

Nepal Budget FY 2083/84

Between Mandate and Margins
Much Given, Little Risked

हिमालयन क्यापिटल लिमिटेड



Himalayan Capital

A Subsidiary of Himalayan Bank Limited

I. MACROECONOMIC HIGHLIGHTS

Nepal enters FY 2083/84 at a genuine paradox: external buffers at historic highs, domestic momentum at a near-standstill-and a pattern of missing its own targets that is now established, not incidental.

The underperformance is structural. Growth came in at 3.85% against a 6% target for FY 82/83, down from around 4.43% in the preceding fiscal year. Per capita GDP has not improved significantly as a result, moving from USD 1,496 to USD 1,513, which is a gain so marginal that sudden shocks to remittance inflows or sustained currency depreciation can erase it in an instant. Inflation remains controlled at a nine-month average of 2.39%, but the year-on-year rate has risen to 4.47% in mid-April.

The external position is strong but narrowly founded. Gross Foreign Exchange Reserves reached NPR 3,494.73 billion (USD 23.55 billion)-18.4 months of import cover for prospective merchandise and services, with a reserves-to-GDP ratio of 57.22%. Remittances surged 39.14% to NPR 1,659.41 billion for the review period (9 Months of this and last FY), resulting in a current account surplus of NPR 618.68 billion, nearly three times the previous year's figure. The trade deficit has widened by 13.0% to NPR 1,267.56 billion this FY, with import prices rising 13.6% against export price growth of only 3.1%, a 9.2% deterioration in the terms of trade, buoyed by sustained currency depreciation. And first-time foreign employment approvals have fallen 17.9% year-on-year, suggesting the remittance engine is maturing rather than accelerating.

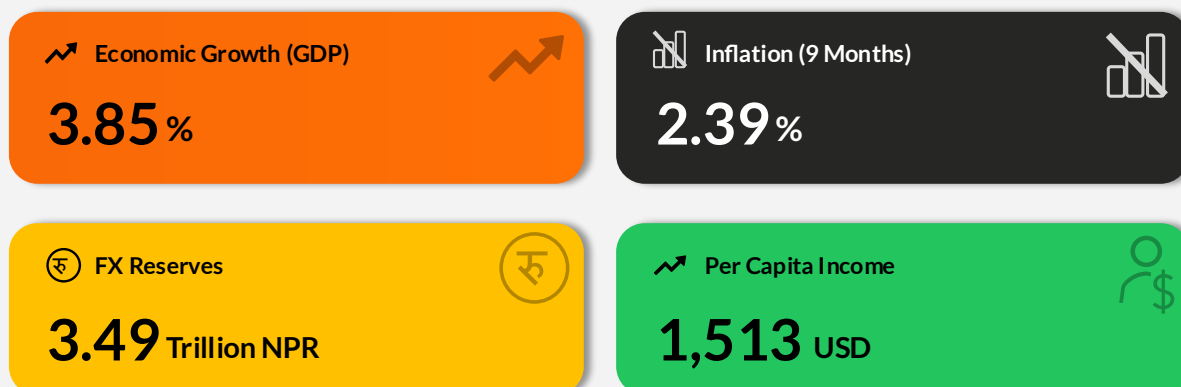
The financial system is liquid but paralysed. Credit growth slowed to 8.28% even with ample liquidity and base rates at 5.06% during the nine months of the current year, despite the NRB absorbing substantial excess liquidity. Lending rates have fallen to 6.77%, yet credit will not flow. The NPL ratio has risen to 5.60% and may increase further once the IMF's Loan Portfolio Review numbers have been finalized. This is a dual confidence crisis where banks are reluctant to lend, borrowers reluctant to borrow, playing out against a backdrop of manufacturing operating below 50% capacity, falling real estate prices, and weak agricultural productivity.

Capital expenditure is failing at the worst possible time. Spending through nine months reached only NPR 96.20 billion, lower than the preceding year's numbers. The government sits on an NPR 429.17 billion undeployed cash balance. At less than 5% of GDP, capital spending is insufficient to crowd in private investment, absorb outbound

labour, or lay the infrastructure the budget's growth ambitions require. This is the highest-leverage domestic failure, and it is structural rather than budgetary in origin.

The oil shock is the largest unpriced risk. Brent crude has moved above USD 120 in recent months, although it briefly fell below USD 90 recently, still 50% above earlier stable levels. Nepal imports all its petroleum, carries no strategic stockpile, and is already absorbing the pass-through. The NRB now faces a genuine dilemma: the accommodative stance the budget's credit and growth targets require is increasingly inconsistent with containing an inflation impulse driven by energy prices and a depreciating rupee.

The structural assets-record reserves, good hydropower exports to India, a BB- Stable credit rating-are real. But the economy has missed its growth target for at least two consecutive years, credit transmission is broken, capital expenditure is falling in nominal terms, and oil prices may not come down for some time. The gap between the budget's ambitions and the economy's demonstrated delivery capacity is not a one-year aberration. That is the backdrop against which every commitment to this budget must be read.

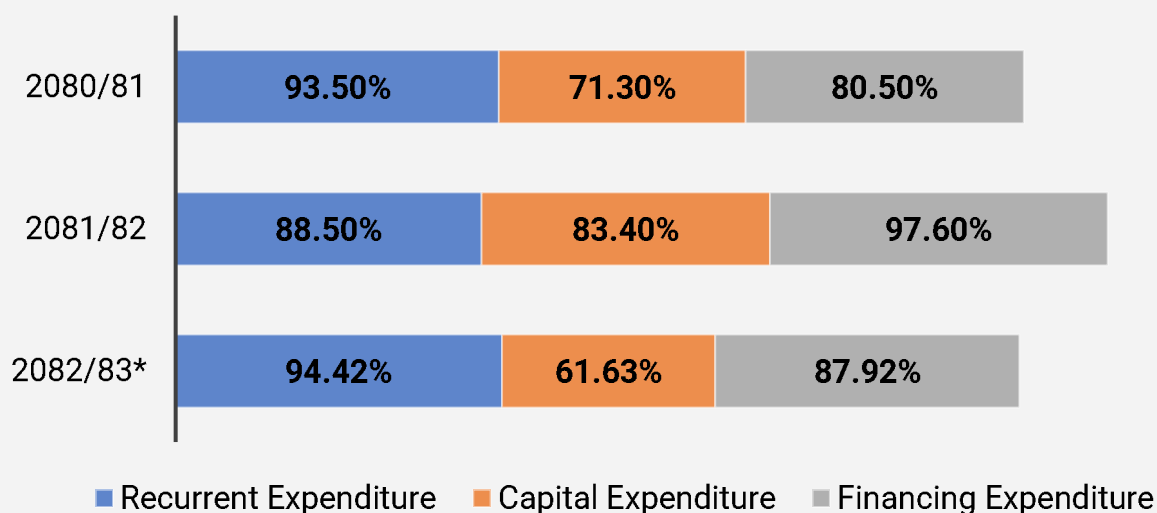


* All changes are based on the first nine months of the fiscal year

II. BUDGET PERFORMANCE (FY 82/83)

Concerning overall performance, the budget for FY 2082/83 continued the trend of ballooning recurrent expenditure vis-à-vis total expenditure observed since 2063 B.S. However, owing to an inefficient expenditure mechanism, only 86.37% of the budgeted expenditure (~NPR 1.696 trillion) was projected to be achieved in the FY. Recurrent, Capital, and Financing Expenditures were projected to be 94.42%, 61.63%, and 87.92% of their respective allocated budgets. Total Tax collection was expected to stand at ~NPR 1.267 trillion, an 8.70% increase on the prior year's actual figures, driven by a good increase in customs and excise duties. However, increasing financing expenditure to fund government expenditure remained a concern.

Trends on Budget Performance



*Estimated Numbers.

III. BUDGET OVERVIEW (FY 83/84)

In continuation of the practice of presenting an Annual Budget for Nepal, which began in 2008 BS, Honorable Finance Minister Dr. Swarnima Wagle on 15th Jestha, 2083 BS (29th May 2026 AD) presented to the joint session of the Federal Parliament the budget for FY 2083/84. The total expenditure for the fiscal year is projected at NPR 2.124 trillion, comprising 59.81% for recurrent expenditure, 20.29% for capital expenditure, and 19.90% for financial provisions. On the revenue side, total receipts are estimated at

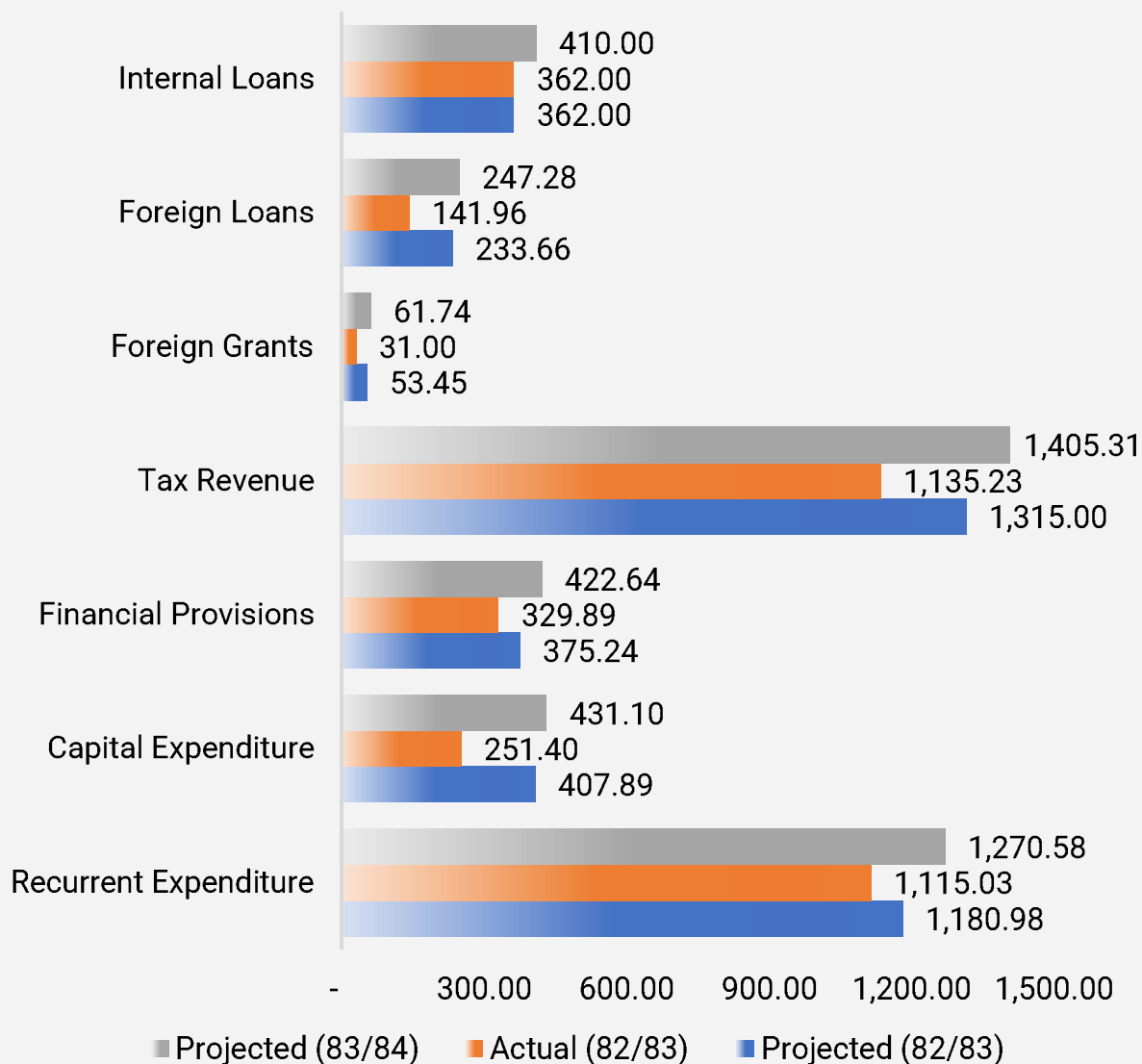
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NPR 1.467 trillion, of which NPR 1.405 trillion (95.8%) is expected to be raised through tax revenue and NPR 61.74 billion (4.2%) through foreign grants. This results in a projected fiscal deficit of NPR 657.29 billion.

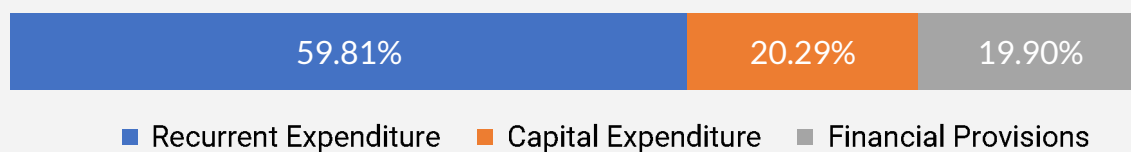
Headings	Amount (Billion NPR)	Percentage Composition
Expenditure		
Recurrent	1,270.58	59.81%
Capital	431.10	20.29%
Financial Provisions	422.64	19.90%
Total	2,124.34	100.00%
Revenue/Receipts		
Tax Revenue	1,405.31	95.79%
Foreign Grants	61.74	4.21%
Total	1,467.05	100.00%
Projected Budget Surplus (+)/Deficit (-)	(657.29)	
Projected Deficit Financing		
Foreign Loans	247.28	37.62%
Internal Borrowing	410.00	62.38%
Total	657.29	100.00%

To bridge this deficit, the government plans to rely on foreign loans amounting to NPR 247.28 billion (37.61%) and internal borrowing of NPR 410 billion (62.39%). Although projected foreign borrowing has increased modestly, it reflects a significant step-up over the foreign debt expected to be realized in FY 2082/83, which would be around NPR 141.95 billion, raising questions about disbursement feasibility given Nepal's track record. Internal borrowing, which is already remarkably high, is expected to increase by a further ~13.3% on the FY 2082/83 budget, reflecting persistent fiscal pressures and limited domestic resource mobilization. In a highly liquid credit market, increased government borrowing crowding out private sector lending will not be an immediate issue, but the tendency to increase internal borrowing may create problems over the longer term. With interest rates remaining flat, debt servicing costs should remain manageable for now, but since financing costs make up around 20% of the budget, the

need to improve tax inflows remains pressing. The impact of elevated levels of internal debt during any future inflationary cycle will also be a concern.

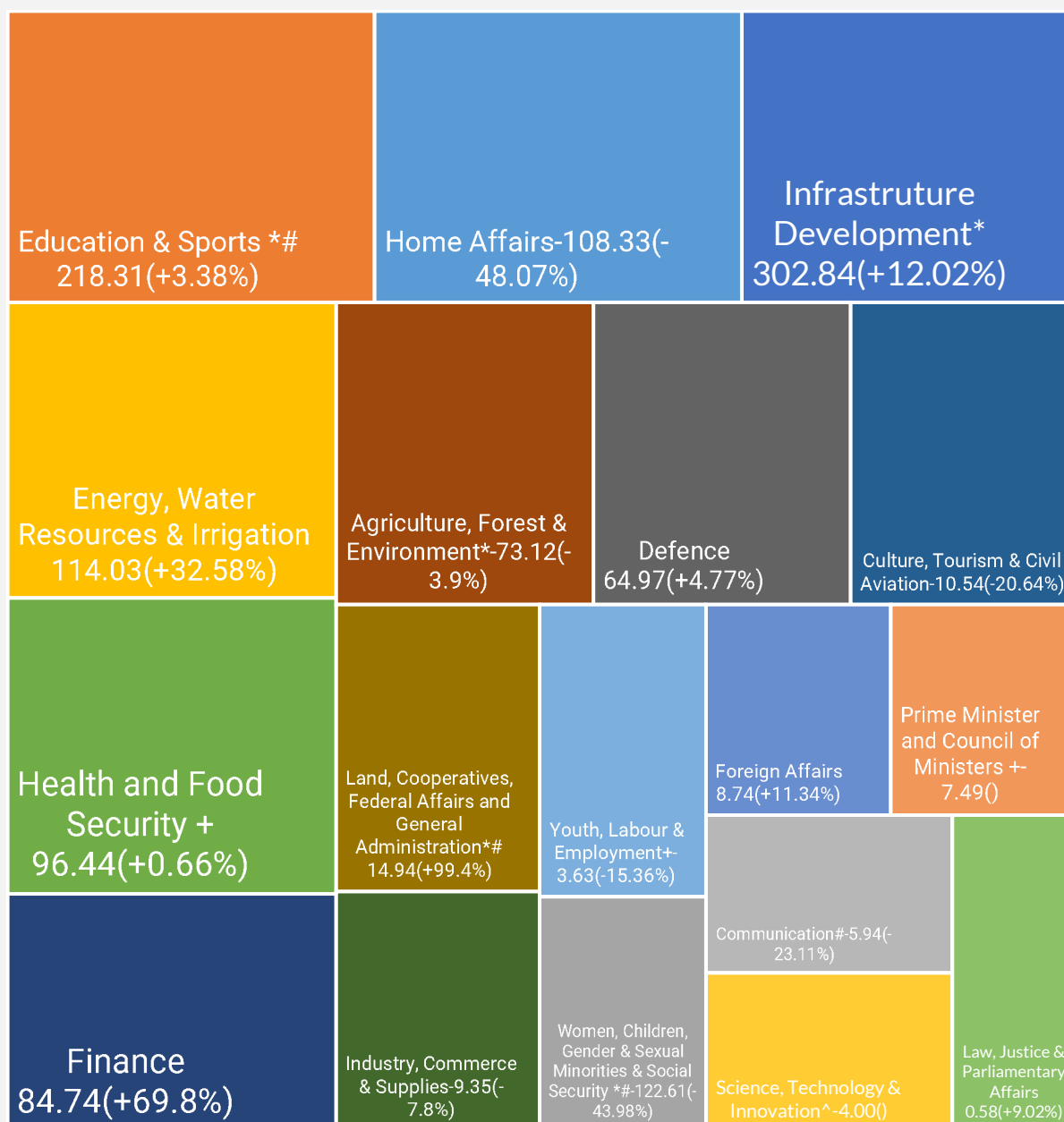


1. RESOURCE ALLOCATION



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Recurrent Expenditure for the FY is budgeted at NPR 1,270.58 billion, Capital Expenditure is budgeted at 431.10 billion, and Financial Management Expenditure is budgeted at NPR 422.64 billion. Sectoral Distribution of the Budget (NPR In Billion) for specific areas is as follows:



Note: * Merger, #Reduction, *# Merger and Reduction, ^ New, + Restructured

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2. REVENUE DISTRIBUTION

The Revenue Sources for the Budget are as follows:

Value Added Tax (VAT) (29.79%), 387.33 Billion	Excise (16.4%), 213.25 Billion	Tax Payed By Corporates and Institutions (11.25%), 146.31 Billion	Non Tax Revenue (9.42%), 122.49 Billion
Import Duties (16.68%), 216.94 Billion	Other Taxes (8.12%), 105.52 Billion	Tax Payed By Individuals (7.86%), 102.24 Billion	Other Income (0.47%), 6.14 Billion

■ Tax Revenue ■ Non Tax Revenue ■ Other Income

As can be seen, the total tax revenue of the nation can barely support even its recurrent expenditure (federal, provincial, and local), which is a very worrying sign. While additional protections and increases in facilities in social security and protection are good, they must coincide with an increase in revenue sources that can support their effective functioning in the long run. Care needs to be taken in this regard.

3. KEY TAKEAWAYS

Looking at this budget and the many that preceded it, Nepal's fiscal documents always tell one continuous story. The macroeconomic diagnosis has been broadly correct each year: a substantial recurrent base, chronically poor capital execution, a credit cycle that will not transmit effectively, a revenue structure that cannot fund development, and a regulatory architecture that discourages the very investment the speeches court. And yet, this time around feels different, as the political variable can now support solutions recommended by earlier diagnostics. A single-party majority, the largest mandate in some time, gives this government the proper standing to convert annual diagnoses into structural departures. The budget that has been drafted is the most articulate instance of the genre, and yet it does not depart from the norm. Yes, much has been given, but little has been risked.

The structural trend is genuinely two-sided and deserves to be stated as such rather than caricatured. The recurrent share of the budget has remained steady around 60% of the total budget in the last few years. That is a real improvement, sustained across three changes of finance ministers, and it should be credited rather than dismissed. But the improvement is glacial, and the space recurrent spending has been vacating has not augmented capital expenditure but propped up debt repayment. The budget has not been able to reallocate toward production; it is holding the recurrent line while debt service quietly claims the fiscal space that capital investment should occupy. A mandate of this size could have forced the reallocation, but the trend has not been bucked.

Even more concerning are the usage figures, with recurrent expenditure and financial provisions routinely nearing target levels, while capital expenditure numbers vary and are used sparingly. Capital expenditure utilisation tends to hover around 70% while recurrent expenditure easily reaches 90-95% of intended utilisation. However, the underperformance of capital expenditure could also be attributed to a shortfall in sources resulting from lower accumulation of debt against projections. This year's budget reflects enough grounds to ensure such shortfalls are met. Introduction of alternative financial instruments, and utilization of dormant funds across the economic spectrum, and a push towards consumption-based taxes as a policy stance should provide an adequate cushion in this regard.

This is the highest-leverage domestic failure in the entire fiscal picture, and it is the one the budget acknowledges but cannot credibly solve completely within the fiscal year, because the procurement, project-readiness, and political-economy constraints that produce chronic underspending are structural, not budgetary. The road, energy, irrigation, and agriculture allocations continue existing programs in broadly the prior structure; what is conspicuously absent is any transformational new project at the scale the mandate invited, but the introduction of new sunset laws that facilitate investment approvals and project completion (from initial approval to final deliverables) may well change the tide in this regard.

The budget also borrows heavily from previous budgets in conceptualizing programs, which is the strongest single piece of evidence for continuity reading. The idea of a Sovereign Wealth Fund and substantial investment in IT infrastructure (now under the guise of AI) both build on previous promises, while quadrilateral development corridors and restart of inactive state-owned enterprises also borrow from the past, as do promises of land ownership certificates for the landless. A government with this mandate had the standing to break the cycle of reannouncement; instead, it has produced the best-written entry in it. Yet borrowing need not be a weakness; many of these ideas failed not because they were wrong, but because the governments that proposed them lacked the political will, institutional coherence, or mandate to see them through. This government has all three in greater measure than its predecessors.

One challenging part is that the budget deficit has widened every year without exception, reaching NPR 657 billion, and the internal borrowing requirement has climbed in lockstep. The previous year's revenue target of NPR 1,315 billion sits against roughly NPR 867 billion collected by 9 months and private-sector credit growth of just 6.6% over the same period. Revenue targets have been missed for years running and external borrowing has historically been realised at only around half of target, which mechanically transfers the shortfall onto domestic debt. A liquid banking system with weak credit demand can absorb government paper today without crowding out private borrowing, but using that liquidity to finance recurrent expenditure rather than productive capital earns no return and pre-commits future budgets to rising debt-service costs the moment private demand recovers. Against this, the 7% growth target may seem unreliable at best, as growth has come in between roughly 2% and 4.6% in the last 3 years.

There is also a consequential internal contradiction between what the speech announces and what the Finance Bill enacts. The speech abolishes excise duty on 360 goods and frames this as simplification; the Finance Bill simultaneously introduces other levies functionally like the charges they replace, although not contradictory to international best practices. The direct-tax relief on income is genuine and benefits the salaried middle class, but financing it through an expansion of indirect levies - including VAT on electricity above 50 units per month, on ridesharing, and on private education and health services - shifts the burden toward lower-income households whose consumption is a larger share of income. It is not progressive reform, and the speech and the Bill are, in parts, telling different stories.

Where the budget earns credit, it earns it clearly, and the credit is real. The income-tax exemption doubling and the cut in the top rate from 39% to 29% are the most substantive direct relief in years; the customs simplification from eleven tiers to seven and the rationalisation of duties on 273 raw-material categories genuinely improve manufacturing competitiveness. The 10% VAT rebate on digital payments is an elegantly designed instrument that drives formalisation, digital adoption, and compliance at once. The investment-facilitation reforms - profit repatriation by notification rather than NRB pre-approval, single-window Investment Board approvals with legal force, hybrid instruments brought within the foreign-investment scope, and the limited-liability-partnership law - address documented deterrents.

Most importantly, the mandate for establishing an Asset Management Company correctly identifies the non-performing-loan blockage as the primary obstacle to credit revival. The limitation is timing: an AMC takes twelve to twenty-four months to operationalise and cannot deliver balance-sheet relief within the year the growth projection assumes. Nevertheless, current policy direction also indicates a move towards enabling SME lending with a first-loss recovery guarantee scheme, while the expansion in scope of hire purchase to include household electrical appliances is intended to improve credit outflow and electricity consumption.

Similarly, a doubling of the income tax exemption threshold to NPR 10 lakhs, a 10-percentage point cut in the maximum personal rate, and around 21% salary increase for civil servants (defensible on equity grounds after four years of freeze against 17.3% cumulative inflation) will surely enhance disposable income, which in turn can be expected to increase credit demand and inflation metrics. The high import content of

consumer durables will be a genuine risk, but the rejuvenation of local businesses parched by the economic downturn should offset the risks. However, there is one missing piece which is essential for the successful implementation of a first-loss recovery scheme: a credit default swap or equivalent risk-transfer mechanism that helps in sharing risks. The monetary policy could address this gap as well.

The AI and digital-economy bet is also a genuinely forward-looking element, and its underlying logic is sound: cheap clean electricity, a young technically capable population, and a diaspora of technologists are real assets, and converting hydropower into AI computing capacity is a coherent strategic idea. The flaw is sequencing. Education's share of the budget has fallen to roughly 10.28%, well below the 20% international benchmark, even as the budget commits to a Sovereign AI Computing Center - hardware before the human capital that would staff it.

The hydropower architecture beneath this strategy is also consequential. Restructuring NEA into three companies- generation, a combined transmission-and-distribution entity, and trading- is the budget's most structurally significant energy reform and the precondition for the rest: separating generation and trading from the network is what makes third-party grid access, and therefore wheeling and private transmission investment, feasible, while cancelling the licenses of projects that signed PPAs but never broke ground clears out speculative holders. On the demand side, a cluster of measures begins to address demand shortfalls: concessional electricity for green urea production, subsidised loans for industrial electric-boiler conversion, and the computing load of the AI center itself. Against Nepal's defining energy weakness of output that swings from glut in the wet season to shortage in the dry, the budget promotes reservoir projects by allowing these companies to publicly float up to 40% of their shares in the first-year post-funding, given that promoters can ensure 100% financing. However, there are challenges as each gain is contingent: unbundling a vertically integrated monopoly is politically and administratively fraught, wheeling needs transmission that does not yet exist at scale, and reservoir projects take years beyond the budget's own growth horizon. The design is the most coherent energy policy in years; whether it survives contact with execution is the question the budget, characteristically, leaves open.

It is also notable that the external environment surrounding all of this is more adverse than the projections absorb. Tensions around the Strait of Hormuz have pushed oil prices to substantial highs, and the transmission into Nepal runs through several

reinforcing channels at once. Most immediately, fuel is Nepal's largest import category, so rising crude feeds directly into the import bill and into domestic inflation. At the same time, a Gulf disruption threatens the incomes of roughly 1.73 million Nepali workers based in the region, which would slow remittance inflows – and remittances, now near 28% of GDP, are simultaneously the country's greatest strength and its single largest vulnerability, funding the current account surplus and the record reserves that constitute the budget's headline buffer. That buffer is therefore itself remittance-generated and remittance-dependent. The danger is that these channels compound: weaker remittances erode the reserve cushion just as higher oil prices push inflation above the 6% target, forcing Nepal Rastra Bank to tighten rates precisely when the budget's entire credit-revival architecture – the AMC, the first-loss SME guarantee, hire-purchase expansion, disposable-income stimulus – depends on an accommodative monetary stance to transmit. A sustained Gulf shock would thus undercut both the fiscal buffer and the monetary conditions the budget's execution quietly assumes, and the responses on offer are marginal.

The budgets for the last few years have been polished articulations of the same document, but this one, backed by the strongest political position of this cohort, has the standing to break the pattern and choose refinement over rupture. It earns a high mark for design and diagnosis and a provisional mark for ambition, but it is a well-constructed continuation budget, not the transformational departure many had come to expect. The Asset Management Company, the credit revival, the investment reforms, and the AI ambition all depend on execution capacity Nepal has not demonstrated till now. The Finance Minister's diagnosis is correct, as were those of his predecessors. Whether this mandate makes the difference between diagnosis and delivery is the only question that matters, and it will not be answered by the eloquence of the speech but by the efficacy of the execution that follows it.

4. DETAILED PROVISIONS

4.1 REFORMS FOR ECONOMIC TRANSFORMATION

A. BUSINESS RELIEF AND ECONOMIC GROWTH THROUGH TAX REFORM

- The personal income tax exemption limit will be doubled to Rs. 10 lakhs for individuals, and the maximum personal income tax rate will be reduced by 10 percentage points to lower the overall tax burden.

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- Customs rates on 273 types of raw materials will be reduced, and the existing eleven-tier customs structure will be cut down to seven tiers to ensure importing raw materials is cheaper than importing final goods, helping promote industrial production.
- Excise duties currently levied on 360 goods will be completely abolished, while scattered customs point collections like infrastructure development and road maintenance fees will be consolidated into a Single Green Tax.
- Enforcing provisions will be implemented to ensure that Section 57 of the Income Tax Act, 2058 does not apply to ownership transfers in controlled entities resulting from involuntary transfers due to the death of a natural person.
- The capital gains tax collected on a withholding basis during the sale of shares of listed companies will be legally established as the final tax liability.
- A 10% VAT discount will be applied directly on invoices for consumers purchasing via digital payments, the VAT refund system will be fully automated, and an attractive lottery program will be launched to promote a compliant invoice culture.
- A high-level advisory committee will be formed immediately to study and submit formal recommendations on the relevance and structure of implementing multiple VAT rates.
- A special plan for tax concessions and facilities will be introduced to definitively resolve long-standing tax disputes arising from legal ambiguity or taxpayer ignorance, treating compliance as a development partner rather than a punishment.
- A legal provision will be executed to dismiss pending court or judicial body cases and completely waive all fees, fines, penalties, late charges, or interest upon payment of the core determined tax amount plus a nominal 1% penalty within a specified period.

B. GOVERNMENT RESTRUCTURING

- Abolish 31 agencies, merge 6, transfer 6, and restructure 18 to dramatically streamline the federal bureaucracy.
- Provisions to appropriately increase service benefits for civil servants, the military, police, and teachers.

C. COST REDUCTION AND EFFICIENCY

- Freeze funds allocated to merged and abolished agencies, halt non-essential office equipment/service purchases, and remove extravagant funds and facilities for

employees of various organizations to generate an estimated Rs. 20 billion in administrative savings.

D. INVESTMENT PROMOTION AND LEGAL REFORMS

- Amend company and insolvency laws to simplify business dissolution, address SME financial distress, and legally clarify conflict of interest and disclosure requirements.
- Draft a new Limited Liability Partnership law specifically designed to directly incentivize angel investment in venture capital and private equity.
- Expand international financial protection by signing new investment protection and double taxation avoidance agreements with additional countries.
- Formulate legal arrangements to officially facilitate and permit Nepali citizens to invest abroad.
- Amend the Industrial Enterprises Act to replace prior approval requirements with a simple notification process to the Department of Industries for capacity expansion, ownership transfers, and capital increases.
- Amend the Foreign Investment and Technology Transfer Act so that repatriating investments requires only a notification to Nepal Rastra Bank rather than prior approval and simplify the remittance of royalties and service fees abroad.
- Expand the legal scope of foreign investment to explicitly include convertible instruments, project-linked funding, and other hybrid instruments, and remove pre-approval barriers for automatic investment channels.
- Enact new laws for strict debt recovery and intellectual property protection, and establish a dedicated commercial tribunal, alongside a reformed Mediation Act, to ensure the swift resolution of business disputes.
- Mandate the issuance of credit based on comprehensive creditworthiness assessments that analyze the overall economic activities of individuals and businesses.
- Amend existing laws regarding foreign investment, accounting, profit repatriation, and capital gains to officially permit Non-Resident Nepalis to participate in the secondary stock market.
- Amend the Civil Code, 2074 to allow foreign investors, multinational branches, and international organizations to hold long-term leases on up to 25% of total units in designated residential apartments or buildings.
- Implement a structural 'First Loss Recovery' mechanism to strictly secure loans and guarantee financial access for small and medium enterprises.

E. CAPITAL EXPENDITURE ACCELERATION

- Operate projects in Mission Mode with procurement reform, fund-transfer flexibility, alternative financing, and project-head stability.
- Present a development-project sunset law to Parliament this fiscal year.
- Implement mobilization-advance tracking tied to the project concerned.
- Prepare a Hybrid Annuity Model project pipeline within three months.
- Address construction-material price increases (diesel, bitumen) arising from the Middle East conflict.

F. INFRASTRUCTURE AND TRANSPORTATION

- Upgrade all roads and bridges connecting district headquarters within five years.
- Integrate roads, drinking water, and sanitation infrastructure development while heavily prioritizing traffic safety.

G. DEVELOPMENT AND ENVIRONMENT COHERENCE

- Revise the Environment Protection Act 2076 and Forest Act 2076 to harmonize development and environment.
- Waive supplementary EIA where forest area or tree count is below approved EIA report figures.
- Significantly reduce the multi-level forest clearance and tree-felling approval chain.

H. ALTERNATIVE FINANCIAL INSTRUMENTS

- Introduce new financial instruments to mobilize capital, public investment, and technology.
- Issue Nepal's first offshore bond in the international market.
- Issue clean energy bonds and diaspora bonds and maximize use of available climate funds.

I. SOVEREIGN WEALTH FUND

- Establish the 'Matribhumi Fund' using foreign exchange reserves to strategically finance critical infrastructure, including an AI factory and a 3-month fuel storage facility.

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- Introduce currency hedging services and urgently implement reforms to remove Nepal from the international money laundering "Grey List."

J. PUBLIC INSTITUTIONS

- Increase government investment in Rastriya Banijya Bank through capital injection.
- Convert Nepal Airlines Corporation into a company and identify management improvement and strategic partnership.
- Issue Rastriya Beema Company Limited and Bishal Bazar Company shares to the public.
- Merge Hydropower Investment and Development Company Limited into a compatible financial institution to form a specialized infrastructure entity.
- Complete due diligence of seven public institutions, including Gorkhali Rubber Industry, for PPP investment.

K. INFORMATION TECHNOLOGY INFRASTRUCTURE

- Divest Nepal Telecom shares to the public (retaining 66%) to fund a national 'Tech Hub' and establish an NRB-regulated fintech marketplace.
- Open foreign investment in IT services and legalize working for foreign employers and remote work from Nepal.
- Procure government IT software through a single agency and increase digital public infrastructure investment.
- Establish a fintech marketplace under NRB supervision and integrate dozens of government services into the Citizen App.

L. ARTIFICIAL INTELLIGENCE

- Establish the country's first Sovereign AI Computing Center in Syuchatar, Kathmandu.
- Purchase thousands of AI processing units to provide affordable computing to entrepreneurs and startups.
- Convert clean hydroelectric energy into high-value AI computing services.
- Offer fellowships to at least 15 internationally recognized Nepali AI researchers to return and contribute.
- Prioritize mathematics and AI-relevant academic disciplines.

M. NEPAL ELECTRICITY AUTHORITY RESTRUCTURING

- Divide NEA into three companies: generation; transmission and distribution; and trading.
- Cancel licenses of PPA-signed but unbuilt projects and issue new PPAs on a 'Take or Pay' basis.
- Sign immediate PPAs for projects below 10 MW and determine dry season purchase rates through competitive bidding.

N. PRIVATE SECTOR ELECTRICITY TRADE

- Allow the private sector to trade electricity in international markets with transmission-line and wheeling-fee provisions.
- Adjust forest land use/tree-felling fees when project ownership transfers to the government on license expiry.
- If the promoters of reservoir-based hydropower projects can ensure 100% funding for the project, they will be allowed to issue up to 40% of their shares in the first year of commencement of construction.

O. REGIONAL GROWTH POLES AND CORRIDORS

- Create a Mid-Madhesh Agriculture and Industry Quadrangle anchored on the Sunkoshi-Marin command area and Hulaki/East-West Highway expansion.
- Arrange a Karnali Quadrangle along the Mid-Hill Highway, Karnali Highway, and Bheri Corridor for herbs, hydropower, tourism, and mining.
- Develop a Gandaki Quadrangle centered on pilgrimage and clean enterprise, integrating the Shaligram Path.
- Promote the Nirvana Path on the Lumbini-Muktinath route and connect northern trade destinations via the Mid-Hill Highway.
- Advance a Koshi Corridor plan (Koshi Tappu to Kanchenjunga) for biodiversity conservation and clean energy.
- Advance a Far-West Tourism Quad covering Ramaroshan, Khaptad, Badimalika, Shaileshwari, Ugratara, and Mallikaarjun.

P. VISION KATHMANDU 2040

- Begin integrated valley infrastructure: underpasses, flyovers, river corridors, parks, waste management, utility ducts, and underground electrical wiring.
- Conserve and expand open spaces with provincial/local cooperation and financial incentives.
- Launch a Smart Urban Mobility program with electric public buses, charging stations, and smart bus parks in Kathmandu Valley.
- Start e-mobility electric bus service in Pokhara Valley.

Q. VISIT NEPAL 2085 AND WELLNESS YEAR 2027

- Make intensive preparations for Visit Nepal Year 2085 and Nepal Wellness Year 2027.
- Provide physical and financial incentives for high-value tourist resorts and hotels.
- Brand tourism under Wellness Tourism and diversify across source countries.
- Restructure the Civil Aviation Authority by Poush to remove Nepal from the EU Air Safety List.

R. AGRICULTURAL REVIVAL

- Provide a 40% capital subsidy (pilot) to farmers investing a minimum NPR 2 crore, recovered at 10%/year over four years.
- Phase out other subsidies gradually while providing up to 80% premium subsidy for crop and livestock insurance.
- Complete large under-construction irrigation projects and establish a Challenge Fund for small/medium irrigation.
- Provide concessional loans and interest subsidies for direct purchase of produce and support remote-area processing/branding.
- Restructure agricultural services into a Farmer-Centered System with year-round technical services and doorstep access.
- Revitalize agricultural R&D centers for improved seeds, climate-adapted varieties, and biotechnology.
- Present an Agriculture Bill covering fair prices, farmer-dealer contracts, subsidies, and regulation.

S. FORESTS AND GREEN INDUSTRIALIZATION

- Reposition forests for green industrialization, employment, and import substitution through timber, herbs, and NTFP processing.
- Review raw timber selling prices to improve domestic timber industry competitiveness.
- Fully digitize the forest product permit system into a single window.
- Grant community forest user groups autonomy in production, processing, branding, and enterprise.
- Remove inconsistencies between forest, environment, industry, energy, and infrastructure laws.

T. EXPEDITE INVESTMENT

- Activate an automated single-window routing system within three months, integrating registration, financial services, tax, and visa.
- Give legal force to Investment Board approvals so no further agency approvals are required.
- Provide investment visas for project-related research.
- Simplify share transfer, tax clearance, valuation, debt repayment, dividend, and liquidation processes.

U. INDUSTRY AND INDUSTRIAL INNOVATION

- Build Motipur and Mayuradap industrial zones via the private sector and prioritize women entrepreneurs at Panchkhal SEZ.
- Create single-window Special Economic Administration Zones for tax, customs, trade, and investment decisions.
- Review electricity demand charges and provide tariff discounts to productive industries.
- Allow industrial-zone, SEZ, and leased-land structures as banking collateral.
- Provide Business Revival Loans to industries unable to operate at full capacity due to capital shortage.

V. STARTUPS AND INNOVATION

- Strengthen startup financing beyond loans with stage-based grants, concessional loans, and growth capital.
- Incentivize co-investment from the private sector and non-resident Nepalis.
- Allocate a minimum of 1% of capital expenditure to science, technology, research, and innovation.

W. FINANCIAL SYSTEM REFORMS

- Implement a personal credit scoring system and operate regulated peer-to-peer lending.
- Provide long-term fixed interest rate loans for agriculture, industry, tourism, and hydropower.
- Establish a National Asset Management Company with special legal authority by Pouch end for rising NPLs and non-banking assets.

X. EDUCATION SYSTEM OVERHAUL

- Restructure the education ecosystem based on school mapping, infrastructure audit, teacher capacity, and AI/EdTech readiness.
- Transform schools into a School-Centered System with School Management Committees ensuring quality and a Clean Toilet Campaign in all institutions.
- Review and significantly increase quotas in medicine, nursing, and IT this fiscal year.
- Implement a National Qualifications Framework and Recognition of Prior Learning and an institutionalized paid internship system.

Y. HEALTH POLICY LEAP

- Establish primary health care as the first point of service with workforce, labs, essential medicines, digital health, and referral.
- Enable Nepal Aushadhi Limited to produce at least 25 medicines for free distribution.
- Develop TU Teaching Hospital, NAMS, and Patan Academy as internationally ranked universities for foreign students.
- Convert seven provincial hospitals into teaching hospitals under public-public partnership.

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- Mobilize EPF, Citizen Investment Trust, and Social Security Fund resources for health infrastructure and medical education.

Z. HEALTH INSURANCE RESTRUCTURING

- Integrate scattered health security programs into a single payment system.
- Bring 90% of Nepalis under health insurance within three years and reduce individual treatment costs.
- Formulate a National Trauma Policy to minimize road accident and emergency deaths.

AA. CLEAN DRINKING WATER

- Provide around-the-clock clean water via smart distribution within five years (65% within three years, 100% within five).
- Strengthen regulation of water quality, fee structure, and service accountability.
- Merge the Kathmandu Valley water boards and fee commission into a single structure.

BB. SOCIAL SECURITY

- Make the social security system more equitable, targeted, and just.
- Run the "Those who can, give up; those who cannot, keep" campaign for voluntary allowance surrender.
- Double the Dalit under-5 nutrition allowance to NPR 1,000/month and continue allowances in 25 high-poverty districts.

CC. LABOR RIGHTS

- Make Labor Registry registration mandatory for workers and employers.
- Require written agreements, minimum wages, insurance, workplace safety, and bank wage payments.
- Make workplace accident compensation and insurance claims more effective.
- Classify labor violations, wage fraud, and exploitation as economic crimes by Poush end.
- Integrate informal and unorganized sector workers into the social security system.

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DD. CAPITAL MARKET REFORMS

- Enhance regulator capacity, develop technology-friendly trading, and strengthen investor protection.
- Advance NEPSE restructuring with phased intraday trading, short selling, and derivatives.
- Adopt zero tolerance against share cornering and insider trading.
- Allow listed companies to issue Global Depository Receipts on foreign markets.

EE. DIASPORA AND SOFT POWER

- Prepare legal, technical, and administrative infrastructure for voting rights of Nepali citizens abroad.
- Present an immigration reform bill to make immigration management investment-friendly.
- Defer LDC graduation by two years to use the time for intensive economic-social revival.

FF. POLITICAL TRANSPARENCY

- Initiate discussion on vote-based government subsidies to nationally recognized political parties.
- Have the Auditor General audit such subsidies.

GG. EVIDENCE-BASED POLICY

- Integrate educational quality testing, agricultural statistics, and CPI systems under the National Statistics Office.
- Place the Policy Research Institute under the National Planning Commission for long-term policy formulation.

4.2 ROAD INFRASTRUCTURE

- Complete ~1,000 km of road blacktopping and 275 road bridges in the coming fiscal year.
- Upgrade the East-West Highway to four lanes within five years (NPR 37.46 billion).

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- Complete 40 bridges and a 5.4 km tunnel on the Kathmandu-Tarai/Madhesh Fast Track (NPR 17.64 billion).
- Complete the Hulaki Highway within three years (NPR 4.65 billion).
- Upgrade the Karnali Highway Surkhet-Jumla-Gamgadhi road (NPR 1 billion).
- Complete the Pushpalal Mid-Hill Highway within three years (NPR 2.16 billion).
- Blacktop 25 km and build bridges on the Madan Bhandari Highway (NPR 1.46 billion).
- Build and upgrade 40 large national highway bridges (NPR 9.87 billion).
- Complete the four-lane Naubise-Pokhara Prithvi Highway and open the Nagdhunga Tunnel from Shrawan (NPR 6.55 billion).
- Blacktop Karnali, Kaligandaki, and Koshi corridor sections (NPR 6.25 billion).
- Upgrade the Galchi-Syafrubesi-Rasuwegadhi road (NPR 1.35 billion).
- Begin the Siddhartha Highway Butwal-Pokhara fast track and complete the Sidhbaba Tunnel next fiscal year.
- Prioritize the Mahakali Corridor Darchula-Tinkhar track and accelerate Mechi, Arun, Tamor, Bheri, and Seti corridors.
- Begin Kathmandu Ring Road Kalankhi-Basundhara expansion and complete the Basundhara-Chabahil-Koteshwar design.
- Conduct tunnel feasibility studies (Tokha-Chhahare, Mulsame-Topla, and others).
- Install road-safety infrastructure at major junctions (NPR 2.46 billion).
- Advance railway construction from Bardibas and complete the Biratnagar and Janakpur-Jaynagar-Bardibas rail routes.
- Run a nationwide road maintenance campaign (NPR 28.52 billion).
- Build climate-adapted structures and clear highway landslide blockages (NPR 3.17 billion).
- Operate modern Blue Bus services with CCTV cameras for safe transportation.

4.3 URBAN DEVELOPMENT

- Develop 12 identifiable towns along the Mid-Hill Highway (NPR 1.83 billion).
- Implement integrated waste management, pollution-free river campaigns, and riverbank greening (NPR 4.19 billion).
- Reinforce Gen-Z movement-damaged government buildings and complete Jajarkot/Rukum West earthquake reconstruction.
- Connect unconnected local-level headquarters to highways via all-weather roads.

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- Build suspension bridges ensuring a maximum 30-minute walk to transport access (NPR 5.14 billion).
- Construct 100 housing units in Mechinagar Municipality, Jhapa with public housing loans.

4.4 CLEAN DRINKING WATER

- Develop deep-boring community water supply in Tarai-Madhesh, run an arsenic-free Tarai campaign, and complete 280 incomplete projects (NPR 2.50 billion).
- Complete Yangri/Lake Khola-to-Melamchi transfer studies and expand the valley pipe network (NPR 7.26 billion).
- Deliver integrated water/drainage in Damak, Dharan, Itahari, Birgunj, and Hetauda (NPR 2.34 billion).
- Establish a nationwide water-testing laboratory network with QR-code monitoring.
- Complete five Kathmandu Valley sewage treatment centers (72.7 million liters/day, NPR 3.46 billion).
- Operationalize wastewater treatment centers in Khandbari, Belouri, Townbazar, Barpak, and Trishulibazar.

4.5 CLEAN ENERGY DEVELOPMENT

- Connect 1,040 MW (670 MW hydro + 370 MW solar) to the grid, raising total installed capacity to 5,535 MW.
- Complete the 40 MW Rahughat project and accelerate Tanhun Reservoir, Upper Modi A, Upper Modi, Upper Trishuli-3B, and Budhiganga.
- Begin financial management and tendering for Upper Arun, Uttarganga, Chainpur Seti, Tamakoshi-5, and Ghunsakhole.
- Advance studies for Nalgad, Arun-4, and Naumure and tender Betan Karnali using EPF contributor investment.
- Advance Budhi Gandaki Reservoir under an authority model and complete financial closure and tendering for Dudhkoshi Reservoir.
- Facilitate ~3,000 MW of Investment Board projects including Arun Third and Lower Arun.
- Complete the Hetauda-Dhalkebar-Inaruwa 400 kV line and accelerate new domestic and cross-border transmission lines (NPR 70 billion total).
- Implement a 2.5 MW Green Hydrogen pilot plant in Hetauda and a 100 MW Battery Energy Storage System in Kathmandu Valley.

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4.6 IRRIGATION INFRASTRUCTURE DEVELOPMENT

- Extend irrigation to 15,800 additional hectares, raising the irrigated arable ratio to 64%.
- Provide 1,066 hectares under Babai and complete Bheri Babai Diversion headworks (NPR 5.63 billion).
- Provide 5,000 additional hectares under Sikta (NPR 2.55 billion).
- Retender the Sunkoshi-Marin Diversion dam and powerhouse with a four-year target (NPR 2.98 billion).
- Upgrade Bagmati Irrigation for 1.22 lakh hectares across five Madhesh districts (NPR 53 crore).
- Expand the Mahakali command area and develop the Rani-Jamara-Kularia Lamki section (NPR 5.13 billion).
- Provide 2,380 additional hectares under Bardiya Valley and Pragna-Badkapath (NPR 1.21 billion).
- Maintain major canal systems (Sunsari-Morang, Chandra Canal, Kamala, Narayani, Gandak, Koshi Pump) (NPR 44 crore).
- Provide underground irrigation to 3,980 additional hectares in Tarai-Madhesh (NPR 1.83 billion).
- Provide hill-terrace lift irrigation to 2,230 additional hectares (NPR 80 crore).

4.7 INFORMATION AND COMMUNICATION

- Present a Telecommunications Authority Bill to Parliament.
- Expand quality telephone service and networks in Karnali and Sudurpashchim.
- Merge government data storage structures into an integrated secure storage institution.
- Promote business activities through Nepal-registered social media platforms.
- Fund public welfare advertisements through print and electronic media (NPR 33 crore).

4.8 SPORTS

- Upgrade 10 football stadiums with floodlights within three years.
- Build modern cricket stadiums in eight major cities within five years.
- Build indoor multipurpose stadiums in seven cities within three years.

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- Finalize design and investment modality for Mulpani, Girija Prasad Koirala, and Phapla cricket stadiums.
- Select sports talent from basic school level with residential training.
- Provide lifetime free medical treatment to international medal-winning athletes.
- Complete the 10th National Games (Surkhet) and build infrastructure for the 11th (Madhesh).

4.9 QUALITY EDUCATION

- Map community school infrastructure needs nationwide (NPR 1 billion).
- Start MBBS and three other disciplines at Shahid Dashrath Chand Health Sciences University, Geta.
- Provide targeted scholarships from school to higher education (NPR 8.60 billion).
- Establish a Guthi Research Institute and Ethnomusicology Center and promote music, arts, and literature.
- Incentivize internationally ranked universities to operate Nepal campuses and run professor exchange programs.
- Grant universities academic, administrative, and financial autonomy under a cost-sharing model.
- Provide Open University access to foreign-employment youth and run community school student/teacher exchanges.
- Operate residential schools for low-HDI communities, beginning with the Chepang community in Chitwan.

4.10 ACCESSIBLE HEALTH SERVICES

- Allocate NPR 101.95 billion for health, including NPR 15 billion for public health insurance scheme.
- Fund destitute treatment, the Mother Safety Program, free medicines, and health social security (NPR 13.15 billion).
- Revise the basic health service package by disease burden and cost-effectiveness.
- Complete 336 under-construction basic hospitals within three years (NPR 5.90 billion).
- Establish a National Health Accreditation Authority and a Food and Drug Administration.
- Expand telemedicine and specialist video consultation in Karnali and Sudurpashchim.

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- Establish burn units, a Madhesh kidney/trauma center, and free childhood cancer treatment.
- Upgrade Dhulikhel Community Hospital and Kathmandu Institute of Child Health and grant Tilganga Eye Foundation a tax concession.
- Implement One Citizen One Digital Profile and operate Affordable Pharmacies in all health institutions.
- Install a PET scan and cyclotron at B.P. Koirala Memorial Cancer Hospital (NPR 32 crore).
- Operationalize Ayurveda centers in Budhanilkantha, Kirtipur, and Pokhara linked to health tourism.
- Double nursing night-duty allowance and increase Female Community Health Volunteer transport allowance by 50%.

4.11 WOMEN, CHILDREN, GENDER AND SOCIAL SECURITY

- Increase integrated Dalit-focused investment and provide nutrition support for Dalit children under 5 (NPR 3 billion).
- Provide dignified assistance to Gen-Z martyr families and free treatment, allowances, and entrepreneurship programs for the injured.
- Make all government physical and digital structures accessible for the specially abled.
- Establish rehabilitation centers for the specially abled in all provinces and residential schools for children with autism.
- Bring gig workers within formal labor and social security coverage.
- Provide life-cycle social protection (NPR 120 billion).
- Draft a unified gender violence prevention bill.
- Declare Nepal street-children-free and rehabilitate street children and senior citizens.
- Run campaigns against untouchability, gender violence, Chhaupadi, menstrual discrimination, and child marriage at all three levels.
- Run LGBTQ+ social integration and women's entrepreneurship livelihood programs.
- Fund child reform home infrastructure (NPR 31 crore) and aerial rescue for high-risk mothers and newborns.

4.12 AGRICULTURAL DEVELOPMENT AND LAND MANAGEMENT

- Increase the chemical fertilizer subsidy to NPR 32.46 billion and prepare a supply calendar.
- Fund the National Agriculture Modernization Program (NPR 2.07 billion).
- Complete farmer identification and distribute farmer ID cards next fiscal year.
- Establish land banks and encourage agro-pooling of unused government and fallow land.
- Establish tomato processing centers (Siraha, Saptari, Sarlahi) and fruit zones and cold storage in Karnali.
- Convert unused cultivable private land into shares in commercial agriculture companies.
- Provide conditional transfers for organic and green manure promotion (NPR 36 crore).
- License a Green Urea fertilizer industry under an NEA-private model with concessional electricity.
- Fund crop insurance premium subsidies (NPR 2.19 billion) and introduce warehouse receipt financing.
- Produce domestic livestock vaccines with the private sector and control disease (NPR 24 crore).
- Establish animal quarantine at the Hilsa border, Humla.
- Deliver integrated land administration from 35 municipalities with online property transactions.
- Complete management of landless Dalits, squatters, and unmanaged settlers this fiscal year.

4.13 FORESTS, ENVIRONMENT AND CLIMATE ADAPTATION

- Implement Chure and Tarai-Madhesh water-cycle works source conservation, ponds, landslide control, embankments (NPR ~1 billion).
- Set support prices for herbs and NTFPs and establish an herb processing center in Karnali.
- Operate a results-based REDD+ program prioritizing local communities in carbon trading.
- Arrange private-sector access to international climate funds at concessional capital.

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- Deploy drones and satellites for forest fire control and run human-wildlife coexistence programs.
- Upgrade air pollution measurement centers and the central environment laboratory.

4.14 CULTURE AND TOURISM

- Develop Tilaurakot, Devdaha, Kapilvastu, and Ramagram and fund the Broad Lumbini Development Program (NPR 83 crore).
- Develop and brand Janakpur as a wedding destination and upgrade the Ramjanaki Path and Parikrama Road.
- Promote hill stations and ensure Himalayan climber/trekker safety and rescue.
- Conserve two dozen 200-year-old Buddhist monasteries in Mustang and Manang.
- Advance World Heritage nominations for Tilaurakot, Janakpur, and Gokarneshwar.
- Promote seven regional tourism corridors and develop the Great Himalayan Trail and Danphe Route.
- Develop new trekking routes and pilot cycle trails in Gandaki Province.
- Expand the Kirtipur museum and operate model homestays for Dalit settlements.
- Name unnamed Himalayan peaks above 6,000m and market them for climbing.

4.15 CIVIL AVIATION

- Upgrade Tribhuvan International Airport (NPR 1.53 billion).
- Determine the Nijgadh International Airport construction modality within six months.
- Seek private-sector cooperation for Gautam Buddha and Pokhara airport management.
- Expand Bharatpur Airport for night flights and upgrade Surkhet, Talcha, and Turigaun airports.

4.16 LABOR AND FOREIGN EMPLOYMENT

- Operate a Remittance-Investment Matching Fund to channel remittances into productive use.
- Implement a Returnee Migrant Program to utilize returning workers' skills.
- Provide short-term, workplace-based skills training for youth.

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- Review and sign new labor agreements with destination countries.
- Fund rescue of stranded Nepalis and repatriation of deceased workers' bodies.
- Allow only skilled workers for foreign employment and enable employer installment payments without collateral.
- Promote zero-cost foreign employment and worker-friendly service fees.
- Run a lottery program on formal-channel remittance receipts.
- Provide concessional nutritious food for informal sector workers.

4.17 INDUSTRIAL DEVELOPMENT

- Operate Employment-Linked Production Zones for export-oriented labor-intensive industries.
- Legislate corporate social responsibility for industrial establishments.
- Operate clean-energy sewage systems with treatment in industrial zones under government-private cooperation.
- Convert 100 industries into electric or bio boilers (NPR 22 crore).
- Develop industrial infrastructure (NPR 65 crore).
- Review mining licenses and arrange geological labs and Phase 2 exploration.
- Build transmission and access roads for mining areas and large industries (NPR 50 crore).
- Establish a Mining and Minerals Authority.
- Advance commercial petroleum production in Dailekh and reduce the government share in Dhaulagiri Iron Industry for PPP.
- Identify environmentally suitable stone, gravel, and sand extraction locations.

4.18 COMMERCE AND SUPPLY

- Provide additional concessions for established Nepali export brands.
- Implement a Trade and Industrial Logistics Master Plan and a National Productivity Enhancement Master Plan (NPR 1.18 billion).
- Complete the Bhairahawa Integrated Check Post and the Chandani Dodhara ICP within two years.
- Prepare commodity export strategies for carpets, pashmina, yarns, garments, cement, and high-value goods.
- Conduct a futures contract study for fuel price stability and incentivize EV charging stations at petrol pumps.
- Guarantee Nepal Oil Corporation ethanol purchase at fixed prices.

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- Strengthen the regulator against syndicates, cartelling, black marketing, and profiteering.

4.19 STARTUPS AND INNOVATION

- Establish the Nepal Enterprise Facility as a national startup/SME platform (NPR 50 crore).
- Provide startup facilities to 1,000 young agricultural and livestock entrepreneurs.
- Fund research, innovation, and entrepreneurship programs for young scientists in-country.
- Establish a Sagarmatha Base Camp observatory for astronomical tourism.

4.20 SOFT POWER AND DIASPORA

- Strengthen balanced foreign relations and Nepal's role in the UN and multilateral forums.
- Promote soft-power assets: Buddha's birthplace, Sagarmatha, the Himalayas, yoga-meditation, cultural diversity, and peacekeeping.
- Empower foreign missions for export capacity, bilateral trade and investment, and tourism.
- Amend the Non-Resident Nepali Citizenship provision to grant NRNs full economic, social, and cultural rights.

4.21 BANKING SECTOR

- Update the Banks and Financial Institutions Act and Banking Offenses and Punishment Act.
- Operate loan and livestock programs for destitute and small farmers through Sana Kishan Micro Finance.
- Make dormant bank funds available to claimants and mobilize them in productive activity.
- Make national/international payment aggregators and the national payment switch effective and regulate aggregators.
- Conduct third-party credit quality assessment and include Gen-Z martyr families and injured as beneficiaries.
- Allow hire-purchase of domestic electrical appliances to raise electricity consumption.

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4.22 INSURANCE, SECURITIES AND COOPERATIVES

- Reinsure at least 20% of domestic insurance through Nepal Reinsurance Company.
- Have Nepal Reinsurance Company lead a collective long-term insurance fund with foreign reinsurance for risk minimization.
- Raise third-party insurance coverage to NPR 10 lakh and make accident, critical illness, and fire insurance compulsory.
- Reinsure EPF, Citizen Investment Trust, Deposit and Credit Guarantee Fund, Health Insurance Board, and Social Security Fund programs through Nepal Reinsurance.
- Require compulsory insurance when urban building maps are approved.
- Present stock market management, offenses, and Trustee bills to Parliament.
- Strengthen the National Cooperative Regulation Authority and continue the distressed-depositor cyclical fund.

4.23 GOOD GOVERNANCE

- Draft a conflict-of-interest law to end policy corruption.
- Build an integrated information system for crime-related property management.
- Equip the Civil Servants Hospital for multi-specialized services.
- Develop the Hello Government mechanism as a citizen-dialogue platform and implement digital timecards.
- Establish the National Identity Card as the universal base document across service systems.
- Close five foreign missions (Denmark, Brazil, South Africa, San Francisco Consulate, Visakhapatnam branch).
- Make constitutional bodies resource-equipped.

4.24 RULE OF LAW AND NATIONAL SECURITY

- Expand the Electronic Court Management System and provide free legal aid to poor and remote citizens.
- Conclude the peace process and transitional justice and review the National Security Policy 2075.
- Continue the Nepal Army housing upgrade (NPR 2 billion) and conserve historic forts linked to tourism.
- Deploy technology, AI, and forensic labs in Nepal Police investigations.

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- Study the Police/Armed Police retirement-pension gap and develop the Armed Police Force as a border security force.
- Modernize prisons into correctional homes with an open prison concept.
- Build disaster response capacity and expand post-disaster risk transfer instruments including insurance.

4.25 FISCAL FEDERALISM

- Review federal/provincial/local work-function classification to remove duplication and resolve double-taxation disputes.
- Establish a Governance Innovation Challenge Fund for federalism strengthening and local service improvement.

4.26 REVENUE POLICY

A. OBJECTIVES

- Connect all economic transactions to digital media to develop the formal economy.
- Develop automated, technology-friendly, ethical, and incentivized tax administration.
- Increase revenue through voluntary tax participation.
- Mobilize non-tax revenue based on cost recovery and paying capacity.

B. INVESTMENT PROMOTION AND PROTECTION

- Grant 50% income tax exemption on IT service export earnings and 100% exemption on IT-sector sweat equity.
- Levy an Internal Production Promotion Fee on certain imported goods.
- Exempt income tax on interest earned by mirror-country-owned non-profit development finance institutions on Nepal loans.
- Grant full 10-year income tax exemption to new cinema halls outside metropolitan areas.
- Review the SAFTA sensitive list in the changed context.

C. VOLUNTARY COMPLIANCE AND TAX BASE EXPANSION

- Levy an equity fee at a minimum rate on private education and health services to fund remote-area infrastructure.

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- Levy VAT at a concessional rate on electricity consumption above 50 units/month.
- Change EV customs duty to a value basis and levy a Clean Infrastructure Investment Fee for the EV ecosystem.
- Promote quality spirit production for export and bring micro-breweries under excise scope.
- Increase excise duty on cigarettes by ~10% and on liquor and beer.
- Introduce an umbrella law for non-tax revenue mobilization.

D. ADMINISTRATION MODERNIZATION

- Abolish the Revenue Investigation Department and redistribute its functions.
- Mandatorily link businesses above NPR 100 million turnover to the Central Invoice Monitoring System.
- Set the tax audit period at 3 years and develop AI-based e-assessment.
- Introduce digital excise tickets and electronic track-and-trace and shift to risk-based self-clearance.
- Build a paperless, faceless, contactless revenue administration with automated services.
- Introduce performance-based incentive allowances for revenue staff.
- Prohibit duplicate local-level taxes on transiting goods and require PAN for provincial/local tax payments.

E. TRADE FACILITATION AND CUSTOMS REFORM

- Introduce an Authorized Businessperson system with Blue Lane customs clearance.
- Make value-based online customs clearance more transparent and restructure the post-clearance examination office.
- Automate temporary vehicle import declaration and online fee payment for road-entry tourists.
- Automate the wedding-goods customs process to promote wedding tourism.
- Provide simple arrangements for tourists to bring convertible currency within legal limits.

F. LEAKAGE CONTROL

- Control border smuggling through technology-based surveillance and joint market monitoring.

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- Expand pre-arrival information exchange agreements with foreign customs administrations.

G. TAX CONCESSIONS AND FACILITIES

- Exempt customs duty on raw materials for artificial limb and special ability support device manufacturers.
- Allow up to NPR 10,000 residential building insurance as a deduction from taxable income.
- Where land is acquired for development projects, capital gains tax will be waived on any gains up to the government valuation of the land.
- Grant full 10-year income tax exemption and equipment VAT exemption to agricultural processing industries.
- Provide high honor, facilities, and procedural simplification to tax-compliant taxpayers.



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