

Public Finance Statistics in Nepal

15th Ashwin, 2081 (Tuesday)

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Guess the countries...

Given the public finance statistics, guess the country type (least-developed, developing, or developed)

Country	Total Debt (% GDP)	Tax revenue (% GDP)	Customs (% of Tax Revenue)	Military Exp (% GDP)	Out-of-pocket expenditure (% health expenditure)	Health Exp (% GDP)	Inflation %
1.XXX	47.2	9.1	3.5	1.7	35.8	2.9	2.1
2.XXX	208.9	27.2	0	2.7	36.1	4.2	0.6
3.XXX	46.5	12	4.9	2.4	53.2	1	3.9
4.XXX	197.3	11.7	1.6	1	13	9	1
5.XXX	30	19.1	18.4	1.3	57.7	1.1	4.1
6.XXX	98.4	9.9	2.6	3.3	11.3	8.6	2.4

Guess the countries...

Now, guess the country (China, India, Nepal, US, Greece, Japan)

Country	Total Debt (% GDP)	Tax revenue (% GDP)	Customs (% of Tax Revenue)	Military Exp (% GDP)	Out-of-pocket expenditure (% health expenditure)	Health Exp (% GDP)	Inflation %
1.XXX	47.2	9.1	3.5	1.7	35.8	2.9	2.1
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Guess the countries...

Did you get it correct? How public finance statistics helped you to identify the country?

Country	Total Debt (% GDP)	Tax revenue (% GDP)	Customs (% of Tax Revenue)	Military Exp (% GDP)	Out-of-pocket expenditure (% health expenditure)	Health Exp (% GDP)	Inflation %
1.China	47.2	9.1	3.5	1.7	35.8	2.9	2.1
2.Greece	208.9	27.2	0	2.7	36.1	4.2	0.6
3.India	46.5	12	4.9	2.4	53.2	1	3.9
4.Japan	197.3	11.7	1.6	1	13	9	1
5.Nepal	30	19.1	18.4	1.3	57.7	1.1	4.1
6.US	98.4	9.9	2.6	3.3	11.3	8.6	2.4

Learning Objectives

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- Understanding the concept and scope of Public Finance Statistics (PFS)
- Appreciate the importance of PFS
- Identify major data sources and methods for collecting PFS
- Recognize the challenges and limitations in collecting and analyzing PFS
- Learn about the standard practice of PFS compilation

What is Public Finance Statistics?



What is Public Finance Statistics?

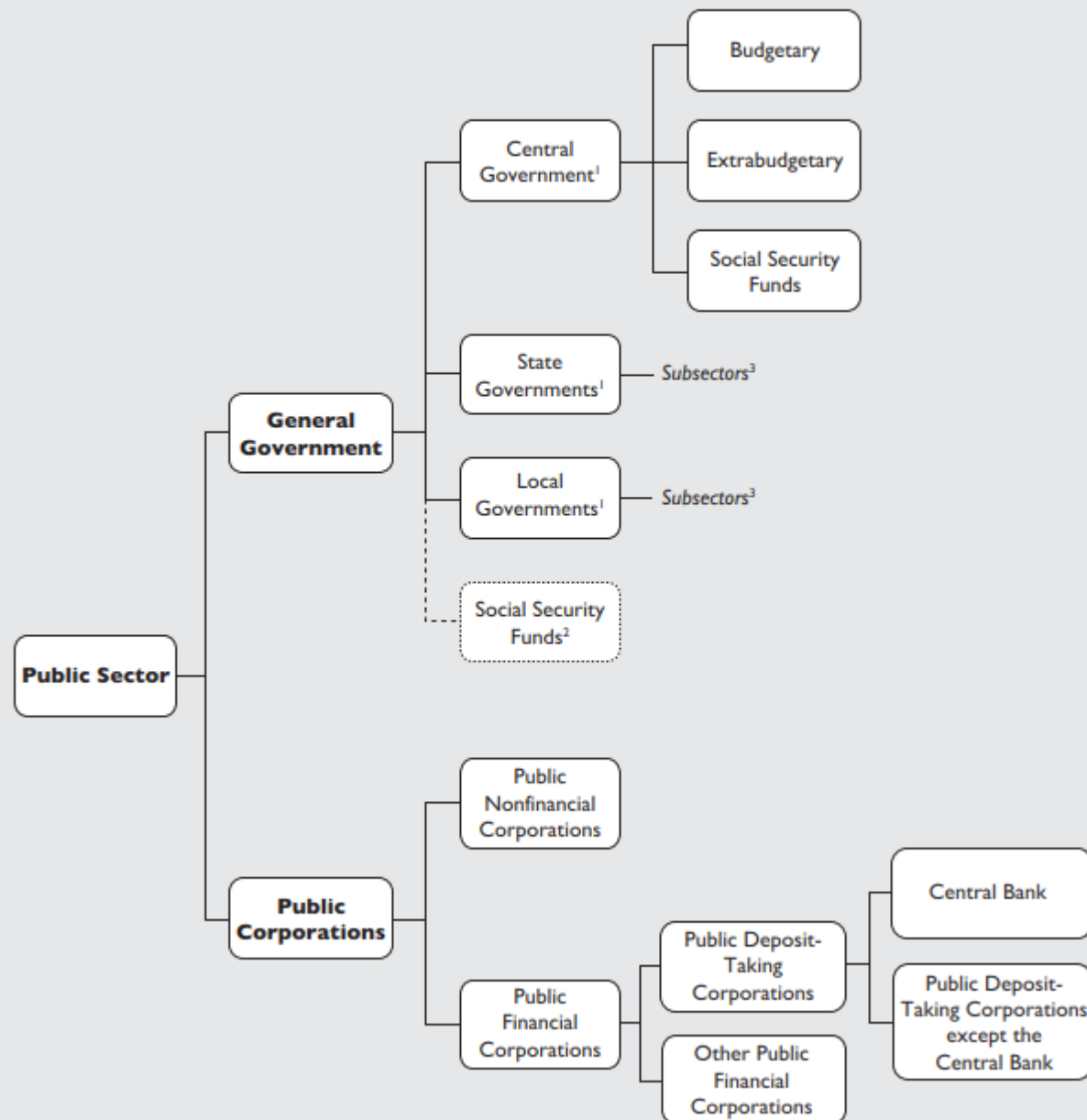
- It's about measuring and tracking how governments raise, spend, and manage their funds.
- It also comprises government controlled public corporations fund operations.

Figure 2.2 The Public Sector and Its Relation to Other Institutional Sectors of the Economy

General Government Sector		Nonfinancial Corporations Sector		Financial Corporations Sector		Households Sector		Nonprofit Institutions Serving Households Sector
Central government State governments Local governments		Public corporations		Public corporations		Private		Private
		Private corporations		Private corporations				

Public sector

Figure 2.3 The Public Sector and Its Main Components

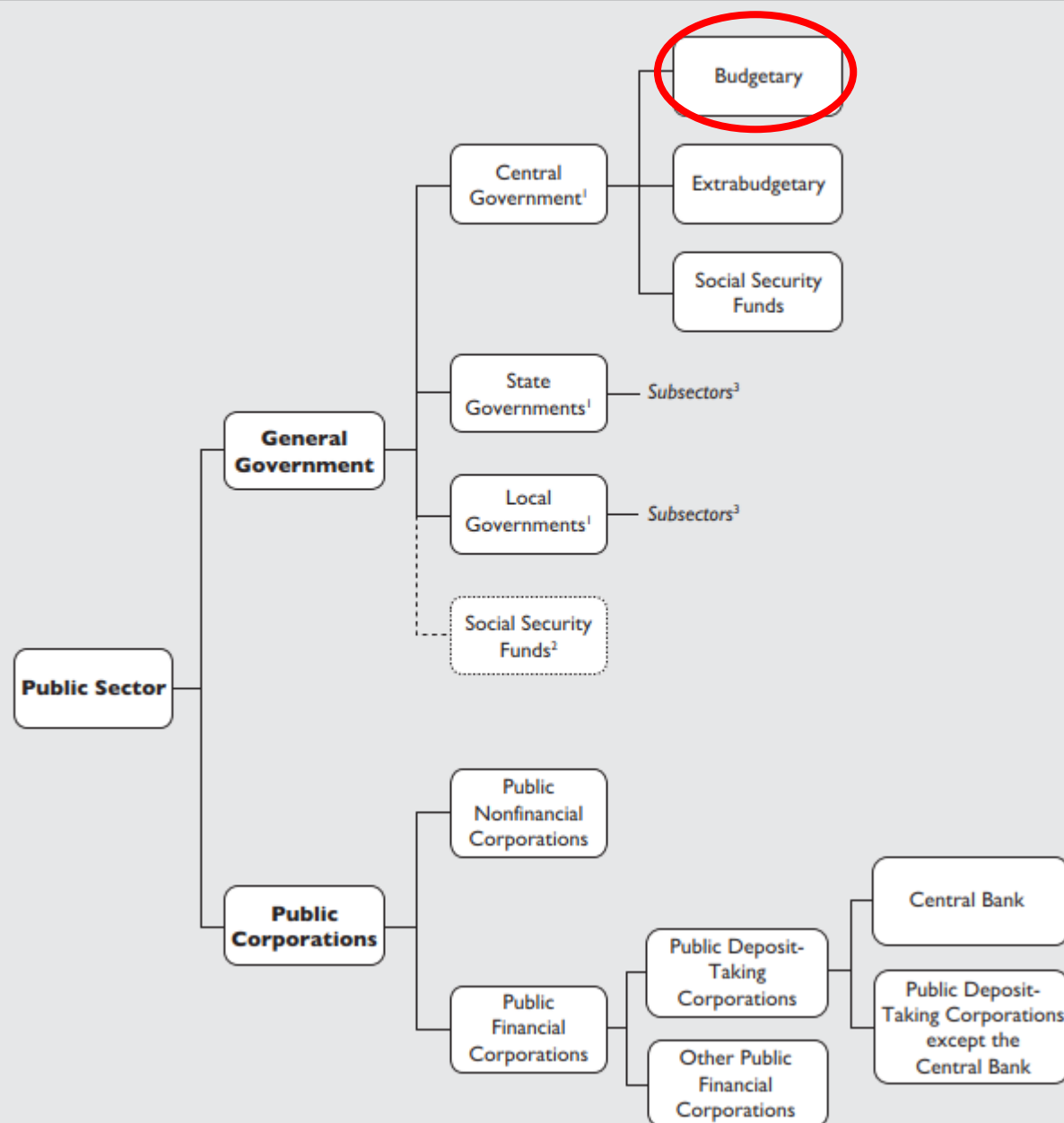


Group work 1:

Where do these units belong in the chart? Why?

- Kathmandu Metropolitan City
- National Statistics Office
- Public Service Commission
- Bagamati Province Govt
- Rastriya Banijya Bank
- Social Security Fund
- Provident Fund
- Nepal Oil Corporation
- Rastriya Beema Company
- Nepal Telecom
- Nepal Telecom Authority
- University Grant Commission
- Nepal Police School, Sanga
- Bir Hospital
- Norvic Hospital

Figure 2.3 The Public Sector and Its Main Components

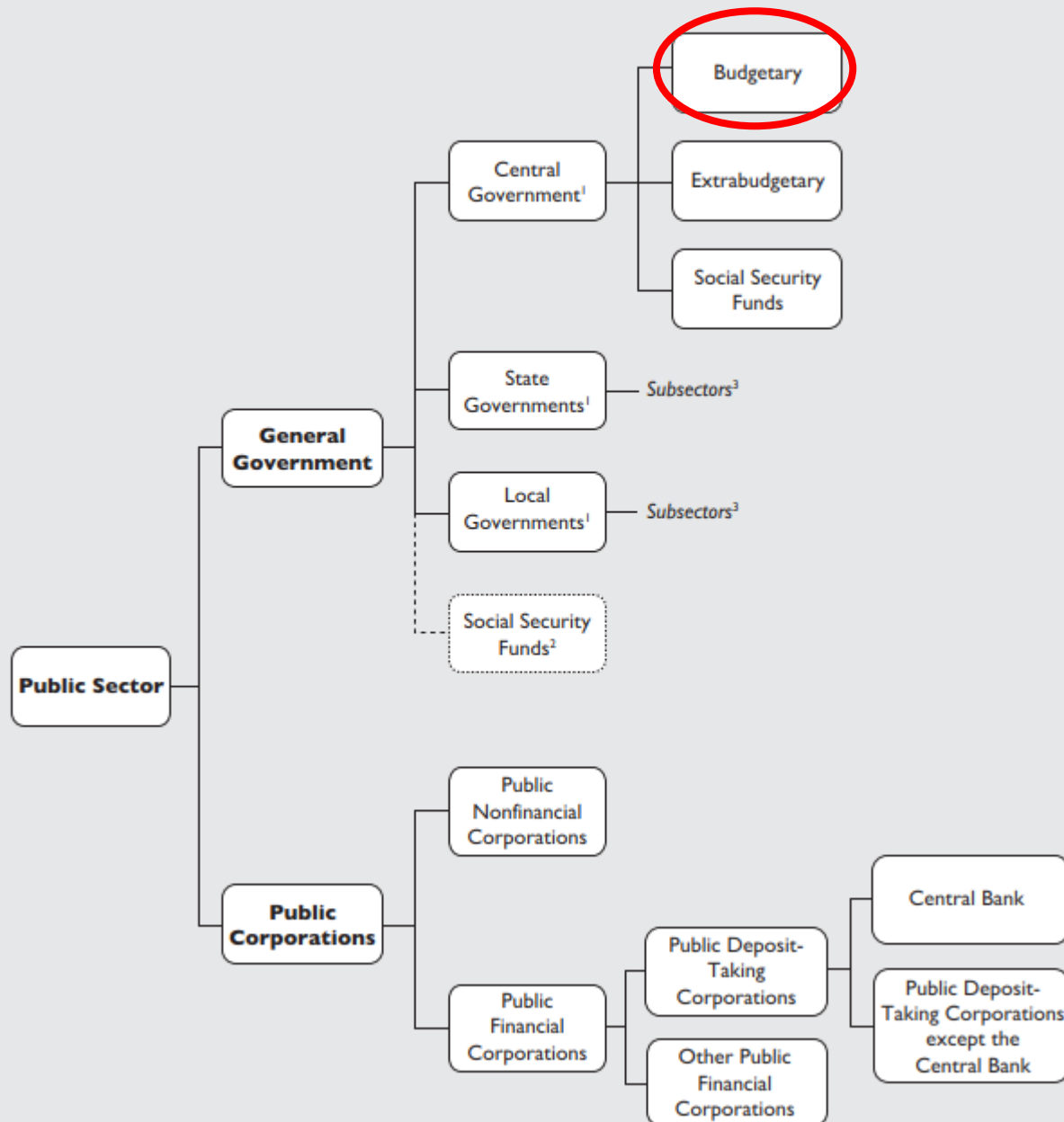


Let's discuss 
Sources of funds
???

Utilization of funds
???

Sources of data
???

Figure 2.3 The Public Sector and Its Main Components



Sources of funds

1. Taxes

- Income tax (personal and corporate)
- Sales tax / Value Added Tax (VAT)
- Property tax
- Excise duties

2. Non-tax revenues

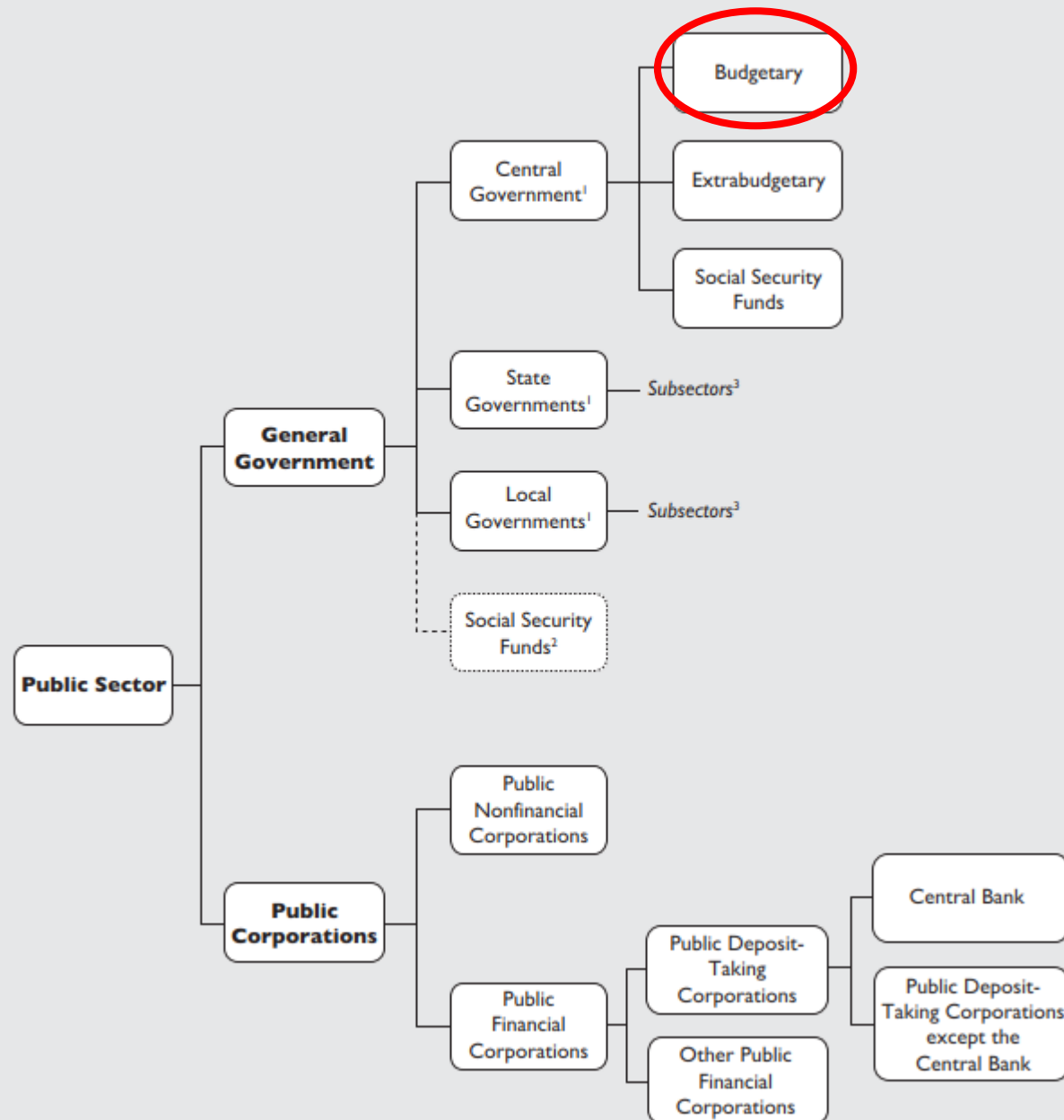
- User fees and charges for government services
- Fines and penalties
- Profits from state-owned enterprises

3. Borrowing (domestic/international)

4. Grants and foreign aid

5. Sale of government-owned resources

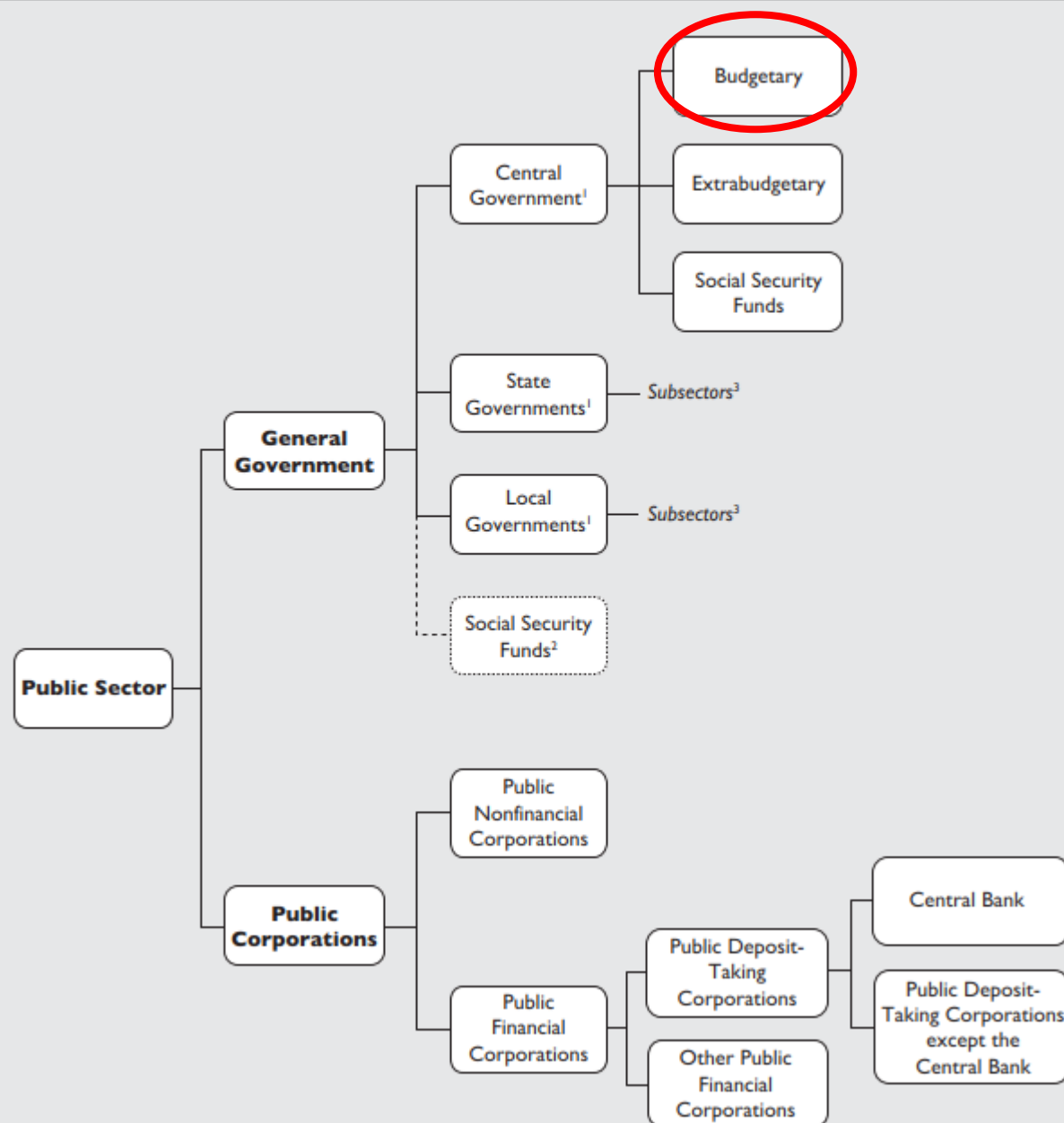
Figure 2.3 The Public Sector and Its Main Components



Utilization of funds

1. Recurrent expenditure
 - Compensation of employees
 - Use of goods and services
 - Interest
 - Grants
 - Subsidies etc.
2. Capital expenditure
 - Physical infrastructure
 - Machinery and Equipment
 - Vehicles
 - Land and Building
3. Financial arrangement/investments
 - Principal repayment
 - Share investment
 - Loan investment

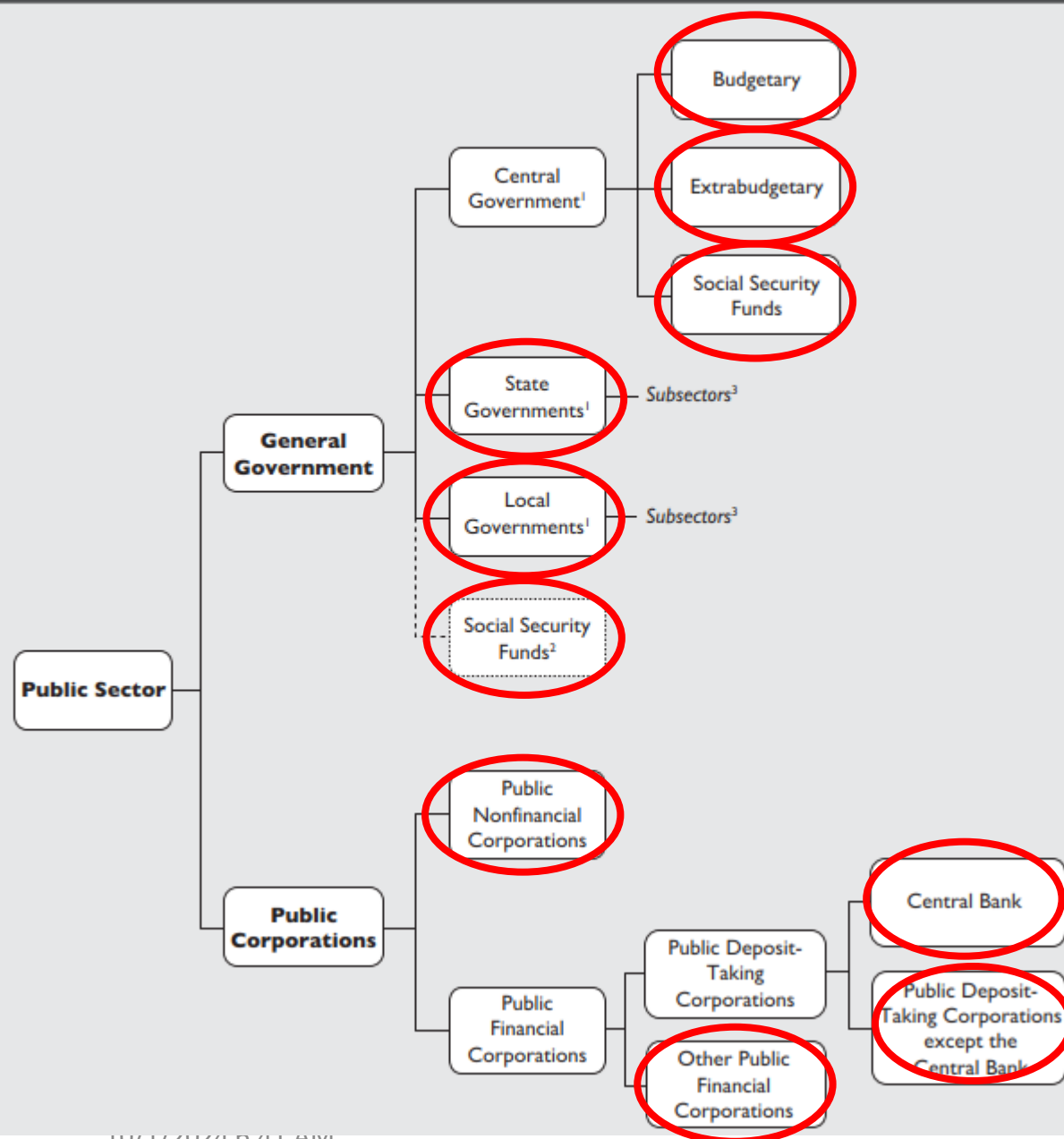
Figure 2.3 The Public Sector and Its Main Components



Sources of data

- Ministry of Finance (LMBIS, AIMS, Red Book etc.)
- Financial Comptroller General Office (RMIS, TSA, IPFMS, PAMS)
- Public Debt Management Office
- Nepal Rastra Bank
- Pension Management Office
- Inland Revenue Department
- Custom Department

Figure 2.3 The Public Sector and Its Main Components



Group work 2: Identify the sources and utilization of funds, and their data sources for the units circled.

Sources of funds

Utilization of funds

Sources of data

Accrual vs Cash-based accounting

Cash Accounting



Record income when you receive it.

Record an expense when you pay it.



Accrual Accounting



Record income when you earn it.



Record an expense when you incur it.

Accrual vs Cash-based accounting

- **Cash basis:** transactions are recorded when cash is received or paid.
- **Accrual basis:** transactions are recorded when they occur, regardless of cash flows.

Pros vs Cons

- Cash based accounting easier to maintain but does not provide complete picture of economic transactions.
- Accrual basis accounting is relatively difficult to maintain but provides a complete picture of economic transactions.

Which accounting system is followed by the units of the Public Sector in Nepal?

Federal, State, and Local governments are using cash-based and other units principally using accrual-based accounting system.

Group work 3:

Suppose you are asked to compile the sources and utilization of funds in the Public Sector of Nepal. Now, perform the following tasks.

- (a) Prepare an outline of sources and utilization of funds with potential item-heads.
- (b) List out the possible challenges during the compilation process.

MANUAL



GOVERNMENT FINANCE STATISTICS MANUAL 2014

Pre-publication Draft

INTERNATIONAL MONETARY FUND

**What guides the standard
practice of Public Finance
Statistics compilation?**

Beyond source and utilization of funds in the Public Sector

The concept of Balance Sheet and the Net Worth

Sample balance sheet (net worth statement).

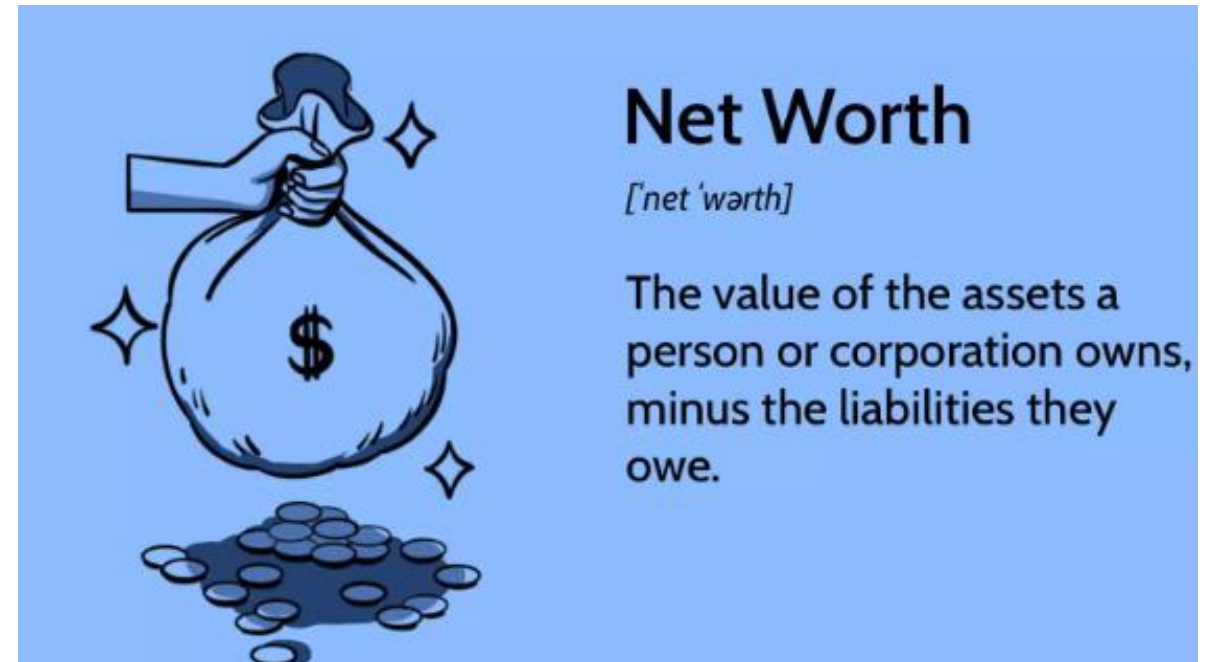
Assets

Current	\$10,000
Intermediate	\$40,000
Long-term	<u>\$200,000</u>
Total Assets	\$250,000

Liabilities

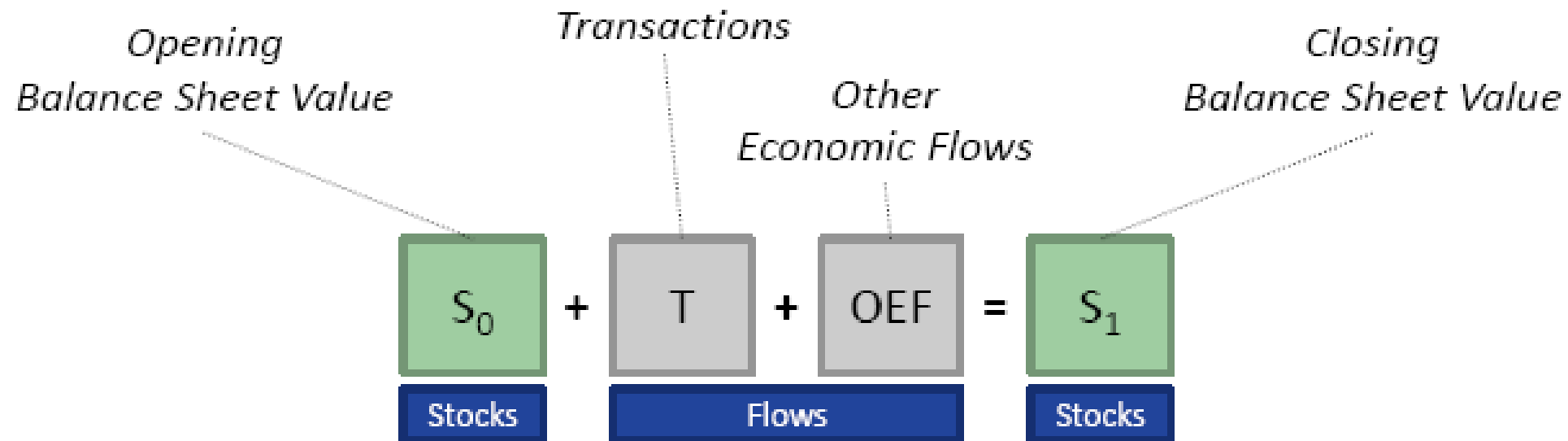
Current	\$5,000
Intermediate	\$30,000
Long-term	<u>\$65,000</u>
Total Liabilities	\$100,000

Net Worth	\$150,000
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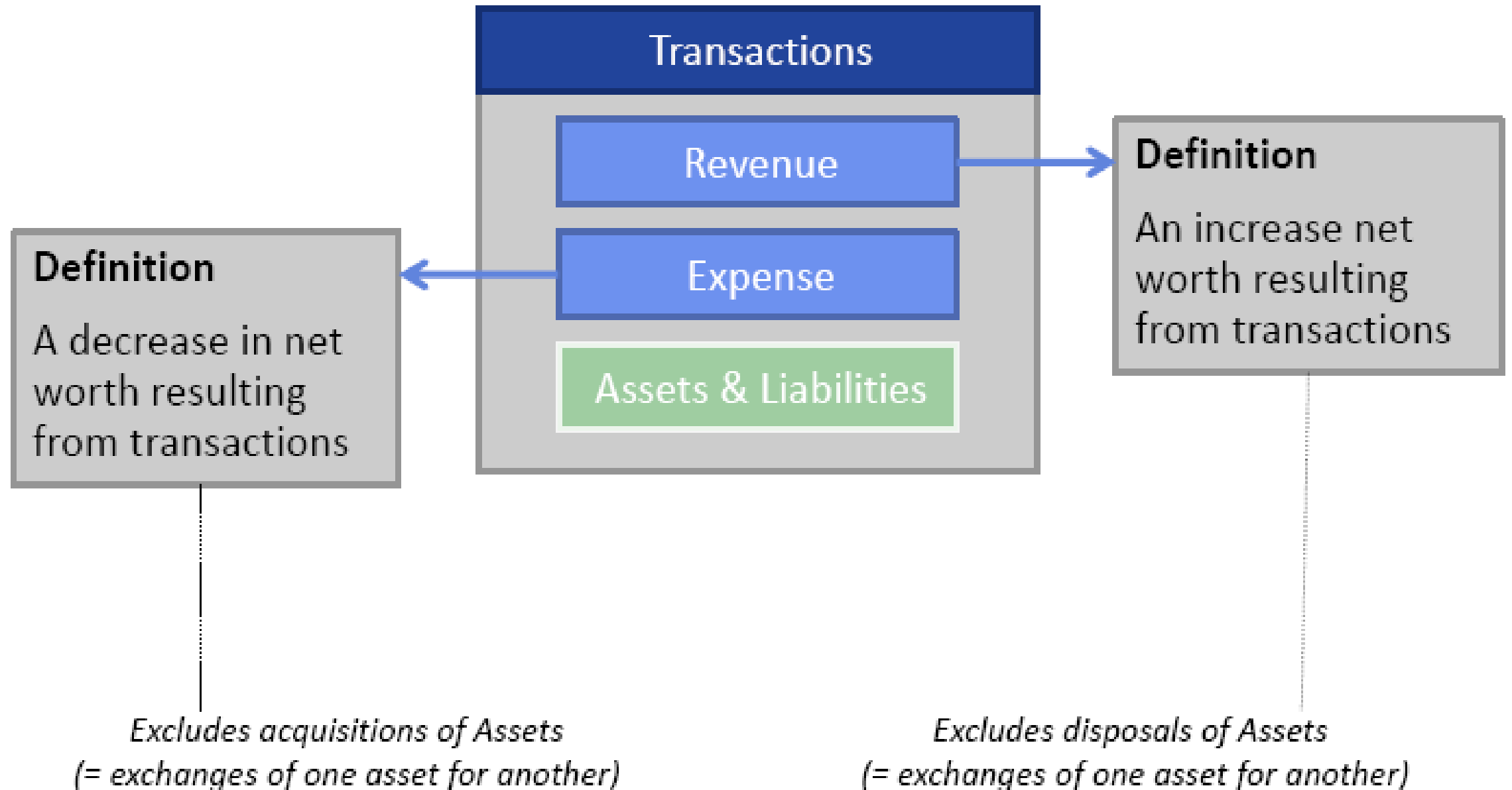


Balance sheet approach

- Stock positions of assets, liabilities, and net worth (assets minus liabilities)
- Stock positions are connected with flows



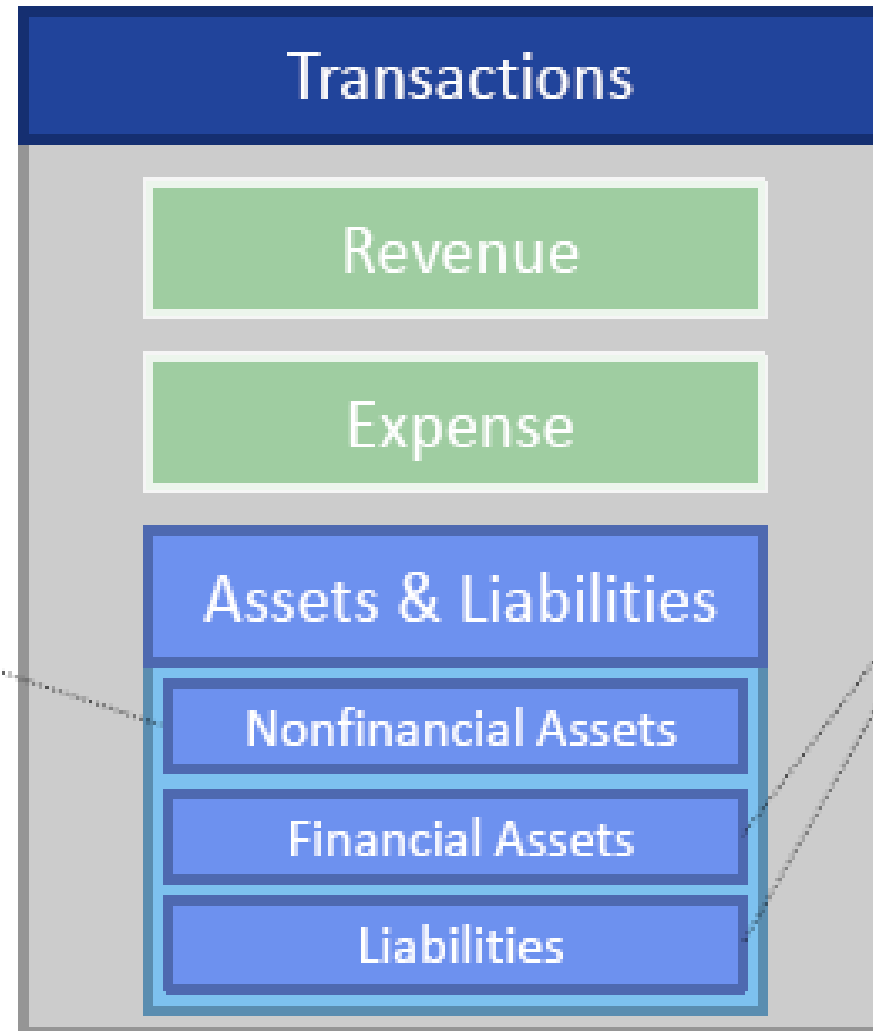
S = stock position; T = transactions; OEF = other economic flows



→ *Net investment in nonfinancial assets*

Grouped into

- Acquisitions
- Disposals
- Consumption of fixed Capital (“GFS depreciation”)



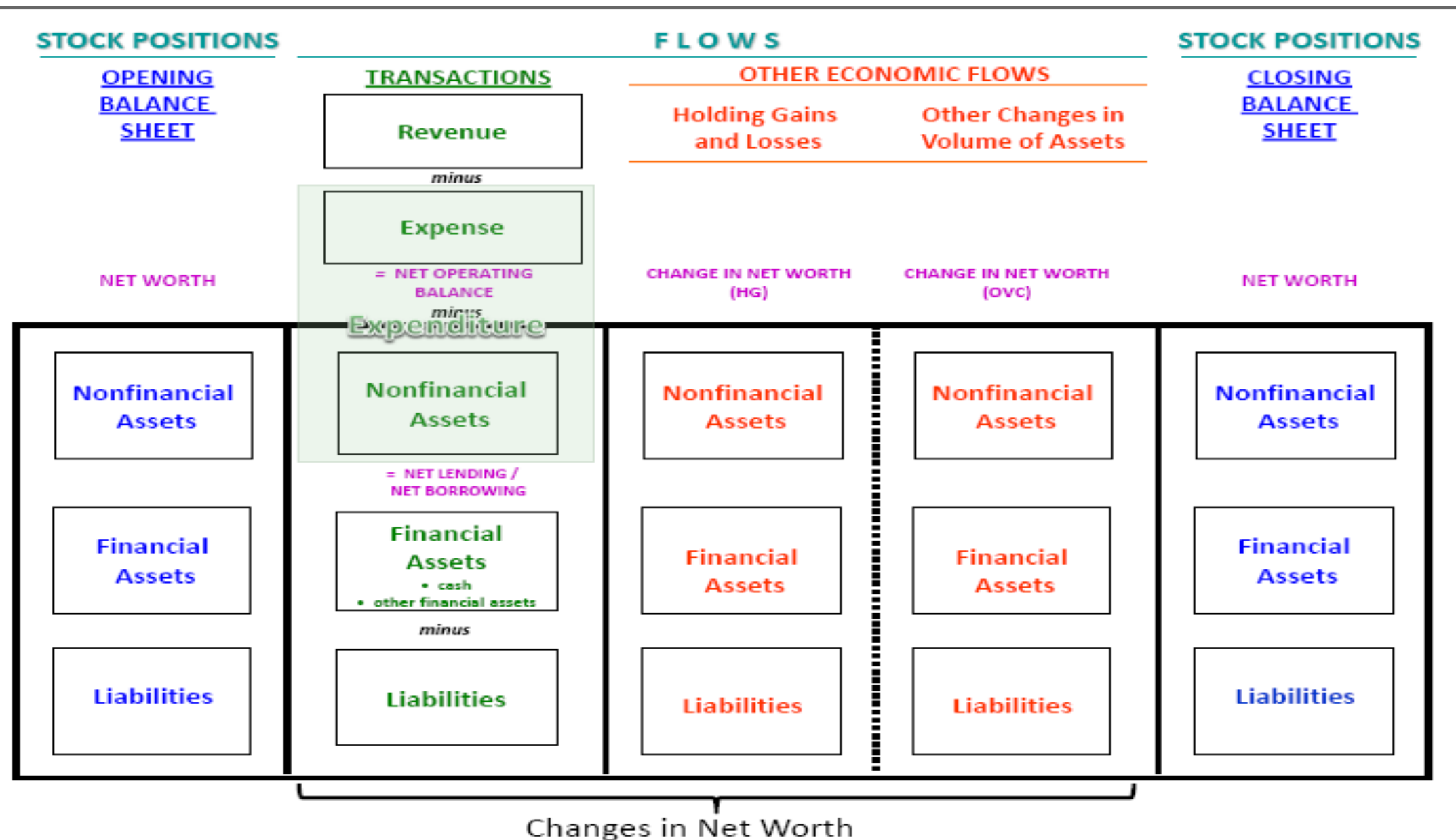
→ *Net acquisition of financial assets*

→ *Net incurrence of liabilities*

= **Financing**

Separate identification of financial assets & liabilities by

- Residence
- Instrument
- Counterparty sector



GFS Classification Coding System

(2/7)

- Codes **beginning with**
 - 1** → Revenue
 - 2** → Expense
 - 3** → Transactions in assets and liabilities
 - 4** → Holding gains/losses in assets and liabilities
 - 5** → Other volume changes in assets and liabilities
 - 6** → Stocks of assets and liabilities

Table 4.1 Statement of Operations
Transactions Affecting Net Worth:

1	Revenue
11	Taxes
12	Social contributions [GFS]
13	Grants
14	Other revenue
2	Expense
21	Compensation of employees [GFS]
22	Use of goods and services
23	Consumption of fixed capital [GFS]
24	Interest [GFS]
25	Subsidies
26	Grants
27	Social benefits [GFS]
28	Other expense

NOB/GOB **Net/gross operating balance (1–2)¹**

Transactions in Nonfinancial Assets:

31	Net/gross investment in nonfinancial assets ²
311	Fixed assets
312	Inventories
313	Valuables
314	Nonproduced assets

2M **Expenditure (2+31)**

NLB **Net lending (+) / Net borrowing (–) [GFS]**
(1–2–31 = 1–2M = 32–33)

Transactions in Financial Assets and Liabilities (Financing):

32	Net acquisition of financial assets
321	Domestic ³
322	External ³
33	Net incurrence of liabilities
331	Domestic ³
332	External ³

4 Change in net worth due to holding gains and losses

41	Nonfinancial assets
411	Fixed assets
412	Inventories
413	Valuables
414	Nonproduced assets
42	Financial assets ²
43	Liabilities ²

5 Change in net worth due to other changes in the volume of assets and liabilities

51	Nonfinancial assets
511	Fixed assets
512	Inventories
513	Valuables
514	Nonproduced assets
52	Financial assets ²
53	Liabilities ²

Table 4.4 Balance Sheet

		Opening balance	Closing balance
6	Net worth (61+62–63)		
61	Nonfinancial assets		
611	Fixed assets		
612	Inventories		
613	Valuables		
614	Nonproduced assets		
62	Financial assets		
621	Domestic ¹		
622	External ¹		
63	Liabilities		
631	Domestic ¹		
632	External ¹		

Group work 4:

Calculate
closing net
worth based
on the
transactions
provided

	Opening	Transactions	Holding Gains/Losses	volume changes	Closing
Revenue (A)					
Expense (B)					
Operating balance (C = A - B)					
Non-financial assets (D)	1,100,000				
Surplus (E = C - D)					
Financial assets (F = E + G)	150,000				
Liabilities (G)	550,000				
Net Worth (D + F + G)	700,000				

Tax collected : 500,000

Internal borrowing : 300,000

Salary payment : 400,000

Equipment purchased : 50,000

Repayment of loan principal : 100,000

Land value appreciated : 50,000

Loan concession from donor : 30,000

	Opening	Transactions	Holding Gains/Losses	volume changes	Closing
Revenue (A)		500,000			
Expense (B)		400,000			
Operating balance (C = A - B)		100,000			
Non-financial assets (D)	1,100,000	50,000	50,000		1,200,000
Surplus (E = C - D)		50,000			
Financial assets (F = E + G)	150,000	250,000			400,000
Liabilities (G)	550,000	200,000		(30,000)	720,000
Net Worth (D + F + G)	700,000	100,000	50,000	30,000	880,000

Tax collected : 500,000

Internal borrowing : 300,000

Salary payment : 400,000

Equipment purchased : 50,000

Repayment of loan principal : 100,000

Land value appreciated : 50,000

Loan concession from donor : 30,000

एकीकृत आर्थिक संकेत तथा वर्गीकरण र व्याख्या

२०७८

(दोस्रो परिमार्जन)



नेपाल सरकार
अर्थ मन्त्रालय

महालेखा नियन्त्रक कार्यालय

अनामनगर, काठमाण्डौ

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Government Finance Statistics framework: The Charts of Accounts

(क) नेपाल सरकार

विवरण	शुरू संकेत	निकाय संकेत	विभाग संकेत*	कार्यक्रम संकेत	कायम हुने बजेट उप-शीर्षक	कैफियत
	(१ अंक)	(२ अंक)	(२ अंक)	(३ अंक)	(८ अंक)	
राष्ट्रप्रमुख/प्रदेश प्रमुख						
राष्ट्रपति तथा उपराष्ट्रपति	१					
राष्ट्रपति	१	०१	००	००१	१०१००००१	
उपराष्ट्रपति	१	०२	००	००१	१०२००००१	
प्रदेश प्रमुख		०३				
प्रदेश प्रमुख प्रदेश नं. १	१	०३	००	००१	१०३००००१	
प्रदेश प्रमुख प्रदेश नं. २	१	०३	००	००२	१०३००००२	
प्रदेश प्रमुख प्रदेश नं. ३	१	०३	००	००३	१०३००००३	
कार्यकारी निकायहरू (प्रधानमन्त्री कार्यालय र मन्त्रालयहरू)	३					
प्रधानमन्त्री तथा मन्त्रिपरिषद्को कार्यालय	३	०१	००	०११	३०१०००११	
अर्थ मन्त्रालय	३	०५	००	०११	३०५०००११	

नेपाल सरकारका खर्च इकाईहरूको कार्यालय संकेत

विवरण	शुरू संकेत (१ अंक)	मन्त्रालय संकेत (२ अंक)	विभाग संकेत (२ अंक)	जिल्ला संकेत (२ अंक)	खर्च गर्ने कार्यालय वा निकाय संकेत (२ अंक)	कायम हुने कार्यालय संकेत (९ अंक)
कोष तथा लेखा नियन्त्रक कार्यालय, संखुवासभा	३	०५	०१	०४	०१	३०५०१०४०१

खर्चको प्रकृति जनाउने संकेत

खर्चको प्रकार	संकेत	व्यवस्था	कायम हुने ९ अंकको बजेट संकेत
चालु	३	साविक	*****३
पूँजीगत	४	साविक	*****४
वित्तीय व्यवस्था	५	साविक	*****५
अन्तरसरकारी हस्तान्तरण*	७	नयाँ	*****७

प्राप्ति/भुक्तानीको विधि:

सि नं.	प्राप्ति/भुक्तानीको तरिका (Mode of Receipt/Payment)	अनुदानको संकेत
१	नगद(आन्तरिक स्रोत)	०१
२	आन्तरिक अनुदान	१०
	समानिकरण अनुदान	११
	सशर्त अनुदान	१२
	सम्पुरक अनुदान	१३
	विशेष अनुदान	१४
	सोझै भुक्तानी	१५
	वस्तुगत सहायता	१६
	अन्य अनुदान (श्रम सहभागिता समेत)	१७
३	वैदेशिक अनुदान	३०
	नगद अनुदान	३१
	सोझै भुक्तानी अनुदान	३२
	सोधभर्ना अनुदान	३३
	वस्तुगत सहायता	३४
४	वैदेशिक ऋण	४०
	नगद ऋण	४१
	सोझै भुक्तानी ऋण	४२
	सोधभर्ना हुने ऋण	४३

बजेटको सेवा तथा कार्यगत वर्गीकरण

संकेत	कार्यगत वर्गीकरणको नाम
७०१	सामान्य सार्वजनिक सेवा
७०११	कार्यकारी र विधायिकाको निकाय, वित्तिय र वैदेशिक मामिला
७०१२	बाह्य आर्थिक सहायता
७०१३	सामान्य सेवा
७०१४	सामान्य आधारभूत सेवा
७०१५	सामान्य अनुसन्धान तथा विकास सेवा
७०१६	सार्वजनिक ऋण कारोवार
७०१७	विभिन्न तहका सरकारहरु बीच हुने सामान्य प्रकृतिको हस्तान्तरण
७०१८	सामान्य सेवा -अन्यत्र वर्गीकृत नभएको
७०२	रक्षा
७०२१	सैनिक सुरक्षा
७०२२	नागरिक सुरक्षा
७०२३	वैदेशिक सैनिक सहयोग
७०२४	रक्षा, अनुसन्धान तथा विकास
७०२५	रक्षा -अन्यत्र वर्गिकृत नभएको
७०३	सार्वजनिक प्रशान्ति रक्षा

Any Question?



Thank You