

Fragile Districts, Futile Decentralisation

DR. HARKA GURUNG



SOCIETY FOR INTERNATIONAL DEVELOPMENT
Nepal Chapter

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Preface

The Nepal Chapter of Society of International Development (SID) arranges a regular lecture programme on contemporary issues. This paper was presented to one such Sa lecture series on 24th March 2002 at Hotel Malla.

Decentralization has been an important agenda for good governance. Hyper mobility of capital and information pits one layer of governance against another for investment' and resource allocation that limits the capacity of the local self-governance units to carry out autonomous policies in the social and economic spheres. The question before us is: what are the right ways of organizing local governance and development? How are public goods to be provided? What are the options in terms of capability and sustainability of institutions?' Dr. Harka Gurung in his presentation provided an outline of the decentralization related efforts in Nepal and said that the power sharing is contingent on the relative strength of the contending parties. In the case of Nepal, the center is too pervasive and districts too weak without economic viability. Dr Gurung's proposition provoked appreciative and critical comments from the elites and scholars present at the event.

SID Nepal Chapter is pleased to publish this monograph for its continuing relevance to Nepalese development discussion.

Prof. Bishwa Keshar Maskay

President

Society for International Development, Nepal Chapter

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1.

Decentralisation Exercise

Nepal has long been involved with decentralisation exercise for a better state management. In this, administrative districts constitute a crucial hierarchy in the political and bureaucratic structure. The intent of this paper is to explore the link between the intent (decentralisation) and vital component (district). Section one is a review of decentralisation process along with a note on conceptual clarity. Section two makes an assessment of the economic status of districts. Section three describes central government outreach at the district level. Section four deals with a proposition for consolidating the districts. Finally, are some observations on resource mobilisation for the districts.

Decentralisation Exercise¹

Nepal has gone through a long process of decentralisation. The country's experiment in local institution building goes back to 1919 when a regulation relating to Kathmandu Municipality was promulgated to look after petty judicial cases and town sanitation². In 1930, a Panchayat regulation authorised the establishment of nine village councils in Kathmandu Valley. Officials of the above municipal and village councils were government nominees. The Constitutional Act

1 Extract from Gurung, 1999, pp. 21-24.

2 Agrawal, 1976, pp. 74-105.

of Nepal, 1948 was the first one that provided for elected village and district panchayats. The Village Panchayat Act, 1950 had planned to conduct elections throughout the country but was pre-empted by the political turmoil soon after.

Among the various ministries formed after the democratic set-up in 1951, one was the Ministry of self-government³. The Interim Government Act of Nepal, 1952 adopted the ideals of democratic governance with maximum participation of the people. A village development scheme was initiated with the objective to assist villages in planning and implementation of local projects. However, no local institutions could be formed except in some municipalities. In 1954, a Department of Co-operative was established to develop village communities. It was the Administrative Reform Commission, 1957 that devised a hierarchy of organisations for village development. It had five tiers; (1) village panchayat as the base; (2) block of number of villages; (3) sub-division of number of blocks; (4) division above sub-divisions; and (5) district as the overall co-ordinating unit. By 1960, the country had been divided into 150 blocks. The same year, the democratic government was overthrown and replaced by Panchayat system.

The preamble of the Constitution of Nepal, 1962 stated that “The Panchayat system shall be based on the participation of people and decentralisation of power”. The country was divided into 75 districts out of existing 35 to provide better service to smaller units. Above the district level were created 14 zones with the objective of having more interactions between geographic regions and social groups⁴. The lowest tier was reorganised into 3,600 village panchayats

3 Pradhan, 1980, p. 12.

4 Nepal Government, 1962

while those with a population exceeding 10,000 were made into a town Panchayat. A 20-year decentralisation scheme was proposed within the Panchayat structure into three phases (preliminary, transitional and permanent)⁵. Proposing that political decentralisation would be ineffective without economic decentralisation, Panchayat Development and Land Tax (PLDT) was introduced as a pilot project in Jhapa (1964).

The Local Administration Act, 1965 authorised Village Panchayats to collect taxes for local development while District Panchayats were to oversee all development activities (Table1). The position of Bada Hakim was replaced by Chief District Officer (CDO) who was also made the secretary of the District Panchayat. Soon after, conflict arose between the District Panchayat (political) and CDO (bureaucracy). The setback to decentralisation commenced in 1971 when Panchayat Development Officer (PDO) was appointed as the secretary of the District Panchayat and the CDO was made the supervisor of law and order as well as development activities.

District Administration Plan, 1974 was introduced to make a break-through in decentralisation. Its thrust was for unified administration to ensure preparation of integrated district plan. The scheme failed due to the reluctance of sectoral ministries to entrust control of their programmes to the CDO. Another effort was made in 1978 through Integrated Panchayat Development Design (IPDD) of a more comprehensive nature. It emphasised people's participation and *Ilaka* (sub-district) "service centre" as the focal-point for planning and implementation of development activities at the local level. This scheme of District and Village Panchayats as the main institutions for

5 Ministry of Economic Planning, 1965, pp. 161-168.

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rural development also failed due to the obduracy of line agencies and PLDT was withdrawn in 1979.

Table 1 : Decentralisation Chronology

Year	Initiative	Remarks
1962	Constitution of Nepal	<ul style="list-style-type: none"> • Emphasis on decentralisation of Panchayats • Creation of post of Chief District Officer (CDO)
1965	Local Administration Act	<ul style="list-style-type: none"> • Decentralisation plan of three phases • Panchayat Development Land Tax (PLDT) pilot scheme
1972	Local Development Department	<ul style="list-style-type: none"> • Creation of post of Panchayat Development Officer (PDO)
1974	District Administration Plan	<ul style="list-style-type: none"> • Provision for District Development Plan
1978	Integrated Panchayat Development Design	<ul style="list-style-type: none"> • Idea of "Service Centre" as focal point of local planning. • 1979, PLDT withdrawn
1980	Establishment of Ministry of Local Development (MLD)	<ul style="list-style-type: none"> • Conversion of PDO to LDO (Local Development Officer)
1981	Merger of Panchayat and Local Development Ministries as MPLD	<ul style="list-style-type: none"> • Integrated Rural Development Central Co-ordination Board
1982	Decentralisation Act	<ul style="list-style-type: none"> • Districts to prepare periodic plans
1984	Decentralisation Rules	<ul style="list-style-type: none"> • District, Village, Town Panchayats to prepare annual/periodic plans
1989		<ul style="list-style-type: none"> • Supporting Decentralised Planning Project (SLDP)
1992	IDDC, VDC and Municipality Act	<ul style="list-style-type: none"> • Increased responsibility for local development
1992	IDDC, VDC and Municipality Rules	<ul style="list-style-type: none"> • 1992, Decentralisation Support Project (DSP) • 1995, Participatory District Development Project (PDDP)
1996	Decentralisation Co-ordination Committee	<ul style="list-style-type: none"> • 1996, Local Governance Programme (LG)
1999	Local Self-governance Act	<ul style="list-style-type: none"> • More on delegation than devolution

Source : Guring, 1999, p. 22.

Priority given by donors to rural development led to the establishment of the Ministry of Local Development (MLD) in 1980. The post of PDO, that succeeded CDO as the district Panchayat secretary, was designated as Local Development Officer (LDO) with sole responsibility of development activities. The following year saw another tinkering with the merger of Ministry of Panchayat and

Ministry of Local Development as MPLD along with the formation of Integrated Rural Development Co-ordination Board. However, the problem of decentralisation as well as co-ordination remained unresolved. Soon after commenced yet another exercise in the form of Decentralisation Act, 1982 which came into effect with Decentralisation Rules, 1984⁶. The Act aimed to give planning and implementation responsibility to local panchayats by making district level offices of sectoral agencies to function as an integral part of District Panchayat secretariat.

Decentralisation has been an incessant theme in Nepal over the last five decades. It has evolved according to the rationale of successive regimes: for cosmetic purposes during the Rana rule, to sustain elite power base during Panchayat period, and for good governance in the present democratic set-up. The past initiatives all foundered on the bedrock of the highly centralised governance system of the country. Even now, there is no evidence that the central government and entrenched bureaucracy are becoming amenable to some form of local autonomy.

The main impetus behind decentralisation efforts has been to enlist people's participation in rural development. The Local Administration Act, 1965 had provision for making local panchayats responsible for planning and implementation. The then Department of Panchayat Development, with USOM help, even prepared a red book of the Malaysian model as a planning manual for each district. In 1966, Ministry of Economic Planning commenced a survey of districts for feasible projects according to the felt needs of the people.

⁶ Pradhan, 1985, p-6.

The last feasibility survey in this series was reported in 1968 for Rolpa district⁷.

The Decentralisation Act, 1982 and Rules, 1984 entrusted districts the responsibility of preparing annual and periodic plans. In the past, such legal provisions had remained mere procedural formality. However, the inception of Dhading District Development Project in 1983 came as a programmatic support to local-level planning with a substantive content. This district based rural development project had one small project in each of the 450 wards of Dhading and all activities were co-ordinated through the District Panchayat supported by a technical office⁸. The experience of Dhading DDP since has been replicated in Gorkha and Lamjung districts. The project emphasis is on horizontal linkage by facilitating inter-relationship between organisations and beneficiaries as well as intra-relationship between elected, governmental, NGOs and private sector entities.

Participatory planning received further impetus with UNDP involvement in local governance through a series of projects. This commenced with a technical support in 1985, which resulted in Strengthening Decentralisation Planning Project (SDPP) in 1989⁹. With legitimisation of local authorities by democratic parliament in 1992, the SDPP was designated as Decentralisation Support Project (DSP). The project objectives included (1) assistance in implementation of the decentralisation policy, (2) support to districts in planning and monitoring and (3) decentralised development management. In 1995, the DSP was replaced by the Participatory District Development Project (PDDP). The Project aimed at enhancing the

7 NPC, 1968.

8 Shrestha, 1997.

9 Lundberg, 1997.

capacities of DDCs and VDCs as well as helping them establish linkages with local organisations like line agencies, NGOs and the private sector. Handbooks of good governance and decentralisation were prepared at the VDC level. The most recent initiative has been the promulgation of the Local Self-governance Act, 1999 (LSGA) and related Regulation, 2002. The Act envisions development of districts and other local bodies as vehicles for self-governance system. Many donors are involved in supporting this decentralisation effort in Nepal. These relate to implementation strategy, legal framework, capacity building, accountability and participatory planning¹⁰. Although revenue sharing is discussed, there has been no analysis of financial resource base of local bodies. In fact, the share of local governments in the national budget declined from 3.91 percent in 1998/99 to 3.64 percent in 1999/2000 and 3/06 percent in 2000/2001 despite the rhetoric of decentralisation. Therefore, section two makes a brief exploration of this aspect at the district level.

There is need for conceptual clarity on the forms and functions in the decentralisation process. Delegation, deconcentration and devolution are not evolutionary stages but discrete forms¹¹. Delegation and decencentralition are basically related to exercise of administrative authority in which the lower hierarchies are allowed tenancy. Devolution, on the other hand, is related to political authority including autonomy in local governance. Unlike delegation, whereby functions are assigned, devolution involves exercise and sharing of power. Power sharing is contingent on the relative strength of the contending parties. In the case of Nepal, the centre is too pervasive and the districts too weak without economic viability.

10 HIMGN-Donors, 2000.

11 Gurung, 2000, p. 126-127

2.

District Economics

The economic status of districts may be considered on the basis of their capacity to bear the cost of administration. This refers to the district's revenue source vis-à-vis expenditure. Presently, most districts are dependent on the central grant even for their regular budget. Although the district is considered a crucial hierarchy in the decentralisation process, there is paucity of analysis on the economic status of districts. Available information suggests that the districts have a fragile financial base. A case study of 15 districts sampled by development regions and elevation zones shows the five-year average income of a district to be Rs.2.9 million¹². The major sources of income were land revenue (23.6%), contract fees (19.6%), sales proceeds (9.5%) and taxes (8.2%). Over a third (36.3%) of the total income was unspecified as "others" (Table 2). There is wide income variation among DDCs according to their geographic location. That is, higher their elevation zone, lower their income. The five-year average income ranged from Rs. 0.6 million for mountain districts to Rs. 1.9 million for the hill and Rs. 6.3 million for the tarai ones (Table 2). Thus, on an average, a tarai district was 10.9 times more resourceful than a mountain district. There was also difference in major sources by elevation zone of districts. The most

¹² Institute of Sustainable Development, 1998, pp. 68-69

Table 2 : Average Income of DDC by Source (1992/93 - 1996/97)

Rs. Million

Source	Mountain		Average Income				Average	%
	Mountain	%	Fill	%	Tarai	%		
1 Taxes	83.4	14.6	236.2	12.2	392.2	6.3	237.6	8.2
2 Fees/Charges	20.3	3.6	1.6	0.1	106.1	1.7	42.7	1.5
3 Donation/Gift	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Sales/Proceeds	27.6	4.8	38.9	2.0	763.5	12.3	276.8	9.5
5 Contract Fee/Charges	31.0	5.4	825.2	42.8	852.7	13.7	569.6	19.6
6 Land Revenue	53.5	9.4	191.5	9.9	1801.3	29.0	682.1	23.6
7 Rent	6.1	1.0	20.6	1.1	2.5	0.0	9.7	0.3
8 Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9 Penalty/Fine	0.5	0.1	0.6	0.0	0.4	0.0	0.6	0.0
10 Grant from INGO	24.0	4.2	54.2	2.8	0.0	0.0	26.2	0.9
11 Others	325.2	56.9	560.0	29.0	2277.7	36.7	1054.3	36.3
Total	571.6	100.0	1928.8	99.9	6209.1	99.9	2903.8	100.0

Source: Institute of Sustainable Development, 1998, pp. 69.

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important sources were taxes in the mountain, contract fee/charges in the hill and land revenue in tarai districts, Next in importance were contract/fee charges in tarai, taxes in hill and land revenue in mountain districts. More than half of mountain DDC revenue was of unspecified "other" category.

The report of Local Bodies Fiscal Commission provides partial inventory of income of only 34 districts. The structure of district revenue source shows a wide divergence from that of ISD study (Table 2). Of the total revenue of Rs. 254 million for 34 sampled districts, one-third is shown as cash balance. Rent and income from sales account for 30.3 percent while the share of land revenue is only 1.7 percent.

Table 3 : Revenue Source of DDCs, 1998/99

S. No.	Source	Rs. '000	Percent
1.	Cash balance	83,086	32.7
2.	Rent/Sales	76,977	30.3
3.	Local tax	35,352	13.9
4.	Fees	9,801	3.9
5.	Service charge	7,286	2.9
6.	Land revenue	4,281	1.7
7.	Loan	1,442	0.6
8.	Others	36,032	14.2
	Total	254,235	100.0

Source: Local Bodies Fiscal Commission Report, 2000.

Sample of four districts by elevation zone shows much contrast in both income source and total internal revenue. This ranges from Rs. 75,000 for Bajhang (mountain) to Rs. 21.6 million for Kailali (Tarai). Lalitpur's income was half that of Kailali but 15 times more than that of Bhojpur (Annex A). Of the total revenue of Bajhang, half was in taxes while duty/fees and land revenue were each a quarter.

Nearly two-third of Bhojpur revenue was from sales proceed. Three-quarter of Lalitpur revenue was from taxes. Kailali revenue was overwhelmingly based on sales proceeds. The contribution of land revenue to the total district revenue was progressively less important in lower elevation zones. It was about a quarter in Bajhang, 15.7 per cent in Bhojpur, 3.3 per cent in Lalitpur and 2.2 per cent in Kailali. On the other hand, nearly half of the country's total land revenue is generated in the 18 tarai districts (Annex B). Land revenue constitutes over a fifth of the internal revenue for western inner tarai, eastern mountain, western and central hills. It has only a nominal contribution in Kathmandu Valley's income although 12.7 per cent of total land revenue is generated there, Eastern tarai contributes one-third of the total land revenue but it constitutes only 2.3 per cent of the region's total revenue.

In fiscal year 1998/99, the total expenditure of 32 DDCs from own source was Rs. 201 million (Table 4). The major items of expenditure were public works (28.2%) and manpower related (20.4%). Salary and allowances accounted for 20.4 per cent of the total expenditure. The expenditure source of four sample districts illustrates well the poor state of their economic situation. Most of their total expenditure is supported by the grant from the central government. The dependence on central grant for total expenditure ranged from 83.7 percent in Bardiya to 99.6 percent in Bajura (Annex C). Those for Udayapur and Gulmi were 95.4 percent and 96.1 percent respectively. Higher the elevation of the district, greater the dependency on grant. Thus, the DDCs are utterly dependent on central grant even for their district administration. Decentralisation of authority to such entities without fiscal autonomy has been an exercise in futility.

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Table 4 : DDC *Expenditure from Own Source, 1998/99

S.No.	Item	In Rs.'000	Percent
1	Salary/Wage	17,520	8.7
2	Allowance	16,872	8.4
3	Travel allowance	5,672	2.8
4	Dress allowance	825	0.4
5	Health allowance	281	0.1
6	Manpower related	41,170	20.4
7	Lite/Charges	7,540	3.7
8	Office	16,607	8.2
9	Fuel	4,083	2.0
10	Miscellaneous	13,913	6.9
11	Grant	15,056	7.5
12	Capital goods	3,119	1.5
13	Public works	56,963	28.2
14	Capital grant	1,670	0.8
15	Operating grant	519	0.3
	Total	201,810	100.0

* for 32 districts

Source: Local Bodies Fiscal Commission Report 2000, Appendix 8.2, pp. 43-45

3.

Regular Expenditure in Districts

Another aspect of district economics is the income and expenditure status of plethora of government offices located at the district level. The paraphernalia of government agencies has expanded vastly over the years. In 1963, the 35 districts were expanded into 75 with an additional tier of 14 zones. In 1972, four (later into five) regional centres were established with directorates of various ministries. Project activities led to establishment of more offices at the district level. As a consequence, there has been a massive increase in regular expenditure for administration in the districts. In fiscal year 1974/75, the estimated budget for district and zonal level administration was Rs.141 million. The regional breakdown of such regular expenditure was 43.5 percent for hill, 36.8 percent for tarai, 10.4 percent for mountain and 9.3 percent for inner tarai districts (Annex D). Kathmandu, Kaski, Parsa and Morang were the only four districts exceeding an annual budget of Rs. 5 million (Fig 1). Majority of district budget was in the range of Rs. 1 to 5 million. Kathmandu (Rs. 18.8 million) and Bajura (Rs. 0.4 million) represented the extreme of highest and lowest regular budget. About a quarter of the total budget was for eastern tarai. Kathmandu Valley claimed a share of 15.7 percent and central hill 13.3 percent.

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By 1999/2000, such administrative expenditure had jumped to Rs.34,523 million or an increase of 245 times in 25 years (Annex D). Of the 75 districts, 44 had an expenditure range of Rs. 100 to 200 million (Fig 2). Another 19 districts had a budget range of Rs. 200 to 300 million. Kaski, Makwanpur and Morang had within the range of Rs. 300 to 460 million. Humla and Manang were the only two districts that did not exceed Rs. 100 million in regular expenditure. There was significant shift in the regional share of such expenditure. It declined for all elevation zones except the hill, which claimed two-third of the total expenditure. This was mainly due to significant increase in the share of Kathmandu Valley from 15.7 percent of 1974/75 to 58.2 percent for 1999/2000. In comparison to an average 245 times increase, the capital region administration cost increased by over 900 times. Thus, while this was the period of incessant exercise in decentralisation, the outcome was opposite, towards more centralisation.

Of the total revenue generated in 1999/2000, 55.5 percent was from hill districts (Table 5). Another 39.9 percent was from the tarai. Those from the mountain and inner Tarai was nominal. Kathmandu Valley alone contributed just over half of the total revenue. This implies concentration of activities at the centre as the capital region also claimed 58.2 percent of the total regular expenditure. Of the 13 geographic regions, only four were in surplus. These were, by volume, eastern tarai, central tarai, Kathmandu Valley and central inner tarai.

Table 5 : Annual Revenue and Regular Expenditure* by Region, 1999/2000

Region (Districts)	Revenue	%	Expenditure	%	Surplus
A. MOUNTAIN (15)	98,241	0.2	1,814,652,512	5.3	1,716,411
I. West (8)	30,040	0.1	919,010	2.7	888,967
II. Central (3)	13,044	0.0	288,424	0.8	275,380
III. East (4)	55,156	0.1	607,218	1.8	549,062
B. HILL (36)	23,806,461	55.5	26,117,046	75.7	2,310,585
IV. West (10)	103,849	0.2	1,579,841	4.6	1,475,992
V. Central (13)	636,481	1.5	2,738,004	7.9	2,101,524
VI. Kathmandu Valley (3)	21,960,635	51.2	20,092,953	58.2	1,867,681
VII. East (10)	1,105,496	2.6	1,706,247	4.9	600,751
C. INNER TERAI (6)	1,891,271	4.4	1,703,333	4.9	187,938
VIII. West (2)	133,008	0.3	523,434	1.5	390,426
IX. Central (2)	1,678,920	3.9	817,596	2.4	861,325
X. East (2)	79,343	0.2	362,304	1.0	282,961
D. TERAI (18)	17,097,807	39.9	4,888,246	14.2	12,209,561
XI. West (4)	966,754	2.3	1,037,897	3.0	71,143
XII. Central (3)	2,849,791	6.6	837,033	2.4	2,012,758
XIII. East (11)	13,281,262	31.0	3,013,317	8.7	10,267,945
NEPAL (75)	42,893,780	100.0	34,523,278	100.0	

*Regular expenditure
Source: Annex 15

Figure 1: Regular Budget 1974/75

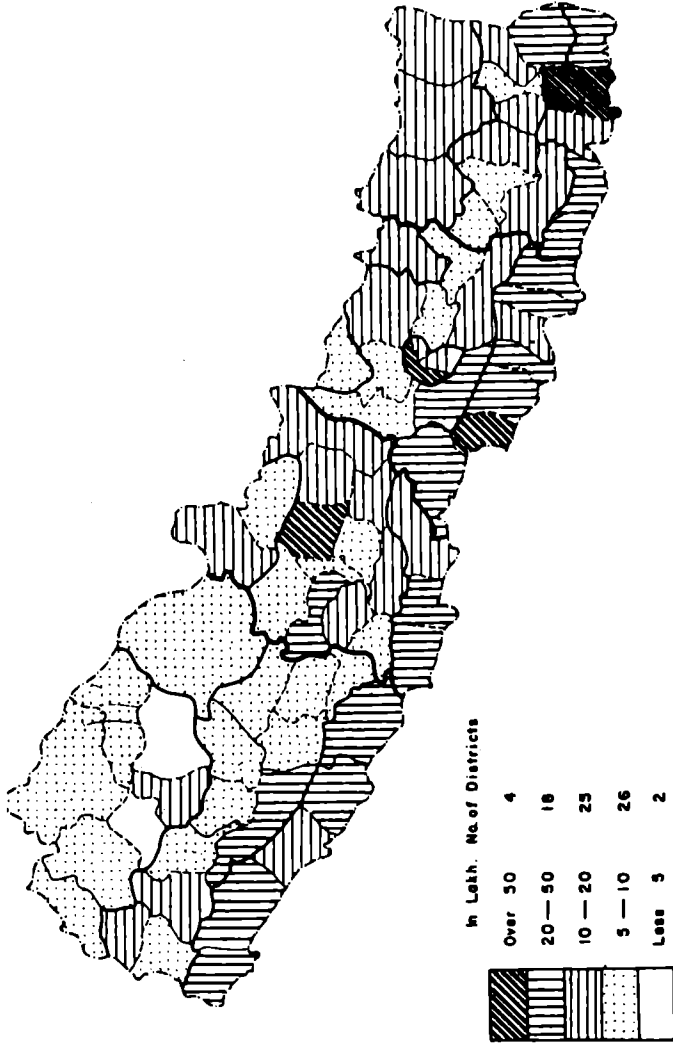
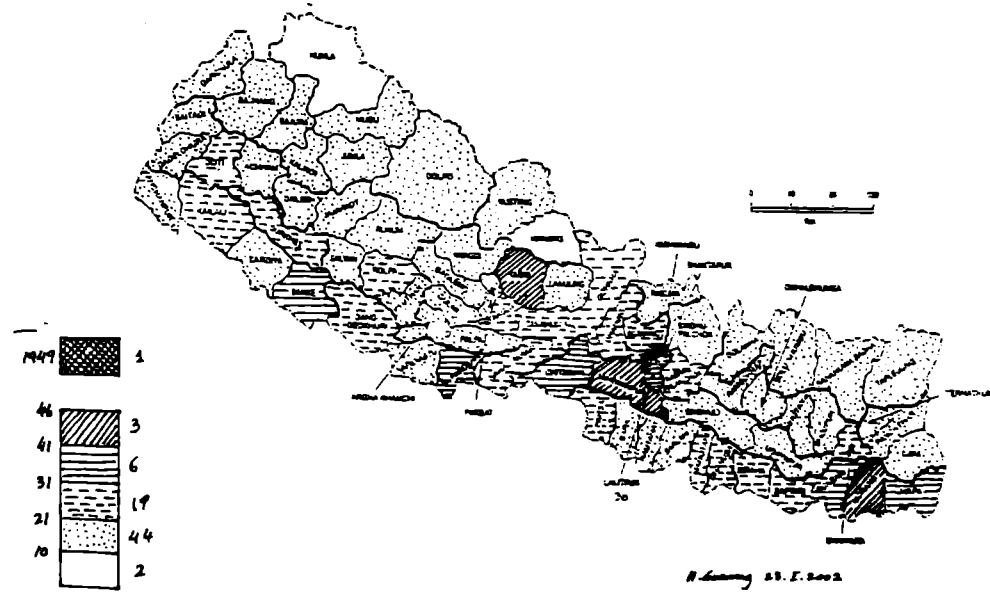


Figure 2: Regular Expenditure 1999/2000 (District Level)



Source: Annex E

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The situation is even more sombre when considered at the district level. District revenues range from Rs.1 million for Manang to Rs.21, 212 million for Kathmandu (Annex E). The average revenue for a district comes to Rs.571 million. Only nine districts exceed this average. They are, by volume ranking, Kathmandu, Parsa, Morang, Rupandehi, Chitawan, Sindhu-Palchok, Jhapa, Lalitpur and Dhanusa, mostly with customs revenue source. There is a distinct regional pattern in the volume of district revenue. None of the 15 mountain districts exceed Rs.18 million in revenue (Table 6). Conversely, none of the 18 tarai districts have less than Rs. 43 million revenue. The hill districts, except Kathmandu, are less endowed than inner tarai districts. Most hill districts have less than Rs.100 million revenue. Conversely, all tarai districts have a revenue exceeding Rs. 100 million. Of the ten districts with revenue below Rs.5 million, two are hill and eight mountain ones.

Table 6 : District Revenue, 1999/2000

RS. million	Mountain	Hill	Inner Tarai	Tarai	Total
1,000+	-	1	1	3	5
100-1,000	-	-	1	10	11
50-100	-	3	2	5	10
10-50	4	22	2	-	28
5-10	3	8	-	-	11
1-5	8	2	-	-	10
Total	15	36	6	18	75

Source: Annex E.

The district regular expenditure averages Rs. 460 million. It ranges from Rs.47.8 million for Manang to Rs.19, 492 million for Kathmandu (Annex E). Similar to the regional pattern of revenue, tarai districts have higher expenditure and mountain districts less. All 18 tarai districts exceed an annual expenditure of Rs.200 million (Tables 7). All 15 mountain districts have expenditure below Rs. 200

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million, of which three have below Rs. 100 million. Majority of hill districts fall in the expenditure range of Rs. 100 – 200 million ranges.

Table 7 : District Expenditure, 1999/2000

Rs. million	Mountains	Hill	Inner tarai	Tarai	Total
501+	-	1	2	5	6
301-500	-	2	2	8	12
201-300	-	12	3	5	20
100-200	12	20	1	-	33
Less 100	3	1	-	-	4
Total	15	36	6	18	75

Source: Annex E

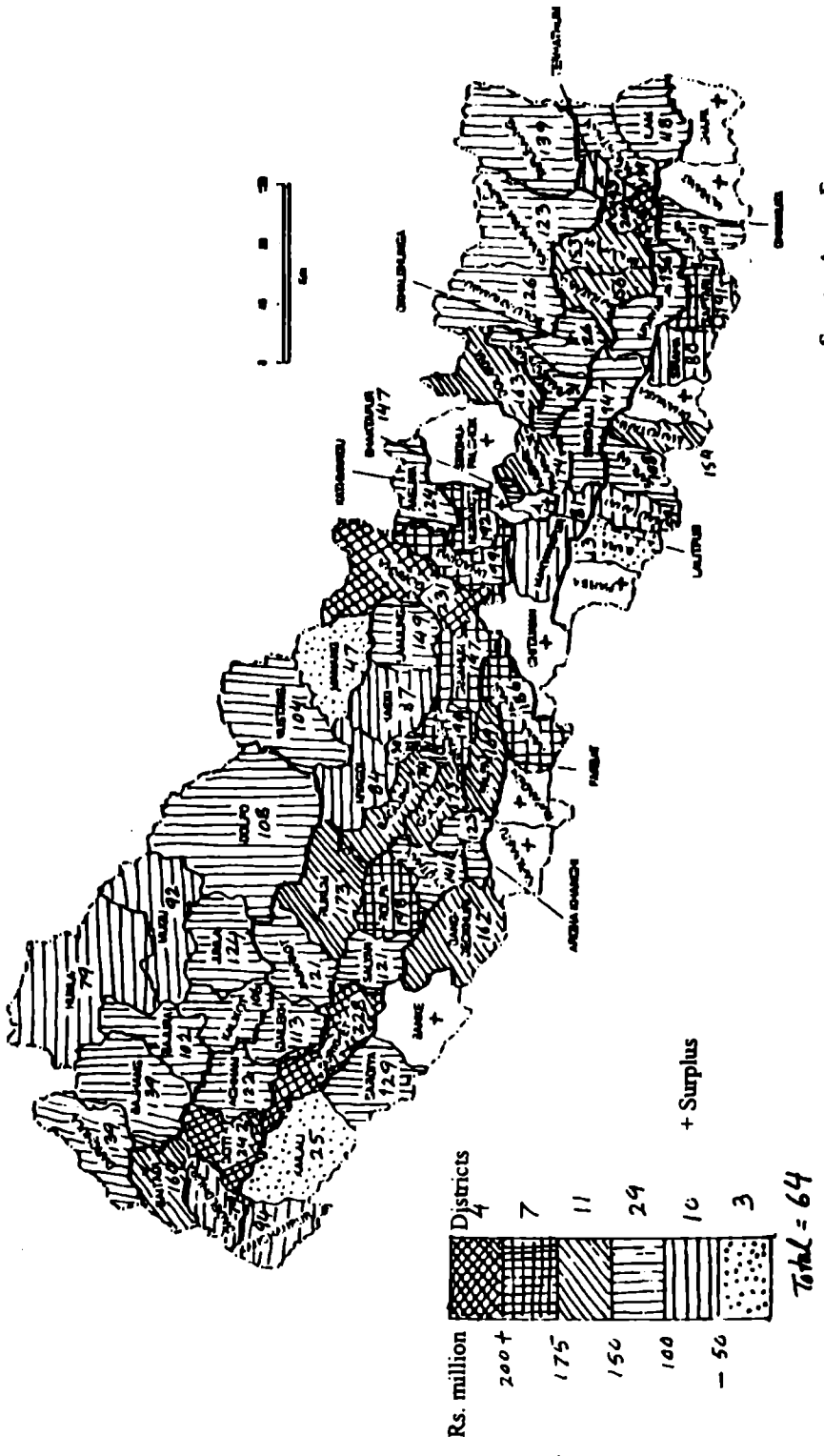
Of the 75 districts, 64 are in the deficit (Annex E). Among the four districts with a deficit exceeding Rs.200 million, Doti, Surkhet and Dhankuta have regional offices (Fig.3). Twenty-nine districts have a deficit of Rs.100-150 million range. Most of these are hill and mountain districts (Table 8). Five tarai, four hill, three mountains and one inner tarai district has a deficit of less than Rs.100 million. Bara has the lowest deficit of Rs.13 million.

Table 8 : District Revenue Status

Status	Mountain	Hill	Inner Tarai	Tarai	Total
Surplus	-	3	1	7	11
Deficit (Rs in million)	15	33	5	11	64
200+	-	3	1	-	4
176-200	-	5	-	2	7
151-175	1	8	1	1	11
101-150	11	13	2	3	29
50-100	2	4	1	3	10
Less 50	1	-	-	2	3
Total	15	36	6	18	75

Source: Annex E

Figure 3 : Regular Budget Deficit, 1999/2000
In million rupees



Source: Annex E

REGULAR EXPENDITURE IN DISTRICTS

Only eleven out of the 75 districts, are in surplus. These include seven tarai, three hills, and one inner tarai district. Their surplus ranges from Rs.178 million for Banke to Rs.7, 676 million for Parsa (Table 9). Most of their high revenue may be attributed to customs except for Chitawan (Park revenue) and Lalitpur (excise). Another important source is excise duty as these districts, except for Sindhu-Palchok, are industrially developed. Nine of these districts also rank high in the level of development, from 1 to 11. The aberrations include Kapilvastu (28) and Sindhu-Palchok (48) with low development rank. The high revenue of Sindhu-Palchok may be attributed to customs revenue at Tatopani and that of Kapilvastu also through customs at Krishna-nagar. The obvious conclusion of the pattern of district revenue and expenditure is one of high recurrent financial burden on the government budget. Such a fiscal situation is not only unsustainable but also inhibits local autonomy.

Table 9 : Revenue Surplus Districts, 1999/2000

S. N.	District (Zone)	Rs. million	Development Rank	Major Sources
1	Parsa (Tarai)	7,676	5	Customs, Excise
2	Morang (Tarai)	2,531	3	Customs, Excise
3	Rupandehi (Tarai)	1,830	6	Customs, Excise
4	Kathmandu (Hill)	1,720	1	Customs, Excise
5	Chitawan (Inner tarai)	942	10	Excise, Park revenue
6	Sindhu-Palchok (Hill)	687	48	Customs
7	Jhapa (tarai)	397	7	Customs, Excise
8	Dhanusa (tarai)	388	9	Excise
9	Kapilvastu (tarai)	369	28	Customs
10	Lalitpur (Hill)	295	4	Excise
11	Banke (tarai)	178	11	Customs, Excise

Source: Annex I:

4.

District Consolidation

Section one above indicated that decentralisation has two aspects. One is the delegation of administrative authority to lower echelons in the form of tenancy. Another is devolution of political power to sub-national levels in the form of ownership. Section two clearly demonstrates the fragile state of districts in terms of economic viability. The districts cannot exercise autonomy without adequate financial base. Therefore, the problem of decentralisation has less to do with legal framework or implementation strategy for local governance. It is basically related to the economic strength of the districts. The Rana regime managed the then roadless country with 33 districts. These also subsumed 52 revenue *Ilaka* (divisions)¹³. The administrative function was, however, limited to revenue collection and security maintenance. In 1963, the number of districts was increased to 75 under a zonal hierarchy with the objective of wider political mobilisation for the Panchayat regime. Such a proliferation of district units did not consider the economic factor and they have ever remained dependent on the central dole. Thus, fragile districts have become the bedrock against which decentralisation efforts have floundered.

In 1975, this writer as a consultant to Constitution Reform Recommendation Commission (Second Amendment) had proposed

¹³ Census Department, 1957, pp. 1-2

DISTRICT CONSOLIDATION

the re-organisation of the 75 districts into 40 for economic reasons. The proposal was rejected due to political consideration. Since then, bureaucratic and development agencies have expanded vastly at the district level. At the same time, there has been much extension of roads, airports and telecommunication facilities. These have narrowed geographic space in terms of travel time enabling the administration of much larger area. Reduction in number of districts also seems a logical option to economise administrative cost since there is a limit to enhance district resource.

There are 146 administrative districts in the Himalayan territory between the Indus and Brahmaputra rivers (Fig. 4). These include 75 in Nepal, 49 in five Indian states, 20 in Bhutan and 4 in Pakistan (Table 10). The average area of a district is to 2, 350 km² in Bhutan, 4,797 km² in Pakistan and 6,065 km² in India. Among Indian states, average district area ranges from 1,783 km² for Sikkim to 7,254 km² in Jammu and Kashmir. Meanwhile, the average district area for Nepal is 1,962 km², the smallest except that of Sikkim. The proposed 25 districts for Nepal will mean an average area of 5,887 km² or between that of Himachal Pradesh and Uttarakhand (Kumaon and Garhwal).

Table 10: District Area in the Himalaya

	Country	Area (Km ²)	Districts	Average District Area (Km ²)
A.	Pakistan (East of Indus)	19,188	4	4,797
B.	India (States)	297,198	49	6,065
1.	Jammu & Kashmir	101,562	14	7,254
2.	Himanchal Pradesh	55,673	12	4,633
3.	Uttarakhand	51,124	8	6,390
4.	Sikkim	7,096	4	1,783
5.	Arunchal Pradesh	81,743	11	7,860
C.	Bhutan	47,000	20	2,350
D.	Nepal			
	Current	147,181	75	1,962
	Proposed	147,181	25	5,887

Source: Nandy, Pant & Rao, 2000, P.5

Figure 4: Average District Area - Km²

District key

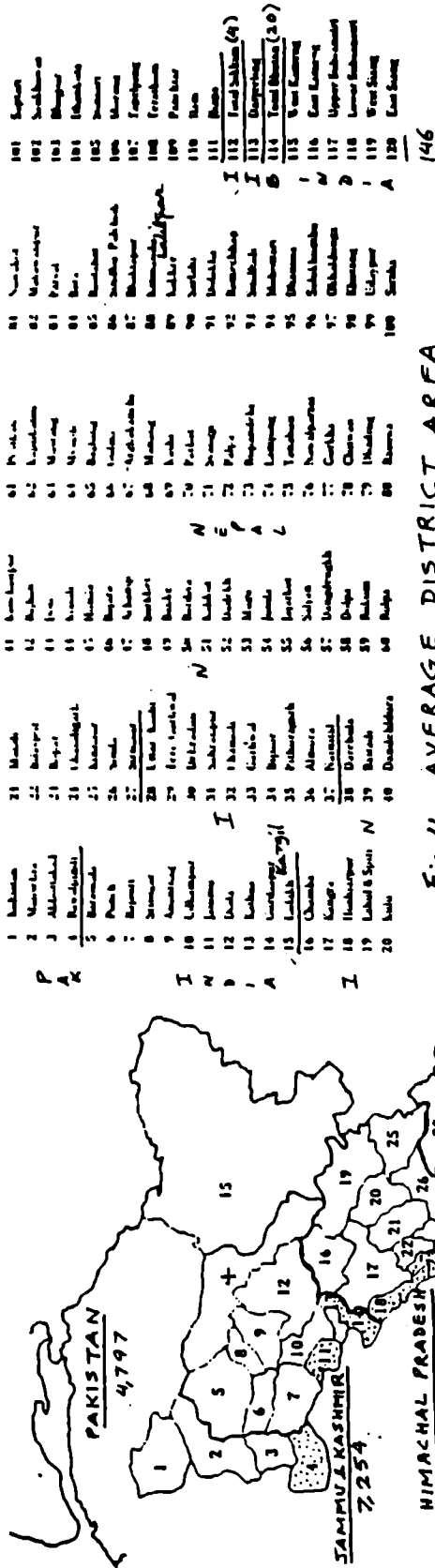


Fig. 4. AVERAGE DISTRICT AREA

Sources:
 A. Base map and District key. Zivick & Kozak, 1949
 B. State / District area: Nandy & others, 2000

The proposal of district consolidation is to reduce the number of administrative districts to 25, one-third of what exists. The new districts¹⁴ are based on regrouping of two to four current districts that are geographically contiguous (Fig. 5 and Annex F). The headquarters of the most centrally located current district should be designated the headquarters of the enlarged district. Elsewhere, new places with highway or airport are suggested as district headquarters (Annex F). The present 75 districts should be relegated to the status of *Ilaka* division or sub-district level with their headquarters converted to service centres. Regulatory functions of the central government should be located only in the headquarters of the enlarged district. Such a consolidation will directly contribute to the reduction of too much divergence among districts in size, population and revenue. These are as follows (Annex G):

- a. Area: Presently, the divergence between the smallest and the largest district is 66 fold: 119 km² (Bhaktapur) and 7,889 km² (Dolpo). The reorganisation will reduce the district area difference into 1:9, e.g. 899 km² (Kathmandu) and 19,610 km² (Karnali). The average area of a district will increase from 1,962 km² to 5,887 km².
- b. Population: Currently, the district population size varies by 115 times: 9,494 (Manang) to 1,093,414 (Kathmandu). The consolidated districts will have a population variance of 1:17, from 129,931 (Dhaulagiri) to 2,162,697 (Kamala). The average district population size will increase from 309,529 to 928,587 persons.

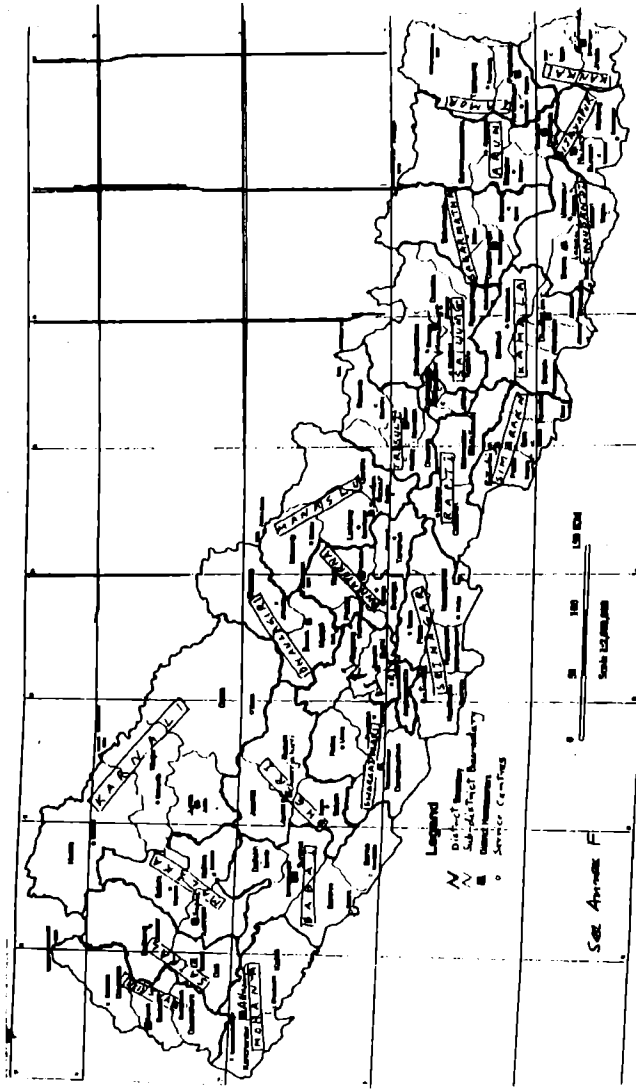
14 Some of the proposed district names conform with the earlier Zonal ones (Anchal) which now has no relevance except for vehicle number plate. The suggested names are based on rivers (10), mountains (7), historical (5) and religious sites (3).

- c. Revenue: District revenue presently has extremely high variance between Rs. 1.0 million (Manang) and Rs. 21,960 million (Kathmandu). The difference will be reduced to 1:891 with Rs. 9.2 million (Malika) as the lowest and Rs. 21,960 million (Kathmandu) the highest. The average district revenue will increase from Rs. 571.9 million of the present 75 districts to Rs. 1,715 million of the proposed 25.

Expenditure: Presently, the annual regular budget expenditure for 75 districts totals Rs. 34,423 million (Annex E). It varies widely from Rs. 47.8 million for Manang to Rs. 19,492 million for Kathmandu. Given about the present level of regular expenditure per district, the consolidated districts will have two-third less expenditure proportionate to the reduction of district number. This comes to Rs. 11,507 million or an annual saving of Rs. 23,016 million. The per capita administrative expenditure would decline from Rs. 1,487 to Rs. 496.

Such a rationalisation of sub-national political units should also be extended to the lower hierarchy; village development committees. The number of village panchayats/ VDC's has fluctuated from 3,912 since 1963 to 3,000 after the Second Amendment of the Constitution (1975) to 4,023 in 1982 and 3,908 presently. Of the Rs. 630 million total budget allocated in 1998/99 to districts, 30.2 percent was for VDC secretaries. If the number of VDC's were to be reduced by half, there would be a regular budget saving of Rs. 95 million annually. Similarly, many localities designated as urban, particularly since 1991, are spurious as their economically active populations are mostly engaged in primary occupation. Urban areas should be defined on functional basis, e.g., those with two-third population engaged in non-farm activities.

Figure 5: NEPAL - Consolidated Districts



Source: Annex F

5.

Resource Mobilisation

The proposal to reduce the number of districts will considerably enlarge their area of coverage and reduce administrative cost to one-third. A larger area would also mean a wider revenue base. But the important agenda of district consolidation need to be resource mobilisation. This would require delegation of certain functions to local bodies instead of expansion of central administration that has stunted local initiative and capability. Consolidated districts with enlarged resource could be entrusted with some localised functions presently administered by the government. Take the case of nine customs-posts along the northern border. Excluding Tatopani, the annual collection from these posts totalled Rs. 183,000 at the administrative cost of Rs. 2,864,000¹⁵ with a dismal cost-benefit ratio of 15:1. Such function could be transferred to DDCs or VDCs with some subsidy. Again, there is no need for District Court Office in remote districts like Manang and Mustang since disputes there are settled according to customary rules. The above examples of possible measures pertain both to austerity measure and strengthening of local bodies.

Districts can function as autonomous bodies only if they have adequate resource base. This would mean curtailing the present highly centralised budgetary allocation system and instead empower districts

¹⁵ Auditor-General's Report-1998/99, Part 1, p. 205.

RESOURCE MOBILISATION

with more taxation authority. Another mechanism to enhance district revenue could be allocation of certain percent of revenue generated from the extraction of district's natural resources. Accordingly, mountain/hill districts with hydro-electric projects and tarai districts with commercial timber would have considerable revenue even with a nominal percentage.

One innovative scheme to mobilise district revenue would be the replication of buffer zone programme around Royal Chitwan National Park (RCNP). Chitwan is one of the eleven districts having revenue surplus (Annex E). Even in this agriculturally rich district, the contribution of land revenue (Rs. 1 million) and land transaction (Rs. 67.4 million) was 5.2 percent of the total revenue in 1999/2000. For the same year, the central grant to the district was Rs. 2.4 million (Table 10). On the other hand, tourism revenue from RCNP increased from Rs.7.4 million in 1985/86 to Rs. 50.7 million in 1998/99¹⁶. In 1998/99, the VDCs in the buffer zone of the Park received Rs.10.4 million or 20.6 percent of the tourism revenue for community and conservation activities.

Table 11 : Tourism Revenue in Sample Districts

In Rs. '000				
S.N.	Items	Chitwan	Solu-Khumbu	Mustang
1	Parks revenue, 1998/99	50,653	-	-
2	Climbing royalty, trek fee	-	44,238	-
3	and Park entrance, 1995 Trekking fee, 1998	-	-	51,027
4	District revenue, 1999/2000	1,311,14	17,095	4,166
5	Land revenue, 1995/96	7	14	31
6	Admn.+ Development grant, 1998/99	1,061 2,393	2,923	3,129

¹⁶ DNPWC, Draft Management Plan, 2000, Annex 1.14.

Mountain districts are considered the poorest in revenue source. Thus, all mountain/hill districts except Kathmandu and Lalitpur are in deficit (Annex E). Yet, they generate much revenue which are diverted to the central exchequer. If the scheme of revenue sharing as in the buffer zone of RCNP was to be adopted, districts with tourism activities would be much richer. This can be exemplified by the by the case of two districts based on their tourism revenue. In 1995, Everest area generated a tourism revenue of US\$ 869,120 through climbing royalty, trekking fee and Park entrance fee. This amounted to Rs. 44.2 million or 2.6 times more than the district's total revenue (Table 10). If half of this was to be retained in Solu-Khumbu, the amount would be 7.6 times that of the central grant to the district. Similarly, upper Mustang yielded US\$ 737,100 from 1,053 trekkers in 1998. It amounts to Rs. 51 million or 12.2 times that of the district's total revenue (Table 10). Of this income, 3.3 percent went to Annapurna Conservation Area Project (ACAP) and the rest to the central exchequer. If this amount was to be shared, Mustang would have eight times more revenue than the current central grant to the district.

There seems no need for a conclusion after making a proposition on district consolidation to facilitate decentralisation. What follows is a brief observation on the approach. There has been much discussion regarding the legal framework of Local Self-Governance Act-1999 which endorses the concept of devolution. Yet decentralisation laws have been enacted and amended ever since the Panchayat Act-1948 of Padma Shamsher while local bodies (not authorities) remain suppliant organs due to economic penury. Here are two instances which indicate that legal instruments alone are not adequate for social engineering. Untouchability is a fact of life in 'Hindu' Nepal despite

the amendment of Muluki Ain (1853) in 1963 that banned caste discrimination. This amended Muluki Ain (1963) also prescribed 18 years for male and 16 years for female as the age for marriage. According to 1991 census, there were 132,661 children aged 10 to 14 years who were either married, widow/widower, divorced or separated¹⁷. A realistic approach towards decentralisation needs first to clarify the confusion between delegation of central functions and devolution of authority to local entities. This implies a drastic change in the relationship between the central government and the district hierarchy. Decentralisation effort in Nepal has failed due to the command system and economic fragility of the districts. District autonomy is feasible only through consolidation of their economic base with a wider tax base and revenue sharing of income from local resource use.

17 Population Census-1991, Vol. 1, Part XI, Table 34.

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Annex A: Income Source of Sample DDCs, 1998/99

District	Taxes	Service Charge	Duty/Fee	Sales Proceeds	Land Revenue	Income from Activities	Total Internal Revenue
Mountain							
Bajhang	38	-	19	-	18	-	75
Row %	50.7	-	25.3	-	24.0	-	100.0
Hill							
Bhojpur	-	-	145	430	107	-	682
Row %	-	-	21.2	63.1	15.7	-	100.0
Kathmandu Valley							
Lalitpur	7,422	-	2	2040	331	225	10020
Row %	74.1	-	0.0	20.4	3.3	2.2	100.0
Tarai							
Kailali	197	76	210	21190	498	-	24673
Row %	0.9	0.3	0.9	95.6	2.2	-	100.0

Source: Local Bodies Fiscal Commission Report, 2000, Appendix 7, pp. 37-38.

Annex B : Share of Land Revenue

In '000

S.N.	Geographic Region	Total Revenue ^a 1999/2000		Land Revenue ^b 1995/96		Land Revenue as % of Total Revenue
		Amount	Percent	Amount	Percent	
A	<u>Mountain</u>	98,241	0.2	17,462	1.9	17.8
	1. West	30,040	0.1	3,935	0.4	13.1
	2. Central	13,045	0.0	954	0.1	7.3
	3. East	55,156	0.1	12,573	1.3	22.8
B.	<u>Hill</u>	23,806,461	55.5	330,507	35.3	1.4
	4. West	103,849	0.2	21,266	2.3	20.5
	4. Central	636,481	1.5	129,462	13.8	20.3
	5. Kathmandu Valley	21,960,635	51.2	118,524	112.7	0.5
	6. East	1,105,496	2.6	61,255	6.5	5.5
C.	<u>Inner Tarai</u>	1,891,271	4.4	127,002	13.6	6.7
	7. West	133,008	0.3	30,620	3.3	23.0
	8. Central	1,678,920	3.9	85,126	9.1	5.1
	9. East	79,343	0.2	11,256	1.2	14.2
D.	<u>Tarai</u>	17,097,807	39.9	461,020	49.3	2.7
	10. West	966,754	2.3	69,339	7.4	7.2
	11. Central	2,849,791	6.6	89,800	9.6	3.2
	12. East	13,281,262	31.0	301,881	32.3	2.3
	NEPAL	42,893,780	100.0	935,991	100.0	2.2

a. Financial Controller – General's Office.

b. Land Revenue Department

Annex C : Expenditure Pattern of Sample Districts, 1998/99

In Rs.'000

S. N.	Expenditure Item	Mountain (Bajura)		Hill (Gulmi)		Inner Tarai (Udayapur)		Tarai (Bardiya)	
		Own Source	Grant	Own Source	Grant	Own Source	Grant	Own Source	Grant
1	Salary/Wages	26	2,164	98	4,305	27	3,450	541	2,529
2	Allowance	47	1,283	581	320	637	404	842	356
3	Travel Allowance	-	700	12	205	66	352	283	84
4	Dress	-	-	9	-	5	-	18	-
5	Medicine	-	-	-	-	-	4,206	-	-
6	Manpower Related	73	4,147	700	4,830	735	229	1,684	2,969
7	Fee/Charges	-	308	7	233	119	857	290	48
8	Office	32	222	19	61	145	149	399	133
9	Fuel	-	7	4	5,001	-	224	86	18
10	Miscellany	-	776	312	107	77	27,564	113	547
11	Grant	-	960	320	-	-	-	523	7,318
12	Capital Goods	-	-	-	-	-	-	78	-
13	Public Works	-	577	-	35,322	-	-	94	-
14	Capital Grant	-	11,957	-	-	-	-	-	11,960
15	Operating Grant	-	29	-	-	-	-	-	-
	Total	178	45,530	2,062	50,613	1,811	37,435	4,951	25,469
	Own Source + Grant		45,708		52,675		39,246		30,420
	Grant %		99.5		96.1		95.4		83.7

Source: Local Units Fiscal Commission Report, 2000, Appendices 8.1 and 8.2, p.p. 39-45.

Annex D : Increase in Regular Budget, 1974/75-1999/2000

In Rs. '000

S.N.	Geographic Region (Districts)	Estimate 1974/75 a Amount	Percent	Expenditure 1999/2000b Amount	Percent	Times Increase
A	Mountain (15)	14,610	10.4	18,14,653	5.3	124.2
	1. West (8)	6,679	4.7	9,19,010	2.7	137.6
	2. Central (3)	2,606	1.9	288,424	0.8	110.7
	3. East (4)	5,325	3.8	607,218	1.8	114.0
B.	Hill (36)	61,180	43.5	26,117,046	75.7	426.9
	4. West (10)	8,437	6.0	1,579,841	4.6	187.3
	13. Central (13)	18,744	13.3	27,38,004	7.9	146.1
	14. Kathmandu Valley (3)	22,139	15.7	20,092,953	58.2	907.6
	15. East (10)	11,986	8.4	1,706,247	4.9	143.9
C.	Inner Tarai (6)	13,045	9.3	1,703,333	4.9	130.6
	16. West (2)	5,695	4.0	523,434	1.5	91.9
	17. Central (2)	5,022	3.6	817,595	2.4	162.8
	18. East (2)	2,328	1.7	362,304	1.0	155.6
D.	Tarai (18)	51,836	36.8	1,888,246	14.2	94.3
	19. West (4)	10,156	7.2	1,037,896	3.0	102.2
	20. Central (3)	7,918	5.6	837,033	2.4	105.7
	21. East (11)	33,762	24.0	3,013,317	8.7	89.3
	NEPAL (75)	140,671	100.0	34,523,278	100.0	245.4

Sources : a. Ministry of Finance, Budget Estimate 2031/32 (1974/75) vide Gurung, 1978, pp. 9-12
b. Financial Controller General's Office (FC-GO).

FRAGILE DISTRICTS, FUTILE DECENTRALISATION

Annex E : Revenue and Regular Expenditure by District, 1999/2000

In Rs.

Region/District	Revenue	%	Expenditure	%	Deficit	Surplus
A. MOUNTAIN	98,241,226	0.2	1,814,652,512	5.3	1,716,411,286	
I. West	30,040,328	0.1	219,010,284	2.7	888,969,956	
1. Darchula	4,707,447	0.0	143,772,408	0.4	139,064,961	
2. Bajhang	4,970,656	0.0	143,868,094	0.4	138,897,438	
3. Bajura	2,384,266	0.0	104,146,489	0.3	101,762,223	
4. Humla	2,624,972	0.0	81,597,150	0.2	78,972,178	
5. Mugu	3,312,326	0.0	95,771,742	0.3	92,459,416	
6. Kalikot	2,713,491	0.0	108,321,096	0.3	105,607,605	
7. Jumla	7,038,010	0.0	131,321,449	0.4	124,283,439	
8. Dolpa	2,289,160	0.0	110,211,856	0.3	107,922,696	
II. Central	13,044,469	0.0	288,424,268	0.8	275,379,799	
9. Mustang	4,166,336	0.0	108,354,184	0.3	104,187,848	
10. Manang	1,012,810	0.0	47,802,938	0.1	46,790,128	
11. Rasuwa	7,865,323	0.0	132,267,146	0.4	124,401,823	
				0.0		
III. East	55,156,429	0.1	607,217,960	1.8	552,061,531	
12. Dolakha	14,316,701	0.0	177,512,728	0.5	163,196,027	
13. Solu-Khumbu	17,095,890	0.0	143,506,117	0.4	126,410,227	
14. Sankhuwa Sabha	12,970,093	0.0	135,966,235	0.4	122,996,142	
15. Taplejung	10,773,745	0.0	150,232,880	0.4	139,459,135	
				0.0		
B. HILL	23,806,460,909	55.5	26,117,045,889	75.7	2,310,584,980	
IV. West	103,849,382	0.2	1,579,841,132	4.6	1,475,991,750	
16. Dadeldhura	35,528,205	0.1	114,984,153	0.3	79,455,948	
17. Baitadi	7,783,738	0.0	172,035,356	0.5	164,251,618	
18. Doti	9,686,989	0.0	252,426,240	0.7	242,739,251	
19. Achham	4,163,446	0.0	126,115,762	0.4	121,952,316	
20. Dailekh	7,041,395	0.0	120,068,226	0.3	113,026,831	
21. Jajarkot	3,508,883	0.0	124,283,794	0.4	120,774,911	
22. Salyan	10,002,938	0.0	130,951,082	0.4	120,948,144	
23. Rukum	6,789,181	0.0	180,271,343	0.5	173,482,162	
24. Rolpa	7,902,072	0.0	205,973,616	0.6	198,071,544	
25. Pyuthan	11,442,535	0.0	152,731,560	0.4	141,289,025	
V. Central	636,480,892	1.5	2,738,004,422	7.9	2,101,523,530	
26. Myagdi	12,191,839	0.0	96,502,010	0.3	84,310,171	
27. Baglung	28,613,435	0.1	202,891,628	0.6	174,278,193	
28. Parbat	16,542,929	0.0	146,559,449	0.4	130,016,520	
29. Gulmi	20,778,795	0.0	193,976,866	0.6	173,198,071	
30. Argha Khanchi	13,920,135	0.0	136,583,331	0.4	122,663,196	
31. Palpa	31,340,236	0.1	200,440,551	0.6	169,100,315	
32. Syangja	25,602,456	0.1	219,720,955	0.6	194,118,499	
33. Kaski	369,984,229	0.9	456,646,643	1.3	86,662,414	
34. Tanahun	46,769,386	0.1	243,734,864	0.7	196,965,478	
35. Lamjung	16,422,244	0.0	165,169,871	0.5	148,747,627	
36. Gorkha	18,265,212	0.0	249,133,574	0.7	230,868,362	
37. Dhading	17,213,549	0.0	216,006,354	0.6	198,792,805	
38. Nuwakot	18,836,447	0.0	210,638,326	0.6	191,801,879	

APPENDIX

Region/District	Revenue	%	Expenditure	%	Deficit	Surplus
VI. Kathmandu Valley	21,960,634,590	51.2	0,092,953,263	58.2		1,867,681,327
39. Kathmandu	21,212,253,400	49.5	19,491,960,428	56.5		1,720,292,972
40. Lalitpur	676,976,938	1.6	382,469,714	1.1		294,507,224
41. Bhaktapur	71,404,252	0.2	218,523,121	0.6	147,118,869	
VII. East	1,105,496,045	2.6	1,706,247,072	4.2	600,751,027	
42. Sindhu-Palchok	891,770,891	2.1	204,507,269	0.6		687,263,622
43. Kabhre-Palanchok	44,244,054	0.1	218,386,619	0.6	174,142,565	
44. Ramechhap	10,774,955	0.0	142,169,776	0.4	131,394,821	
45. Okhaldhunga	10,933,650	0.0	136,946,049	0.4	126,012,399	
46. Khotang	13,021,959	0.0	168,550,704	0.5	155,528,745	
47. Bhojpur	12,201,478	0.0	165,160,109	0.5	152,958,631	
48. Dhankuta	19,616,179	0.0	223,586,341	0.6	203,970,162	
49. Terathum	9,335,323	0.0	101,929,627	0.3	92,594,304	
50. Panchthar	14,991,164	0.0	148,625,497	0.4	133,634,333	
51. Ilam	78,606,392	0.2	196,385,081	0.6	117,778,689	
C. INNER TERAI	1,891,271,081	4.4	1,703,333,478	4.9		187,937,603
VIII. West	133,008,125	0.3	523,433,708	1.5	390,425,583	
52. Surkhet	37,427,390	0.1	265,579,210	0.8	228,151,820	
53. Dang-Deokhuri	95,580,735	0.2	257,854,498	0.7	162,273,763	
IX. Central	1,678,920,375	3.9	817,595,560	2.4		861,324,815
54. Chitawan	1,311,146,958	3.1	368,917,842	1.1		942,229,116
55. Makwanpur	367,773,417	0.9	448,677,718	1.3	80,904,301	
X. East	79,342,581	0.2	362,304,210	1.0	282,961,629	
56. Sindhuli	15,297,966	0.0	162,311,116	0.5	147,013,150	
57. Udayapur	64,044,615	0.1	199,993,094	0.6	135,948,479	
D. TARAI	17,097,807,162	39.9	4,888,246,449	14.2		12,209,560,713
XI. West	966,753,793	2.3	1,037,896,621	3.0	71,142,828	
58. Kanchanpur	108,260,034	0.3	202,565,245	0.6	94,305,211	
59. Kailali	262,024,354	0.6	287,356,645	0.8	25,332,291	
60. Bardiya	43,460,554	0.1	172,718,322	0.5	129,257,768	
61. Banke	553,008,851	1.3	375,256,409	1.1		177,752,442
XII. Central	2,849,791,160	6.6	837,033,093	2.4		2,012,758,067
62. Kapilvastu	555,682,608	1.3	186,839,923	0.5		368,842,685
63. Rupandehi	2,210,509,757	5.2	380,196,835	1.1		1,830,312,922
64. Nawal Parasi	83,598,795	0.2	269,996,335	0.8	186,397,540	
XIII. East	13,281,262,209	31.0	3,013,316,735	8.7		10,267,945,474
65. Parsa	7,948,285,434	18.5	271,513,054	0.8		7,676,772,380
66. Bara	178,488,961	0.4	191,965,601	0.6	13,476,640	
67. Rautahat	124,567,674	0.3	183,233,915	0.5	58,666,241	
68. Sarlahi	85,571,025	0.2	193,551,874	0.6	107,980,849	
69. Mahotari	83,071,525	0.2	237,243,463	0.7	154,171,938	
70. Dhanusa	656,762,589	1.5	268,658,565	0.8		388,104,024

FRAGILE DISTRICTS, FUTILE DECENTRALISATION

71. Siraha	147,266,727	0.3	228,105,394	0.7	80,838,667	
72. Saptari	67,228,895	0.2	258,450,578	0.7	191,221,683	
73. Sunsari	278,269,226	0.6	396,951,072	1.1	118,681,846	
74. Morang	2,937,096,806	6.8	406,004,930	1.2		2,531,091,876
75. Jhapa	774,653,347	1.8	377,638,289	1.1		397,015,058
NEPAL	42,893,780,378	100.0	34,523,278,328	100.0	19,309,886,170	44,421,392,320

Source: Financial Controller-General's Office (FC-GO)

APPENDIX

Annex F : District Consolidation Proposal

District		Ilaka (Sub-districts)	Headquarters
I.	FAR-WEST (4)		
	1. Byasrishi	(1) Darchula, (2) Baitadi, (3) Dadeldhura	Baitadi
	2. Saipal	(1) Bajhang, (2) Doti	Dipayal
	3. Malika	(1) Bajura, (2) Achham, (3) Kalikot	Sanphe*
	4. Mohana	(1) Kailali, (2) Kanchanpur	Attariya*
II.	MID-WEST (4)		
	5. Karnali	(1) Humla, (2) Mugu, (3) Jumla, (4) Dolpo	Jumla
	6. Babai	(1) Dailekh, (2) Surkhet (3) Bardiya, (4) Banke	Birendranagar
	7. Bheri	(1) Jajarkot, (2) Rukum (3) Salyan	Chaurjahari*
	8. Swargadwari	(1) Rolpa, (2) Pyuthan, (3) Dang	Ghorahi
II I.	WEST (6)		
	9. Dhaulagiri	(1) Mustang, (2) Myagdi	Dana*
	10. Riri	(1) Baglung, (2) Gulmi, (3) Arghakhanchi	Tamghas
	11. Srinagar	(1) Palpa, (2) Kapilvastu, (3) Rupandehi	Butwal*
	12.	(4) Nawalparasi	
	13. Annapurna	(1) Parbat, (2) Syangja, (3) Kaski, (4) Tanahu	Pokhara
	14. Manaslu	(1) Manang, (2) Lamjung, (3) Gorkha	Sundarbazar
IV	CENTRAL (6)		
	15. Trishuli	(1) Dhading, (2) Rasuwa, (3) Nuwakot	Bidur
	16. Kathmandu	(1) Kathmandu, (2) Lalitpur, (3) Bhaktapur	Kathmandu
	17. Rapti	(1) Chitwan, (2) Makwanpur	Hetauda
	18. Simaraon	(1) Parsa, (2) Bara, (3) Rautahat	Pathlaiya*
	19. Sairung	(1) Sindhu-Palchowk, (2) Dolakha	Lamosangu*
	20. Kamala	(3) Kavre-Palanchowk, (4) Ramechhap	
		(1) Sindhuli, (2) Sarlahi, (3) Mahottari, (4) Dhanusha	Dhalkebar*
V.	EAST (6)		
	21. Sagarmatha	(1) Solukhumbu, (2) Okhaldhunga, (3) Khotang	Okhaldhunga
	22. Chaudandi		Lahan*
	23. Arun	(1) Udayapur, (2) Siraha, (3) Saptari	Dhankuta
	24. Bijayapur	(1) Sankhuwa-Sabha, (2) Bhojpur, (3) Dhankuta	Itahari*
	25. Tamor		Phidim
	26. Kankai	(1) Sunsari, (2) Morang	Birtamod*
		(1) Taplejung, (2) Terhathum (3) Panchthar	
		(1) Ilam, (2) Jhapa	

* New location (See Figure 4).

FRAGILE DISTRICTS, FUTILE DECENTRALISATION

Annex G : Population, Area and Revenue of Proposed Districts

S. N.	Districts	Elevation Zone	Population (2001)	Area (km ²)	Revenue (1999/2000) Rs. '000
I. FAR-WEST					
1	Byasrishu	Mountain/Hill	483,717	5,379	78,019
2	Saipal	Mountain/Hill	376,335	5,447	14,657
3	Malika	Mountain/Hill	447,767	5,609	9,261
4	Mohana	Tarai	999,922	4,845	370,284
II. MID-WEST					
5	Karnali	Mountain	204,007	19,610	15,264
6	Babai	Hill/Tarai	1,290,555	8,315	640,938
7	Bheri	Hill	535,581	6,569	20,301
8	Swargadwari	Hill/Inner Tarai	886,287	6,143	114,925
III. WEST					
9	Dhaulagiri	Mountain	129,931	5,870	16,358
10	Riri	Hill	775,467	4,126	63,312
11	Srinagar	Hill/Tarai	2,016,718	6,633	2,881,131
12	Annapurna	Hill	1,172,550	5,221	458,899
13	Manaslu	Mountain/Hill	474,956	7,548	35,700
IV. CENTRAL					
14	Trisuli	Mountain/Hill	671,652	4,591	43,915
15	Kathmandu	Hill	1,656,951	899	21,960,634
16	Rapti	Inner Tarai	860,005	4,644	1,678,920
17					
18	Sailung	Mountain/Hill	1,108,554	7,676	961,106
19	Simaraon	Tarai	1,599,191	3,669	8,251,342
	Karnala	Inner Tarai/Tarai	2,162,697	5,932	840,703
V. EAST					
20	Sagarmatha	Mountain/Hill	496,441	56,146	41,051
21	Chaudandi	Inner Tarai/Tarai	1,438,153	4,614	278,540
22					
23	Arun	Mountain/Hill	530,577	6,044	44,767
24	Bijayapur	Tarai	1,471,953	3,112	321,366
25	Tamor	Mountain/Hill	452,276	5,232	35,100
	Kankai	Hill/Tarai	973,995	3,309	853,259
NEPAL			23,214,681	147,181	42,983,780

Fragile Districts, Futile Decentralisation

GURUNG SPARKS FRESH DEBATE ON DECENTRALIZATION

Dr. Harka Gurung did it again - by sparking a fresh debate among scholars and development planners. This time it is not the migration issue or stringent measures of border regulation, but a crucial issue of consolidating the present 75 districts to 25. The veteran geographer and planner's proposition is aimed at facilitating decentralization, reducing the administrative cost and resource mobilization against the backdrop of fragile state of districts in terms of economic viability. Addressing a talk programme on 'Fragile Districts, Futile Decentralization', he said decentralization effort in Nepal has failed due to the command system and economic fragility.

- *The Himalayan Times*, March 25, 2002

DISTRICT CONSOLIDATION

Recently there was a discourse organized in one of the hotels of the capital city where one could notice tremendous enthusiasm, manifest sense of purpose and living curiosity among the discussants. The speaker was Dr. Harka Gurung and the organizer of the event was Society for International Development Nepal Chapter. The theme of the discussion was 'Fragile Districts: Futile Decentralization'. A galaxy of intellectual elites, planners and development ideologues rarely seen in the seminar going circuit also attended the programme. As the subject of the discourse was very interest rousing and critical, those with stakes-intellectual and applied-on-development, governance and decentralization could not but get tempted to attend such interaction.

- *The Rising Nepal*, April 02, 2002

'The Centre cannot hold. Consolidating the country's 75 districts into 25 is the only way to make them economically viable and truly decentralized'.

- *Nepali Times*, April 5-11, 2002

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