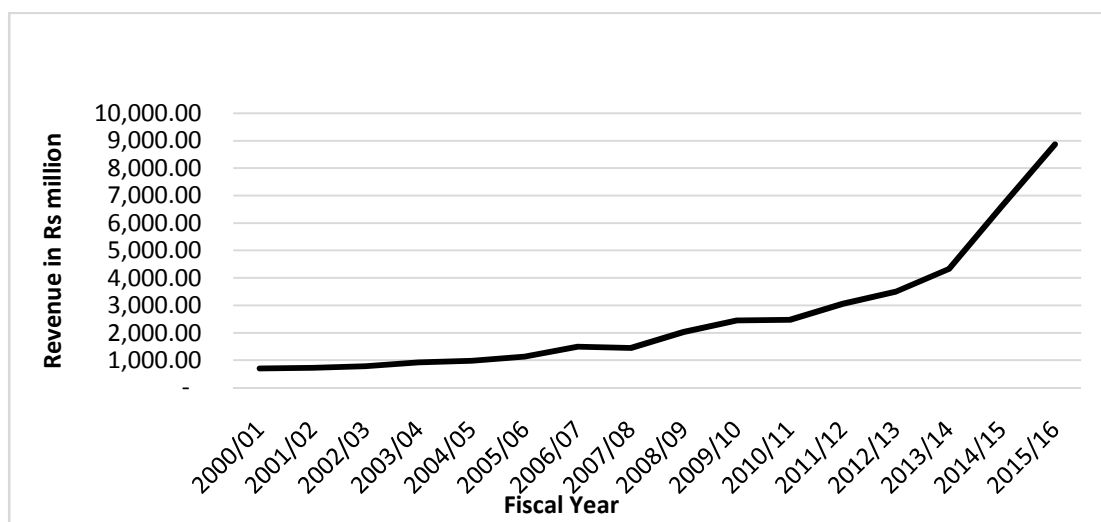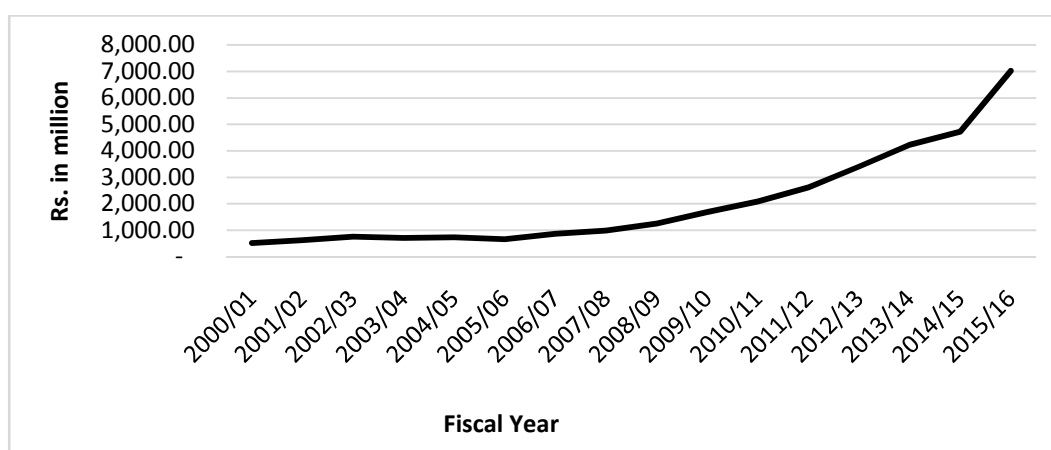*Source:* Author's calculation based on financial consolidated report

The graph shows gradual increase in revenue collection trend from FY 2000/01 to FY 2007/08. Thenafter the rate of increment is higher upto FY 2014/15. There is sharp increase in revenue collection from FY 2014/15 to FY 2015/16.

5.10 Tax and non tax revenue collected from different head of sources

Table 5.3Revenue collected from different sources (in percentage)

Tax Revenue					
Revenue Heading	2011/12	2012/13	2013/14	2014/15	2015/16
Taxes on Goods and Services	26.1	24.9	25.2	25.2	24.4
VAT	16.7	16.1	16.1	15.8	14.5
Taxes on income, profits and capital gains	12.1	12.4	12.1	12.1	13.6
Taxes on international trade and transactions	10.2	10.9	10.8	10.5	9.7
Customs and other import duties	9.7	10.4	10.3	9.9	9.2
Payable by entrerprizes and corporations	7.2	7.1	7.2	7.3	8.4
Excise	7.1	6.9	7.3	7.5	7.8
Payable by individual and sole traders	2.9	2.9	3.1	3.2	3.6

Taxes on use of goods and on permission to use goods	2.2	1.8	1.6	1.8	1.9
Taxes on investment and other income	2.01	2.2	1.7	1.6	1.6
Taxes on property	0.847	1.030	1.068	1.320	1.561
Taxes on financial and capital transactions	0.840	1.029	1.063	1.317	1.561
Other taxes on international trade and transactions	0.383	0.418	0.446	0.562	0.501
Taxes on payroll and workforce	0.367	0.363	0.392	0.411	0.388
Social Security Taxes on payroll	0.367	0.363	0.392	0.411	0.388
Other taxes	0.313	0.310	0.321	0.365	0.322
Taxes on exports	0.203	0.085	0.171	0.044	0.014
Ownership Certificate Charge	0.188	0.189	0.182	0.199	0.186
Registration Fee	0.124	0.120	0.140	0.166	0.136
Taxes on specific services	0.116	0.126	0.140	0.145	0.152
Recurrent taxes on immovable property	0.007	0.001	0.005	0.003	0.001

Non Tax revenue

Revenue Heading/Fiscal Years	2011/12	2012/13	2013/14	2014/15	2015/16
Property Income	27.1	23.9	23.4	22.7	21.5
Dividends	14.4	14.73	14.7	13.7	12.3
Miscellaneous Revenue	11.8	10.3	12.9	13.7	16.4
Sale of Goods and Services	10.6	15.3	13.2	12.3	11.4
Rent and Royalty	9.9	8.6	6.8	7.06	6.6
Administrative Fee - Immigration and T	8.4	9.2	11.9	12.6	9.9

Sale of Goods	7.05	7.30	7.2	7.3	6.9
Administrative Fees	3.5	7.9	6.05	4.94	4.4
Other Revenue	3.492	1.131	0.985	1.276	6.503
Interest	2.680	0.717	1.874	1.933	2.555
Penalties, Fines and Forfieture	0.483	0.459	0.512	1.257	0.648
Penalties, Fines and Forfieture	0.011	0.015	0.006	0.004	0.003
Capital Revenue	0.001	0.007	0.003	0.005	0.002
Voluntary Transfers other than Grant	0.001	0.007	0.003	0.005	0.002

Source: Financial Comptroller Office, 2016/17

Government of nepal have mainly two sources of revenue that are tax revenue and non-tax revenue. In 2011/12 the tax on goods and services are highest percentage where as 26.110% in this way in 2015/16 the percentage of tax on goods and services as 24.421. It is followed by the taxes on: VAT; income, profits and capital gains; international trade and transaction; customs & other import duties remaining about 15 percent, 12 percent, 10 percent and 9 percent on an average. The tax revenue on social security taxes on payroll, other taxes, taxes on exports, ownership certificate charge, registration fee, taxes on specific services, and recurrent taxes on immovable property has lowest percentage where as 0.367%, 0.367%, 0.313%, 0.203%, 0.188%, 0.124%, and 0.116% in 2011/12 respectively. In this way in fiscal year 2015/16 these items of taxes sources of revenue have also low.

Next sources of revenue are non-tax revenue from different sources of non-tax revenue such as property income, dividends, sales of goods and services, rent and royalty are the major sources of non-tax revenue. In 2011/12 highest income from property income has 27.032 percentage and in second highest income of non-tax revenue is dividend 14.440.lowest income of non-tax revenue are penalties fine, forfeiture, capital revenue and voluntary transfers. These items cover in 2011/12 0.483, 0.011, 0.001, 0.001 percentage respectively. Other items of non-tax revenue increase in an average

Figure 5.8 Total tax and Non Tax revenue
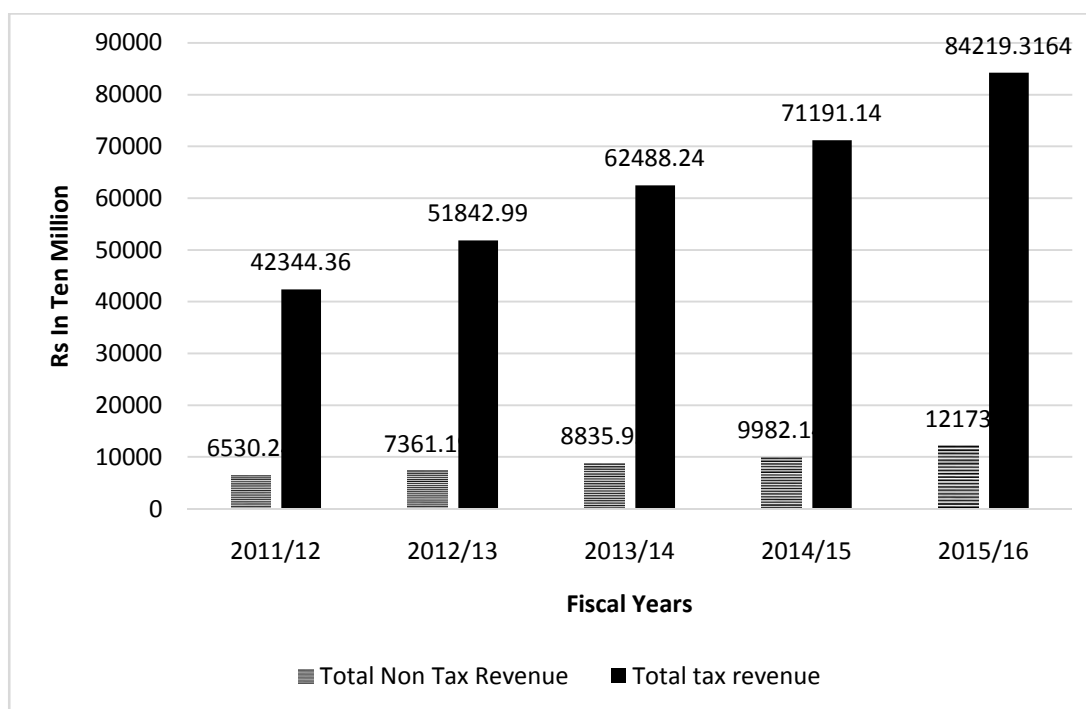
Source: Author's calculation based on financial consolidated report

Trend and structure of tax and non-tax revenue over the five fiscal years' tax revenue covers 86 percentages and non-tax revenue covers 14 percentages in average. In 2011/12 total tax was revenue as Rs. 42,34,436 million as same ways 51,84,299, 62,48,824, 7119114, 84,21,936.4 million in 20012/13, 2013/14, 2014/15, 2015/16 respectively. Tax revenue over the period is going upward trends. The non-tax revenue over the period cover less portion of total revenue in 20011/12 total non-tax revenue covers Rs 6,53,024 million as same ways 736,119, 883,592, 9,98,214,and 12,173 million in 2012/13, 2013/14, 2014/15, 2015/16 respectively. The increment trend of non-tax revenue is positive.

CHAPTER SIX

COMPARATIVE ANALYSIS OF REVENUE AND EXPENDITURE AMONG PROVINCES

This chapter consist comparative analysis among the provinces as expenditure and revenue prespective of highest and lowest revenue and expenditure provinces.

6.1 Revenue to Expenditure Ratio

Figure 6.1 Ratios of Revenue and Expenditure in 7 Provinces
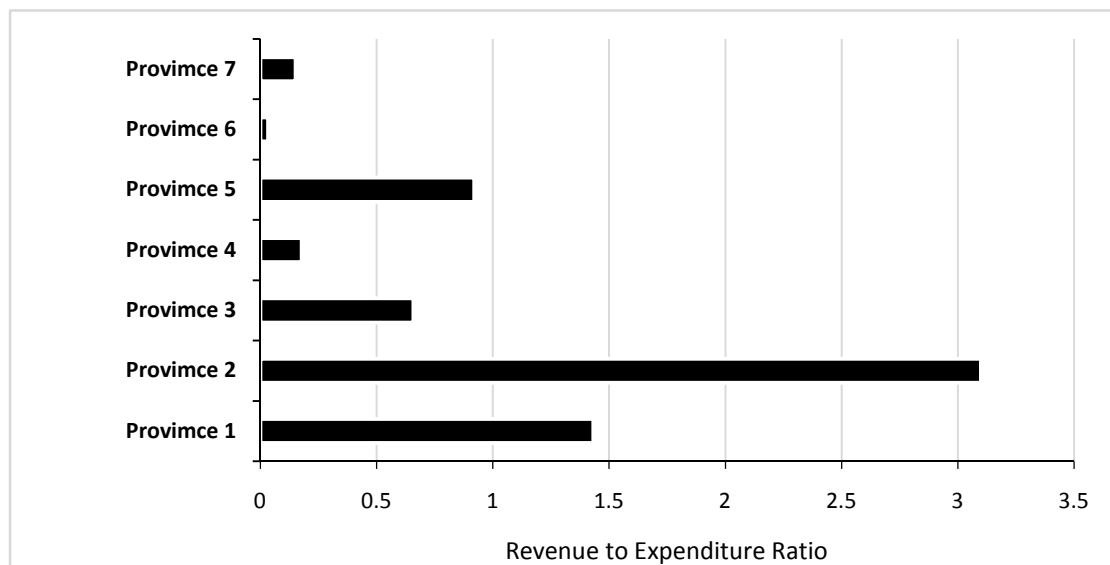
Source: Author's calculation based on financial consolidated report

The figure shows the ratio of total revenue to total expenditure for all seven provinces from the time period in 2000/01 to 2015/16. It exhibits the total expenditure assigned on provinces from total revenue generated by them. The ratio ranges from 0 to 3.5 when ratio is equal to 1, it means that revenue collection and expenditure assigned are equal. When ratio is less than 1, the expenditure assignment is more than revenue collection. When ratio is more than 1 it shows expenditure assignment is less than revenue generation. The ratio of provinces 1 is 1.43 which shows there is more revenue collection then expenditure assignment. And province 2 has highest ratio 3.09 implying that their revenue collection is more than 3 times of expenditure assignment.

Other provinces expect 1 and 2 have ratio less than implying that expenditure assignment is more than revenue generation. Provinces 3 have highest revenue generation capacity; however, its expenditure is more than revenue collection. Its ratio

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is 0.65. Its implies that there is inequitable expenditure assignment. Province 4 ratio is 0.17 which means there is more expenditure than revenue generation. Province 5 ratio is 0.9 which implies that revenue collection and expenditure assignment is nearly equal. Province 6 has lowest ratio 0.03, which means there is more than its revenue generation among all seven provinces. Province 7 ratio is 0.15 which is due to the reason that it is second lowest revenue generation, so its expenditure assignment is more than revenue generation. This ratio analysis implies that province 1 and province 2 revenue generation capacity is more than their expenditure assignment. And other provinces have low revenue generation capacity than their expenditure assignment.

6.2 Revenue and Expenditure Gap in province 2 and 3

Table 6.1 Revenue and expenditure gap in province 2 and 3

(Rs. in millions)

FY	Revenue p2	Exp P2	Gap p2	Revenue P3	Exp P3	Gap P3
2000/01	11,030.47	5,231.12	5,799.35	27,510.37	50,375.71	(22,865.35)
2001/02	12,729.84	4,598.99	8,130.85	26,153.19	50,832.53	(24,679.34)
2002/03	15,069.53	4,593.65	10,475.88	27,993.57	55,818.20	(27,824.63)
2003/04	17,307.44	6,149.80	11,157.64	32,377.75	58,375.66	(25,997.90)
2004/05	18,919.63	5,664.31	13,255.32	35,853.99	54,178.77	(18,324.78)
2005/06	19,863.18	6,256.14	13,607.04	36,826.81	56,058.51	(19,231.70)
2006/07	25,331.28	7,634.61	17,696.67	44,589.17	84,510.82	(39,921.65)
2007/08	31,543.22	9,563.12	21,980.10	56,074.95	100,454.86	(44,379.91)
2008/09	42,997.89	14,990.36	28,007.53	73,583.68	128,675.67	(55,091.98)
2009/10	58,463.94	20,318.38	38,145.56	86,481.37	57,425.02	29,056.34
2010/11	61,304.55	21,192.79	40,111.76	100,131.18	167,426.35	(67,295.17)
2011/12	71,410.54	23,474.28	47,936.26	125,992.75	191,590.98	(65,598.23)
2012/13	89,225.46	23,400.47	65,824.99	147,749.10	214,181.33	(66,432.23)
2013/14	106,772.01	27,879.18	78,892.83	178,249.63	256,587.91	(78,338.28)
2014/15	122,450.60	34,060.04	88,390.56	200,642.35	320,588.39	(119,946.04)
2015/16	86,983.82	40,326.06	46,657.76	247,123.95	353,460.36	(106,336.41)

Source: Author's calculation based on financial consolidated report

Figure 6.2 Revenue and Expenditure Gap trend
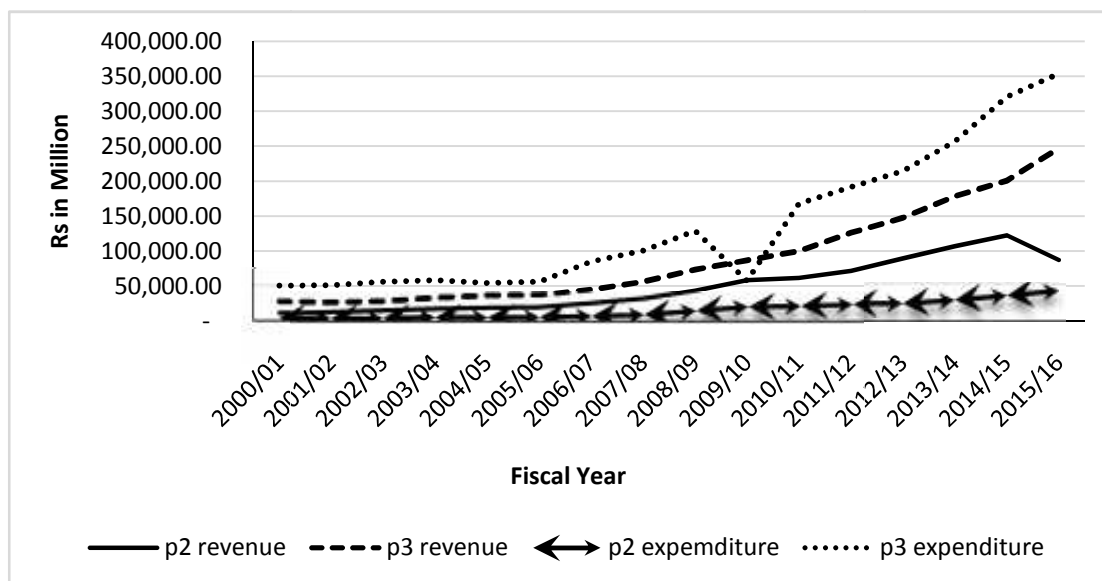
Source: Author's calculation based on financial consolidated report

In province 1 and 2 are so high revenue and expenditure gap. In province 2 expenditure less than revenue in fiscal year 2000/01 total gap between revenue was Rs. 5,799.35 million. In this year total revenue collected in province 2 was 11,030.47 million and expenditure was 5231.12 million. In the same year in province 3 total revenue and expenditure gap was in negative form (-22,865.53) million. In this yeas total revenue collected Rs. 27,510.27 million and expenditure was Rs.50375.51 million. In 2001/02 gap between expenditure and revenue was (-24679.34) million and 8,130.83 million in 2 and 3 provinces respectively. In 2009/10 in both provinces gap was positive. In 2015/16 revenue and expenditure in province are Rs 46,657.76 million and in province 3 are Rs 1,03,636.41 million. The overall trend of gap increase in both state but in 2 positive and in 2 is a negative. The following figure clearly shows the overall trend of gap in province 2 and 3 over the time period.

Figure 6.3 Trend of Revenue and Expenditure Gap of p2 and p3
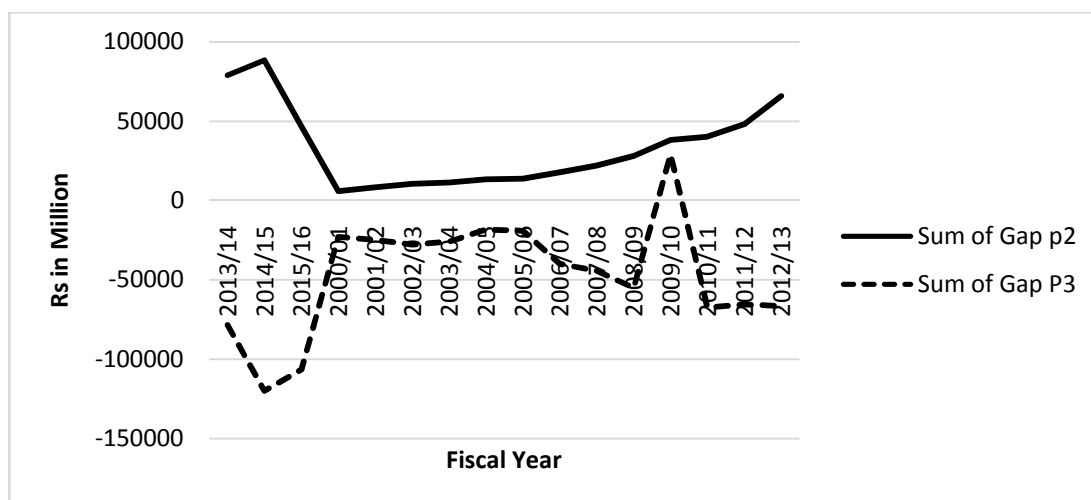
Source: Author's calculation based on financial consolidated report

In above figure gap of province in consist and more consist of province of 2. This figure indicate province 2 generate more revenue than other provinces but expenditure distribution of province less than other provinces.

6.3 Revenue and Expenditure comparison of province 3 and province 6

Figure 6.4 Revenue and Expenditure comparison of P3 and P6
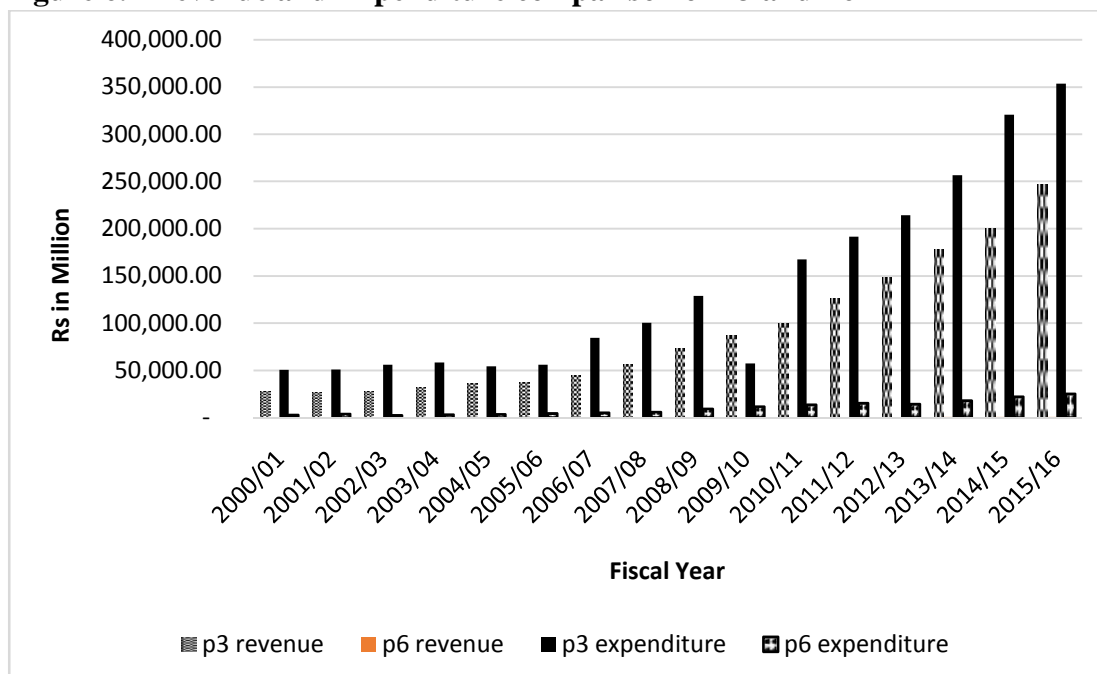
Source: Author's calculation based on financial consolidated report

The expenditure situation and status of province 3 and other provinces so inconsistence and unbalance. Total expenditure segregated by central government in 2000/01 in province 3 was Rs 50375.71 million in same years in province 6 expenditure allocated Rs. 2,815.22 million. From revenue side in 2000/01 total revenue collected Rs 27,510.37 million in province 3 and in province in 2000/01 collected Rs 45.63 million. In province 3 total collected amount of revenue 26,153.19, 27,993.57 in 2001/2002 and 2002/2003 respectively. In province 6 in 2001/2002 and 2002/2003 Rs 58.60, 61.80 respectively. In 2014/15 and 2015/16 total revenue collected in province 3 are Rs 200642.35 and 2,47,123.95 million. In province 6 in sane year Rs 745.50 and 889.24 million. The overall trend of increment of revenue of province 3 and 6 are upward moving but increment ratio in province 6 is less then province 3.

CHAPTER SEVEN

CONCLUSION AND RECOMMENDATION

7.1 Conclusion

Fiscal federalism/decentralization is concerned with the division of revenue and expenditure responsibilities among different tiers of government. Hence, allocation of tax and expenditure function to the various level of government is the foremost issue of fiscal federalism. It is actually the study of how competencies (Expenditure side) and fiscal instruments (Revenue side) are allocated across different vertical layers of the administration, which argues that expenditure assignment should be decided before tax assignment. Fiscal federalism is commonly understood by its four pillars: expenditure assignment, revenue assignment, intergovernmental fiscal transfers and local borrowing in the context of Nepal new constitution provide the cleared cut vision on this concept. In Nepal fiscal decentralization not new concept it was started from in 1980 decade with the global web effect. The revenue collection trend of government of Nepal on province 2 exhibits increasing order. The total amount collected as revenue was Rs11, 030.47 million on FY 2000/01 and in revenue on FY 2015/16 to Rs. 86,983.82 million where in 2000/2001 expenditure allocation in province 2, Rs. 40,326.06 million and total revenue and expenditure gap is 5799.35 as sane way in 2015/16 revenue and expenditure gap in province 2, is Rs.46,657.76 million.

The concept of fiscal decentralization is being adopted and implemented globally after 1990's whether the political system of governance is federal or unitary. Necessarily, expenditure decentralization is given more priority rather than revenue decentralization in many countries of the world. For effective implementation of fiscal decentralization, authorities on fixing the bases and rates of taxes should be devolved to sub-national

The requirement of public expenditure will certainly escalate in the process of adopting federal governance system with the promulgation new Constitution of Nepal 2072. Maintaining balance among public expenditures and revenue management availability has been a complex task. The share of revenue in provinces of Nepal not

equality specially in province 2 revenue collection more but expenditure distribution is less due to unitary and unequal revenue distribution.

This paper concludes that some of the principle and practices in fiscal decentralization practice. Fiscal federalism practice needs to be applied with care. There are different pieces of fiscal decentralization of federal system that make the system function properly. Base on the country specific conditions. Transparency accountability and predictability are the three conditions for the fiscal federalism system of any countries and this same principle also applicable in Nepal for golden federal future of Nepal.

The revenue collection on FY 2000/01 was Rs. 45.63 million which gradually increased upto FY 2005/06 being Rs. 106.17 million on that year. There is rapid increment in revenue collection for two fiscal years: 2006/07 and 2007/08 where revenue collection was Rs. 150.92 million and Rs. 280.04 million respectively. Afterthat revenue collection incresed slowly on FY 2008/09 amounting Rs. 282.23 million. The revenue generation for the fiscal year 2009/10 and 2010/11 was Rs. 414.78 million and 515.26 million respectively. In revenue side prespective of province 6 so poor and less amount collected over the preiod. The revenue collection trend of government of Nepal on province 3 exhibits increasing order and it has highest collection than other provinces. The total amount collected as revenue was Rs . 27,510.37 million on FY 2000/01 which was increased to Rs.32,377.75 million on FY 2003/04; Rs. 35,853.99 million on FY 2004/05; Rs. 36,826.81 million on FY 2005/06. The revenue collection on FY 2015/16 was highest totaled to Rs. 2,47,123.95 million. Revenue collected by government from province 2 is second highest among all seven provinces. The revenue collection trend of government of Nepal on province 2 exhibits increasing order. The total amount collected as revenue was Rs11, 030.47 million on FY 2000/01 The revenue collection on FY 2014/15 was highest totaled to Rs122,450.6 million and there is decrease in revenue on FY 2015/16 to Rs. 86,983.82 million.

The expenditure assignment of government of Nepal among various provinces is highly inequitable. The expenditure on province 3 is higher than total expenditure on all other six provinces. The expenditure assignments on province 1 and province 5 are similar. There is second highest expenditure on province 5 totaled Rs. 355,875.39 million while province 1 consists of third highest expenditure assignment of total

amount Rs. 351,440.32 million from FY 2000/01 to FY 2015/16. Sectorial and functional assignment of government has also major concern of expenditure assignment. In sectorial expenditure assignment expenditure on general public services high among others budget heads were 5455.04, 6261.99, 10953.13, 19291.64, 9816.96 Rs in million in 2011/12, 2012/13, 2013/14, 2014/15, and 2015/16 respectively. The expenditure assigned on the basis of recurrent, capital and financing for the seven provinces from FY 2015/16 the recurrent expenditure is decreasing on five provinces except on province 2 and province 3 from FY 2011/12 to FY 2012/13.

The total expenditure assigned on provinces from total revenue generated was so vast discrepancy. The ratio ranges from 0 to 3.5 when ratio is equal to 1, it means that revenue collection and expenditure assigned are equal. When ratio is less than 1, the expenditure assignment is more than revenue collection. When ratio is more than 1 it shows expenditure assignment is less than revenue generation. The ratio of provinces 1 is 1.43 which shows there is more revenue collection then expenditure assignment. And province 2 has highest ratio 3.09 implying that their revenue collection is more than 3 times of expenditure assignment. Although there is provision of carrying out the study on revenue potentiality by local government bodies in Nepal, no effective and practical efforts are made so far. The legal provision of horizontal revenue sharing and revenue transfer from one local government to another is not appropriately practiced in Nepal. The total national revenue is found very powerful factor to determine the local government expenditure in Nepal.

7.2 Recommendations

On the basis of review of literature, data analysis and perception of stakeholders, the following recommendations have been made for the further enhancement of the expenditure and revenue assignment perspective effort in Nepal.

⌡ The major four pillars of fiscal decentralization viz. expenditure responsibility, revenue assignment, inter-governmental fiscal transfer and borrowing need to be clearly defined and provisioned in the constitution so that local governance system would be ensured and promoted.

⌡ Optimum utilization of available financial instruments by making the economy vibrant is a must to achieve sustainable economic development. Aside from

generating revenue potentials through revenue collection authority, the government should also focus on efficient expenditure assignment framework in proposed 7 State federal structure of Nepal for their viable functioning.

⟩ The high revenue and expenditure gap in province 2 so federal government address it for wrong Kathmandu epi-center development approach.

⟩ Accordance to fiscal principle province 6 and 7 isn't viable in revenue perspective so federal government address as proper manner. Specially in this provinces revenue collection is so less or negligible.

⟩ The expenditure point of view the province 6 and 2 receive less amount then other provinces so government also consider on this matter.

⟩ The share of revenue by the local government bodies are found much less as compared to their expenditure responsibilities. So, to address this problem, the theory of *'finance follows functions'* should be followed strongly.

⟩ The federal government expands tax base for stability and equality for minimizing of step behavior of central unitary government over the past time. But expand tax base on the basis of principle of taxation.

⟩ In recent resource management and resource allocation be a policy dualism so it should be address as proper manner.

⟩ The Government of Nepal has to increase the volume of local development expenditure and district expenditure for positive impact on local government expenditure

⟩ The participatory planning and inclusive decision making processes should be followed while preparing annual and periodic plan of local government bodies.

⟩ More autonomy to fix tax base and rate at local level needs to be devolved to local governments for effective mobilization of resources.

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APPENDICES

Appendix 1: District wise Revenue of province 1

(Rs in million)

FY/District Name	Taplejung	Panchathar	Ilam	Jhapa	Sankhuwasava	Terathum	Bhojapur
2000/01	7.95	13.54	40.54	773.79	9.60	7.48	11.39
2001/02	10.70	18.21	53.50	1038.51	13.66	9.77	14.65
2002/03	14.78	20.84	38.40	1386.95	17.95	11.40	15.87
2003/04	18.53	28.07	52.78	1472.84	23.69	16.43	20.84
2004/05	19.29	28.52	43.22	1030.43	21.63	16.03	22.92
2005/06	23.64	31.88	47.74	1018.51	26.76	17.37	27.77
2006/07	27.39	40.78	57.99	1358.06	30.06	21.66	33.19
2007/08	44.42	43.73	72.68	1639.50	29.07	20.94	34.50
2008/09	29.92	45.01	89.55	2107.79	34.07	21.90	31.75
2009/10	33.39	52.06	108.66	2247.69	53.79	25.71	40.87
2010/11	33.92	49.75	82.49	2403.58	48.60	20.69	30.98
2011/12	45.02	69.94	166.82	3377.91	75.59	32.65	41.66
2012/13	51.01	92.19	212.05	4282.96	82.77	38.33	
2013/14	55.11	100.93	235.16	6250.88	120.26	49.76	57.77
2014/15	59.85	123.43	263.51	6891.64	102.44	57.27	71.53
2015/16	72.12	127.98	330.94	9181.01	131.66	60.32	79.18

Contd

Dhankuta	Sunsari	Morang	Solukhumbu	Khotang	Okhaldhunga	Udayapur	Total
18.61	276.88	3613.08	37.63	11.01	8.57	33.14	4863.20
27.27	316.88	3658.75	8.12	14.10	10.35	153.26	5347.75
27.28	335.03	3688.29	14.53	15.44	12.47	112.96	5712.20
34.97	388.14	3678.30	26.52	23.02	18.17	110.17	5912.47
38.83	448.83	5709.37	19.63	19.52	17.22	86.90	7522.35
36.35	577.84	5443.37	22.19	25.56	18.88	94.77	7412.63
44.05	686.90	6020.94	24.63	30.25	21.66	77.69	8475.24
57.16	720.56	5442.58	28.37	30.26	23.29	76.86	8263.93
54.49	1054.76	8140.50	32.24	31.33	96.98	24.39	11794.69
78.71	1331.65	10915.03	36.20	32.42	116.18	36.66	15109.02
61.15	1347.60	12571.76	81.66	26.27	64.98	29.34	16852.76
91.26	1582.47	14598.92	63.11	39.29	38.48	137.85	20360.97
111.47	2116.19	16694.87	135.22	50.02	43.06	192.07	24154.14
140.22	2761.45	20476.35	135.70	55.30	61.14	225.58	27964.16
179.65	3036.05	22202.32	156.48	62.47	68.42	266.35	33541.41
200.68	3554.07	27858.80	192.08	58.79	102.61	267.09	42217.33

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix: 2District Wise Revenue of Province 2

(Rs in million)

FY/District	Dhanusa	Mahotari	Sarlahi	Saptari	Siraha	Rautahat	Bara	Parsa
2000/01	806.72	85.29	73.55	66.83	150.29	166.58	24.07	9,657.14
2001/02	816.11	87.23	73.92	75.86	191.27	174.84	361.10	10,949.49
2002/03	859.87	82.48	105.05	68.93	139.93	117.44	455.48	13,240.35
2003/04	923.93	85.33	95.12	83.16	202.13	126.89	420.06	15,370.83
2004/05	1,033.70	110.04	122.23	81.65	284.70	142.54	335.43	16,809.34
2005/06	1,032.81	134.23	104.38	90.03	301.43	191.97	16.82	17,991.51
2006/07	805.26	130.15	123.91	109.94	238.45	209.26	2,630.85	21,083.47
2007/08	825.13	131.63	123.17	115.55	258.59	201.43	2,872.76	27,014.96
2008/09	931.78	235.28	337.20	176.46	252.14	202.53	3,605.63	37,256.88
2009/10	687.81	438.49	396.19	199.84	307.90	196.22	4,753.02	51,484.48
2010/11	825.92	235.53	509.85	180.74	248.57	261.47	5,371.58	53,670.89
2011/12	941.01	442.19	413.01	247.11	832.26	218.84	5,973.77	62,342.35
2012/13	1,107.78	802.49	411.77	289.11	867.13	378.73	6,126.78	79,241.67
2013/14	1,527.20	983.13	460.11	353.53	1,255.55	471.73	7,045.29	94,675.47
2014/15	1,713.50	1,071.66	542.19	446.02	1,359.61	452.41	5,800.44	111,064.77
2015/16	1,440.89	892.87	415.26	322.36	999.59	372.51	5,923.86	76,616.48

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 3: District wise Revenue of province 3

FY/District	Sindhuli	Ramechhap	Dolakha	Sindhupalchok	Rasuwa	Dhading	Nuwakot	Kathmandu
2000/01	12.11	7.65	10.88	640.57	6.77	12.72	14.31	23,646.63
2001/02	21.38	9.33	13.02	1,419.09	6.24	17.69	19.09	21,569.17
2002/03	25.83	11.82	12.74	1,410.07	6.47	21.24	2.13	22,964.70
2003/04	26.60	14.78	17.78	1,236.52	8.27	31.17	30.30	27,273.68
2004/05	39.00	16.28	18.94	1,370.17	15.72	32.56	36.34	29,852.11
2005/06	49.00	20.85	25.38	1,458.19	17.67	39.37	41.88	30,150.84
2006/07	51.74	25.41	45.78	1,294.71	21.96	47.39	50.54	37,034.05
2007/08	55.11	25.69	33.54	670.62	13.65	50.77	56.45	37,753.65
2008/09	47.68	29.33	38.61	2,013.35	20.14	61.67	60.48	49,295.19
2009/10	70.43	32.21	51.82	2,287.15	18.61	75.97	73.51	54,332.20
2010/11	38.49	28.34	53.69	3,069.62	39.45	84.36	66.36	59,678.64
2011/12	159.40	39.17	70.46	3,784.59	39.19	102.78	89.81	72,512.33
2012/13	118.19	52.94	98.21	4,527.44	70.52	118.41	137.17	78,744.36
2013/14	120.47	73.88	112.45	5,229.89	117.91	150.62	162.09	95,429.25
2014/15	161.22	108.11	137.91	2,843.79	350.67	196.99	209.66	96,725.51
2015/16	174.84	95.68	146.93	290.14	2,065.89	239.60	207.94	90,604.76

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FY/District	Lalitpur	Bhaktapur	Kavrepalanchowk	Makawanpur	Chitwan
2000/01	819.55	81.40	50.13	459.92	1,747.73
2001/02	846.51	169.51	46.76	503.69	1,511.70
2002/03	1,015.12	229.73	53.99	505.86	1,733.87
2003/04	1,105.31	272.56	66.53	652.82	1,641.42
2004/05	1,681.64	348.98	74.84	663.83	1,703.58

Issues

2005/06	2,201.08	383.17	108.50	734.03	1,596.84
2006/07	2,535.93	460.58	124.53	638.56	2,257.98
2007/08	13,957.86	1,044.23	137.77	781.35	2,400.09
2008/09	16,531.53	961.74	219.15	1,062.13	3,242.67
2009/10	22,942.18	1,002.83	257.46	1,270.98	4,066.01
2010/11	30,470.81	1,008.01	168.02	1,203.65	4,221.75
2011/12	40,572.07	1,124.68	209.94	1,383.66	5,904.67
2012/13	52,872.00	1,273.22	491.01	1,900.73	7,344.90
2013/14	62,848.48	1,762.57	681.26	2,279.74	9,281.02
2014/15	83,639.66	2,129.99	728.42	2,274.51	11,135.91
2015/16	133,357.66	2,865.77	860.85	2,468.47	13,745.42

Appendix 4: District wise revenue of province 4

(Rs in million)

FY/District	Gorakha	Manang	Lamjung	Kaski	Parbat	Baglung	Myagdi	Mustang	Syanja	Nawalparasi	Tanahu
2000/01	17.86	1.03	12.07	531.54	12.91	22.83	10.83	4.80	23.33	36.61	35.90
2001/02	23.37	1.39	17.36	550.30	12.67	27.88	13.70	4.38	25.34	34.73	25.92
2002/03	28.65	1.83	20.33	514.12	22.93	38.38	16.74	5.32	40.11	52.77	44.98
2003/04	38.93	3.19	29.59	595.80	27.06	45.95	22.13	6.30	49.75	59.12	51.32
2004/05	43.65	2.99	32.88	617.76	27.18	53.57	26.92	8.43	56.47	59.40	56.62
2005/06	47.81	2.60	32.51	744.24	32.27	56.43	27.46	9.65	62.59	62.11	63.43
2006/07	56.57	3.24	39.5	1,038.84	37.18	57.03	29.69	9.22	67.59	80.36	77.75
2007/08	50.34	3.20	35.25	1,026.99	34.53	64.36	28.56	8.92	64.35	68.54	76.78
2008/09	52.08	3.36	39.74	1,566.76	35.94	67.70	29.82	9.65	62.16	79.54	93.07
2009/10	55.46	6.20	50.8	1,876.28	35.54	95.60	32.45	17.41	68.78	114.01	105.01
2010/11	50.77	7.66	47.07	1,946.79	28.38	75.17	31.12	40.70	40.12	134.90	83.79
2011/12	85.05	9.95	76.44	2,257.84	58.25	130.55	49.91	22.77	90.89	154.63	134.61
2012/13	102.15	11.54	90.02	2,501.03	69.82	159.57	56.01	23.03	105.81	174.10	215.21
2013/14	127.31	15.39	116.49	3,031.49	82.46	206.53	70.38	26.28	130.35	226.30	301.51
2014/15	161.10	11.09	138.93	5,044.73	93.54	236.66	81.37	33.50	158.68	300.64	365.85
2015/16	202.13	12.21	168.72	6,985.01	96.77	265.36	70.65	37.44	158.79	414.12	461.36

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 5: Revenue of province 5

(Rs in million)

FY/District	Nawalparasi	Rupandehi	Kapilbastu	Arghakhachi	Palpa	Gulmi	Rolpa	Pyuthan
2000/01	36.61	2,528.43	542.97	16.13	27.31	17.74	11.11	9.57
2001/02	34.73	2,997.52	677.86	15.87	35.83	21.98	11.00	10.88
2002/03	52.77	3,838.37	701.75	16.86	37.17	29.52	12.25	12.23
2003/04	59.12	3,601.49	5,156.65	30.87	49.56	33.32	15.69	13.48
2004/05	59.40	4,595.85	500.25	25.32	49.77	32.97	15.78	13.24
2005/06	62.11	4,834.78	436.38	33.85	65.11	42.16	23.32	17.70
2006/07	80.36	5,989.13	611.76	41.95	64.86	48.09	26.18	21.76
2007/08	68.54	6,185.71	653.75	42.38	63.02	55.29	25.20	22.21
2008/09	79.54	8,584.20	924.69	41.66	69.70	54.49	30.93	26.02
2009/10	114.01	12,513.93	1,160.48	59.33	85.67	66.15	32.39	34.04
2010/11	134.90	14,382.09	1,187.66	45.21	81.04	49.17	24.93	37.12
2011/12	154.63	16,342.68	1,673.42	79.37	124.35	89.74	38.21	48.74
2012/13	174.10	21,673.92	1,510.69	86.04	185.87	106.54	44.68	74.25
2013/14	226.30	28,218.58	2,141.32	114.20	237.54	119.92	55.36	84.98
2014/15	300.64	33,061.25	2,223.63	128.45	293.69	119.70	68.88	115.36
2015/16	414.12	74,821.26	3,532.40	127.85	301.22	158.87	71.03	129.32

Contd…

FY/District	Dang	Salyan	Banke	Bardiya	Rukum
2000/01	109.74	7.70	664.74	27.72	2.72
2001/02	99.84	7.26	855.27	25.90	3.85
2002/03	103.86	12.03	928.76	35.39	4.39
2003/04	113.06	13.24	1,022.40	64.19	7.39
2004/05	123.84	15.73	1,008.16	31.28	7.83
2005/06	143.99	20.31	977.85	34.63	9.07
2006/07	171.46	30.95	1,332.27	54.40	9.89
2007/08	195.57	26.30	1,557.09	62.19	17.82
2008/09	248.41	33.56	2,271.53	69.35	12.16
2009/10	337.85	35.63	2,826.95	94.00	23.41
2010/11	380.83	27.00	3,096.69	96.26	34.94
2011/12	522.86	42.39	3,835.07	163.62	18.91
2012/13	705.67	43.81	4,657.18	163.38	22.01
2013/14	845.13	58.28	5,270.85	213.09	22.77
2014/15	1,001.57	68.63	5,580.42	234.46	33.01
2015/16	1,230.98	72.55	7,690.76	274.17	34.86

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 6: District wise revenue of province 6

(Rs in million)

FY/District	Mugu	Dolpa	Humla	Jumla	Kalikot	Surkhet	Jajarkot	Dailekha	Rukum
2000/01	1.45	1.84	1.99	3.77	2.03	24.72	2.43	4.69	2.72
2001/02	2.20	2.12	2.96	5.11	1.76	32.21	3.27	5.12	3.85
2002/03	5.14	2.01	2.20	4.40	2.60	31.79	3.64	5.29	4.39
2003/04	3.34	6.67	3.96	6.14	4.01	34.85	6.41	8.02	7.39
2004/05	3.03	3.70	5.25	10.61	4.40	41.56	6.45	7.98	7.83
2005/06	3.64	10.34	7.87	11.21	4.04	41.36	6.28	12.37	9.07
2006/07	3.88	17.13	21.56	9.01	9.26	57.92	7.47	14.81	9.89
2007/08	5.79	33.96	26.98	49.96	44.73	71.99	11.07	17.73	17.82
2008/09	11.86	24.17	24.78	38.07	39.39	95.85	13.35	22.59	12.16
2009/10	25.35	24.62	25.99	74.90	59.97	127.14	24.37	29.03	23.41
2010/11	28.09	41.23	24.59	75.88	72.42	173.78	25.41	38.92	34.94
2011/12	13.86	21.50	18.28	55.95	23.43	191.47	21.24	35.62	18.91
2012/13	18.94	22.80	15.68	48.96	27.20	237.06	26.02	38.52	22.01
2013/14	21.53	52.25	25.60	63.73	35.67	307.01	36.32	52.81	22.77
2014/15	21.63	53.99	31.53	65.84	33.27	401.83	42.99	61.21	33.01
2015/16	25.24	38.40	29.65	78.52	31.40	538.53	48.44	64.20	34.86

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 7: District wise revenue of province 7

FY/District	Kailali	Doti	Achham	Bajura	Bajhang	Darchula	Baitadi	Dadeldhura	Kanchan
2000/01	327.32	4.99	6.08	2.25	3.30	3.49	5.43	22.30	133.66
2001/02	421.30	8.93	4.97	2.28	3.20	3.74	5.45	18.99	152.45
2002/03	521.20	8.52	3.29	2.76	4.09	4.41	7.16	27.00	171.28
2003/04	464.79	22.29	5.89	4.59	4.35	6.25	8.05	20.94	160.52
2004/05	511.00	18.03	6.71	4.36	6.17	6.79	10.99	31.68	128.11
2005/06	461.49	19.66	7.66	2.44	5.55	9.21	14.98	22.80	111.94
2006/07	598.27	26.37	10.19	7.51	9.82	10.51	18.37	20.72	156.55
2007/08	670.04	31.51	12.18	37.98	10.35	16.17	17.92	26.48	156.16
2008/09	833.22	36.04	17.29	37.83	15.85	23.21	26.71	36.70	215.22
2009/10	1,119.49	42.38	22.73	67.98	31.88	36.68	35.02	47.40	280.52
2010/11	1,430.57	50.28	25.75	36.54	85.73	80.38	30.28	29.96	309.81
2011/12	1,879.82	56.46	40.92	23.66	31.96	46.37	39.57	58.31	440.07
2012/13	2,499.57	67.40	46.77	21.31	39.38	44.37	55.55	70.32	555.36
2013/14	3,082.04	83.36	58.80	28.92	48.16	52.04	60.06	121.08	683.87
2014/15	3,385.59	120.95	65.85	35.22	56.71	62.13	81.71	84.92	828.46
2015/16	5,458.34	86.48	66.79	35.31	53.52	69.93	80.27	93.57	1,071.21

(Rs in million)

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 8: Tax revenue collected from different sources

(Rs in ten million)

Revenue Heading	2011/12	2012/13	2013/14	2014/15	2015/16
Taxes on Goods and Services	11056.10	12927.05	15771.84	18002.52	20566.87
VAT	7093.04	8341.84	10110.46	11252.18	12241.19
Taxes on income, profits and capital gains	5130.30	6418.67	7561.36	8616.56	11413.80
Taxes on international trade and transactions	4339.06	5693.18	6798.05	7484.13	8215.90
Customs and other import duties	4090.59	5432.79	6412.54	7052.67	7782.21
Payable by entrerprizes and corporations	3049.44	3706.72	4542.30	5203.37	7096.90
Excise	3001.61	3623.47	4541.26	5353.82	6577.64
Payable by individual and sole traders	1229.28	1554.15	1943.40	2255.78	2996.50
Taxes on use of goods and on permission to use goods	912.43	896.21	1032.77	1293.33	1619.63
Taxes on investment and other income	851.58	1157.80	1075.66	1157.41	1320.40
Taxes on property	358.84	534.02	667.11	939.94	1314.94
Taxes on financial and capital transactions	355.9	533.64	664.26	937.75	1314.43
Other taxes on international trade and transactions	162.32	216.48	278.86	400	422.32
Taxes on payroll and workforce	155.5	188.06	244.99	292.58	326.98
Social Security Taxes on payroll	155.5	188.06	244.99	292.58	326.98
Other taxes	132.38	160.52	200.77	259.84	271.16
Taxes on exports	86.15	43.91	106.65	31.46	11.37
Ownership Certificate Charge	79.71	98.18	113.55	141.34	157.01
Registration Fee	52.67	62.34	87.22	118.50	114.15
Taxes on specific services	49.02	65.53	87.35	103.19	128.41
Recurrent taxes on immovable property	2.94	0.37	2.85	2.19	0.51
Grand Total	42344.36	51842.99	62488.24	71191.14	84219.32

Source:financial consolidated statement, Financial Comptroller General Office, 2016/17

Appendix 9: NonTax revenue collected by government of Nepal

(Rs in ten million)

Revenue Heading	2011/12	2012/13	2013/14	2014/15	2015/16
Property Income	1765.24	1760.84	2067.50	2270.87	2615.89
Interest	175.02	52.79	165.55	193	311.01
Dividends	942.97	1084.37	1299.20	1373.17	1498.31
Rent and Royalty	647.25	623.69	602.75	704.70	806.57
Sale of Goods and Services	691.32	1124.70	1164.50	1223.06	1384.68
Sale of Goods	460.44	537.41	629.79	729.52	838.68
Administrative Fees	230.88	587.29	534.75	493.54	546
Penalties, Fines and Forfeiture	31.56	33.82	45.28	125.43	78.89
Penalties, Fines and Forfieture	31.56	33.82	45.28	125.43	78.89
Voluntary Transfers other than Grand	0.08	0.51	0.24	0.50	0.30
Voluntary Transfers other than Grants	0.08	0.51	0.24	0.50	0.30
Miscellaneous Revenue	776.92	760.70	1140.40	1371.21	2006.74
Administrative Fee Immigration and Tax	548.19	676.42	1052.80	1243.48	1214.77
Other Revenue	228.01	83.23	87.06	127.33	791.56
Capital Revenue	0.72	1.09	0.54	0.40	0.41
Total	6530.24	7361.19	8835.90	9982.14	12173

Source:financial consolidated statement, Financial Comptroller General Office, 2016/17

Appendix 10: District wise expenditure of province 1

(Rs in million)

FY/District	Taplejung	Panchathar	Ilam	Jhapa	Sankhuwasava	Terathum	Bhojapur
2000/01	7.95	13.54	40.54	773.79	9.60	7.48	11.39
2001/02	10.70	18.21	53.50	1,038.51	13.66	9.77	14.65
2002/03	14.78	20.84	38.40	1,386.95	17.95	11.40	15.87
2003/04	18.53	28.07	52.78	1,472.84	23.69	16.43	20.84
2004/05	19.29	28.52	43.22	1,030.43	21.63	16.03	22.92
2005/06	23.64	31.88	47.74	1,018.51	26.76	17.37	27.77
2006/07	27.39	40.78	57.99	1,358.06	30.06	21.66	33.19
2007/08	44.42	43.73	72.68	1,639.50	29.07	20.94	34.50
2008/09	29.92	45.01	89.55	2,107.79	34.07	21.90	31.75
2009/10	33.39	52.06	108.66	2,247.68	53.79	25.71	40.87
2010/11	33.92	49.75	82.49	2,403.58	48.60	20.69	30.98
2011/12	45.02	69.94	166.82	3,377.91	75.59	32.65	41.66
2012/13	51.01	92.19	212.05	4,282.96	82.77	38.33	51.93
2013/14	55.11	100.93	235.16	6,250.88	120.26	49.76	57.77
2014/15	59.85	123.43	263.51	6,891.64	102.44	57.27	71.53
2015/16	72.12	127.98	330.94	9,181.01	131.66	60.32	79.18

Contd…

FY/District	Dhankuta	Sunsari	Morang	Solukhumbu	Khotang	Okhaldhunga	Udayapur
2000/01	18.61	276.88	3,613.08	37.63	11.01	8.57	33.14
2001/02	27.27	316.88	3,658.75	8.12	14.10	10.35	153.26
2002/03	27.28	335.03	3,688.29	14.53	15.44	12.47	112.96
2003/04	34.97	388.14	3,678.30	26.52	23.02	18.17	110.17
2004/05	38.83	448.83	5,709.37	19.63	19.52	17.22	86.90
2005/06	36.35	577.84	5,443.37	22.19	25.56	18.88	94.77
2006/07	44.05	686.90	6,020.94	24.63	30.25	21.66	77.69
2007/08	57.16	720.56	5,442.58	28.37	30.26	23.29	76.86
2008/09	54.49	1,054.76	8,140.50	32.24	31.33	96.98	24.39
2009/10	78.71	1,331.65	10,915.03	36.20	32.42	116.18	36.66
2010/11	61.15	1,347.60	12,571.76	81.66	26.27	64.98	29.34
2011/12	91.26	1,582.47	14,598.92	63.11	39.29	38.48	137.85
2012/13	111.47	2,116.19	16,694.87	135.22	50.02	43.06	192.07
2013/14	140.22	2652.89	20,476.35	135.70	55.30	61.14	225.58
2014/15	179.65	3,036.05	22,202.32	156.48	62.47	68.42	266.35
2015/16	200.68	3,554.07	27,858.80	192.08	58.79	102.61	267.09

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 11: District wise expenditure of province 2

(Rs in million)

FY/District	Dhanusa	Mahotari	Sarlahi	Saptari	Siraha	Rautahat	Bara	Parsa
2000/01	806.72	85.29	73.55	66.83	150.29	166.58	24.07	9,657.14
2001/02	816.11	87.23	73.92	75.86	191.27	174.84	361.10	10,949.49
2002/03	859.87	82.48	105.05	68.93	139.93	117.44	455.48	13,240.35
2003/04	923.93	85.33	95.12	83.16	202.13	126.89	420.06	15,370.83
2004/05	1,033.70	110.04	122.23	81.65	284.70	142.54	335.43	16,809.34
2005/06	1,032.81	134.23	104.38	90.03	301.43	191.97	16.82	17,991.51
2006/07	805.26	130.15	123.91	109.94	238.45	209.26	2,630.85	21,083.47
2007/08	825.13	131.63	123.17	115.55	258.59	201.43	2,872.76	27,014.96
2008/09	931.78	235.28	337.20	176.46	252.14	202.53	3,605.63	37,256.88
2009/10	687.81	438.49	396.19	199.84	307.90	196.22	4,753.02	51,484.48
2010/11	825.92	235.53	509.85	180.74	248.57	261.47	5,371.58	53,670.89
2011/12	941.01	442.19	413.01	247.11	832.26	218.84	5,973.77	62,342.35
2012/13	1,107.78	802.49	411.77	289.11	867.13	378.73	6,126.78	79,241.67
2013/14	1,527.20	983.13	460.11	353.53	1,255.55	471.73	7,045.29	94,675.47
2014/15	1,713.50	1,071.66	542.19	446.02	1,359.61	452.41	5,800.44	111,064.70
2015/16	1,440.89	892.87	415.26	322.36	999.59	372.51	5,923.86	76,616.48

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 12: District wise expenditure of province 3

(Rs in million)

FY/District	Sindhuli	Ramechhap	Dolakha	Sindhupalchok	Rasuwa	Dhading	Nuwakot
2000/01	12.11	7.65	10.88	640.57	6.77	12.72	14.31
2001/02	21.38	9.33	13.02	1,419.09	6.24	17.69	19.09
2002/03	25.83	11.82	12.74	1,410.07	6.47	21.24	2.13
2003/04	26.60	14.78	17.78	1,236.52	8.27	31.17	30.30
2004/05	39.00	16.28	18.94	1,370.17	15.72	32.56	36.34
2005/06	49.00	20.85	25.38	1,458.19	17.67	39.37	41.88
2006/07	51.74	25.41	45.78	1,294.71	21.96	47.39	50.54
2007/08	55.11	25.69	33.54	670.62	13.65	50.77	56.45
2008/09	47.68	29.33	38.61	2,013.35	20.14	61.67	60.48
2009/10	70.43	32.21	51.82	2,287.15	18.61	75.97	73.51
2010/11	38.49	28.34	53.69	3,069.62	39.45	84.36	66.36
2011/12	159.40	39.17	70.46	3,784.59	39.19	102.78	89.81
2012/13	118.19	52.94	98.21	4,527.44	70.52	118.41	137.17
2013/14	120.47	73.88	112.45	5,229.89	117.91	150.62	162.09
2014/15	161.22	108.11	137.91	2,843.79	350.67	196.99	209.66
2015/16	174.84	95.68	146.93	290.14	2,065.89	239.60	207.94

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District Name	Kathmandu	Lalitpur	Bhaktapur	Kavrepalanchowk	Makawanpur	Chitawan
2000/01	23,646.63	819.55	81.40	50.13	459.92	1,747.73
2001/02	21,569.17	846.51	169.51	46.76	503.69	1,511.70
2002/03	22,964.70	1,015.12	229.73	53.99	505.86	1,733.87
2003/04	27,273.68	1,105.31	272.56	66.53	652.82	1,641.42
2004/05	29,852.11	1,681.64	348.98	74.84	663.83	1,703.58
2005/06	30,150.84	2,201.08	383.17	108.50	734.03	1,596.84
2006/07	37,034.05	2,535.93	460.58	124.53	638.56	2,257.98
2007/08	37,753.65	13,957.86	1,044.23	137.77	781.35	2,400.09
2008/09	49,295.19	16,531.53	961.74	219.15	1,062.13	3,242.67
2009/10	54,332.20	22,942.18	1,002.83	257.46	1,270.98	4,066.01
2010/11	59,678.64	30,470.81	1,008.01	168.02	1,203.65	4,221.75
2011/12	72,512.33	40,572.07	1,124.68	209.94	1,383.66	5,904.67
2012/13	78,744.36	52,872.00	1,273.22	491.01	1,900.73	7,344.90
2013/14	95,429.25	62,848.48	1,762.57	681.26	2,279.74	9,281.02
2014/15	96,725.51	83,639.66	2,129.99	728.42	2,274.51	11,135.91
2015/16	90,604.76	133,357.66	2,865.77	860.85	2,468.47	13,745.42

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 13: District wise expenditure of province 4

(Rs in million)

FY/District	Gorakha	Manang	Lamjung	Kaski	Parbat	Baglung
2000/01	17.86	1.03	12.07	531.54	12.91	22.83
2001/02	23.37	1.39	17.36	550.30	12.67	27.88
2002/03	28.65	1.83	20.33	514.12	22.93	38.38
2003/04	38.93	3.19	29.59	595.80	27.06	45.95
2004/05	43.65	2.99	32.88	617.76	27.18	53.57
2005/06	47.81	2.60	32.51	744.24	32.27	56.43
2006/07	56.57	3.24	39.50	1,038.84	37.18	57.03
2007/08	50.34	3.20	35.25	1,026.99	34.53	64.36
2008/09	52.08	3.36	39.74	1,566.76	35.94	67.70
2009/10	55.46	6.20	50.80	1,876.28	35.54	95.60
2010/11	50.77	7.66	47.07	1,946.79	28.38	75.17
2011/12	85.05	9.95	76.44	2,257.84	58.25	130.55
2012/13	102.15	11.54	90.02	2,501.03	69.82	159.57
2013/14	127.31	15.39	116.49	3,031.49	82.46	206.53
2014/15	161.10	11.09	138.93	5,044.73	93.54	236.66
2015/16	202.13	12.21	168.72	6,985.01	96.77	265.36

Contd…

FY/District	Myagdi	Mustang	Syanja	Nawalparasi	Tanahu
2000/01	10.83	4.80	23.33	36.61	35.90
2001/02	13.70	4.38	25.34	34.73	25.92
2002/03	16.74	5.32	40.11	52.77	44.98
2003/04	22.13	6.30	49.75	59.12	51.32
2004/05	26.92	8.43	56.47	59.40	56.62
2005/06	27.46	9.65	62.59	62.11	63.43
2006/07	29.69	9.22	67.59	80.36	77.75
2007/08	28.56	8.92	64.35	68.54	76.78
2008/09	29.82	9.65	62.16	79.54	93.07
2009/10	32.45	17.41	68.78	114.01	105.01
2010/11	31.12	40.70	40.12	134.90	83.79
2011/12	49.91	22.77	90.89	154.63	134.61
2012/13	56.01	23.03	105.81	174.10	215.21
2013/14	70.38	26.28	130.35	226.30	301.51
2014/15	81.37	33.50	158.68	300.64	365.85
2015/16	70.65	37.44	158.79	414.12	461.36

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 14: District wise expenditure of province 5

(Rs in million)

FY/District	Nawalparasi	Rupandehi	Kapilbastu	Arghakhachi	Palpa	Gulmi
2000/01	36.61	2,528.43	542.97	16.13	27.31	17.74
2001/02	34.73	2,997.52	677.86	15.87	35.83	21.98
2002/03	52.77	3,838.37	701.75	16.86	37.17	29.52
2003/04	59.12	3,601.49	5,156.65	30.87	49.56	33.32
2004/05	59.40	4,595.85	500.25	25.32	49.77	32.97
2005/06	62.11	4,834.78	436.38	33.85	65.11	42.16
2006/07	80.36	5,989.13	611.76	41.95	64.86	48.09
2007/08	68.54	6,185.71	653.75	42.38	63.02	55.29
2008/09	79.54	8,584.20	924.69	41.66	69.70	54.49
2009/10	114.01	12,513.93	1,160.48	59.33	85.67	66.15
2010/11	134.90	14,382.09	1,187.66	45.21	81.04	49.17
2011/12	154.63	16,342.68	1,673.42	79.37	124.35	89.74
2012/13	174.10	21,673.92	1,510.69	86.04	185.87	106.54
2013/14	226.30	28,218.58	2,141.32	114.20	237.54	119.92
2014/15	300.64	33,061.25	2,223.63	128.45	293.69	119.70
2015/16	414.12	74,821.26	3,532.40	127.85	301.22	158.87

Contd…

FY/District	Rolpa	Pyuthan	Dang	Salyan	Banke	Bardiya	Rukum
2000/01	11.11	9.57	109.74	7.70	664.74	27.72	2.72
2001/02	11.00	10.88	99.84	7.26	855.27	25.90	3.85
2002/03	12.25	12.23	103.86	12.03	928.76	35.39	4.39
2003/04	15.69	13.48	113.06	13.24	1,022.40	64.19	7.39
2004/05	15.78	13.24	123.84	15.73	1,008.16	31.28	7.83
2005/06	23.32	17.70	143.99	20.31	977.85	34.63	9.07
2006/07	26.18	21.76	171.46	30.95	1,332.27	54.40	9.89
2007/08	25.20	22.21	195.57	26.30	1,557.09	62.19	17.82
2008/09	30.93	26.02	248.41	33.56	2,271.53	69.35	12.16
2009/10	32.39	34.04	337.85	35.63	2,826.95	94.00	23.41
2010/11	24.93	37.12	380.83	27.00	3,096.69	96.26	34.94
2011/12	38.21	48.74	522.86	42.39	3,835.07	163.62	18.91
2012/13	44.68	74.25	705.67	43.81	4,657.18	163.38	22.01
2013/14	55.36	84.98	845.13	58.28	5,270.85	213.09	22.77
2014/15	68.88	115.36	1,001.57	68.63	5,580.42	234.46	33.01
2015/16	71.03	129.32	1,230.98	72.55	7,690.76	274.17	34.86

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 15: District wise expenditure of province 6

<div align="right">(Rs in million)</div>

FY/District	Mugu	Dolpa	Humla	Jumla	Kalikot	Surkhet	Jajarkot	Dailekha	Rukum
2000/01	1.45	1.84	1.99	3.77	2.03	24.72	2.43	4.69	2.72
2001/02	2.20	2.12	2.96	5.11	1.76	32.21	3.27	5.12	3.85
2002/03	5.14	2.01	2.20	4.40	2.60	31.79	3.64	5.29	4.39
2003/04	3.34	6.67	3.96	6.14	4.01	34.85	6.41	8.02	7.39
2004/05	3.03	3.70	5.25	10.61	4.40	41.56	6.45	7.98	7.83
2005/06	3.64	10.34	7.87	11.21	4.04	41.36	6.28	12.37	9.07
2006/07	3.88	17.13	21.56	9.01	9.26	57.92	7.47	14.81	9.89
2007/08	5.79	33.96	26.98	49.96	44.73	71.99	11.07	17.73	17.82
2008/09	11.86	24.17	24.78	38.07	39.39	95.85	13.35	22.59	12.16
2009/10	25.35	24.62	25.99	74.90	59.97	127.14	24.37	29.03	23.41
2010/11	28.09	41.23	24.59	75.88	72.42	173.78	25.41	38.92	34.94
2011/12	13.86	21.50	18.28	55.95	23.43	191.47	21.24	35.62	18.91
2012/13	18.94	22.80	15.68	48.96	27.20	237.06	26.02	38.52	22.01
2013/14	21.53	52.25	25.60	63.73	35.67	307.01	36.32	52.81	22.77
2014/15	21.63	53.99	31.53	65.84	33.27	401.83	42.99	61.21	33.01
2015/16	25.24	38.40	29.65	78.52	31.40	538.53	48.44	64.20	34.86

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues

Appendix 16: District wise expenditure of province 7

(Rs in million)

FY/District	Kailali	Doti	Achham	Bajura	Bajhang	Darchula	Baitadi	Dadeldhura	Kanchanpur
2000/01	327.32	4.99	6.08	2.25	3.30	3.49	5.43	22.30	133.66
2001/02	421.30	8.93	4.97	2.28	3.20	3.74	5.45	18.99	152.45
2002/03	521.20	8.52	3.29	2.76	4.09	4.41	7.16	27.00	171.28
2003/04	464.79	22.29	5.89	4.59	4.35	6.25	8.05	20.94	160.52
2004/05	511.00	18.03	6.71	4.36	6.17	6.79	10.99	31.68	128.11
2005/06	461.49	19.66	7.66	2.44	5.55	9.21	14.98	22.80	111.94
2006/07	598.27	26.37	10.19	7.51	9.82	10.51	18.37	20.72	156.55
2007/08	670.04	31.51	12.18	37.98	10.35	16.17	17.92	26.48	156.16
2008/09	833.22	36.04	17.29	37.83	15.85	23.21	26.71	36.70	215.22
2009/10	1,119.49	42.38	22.73	67.98	31.88	36.68	35.02	47.40	280.52
2010/11	1,430.57	50.28	25.75	36.54	85.73	80.38	30.28	29.96	309.81
2011/12	1,879.82	56.46	40.92	23.66	31.96	46.37	39.57	58.31	440.07
2012/13	2,499.57	67.40	46.77	21.31	39.38	44.37	55.55	70.32	555.36
2013/14	3,082.04	83.36	58.80	28.92	48.16	52.04	60.06	121.08	683.87
2014/15	3,385.59	120.95	65.85	35.22	56.71	62.13	81.71	84.92	828.46
2015/16	5,458.34	86.48	66.79	35.31	53.52	69.93	80.27	93.57	1,071.21

Source:financial consolidated statement, Financial Comptroller General Office, Various Issues