

Chapter-One

INTRODUCTION

1.1 Background

In most of the democratic societies, it is universally accepted that decentralization, through formal and systematic involvement of people at different spheres of government and communities in a society, is an effective means to maintain political stability and to provide quality services as desired by the people through good governance. One of the basic objectives of decentralization is to effectively deliver public services to the people locally according to quality and proper time through democratically constituted local bodies. For the success of fiscal decentralization, it is essential to identify and assign functions that can be effectively carried out by central government agencies and local governments in accordance with principle of subsidiary (LBFC, 2000). In order to meet the costs of the assigned expenditure, resources need to be shared appropriately between the central and the local governments.

The term "decentralization" embraces a variety of concepts which must be carefully analyzed in any particular country before determining if projects or programs should support reorganization of financial, administrative, or service delivery systems. Decentralization -- the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector -- is a complex multifaceted concept; and it can be classified as political, administrative, fiscal and market. These types of decentralization have different characteristics, policy implications, and conditions for success.

In the context of fiscal decentralization, it is backbone of decentralization and prerequisite for the success of decentralization. The fiscal decentralization has major four pillars (expenditure assignment, revenue assignments, inter-government fiscal relation and sub-nation borrowing system) which are given the authorities and responsibilities from central government to local governments legally and constitutionally. For the success of fiscal decentralization, it is essential to identify and assign functions that can be effectively carried out by central government agencies and local governments in accordance with principle of subsidiary (LBFC, 2000). In order to meet the costs of the assigned expenditure, resources need to be shared appropriately to balance the fiscal between the central and local governments.

Local self-governance as a decentralization practice had emerged in ancient Nepal during the *Kirat* period and '*Panchali*' system had replaced it during the *Lichchhabhi* period (Bishta, Dor Bahadur, 1986). After the territorial unification of Nepal by late Prithvi Narayan Shah the great, limited authority was assigned to *Village Panchayat* for the local development and also handling minor disputes at local level. *Panchayat* means at least five esteemed local peoples' alignment for decision-making is still very popular in village communities.

Municipal system had been in urban areas since 1920 and *Manyajan Kachhari* in village level since 1927AD. Legally, Village and District Panchayats and Municipalities had been established as the foundation of local self-governance since 1981. Tribhuvan Village Development Program marked the beginning of decentralization practice in 1953 that was a landmark to uplift the living standard of the local people.

The formation of Decentralization Commission in 1964 the enactment of district Panchayat plan in 1965, creation of Local Development Ministry in 1981, Acts regarding Village development Committee, municipalities and District Development Committees were introduced in 1990 with the view of providing the authority to the local Bodies (LBs) or Local Governments (LGs). Now Local Self-Governance Act (LSGA) 1999 has been the statutory document for decentralization process in Nepal.

Decentralization is the main instrument for the process of good governance of country. It is an ongoing process; we cannot adopt and implement it in a single step. For its success, its initiation is not only of the central government but the local government, private sectors, civil society as well as citizen themselves. We can find various types of decentralization such as deconcentration, devolution, delegation and privatization. Among them, the devolution is the most important. The main assumption of decentralization is the principle of subsidiary. Its main elements can be presented at the following four categories:

- a) Legal infrastructure and political commitment
- b) Financial resources and management
- c) Institutional capability
- d) Public delivery of services/satisfaction

To focus these components, we have to consider principle of subsidiary and good governance (Local Bodies Fiscal Commission Report, 2000).

The main effect of fiscal decentralization is to provide resource allocation and therefore improved economic efficiency. Improved efficiency is the main positive economic factor expected to come from fiscal decentralization. Efficiency gains rest of the presumption that local government is much better in identifying and fulfilling the needs of households. Since the people are closure to them in mobilizing and using local resources to pay for goods and services having purely local impacts. Improvement is defined as getting greater consumer (Taxpayer) welfare from fixed resources. Not all given consumers can be measured as increase in output. When fiscal decentralization is successful, resources could have been reallocated, so that marginal cost has publicly provided goods and services more closely match marginal benefits.

Accordingly, in the process of fiscal decentralization delegation of fiscal authorities had been begun since 1963 with the one of delegation of tax: household and rent to the municipalities. There was the provision of business tax, 10 percent surcharge on land tax, 20 percent entrance fee on entertainment tax and vehicle taxes in town areas not exceeding Rs. 100 per annum. For effective implementation, local taxes were reviewed and simplified since 1966. The surcharge on land tax was released and business tax (Local tax 0.3 percent) provision was begun as *Panchayat* development

and land tax (PDLT). It was enlarged the local tax as 0.5 percent, PDLT was terminated since 1976 and business tax had been charged by 1 percent.

Fiscal decentralization denotes the financial autonomy and responsibility given to the LGs (LBFC Report, 2000). Fiscal decentralization means enabling the LBs in terms of finance by providing the capacity to participate and manage local finances (Kandel, Pushpa, 2003). Decentralization is based upon two basic principles. The two things assumed are firstly, LGs can deliver greater and better goods and services if provided with required resources. That is why the sources of revenue should also be handed over to them with the responsibilities of providing various goods and services to the local people. The decentralization of function and responsibility automatically demands the capital expenditure and power to mobilize revenue by the LBs. Working through LBs is justified on the ground of economic efficiency. Similarly, fiscal decentralization is considered necessary with a view to carrying the people close to the government services from political perspective and for the sake of working in accordance with the desire and priorities of the common people and in their priority. Secondly, fiscal decentralization is considered useful for the best possible utilization of public expenditure and increasing effectiveness in revenue mobilization. Four ground aspects of fiscal decentralization are fiscal relationship, legal, institutional and coordination process, management capability and proper utilization of financial resources and public satisfaction (LBFC, 2000).

Origin of the state is the centralization of power. Previously most of the nation states were run under centralized system. But without decentralization, people centered and bottom up approach, development did not reach to the poor. Decentralization is devolution of power from center to the local governments. All sector activities are to be devolved except monetary policy and system, foreign affairs, defense and hi-tech and mega projects. Decentralization includes devolution of political, administrative, and fiscal rights to local government. Functional division of central and local government with resource and capacity enhancement of the local governments maximizes the quality of services to the citizen. Denmark Germany, Switzerland and UK in Europe; USA, Mexico, Canada, Brazil in North and south America and developed Japan and emerging Philippine in Asia are good example of decentralized and developed countries where 20 to 60 percent of central fund are given to local governments.

In Nepal Vishwa Bandhu Thapa commission had recommended to devolve the rights at center to local Panchayats in Party-less Panchayat System. Name and some activities were also started. After restoration of democracy in 1990, development through people's participation and decentralization was written in constitution of 1990. A commission was formed on chairmanship of then Prime Minister in 1997. LSGA was enacted in 1999 with some recommendation of that commission to allocate block grants, to collect revenue at local level, share of taxes and royalties. Decentralized Financing for District Development Program (DFDP) also was exercised to allot nearly 8 million rupees to 20 districts-40% at districts and 60% at Village level. Likewise Municipalities are also given rights to collect more revenue and service charges. Local bodies have completed their activities with limited capacity. The Local Body Fiscal Commission (LBFC) recognized by LSGA, 1999 has been established

first time in Nepal which has promoted of fiscal autonomy and fiscal decentralization system in the country. Moreover, the LBFC developed the reports and Decentralization Implementing Plan (DIP) which has provided a clear road map for the implementation of fiscal decentralization in the country.

Decentralization in Nepal has been taken as a cross-cutting sector addressing the country's governance system with local accountability and active participation of the citizens in the decision-making process for their own betterment through elected representatives. However, the decentralization has never been an essential component of Nepalese economy, political and social tradition. Rural Nepal, which constitutes 80% of the habitat, is still under socio-political dominion of feudalistic and elitist leadership. Lack of the commitment in major political parties and their reluctance for local bodies' election has derailed the values and norms of decentralization as there is no elected representative since 2002. In this situation, the social inclusive and democratic political system for local development is yet to be improved in the country. Similarly, the existing large numbers, area and size of local bodies is not economic and financial viable.

Unclear functional division due to the contradiction between the LSGA 1999 and different 23 Acts is still creating problems in service delivery & resource mobilization. The capacity level of local service staffs is very weak as government and its training academy are not so responsible for their capacity enhancement. There are Local Self Governance Rules (LSGR) by which LGs have to perform their functions. In additional, the central government staffs deployed in local bodies are more responsible and accountable with concern line ministry.

Thus, a decentralization practice in the country has been only in paper base. There is narrow tax base and no discretion power of setting rate in local resources. In results, the local revenue generated by local bodies is only 3% out of national income. The block grant allocated by central government is less than 5% in total national budget where more than 60% grant is allocated for administrative cost. Likewise, the total expenditure of local bodies is about 7% out of total national expenditure (*ADDCN 2008*). The conditional grant for devolved sectors (primary education & health etc) is only 10% amount for capital investment where 90% is expensed for the salary and allowances of district line agencies central government staffs. These inadequate resources do not cover the need of local people. This type of decentralization system (*power without resources*) is still challenges for the poverty alleviation and sustainable local development of Nepal. If further steps will be taken to strengthen local government including fiscal decentralization while restructuring the state according new constitution while nation including far-western region also will be benefited to speed up in the development activities in future.

1.2 Statement of problem

Planned development was started from 1956. Budget was allocated to Blocks, DDCs, and Municipalities. Restructuring of local government and election at local level was not possible due to military coup and end of multi-party democracy in 1960 by king Mahendra. He established non-party and tyrant Panchayat system in 1960.

After restoration of democracy in 1990, multi-party democracy is exercising and inclusion of the people various sector through election and nomination at different level of governance with decentralization process.

Now, it has been realized that LGs have not been financially strong and sustained. Although constitution of kingdom of Nepal-1990, Local Self Governance Act-1999 has stated the issues of decentralization, there are so many lapses and weaknesses and delays in implementation. Some sector functions are devolved and some institutional arrangements are being made. Local Service Commission is under discussion. Interim a well new constitution is going to be promulgated after peace negotiation with Moist after the 10 yearlong conflicts. In this context restructuring of the state, inclusion of minorities and women and decentralization of power has been indispensable for all. Fiscal decentralization is foremost to strengthen local government and to render quality services to the people. Far-Western region is at last rung of the development ladder and lagged behind in speed. Nepal government and some international partners had launched programs concerned with fiscal decentralization. Among 20 districts selected all over the country. Five were in far western. Out of 9 districts in far western, three program districts including two zones will be studied in this research.

1.3 Rationale of the study

The usage of decentralization is based on fundamental principle of people's participation and empowerment as a backbone of democratic exercise in Nepal. With a view of distributing benefits of democracy among the people at large, it is necessary to make the people, specially deprived, minority and marginalized, able to enjoy their rights socially and economically. For this purpose, it is necessary to create an environment for undertaking development programs in an effective and people oriented way through balanced involvement of government, on-government and private sector in different aspects of planned development by making further improvement in the concept of self-governance. In this process, on the one hand it is necessary to limit the role of government as a facilitator and monitor, while on the other, it has become necessary to make the local self-governance system strengthened, competent, sensitive and responsible to the people by adopting inspiring policy and implementing them for comprehensive development of communities at their own initiatives. This is the process to orient local leadership in the democratic process, transparent behavior, public accountability and establishment of civil society based on people's participation. To implement effectively, national such as population management, poverty alleviation, employment enhancement, women empowerment, Progress and mainstreaming of disabled, downtrodden and ethnic group, security of helpless, literacy campaign and expansion of women education from the local level are also desirable and to some extent exercised in Nepal. It is necessary to develop their essential capability for performing local level development and construction works systematically. In addition, plan formulation as well as prioritization, implementation and monitoring and evaluation through mobilization of people, enhancing people's participation for the balance and equitable distribution of fruits of development and democracy through mobilization of resources at the local level are also equally important.

For mobilizing and managing local resources in order to make local-development programs sustainable and effective with the participation of government, non-government, community and private sector. Local governments should make necessary arrangement for providing benefits to the large number of people and enhancing services from the programs transferred to the local level. Conservation and mobilization of the local resources through people's participation in the stage of plan formulation according to their needs, is necessary so as to control pollution and protect local environment, which are contemporary issues in the decentralization process. The LGs should be financially strong in the way of self reliance.

This study is expected to provide inputs for the policy makers and implementers who have been involved in the process of decentralization in Nepal. Democracy, decentralization and fiscal decentralization are the most discussing issues, while restructuring of the state and power sharing at present context in the process of new constitution building. This study can assist for its betterment in the implementation level. there are large number of political activists associated with the DDCs VDCs and municipalities. they have needed to wake up their real potentialities which already they have owned by disclosing themselves. They can make idea of fiscal decentralization and identify the problems and prospects from this study. In Nepal, there are many donor agencies: World Band (WB), Asian Development Bank (ADB), United Nations Development Programs (UNDP) Danish International Development Agency, Department for International Development (DFID) and so on involved to promote the decentralization and citizen rights.

After restoration of democracy, action according to constitution and Act is also delayed. However, LSGA was promulgated and some rights, including fiscal decentralization are devolved to the local bodies. Using devolved rights-concerning block grants, local revenue collection and partnership with donors, local bodies has done some symbolic activities at village level. There may be weaknesses, which should be improved in future. Far western region is lagging behind due to less priority at center as well as lack of resources generated and fund allocated to local governments. Cause and effect of decentralization comparing to some relatively forward districts in other development regions will be analyzed.

1.4 Objective of the study

General objective of the study is to find out the rationale of the restructuring of the local governments, capacity enhancement and devolution of political, administrative and fiscal rights from central government.

The specific objectives in this regard are as following:

1. To find out capacity enhancement activities of the three districts.
2. To find out effect of fiscal decentralization on overall development activities.
3. To study resource generation and mobilization.

4. To find out the scale of the people's participation and mobilization in construction of infrastructures and resource generating activities in related projects of three districts in far-western region.

1.5 Organization of the Study

The report of this research has been organized in Five chapters. The First chapter has been dealt with the brief introduction of decentralization and fiscal decentralization in Nepal. Likewise, the Second chapter provides review of literature concerned with fiscal decentralization. In chapter Three, research methodology has been presented for fiscal decentralization in Nepal particularly a case study of Achham, Darchula and Kailali districts in far-western region. Fourth chapter consists of analysis of primary data obtained through questionnaires along with secondary literature. And lastly, the Fifth chapter deals with the summary, conclusion and recommendations of fiscal decentralization policies and implementation prospects in Nepal

Chapter-Two

REVIEW OF LITERATURE

2.1 Introduction

An overview of past research in the area of fiscal decentralization is useful in establishing standard defining constraints for the explanation and prediction of phenomenon. A map can help in interpretation and cover up the exact condition of fiscal decentralization. Hence this chapter intends to review the past relevant literatures of fiscal decentralization.

2.2 Evolution and concept of Fiscal decentralization

During the past half century, by subscribing to various central planning paradigms of development, developing and transition economies (hereafter referred to as DTEs) by and large followed a path of centralization. As a result, they are more centralized today than industrial countries were in their early stages of development. A number of recent developments, discussed below, are prompting most DTEs to re-examine the respective roles of levels of government, the private sector and the civil society as partners in development.

In Africa, both former French and English colonies inherited highly centralized systems of governance geared toward command and control with little concern for citizens' preferences. Resolution of ethnic conflicts required greater protection of minority rights in politically disenfranchised and fragmented societies in Africa. Political reforms in Latin America empowered people who in turn demanded greater accountability from their governments. In most countries, national governments have failed to ensure regional equity, economic union, central bank independence, a stable macroeconomic environment or local autonomy. The record of sub-national governments is also not very commendable. Sub-national governments have often followed beggar-thy-neighbor policies, sought free rider ship with no accountability and, in pursuit of narrow self-interest, undermined national unity. The judicial systems in some countries are also providing stimuli for change by providing a broader interpretation of basic rights and requiring that national and sub-national legislation conform to the basic rights of citizens.

The European Union's policies and principles regarding subsidiary principle, fiscal harmonization and stabilization checks are also having demonstrable effects on DTEs' policies. Similarly the success of decentralization in improving public participation, efficiency and equity of public provision and accountability of the public sector in some Latin American countries, especially Brazil, Chile and Colombia, has inspired other countries to have a review of own fiscal arrangements (see Wiesner, 1994). Finally, resurgence of interest in the new public management and federalism principles and practices has served as a powerful basis to restructure and re-orient the public sector.

Table 2:1

Governance Structure—20th Versus 21st Century

<i>20th Century</i>	<i>21st Century</i>
Unitary	Federal/confederal
Centralized	Globalized and localized
Center manages	Center leads
Bureaucratic	Participatory
Command and control	Responsive and accountable
Input controls	to citizens
Top down accountability	Results matter
Internally dependent	Bottom-up accountability
Closed and slow	Competitive
Intolerance of risk	Open and quick
	Freedom to fail/succeed

Fiscal decentralization in South Asia is a work in progress: Finances have been commonly very centralized. Although several decentralization reforms have taken place during the last 10 years, fiscal decentralization has not yet reached effectively the lower levels of government in most countries in the region (World Bank 2008). Currently, despite great advances observed in India, Pakistan, and Nepal, there is a variety of problems that countries face in the design of their intergovernmental fiscal relations.

-) Expenditure responsibilities devolved seem to exceed revenue potential of sub-national governments, particularly at the local level.
-) There are overlapping expenditure responsibilities.
-) The transfer system has many weaknesses in design and not been guided by clear objectives.
-) Local governments lack revenue raising power.
-) Local governments show high dependence on transfers from higher levels of government.

Nepal is a multi-ethnic, multi-lingual, multi-religious, and multi-cultural country. After a long people's struggle, the historic people's movement 2006 and Madhes movement 2007, the Article 138(1) of interim constitution 2007 as modified in the first amendment has declared Nepal to be an inclusive and Federal Democratic Republic state to bring an end to discrimination based on class, caste, language, gender, culture, religion and region by eliminating the centralized and unitary form of the state to lay a foundation for economic and social transformation to build a prosperous, modern and new Nepal. It would be further decentralized to provide

economically sound provinces and local government very near and closest to them. The decentralized government provides public services by closeness to the people and its sensitivity to their preferences. It increases efficiency in the production of public goods by promoting effective collective decision making (Oates, 1972; Rao, 1997). Experimentation and innovations are facilitated effectively under decentralized government. Various units will try different approaches to problems and the successful technique will be by other units (Due and Friedlaender, 1994).

We can find various types of terminology about fiscal decentralization. Before going to enter into the subject matter, we have to discuss the concept of decentralization. Generally, we can say that decentralization means share the power or authority between different spheres of the governments. Decentralization is defined as "The granting of independent or autonomous decision-making power to local units of government or administration. This demands a definite break in the chain of command either by constitution or law. Normally, this means a political decentralization whereby local units of government with independent powers are established" (Bhatta, 2001). The concept of decentralization has emerged as the alternative way of central state for the development of country; it began to receive widespread attention in the late 1970s and the early 1980s. It is one of the best ways to participate the people for the development process. During the 1980s, these differing version of participation come together with the other at alternative version of development and coalesced in to a popular understanding that took a seriously the need for people's involvement in development. Development came to be seen as empowerment with focus on development process, becoming the site where development, greater equity and more democratic grassroots participation can finally be united (Agrawal, 1998, p 11). For the functional approach, fiscal decentralization is one of the most important components. We can find various terms about the decentralization, such as devolution, delegation, deconcentration, privatization and denationalization etc (Agrawal, 1998, p 13). Among them, devolution is the most extensive form of decentralization involving, creating or strengthening independent levels audits of government through the direct assignment of decision-making responsibility" (Agrawal, 1998, p 13).

Fiscal decentralization is the financial autonomy of local government including the devolution of task and responsibility for taxation and collection of the service fees and the transform of ownership of assets including natural resources to local governments. The practice of fiscal decentralization in Nepal has emerged simultaneously with the implementation of decentralization. The present LSGA 2055 has managed participatory, bottom up planning process and compulsory preparation of resources mapping for all local governments. It has provided the basic fiscal and planning framework for their autonomy in carrying out the work requested by the communities they serve. Conversely by making grants to local governments a compulsory function of central government to enhance the fiscal capacity to local governments to perform the tasks assigned to them through devolution. The creation of local government finance commission as called for in the Act will provide a framework for institutionalizing the flow of financing between the spheres of the governments. In addition to funding for revenue sharing between them, the Act also allows local

government right to tap some of the natural resources of their geographic areas (NHDR, 2001, P 79).

Reports on decentralization and fiscal decentralization prepared by high level commissions-Vishwa Bandhu Thapa Commission, Prime Minister Sher Bahadur Deuba Commission, Commission for Administration reform-2048, impact assessment I, II and III of DFDP, districts HDI report of UNDP, progress report of DLGSP, expenditure assignment, revenue assignment, inter-government fiscal relation, sub-national borrowing as well as implementation rules for fiscal decentralization (Bahl, Roy), Report on Implementation of Decentralization by Gramin Bikash Pratishthan, Dwarika Nath Dhungel are studied. Some other literatures of scholars will also be concerned as per need of the study. Fiscal decentralization is the concept of assigning decision-making powers and management responsibilities to the lower level of government system (Jamie Boex, 2001; 2). From the above definition we can come in to the conclusion that the pre-condition for fiscal decentralization is political decentralization through devolution.

Mr. Jamie Boex, Assistant Research Professor of Andrew Young School of Policy Studies, Georgia university of his paper on "An Introductory Review of Intergovernmental Fiscal Relation", 2001, has quoted four pillars or building blocks of fiscal decentralization, which are :

1) Expenditure Responsibilities:

This principle determines which level of government should provide goods and services in that extend? It also advocates that goods and services should be delivered to the citizen from the lowest level of government. For that purpose these should be responsibility of expenditure to the lowest level of government i.e. to the local governments to deliver the goods and services to the citizens which is the main pillar of decentralization.

2) Revenue Assignment:

This principle suggests that the sub-national government/local government should have autonomy to mobilize financial resources to meet their expenditure assignment. It is the pre-requisite condition for the fiscal decentralization. revenue assignment can help for the suitable development that helps local government to build its capacity. It also helps local governments for the maximum utilization of local resources.

3) Inter-governmental Transfer:

Local government may not be able to generate enough revenue required for the expenditure assignment due to diversity of resources available in local level. Inter-governmental transfer is also justified on macro economic stability and other factor. To fulfill the needs of the local government, inter-governmental fiscal transfer is another revenue resource to strengthen the local government to operate their functions.

4) Sub-national Borrowing:

The resources required to the local governments cannot be obtained enough from the revenue assignment and inter-governmental fiscal transfers. If expenditure needs for any local government are not properly balanced with the fiscal resources, it creates fiscal deficit. For these purpose local government needs to borrow loan from other financial institution. But for the borrowing purpose, local government should take loan only for the productive work and should observe the capacity of refund.

2.3 Finding and Conclusion of relevant Studies

Study and literatures on fiscal decentralization in Nepal especially at the DDC level is not sufficiently available. to follow the previous studies related to fiscal decentralization. This research has related mainly on study by Mr. Manoj Shrestha, Mr. Somlal Subedi, Mr. Dwarika Nath Dhungel, and have focused on report of Local Body fiscal Commission, 2000 and other research related to fiscal decentralization.

1) Mr. Manoj Sshrestha, on his study of "Inter Governmental Fiscal Transfers in Nepal: An Assessment of Existing System and design for and alternative, 2002" has concluded and recommended following provisions of fiscal transfer system in Nepal.

The inter-governmental fiscal transfer system in Nepal is basically ad-hoc. The current system might have been of benefit to the central government in controlling the sub-national finance and macro economic stability. But, the existing system could not take advantage of fiscal decentralization in achieving local public expenditure efficiency (Local choice of public service and tax level), local revenue generation and public accountability. In order to reverse this situation as well as to improve the current fiscal disparities across sub-national government, it is appropriate that Nepal moves towards implementing a formula-based equalization transfer system replacing existing ad-hoc system.

A formula based equalization transfer is objective, transparent and predictable and could serve as a sub-national level monitoring tool for the central government to design and implement carefully. Two important steps in designing an equalization transfer are setting up of a divisible pool with some national revenue sources (Total revenue or VAT or key revenue source) for predictability and revenue buoyancy in favor of sub-national government and distribution of divisible pool across the sub-national governments based on some key factors reflecting the needs and capacity of these governments. In case of Nepal, Population, land area, poverty, geographical remoteness and tax efforts are key factors for inclusion in the design of equalization transfer. Once it is designed the formula, it should be fixed for at least three to five years for its stability and monitoring its performance before any major change is introduced.

Local Body Fiscal Commission (LBFC) in Ministry of Local Development has studied the situation an problems and started to evaluate by the Minimum Condition and Performance Measure (MCPM) in LGs first in South Asia (LBFC Analysis Report, 2009). Formula has been used to allocate unconditional grant. But it is

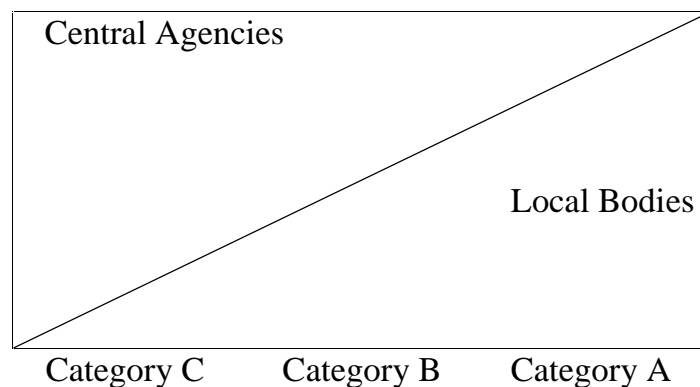
reviewing and not working as expectation because of lack of elected representatives at local level. It will take speed after restructuring of the state as well as the LGs in new constitution of federal republic of Nepal.

The reform process of an equalization transfer cannot move forward in isolation without giving proper consideration to equally important components like expenditure responsibilities, revenue assignments and borrowing provisions.

1) Local Bodies fiscal Commission Report, 2000 has prescribed following main recommendations and suggestions for the proper functioning of fiscal decentralization at DDC level.

i. Scope of responsibility of local bodies can clear with the help of following figure:

Interrelationship of Classification of Local Bodies, their Responsibility and Capability.



Local bodies should be given responsibilities according to their capability. If they are fully capable, there is no need of central government's role for the public service delivery as well as development activities.

- ii. Amendment of laws/regulation in contradiction with LSGA.
- iii. Review of number of the local bodies and office bearer.
- iv. Establishing function of fiscal enabling and policies of local bodies.
 - Local Bodies Fiscal Commission
 - Local Body Accounts and Audit Board
 - Formulation of Local Bodies Services
- v. Conducting programs of organizational consideration of local bodies. There should be arrangement of such type of mechanism so that fund should be spent within the District Development Plan through coordination between the DDC and the concerned Member of Parliament (MP).

- vi. Clarify mutual attitude and policy among local bodies, private sector and civil society.
- vii. Electoral constituency development program.
- viii. Responsibility of DDCs towards VDCs and Municipalities.
- ix. All ministries should directly assist local bodies in their specialized sector etc. The DDC is an intermediary local body and VDCs and the Municipalities are local bodies working directly at the local people's level. Therefore, instead of indulging in public service delivery at the local level, the DDCs should be centered in works like inter agency coordination, policy formulation, preparation of periodic plans, search for new fiscal resources, monitoring, evaluation and maintenance of fiscal discipline. In addition, the DDC should mobilize tax and revenue in collaboration with lower bodies and play greater attention to developing appropriate structure, manpower and method for this purpose.

Fruits of the democracy will be distributed to the people with maximum participation through process of decentralization (constitution of kingdom of Nepal 2047 B.S.), will only be successful via. fiscal decentralization. Provision of 5 lakh rupees as a grant to village development committees and 'Develop our village ourselves' slogan by CPN (UML) government was a further milestone towards fiscal decentralization. Reestablishment of parliament, general agreement of peace with Maoists, formation of interim parliament and interim government according to interim constitution of Nepal after success of historical people's movement of 2062/063 also recommended restructuring the state and strengthening local federal democracy by participating different sex, language, marginalized castes and regions through process of decentralization. There should be long term vision for elected local governments. We have exercised sending different party's representatives after peace agreement and reestablishment of parliament and democracy which could continue the process of political, fiscal and administrative decentralization. Grant of Rs. ten lakh to village development committee have created serious obligation of appropriate use, ownership, transparency and monitoring. Therefore, people's representation is most for democracy and fiscal decentralization as well.

Chapter-Three

RESEARCH METHODOLOGY

3.1 Introduction

This study has been carried out in an empirical way adopting the descriptive type of research design. Both primary and secondary information have been used. Primary data has been collected through questionnaires and interview method. Respondents have been selected from center and local level engaged either directly or indirectly in the decentralization and implementation activities in Nepal. Discussions have been carried out with central and local level fiscal decentralization activists and experts in the way of filling the questionnaires. Available previous literature has been examined extensively. Data have been collected both qualitative and quantitative in nature.

In the following chapter an attempt has been made to introduce the subject matters with statement of the problems and objectives. Literature regarding fiscal decentralization has been reviewed. In research methodology, it includes research design, population and sample size, nature and sources of data, data collection procedure, data processing and analysis procedure etc. This selection presents the full-fledged picture of research procedure followed during the study. Particularly, it focused on the research design, sources of data, population and sample, techniques of analysis. To study the topic and prove the hypothesis, appropriate methodology is applied.

3.2 Selection of the study site

Study site is Achham, Darchula and Kailali DDCs, some of the program areas and partners offices of the local bodies also were included in the research. The study area represents the far-western region which is underdeveloped and lowest in the HDI and other indicators of development among the development regions in Nepal. Before restoration of democracy, far-western region was not addressed to allocate budget to be spent in development activities through local governments and NGOs and CBOs. Although it is not sufficient after 18 years of restoration of democracy and establishment of federal republic of Nepal, unconditional grant and other external and internal resources is increased. Therefore, districts from Mountain, Hill and Terai of far-western development region is selected to compare the fiscal status before 1999 and after it to prove that fiscal decentralization supports to complete the development activities, uplift the awareness level of the people and ultimately fulfills the demand of the people through bottom-up planning approach.

3.3 Rationale for selecting the study area

These districts in far-western region represent one third of whole districts in the region and 60% of the pilot project districts launched by DFDP for fiscal decentralization. In another way these districts will represent the hill and Terai as well as relatively

prosperous and poor in resources. Darchula DDC is linked with the boarder of India and China. Most of the VDCs and district headquarter was not connected by the road was very remote. Indian highway through Dharchula-Nepal, Pithauragadh and Tanakpur-India, were used to contact Kanchanpur and capital Kathmandu. Otherwise people had to walk by feet for days long. Accordingly, Achham, being a middle hill district, it has potentialities to connect through middle highway. But rulers in the past could not foresee and start to develop accordingly. After 1997, particularly after promulgation of LSGA, 1999, Achham has uplifted collaborating with different development partners. Kailali district is comparatively a rich district in agriculture product and forest. Having so many opportunities and resources and revenue potentialities, Kailali district is developing in slow motion. Therefore, comparison of the resources and development activities as well as review of policy and implementation is in the study area.

3.4 Nature and source of data

Data were collected from communities, VDCs and Municipalities in three districts. Primary data were collected for specific projects and programs in accomplishing the objectives of this study. Secondary data were obtained from various sources like DDCs, ADDCN, Ministry of Local Development as well as Controller Office of the Treasury and Accounts, LSGA rules, LBFC reports, Red book of MoF and NPC, various reports as Internet web search and newspapers.

The nature of collected data can be identified by type of data. So the data are related to both kinds, in quantitative and qualitative. More quantitative information have been used because of descriptive nature of the study. If there is not possibility to obtain current information, previous year data are used for analysis.

3.5 Sampling procedure

This study has sought the few of the policy maker and experiences of policy implementation especially by questionnaires. To obtain the authentic views and opinions needed for the decentralization works and experiences, for the shake of that kind of opinion, the research has taken purposive sample selection. They are NPC, MoLD, Local development Training Academy (LDTA), Association of District Development Committees of Nepal (ADDCN), Municipalities Association of Nepal (MuAN), National Association of Village Development Committees of Nepal (NAVIN), Auditor General Office of government of Nepal, DANIDA, Decentralized Finance for Development Programs, (DFDP), Likewise, for the shake of implementation experiences at local level staffs of the DDCs, VDCs and Municipalities of the three districts are taken into the sampling population. To fulfill the purpose of the research, at least one viewer was searched and selected on the judgmental base. MoLD, NPC, LG associations and LGs at local level are directly involved and strong position in policy making and implementation experiences of fiscal decentralization. Out of these some of the decentralization experts were chosen for discussion to be more clarified in the subject matter in the juncture of questionnaire distribution.

3.6 Data collection, tools and techniques

The researcher has collected the information. First of all questionnaires were administered in order to obtain the authentic views and options of concerned people. Then discussions were taken as selective. Questionnaires were comprised of 18 different questions. Among them, all questions are of objective type as well as subjective in nature to allow the respondents. The total more than 200 questionnaires were distributed to respondents and out of them 150 questionnaires were completely filled and returned.

For collecting primary data these questionnaires were administered with officials as involving in decision-making and with having local developments experiences. Views of the former chairpersons of the concerned LG of the concerned districts were collected in Achham, Darchula and Kailali as well as Biratnagar, Janakpur, Butwal, Nepalgunj and Kathmandu. Others were from NPC, MoLD, LDTA, ADDC/N, MuAN, NAVIN, Auditor's General Office, Prime minister' Office, Cabinet Secretariat, MoAC, MoH, MoIC, DFDP, Udle etc. and LGs. Some of the citizen involved in development activities and taxpayers were also interviewed.

Besides, secondary data has been obtained from other governmental, non-governmental and private institutions. Some of them include Tribhuvan University (TU) central library, Public Administration Campus library, Central Bureau of Statistics (CBS) publications, National Planning commission Secretariat, ADDCN, MuAN and NAVIN library HRD center and Information Unit of the concerned districts and various research papers, documents newspapers articles and other relevant literature to bring theoretical understanding more clear and make the study more informative. Relevant literatures have also been obtained from Internet Web Search to present most up-to-dated information.

All the data have been presented and analyzed to fulfill the research objective. To illustrate the research necessary worktables, figures and charts have been used for data presentation. The data have been analyzed on the basis of different LGs. In order to make them more clear and obvious in this research some statistical tools like percentage and average both in simple as well as weight have been used to analyze data as far as practicable.

As stated above, this study attempts to make an inquiry on fiscal decentralization policy and its implementation in Nepal especially in resource provision, allocation of resources, mobilization and utilization of resources, transfer of study and financial autonomy of LGs. Such provisions envisaged in the acts, rules and regulations are descriptive. In order to find out problems and its prospects and problems of implementation, the actual policy implementation of fiscal decentralization, were analyzed. Simple statistical tools such as percentage and simple and weight average were employed to analyze the acquired data. The followings will be tools and techniques of this study.

3.6.1 Interview survey

Structured and semi-structured questionnaires were prepared according to the objectives and need of the study. Questionnaire were used to collect information from political party members at local level, members of VDC, DDC and Municipality, user's group and partner organization. Accordingly, different stakeholders as stated above were also interviewed.

3.6.2 Key informant interview

Some of the key informants were interviewed like members in NPC, staffs of different ministries and members and staffs of LG associations. Political leaders at local level-DDC, VDC and Municipality their ex-elected personnel and staffs, concerned beneficiaries at different project level run by the DDCs were also be interviewed like users committee's members and partner organization's staffs wherever necessary.

3.6.3 Observation

Organizational management of the local bodies in three districts, indicators of capacity building, income and resource generation activities (revenue and service charges, sand stone and swept wood selling etc.), decision making process was intensively observed as per the need of the study.

3.6.4 Focus group discussion

DDC, VDC, Municipality staffs, political party members at local level, elected personals, user committee members, partner organization members and staffs and beneficiaries were separately divided into small groups of 8-14 and discussion were made to find out the status of resource and revenue and implementation including the quality of the development works.

3.7 Method of data analysis

Questionnaire based on statement of problems have been developed and followed by study objectives. Purposive sample selection procedure has been followed to identify the respondents. In the juncture of research works, there have been total 125 people associated with the fiscal decentralization practices have been included as the respondents of this study. Representation of the majority respondents has been taken from Achham, Darchula and Kailali districts and Kathmandu valley. For finding the facts, as possible as this research is done reviewing fiscal decentralization policy on a descriptive analytical methods and purposive sampling have followed on respondents' selection. Data were tabulated and processed according to the research rule. Simple statistical tools and techniques were used while data analyzing.

3.8 The limitations of the study

The study does not cover all development regions in Nepal. Although study areas and issues may be wider and more, in this research, study will be focused on the following headings only:

- a) Internal revenue of DDCs
- b) Block grants allocated from center to DDCs.
- c) Revenue collection by Achham, Darchula and Kailali districts at local level.
- d) Local Expenditure of DDCs
- e) Partnership and collaboration with development stakeholders and partners.
- f) People's participation.

This is only a partial study to fulfill the objective of the research.

Chapter Four

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

As a part of this thesis, primary data were collected through questionnaire as stated above. Questions were asked in accordance with research questions. Research questions were developed in accordance of the statement of the problems guided by objectives of the study. Research questions were categorized as generation, mobilization, allocation and utilization of the resources; grant allocation system, financial problems and its solutions and sustainability of fiscal decentralization. Each research question was further expanded by questions as a set of questionnaire.

LSGA, 1999 has been implemented in all over the country since May, 1999. Now the time has come to assess this decentralization policy and status of implementation at local level. This Act was promulgated after deep discussion among the political parties and associations of local governments which was progressive than previous separate Acts of local bodies after restoration of democracy. It is assumed that LSGA has emphasized more on the fiscal right of LGs which are especially on-Provision for VDCs for taxes, service charges, fees and sales income (Article 55-69); Municipalities, provision for extension of taxes, fees especially on land revenue, house and land tax, integrated property tax, entertainment tax, commercial video tax and advertisement tax (Article 136-145) and provision for DDCs, taxes, service charges and fees and provision relating to revenue allocation for certain percentage of registration fees on purchase and sale of house and land, sale of sand, stone and gravels, royalty of mines forests, water, electricity and other natural resources and tourist entrance fees etc (Article 215-220). The detail existing revenue sources are given in annexes.

The total internal revenue of three districts (Achham, Darchula and Kailali) and its breakdown, total central grant, total external grant and total revenue generated by the DDCs has been collected from different districts and all the time series data are converted into base year 1999 with the help of Adjusted Deflator. With the help of adjusted data, growth rate of different variables, such as total Internal Revenue, Central Grant, External grant and Total Revenue generated by the DDCs, Municipalities and VDCs is identified. In particular, the above subjects in three districts (Achham, Darchula and Kailali), are also identified and analyzed. The main components of Internal Revenue such as Tax Revenue, Revenue sharing growth rate are also identified.

4.2 Introduction of Study Area

Achham, Darchula and Kailali districts of far-western region is the composition of Mountain, Hill and Terai of our country. Change after restoration of democracy and promulgation of LSGA, 1999 is remarkable in these three districts. Transport, communication, micro-hydro electrification, establishment of secondary, higher secondary schools and campuses, improvements on health services, awareness raising

including empowerment of women and Dalits and income generation activities are some of the remarkable examples. Fiscal decentralization has played a pivotal role to move forward the development activities in the country as well as in far-western region. Therefore, the study has given insight of the unconditional grant to the local bodies and revenue collection by them. Although, revenue collection of three districts is comparatively weaker than other districts, we can observe good start by them. After implementation of MCPM and allocation of grants according formula, these districts are trying to uplift themselves. DDCs, Municipalities and VDCs have achieved unexpected results after right given to allocate matching funds to conduct joint effort with other stakeholders. Accordingly, investment by I/NGOs is also increased and some results in capacity and diversification of agriculture and other income generation skill and technology is transferred. Thus, the study area and the districts will give a precise scene of the positive impact of the fiscal decentralization.

4.3 Internal Resources of DDCs

DDCs in Nepal are excessively dependent on external resources. In the internal resources of DDCs, local tax, income from the allocation of revenue and others (income from land revenue) are the main ones. In the fiscal year 1999-2000, the total income of all 75 districts from internal resource was Rs. 293.3 million, which was 66 percent increment from 1998-99. The following table shows the situation of the resources in DDCs

Table 4:1

Composition of Internal Resources of DDCs (Rs. in 000)

Resources	Amount in Rs. 1997-98	% of Internal Resources	Amount in Rs. 1998-99	% of Internal Resources	Amount in Rs. 2001-02	% of Internal Resources
Tax	37097	31.10	41225	20.90	232008	39.5
Service Charge	2343	2	3780	3.7	3796	2.3
Fee	9242	7.8	9695	4.9	26537	4.5
Sales	44148	37	96620	48.9	19026	3.2
Loan	1124	0.9	1442	0.7	2670	0.04
Land Revenue	3744	602	4902	205	12166	2.06
Other Income Raising Programs	17904	15	36304	18.4	281282	47.9
Total	119202	100	197568	100	5874465	100

Source: LBFC Report, 2000

4.4 Composition of Expenditure of DDCs

DDCs have exercised the traditional budgeting system in real practice. However, some practices have been started to make on the base of the program budget distinct with administrative expenditure. The trend of more administrative expenditure than development budget shows the inefficiency of organization, which is still prevalent. The following table 4:2 shows the status of the DDCS.

Table 4:2**Summary of the Expenditure of DDCs (Rs. in '000)**

Types of Expenditure	Internal Resources (32 DDCs)				Grant (31 DDCs)			
	FY 1997-98	% of Total Exp.	FY 1998-99	% of Total Exp.	FY 1997-98	% of Total Exp.	FY 1998-99	% of Total Exp.
Administration (Personnel + Office)	64791	53	72518	45	151230	25	232197	34
Miscellaneous and Contingency	17232	14	24306	15	66559	11	106299	15
Development Programs	41023	33	63815	40	3s90990	64	34782	51

Source: LBFC Report, 2000.

The LBFC reports shows that 77% and 80% (for FY 1998-99 and 1999-2000 resp.) of the internal revenue of the DDCs is spent on public construction and maintenance, personnel office and miscellaneous expenses, while on the grant side, program grant, public construction. These trends show that administrative expense is more than half, as a costly organization. The program expenditure is small and the miscellaneous expenditure also remarkable.

4.5 Review of the Fiscal Status of the DDCs

Among the internal resources of DDCs, the amount coming from lower bodies as allocation of revenue (land revenue) is the buoyant resource. DDCs should seriously ponder over this issue. It is only when the DDCs are actively oriented to maximally mobilize the allocated revenue resource from the lower LGs will their revenue increase. For example, there is provision that DDCs will get 25 percent of the land revenue. In the present condition, natural resources export tax, like herbs, boulders, sand, animal hides and bones, are the main internal resources of the DDCs. The DDCs do not seem to have made expected progress in terms of extending public services and mobilizing resources there from. Even in terms of policies, the DDCs have yet to move ahead in a planned manner in mobilizing non-renewable resources like boulders, sand etc. and renewable natural resources like herbs. It is necessary that the DDCs should be aware of the ill consequences of unlimited use of natural resources like soil erosion and depletion of geo-diversity and adopt appropriate and sustainable policy. Table 4:3 shows the status of internal resources by ecological regions.

Table 4:3**Internal Resources of DDCs by Ecological Regions (FY 1999/2000) (Rs. in '000)**

Internal Resources	Amount	Percentage
Mountain Region	558747	12.67
Hill Region	2242024	50.82
Terai Region	1610746	36.51
Total	4411517	100

Source: Audit Report, of AGO, 2001/02.

The above table shows that Mountain district is far behind than the districts in Terai and Hill. Under this, functions like review of existing resources, identification of new resources and further consolidation of existing resources need to be done on a continuing basis. For this purpose, institutional improvement and human resource development are indispensable.

4.6 Fiscal Status of Municipalities

MoLD (Municipal section) has published a Comparative Study Report of the Fiscal Status of all the municipalities. According to this report, the composition of the income of the municipalities is presented in table 4:4.

Table 4:4

Sources of Income of the Municipalities

Particulars	FY 1995-96	%	FY 1996-97	%	FY 1997-98	%	FY 1998-99	%	FY 1999-00	%	FY 2000-01	%	FY 2001-02	%
Local Tax	658022	64.2	686095	65.6	984344	60.0	869286	56.3	1053194	57.5	1166447	53.9	1368168	57.54
Fees, Fines	47103	4.6	65241	6.2	78625	5.0	90422	5.9	141763	7.8	254968	11.8	246523	10.37
Property Rental	26528	2.6	34935	3.3	39650	2.5	49500	3.2	50213	2.7	57181	2.6	67588	2.84
Other Income	10535	1.0	19929	1.9	23139	1.5	33293	2.2	27861	1.5	32797	1.5	82455	3.47
Income/Internal	742190	72.4	806201	77.0	1125759	71.0	1042502	67.5	1273033	69.5	1511394	70.0	1764736	74.22
Miscellaneous	11642	1.1	18430	1.8	15600	1.0	16211	1.0	22797	1.3	26214	1.2	26395	1.11
Grant	68962	6.7	84943	8.1	15802	16.5	246775	16.0	342563	18.8	352064	16.3	370267	15.57
Loan	98695	9.6	22208	2.1	261802	1.2	52517	3.4	54695	3.0	37889	1.7	9224	0.39
Brought Forward	103429	10.1	114736	11.0	163704	10.3	186969	12.1	133815	7.4	233728	10.8	207135	8.71
Total Revenue	1024919	100	1046520	100	1586422	100	1544976	100	1826904	100	2161291	100	2377760	100

Source: LBFC Report, 2000 & *Udde* Report, 2003.

In analyzing seven years income of municipalities, it (Table 5) shows that the main internal sources of municipalities are local tax (53-65% of total income) and fees and fines (5-11 % of total income). Internal income of the municipalities of 67-74 percent shows all municipalities are not self sustained. However, in comparison among other LGs it shows that municipalities are in stronger position in revenue collection.

4.7 Fiscal Status of VDCs

The LBFC report 2000, shows that VDCs in Nepal are also excessively dependent on external resources of grant of central government or other donors. In analyzing the Table 6, most of the VDCs seem to have collected taxes. This is because of the responsibility of collecting land revenue.

Table 4:5**Sources of Income of VDCs****(Rs. in '000)**

Particulars	FY 1997-98	No of VDCs	% of Internal Resource	% of Total Resource	FY 1998-99	No. of VDCs	% of Internal Resource	% of Total Resource
Local Tax Revenue	12671	74	56.8	14.6	12213	72	53.8	14.0
Service Charge	1899	19	8.5	2.2	2959	19	13.0	3.4
Fee	4228	50	19.0	4.9	5241	54	23.1	6.0
Sales	971	7	4.4	1.1	894	9	3.9	1.0
Others	2543	22	11.4	2.9	1397.4	23	6.2	1.6
Total Internal Revenue	22312	75	100.0	25.7	22706	75	100	26.0
Grant	64492	75	289.0	74.3	64609	75	284.6	74.0
Grand Total	86804			100.0	87315			100.0

Source: LBFC Report, 2000.

The ratio of tax in the internal resources is 60 percent. Even then, as only 66 percent VDCs showed income from tax, it is apparent that some of them do not even collect the land revenue. The internal resources mainly include tax, service charge and fee; their total weight is around 90 percent. Thus, VDCs have posed very little fiscal autonomy on an average 26 percent. This shows that VDCs do have heavy dependency upon central grant or increased the tendency of being state of defunct. Only few VDCs have collected tax and revenue as expected by the Act.

4.8 Expenditure

Expenditure of the VDCs shows that the capital grant is substantial on itself and only small portion of internal resource is spent on it. The amount spent on miscellaneous and financial grants from internal resources is remarkable. In the total expenditure, the main headings are public work, personnel expenditure, miscellaneous, capital grant and financial assistance (83% in the review of both years). In the case of internal resources, public works, personnel expenses, miscellaneous and office related expenses took up 82%.

This shows the trend of making insignificant capital investment from internal resources. Expenditure pattern of VDCs show 50 percent of the VDC expenditure is made in development work and the rest is spent on administration which is shown in table 4:6 below.

Table 4:6**Expenditure Details of VDCs**

Expenditure Heads	Total Expenditure				Expenditure from Internal Resources			
	FY 1997-98 VDC-58	% of Total	1998-99 VDC-47	% of Total	FY 1997-98 VDC-58	% of Total	1998-99 VDC-47	% of Total
Personnel Expenses	5845	20.6	4201	18.5	2206	18.2	1202	20.9
Rents	385	1.4	376	1.7	141	1.2	218	3.8
Office Expenses	1476	5.2	654	2.9	665	5.5	324	5.6
Fuel	289	0.1	43	0.2	15	0.1	32	0.6
Miscellaneous	2404	8.5	1471	6.5	2110	17.4	674	11.7
Office Goods (Durable)	1741	6.1	1448	6.4	294	2.4	125	2.2
Financial Assistance	2124	7.5	3238	14.3	977	8.1	167	2.9
Public work/ Maintenance	10122	35.7	7059	31.2	4952	40.9	2487	43.3
Program Grant	309	1.1	214	0.9	29	0.2	0	0
Capital Grant	2953	10.4	2776	12.3	516	4.3	253	4.4
Social Service	969	3.4	1116	4.9	162	1.3	200	3.5
Contingencies	26	0.1	60	0.3	26	0.2	60	1.0
Total	28381	100	22655	100	12093	100	5742	100

Source: LBFC Report, 2000.

The analysis of the above table shows that about 50 percent of the VDCs expenditure is made in development work and the rest is spent on administration, social security, miscellaneous and contingencies. The expenditure on administration on administrative heads has exceeded the prescribed limit.

4.9 Revenue Income of Municipalities

In the total revenue of the 58 municipalities appears about 67 to 77 percent to have been generated through local resources. The ratio of grant is 7 to 16 percent. In other sources fall loan and the carryover from last year. In analyzing internal resources, 56 to 66 percent has come from local taxes, 5 to 7 percent from fines and fees, 2 to 3 percent from rent and from other sources. In the local tax, *octroi* and vehicle tax forms 78 to 85 percent. Although, the average revenue of the municipalities from internal resources appears good, after the replacement of *octroi* and vehicle tax by local development fee, their capability for resources mobilization has decreased and they have become center oriented. The development fee has not been arranged under the LSGA and it cannot be considered a long term solution and reliable resource. Another reliable and permanent resources should be explored to replace it (LBFC Report, 2000). In the case of revenue also should analyze discreetly, would be better, as stated above, which was not done in the study adequately because of its limitation. The following table shows the local resources of the municipalities.

Table 4:7**Analysis of Local Resources of Municipalities (in percent)**

Particulars	Internal Revenue						
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-2000	FY 2000-01	FY 2001-02
Local Tax	64	66	62	56	58	54	58
Fees, Fines	5	6	5	6	8	12	11
Property Rental	3	3	2	3	3	3	3
Other Income	1	2	1	2	2	2	4
Total Income	73	77	71	67	70	70	74
Ratio of Khabadi and Vehicle Tax	61	62	58	53	NA	NA	NA

Source: LBFC Report, 2000 & *Udle* Report, 2003.

In this report, seven municipalities are excessively dependent on grant while 18 have not taken effective steps towards mobilizing the vast potential resources like house rent, tenancy etc. Some municipalities like Dharan, Bhaktapur, Butwal, Nepalgunj, Pokhara, Kathmandu and Mechi Nagar have started mobilizing potential tax, service charge etc. rather well but the number of such municipalities is less than 10 (Jayanarayan, 2002).

4.10 Revenue of DDC Achham

Achham is a middle hill district. Achham was linked with road access in 1995 upto Sanfe Bagar, in 2001 up to district head quarter and in 2004 up to Karnali river in the eastern part of the district. There seems limited revenue collected by DDC Achham. The following table shows the situation.

Table 4:8**Revenue of ACHHAM DDC**

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	INFRASTRUCTURE TAX (215 (1))	298880	0	0	0	0
2	RESOURCE UTILIZATION /EXPORT TAX (215(2))	215354	0	55000	251111	459480
3	SERVICE FEES (216)	2435	3544	24105	217180	943988
4	FEES AND CHARGES (217)	0	6175	87840	65080	99338
5	SALES (218)	0	15260	165650	295435	0
6	REVENUE SHARING (220)	478675	27577	261409	356978	820636
7	LAND REVENUE TAX	10831	1284	0	1810	8504
8	OTHER REVENUE	178259	244726	51684	50625	101066
	OWN SOURCE REVENUE	1184434.00	298566.00	645688.00	1238219.00	2433012.00
1	MISC. INCOME	329362	87000	0	0	7515
2	Govt. ADMINISTRATIVE GRANT	5855000	9151375	9065240	8469072	12207628
3	Govt. DEVELOPMENT GRANT	40100000	21985396	17961159	36810165	79523244

4	HMG. DEV. GRANT (Conditional)	2275000	200000	0	0	0
5	SOCIAL SERVICE GRANT (Sectoral)	0	0	0	0	0
6	INGO/NGO & OTHERS ASSISTANCE	0	0	0	0	0
7	LOAN AND BORROWING	0	0	0	0	0
8	OPENING BALANCE FORWARD	9475648	1906157	130352	267660	3445376
	TOTAL REVENUE	11,96,23,322.00	6,75,55,554.00	5,62,50,566.00	9,48,08,451.00	19,76,66,562.00

Source: ADDCN Analysis Report, 2008.

The above table shows that after expiration of the elected representatives in DDC in 2058/59 BS, revenue is decreased. Study shows that without elected representatives and peace, revenue collection is slow at local level. However, external factors like insurgency and threats had also affected in the process of revenue collection and grants allocated by the central government. After peace agreement with Maoists, in 2007/08, there seems again increase in revenue. Detail is given in annex-3.

4.11 Expenditure Pattern of DDC Achham

Expenditure pattern of hill districts of Nepal is more or less same in nature. Offices expenses are higher in comparison to revenue or internal income. The following table shows some of the important headings of expenditure and trend of five years.

Table 4:9
Expenditure Patterns of Achham DDC

S.N	Major Expenditure Headings	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	OFFICE EXPENSES	7645525	6755151	8189218	8626375	10565331
2	EMPLOYEE WELFARE EXPENDITURE	268412	89225	0	0	811010
3	EXPENSES INCURRED IN LAUNCHING PROGRAMS	673283	287734	418470	677095	1046065
4	DEBT PAYMENT	0	0	0	0	0
5	INCOME REFUND EXPENDITURE	0	0	0	0	0
6	CAPITAL EXPENDITURE (DURABLE GOODS)	32740	0	152982	0	141115
7	CAPITAL EXPENDITURE (LAND & BUILDING)	0	0	998279	1463282	983319
8	INVESTMENT	0	0	0	0	0
9	NON-EXPENSES ITEMS	923196	305611	426559	259232	300000
10	GRANT (LB, NGOs, Club, etc.)	39291704	13914448	14146297	29891629	75426768
11	OTHER DEV. CAPITAL EXPENDITURE/PROGRAM	4448248	2139597	4031399	5391458	3057594
	Total Expenditure	53283108	23491766	28363204	46309071	92331202

Source : ADDCN Analysis Report, 2008.

The above table shows that grant for LB, NGOs and Club is highest of all. Accordingly, invest is zero (0) every year. Expenditure is in decreasing rate in 2058/59 and 2059/60 because of lack of elected representatives as well as insurgency in the country including Achham. There is no Employee Welfare Expenditure in

2059/60 and 2060/61. Thus, it describes that expenditure pattern is irregular and insufficient in nature.

4.12 Contribution of Grant and Other Sector in Expenditure

Expenditure from different source is analyzed in the following table. Office expenses are second highest soon after Grant for LB, NGOs and Club. Maximum allocation is done by central government. Therefore, after fiscal decentralization, expenditure is increased in very larger size than the internal revenue contribution. Contribution is very low as it is shown in the following table.

Table 4:10
Expenditure Contribution from GoN Grant and DDC's OSR (Achham DDC FY 2007/08)

S.N	Major Expenditure Headings	Total Expenditure	VDCs grant Exp	Exp. of GoN Grant	Exp. of DDC –Own Source Rev.
1	OFFICE EXPENSES	10565331	0	10009650	555681
2	EMPLOYEE WELFARE EXPENDITURE	811010	0	811010	0
3	EXPENSES INCURRED IN LAUNCHING PROGRAMS	1046065	0	958788	87277
4	DEBT PAYMENT	0	0	0	0
5	INCOME REFUND EXPENDITURE	0	0	0	0
6	CAPITAL EXPENDITURE (DURABLE GOODS)	141115	0	89891	51224
7	CAPITAL EXPENDITURE (LAND & BUILDING)	983319	0	983319	0
8	INVESTMENT	0	0	0	0
9	NON-EXPENSES ITEMS	300000	0	300000	0
10	GRANT (LB, NGOs, Club, etc.)	75426768	74959000	402789	64979
11	OTHER DEV. CAPITAL EXPENDITURE/PROGRAM	3057594	0	2816159	241435
	Total	92331202	74959000	16371606	1000596

Source: ADDCN Analysis Report, 2008.

The above table shows that there is no contribution of DDC in debt payment, capital expenditure, investment, non-expenses item, Income refund expenditure. Contribution in grant and launched programs is also very low due to very low internal income.

4.13 Revenue of DDC Kailali

Kailali is the richest district among the studied districts. DDC has access to land and house tax as well as export tax too. Kailali DDC collects highest revenue after Kanchanpur in Far-Western region. Migration from hilly districts to Kailali has increased the population as well as construction of houses and purchase of land simultaneously. Accordingly, other tax and service charges also are collected. The following table describes the pattern of revenue collection in Kailali district.

Table 4:11

Revenue of KAILALI DDC						
S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	<i>INFRASTRUCTURE TAX (215 (1))</i>	0	0	0	0	0
2	<i>RESOURCE UTILIZATION /EXPORT TAX (215(2))/</i>	1122319	5016785	1919915	4229487	5073878
3	<i>SERVICE FEES (216)</i>	153000	119000	165000	119750	466822
4	<i>FEES AND CHARGES (217)</i>	284311	406309	365510	192275	678137
5	<i>SALES (218)</i>	9872321	5302768	1343046	741680	1436230
6	<i>REVENUE SHARING (220)</i>	5983600	10243409	9596802	6595409	27427848
7	<i>LAND REVENUE TAX</i>	830940	393259	898665	1059174	715434
8	<i>OTHER REVENUE</i>	221191	399040	139808	81071	13500
	INTERNAL REVENUE	18467682.00	21880570.00	14428746.00	13018846.00	35811849.00
1	<i>MISC. INCOME</i>	17739	1145775	1301089	485888	0
2	<i>HMG. ADMINISTRATIVE GRANT</i>	3857000	4767057	5149079	5194000	9502351
3	<i>HMG. DEVELOPMENT GRANT</i>	24590000	13511388	22005944	28532081	45138144
4	<i>HMG. DEV. GRANT (Conditional)</i>	3010000	0	0	0	0
5	<i>SOCIAL SERVICE GRANT (Sectoral)</i>	0	0	0	0	0
6	<i>INGO/NGO & OTHERS ASSISTANCE</i>	0	0	0	0	0
7	<i>LOAN AND BORROWING</i>	0	0	0	0	0
8	<i>OPENING BALANCE FORWARD</i>	15488630	12407430	7413083	6392384	15256088
	Total Revenue	149329784.00	129305010.00	115024628.00	120265244.00	247228713.00

Source: ADDCN Analysis Report, 2008.

The above table shows that revenue from house, land, export of leather products, etc. is higher than Achham and Darchula. But in some fiscal year it is decreased due to insurgency, lack of elected representatives and lack of tendering process in time by the DDC. Income out of sale of sand, stone etc. is zero in fiscal year 2058/59 to 2063/64 due to pressure the local youth and some elites of the political parties. Even though the revenue is collected more, it is not sufficient for the population of Kailali. Therefore grant from the central government for administrative cost and development programs are allocated every year as in other districts. Detail is given in annex-4.

4.14 Expenditure Pattern of Kailali DDC

Expenditure is also different from other two districts studied in this study. Office expenses are as higher as other districts. Grant for LB, NGOs, Club etc. is decreasing pattern but Other Development Capital Expenditure/Program is in increasing pattern from fiscal year 2058/59 to 2060/61. The following table describes the expenditure of Kailali DDC.

Table 4:12**Expenditure Patterns of Kailali DDC**

S.N	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	OFFICE EXPENSES	9005574	10908174	10813542	9837025	13715818
2	EMPLOYEE WELFARE EXPENDITURE	50000	0	593827	530100	836931
3	EXPENSES INCURRED IN LAUNCHING PROGRAMS	397603	1533074	546159	1569644	1318255
4	DEBT PAYMENT	0	0	1742838	0	0
5	INCOME REFUND EXPENDITURE	4875470	534240	361436	49190	0
6	CAPITAL EXPENDITURE (DURABLE GOODS)	243785	587812	283114	199976	29832
7	CAPITAL EXPENDITURE (LAND & BUILDING)	1340302	1153899	500924	0	0
8	INVESTMENT	0	0	0	0	0
9	NON-EXPENSES ITEMS	0	1552977	100000	150000	10137100
10	GRANT (LB, NGOs, Club, etc.)	24583050	18056400	16319068	21014298	44807940
11	OTHER DEV. CAPITAL EXPENDITURE/PROGRAM	12170268	13322062	13947615	19075163	15189187
	Total Expenditure	52666052	47648638	45208523	52425396	86035063

Source: ADDCN Analysis Report, 2008.

The above table shows that expenditure pattern is same as other two districts. But having more revenue collected by Kailali, it has spent more than Achham and Darchula in the heading of expenses incurred in launching programs, capital expenditure (Land and Building). However, Kailali also has not spent in Investment heading for fiscal year from 2057/58 to 2063/64.

4.15 Contribution of Expenditure from Central Government and own Source Revenue of Kailali DDC in Fy 2063/64

Having relatively high capacity of revenue collection, Kailali DDC has a bigger contribution in Office Expenses, launching Programs, Grant, Other Dev. Capital Expenditure/Programs and Non-expenses Items. But it is of great concern that office expenses are according to scientific job description or not. The following table shows the contribution.

Table 4:13**Expenditure Contribution from GoN Grant and DDC's OSR (Kailali DDC FY 2007/08)**

S.N	Major Expenditure Headings	Total Expenditure	VDCs grant Exp	Exp. of GoN Grant	Exp. of DDC -Own Source Rev.
1	OFFICE EXPENSES	13715818	0	9639634	4076184
2	EMPLOYEE WELFARE EXPENDITURE	836931	0	836931	0
3	EXPENSES INCURRED IN LAUNCHING PROGRAMS	1318255	0	525348	792907
4	DEBT PAYMENT	0	0	0	0
5	INCOME REFUND EXPENDITURE	0	0	0	0
6	CAPITAL EXPENDITURE (DURABLE GOODS)	29832	0	0	29832
7	CAPITAL EXPENDITURE (LAND & BUILDING)	0	0	0	0
8	INVESTMENT	0	0	0	0
9	NON-EXPENSES ITEMS	10137100	0	0	10137100
10	GRANT (LB, NGOs, Club, etc.)	44807940	40858144	0	3949796
11	OTHER DEV. CAPITAL EXPENDITURE/PROGRAM	15189187	0	5983144	9206043
	Total Expenditure	86035063	40858144	16985057	28191862

Source: ADDCN, 2008.

The above table shows that Kailali DDC has higher contribution from own source revenue on office expenses, development programs, non-expenses and other development capital expenditure/programs. It shows that right to collect revenue at local increases the revenue like Kailali district.

4.16 Revenue of Darchula DDC

Darchula DDC has also increased revenue collection after LSGA enacted in 1999. Being a mountain district, it has not more source of income. Moreover, revenue on herbal product and export of is not yet cleared by the central government for certain items due to which, raw products are exported in very low price. Internal revenue is not sufficient for office expense but huge dependency on central government grant. The following table shows the situation and trend.

Table 4:14**Revenue of DARCHULA DDC**

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	<i>INFRASTRUCTURE TAX (215 (1))</i>	0	0	0	0	0
2	<i>RESOURCE UTILIZATION /EXPORT TAX (215(2))</i>	0	0	0	0	0
3	<i>SERVICE FEES (216)</i>	2160	3300	38900	2000	1200
4	<i>FEES AND CHARGES (217)</i>	153895	192745	182885	192955	214405
5	<i>SALES (218)</i>	42459	13325	14700	7040	93820
6	<i>REVENUE SHARING (220)</i>	676559	643707	852075	1106060	2469708
7	<i>LAND REVENUE TAX</i>	31837	9965	18990	2285	6510
8	<i>OTHER REVENUE</i>	0	0	0	0	22500
	Internal Revenue	906910.00	863042.00	1107550.00	1310340.00	2808143.00
1	<i>MISC. INCOME</i>	382386	5255	11522	0	0
2	<i>HMG. ADMINISTRATIVE GRANT</i>	6287243	6980291	6890823	6853331	9950480
3	<i>HMG. DEVELOPMENT GRANT</i>	22840000	13035572	19457211	27915524	46233551
4	<i>HMG. DEV. GRANT (Conditional)</i>	1660000	100000	0	0	0
5	<i>SOCIAL SERVICE GRANT (Sectoral)</i>	0	0	0	0	0
6	<i>INGO/NGO & OTHERS ASSISTANCE</i>	0	0	0	0	0
7	<i>LOAN AND BORROWING</i>	0	0	0	0	0
8	<i>OPENING BALANCE FORWARD</i>	2298217	530907	221480	1792677	903969
	Total Revenue	69656422.00	43893176.00	56484722.00	77054084.00	122600429.00

Source: ADDCN, 2008

The above table shows that house and land registration is a major income of Darchula DDC. There are other nominal incomes which are not sufficient for current expenditures and launching development programs. Darchula is facing pressure of high dependency of central government of Nepal. Detail is given in annex-5.

4.17 Expenditure of Darchula DDC

Expenditure is more or less same of Darchula DDC too. Office expenses are higher than development expenditures. There is low expenditure in infrastructure construction and other capital investment. The following table describes clearly about the situation.

Table 4:15
Expenditure Patterns of Darchula DDC

S.N.	Major Expenditure Headings	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	OFFICE EXPENSES	8187573	7857550	7908537	7748586	11313601
2	EMPLOYEE WELFARE EXPENDITURE	103485	142007	61512	396716	118270
3	EXPENSES INCURRED IN LAUNCHING PROGRAMS	150000	117446	47000	0	777795
4	DEBT PAYMENT	0	0	0	0	0
5	INCOME REFUND EXPENDITURE	0	0	0	0	0
6	CAPITAL EXPENDITURE (DURABLE GOODS)	4650	21000	16000	13000	267873
7	CAPITAL EXPENDITURE (LAND & BUILDING)	261924	95000	25000	0	0
8	INVESTMENT	0	0	0	0	0
9	NON-EXPENSES ITEMS	0	25000	0	200000	300000
10	GRANT (LB, NGOs, Club, etc.)	22897071	10587117	15478500	20500000	41101645
11	OTHER DEV. CAPITAL EXPENDITURE/PROGRAM	4846644	3064051	4251261	10196125	4965678
	Total Expenditure	36451347	21909171	27787810	39054427	58844862

Source: ADDCN, 2008.

The above table clearly shows that there is no investments and less expenses on non-expenses. There is sudden increment on other development capital expenditure in FY 2060/61. Cost of development activities are reduced after construction of road from Baitadi. Otherwise, Darchula had to transport the goods and services via Tanakpur-Pithauragadh-Dharchula, India (DDC Darchula Profile, 2059).

4.18 Contribution of Expenditure from GoN and OSR of DDC Darchula

Darchula had not black topped road yet from Baitadi district i.e. from Nepal side. There are very limited sources of income by which contribution of DDC cannot be more as in Kailali. The following table describes the scenario of contribution of DDC and central government which clearly shows that Darchula is highly dependent on grant from center.

Table 4:16**Expenditure Contribution from GoN Grant and DDC's OSR (Darchula DDC FY 2007/08)**

S.N.	Major Expenditure Headings	Total Expenditure	VDCs grant Exp	Exp. of GoN Grant	Exp. of DDC -Own Source Rev.
1	OFFICE EXPENSES	11313601	0	9555484	1758117
2	EMPLOYEE WELFARE EXPENDITURE	118270	0	118270	0
3	EXPENSES INCURRED IN LAUNCHING PROGRAMS	777795	0	389907	387888
4	DEBT PAYMENT	0	0	0	0
5	INCOME REFUND EXPENDITURE	0	0	0	0
6	CAPITAL EXPENDITURE (DURABLE GOODS)	267873	0	267873	0
7	CAPITAL EXPENDITURE (LAND & BUILDING)	0	0	0	0
8	INVESTMENT	0	0	0	0
9	NON-EXPENSES ITEMS	300000	0	125000	175000
10	GRANT (LB, NGOs, Club, etc.)	41101645	41000000	0	101645
11	OTHER DEV. CAPITAL EXPENDITURE/PROGRAM	4965678	0	4965678	0
	Total Expenditure	58844862	41000000	15422212	2422650

Source: ADDCN, 2008.

The above table shows that contribution on office expenses is near about 16% only. There is very low percent contribution on non-expenses and grant and no contribution on other development capital expenditure. It shows that there should be either increase in grants or give authorities to collect more revenue in new headings. There should be clear distribution of right to collect revenue in new constitution and Act in coming days of federal Republic of Nepal.

4.19 Comparison of Local Revenue versus Recurrent Expenditure

Achham and Darchula have no capacity to collect revenue to fulfill their recurrent expenses. Similarly, Kailali is also not capable to bear its recurrent expenses with other development activities and services demanded by the people. The following analyzes the situation of three districts.

Table 4:17**Local Revenue (Tax, fees etc) Vs Recurrent Expenditure**

Nation and Sampling Districts	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08	Average of 5 years
Nation in Average	1.72	1.48	1.38	0.85	0.9	1.27
Achham	11	25.05	21.31	9.81	6.59	14.75
Kailali	0.7	0.97	2.75	1.83	1.79	1.61
Darchula	41.24	37.53	33.44	38.36	34.08	36.93

Note: Recurrent Exp/Local revenue.

Source: ADDCN, 2008

DDCs are empowered with fiscal autonomy through “Local Self Governance Act and Regulation” 1999 hereafter, they can levy different types of taxes, fees and collect others source of revenue. However, the narrow tax base system with low discretion power in DDCs clearly seen as recurrent expenditure is higher than its local tax, according to national average the recurrent expenditure (salary, allowance, service fees etc) around 1.72 (172%), 1.48 (148%), 1.38 (138%), 0.85 (85%), & 0.90 (90%) exceeds than local tax from 2057/58 respectively. Comparatively with national average of five years (127%), it seems that all three DDCs have exceeded with the sky rate of recurrent expenditure as their capacity for the local tax is lower than recurrent expenditure. Among the 3 DDCs, Darchula DDCs has low capacity for levying in local taxes where as it expenses in average is more than 36.93 (3693%) times in recurrent expenses during the period of 5 years. Similarly, Achham DDC has also low capacity of local tax for the reimbursement of recurrent expenditure whereas Kailai is comparatively better than other DDCs, however, they have not met the indicators of national average.

4.20 Comparison of Internal Revenue Vs Recurrent Expenditure

Internal revenue consists of local revenue and revenue sharing. Ratio of internal revenue vs recurrent expenditure of Kailali DDC has below national average in fiscal year 2057/58 and 2058/59. This ratio of Achham and Darchula is many time higher than Kailali and national average. The following table describes the ratio.

Table 4:18**Internal Revenue (Local Revenue + Revenue Sharing) Vs Recurrent Expenditure**

Nation and Sampling Districts	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08	Average of 5 years
Nation in Average	1.03	0.78	0.69	0.47	0.3	0.65
Achham	6.45	22.63	12.68	6.97	4.34	10.61
Kailali	0.49	0.5	0.75	0.76	0.38	0.57
Darchula	9.03	9.1	7.14	5.91	4.03	7.04

Note: Recurrent Exp/Internal Revenue

Source: ADDCN, 2008

In regards of Own Source Revenue and Recurrent Expenditure, most of the DDCs does not cover the recurrent expenditure as there is domination of revenue sharing (house, land registration, royalty from hydropower, royalty from forest, tourism fees and mines etc)" from central government which is not allowed to expense in administrative cost. In fact, according to LSGA 1999, the amount of revenue sharing has to use in development sectors. Thus, the internal revenue without revenue sharing is not adequate for development sectors.

The above table (Table 2) indicates that the DDCs internal revenue is disbursed more than 0.65 times (65%) in recurrent expenditure. However, the Kailali DDC ranks in above national average also do not sufficient internal revenue to cover the recurrent expenditure. Thus, DDCs are still highly depend on central government grant for capital investment and even for recurrent expenditure as there is inadequate local taxes and low capacity of levying tax to cover the administrative and development cost.

4.21 Analysis of Internal Revenue vs Capital Investment Expenditure

Capital investment expenditure and internal revenue ratio is also very of Achham and Darchula DDC. The ratio is lower than national average in Kailali in fiscal year 2057/58 and 2058/59. Thus, the analysis shows that there should be balance and special strategy for remote and backward DDCs like Achham and Darchula.

Table 4:19

Internal Revenue (Local Revenue + Revenue Sharing) Vs Capital Investment Exp

Nation and Sampling Districts	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08	Average of 5 years
Nation in Average	1	0.79	0.63	0.68	0.4	0.70
Achham	3.76	7.17	6.24	4.35	1.26	4.56
Kailali	0.66	0.61	0.97	1.47	0.42	0.83
Darchula	5.34	3.55	3.84	7.78	1.77	4.46

Note: Capital Investment Exp/Internal Revenue

Source: ADDCN, 2008

According to Table 3, it seems that all DDCs in average are required 70% more amount of internal revenue to balance the capital investment as per the expenditure of capital investment in all DDCs. Kailali, a Terai base district, is required 83% additional internal revenue as Darchula and Accham both DDCs are hilly district are required more than 446% & 456% respectively to cover the existing expenditure of capital investment carried out by respective DDCs.

4.22 Analysis of Internal Revenue Per-capita (in NRs)

Internal revenue per-capita of LGs shows the status of the districts that how they are spending on the welfare of the people. Kailali has more than national average among the three districts. But Achham has lease internal revenue per-capita. Darchula is also at very low than national average. The following table shows the scenario of three DDCs in far-western region.

Table 4:20
Internal Revenue Per-Capita (in NRs)

Nation and Sampling Districts	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
Nation in Average	24	36	37	34	NA
Achham	5	1	3	5	11
Kailali	30	35	23	21	58
Darchula	7	7	9	11	23

Source: ADDCN, 2008

According to Table 4, the Internal Revenue per capita of all DDCs is less than Rs. 40 where Kailali DDC collects the internal revenue less than Rs 35 per person in average and Darchula and Accham DDCs collect the internal revenue less than Rs. 25 per person.

4.23 Block Grant to DDC Per-Capita Income and Expenditure

There was not scientific allocation of fund to LGs until the establishment of Local Body Fiscal Commission (LBFC). Although LBFC has started to suggest center to allocate the budget according to formulae set and demand of the people, budget allocating system is not improved. If we compare the developed nation, national per-capita as well as the districts is not satisfactory. The following table shows the situation of districts of this study.

Table 4:21
GoN Development Block Grant (DDC) Per Capita Income and Expenditure (in NRS)

Nation and Sampling Districts	Development Grant Revenue (GON-DDC Block Grant)					Development Grant Expenditure (GON-DDC Block Grant)				
	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
Nation in Average	175	103	139	204	NA	43	45	51	73	NA
Accham	103	96	78	159	344	19	9	17	23	13
Kailali	45	22	36	46	73	20	22	23	31	25
Darchula	201	108	159	229	379	40	25	35	84	41

Source: ADDCN, 2008

As per the formula base system of grant for DDCs, it is provided based on the formula with the major indicators of Human Index, area and population etc. This adhoc base formula system with out the assessment of expenditure needs has not been sufficient for DDCs. The central government has made policy of formula base grant inline with the policy of MCPM and topping grant can be expected increasing the sources of budget in recent year. However the Table 4 shows that the budget provided by central

government is insufficient and inequitable based on the per-capita and the capacity of DDC to expenses the amount for the livelihood of people is also low as less than Rs 200 per person is too insufficient for the purpose of development.

4.24 Meetings and Time as Scheduled

In Achham, Darchula and Kailali districts, meetings of executive and councils of DDCs, Municipalities and VDCs were conducted according to the schedule prescribed in Rules and Regulations. It is shown in Table 9 below.

Table 4:22

Analysis of Meetings and Time as Scheduled

Particulars		Achham			Darchula			Kailali			Remarks
		FY 1998/ 99	FY 1999/ 00	FY 2000/ 01	FY 1998/ 99	FY 1999/ 00	FY 2000/ 01	FY 1998/ 99	FY 1999/ 00	FY 2000/ 01	
DDCs	Executive	13	14	14	12	13	14	13	14	15	
	Council	Done	Done	Not Done	Done	Done	Done	Done	Done	Done	Due to attack in District Head Quarter
Municipality	Executive	–	–	–	–	–	–	14	15	16	
	Council	–	–	–	–	–	–	Done	Done	Done	
VDCs	Executive	13-14	13- 15	13- 15	12- 14	13-15	13- 15	14- 15	14- 15	14- 15	
	Council	Done	Done	Done	Done	Done	Done	Done	Done	Done	

Source : Annual Review Reports of DDCs, (Achham, Darchula and Kailali) 1999-2001.

The above table shows that except one council meeting in Achham DDC, all meetings of executive committees and council had been conducted according to expected time schedule of Act and Rules. Thus, it shows that if they have financial resources in hand and business to transact, they are regular in meetings according to mandate of the Act and Rules.

4.25 Public Audit and Hearings

According to practice and Citizen Charter of the DDCs and Municipalities public audit and public hearing system has brought change in implementation and its quality. In VDCs, it is not regular in all but most of the projects are completed and final payment is done after completion of public audit. The following table describes the status of public audit and public hearing in the DDCs, Municipalities and VDCs in Achham, Darchula and Kailali districts of far-western region.

Table 4:23**Number of Times of Public Audit and Hearings Conducted**

Particulars		Achham			Darchula			Kailali			Remarks
		FY 1998/ 99	FY 1999/ 00	FY 2000/ 01	FY 1998- 99	FY 1999/ 00	FY 2000/ 01	FY 1998/ 99	FY 1999/ 00	FY 2000/ 01	
DDCs	Public Audit	--	1	1		1	1		1	1	
	Public Hearing	--	1	2	2	2	2	1	2	2	
Municipality	Public Audit	--	--	--	--	--	--	--	1	1	
	Public Hearing	--	--	--	--	--	--	--	2	2	
VDCs	Public Audit	1	1	1	1	1	1	1	1	1	
	Public Hearing	2	2	2	2	2	2	2	2	2	

Source: Annual Report of DDCs (Achham, Darchula, Kailali) 1999-2001.

The above table shows that after promulgation of the LSGA, 1999, public audit and public hearing is started by the LGs. In 1998-99, it was under discussion and council and their executive committees made plan to implement in coming years. But some of the VDCs had already started through some of the NGOs.

4.26 Empowerment of Women, Dalits, Janajaties and Other Minorities

After restoration of democracy in 1990, government of Nepal, with support of the donors, has felt need to empower the people of different class, caste and regions. So, investment in the sector of empowerment is made spontaneously. Although, Dalits and Janajaties and other minorities has benefited less than other so called upper caste, empowerment of women in different subject area has been done which has brought the participation of women in decision making bodies and user committees about 27-33%. The following table has shown some quantitative participation.

Table 4:24

Number of Trainings for Empowerment

Particulars	Achham			Darchula			Kailali			Remarks
	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01	
TOT by DDC on Leadership to Women	43	57	41	35	43	38	59	76	63	
TOT by DDC/NGOs on Leadership, Income Generation to COs and UCs Leaders	85	65	80	65	45	45	105	115	125	
TOT by DDCs/INGOs on HIV/AIDS and Conflict Transformation	75	65	75	55	45	35	85	78	105	
Trainings to Women on Leadership at VDC level	675	1450	1550	500	1125	1300	1000	1750	2570	
Trainings to Women on Income Generation at VDC level	955	1165	1375	725	975	1265	1375	2235	2765	
Trainings to Women, CO members, User committees members on Conflict Transformation and control of HIV/AIDS at VDC level	2315	2455	2700	1765	2300	2275	2765	3575	3860	
TOT by Municipalities/NGOs on Leadership, Income Generation to COs and UCs Leaders	--	--	--	--	--	--	55	75	96	There are not Municipalities in Achham and Darchula when study was conducted
TOT Municipalities/INGOs on HIV/AIDS and Conflict Transformation	--	--	--	--	--	--	75	85	105	
Trainings to Women on Leadership at Municipal Ward level	--	--	--	--	--	--	645	675	755	
Trainings to Women on Income Generation at	--	--	--	--	--	--	1050	1365	1300	

Municipal Ward level										
Trainings to Janajati and Minorities on Income Generation at Municipal Ward level	--	--	--	--	--	--	625	975	1135	
Trainings to Women, CO members, UCs members on Conflict Transformation and control of HIV/AIDS at Municipal Ward level	--	--	--	--	--	--	1125	1175	1355	

Source: Annual Review Report, DDCs (Achham, Darchula and Kailali), 1999-2001.

: Annual Review Report, Municipalities(Dhangadhi and Tikapur) 1999-2001.

The above table shows that different kinds of trainings are conducted to empower the disadvantaged sex, castes, Janajatis and other minorities by LGs with collaboration of different donors and I/NGOs. The above number of beneficiaries may be more in other advanced districts. The trainings has made the people capable to generate income and participate in different decision making process as well as strengthen democracy with the right and duties of the citizen.

4.27 Participation of Women, Janajatis, Dalits and Other Minorities in Decision Making Bodies of LGs and User Committees.

Participation of women, Dalits, Janajatis and other minorities has been increased after fiscal decentralization in Nepal particularly in the study area. When people knew that they have fund to allocate in area of priority they decided, they were very interested to take part in the meetings of executive board, council, user committees, CBOs and NGOs and their activities which has helped to increase the feeling of ownership and sustainability of development and fruits of democracy. the following table describes the increasing situation of participation.

Table 4:25

Increasing Situation of Participation in Decision Making Process in Percent

Particulars	Achham			Darchula			Kailali		
	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01
Women	23	30	32	24	29	31	25	32	32
Dalits	9	11	11	8	10	11	7	9	9
Janajatis	1.5	2	2	3	3.5	3.5	12	13	17
Other Minorities	0.5	0.6	0.6	1	1.5	2	3.5	5	6.5

Source: Field Survey, 2009.

The above table shows that participation of women, Dalits and Janajatis is obviously increased after promulgation of the LSGA and implementation of LSGR in 1999. It was started to allocate unconditional grant to VDCs, Municipalities and DDCs from 1997 by the central government. But after promulgation of LSGA, participation, not only in executive and council of LGs but in user committees and NGOs also increased remarkably in these districts.

4.28 Increment in the Construction of Infrastructures

After restoration of democracy, allocation of the unconditional grant to the LGs is increased. After promulgation of LSGA in 1999, external resources are mobilized with matching fund allocated by the LGs at local level. As the result, investment in infrastructure is also simultaneously increased. The following table shows the increasing ratio of the quantitative development at local level.

Table 4:26

Construction of Infrastructure after Fiscal Decentralization

Particulars	Achham			Darchula			Kailali		
	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01
1. Schools									
Primary	13	11	8	12	13	11	17	15	18
Lower Secondary	6	7	4	4	7	7	9	10	13
Secondary	11	9	7	6	7	5	11	10	9
Higher Secondary	2	4	3	4	3	6	6	5	7
2. Campuses									
Certificate Level	1	2	1	3	2	2	3	3	4
Graduate	1	--	1	2	1	1	2	4	2
Post Graduate	--	--	--	--	--	1	2	1	1
3. Health Facility									
Hospital	1	--	--	1	--	--	2	--	--
Health Post	13	--	--	9	--	--	15	--	--
Sub-Health Post	62	--	--	33	--	--	37	--	--
Nursing Home	--	--	--	--	--	--	1	1	--
Birthing Centers	3	2	4	3	1	2	5	6	6
Homeopathic Medical Center	1	--	--	1	--	--	1	--	--
4. Drinking Water	Add5%	Add 5.5	Add 4.5	Add 5.5%	5%	4.5%	6%	6.5%	5%
5. Irrigation	3%	3.8%	3.5%	2.5%	3%	4%	5%	6%	5.5%
Small	75	90	88	63	75	101	126	150	163
Medium	6	5	6	4	5	5	6	5	6
Big	1	2	3	1	1	2	3	2	3
6. Road									
Clay	57km	46km	65km	63km	32km	43km	87km	112km	95km

Gravel	--	--	--	--	27km	15km	58km	56km	65km
Black Topped	--	12km	15km	--	--	--	25km	19km	27km
Concrete Bridge	--	--	1	1	--	1	3	2	4
7. Suspended Bridges	7	6	6	4	5	3	2	--	1
8. Electrification									
Micro-Hydro Power	45kw	50kw	40kw	30kw	45kw	35kw	--	--	--
Small Hydro Power	--	--	--	--	--	--	--	--	--
Mega Hydro Power	--	--	--						
Central greed	--	--	--	--	--	--	155km	175km	250km
9. Furniture									
Schools	200	100	--	53	24	28	47	54	76
Sub-Health Post	86	45	34	34	25	20	32	22	44
Campuses	64	70	35	44	65	32	86	65	95
10. VDC Buildings	4	--	--	3	1	--	3	2	--

Source: Annual Review Report of DDCs, (Achham, Darchula and Kailali), 2002.

The above table shows that there are infrastructures added every year with collaboration of different stakeholders. Kailali has increased more than the other two because of her more internal income. Darchula has least among all due to road not linked to district head quarter and depending upon Indian road through Tanakpur to Dharchula (DDC Profile, Darchula).

4.29 Participation of People in Decision Making Process

Having unconditional grant and internal income increased according to the provision in LSGA, 1999, people in different segment has taken positively and their participation and involvement in decision making process is also increased every year. Due to trainings and orientation to the members of executive board, council and user committee, awareness level of the member is increased by which their capacity to inquire about the development activities and services has also been increased. The following table describes the increasing participation of the people. Although, it was affected by the insurgency in the country created by Maoists, it has a created positive attitude of the people in favor of the local government.

Table 4:27

Participation of Women Dalit, Scheduled and Minority Caste in Decision Making Unit

Particulars	Achham			Darchula			Kailali		
	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01
Women	19%	21%	22%	20%	22%	22%	20%	22%	23%
Janajaties	3	3.5	3	5	5.5	6	23	25	24
Dalits	7	7.5	8	6	6.5	8	7	7.5	9
Other Minorities	1.5	2	2	6	8	8	8	9	9

Source: District Profile of Achham, Darchula and Kailali.

The above table shows that participation of women is increased after 1998-99. Women are very interested to make plans effective and sustainable. In Kailali, Tharus as Janajatis has increasing ratio in participation. Provision in Act and rules has made compulsory and participating in different meetings and trainings, Dalits and Janajatis have increased their awareness level too.

4.30 Implication of Monitoring and Evaluation at Local Level

Monitoring and evaluation is very weak at all level of government in Nepal (Peer Review Report, 2000). There is provision in Act Rules and Byelaws for monitoring. It is not regular and effective. However, process monitoring has given positive results, but monitoring and evaluation for quality is very weak at local level. Chairmanship of monitoring committee by the Member of Parliament seems very ineffective. Committee chaired by the vice-chair of the LGs is also not regular. They don't use effective tools but they do participatory monitoring with different stakeholders by which transparency and ownership is increased. But without elected representative, it is to be done by out source to maintain discipline in LGs. Some positive indications are described in the following table.

Table 4:28

Status of Monitoring and Evaluation

Particulars		Achham			Darchula			Kailali		
		FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01	FY 1998-99	FY 1999-00	FY 2000-01
Meeting of Monitoring Committee	DDC	3	2	2	2	2	2	3	2	3
	VDC	--	--	--	--	--	--	--	--	--
	Mun	--	--	--	--	--	--	3	3	2
Calendar of Monitoring and Evaluation	DDC	A	NA	NA	A	A	NA	A	NA	A
	VDC	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Mun	--	--	--	---	--	--	A	A	A
Techniques and Tools used	DDC	Participatory	Participatory	Participatory	Participatory	Participatory	Participatory	Participatory	Participatory	Participatory
	VDC	"	"	"	"	"	"	"	"	"
	Mun	"	"	"	"	"	"	"	"	"
Improvements in Implementation of Projects	DDC	3%	3.5%	3%	2.5%	3%	3%	5%	4%	5%
	VDC	7%	6%	5%	6%	7%	7%	5%	6%	7%
	Mun	--	--	--	--	--	--	7.5%	8%	8%

Source: Field Survey, November 2009.

The above table shows that there has been positive change due to monitoring and evaluation in the districts. Study about monitoring was done on 5 projects only. It may not reflect the whole situation of monitoring in these districts. But whatever is done has positive results.

4.31 Adequacy of Grant to Local Bodies

There were taken interview by researcher from key informants about the adequacy of grant allocated by the government of Nepal. DDCs, VDCs and Municipalities are weak in internal resource generation. So, unconditional grant for the LGs seems to be increased. There are different views and analyzed according to the following table.

Table 4:29

Adequacy of Grant to Local Bodies

S.N	LG/Alternative	Achham			Darchula			Kailali		
		Ade-quate	Not Ade-quate	Don't Know	Ade-quate	Not Ade-quate	Don't Know	Ade-quate	Not Ade-quate	Don't Know
1	DDC	25	65	10	20	75	5	30	65	5
2	VDCs	15	65	20	10	70	20	25	70	15
3	Municipalities	--	--	--	--	--	--	10	80	10

Source: Field Survey, November 2009.

The above table shows that more than 65 percent respondents has given their views on having not adequate grant to local bodies. It varies in different LGs. Therefore, central government is increasing grant every three or four year. But there are questions arising whether the allocated fund is properly used without elected representatives from 2059 BS (seven year). In new constitution building process and restructuring of the state, associations of local bodies (ADDCN, MuAN and NAVIN) are also arguing to increase grant with clear division of functions and human resource.

4.32 Resource Generating Capability of Local Governments

Respondents have given mixed response about the resource generating capability of LGs. Maximum of the respondents have view that LGs have very limited capacity to generate internal resources and to render services at local level. But some suggested that there should be capacity enhancement package so that LGs should be capacitated simultaneously. The following table describes the views.

Table 4:30

Views of Resource Generating Capability of LGs

S.N.	Views	Percentage		
		DDCs	Municipalities	VDCs
1	Very Efficient	1	2	0
2	Efficient	51	76	26
2	Weak	48	22	84
	Total	100	100	100

Source: Field Survey, November, 2009.

The above table shows that VDCs and DDCs are weaker than the Municipalities. It also shows that there should be human resource as well as the authority of tax collection and its wider range and sphere. Some of the DDCs at southern part and Kathmandu valley are more capable but it is very low in research findings.

4.33 Restructuring of the LGs

Researcher had put the question that "How do you feel the necessity of restructuring the composition of LGs to have equal resource base?" The opinion of respondents was in favor of change to make equal resource base. It is shown in the following table.

Table 4:31

Views on Necessity of Restructuring of LGs

S.N.	Views	Percentage		
		DDCs	Municipalities	VDCs
1	Very Important	79	65	82
2	Important	17	36	15
2	Less Important	4	9	3
	Total	100	100	100

Source: Field Survey, November, 2009.

The above table shows that more than 60 percent of the respondents has given their opinion to restructure the LGs. Unit of the LGs should be viable to generate the resources and render the services to the people as their demand. This process is under discussion in new constitutional building process.

4.34 Availability of Human Resource

For the collection of views the researcher has asked a question that "Whether skilled manpower are available in LGs to implement fiscal policy?" Respondents have shown their responses that there is limited human resource by which services can be rendered and assigned tasks can be performed. The following table shows the views of the respondents in the study.

Table 4:32

Views on Availability of Proper Human Resource

S.N.	Views	Percentage		
		DDCs	Municipalities	VDCs
1	Sufficient	3	4	0
2	Moderate	79	89	15
2	Insufficient	18	7	85
	Total	100	100	100

Source: Field Survey, November 2009.

The above table shows that moderate option for DDCs and Municipalities is 79 and 89 percent respectively. In VDCs, 85 percent viewed on 'insufficient'. They have meant skilled manpower is necessary for VDCs regarding policy implement. they have also recommended skilled manpower for DDCs and municipalities as well.

4.35 Development of Grant Allocation Formula

The general intent of most fiscal grant mechanism is to provide funding to sub-national governments in a way that compensates for fiscal disparities across region, so that citizens have (more or less) equal access to government services across the national territory. Fiscal disparities arise from two main sources. First, is related to fiscal capacity of districts-revenue-raising capability and second, in their expenditure needs. In addition, differences in expenditures needs could arise from different demographic profiles, incidence of poverty and unemployment and so on (DFDP, 2002: 7).

According to provision in LSGA, 1999, central government should allocate grant on balance development basis and formulae in every three or four years. The following table shows the views of the respondents.

Table 4:33

Views on Developing Grant Allocation Formula

S.N.	Views	Percentage		
		DDCs	Municipalities	VDCs
1	Highly Necessary	75	63	77
2	Necessary	18	28	18
2	Unnecessary	7	9	5
	Total	100	100	100

Source: Field Survey, November 2009.

The above table shows that respondents have viewed high necessity of formula for developing grant allocation as 75% for DDCs, 63% for municipalities and 77% for VDCs respectively. Only below 10% have viewed that formula is unnecessary. Thus, it is prescribed that central government should set formula and allocate the grant for the local governments. It is started by LBFC in Ministry of Local Development and MCPM is also linked to the allocation of additional grant as topping up grant for LGs through LGCDP.

Chapter Five

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

Nepal has been overwhelmed by great needs of modernizing agriculture, extending education, improving health, generating power and producing manufactured goods. Above all, subject has not vastly expanded her transportation and communication networks to achieve all-round objectives in considerable degree. Bureaucracy is blamed by *redtapism*. Government has expanded its functions to cope with the changing philosophy of governance. Maintaining peace and security has become a tuff task now. Growing needs and raising expectations of the people may not be fulfilled by the government' efforts alone. Now, the time has come to search for various partners of the government. Change has become inevitable. All of these issues can be addressed only by the concept of new public management. Decentralization is very effective process to make partners of government to a considerable extent. The key to meet these whole gamut of needs is now only through effective fiscal decentralization. We can also achieve encouraging peoples' participation for national development. Thus, through fiscal decentralization, people could success to translate their desired needs into action. A meaningful endeavor makes people more sovereign by deciding their own development paths.

After the restoration of democracy in Nepal, it has accepted decentralization policy, through organizing two tiers of LGs. Government has adopted a policy to venture with private organization as much. I/NGOs and various CBOs may be the partners inventing governance through tiers of local government. In order to maintain political stability and to provide quality services as desired by the people is possible through local self-governance and good governance. Aiming to meet the primary objectives of decentralization for effective delivery of public services to the people locally through democratically constituted LGs, which is a main theme of fiscal decentralization in Nepal. For a successful implementation of fiscal decentralization, it is essential to formulate effective policy for identifying and assigning functions to LGs that can be easily adopted.

Local self-governance Act, 1999 has devolved some fiscal powers, but we could not address all the difficulties by fiscal policy to LGs. They are still facing grave challenges related to financing their services to the people. The central government has not been able to allocate adequate budget for providing services to people as it is under pressure to observe strict fiscal policies and financial austerity measures. The fact that most of the functions and responsibilities provided by the central government overlapped with those assigned to the LGs indicates that there is a clear need to look for alternative ways to meet financial requirements of the LGs. Still in the fiscal policy , that is accepted also by LBFC report, some fiscal management weaknesses on: clearly assigned functions and responsibilities, wide revenue base, clarity about the sources of revenue (tax) sharing, sufficient grant and scientific grant-in-aid system, center as well as local fiscal management. Implementation by three districts in

far-western development region has shown that resources generated at local level and unconditional grant allocated by the central government has changed the development pattern of the district.

Whilst carrying out improvement in the fiscal system of LGs, consideration must be made to balance the four key aspects of fiscal decentralization. First is Legal, institutional framework and coordinated processes, second financial resources of LGs and their relationship with central authorities, third, management capability of LGs, and the fourth is use of financial resources and public satisfaction. These aspects have strong interrelationships, both complementary and supplementary. Hence, the given recommendations and suggestions should be taken in a balanced manner with a holistic approach. Thus, there are many fiscal related problems, but fiscal related issue is not only the issue inhibiting decentralization but there are political and institutional problems too. Like a soufflé that requires just the right combination of milk, eggs and heat to rise, a successful program of decentralization must include just the right combination of political, fiscal, and institutional elements.

Prior to be introduced some thing, some difficulties have to face is common understanding. To overcome the problems, it is generally found to implement the existing fiscal policy at first then implementation at the LGs and if necessary to change the policy, also should make reform. Fiscal sustainability is essential for effective implementation of fiscal policy. That can be achieved in long run. Therefore a vision should be developed to strengthen the LGs to have competent to provide speedy, easy access and quality service to the people. Efficient human resource management in fiscal management, skilled and motivated manpower may be success to handle all the problems related management and implementation. Devolving more resources to LGs can be fulfilled sufficient resources to provide desired services. There is necessary to uplift the capability of LGs in resource mobilization as well as transparent and efficient resource utilization is essential. For sustainability of LGs in financial resource, develop self-revenue-raising mechanism into every LGs. Similarly, strengthening the existing structure of LGs could be made viable having and allocating more equal resource bases. For the exploitation of local resources grant should provide for weak LGs within certain time.

Autonomy seeks both responsibility and accountability for good governance. Though the path is not easy, the endeavor make more purposive and effective, should emphasize on fiscal decentralization activities in a sustainable manner. The LSGA, 1999 and current several attempts derived towards the progress and its future potentialities. People seem more optimistic towards current fiscal decentralization efforts; it means the future of fiscal decentralization generally seems bright.

5.2 CONCLUSION

For the shake of well establishment of the democracy, decentralization is inevitable. Decentralization is not possible without adequate financial resources. this is also called fiscal decentralization. LGs in Nepal are real owner having good resources. They have the greater potentialities having a local resource, which needs to mobilize for overall national development. Unfortunately, LGs are roaming around for the

searching of resources rather fostering their indigenous sources in the absence of research and development, lacking of knowledge and skill to mobilize the available resources. Still heavy amount has been transferring for local development; government has laid down on heavy burden in cause of LGs. Side by side, LSGA, 1999 has entitled various taxes and other income for LGs. Either the inactiveness of LGs may not success to mobilize the resources or the existing resource power is not practical, the study also have found some facts. This is also very necessary known for provision is sufficient of not. For the policy making, it can play the significant role for the concerned stakeholder too. The attempts over fiscal decentralization in earlier stage drawing the lesson could be corrected into future action. For this, DDCs, Municipalities and VDCs and other local working organizations should treat differently but need to go integrative.

Secondary source is the main source from literature review as well as questionnaire the primary source has been used for analyzing the findings. Nepal is in very initial stage in fiscal decentralization policy introduction, probably first in the south Asia. However, LGs in Nepal are not able and supporting to center from resource collection locally like Uganda, which is the best example of revenue collection and resource . Uganda is the country that LBs are financially so strong. LGs are able to contribute (in an around 80 percent) for national economy (national budget). Now Nepal cannot stand in such kind of local support is factual reality. Kathmandu metropolitan city is one of the strong LG, have not yet reached on the stage of basic infrastructure development, the others are not managing the density of people having basic urban infrastructure. DDCs can play vital role in initial stage of decentralization, but in practice it is not materialized as the expectation of the people. As a coordinating agency, DDCs have not done local coordination as expected but themselves are suffering from traditional management. The burdensome of bureaucratic dilemma did not distinct with traditional local administration. If someone wants to provide food governance into grassroots level, the role of development agency could be strong e.g. LGs in Nepal. Role of district government should be more linked with coordination, trainings, medium and long term plans and lobby and mediation for the two or more VDCs and municipalities in future restructuring of the local government in new constitution of Federal Republic of Nepal.

During the lack of resources the principles of self-governance were not explicitly taken into account and local government institutions were still seen as genuine local governments. Similarly, having not enough autonomy guaranteed by law (Central government can suspend or dissolve local government) couldn't ensure the devolving more resource and power to the local level so that the ownership and autonomy have laid down in shadow. Having not enough expenditure and taxation power couldn't been achieved fiscal autonomy in LGs. And the disadvantaged sections were not explicitly brought into the local governance framework as per the pluralistic decentralized governance culture.

That will live forever assigned duty and responsibilities of LGs have not able to perform in cause of scarcity of financial sources. Peoples participation and decentralization scheme have not been effective in lacking of adequate resource. On the other hand local government is not self competent to mobilize and utilize

efficiently. Poverty and social distortions have been gradual growing. Peoples' expectations have been grown with political freedom could not grasp by local government in time and country was suffering from conflict related insurgency. However, to some extent, it is now agreed after 12 point agreement between government of Nepal and Nepal communist Party (Maoist) and election of Constituent Assembly is held and new constitution is going to be build within 2 years, fighters of Maoists are going to be affiliated in different security agencies and other sectors and Monarchy is abolished after establishment of federal republic of Nepal. In spite of good governance people get various difficulties in providing delivery of government service rather get corruption and unhealthy competition between various political ideologies.

The research has found on local governments' financial and human resource base is not adequate as well as quality mobilization and utilization of it. But DDCs has mobilized the people and increased resources which is not sufficient to fulfill the demand of the people as well as the lower tier of the local government e.g. VDCs. Out of them current resource base of DDCs and Municipalities is significant, but VDCs is inadequate. It also differs with districts and regions. Donor funded DDCs and VDCs are comparatively capable having some resource collection, others are weak. it is also found DDCs and VDCs have little better if they have got external support. Majority of the VDCs, Municipalities and DDCs are not capable to financial resource collection. Besides the LSGA provision, in spite of various development activities which has led the districts towards bright horizon of the future development and prosperity, DDCs of these three districts are not able to apply various tax and other revenue collection strategy and schemes.

Due to greater variance on geology, political and cultural diversity single and similar rule in regarding resource provision could not use into practice. The existing composition of LGs is not suitable or viable for function to be delivered in Achham, Darchula and Kailali. From the study is found, this is delayed rightsizing the numbers and reform the formulation of LGs. This study has emphasized to make rational and equal as far as possible, good examples of some development activities of the districts and strongly agreed to reform for better. It should focus to LGs making strong pillar if development with national vision. DDCs composition is similar with parliamentary system, but indirectly elected by VDC and Municipality council members. But appropriate candidate could not get success to be elected and various malpractices have been practiced.

Human resource is prime sources of all resources, which is also called live/dynamic resources and driver of all resources. The research has found the human resource is essential for effective fiscal decentralization. The leader as well as people has not drawn attention towards the local skill and local resource. Indeed various efforts were started for rural development, peoples' participation and self-sourcing activities may not sustain. The central plans were forced rather locally felt needs were not in priority. Capability of formulation and implementation local plans locally was found very insignificance in general. But paradigm is shifted in remote districts as the study has found.

The resource allocation system between the LGs in Nepal have hardly found practicable except some cases. Resources equalization aspect is much emphasized on social and national perspective. The central government has played the dominant role in virtually all expenditure and revenue decisions. The central government collects and spends an estimated 97 percent of total government revenues and expenditures, while the local governments spend about 3 percent. In contrast, local government in Nepal has relied on a variety of sources of revenues. The VDCs and DDCs rely heavily on central government grants. Cases are ultimately same in Achham, Darchula and Kailali DDCs and their VDCs. There are, however, a limited number of taxes which could be called "shared taxes"; namely, land revenue, land taxes, fees and sales revenue. In general, revenue allocation in Nepal appears consistent with theory and international practices. The international trade taxes and major commodity taxes including VAT belong to the central government, while central and local governments tend to have authority to apply user charges and fees for the services they provide. Although there are no tax surcharges, Nepal does have a simple, but largely ad-hoc system of revenue sharing. Similarly, intra sharing of revenue in LGs have much practiced as allocation cannot be found in Nepal. The study of efficiency of resources allocation has also been found premature. After establishment of federal republic of Nepal, discussion on the topics is also in progress. How many tiers of governments will be built and rights and functions to be given will decide the allocation of grants and resources. But revenue collection as well as fixation of taxes also should be given to the local governments.

One of the issues of present fiscal decentralization has been raised in unscientific and irrational grant distribution. Intergovernmental grants are sent from the central government to DDCs, VDCs and Municipalities for development purposes (Both on a conditional and unconditional basis) and grant funding is provided on a discretionary basis as part of the annual budget process. Majority of such kind of grant for LGs due to political affair and personal contracts of governing leaders have been distributed and recently reviewed for distribution through formula basis after implementation and testing of minimum condition and performance measures (MCPM). Sometime grant is distributed on equal basis for all rather never been applied any scientific basis. All the practices have necessary to replace by making rational grant allocation formula for certain period. VDCs are also started to allocate grant starting Minimum Conditions (MC). But restructuring of the state and without election and elected representatives, implementation is very undemocratic and corruption is increased. Therefore, measures are to be applied after and before the restructuring of the state for reasonable allocation of grants according to principles of fiscal decentralization.

The utilization of fund should be guaranteed and after certain period grant should be replaced by strengthening internal capability and gradual reform then by actual state evaluation. This research has found that the existing policy on subsidy of the DDCs should be revisited, municipalities should be fostered new resource and develop self-revenue raising mechanism and fund of the VDCs should be utilized. There should be special strategy for utilization of the funds for the transitional period and consensus modality for the future structure of the local governments should be discussed and included in new constitution. Coordination part of the DDCs in the districts is

important and the structure should not be destroyed without any discussion in the field. Whatever development work done in the past by the DDCs are comparatively more important after restoration of democracy. Because, 5 year district period plans and 20 year district transport master plans were made approving by the district council and were started to follow in implementation. Without election and elected representatives since 2002, improvements done by the LGs are shadowed and minimized due to armed conflict created by the Maoists.

Responsibility and downward accountability has been found in decreasing stage due to lack of elected representatives at local level. Public hearing system has been less effective and due to which peoples' grievance handling system also has not been properly established. Financial accountability has not been found on performance base rather it has been found traditional basis. The district periodic plans have not been applied properly at present due to lack of elected representatives and rotational representation of the political parties at present. Sometimes LGs have not applied the LSGR and its financial rules in record keeping. No transparent and scientific use of resources have found in some of the activities of Achham, Darchula and Kailali DDCs. This is the symptom of other districts too. Assurance of good governance from the present manpower and such kind of institution hardly could be achieved without restructuring of the local units and clear assignment of works to them.

No doubt, decentralization is in the initial stage in Nepal and fiscal decentralization is one of the important aspects on it. Nepal is facing various difficulties to run it smoothly, specially financial and managerial problems. As policy various efforts have already done for fiscal decentralization. On policy implementation and implementation activities at district and lower level, various hindrances have spread. In the study, major financial problems and achievements have been defined by order both in policy and implementation. The major problems were identified as unskilled human resource, insufficiency of resource, centralized fiscal policy weak fiscal management and information system, over politicization, indistinct revenue collection criteria, weak transparency and grant allocation system.

5.3 RECOMMENDATIONS

Decentralized governance is still in evolving stage and also need to strengthen adequate capacities at the central and local levels (District, Village and Municipalities) for effective implementation of the provisions of LSGA. Side by side the efforts on policy monitoring and corrective action can be applied for the removal of constraints.

Beyond doubt, there have been appearing some sorts of financial problems for smooth operation the fiscal decentralization policies in Nepal. From the study, some of the potential solutions were identified. There is the managerial efficiency in the tuff task. Management is the skill to perform any task towards finding out desired some production. Fiscal decentralization seeks such kind of fiscal management to translate policy into action skillfully. Another solution is of lacking of resources is either devolving more resources of providing grants to recurrent the cost for certain period. For sustainability of fiscal decentralization is necessary to increase capacity in resource mobilization as well as develop self-revenue-raising mechanism.

Accountability and autonomy can be achieved through transparent and efficient resource utilization. Balance development can be achieved making equal resource bases of LGs, which can be achieved through restructuring of LGs in the process of restructuring of state in new constitution. Achham, Darchula and Kailali districts are also governed by the Act and are affected by the problems and are to be reformed in new era.

Theoretically study has found that fiscal autonomy cannot be achieved by applying any one measure rather it could be introduced integrated approach. Different strategy should be applied in LG wise. Policy itself does not make the solution along side depend on implementation. For the achievement of fiscal autonomy, first of all, it should achieve sustainability of fiscal decentralization in local government. For achieving sustainability, LGs should involve more people in resource mobilization and utilization in terms of fiscal decentralization.

Main theme of fiscal decentralization are: developing effectiveness and efficiency of fiscal administration, delegating the authority of decision making on collection and expend the sources, developing the leadership for maximum mobilization of local resources and means and solving the local problems according to local needs. For sound fiscal decentralization, it should be designed the revenue criteria apt with country specific. In designing revenue criteria independently, the policy and administrative structure for individual revenue instruments should be based on the ground of the revenue potential, economic efficiency, equity, administrative feasibility and political acceptability.

Central support for fiscal decentralization is much important to enhance the capacity at the local level in the initial stage. Need to have appropriate strategic approach and guidance of sector devolution, there is an obvious need for improved administrative and management system at the local level as per the LSGA spirit. Broad-based revenue generation, effective resource utilization (internal as well external) and appropriate budgeting is needed. The role and functions of central agencies vis-à-vis with that of local governments and the transfers of fiscal and technical responsibilities need to be further clarified. Central backstopping to LGs for their effective performance, accountability and control has to be further strengthened. While this implies that support and backstopping is a prerequisite for devolution, efforts should be towards implementation of devolved responsibilities and building and learning from experiences as the process evolves.

5.4 Specific Recommendations:

1. In financial sources and fiscal transferring for LGs, there have been some specific recommendations for improving on fiscal policy. LGs should be given authority to identify tax base and fix tax rate on specific items such as sales and export of herbs, agricultural and animal by-products, excluding trade of endangered species of herbs and prohibited animals or their by-products. LGs should be given authority to fix tax rate on businesses in permanent and temporary markets, shops and professionals in close consultation with professional and commercial organizations. Lower level LGs should be given the power to fix tax rate on extraction and trade of non-metallic and non-

petroleum products based on construction-oriented minerals (such as minor local mines, slate quarries, sand and boulders along rivers/rivulets) along with authority for registration and renewal of such businesses/firms.

2. Provision should be made for LGs to levy taxes on export of agricultural products from their respective areas. However, arrangements should be done to collect the tax at source instead of obstructing the movement of goods by putting on road barriers. A suitable method of collecting taxes should be mutually decided between the LGs and organization of concerned businesses. LGs should be given authority to identify taxable vehicles and means of public transport (like road, cable car) and fix tax rates in consultation with user groups or professional organizations. If such as tax source services more than one district or jurisdiction of LG, there should be a provision of joint taxation. As LGs are to increase employment opportunities at local level, the LGs must focus applying practical measures to attract the industries/professions by providing tax incentives or concessions as appropriate. Likewise, Achham and Darchula DDCs have not sufficient resources to invest on industries and professions. Infrastructures like road bridges and electricity is also limited but under developed for industrialization. Kailali DDC has more opportunities than Achham and Darchula because of the probabilities of multiple taxes and service charges and developed infrastructures as well as facility of boarder to India.
3. Over the issue of granted-in-aid policy, increment of the amount of grants of the central government, are to be transferred to the LGs. The amount to be granted to a LB should be determined by the considering factors such as area, population, performance or capacity to spent, status on HDI, remoteness, status of development of the area, financial discipline and fiscal efforts of the LGs. The formula giving due weight to these factors should be transparent and implemented properly. The amount of discretionary grants being provided to the DDCs and municipalities should be incorporated in the grant-in-aid system. If it is essential to provide additional grant, it should be done in accordance with following Act and rule. The administrative grant should be differed from development grant and also should increase net development budget. There is urgency of mechanism and procedure within the LGs to manage the local fund and to avoid the duplication of functions with the center.
4. Establish the ownership of LGs in public, fellow and other land, such as the government policy should clear about the responsibility over public grazing land, waste land, sewerage, road, central square yards, river banks etc. It has become necessary to prepare an inventory of such property and delineate the ownership and transfer the ownership right to property suitable for LGs, enabling them to lease or otherwise use such properties for income purposes without having an adverse impact on their cultural and environmental aspects.
5. Gradual removal of local development tax for municipalities as the local development tax was imposed as an alternative to substitute *Octroi* tax being levied by the municipalities. In the name of trade facilitation, *Octroi* is the vital source of municipalities, which was contributed approximately 67 percent of

own revenue source, should not be replaced by *ad-hoc* local development fee. Rather it should be promoted by providing extra other revenue facility by establishing lean and efficacy tax administration system to the concerned traders. At present, the tax is realized by custom officers, deposited in a central account and distributed to the municipalities. As this fee is not included in the fiscal sources of the municipalities they have no right to exercise permanently. So it cannot be a permanent revenue source for them and it is in appropriate to retain such a source that may tax fiscal effort of the municipalities for long. Therefore, it is advisable to provide assistance to municipalities for effective exercise of their fiscal authorities and increase financial autonomy based on their institutional capacity to increase revenue. Thus, proportionate to the increase in revenue from other sources, the local development tax should be gradually removed within a specified time. Property taxes are logical local level tax, which could be established an effective tax bases.

6. Fix a maximum and minimum limit of the taxes and fees, to retain the present provision under which LGs can decide the rates; upper and lower limits should be fixed in all other sources (tax, fees and fines) of the LGs. Revise the ceilings on rate of tax, as it is necessary to revise the rate of taxes and fees. As an example, for majority of the VDCs land revenue appears as the main revenue sources. According to the prevailing rates in many remote VDCs, the land revenue does not seem to cover even the administrative costs associated to it. Likewise, under the present policy, agricultural sector is free from taxation. Therefore, it is important to revise the rate of land revenue so that it allows scope to levy it on the basis of local conditions. Similarly, revisions made in respect of other taxes have likelihood to have a positive impact on revenues of LGs.
7. Inappropriate sources to be removed or re-adjusted such as sales of non-renewable materials (boulders, aggregates, sand, slate etc.): to be transferred to lower level and certain share transferred to DDCs, taxes on road, tracks, bridges, irrigation canals, ponds, local development fee, registration and renewal of river crossing sites, registration and renewal of fishing license. In Achham, Darchula and Kailali districts, scenario is ultimately same except some extra-ordinary cases.
8. In allocation of resources as tax-sharing with DDCs, the sources of tax by the central government that need redefinition or improvement, property (land and house) registration fees, royalty from mines, royalty or other incomes from forests, royalty from electricity generating power houses and tourists entry fees. The additional source could be identified as improvements needed in the present revenue sources of lower LGs. The revenue authorities that need re-definition and improvements like integrated property tax etc.
9. In transferring the functions and responsibilities to LGs, there should be matching classification of LGs with assignment of functions, matching financial resources with functions, defining the role of DDCs, strengthening management capability of LGs, human resource and office management,

involvement of stakeholders in taxation, implement program for strengthening the organization of LGs.

10. Strengthening accounting system of LGs should improve in the LGs, private sector and CBOs should clearly state their positions and policy towards each other. Similarly, system of supervision and control, policy on utilization of revenue, strengthening the accounts and audit systems of LGs, strengthening of the accounts committees of LGs, formation of accounts and audit board should be added.
11. In institutional improvements, there should be activate the permanent Fiscal Commission of LGs, which was already formulated, provision of LGs service, provision of LGs tax advisory committee, participation of LGs association in the central revenue advisory committee and financing institution for LGs. Enhancing the effectiveness of fiscal decentralization, not only all provisions made in the LSGA-1999 and Rules should be made active and effective side by side but review the number of structure of LGs and create a special regulation for capital city Kathmandu which is under discussion in the process of new federal constitution of republic of Nepal.
12. Special provisions for the areas having no banking services should provide, special provision regarding timing of fiscal transaction for the remote and mountainous districts like Achham and Darchula, designing of tax offices of LGs should not be delayed, continuity in the financial operation of LGs, qualitative aspects of LGs personnel should be fostered and financial assistance and contingency expenses should be allocated.
13. Unconditional grants to the LGs allocated by central government should be increased to invest according to the needs of concerned LGs according to the formula. LGs, which are in remote (like Achham and Darchula) area and weak in revenue collection, should be given comparatively more grant than prosperous one for Certain period for Balanced Development and Growth. Monitoring system, tools and techniques should be applied according to the Act and Rules including public audit.
14. Capacity enhancement package should be developed and implemented through associations of LGs and LDTA or any new institutions who will be assigned in new Act.
15. Constitutional arrangements for LGs in new constitution of federal republic of Nepal is most with legislative, executive and judiciary rights including self governance and right to self determination on natural resources.

In sum up, Act or any institutions do not create miracles overnight. Neither these work as panacea for all the ills of the society in which it is to be operated, nor it is only one remedy. According to legal framework within which a system or institution(s) could operate effectively under certain conditions.

The financial revenue sharing system will need to transfer revenue on a block sum basis to overcome problems of vertical imbalance, on a formula basis, which is just started by MoLD, to overcome problems of spatial spillover/externalities, and on a

categorical basis to directly pay for central government mandated services, which are not directly of local interests. This study has recommended the scientific grant allocation formula according to LSGA provision respecting population, status of development, minimum requirements, resources bases absorbing capacity and remoteness. The central supports should translate their self-capacity building and balance development of the nation.

In modern days, sub-national governments have important role to focus on the agenda of economic development. Decentralization is the main theme of modern nation states. Especially in developing countries, it is a fundamental means to improve service delivery system and satisfaction of the people. Most of the developing countries are favoring decentralized model of government. Nepal is also in the transitional stage of restructuring of the state in new constitutional building process so not exception on it. That is why, in a country like Nepal, where central government is not doing well, decentralization has its important role in accelerating development activities according to demands of the people.

Revenue policy is in the reform process, as fiscal decentralization of state sovereignty power devolves into sub-national level. Political emphasis is much given to down load the role, responsibility and accountability. There is close relation maintained with the people consists on LGs so that they are more identical to about the people to fix the priority and get immediate reaction. Therefore, fiscal decentralization is inevitable.

Despite optimum resource mobilization and proper utilization of sources, we could not get success on it. Government of Nepal has entered into fiscal decentralization system recently. Overnight best results may not be acquired. It is well known that LGs are made financially strong by one way or the other. However, in real practice, the central government did not try to devolve the fiscal power to LGs. Policy makers only tried to make the local level bodies' front level organizations dead against the democratic movement. After the restoration of democracy too, the concept of local governance has been a showpiece of each government. As a result, six study groups including the committee constituted in 1999 under the chairmanship of Mr. Sher Bahadur Deuba, then Prime Minister, were formed to have a detailed study in this regard. All these study groups have recommended that fiscal decentralization could be instrumental in strengthening democracy and accelerating economic development. But, in real practice, it has been only a means of providing lip service rather mainstreaming government services and not the policy to be carried out to implementation. The result is that local governments became weak and inefficient due to limited resource mobilization and financial management capacity.

Government should build the confidence for full-fledged fiscal decentralization. First of all, government should mentally prepare for change agent. In spite of the traditional mentalities, they should prefer to be the facilitator and regulator in practice too, which the government has spelled out in current plan. LGs are not separate body of central government; they should make the helping hands of the government. Thus every activity of LGs should reflect upon the state as a whole. The state must provide appropriate decision for real fiscal autonomy of LGs; all of

the problems should manage locally by institutionalization of fiscal decentralization.

Lack of accountability, transparency and excessive distribution of resources to small projects without any planning as the issues related to decentralization, the traditional behavior of employees, lack of understandable cost estimate form, lack of understanding of financial rules and regulations by elected representatives, lack of appropriate mechanism for financial monitoring, inspection and evaluation, lack of strict adherence to financial discipline in all levels as the major problems related to fiscal decentralization. Identifying the above recent problems, this study suggests to all the decision maker and policy maker to make commitment and take action through their future behavior to translate the policy into outcome.

Clearly assignment of functions and responsibility to LGs, widening the revenue base, clarity about the sources of revenue, adequate and scientific grant system, proper supervision and control, efficient fiscal management capability of LGs, more supportive relationship between central government agencies and LGs etc are the measures of managing the problems related to fiscal decentralization. From the study of all of the fiscal related problems are manageable, further research should be done in policy implementation level so that it could be ensured for real fiscal decentralization in Nepal.

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Request Letter

Dear Sir/Madam,

In connection with the partial fulfillment of the degree of Masters in Rural development, I have been concluding research on **Fiscal decentralization in Nepal: A Case Study of Three Districts (Achham, Darchula and Kailali) in Far-Western Region**. To gather some information in this regard, I have enclosed a set of Questionnaires and request you to fill in the Questionnaires at your earliest convenience. In the meantime, I would like to assure you that your responses would be kept strictly confidential and used only for my research work.

With Regards

Yours Sincerely,

Krishna Prasad Jaishi

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Thesis Guide

Dr. Pradeep Kumar Khadka

Head, Central Department of Rural Development,

Tribhuvan University,

Kirtipur, Kathmandu

Questionnaire

Date:

District:

VDC:

Ward No:

Tole/Village:

1. General Information of Respondent:

Name;

Age:

Caste:

Sex: Male: Female:

Religion:

Occupation:

Organization: Designation:

Education Level:

- | | | |
|---------------|---------------------|--------------|
| i) Illiterate | ii) Literate | iii) Primary |
| iv) Secondary | v) Higher Secondary | vi) Graduate |

2. How do you access the current resource base for Local Bodies (LBs) i.e. DDCs, VDCs and Municipalities; in terms of Fiscal Decentralization? Please tick mark (T).

S.N.	LBs/Alternatives	Maximum	Sufficient	Inadequate
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

3. Is the current capacity of LBs in collecting revenue under the existing provision of Local Self- Governance Act (LSGA), 1999 adequate?

S.N.	LBs/Alternatives	Highly Efficient	Efficient	Weak
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

4. How do you feel the necessity of restructuring the composition of LBs to have more equal resource base?

S.N.	LBs/Alternatives	Very Important	Important	Less Important
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- i) DDCs
- ii) Municipalities
- iii) VDCs
- iv) Please specify

5. Whether skilled manpower sufficiently available in LBs to implement fiscal policy?

S.N.	LBs/Alternatives	Sufficient	Moderate	Insufficient
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

6. Are the LBs capable of formulating and implementing plans locally?

S.N.	LBs/Alternatives	Highly Capable	Capable	Weak
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

7. According to LSGA, 1999; has the resource allocation among LBs been on the scientific basis? Please tick mark 'Yes' or 'No'.

S.N.	LBs/Alternatives	Sufficient	Moderate	Insufficient
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

8. To what extent are the LBs efficient in allocating the resources?

S.N.	LBs/Alternatives	Highly Efficient	Efficient	Weak
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

9. In which LB should alter (increase or decrease) the subsidy?

S.N.	LBs/Alternatives	Increase	Decrease	Constant
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

10. Is it necessary to develop a formula for 'Grant Allocation' to make it scientific, transparent and more rational?

S.N.	LBs/Alternatives	Highly Necessary	Necessary	Unnecessary
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

11. What is your opinion towards the utilization of resources by LBs?

S.N.	LBs/Alternatives	Highly Efficient	Efficient	Weak
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

12. What suggestions do you recommend to overcome the existing problems of fiscal decentralization in Nepal? (Rank 1-4, please).

- i) Change government policies and laws
- ii) Implement the laws strictly
- iii) Apply the LBFC report fully
- iv) Restructuring the LBs to mobilize resources
- v) Others

13. How can we achieve LBs fiscal autonomy?

S.N.	LBs/Alternatives	Developing more fiscal rights	Utilize existing fiscal rights	Cut off existing rights
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

14. What is the future prospect of fiscal decentralization in Nepal?

S.N.	LBs/Alternatives	Very Bright	Bright	Uncertain
i)	DDCs	.....	.....	.....
ii)	Municipalities	.....	.....	.....
iii)	VDCs	.....	.....	.....
iv)	Please specify			

15. Are Achham, Darchula and Kailali DDCs Financially sound after implementation fiscal decentralization?

- i) Yes
- ii) No
- iii) Don't Know

16. Did you know about the planning and implementation of DDCs?
 - i) Yes
 - ii) No
 - iii) Not properly
17. How do you know about the planning of LGs?
 - i) Through public meeting
 - ii) Through notice of VDC
 - iii) Through notice of DDC
 - iv) Through public notice in media
18. Are women, Janajaties, Dalits and other minority groups involving in planning, implementation and monitoring and evaluation of LGs?
 - i) Yes, in every steps
 - ii) Yes, but occasionally
 - iii) Yes, but very rare
 - iv) No, only in council
 - v) I don't know
19. Among the LGs whose role for co-ordination is most important at local level?
 - i) DDC
 - ii) VDC
 - iii) Municipality
 - iv) All above
 - v) Not any
20. How private sector and I/NGOs are playing role in development at local level?
 - i) As stakeholder
 - ii) As Parallel institution
 - iii) As partner
 - iv) As company
 - v) Don't know

Revenue of Achham DDC

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	INFRASTRUCTURE TAX (215 (1))	298880	0	0	0	0
	Roads, Paths & Transportation	0.00	0.00	0.00	0.00	0.00
	Bridges	298880.00	0.00	0.00	0.00	0.00
	Irrigation	0.00	0.00	0.00	0.00	0.00
	Ditches & ponds	0.00	0.00	0.00	0.00	0.00
	Others Infrastructure Tax	0.00	0.00	0.00	0.00	0.00
2	RESOURCE UTILIZATION /EXPORT TAX (215(2))	215354	0	55000	251111	459480
	Horn, wing, leather, Wool	0.00	0.00	0.00	0.00	0.00
	Herbs, Turpentine	215354.00	0.00	55000.00	251111.00	458100.00
	Kawadi (Re-useable and non-reuseable)	0.00	0.00	0.00	0.00	1380.00
	Stones, slates, sand and bone,	0.00	0.00	0.00	0.00	0.00
	Local Development Fees.	0.00	0.00	0.00	0.00	0.00
	Animal Tax	0.00	0.00	0.00	0.00	0.00
	Others Resource Utilization/Exported Tax	0.00	0.00	0.00	0.00	0.00
3	SERVICE FEES (216)	2435	3544	24105	217180	943988
	Guest house, library, clinic, hermitage, city hall etc.	2435.00	0.00	24105.00	30210.00	895392.00
	Ditches, small ditches, embankment etc.	0.00	0.00	0.00	0.00	0.00
	Property Rental (building, machinery and others)	0.00	0.00	0.00	186970.00	0.00
	Others Services.	0.00	3544.00	0.00	0.00	48596.00
4	FEES AND CHARGES (217)	0	6175	87840	65080	99338
	Fees from Rivers (including rafting, boating and fishing)	0.00	0.00	0.00	0.00	0.00
	License and Renewal fee (registration fee)	0.00	0.00	64120.00	48005.00	91090.00
	Recommendation Fee	0.00	6000.00	4335.00	3495.00	2000.00
	Examination Fees, postage, Ticket & Application charges	0.00	175.00	19385.00	13580.00	970.00
	Other Fees and fines.	0.00	0.00	0.00	0.00	5278.00
5	SALES (218)	0	15260	165650	295435	0
	Sale of Sand, Gravel, Cannel, Stones, Soil	0.00	0.00	0.00	0.00	0.00
	Sale of swept wood (Dahattar Bahattar)	0.00	0.00	0.00	0.00	0.00
	Tender & other diff. form sale	0.00	8240.00	165650.00	295435.00	0.00
	Auction Sale (lilam bikri)	0.00	7020.00	0.00	0.00	0.00
	Others Sales	0.00	0.00	0.00	0.00	0.00
6	REVENUE SHARING (220)	478675	27577	261409	356978	820636
	House and Land Registration	478675.00	0.00	179632.00	218978.00	701266.00
	Royalty From Mines	0.00	0.00	0.00	0.00	0.00
	Royalty from Petroleum Products	0.00	0.00	0.00	0.00	0.00
	Royalty from Forests	0.00	27577.00	81777.00	138000.00	119370.00

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
	Royalty from Hydropower (Water Resource)	0.00	0.00	0.00	0.00	0.00
	Royalty from Natural Resources	0.00	0.00	0.00	0.00	0.00
	Royalty from Others	0.00	0.00	0.00	0.00	0.00
	Tourist Entrance Fees	0.00	0.00	0.00	0.00	0.00
	Other Revenue Sharing	0.00	0.00	0.00	0.00	0.00
7	LAND REVENUE TAX	10831	1284	0	1810	8504
	Land Revenue Tax	10831.00	1284.00	0.00	1810.00	8504.00
8	OTHER REVENUE	178259	244726	51684	50625	101066
	Income Generating Activities	0.00	0.00	0.00	0.00	0.00
	Land and Building Sale	0.00	0.00	0.00	0.00	0.00
	Organization Registration	0.00	0.00	0.00	0.00	0.00
	Last year Internal source received (Arrears)	0.00	0.00	0.00	0.00	0.00
	Fruits and other garden	0.00	0.00	0.00	0.00	0.00
	Deposit Forfeiture	0.00	0.00	12000.00	0.00	2000.00
	Principal Amount Return	0.00	0.00	0.00	0.00	0.00
	Income From Interest	29819.00	0.00	0.00	0.00	0.00
	Divident and Bonus	0.00	0.00	0.00	0.00	0.00
	Others Misc. Revenue	148440.00	244726.00	39684.00	50625.00	99066.00
	OWN SOURCE REVENUE	1184434.00	298566.00	645688.00	1238219.00	2433012.00
1	MISC. INCOME	329362	87000	0	0	7515
	Advance Refund	329362.00	0.00	0.00	0.00	5500.00
	Cost Sharing	0.00	0.00	0.00	0.00	0.00
	Others Misc. Income-DDCs	0.00	87000.00	0.00	0.00	2015.00
	Others Misc. Income-VDCs	0.00	0.00	0.00	0.00	0.00
2	Govt. ADMINISTRATIVE GRANT	5855000	9151375	9065240	8469072	12207628
	Local Development Officer Grant	474000.00	450632.00	405830.00	408197.00	0.00
	VDCs Secretary Grant	4160000.00	6288823.00	6580101.00	5884260.00	0.00
	DDC's Administrative Grant	1136000.00	2062144.00	1979309.00	1912721.00	12207628.00
	Employee Welfare Grant	85000.00	100000.00	100000.00	250000.00	0.00
	Additional Grant (Salary, Allowance, Gratuity etc.)	0.00	0.00	0.00	0.00	0.00
	Internal Audit Grant	0.00	249776.00	0.00	13894.00	0.00
	Others Adm. Grant	0.00	0.00	0.00	0.00	0.00
3	Govt. DEVELOPMENT GRANT	40100000	21985396	17961159	36810165	79523244
	DDC Development Grant	2600000.00	3235396.00	4534862.00	4559330.00	4564244.00
	VDC Grant	37500000.00	18750000.00	13426297.00	29259629.00	74959000.00
	Other Development. Grant/People Participatory Prog.	0.00	0.00	0.00	2991206.00	0.00
4	HMG. DEV. GRANT (Conditional)	2275000	200000	0	0	0
	Agriculture and Livestock	0.00	0.00	0.00	0.00	0.00
	Rural Drinking Water & Habitat Dev.	0.00	0.00	0.00	0.00	0.00
	Hydropower	0.00	0.00	0.00	0.00	0.00
	Rural and District Road (Works & Transportation)	2000000.00	0.00	0.00	0.00	0.00
	Suspension Bridge Construction and Maintenance	275000.00	0.00	0.00	0.00	0.00

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
	Development of Women and Helpless People	0.00	0.00	0.00	0.00	0.00
	Forest & Environment	0.00	0.00	0.00	0.00	0.00
	Education & Sports	0.00	0.00	0.00	0.00	0.00
	Land Reforms and Land Management	0.00	0.00	0.00	0.00	0.00
	Irrigation & Soil-erosion and River Control	0.00	0.00	0.00	0.00	0.00
	Information & Communication	0.00	0.00	0.00	0.00	0.00
	Language & Culture	0.00	0.00	0.00	0.00	0.00
	Cottage Industry	0.00	0.00	0.00	0.00	0.00
	Health Service	0.00	0.00	0.00	0.00	0.00
	Tourism Development	0.00	0.00	0.00	0.00	0.00
	Miscellaneous (Building Construction & others)	0.00	200000.00	0.00	0.00	0.00
5	<i>SOCIAL SERVICE GRANT (Sectoral)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Education	0.00	0.00	0.00	0.00	0.00
	Health	0.00	0.00	0.00	0.00	0.00
	Agriculture	0.00	0.00	0.00	0.00	0.00
	Livestock	0.00	0.00	0.00	0.00	0.00
6	<i>INGO/NGO & OTHERS ASSISTANCE</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Cash Assistance from NGO	0.00	0.00	0.00	0.00	0.00
	Cash Assistance from INGO	0.00	0.00	0.00	0.00	0.00
7	<i>LOAN AND BORROWING</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Internal/External Borrowing	0.00	0.00	0.00	0.00	0.00
	Bank Loan	0.00	0.00	0.00	0.00	0.00
8	<i>OPENING BALANCE FORWARD</i>	<i>9475648</i>	<i>1906157</i>	<i>130352</i>	<i>267660</i>	<i>3445376</i>
	DDCs Grant	3922261.00	1905539.00	0.00	0.00	1696300.00
	Internal Revenue	252933.00	0.00	130352.00	267660.00	1749076.00
	VDCs Grant/ VDCs Secretary Grant	4902782.00	618.00	0.00	0.00	0.00
	Others	397672.00	0.00	0.00	0.00	0.00
	TOTAL REVENUE	11,96,23,322.00	6,75,55,554.00	5,62,50,566.00	9,48,08,451.00	19,76,66,562.00

Source: ADDCN Analysis Report, 2008.

Revenue of Kailali DDC

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	INFRASTRUCTURE TAX (215 (1))	0	0	0	0	0
	Roads, Paths & Transportation	0.00	0.00	0.00	0.00	0.00
	Bridges	0.00	0.00	0.00	0.00	0.00
	Irrigation	0.00	0.00	0.00	0.00	0.00
	Ditches & ponds	0.00	0.00	0.00	0.00	0.00
	Others Infrastructure Tax	0.00	0.00	0.00	0.00	0.00
2	RESOURCE UTILIZATION /EXPORT TAX (215(2))	1122319	5016785	1919915	4229487	5073878
	Horn, wing, leather, Wool	321001.00	764831.00	318000.00	486830.00	82092.00
	Herbs, Turpentine	156238.00	207021.00	0.00	0.00	0.00
	Kawadi (Re-useable and non-reuseable)	645080.00	1681888.00	690000.00	1010033.00	2170912.00
	Stones, slates, sand and bone,	0.00	1619455.00	711915.00	1458619.00	940684.00
	Local Development Fees.	0.00	0.00	0.00	0.00	0.00
	Animal Tax	0.00	0.00	0.00	0.00	285000.00
	Others Resource Utilization/Exported Tax	0.00	743590.00	200000.00	1274005.00	1595190.00
3	SERVICE FEES (216)	153000	119000	165000	119750	466822
	Guest house, library, clinic, hermitage, city hall etc.	112000.00	98000.00	115000.00	111000.00	466822.00
	Ditches, small ditches, embankment etc.	0.00	0.00	0.00	0.00	0.00
	Property Rental (building, machinery and others)	41000.00	21000.00	50000.00	0.00	0.00
	Others Services.	0.00	0.00	0.00	8750.00	0.00
4	FEES AND CHARGES (217)	284311	406309	365510	192275	678137
	Fees from Rivers (including rafting, boating and fishing)	60101.00	90500.00	113695.00	0.00	75220.00
	License and Renewal fee (registration fee)	217150.00	239749.00	225750.00	192275.00	337885.00
	Recommendation Fee	0.00	76060.00	26065.00	0.00	0.00
	Examination Fees, postage, Ticket & Application charges	7060.00	0.00	0.00	0.00	0.00
	Other Fees and fines.	0.00	0.00	0.00	0.00	265032.00
5	SALES (218)	9872321	5302768	1343046	741680	1436230
	Sale of Sand, Gravel, Cannel, Stones, Soil	350841.00	0.00	0.00	0.00	0.00
	Sale of swept wood (Dahattar Bahattar)	9298190.00	4958432.00	1103256.00	489085.00	371020.00
	Tender & other diff. form sale	223290.00	271510.00	239790.00	252595.00	701210.00
	Auction Sale (lilam bikri)	0.00	72826.00	0.00	0.00	0.00
	Others Sales	0.00	0.00	0.00	0.00	364000.00
6	REVENUE SHARING (220)	5983600	10243409	9596802	6595409	27427848
	House and Land Registration	3955354.00	5688303.00	4100700.00	4700291.00	19211416.00
	Royalty From Mines	0.00	0.00	0.00	0.00	0.00
	Royalty from Petroleum Products	0.00	0.00	0.00	0.00	0.00
	Royalty from Forests	2028246.00	4555106.00	5496102.00	1895118.00	8216432.00
	Royalty from Hydropower (Water Resource)	0.00	0.00	0.00	0.00	0.00
	Royalty from Natural Resources	0.00	0.00	0.00	0.00	0.00
	Royalty from Others	0.00	0.00	0.00	0.00	0.00
	Tourist Entrance Fees	0.00	0.00	0.00	0.00	0.00
	Other Revenue Sharing	0.00	0.00	0.00	0.00	0.00
7	LAND REVENUE TAX	830940	393259	898665	1059174	715434
	Land Revenue Tax	830940.00	393259.00	898665.00	1059174.00	715434.00
8	OTHER REVENUE	221191	399040	139808	81071	13500
	Income Generating Activities	0.00	0.00	0.00	0.00	0.00
	Land and Building Sale	0.00	0.00	0.00	0.00	0.00
	Organization Registration	0.00	0.00	0.00	0.00	0.00
	Last year Internal source received (Arrears)	0.00	0.00	0.00	0.00	0.00
	Fruits and other garden	0.00	0.00	0.00	0.00	0.00
	Deposit Forfeiture	0.00	300930.00	0.00	0.00	13500.00
	Principal Amount Return	0.00	0.00	0.00	0.00	0.00
	Income From Interest	0.00	81146.00	0.00	0.00	0.00
	Divident and Bonus	0.00	0.00	0.00	0.00	0.00
	Others Misc. Revenue	221191.00	16964.00	139808.00	81071.00	0.00
	INTERNAL REVENUE	18467682.00	21880570.00	14428746.00	13018846.00	35811849.00
1	MISC. INCOME	17739	1145775	1301089	485888	0
	Advance Refund	17739.00	0.00	1360.00	0.00	0.00
	Cost Sharing	0.00	0.00	0.00	0.00	0.00

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
	Others Misc. Income-DDCs	0.00	1145775.00	1299729.00	485888.00	0.00
	Others Misc. Income-VDCs	0.00	0.00	0.00	0.00	0.00
2	HMG. ADMINISTRATIVE GRANT	3857000	4767057	5149079	5194000	9502351
	Local Development Officer Grant	396000.00	340232.00	347000.00	0.00	0.00
	VDCs Secretary Grant	2080000.00	2923496.00	2825419.00	2825419.00	0.00
	DDC's Administrative Grant	1296000.00	1280755.00	1722660.00	2368581.00	9502351.00
	Employee Welfare Grant	85000.00	100000.00	100000.00	0.00	0.00
	Additional Grant (Salary, Allowance, Gratuity etc.)	0.00	0.00	0.00	0.00	0.00
	Internal Audit Grant	0.00	122574.00	154000.00	0.00	0.00
	Others Adm. Grant	0.00	0.00	0.00	0.00	0.00
3	HMG. DEVELOPMENT GRANT	24590000	13511388	22005944	28532081	45138144
	DDC Development Grant	1550000.00	3011388.00	6556000.00	4532081.00	4280000.00
	VDC Grant	21000000.00	10500000.00	15449944.00	21000000.00	40858144.00
	Other Development. Grant/People Participatory Prog.	2040000.00	0.00	0.00	3000000.00	0.00
4	HMG. DEV. GRANT (Conditional)	3010000	0	0	0	0
	Agriculture and Livestock	0.00	0.00	0.00	0.00	0.00
	Rural Drinking Water & Habitat Dev.	0.00	0.00	0.00	0.00	0.00
	Hydropower	0.00	0.00	0.00	0.00	0.00
	Rural and District Road (Works & Transporation)	3000000.00	0.00	0.00	0.00	0.00
	Suspension Bridge Construction and Maintenance	10000.00	0.00	0.00	0.00	0.00
	Development of Women and Helpless People	0.00	0.00	0.00	0.00	0.00
	Forest & Environment	0.00	0.00	0.00	0.00	0.00
	Education & Sports	0.00	0.00	0.00	0.00	0.00
	Land Reforms and Land Management	0.00	0.00	0.00	0.00	0.00
	Irrigation & Soil-erosion and River Control	0.00	0.00	0.00	0.00	0.00
	Information & Communication	0.00	0.00	0.00	0.00	0.00
	Language & Culture	0.00	0.00	0.00	0.00	0.00
	Cottage Industry	0.00	0.00	0.00	0.00	0.00
	Health Service	0.00	0.00	0.00	0.00	0.00
	Tourism Development	0.00	0.00	0.00	0.00	0.00
	Miscellaneous (Building Construction & others)	0.00	0.00	0.00	0.00	0.00
5	SOCIAL SERVICE GRANT (Sectoral)	0	0	0	0	0
	Education	0.00	0.00	0.00	0.00	0.00
	Health	0.00	0.00	0.00	0.00	0.00
	Agriculture	0.00	0.00	0.00	0.00	0.00
	Livestock	0.00	0.00	0.00	0.00	0.00
6	INGO/NGO & OTHERS ASSISTANCE	0	0	0	0	0
	Cash Assistance from NGO	0.00	0.00	0.00	0.00	0.00
	Cash Assistance from INGO	0.00	0.00	0.00	0.00	0.00
7	LOAN AND BORROWING	0	0	0	0	0
	Internal/External Borrowing	0.00	0.00	0.00	0.00	0.00
	Bank Loan	0.00	0.00	0.00	0.00	0.00
8	OPENING BALANCE FORWARD	15488630	12407430	7413083	6392384	15256088
	DDCs Grant	1541457.00	2891402.00	1401005.00	1347368.00	3102467.00
	Internal Revenue	1577776.00	1527293.00	5184300.00	3756691.00	11074409.00
	VDCs Grant/ VDCs Secretary Grant	10745697.00	6393836.00	-196727.00	350671.00	0.00
	Others	1623700.00	1594899.00	1024505.00	937654.00	1079212.00
	Total Revenue	149329784.00	129305010.00	115024628.00	120265244.00	247228713.00

Source: ADDCN Analysis Report, 2008.

ANNEX - 5

Revenue of Darchula DDC

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
1	<i>INFRASTRUCTURE TAX (215 (1))</i>	0	0	0	0	0
	Roads, Paths & Transportation	0.00	0.00	0.00	0.00	0.00
	Bridges	0.00	0.00	0.00	0.00	0.00
	Irrigation	0.00	0.00	0.00	0.00	0.00
	Ditches & ponds	0.00	0.00	0.00	0.00	0.00
	Others Infrastructure Tax	0.00	0.00	0.00	0.00	0.00
2	<i>RESOURCE UTILIZATION /EXPORT TAX (215(2))/</i>	0	0	0	0	0
	Horn, wing, leather, Wool	0.00	0.00	0.00	0.00	0.00
	Herbs, Turpentine	0.00	0.00	0.00	0.00	0.00
	Kawadi (Re-useable and non-reuseable)	0.00	0.00	0.00	0.00	0.00
	Stones, slates, sand and bone,	0.00	0.00	0.00	0.00	0.00
	Local Development Fees.	0.00	0.00	0.00	0.00	0.00
	Animal Tax	0.00	0.00	0.00	0.00	0.00
	Others Resource Utilization/Exported Tax	0.00	0.00	0.00	0.00	0.00
3	<i>SERVICE FEES (216)</i>	2160	3300	38900	2000	1200
	Guest house, library, clinic, hermitage, city hall etc.	2160.00	3300.00	6900.00	2000.00	1200.00
	Ditches, small ditches, embankment etc.	0.00	0.00	0.00	0.00	0.00
	Property Rental (building, machinery and others)	0.00	0.00	0.00	0.00	0.00
	Others Services.	0.00	0.00	32000.00	0.00	0.00
4	<i>FEES AND CHARGES (217)</i>	153895	192745	182885	192955	214405
	Fees from Rivers (including rafting, boating and fishing)	0.00	0.00	0.00	0.00	0.00
	License and Renewal fee (registration fee)	142000.00	158085.00	167625.00	174090.00	164500.00
	Recommendation Fee	11895.00	34660.00	15260.00	9215.00	42130.00
	Examination Fees, postage, Ticket & Application charges	0.00	0.00	0.00	9650.00	1775.00
	Other Fees and fines.	0.00	0.00	0.00	0.00	6000.00
5	<i>SALES (218)</i>	42459	13325	14700	7040	93820
	Sale of Sand, Gravel, Cannel, Stones, Soil	0.00	0.00	0.00	0.00	0.00
	Sale of swept wood (Dahattar Bahattar)	0.00	0.00	0.00	0.00	0.00
	Tender & other diff. form sale	42459.00	13325.00	14700.00	7040.00	93820.00
	Auction Sale (lilam bikri)	0.00	0.00	0.00	0.00	0.00
	Others Sales	0.00	0.00	0.00	0.00	0.00
6	<i>REVENUE SHARING (220)</i>	676559	643707	852075	1106060	2469708
	House and Land Registration	552587.00	622631.00	812013.00	1069999.00	2337935.00
	Royalty From Mines	0.00	0.00	0.00	0.00	0.00
	Royalty from Petroleum Products	0.00	0.00	0.00	0.00	0.00
	Royalty from Forests	123972.00	21076.00	40062.00	36061.00	131773.00
	Royalty from Hydropower (Water Resource)	0.00	0.00	0.00	0.00	0.00
	Royalty from Natural Resources	0.00	0.00	0.00	0.00	0.00
	Royalty from Others	0.00	0.00	0.00	0.00	0.00

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
	Tourist Entrance Fees	0.00	0.00	0.00	0.00	0.00
	Other Revenue Sharing	0.00	0.00	0.00	0.00	0.00
7	LAND REVENUE TAX	31837	9965	18990	2285	6510
	Land Revenue Tax	31837.00	9965.00	18990.00	2285.00	6510.00
8	OTHER REVENUE	0	0	0	0	22500
	Income Generating Activities	0.00	0.00	0.00	0.00	0.00
	Land and Building Sale	0.00	0.00	0.00	0.00	0.00
	Organization Registration	0.00	0.00	0.00	0.00	0.00
	Last year Internal source received (Arrears)	0.00	0.00	0.00	0.00	0.00
	Fruits and other garden	0.00	0.00	0.00	0.00	0.00
	Deposit Forfeiture	0.00	0.00	0.00	0.00	0.00
	Principal Amount Return	0.00	0.00	0.00	0.00	0.00
	Income From Interest	0.00	0.00	0.00	0.00	0.00
	Divident and Bonus	0.00	0.00	0.00	0.00	0.00
	Others Misc. Revenue	0.00	0.00	0.00	0.00	22500.00
	Internal Revenue	906910.00	863042.00	1107550.00	1310340.00	2808143.00
1	MISC. INCOME	382386	5255	11522	0	0
	Advance Refund	382386.00	5255.00	0.00	0.00	0.00
	Cost Sharing	0.00	0.00	0.00	0.00	0.00
	Others Misc. Income-DDCs	0.00	0.00	11522.00	0.00	0.00
	Others Misc. Income-VDCs	0.00	0.00	0.00	0.00	0.00
2	HMG. ADMINISTRATIVE GRANT	6287243	6980291	6890823	6853331	9950480
	Local Development Officer Grant	589000.00	491792.00	487430.00	0.00	0.00
	VDCs Secretary Grant	2830000.00	4114448.00	4167581.00	0.00	0.00
	DDC's Administrative Grant	1202000.00	1973144.00	1976059.00	6653331.00	9950480.00
	Employee Welfare Grant	85000.00	100000.00	100000.00	200000.00	0.00
	Additional Grant (Salary, Allowance, Gratuity etc.)	1581243.00	87007.00	0.00	0.00	0.00
	Internal Audit Grant	0.00	213900.00	159753.00	0.00	0.00
	Others Adm. Grant	0.00	0.00	0.00	0.00	0.00
3	HMG. DEVELOPMENT GRANT	22840000	13035572	19457211	27915524	46233551
	DDC Development Grant	2340000.00	2785572.00	4083211.00	4476140.00	5233551.00
	VDC Grant	20500000.00	10250000.00	15374000.00	20500000.00	41000000.00
	Other Development. Grant/People Participatory Prog.	0.00	0.00	0.00	2939384.00	0.00
4	HMG. DEV. GRANT (Conditional)	1660000	100000	0	0	0
	Agriculture and Livestock	0.00	0.00	0.00	0.00	0.00
	Rural Drinking Water & Habitat Dev.	0.00	0.00	0.00	0.00	0.00
	Hydropower	0.00	0.00	0.00	0.00	0.00
	Rural and District Road (Works & Transporation)	1500000.00	0.00	0.00	0.00	0.00
	Suspension Bridge Construction and Maintenance	160000.00	0.00	0.00	0.00	0.00
	Development of Women and Helpless People	0.00	0.00	0.00	0.00	0.00
	Forest & Environment	0.00	0.00	0.00	0.00	0.00
	Education & Sports	0.00	0.00	0.00	0.00	0.00
	Land Reforms and Land Management	0.00	0.00	0.00	0.00	0.00
	Irrigation & Soil-erosion and River Control	0.00	0.00	0.00	0.00	0.00
	Information & Communication	0.00	0.00	0.00	0.00	0.00
	Language & Culture	0.00	0.00	0.00	0.00	0.00

S.N.	Indicator Description	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2007/08
	Cottage Industry	0.00	0.00	0.00	0.00	0.00
	Health Service	0.00	0.00	0.00	0.00	0.00
	Tourism Development	0.00	0.00	0.00	0.00	0.00
	Miscellaneous (Building Construction & others)	0.00	100000.00	0.00	0.00	0.00
5	<i>SOCIAL SERVICE GRANT (Sectoral)</i>	0	0	0	0	0
	Education	0.00	0.00	0.00	0.00	0.00
	Health	0.00	0.00	0.00	0.00	0.00
	Agriculture	0.00	0.00	0.00	0.00	0.00
	Livestock	0.00	0.00	0.00	0.00	0.00
6	<i>INGO/NGO & OTHERS ASSISTANCE</i>	0	0	0	0	0
	Cash Assistance from NGO	0.00	0.00	0.00	0.00	0.00
	Cash Assistance from INGO	0.00	0.00	0.00	0.00	0.00
7	<i>LOAN AND BORROWING</i>	0	0	0	0	0
	Internal/External Borrowing	0.00	0.00	0.00	0.00	0.00
	Bank Loan	0.00	0.00	0.00	0.00	0.00
8	<i>OPENING BALANCE FORWARD</i>	2298217	530907	221480	1792677	903969
	DDCs Grant	77191.00	295008.00	125905.00	159393.00	667401.00
	Internal Revenue	18652.00	122692.00	95575.00	1633284.00	236568.00
	VDCs Grant/ VDCs Secretary Grant	2202374.00	113207.00	0.00	0.00	0.00
	Others	0.00	0.00	0.00	0.00	0.00
	Total Revenue	69656422.00	43893176.00	56484722.00	77054084.00	122600429.00

Source: ADDCN, 200