

Highlights of Macro Financial Scenario

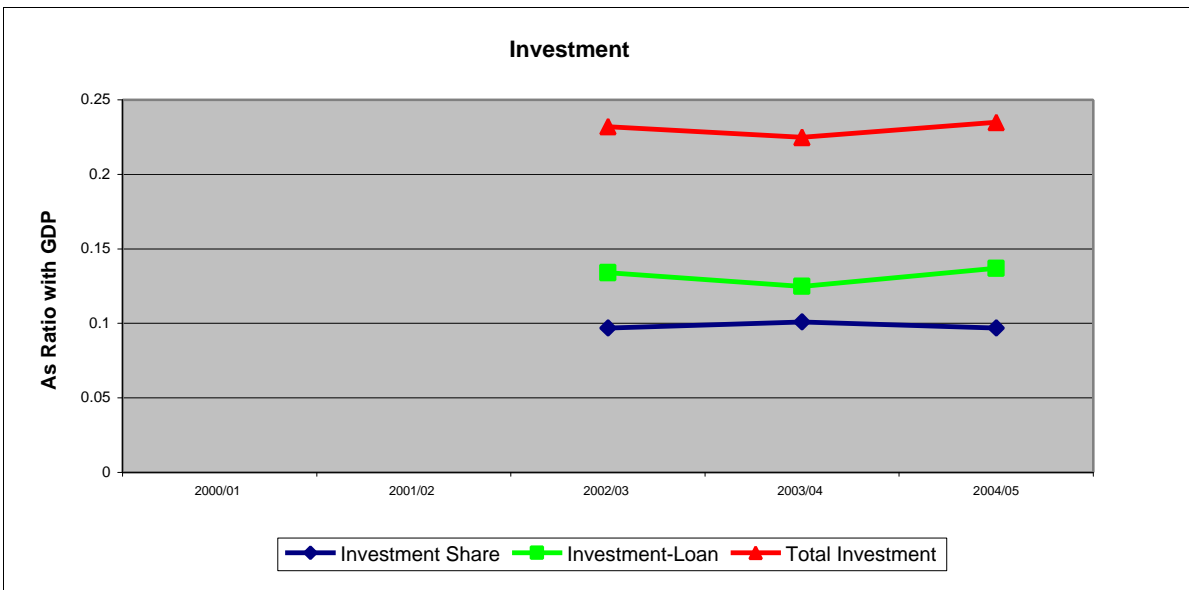
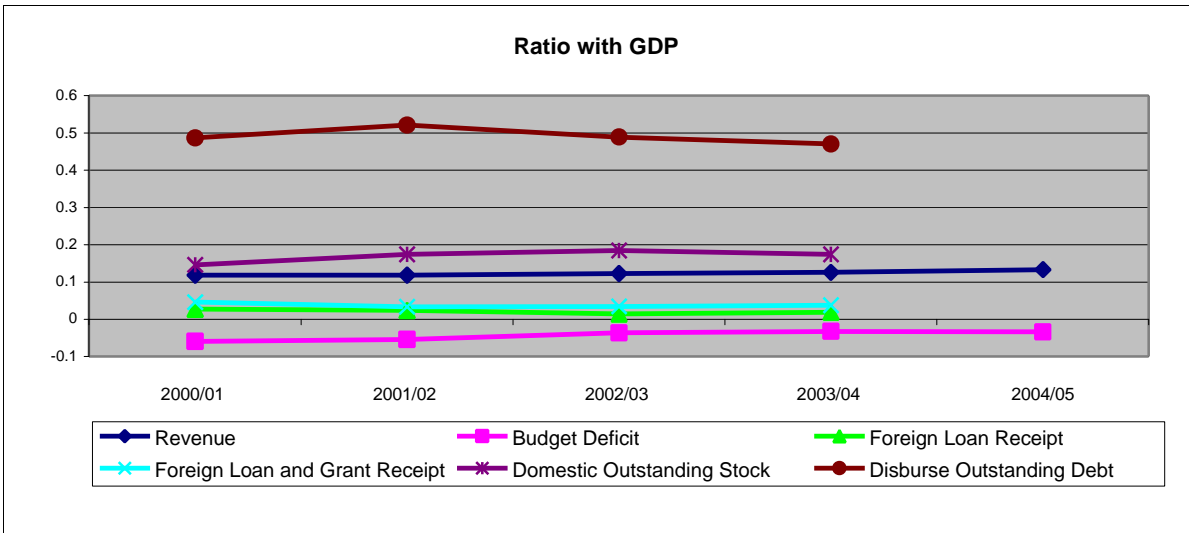
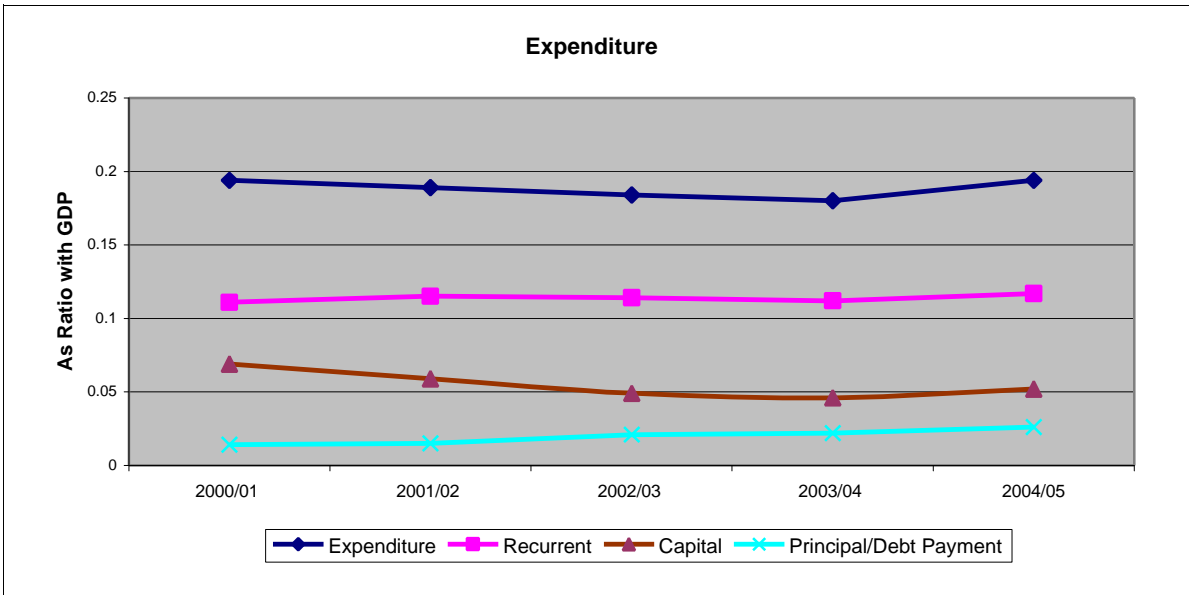
(For the FY 2000/01 to 2004/05)

1. Macro Level Budget Operation

- 1.1 Ratio of Expenditure with GDP showed decreasing trend upto the year 2003/04 and increased in 2004/05. Recurrent Expenditure fluctuated throughout the period. It increased in 2001/02 by ratio 0.004 and decreased by 0.001 and 0.002 respectively in the years 2002/03 and 2003/04, increased again by the ratio 0.005 in 2004/05. Decreasing trend was recorded in Capital Expenditure upto year 2003/04 then rose up in 2004/05. Principal/Debt Payment and Revenue shows gradual increasing trend throughout the period.
- 1.2 Budget Deficit inclined upto 2003/04, after slightly declined in 2004/05. Foreign Loan Receipt decreased by 0.003 and 0.010 respectively in the years 2001/02 and 2002/03, then rose by 0.005 in 2003/04. Foreign Loan and Grant Received decreased by 0.12 in 2001/02, then slightly increased by the ratio 0.001 and 0.003 respectively in 2002/03 and 2003/04. Domestic Outstanding Stock increased upto year 2002/03 then decreased by 0.011 in 2003/04. Disbursement of Outstanding Debt increased in 2001/02 then gradually decreased in later years.
- 1.3 Ratio of Investment-Share with GDP slightly increased by 0.004 in the year 2003/04 and decreased by the same ratio (0.004) in 2004/05. Investment Loan decreased by 0.009 in 2003/04 then increased by 0.012 in the year 2004/05. Overall Total Investment decreased by ratio 0.007 in year 2003/04 and increased by 0.010 in 2004/05.

Table I

	FY	2000/01	2001/02	2002/03	2003/04	2004/05
Ratio with GDP	Expenditure	0.194	0.189	0.184	0.18	0.194
	Recurrent	0.111	0.115	0.114	0.112	0.117
	Capital	0.069	0.059	0.049	0.046	0.052
	Principal/Debt Payment	0.014	0.015	0.021	0.022	0.026
	Revenue	0.119	0.119	0.123	0.126	0.133
	Budget Deficit	-0.059	-0.054	-0.036	-0.032	-0.034
	Foreign Loan Receipt	0.027	0.024	0.014	0.019	
	Foreign Loan and Grant Receipt	0.046	0.034	0.035	0.038	
	Domestic Outstanding Stock	0.146	0.174	0.185	0.174	
	Disburse Outstanding Debt	0.487	0.521	0.489	0.47	
	Investment Share			0.097	0.101	0.097
	Investment-Loan			0.134	0.125	0.137
	Total Investment			0.232	0.225	0.235

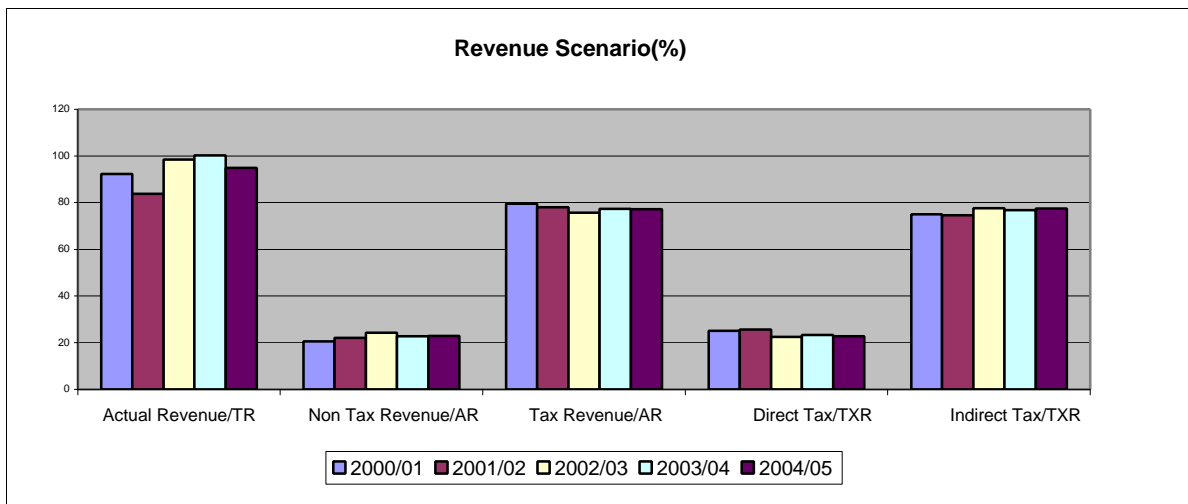


2. Macro Scenario

- 2.1 Revenue showed fluctuating trend. In the year 2001/02, reduction of 8.54% was recorded compared to 2000/01 and increased significantly during the following two year i.e. 2002/03, and 2003/04 and went down to 94.86% in the year 2004/05. Non-Tax revenue increased by 1.52 and 2.23 percent respectively during 2001/02 and 2002/03, decreased by 1.55 percent in 2003/04 and remained almost constant in 2004/05. Share of Tax Revenue that holds more than 75% of total Revenue, decreased till 2002/03 and slightly rose during the later years.
- 2.2 Contribution of Indirect Tax is more than $\frac{3}{4}$ of total Tax Revenue with an increasing trend throughout the period and reached to 77.33% in 2004/05 whereas Tax Revenue decreased by 2.36% in the year 2004/05 as compared to the year 2000/01.

Table II

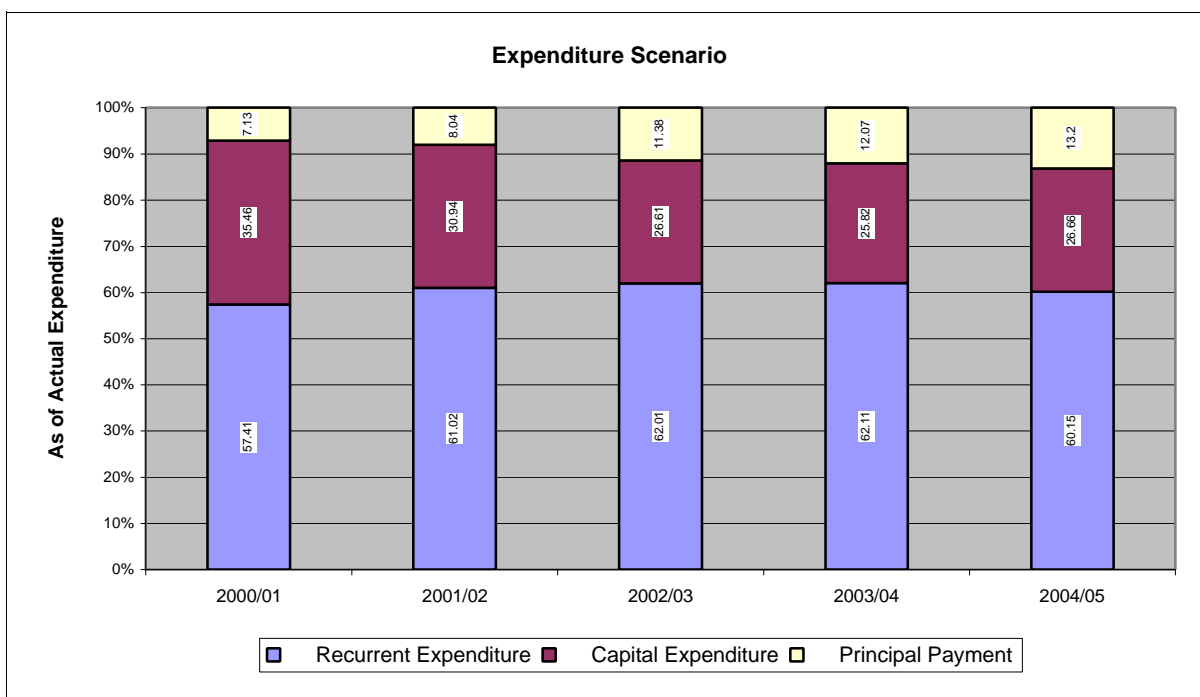
Actual Revenue/TR	92.27	83.73	98.39	100.17	94.86
Non Tax Revenue/AR	20.51	22.03	24.26	22.71	22.84
Tax Revenue/AR	79.49	77.97	75.74	77.29	77.16
Direct Tax/TxR	25.03	25.52	22.42	23.27	22.67
Indirect Tax/TxR	74.97	74.48	77.58	76.73	77.33



- 2.3 The table shows that the ratio of AE remained steady during the period despite a 5% marginal decline in the year 2001/02. Likewise RE has got a marginal increment of 3.61% in the FY 2001/02 almost remaining constant in other years of analysis.

Table III

Actual Expenditure/TE	87.14	80.24	87.39	87.35	88.96
Recurrent Expenditure/AE	57.41	61.02	62.01	62.11	60.15
Capital Expenditure/AE	35.46	30.94	26.61	25.82	26.66
Principal Payment/AE	7.13	8.04	11.38	12.07	13.20

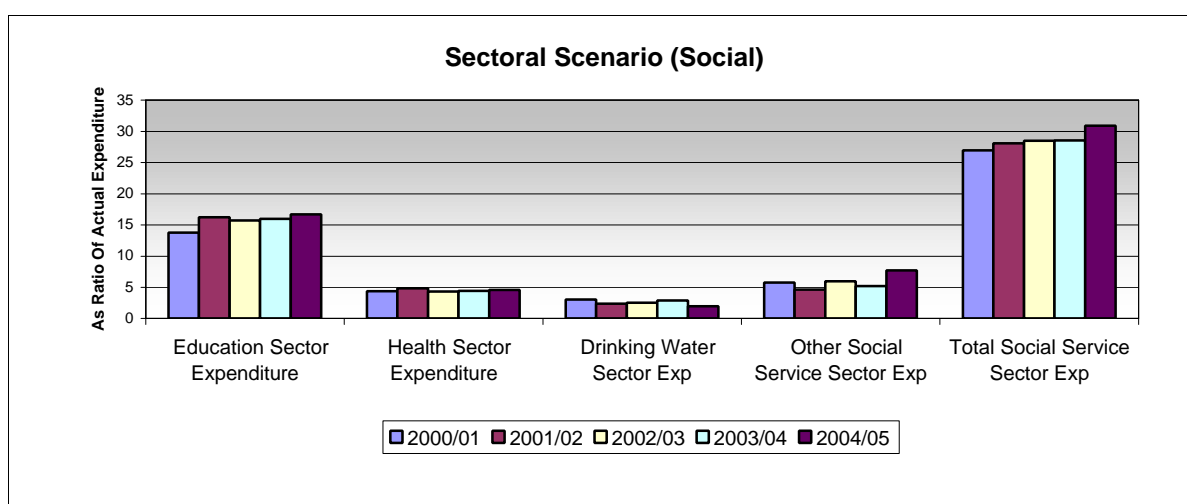


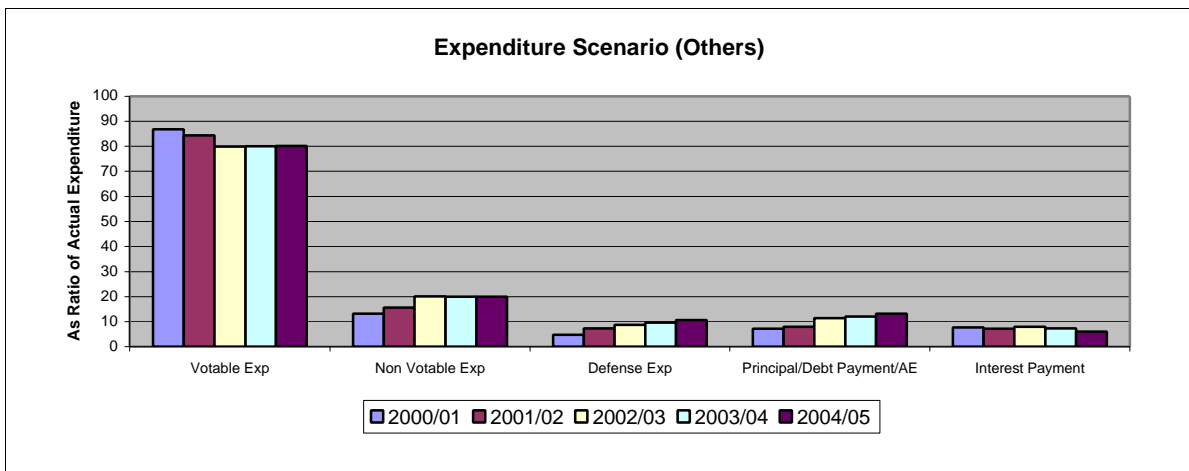
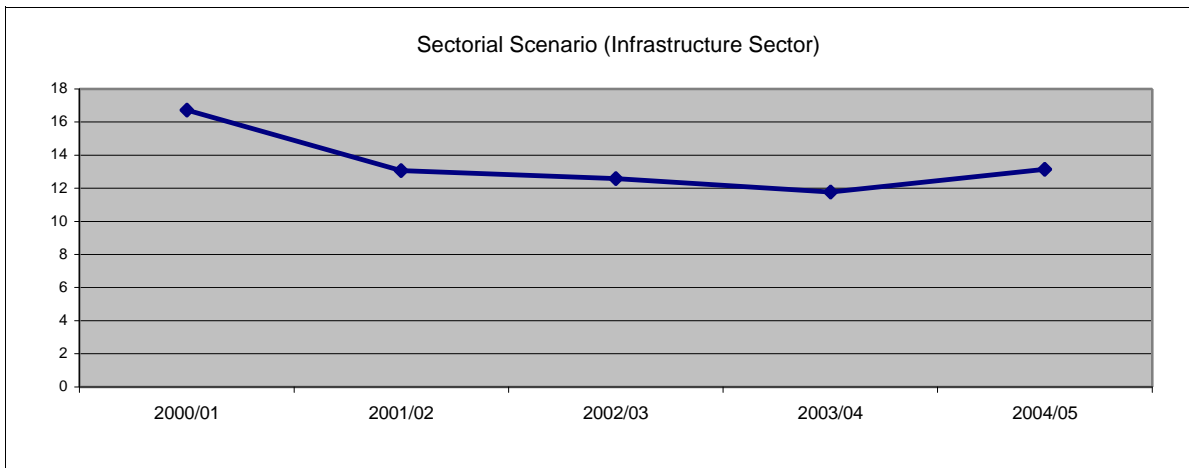
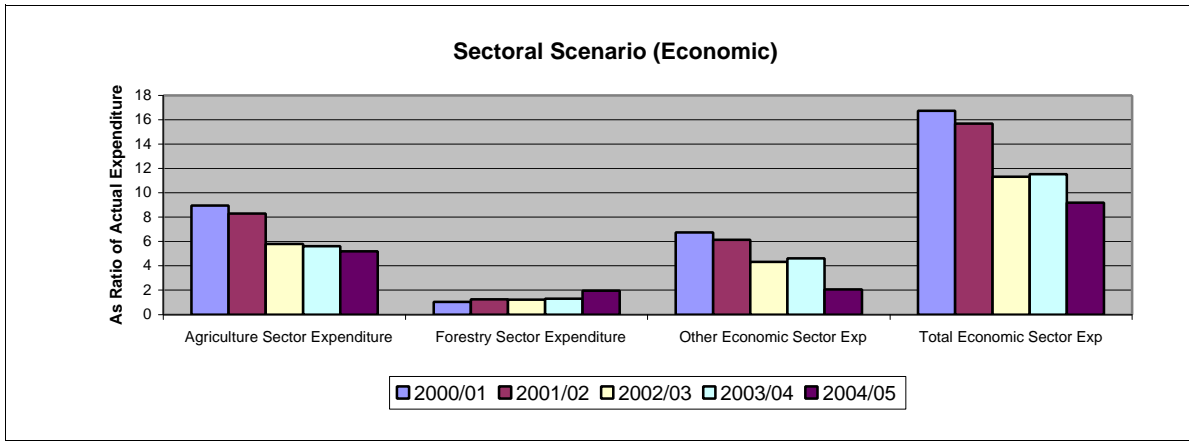
3. Allocative Efficiency

- 3.1 Table IV shows that the expenditure in Social Service Sector has increased. Within it, Education occupied more than 50 percent of the expenditure with an increasing trend throughout the period whereas Health Sector Expenditure remained almost constant throughout the period and a fall in Drinking Water Sector Expenditure was recorded. Other Social Service Sector Expenditure has fluctuations, but overall trend was increasing.
- 3.2 Economic Sector Expenditure decreased gradually during the period. As compared to 16.75% in 2000/01, significant fall to 9.21% was recorded in 2004/05. Analysis shows nearly 50% of the Total Economic Sector Expenditure was in Agriculture Sector. Expenditure in Forestry remained constant, with a slight increase in 2004/05 from 2003/04 whereas Agriculture and Other Economic Sector has a gradual turnaround.
- 3.3 Expenditure on Infrastructure Sector decreased significantly throughout the early four years and increased little slightly in 2004/05.
- 3.4 Votable Expenditure shows decreasing trend whereas Non Votable Expenditure show a growing trend.
- 3.5 Expenditure on Defense Sector rose significantly by 5.94% in 2004/05 as compared to 2000/01.
- 3.6 Expenditure on Principal/Debt Payment took a gradual increasing trend and Interest Payment remained almost constant throughout the period.

Table IV

Sectoral Scenario (Percentage)		Social					
		Education Sector Expenditure/AE	13.79	16.25	15.68	16.01	16.71
Health Sector Expenditure/AE	4.41	4.82	4.35	4.44	4.57		
Drinking Water Sector Exp/AE	3.01	2.38	2.55	2.87	1.93		
Other Social Service Sector Exp/AE	5.73	4.63	5.95	5.24	7.69		
Total Social Service Sector Exp/AE	26.94	28.08	28.52	28.56	30.90		
Economic		Agriculture Sector Expenditure/AE	8.95	8.29	5.79	5.62	5.19
		Forestry Sector Expenditure/AE	1.04	1.26	1.22	1.31	1.94
Other Economic Sector Exp/AE	6.76	6.15	4.32	4.63	2.08		
Total Economic Sector Exp/AE	16.75	15.70	11.33	11.56	9.21		
Infrastructure		Infrastructure Sector Exp/AE	16.72	13.06	12.59	11.77	13.16
Others		Votable Exp/AE	86.73	84.33	79.90	79.96	80.11
		Non Votable Exp/AE	13.27	15.67	20.10	20.04	19.89
Defense Exp/AE	4.78	7.32	8.79	9.53	10.72		
Principal/Debt Payment/AE	7.13	8.04	11.38	12.07	13.20		
Interest Payment/AE	7.64	7.21	7.88	7.32	6.06		





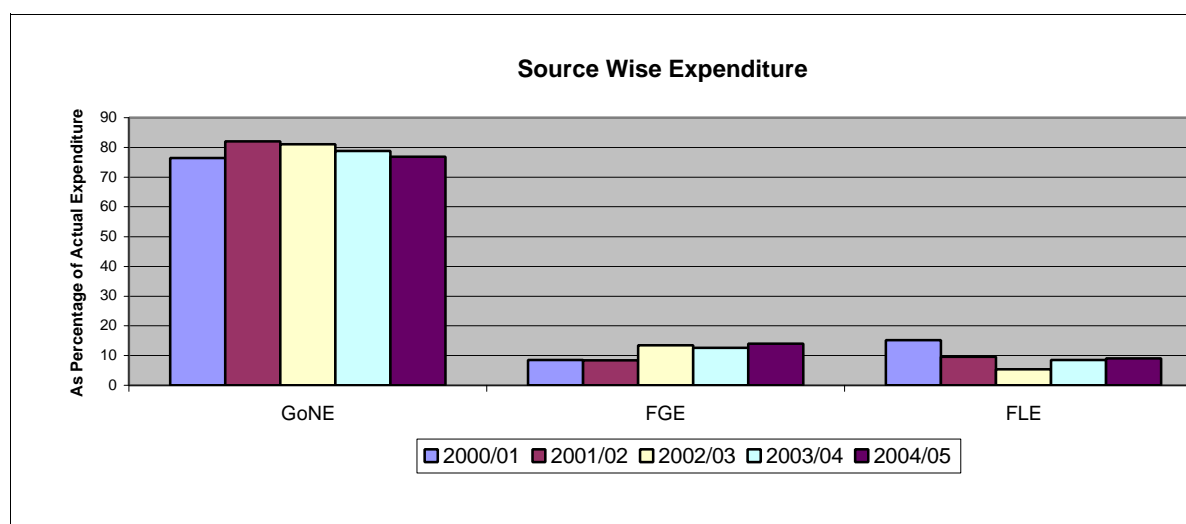
4. Sources of Funds

4.1 Analysis of Sourcewise Expenditure reveals a increase by 5.59% of Government Source in the year 2001/02 as to the previous year and decreased in the following three years by 0.95, 2.23, and 1.93 percent respectively.

- 4.2 Foreign Grant during the period shows increasing trend. Within it, Bilateral Grant increased by 36.27 and 14.17 in first two years and fell by 3.49, 16.04 respectively in the following years with vice versa effect upon Multilateral Grant.
- 4.3 Foreign Loan significantly decreased during the first three years and increased gradually in the following two years. Most of it was from Multilateral Source with a negligible portion from Bilateral Source. Though the portion of Bilateral Source was noticeable 4.87 and 14.46 percent respectively in 2000/01 and 2002/03.

Table V

Source-wise Expenditure (Percentage)	GoNE/AE	76.45	82.04	81.09	78.86	76.93
	Foreign Grant Exp/AE	8.46	8.35	13.50	12.62	14.03
	Bilateral/FGE	32.35	68.62	82.79	79.30	63.26
	Multilateral/FGE	67.65	31.38	17.21	20.70	36.74
	Foreign Loan Exp/AE	15.09	9.61	5.41	8.53	9.03
	Bilateral/FLE	4.87	1.13	14.46	0.87	1.36
	Multilateral/FLE	95.13	98.87	85.54	99.13	98.64



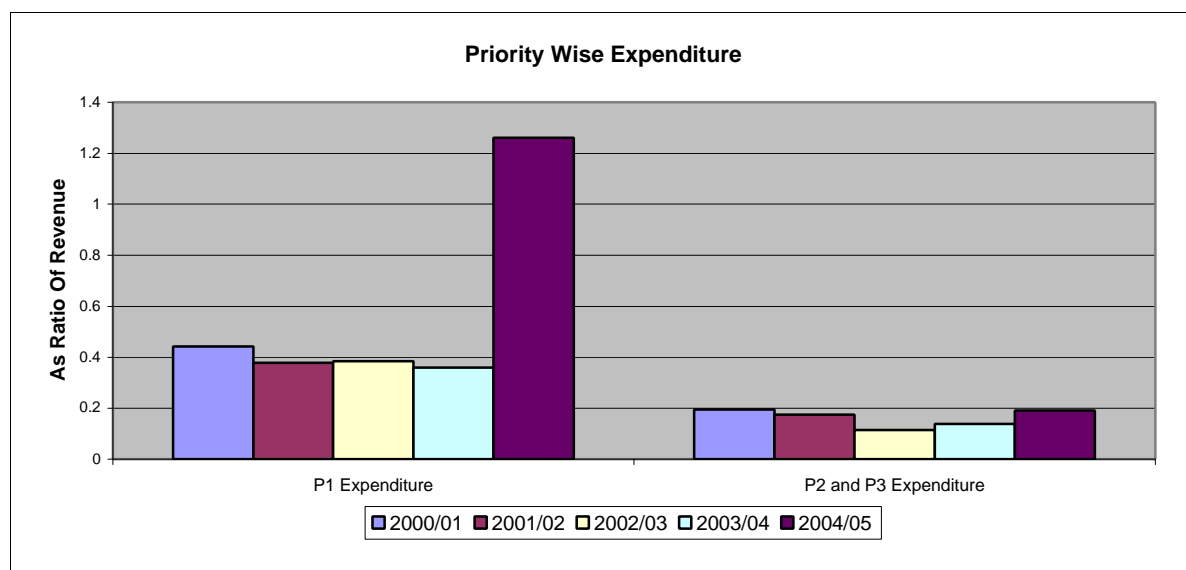
5. Expenditure Priority

- 5.1 Expenditure on P1 category fell by 3.23% in the year 2001/02 as compared to 2000/01 and rose slightly in 2002/03 and 2003/04, jumped drastically and reached the figure of 86.20% in 2004/05 as a result of restructuring of priority setting of expenditures.
- 5.2 P2 and P3 experienced noticeable decrease by 0.98 and 3.43% respectively in 2001/02 and 2002/03 and then increased gradually in the later years by 2.04 and 3.42 respectively.
- 5.3 Ratio of ESBE and EGE was in decreasing trend whereas ESSID showed increasing trend.

5.4 Ratio of ETP rose by 0.74% in the year 2001/02, which fell slightly and remained almost constant throughout the later period.

Table VI

Priority-wise Expenditure (percentage)	P1 E/AE	27.06	23.83	25.76	25.01	86.20
	P2 and P3 E/AE	12.01	11.03	7.60	9.64	13.06
	ESBEG/AE	19.42	15.72	15.24	14.55	15.05
	ESSID/AE	9.91	10.72	11.09	12.46	14.06
	ETP/AE	1.48	2.22	2.01	2.45	2.07
	EGE/AE	8.12	6.07	5.02	5.19	4.20



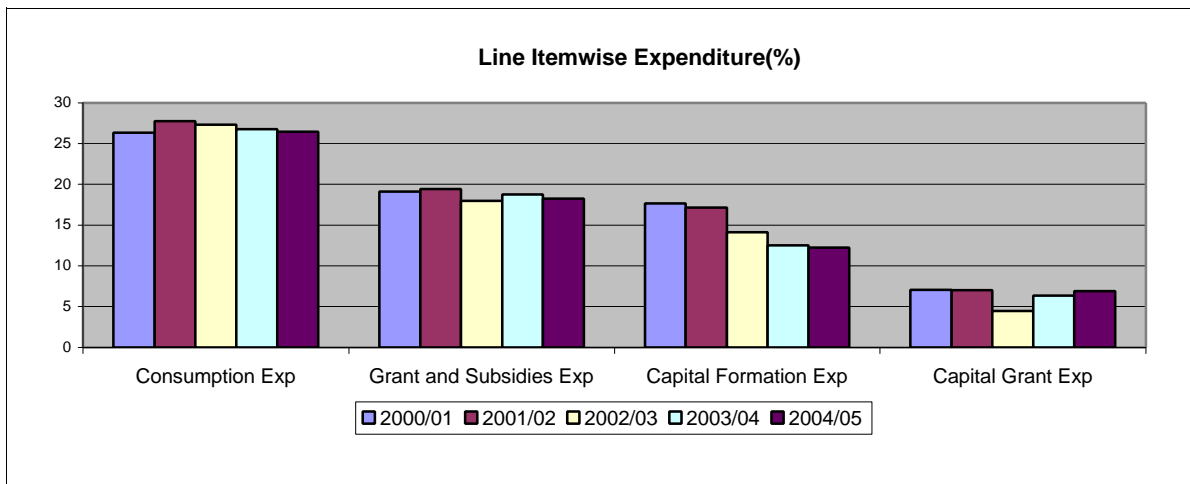
5.5 Table VII shows the ratio of Consumption Expenditure to Actual Expenditure increased nominally during the first two years with a slight decrease in 2003/04 and 2004/05. Overall figure reveals almost steady trend.

5.6 Expenditure on Grant and Subsidies also experienced constant trend despite nominal fluctuations.

5.7 Expenditure on Capital Formation shows a decreasing trend throughout the period. Expenditure on Capital Grant decreased till 2002/03 with a slight rise during the remaining period but the overall ratio trend remained constant.

Table VII

Line Item-wise Expenditure (Percentage)	Consumption Exp/AE	26.33	27.77	27.32	26.75	26.47
	Grant and Subsidies Exp/AE	19.10	19.42	17.98	18.77	18.25
	Capital Formation Exp/AE	17.64	17.14	14.09	12.51	12.24
	Capital Grant Exp/AE	7.05	7.03	4.44	6.35	6.89

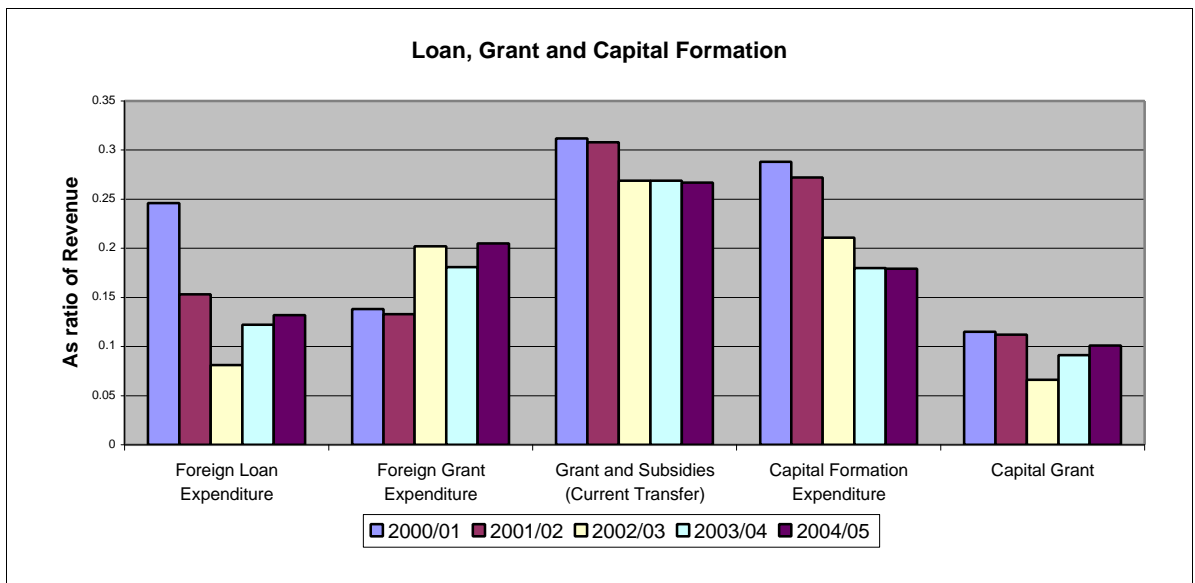
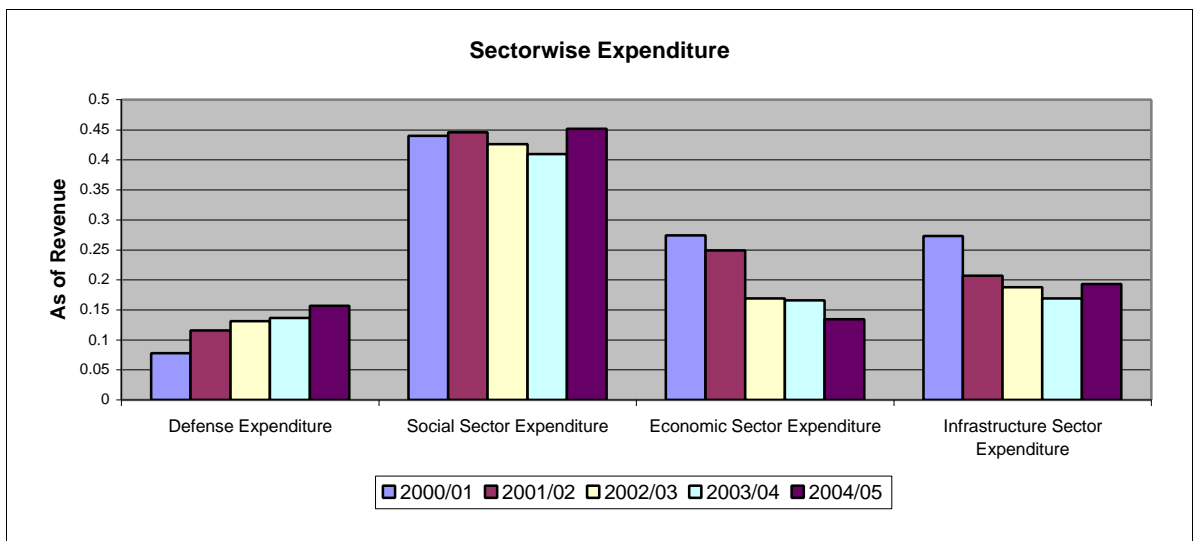
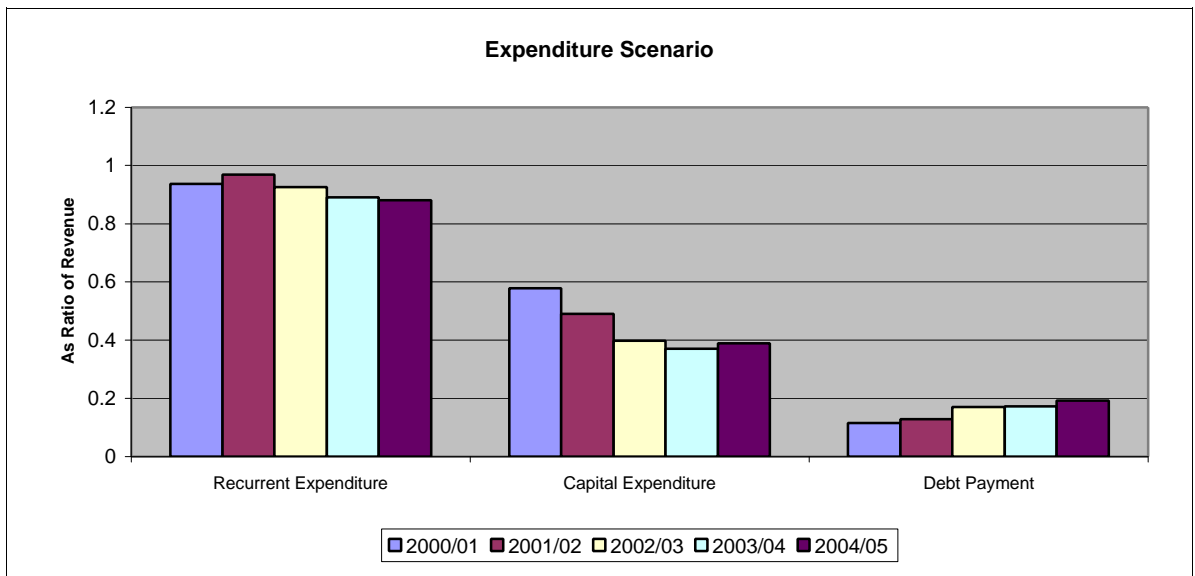


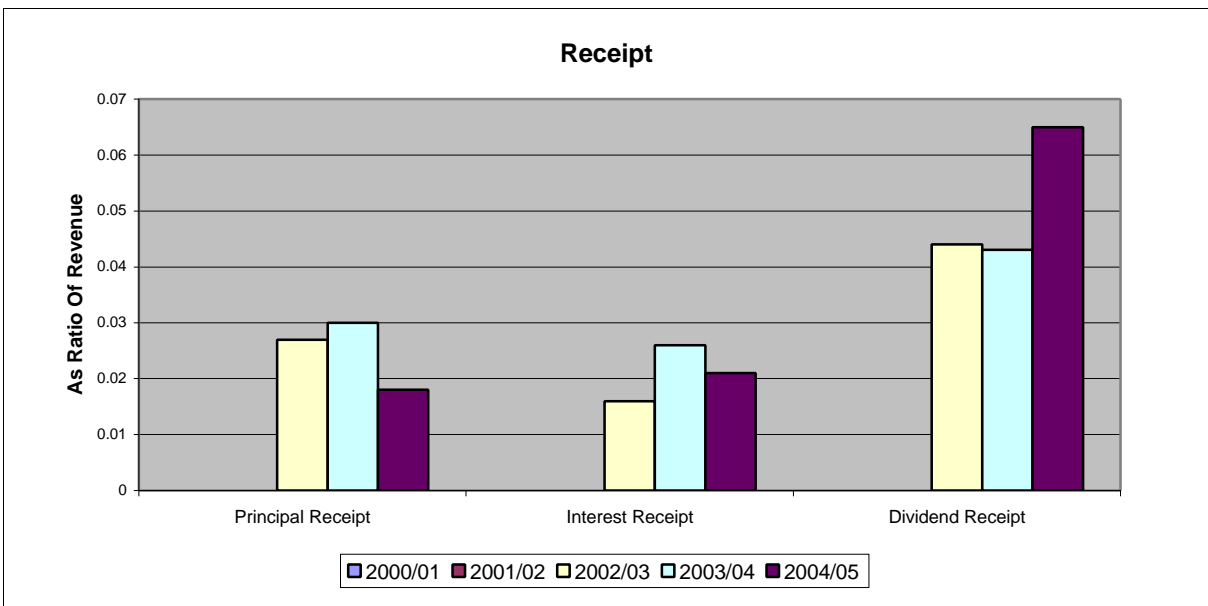
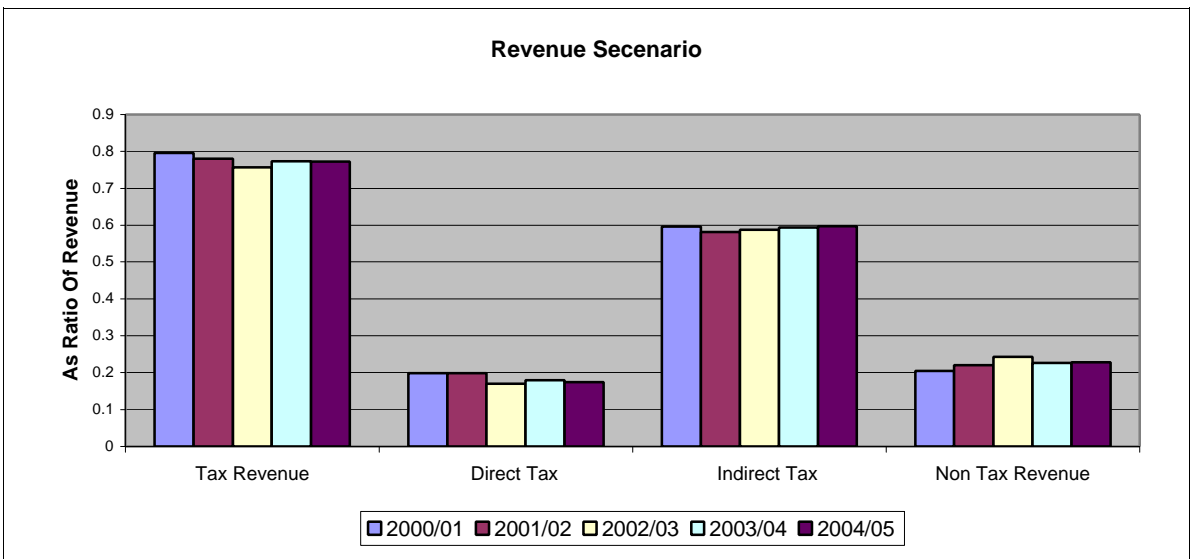
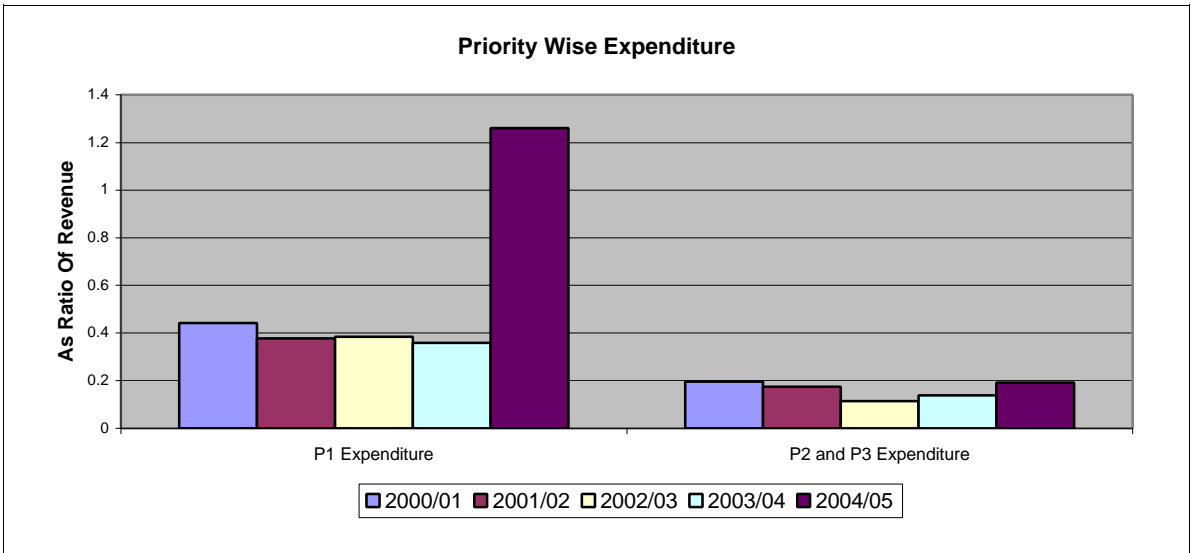
6. Ratio with Revenue

- 6.1 Ratio of Recurrent Expenditure to Revenue recorded regular decreasing trend. Capital Expenditure experienced decreasing trend. Debt Payment and Defense Expenditure increased during the period. Social Sector Expenditure remained almost constant. Economic Sector Expenditure and Infrastructure Sector Expenditure also recorded a decreasing trend. Foreign Loan utilization decreased upto 2002/03, then rose in later years. Foreign Grant has a fluctuating trend but comparing with the first year, it increased significantly in the last year.
- 6.2 Overall ratio of Govt. Grant and Subsidies decreased in the period. Operating Subsidy to Public Enterprises decreases whereas Transfer to Non Profit Institution has increased slightly. Operating Subsidy to Local Government and Subsidy to Social Security remained constant.
- 6.3 Capital Formation Expenditure shows decreasing trend. Capital Grant decreased upto 2002/03 and increased gradually later. Within it, Capital Grant to Public Enterprises has decreased whereas Capital Grant to Local Government and Capital Grants to Non Profit Institution increased.
- 6.4 Expenditure on P1 projects decreased throughout the period. Expenditure on P2 and P3 decreased till 2002/03 and then rose by 0.024 and 0.053 respectively in 2003/04 and 2004/05.
- 6.5 Ratio of Tax Revenue decreased upto the year 2002/03 and then improved in 2003/04 and 2004/05, with a vice versa effect upon Non Tax Revenue. Within it, the portion of Indirect Tax remained higher than Direct Tax. Direct Tax has slight decreasing trend whereas Indirect Tax seems almost constant despite some fluctuations in the period. Within Indirect Tax, Internal Commodity Tax on Goods and services remained almost constant upto year 2003/04 and decreased noticeably in the year 2004/05. Commodity Tax based on Foreign Trade also was constant upto year 2003/04 and increased significantly in the year 2004/05.
- 6.6 Principal Receipt, Interest Receipt and Dividend Receipt shows fluctuating trend.

Table VIII

Ratio With Revenue	Recurrent Expenditure	0.937	0.969	0.926	0.891	0.88
	Capital Expenditure	0.579	0.491	0.398	0.371	0.39
	Debt Payment	0.116	0.128	0.170	0.173	0.193
	Defense Expenditure	0.078	0.116	0.131	0.137	0.157
	Social Sector Expenditure	0.440	0.446	0.426	0.410	0.452
	Economic Sector Expenditure	0.274	0.249	0.169	0.166	0.135
	Infrastructure Sector Expenditure	0.273	0.207	0.188	0.169	0.193
	Foreign Loan Expenditure	0.246	0.153	0.081	0.122	0.132
	Foreign Grant Expenditure	0.138	0.133	0.202	0.181	0.205
	Grant and Subsidies (Current Transfer)	0.312	0.308	0.269	0.269	0.267
	Operating Subsidy Public Enterprises			0.018	0.012	0.01
	Operating Subsidy Local Government			0.018	0.019	0.018
	Transfer to Non Profit Institution			0.223	0.229	0.228
	Subsidy Social Security			0.010	0.010	0.011
	Capital Formation Expenditure	0.288	0.272	0.211	0.180	0.179
	Capital Grant	0.115	0.112	0.066	0.091	0.101
	Capital Grants to Public Enterprises			0.010	0.011	0.006
	Capital Grants to Local Government			0.031	0.040	0.049
	Capital Grants to Non Profit Institution			0.025	0.040	0.045
	P1 Expenditure	0.442	0.378	0.385	0.359	1.261
	P2 and P3 Expenditure	0.196	0.175	0.114	0.138	0.191
	Tax Revenue	0.795	0.780	0.757	0.773	0.772
	Direct Tax	0.199	0.199	0.170	0.180	0.175
	Indirect Tax	0.596	0.581	0.588	0.593	0.597
	Internal Commodity Tax on Goods and Services	0.339	0.330	0.334	0.343	0.224
	Commodity Tax Based on Foreign Trade	0.257	0.251	0.253	0.250	0.373
	Non Tax Revenue	0.205	0.220	0.243	0.227	0.228
	Principal Receipt			0.027	0.030	0.018
Interest Receipt			0.016	0.026	0.021	
Dividend Receipt			0.044	0.043	0.065	



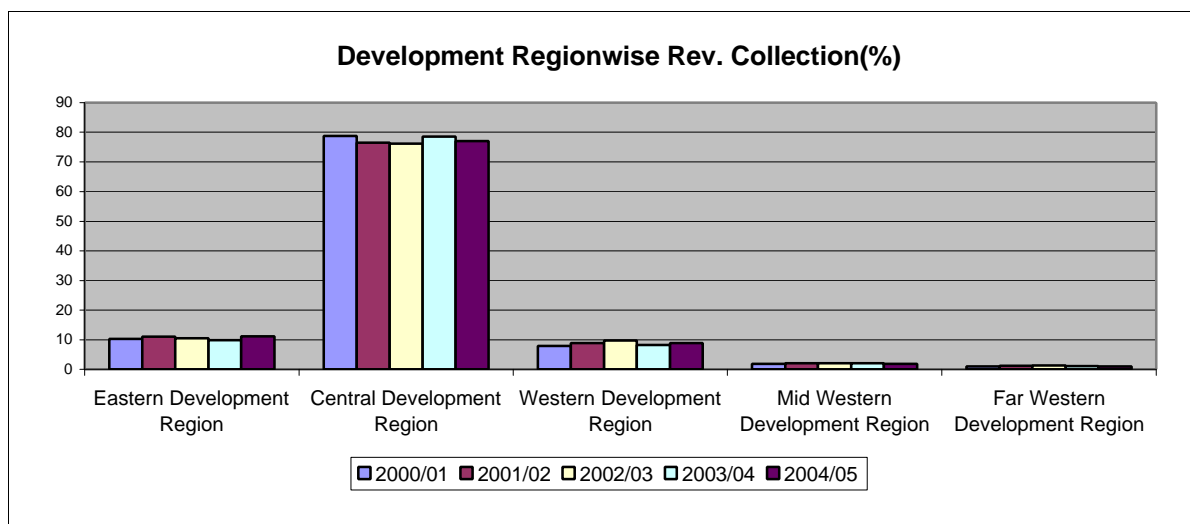


7. Revenue and Expenditure of Development Regions

7.1 Revenue Collection of all Development Region shows almost constant trend despite some fluctuations throughout the observing period. Comparison of Development Region-wise Revenue Collection reveals Central Development Region collected more than $\frac{3}{4}$ of total Revenue followed by Eastern and Western Development Region. Mid Western and Far Western Region has very nominal contribution in Total Revenue Collection.

Table IX

Development region wise Revenue Collection	Eastern Development Region	10.39	11.13	10.62	9.87	11.22
	Central Development Region	78.84	76.55	76.25	78.63	77.03
	Western Development Region	7.93	8.96	9.71	8.31	8.88
	Mid Western Development Region	1.8	2.13	2.08	2.09	1.84
	Far Western Development Region	1.04	1.23	1.33	1.11	1.02



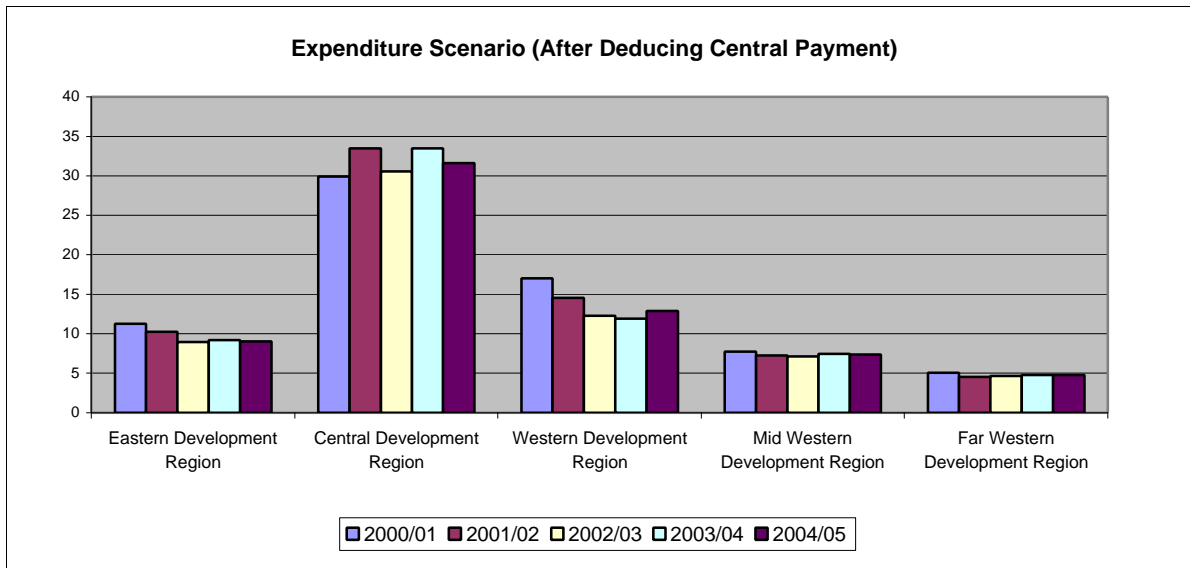
7.2 Table X shows fluctuating trend in expenditure of Eastern Development Region. Expenditure of this Development Region decreased upto year 2002/03, increased by 0.24 percent in 2003/04 and fell down slightly in 2004/05 by 0.19 percent. Central Development Region experienced up-down trend throughout the observing period. Western Development Region has declining trend upto year 2003/04 then rose up in 2004/05. Mid Western Development Region shows decreasing trend upto year 2002/03, then rose by 0.29 percent in 2003/04 and again fell in 2004/05 by 0.07 percent. Far Western Development Region declined in 2001/02 by 0.52 percent and inclined later years (by 0.11, 0.14 and 0.03 percent respectively).

DP and Commodity Aid has Up-down trend throughout the period. Non Votable Expenditure Gradually increased upto the year 2002/03 then decreased slightly in

the years 2003/04 and 2004/05 as well as Retirement Facilities rose upto the year 2003/04, then decreased in 2004/05.

Table X

Expenditure Scenario of Development Region (after deducing Central Payment)	Eastern Development Region	11.26	10.26	8.95	9.19	9.00
	Central Development Region	29.91	33.47	30.57	33.47	31.59
	Western Development Region	17.02	14.51	12.26	11.91	12.87
	Mid Western Development Region	7.72	7.26	7.13	7.42	7.35
	Far Western Development Region	5.03	4.51	4.62	4.76	4.79
	DP and Commodity Aid	13.21	10.87	12.73	9.55	11.08
	Non Votable Expenditure	13.27	15.67	20.10	20.04	19.89
	Retirement Facilities	2.57	3.45	3.65	3.66	3.44

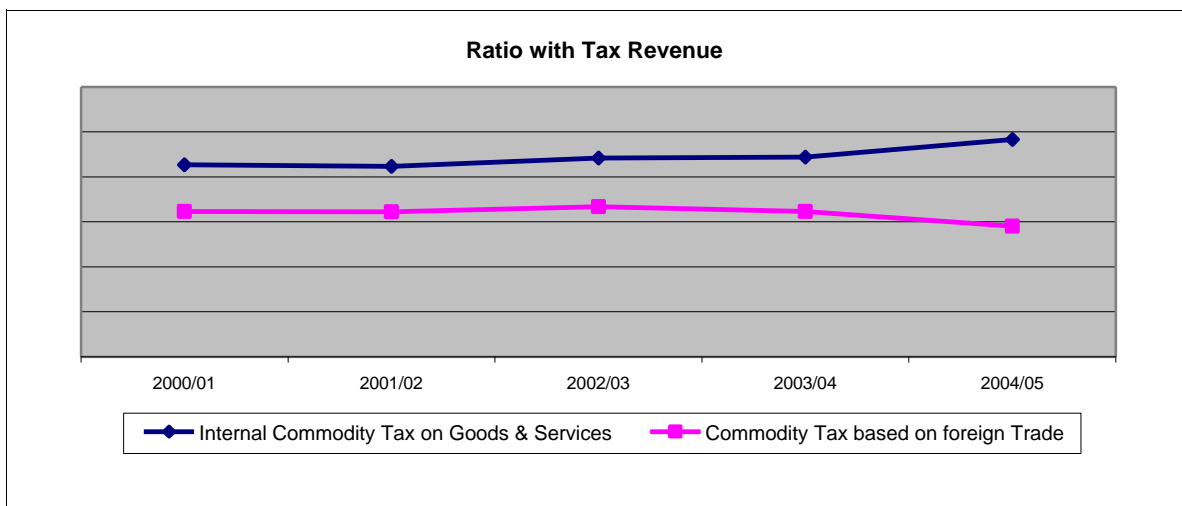


8. Other Status

8.1 Internal Commodity Tax on Goods and Services shows slight increasing trend. Trend of Commodity Tax based on Foreign Trade was constant despite of slight fluctuations. Comparing the final year of the analysis period to the first year, Commodity Tax on Foreign Trade decreased slightly.

Table XI

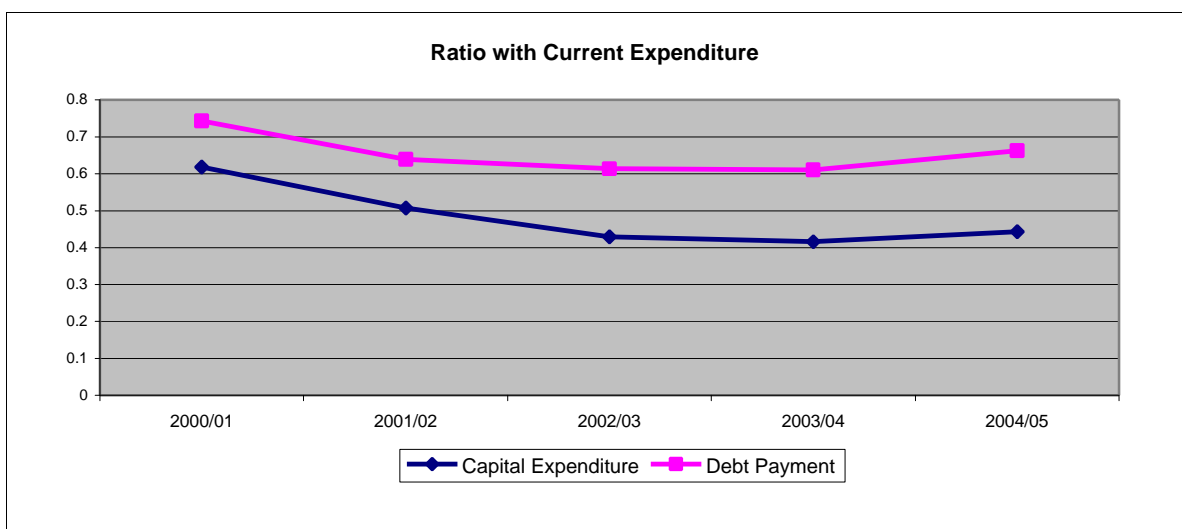
Ratio with Tax Revenue	Internal Commodity Tax on Goods & Services	0.427	0.423	0.442	0.444	0.483
	Commodity Tax based on foreign Trade	0.323	0.322	0.334	0.323	0.29



8.2 Analysis of the figure shows that the ratio of Capital Expenditure with Current Expenditure decreased at the ratio of 0.111, 0.78 and 0.013 in 2001/02, 2002/03 and 2003/04 respectively whereas it increased by 0.027 in 2004/05. Ratio of Debt Payment to Current Expenditure has a gradual increasing trend.

Table XII

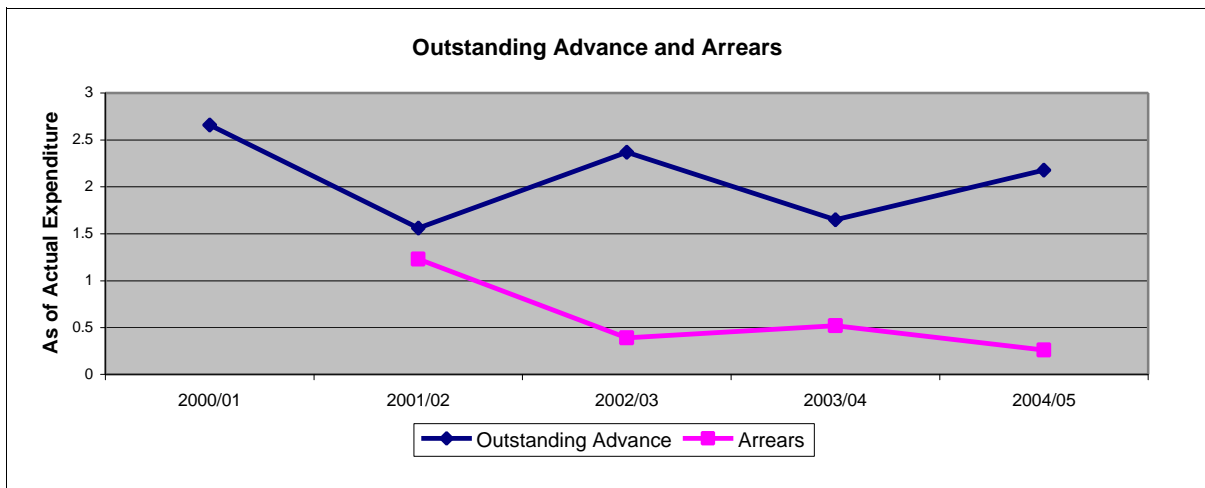
Ratio with Current Expenditure	Capital Expenditure	0.618	0.507	0.429	0.416	0.443
	Debt Payment	0.124	0.132	0.184	0.194	0.219



8.3 Table shows fluctuations in Outstanding Advance whereas Figure of Arrears is in declining trend throughout the period except slightly in 2003/04 comparison to 2002/03.

Table XIII

Outstanding Advance/AE	2.66	1.56	2.37	1.65	2.18
Arrears/AE		1.23	0.39	0.52	0.26

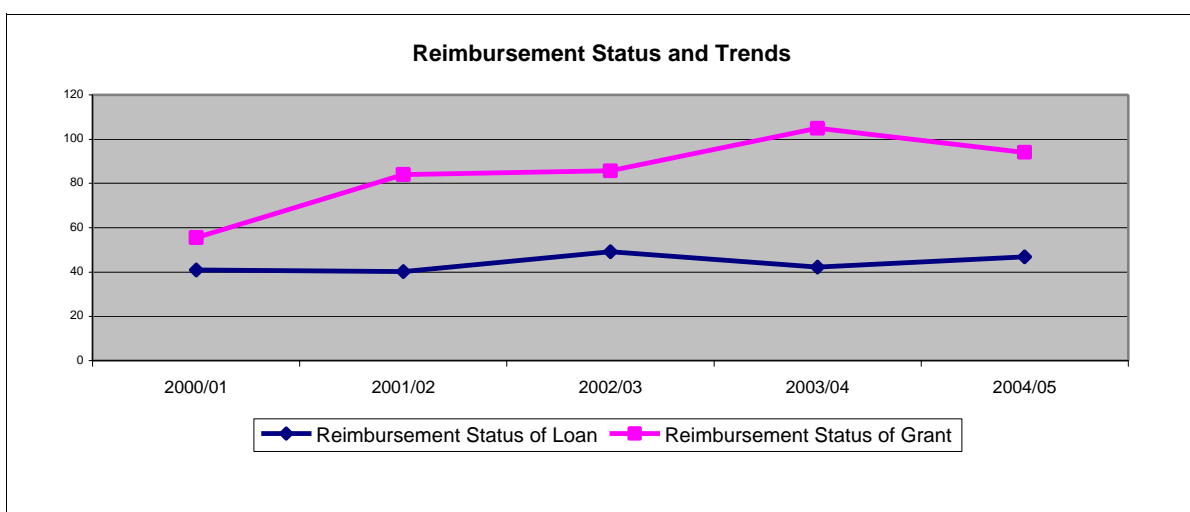


8.4 The status of Reimbursement of Loan remained constant in the first two years with a fluctuation in 2002/03 and 2003/04 and recorded an increase of 5.98% in the last year as compared to the first year.

8.5 Grant Reimbursement Status also shows up-down figure. The ratio jumped by 29.11% in 2001/02 and fell by 7.24% in 2001/02, jumped by 26.08 percent in 2002/03 and again fell down by 15.45% in the final year 2004/05. Overall figure shows highly fluctuating trend.

Table XIV

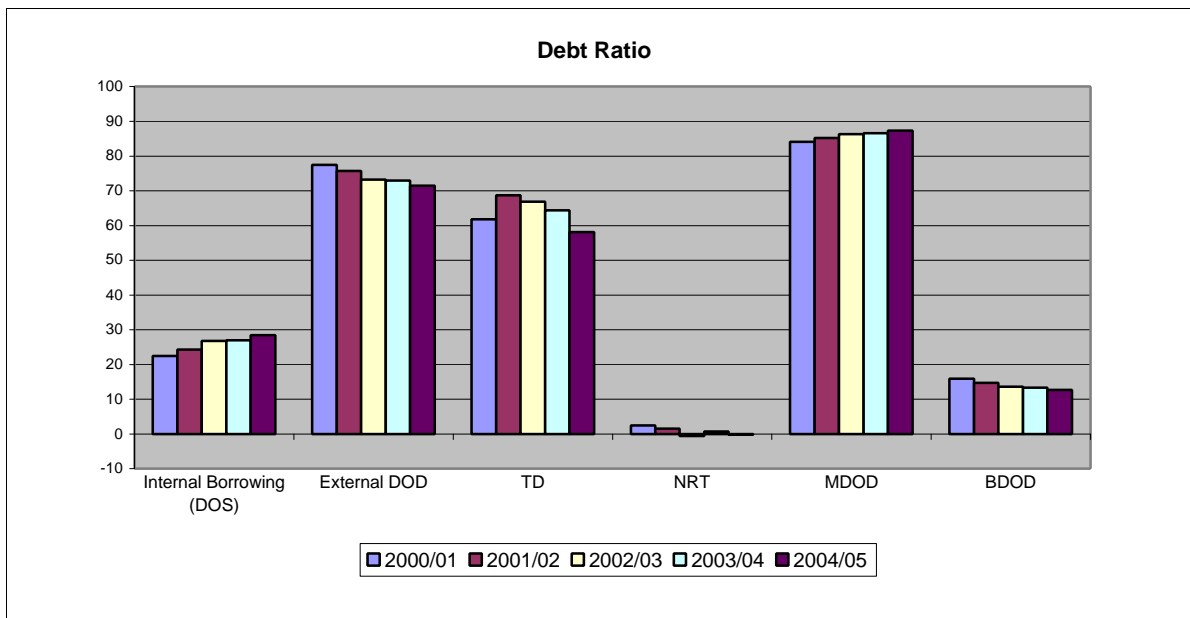
Reimbursement Status and Trends	Reimbursement Status of Loan	40.87	40.28	49.09	42.29	46.85
	Reimbursement Status of Grant	14.7	43.81	36.57	62.65	47.2
	Reimbursement Trend of Loan	24.9	22.52	19.83	34.98	42.44
	Reimbursement Trend of Grant	17.98	23.91	16.79	43.79	7.86



8.6 Table shows gradual increasing trend in Internal Borrowing whereas decreasing trend in External DOD. Ratio of Total Debt to GDP increased upto year 2001/02 then decreased in later years. Ratio of NRT with DODE significantly fell upto 2002/03, then showed fluctuations in following two years. Ratios of MDOD and BDOD show regular increasing and decreasing trend respectively.

Table XV

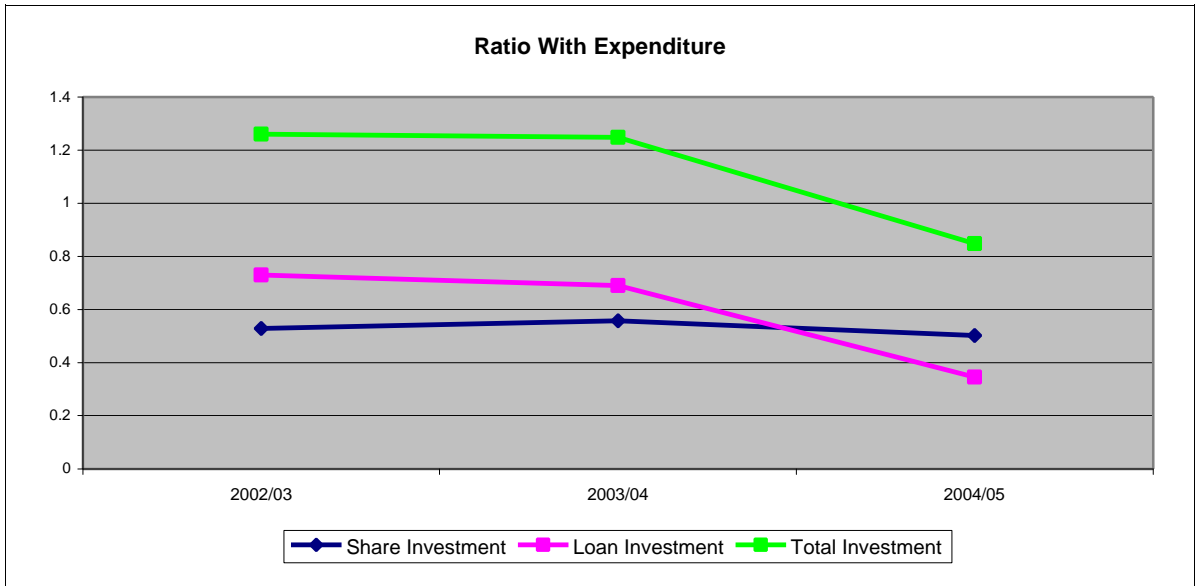
Debt Ratio	Internal Borrowing (DOS)/TD	22.46	24.31	26.82	27.01	28.50
	External DOD/TD	77.54	75.69	73.18	72.99	71.50
	TD/GDP	61.83	68.78	66.85	64.35	58.07
	NRT/DODE	2.49	1.58	-0.59	0.73	-0.16
	MDOD/DODE	84.06	85.25	86.35	86.64	87.32
	BDOD/DODE	15.94	14.75	13.65	13.36	12.68



8.7 Table shows overall figure of Total investment is in decreasing trend. Within it, Share Investment increased by ratio 0.029 in the year 2002/03, then decreased by 0.056 in the year 2004/05. Investment-Loan shows decreasing trend.

Table XVI

Ratio with Expenditure	Share Investment			0.529	0.558	0.502
	Loan Investment			0.730	0.690	0.346
	Total Investment			1.260	1.248	0.848



8.8 Dividend decreased slightly in the year 2003/04 then increased by the ratio 0.036 in the year 2004/05.

TableXVII

Ratio with Share Investment	Dividend			0.056	0.053	0.089

