

# Nepal Budget FY 2082/83

Breaking Away with Good Intentions  
Constrained By Structural Issues

हिमालयन क्यापिटल लिमिटेड



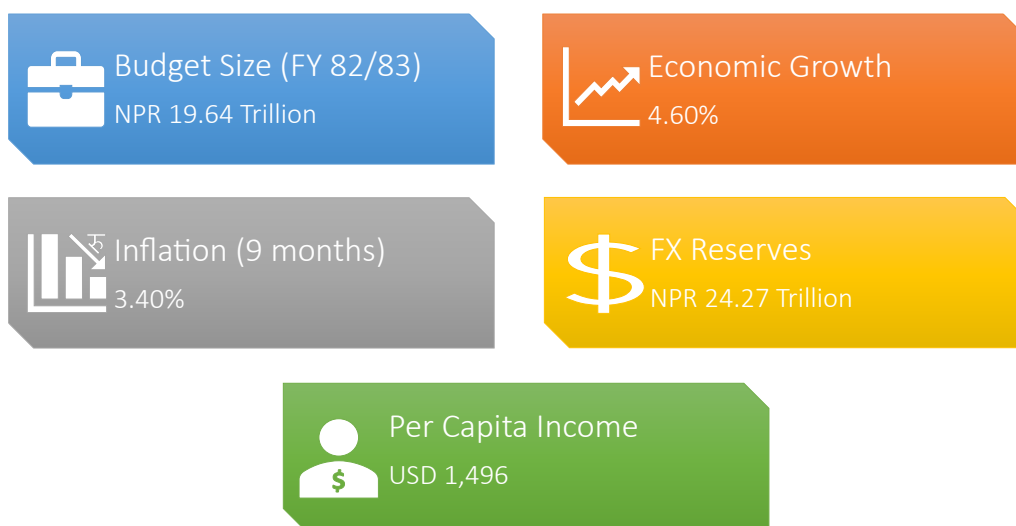
**Himalayan Capital**

A Subsidiary of Himalayan Bank Limited

## 1. Macroeconomic Highlights

Nepal's economy is projected to grow at 4.6%, falling short of its 6% target, though inflation remains well-controlled at 3.4% against a 5.5% target. GDP per capita has modestly increased to USD 1,496 from USD 1,443. The external sector shows mixed signals with remittances surging 10% to NPR 1,191.3 billion and tourist arrivals rising 13%, providing crucial support to the economy. While exports jumped dramatically by 65.2% to NPR 188.2 billion, this figure is heavily distorted by a 7,500% rise in refined soybean oil exports due to global tariff differentials. When excluding this anomaly, the real import-to-export ratio deteriorates to 9.92, highlighting persistent trade imbalances. Imports increased 12.2% to NPR 1,309.5 billion, though the current account surplus improved 16.89% and forex reserves grew 26.93%.

The financial sector presents concerning trends despite appearing stable on the surface. Credit growth has slowed significantly to just 8.28% year-on-year, even with ample banking system liquidity and historically low commercial bank base rates of 6.3%. Non-performing assets exceed 5% on average, creating a dual crisis where banks are reluctant to lend due to risk concerns while borrowers hesitate due to weak demand and uncertain prospects. Sectoral performance remains subdued, with manufacturing operating below 50% capacity utilization, real estate experiencing falling prices and weak regulation, and agriculture facing low productivity challenges compounded by climate change impacts and weak youth engagement. Overall, despite improving macroeconomic indicators, the economy has not been able to rebound as expected.



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

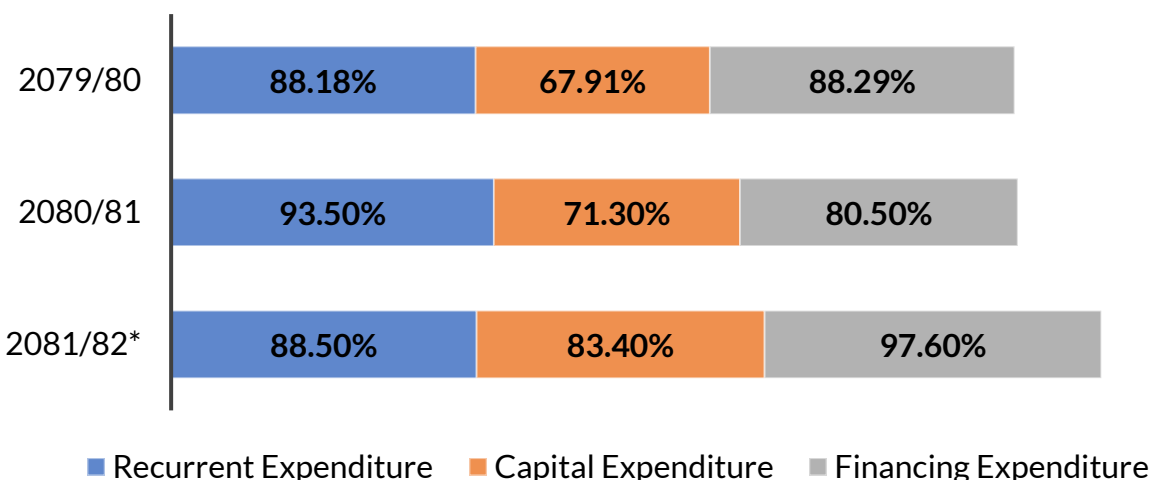
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## 2. Budget Performance (2081/82)

With regards to overall performance, the budget for FY 2081/82 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 89.4% of the budgeted expenditure (~NPR 1.6620 Trillion) is projected to be achieved in the FY.

Recurrent, Capital, and Financing Expenditures are projected to be 88.5%, 83.4%, and 97.6% of their respective allocated budgets. Total Tax collection is expected to stand at ~NPR 1.267 trillion, a 17.1% increase on last year's actual figures. This is due to a good increase in customs and excise duties. Given that the economy continues to recover, the numbers should improve further. However, increasing financing expenditure to fund government expenditure remains a concern.

### Trends on Budget Performance



\*Estimated Numbers.

## 3. Budget Overview

In continuation of the practice of presenting an Annual Budget for Nepal, which Began In 2008 BS; Honorable Finance Minister Mr. Bishnu Prasad Paudel on 15<sup>th</sup> Jestha, 2082 BS (29<sup>th</sup> May 2025 AD) presented to the house of representatives the budget for FY 2082/83. The total expenditure for the fiscal year is projected at NPR 1.964 trillion,

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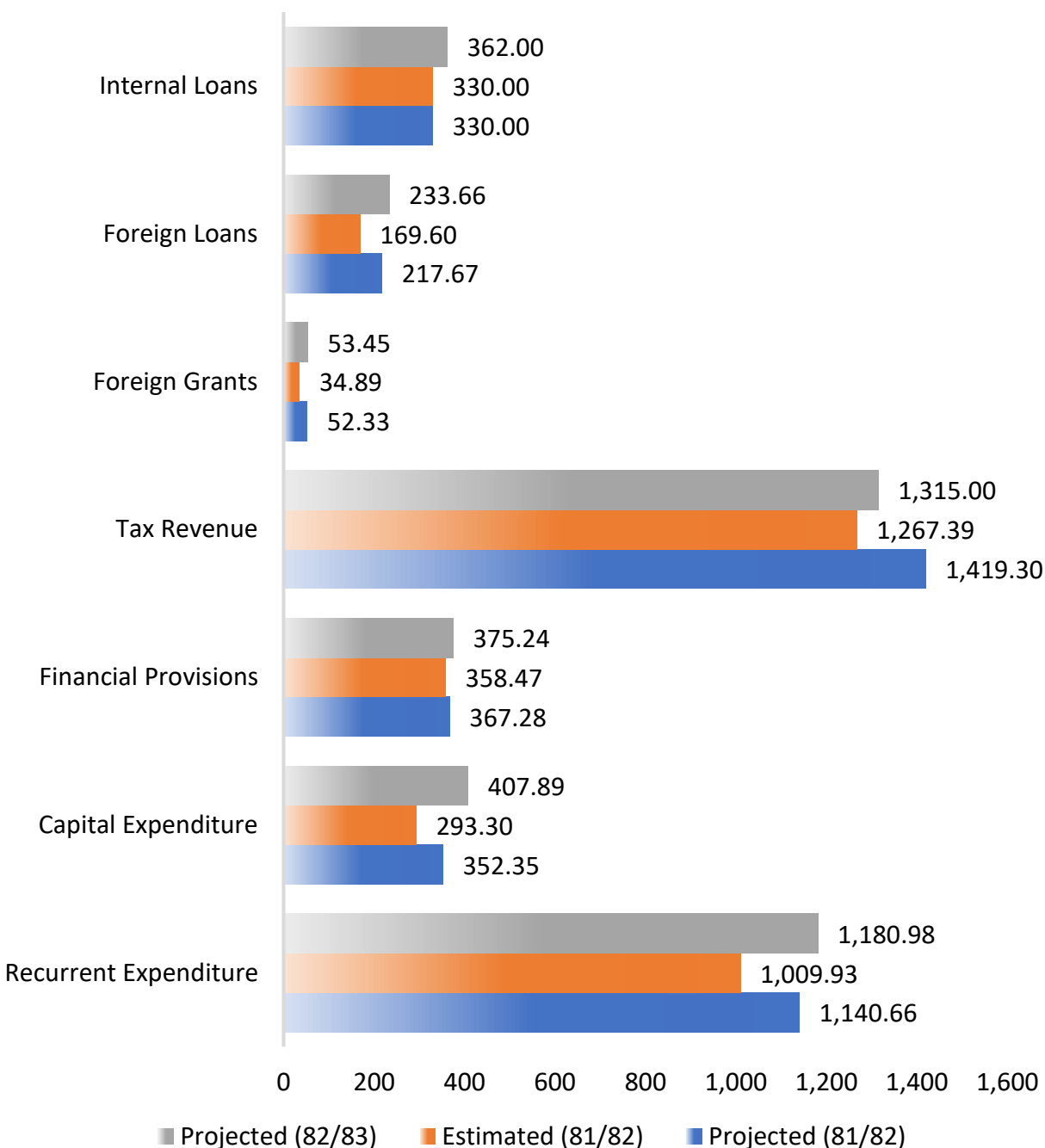
comprising 60.13% for recurrent expenditure, 20.77% for capital expenditure, and 19.10% for financial provisions. On the revenue side, total receipts are estimated at NPR 1.368 trillion, of which NPR 1.315 trillion (96.09%) is expected to be raised through tax revenue and NPR 53.45 billion (3.91%) through foreign grants. This results in a projected fiscal deficit of NPR 595.66 billion.

Headings	Amount (Billion NPR)	Percentage Composition
<b>Expenditure</b>		
Recurrent	1,180.98	60.13%
Capital	407.89	20.77%
Financial Provisions	375.24	19.10%
<b>Total</b>	<b>1,964.11</b>	<b>100.00%</b>
<b>Revenue/Receipts</b>		
Tax Revenue	1,315.00	96.09%
Foreign Grants	53.45	3.91%
<b>Total</b>	<b>1,368.45</b>	<b>100.00%</b>
<b>Projected Budget Surplus (+)/Deficit (-)</b>	<b>(595.66)</b>	
<b>Projected Deficit Financing</b>		
Foreign Loans	233.66	39.23%
Internal Borrowing	362.00	60.77%
<b>Total</b>	<b>595.66</b>	<b>100.00%</b>

To bridge this deficit, the government plans to rely on foreign loans amounting to NPR 233.66 billion (39.23%) and internal borrowing of NPR 362 billion (60.77%). Although the projected foreign borrowing appears more conservative compared to previous estimates, it reflects a 38% increase over the foreign debt realized in FY 2081/82, which stood at around NPR 169.59 billion. Internal borrowing, which is already remarkably high, is also expected to increase by around 10%, 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 issue, but the tendency to increase internal borrowing by the government may create problems in the longer.



However, with interest rates now remaining flat, debt servicing costs should remain manageable, but since financing costs make up around 30% of the budget currently, the need to improve tax inflows remains. Similarly, the impact of elevated levels of internal debt during an inflationary cycle will also be concerning.



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## A. Challenges in the Economy

- a) Inadequate legal frameworks and ineffective enforcement have placed the country on the FATF Grey List.
- b) Traditional farming practices and low youth interest have led to low agricultural productivity, and climate change is negatively impacting agriculture, water supply, irrigation, and other sectors.
- c) Lack of innovation and high production costs limit the manufacturing sector's contribution to national income, while decreased overall demand has resulted in underutilized industrial capacity.
- d) Investment in physical infrastructure has not translated into economic expansion. Moreover, weak implementation leads to project delays and cost overruns. Development projects also risk remaining unimplemented due to poor resource management.
- e) Slow development of digital infrastructure is hindering digital economic growth.
- f) A mismatch exists between workforce skills and labor market needs, and high migration of skilled and semi-skilled labor is due to limited domestic employment opportunities.
- g) A large portion of the population still lives below the poverty line, while income sources are narrowing, and the revenue structure lacks sustainability.
- h) Private sector investment in fixed capital formation has not met expectations. Newly introduced financial instruments are not being used effectively to manage investment risk. Financial resources are not adequately directed into productive sectors, and regulatory bodies are not effectively minimizing financial risks. Additionally, the improved credit rating has not yet yielded significant economic benefits.
- i) Foreign investment and technology inflow remain limited despite political and legal reforms.
- j) The trade deficit remains high due to weak and undiversified exports and heavy consumer goods imports. In addition, potential in service exports such as tourism and IT remains underutilized, and the external sector is vulnerable and heavily reliant on remittances.
- k) Revenue available for development spending is shrinking, and the allocation of resources is inefficient. High current expenditures persist, leading to difficulty in raising funds required for capital expenditure through traditional means. Meanwhile, growing public debt threatens long-term debt sustainability.

- l) Lack of professionalism in public administration affects service quality, and delays, weak accountability, outdated decision-making, and poor coordination undermine good governance.

## **B. Government's Commitment to Economic Growth**

- a) Priority is given to removing the country from the FATF Grey List to enhance economic credibility, paving the way for increased foreign investment. Encouraging results from the first sovereign credit rating will be used to mobilize external capital, and further economic reforms will be implemented to achieve a higher rating.
- b) Legal reforms through Ordinances aim to boost private sector confidence and create an investment-friendly environment. Ongoing reforms focus on establishing the private sector as the key driver of economic prosperity by directing public investment to profitable sectors and attracting private capital and technology.
- c) Resources will be diversified to meet the Sustainable Development Goals by 2030 and address potential investment gaps following Nepal's graduation from LDC status in 2026. Public debt will be strategically mobilized in high-yielding sectors, while inefficient projects will be eliminated in favor of productive, high-impact initiatives.
- d) Revenue administration will be professionalized, and the revenue system strengthened. Innovative and feasible alternative financing tools will be used to address the development finance gap, ensuring that financial resources are directed toward productive sectors.
- e) Gradual implementation of the High-Level Economic Reforms Recommendation Commission, 2081 will promote private sector growth in key economic areas. Priority will be given to projects that foster long-term economic benefits, while non-essential projects are eliminated to ensure efficient resource use.
- f) Efforts will focus on improving the trade balance by increasing exports of competitive goods and services, while promoting internal production of consumer goods to reduce reliance on imports.
- g) Skilled Nepali migrants employed abroad will be encouraged to return and engage in entrepreneurship and self-employment, contributing to the country's economic dynamism.
- h) High priority will be given to creating youth employment through the promotion of innovation and entrepreneurship, empowering the youth to create businesses and drive economic growth.

- i) Focus on achieving significant economic progress, based on positive outcomes from reforms and leadership. Expanding economic opportunities and bringing positive changes to people's lives will eliminate despair and instill hope.

### C. Objectives

- a) To alleviate poverty by achieving high, sustainable, and broad-based growth.
- b) Entrepreneurship development and job creation by expanding public and private investment,
- c) Increasing economic efficiency by increasing the use of modern technology,
- d) Maintaining social justice through social protection and development
- e) To promote quality public services and good governance.

### D. Priorities

- a) Enhancing entrepreneurship, employment, production and productivity.
- b) Expansion of investment in profitable quality physical infrastructure,
- c) qualitative improvement in the social sector,
- d) Ensuring balanced development and social security and
- e) Citizen-friendly services, corruption control and government reforms.

### E. Resource Allocation

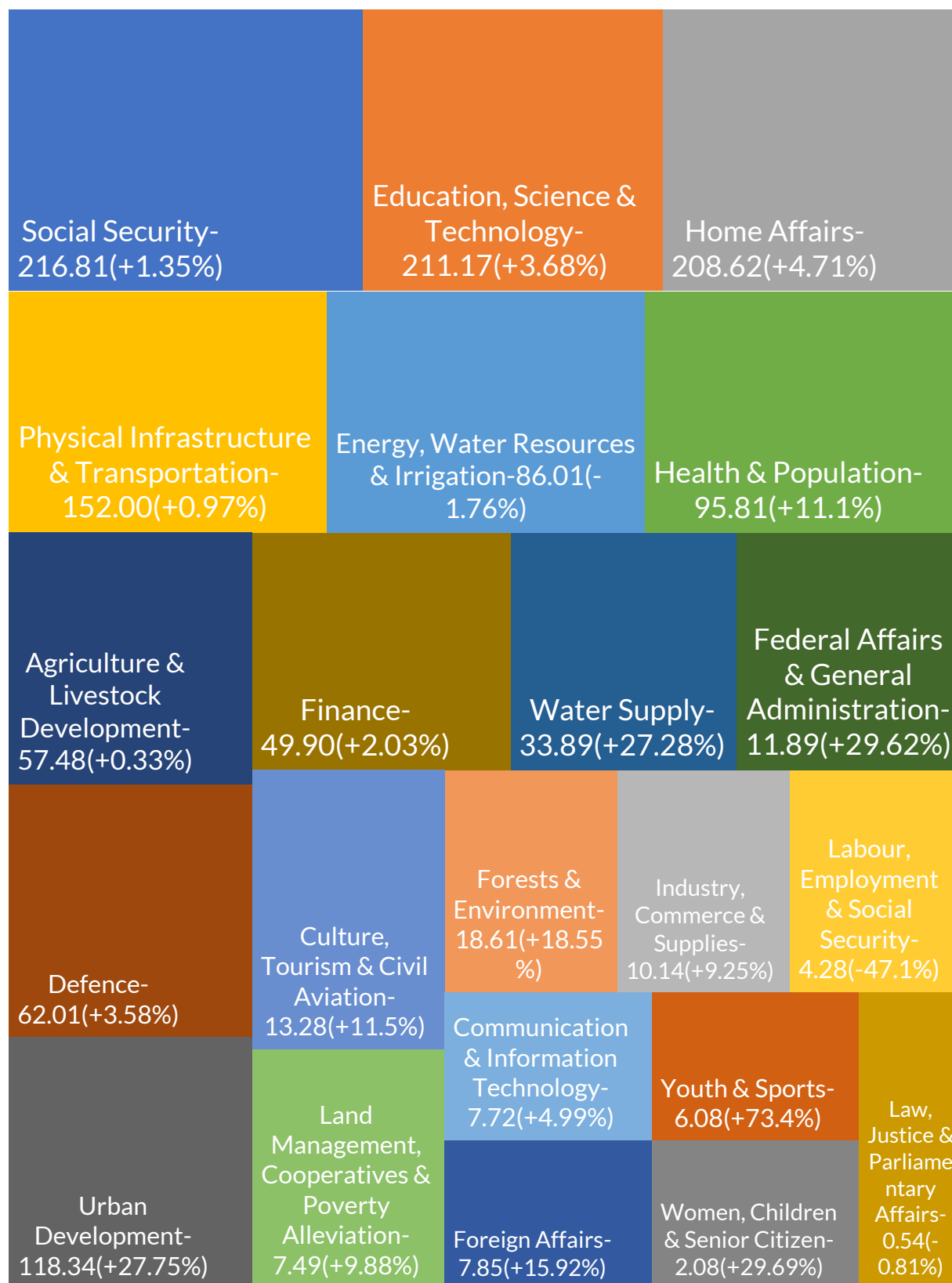


■ Recurrent Expenditure   ■ Capital Expenditure   ■ Financial Provisions

Recurrent Expenditure for the FY is budgeted at NPR 1,180.98 billion, Capital Expenditure is budgeted at NPR 407.89 billion and Financial Management Expenditure is budgeted at NPR 375.24 billion.

Sectoral Distribution of the Budget (NPR In Billion) for specific areas is as follows:





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## F. Revenue Distribution

The Revenue Sources for the Budget are as follows:

Tax Revenue			Non Tax Revenue
Value Added Tax (VAT) (26.28%), 333.11 Billion	Excise (14.35%), 181.82 Billion	Tax Paid By Corporates and Institutions (12.06%), 152.85 Billion	Non Tax Revenue (10.08%), 127.75 Billion
Import Duties (17.4%), 220.5 Billion	Other Taxes (9.96%), 126.2 Billion	Tax Paid By Individuals (8.97%), 113.71 Billion	Other Income (0.9%), 11.44 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 increase 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.

## G. Implications

The major implications of the budget, besides already existing programs and policies for various specific areas, are as follows:

### Modernization In Agriculture: Transformation In the Economy

- a) Commercialization and mechanization will help boost agricultural production and productivity, promotion of local, nutritious food and guarantee of food sovereignty.
- b) Surplus agricultural labor will be transitioned to productive non-agriculture sectors.
- c) Cultivable land will be maximally utilized through collectives, cooperatives, and private firms to ensure self-sufficiency in key food products.
- d) NPR 3.5 billion allocated under National Agricultural Modernization Program for subsidies on irrigation, fertilizers, seeds, and technology in super zones and zones.
- e) Expansion of 15 livestock areas with advanced technology over 4,850 hectares and irrigation facilities for an additional 6,000 hectares.
- f) Expansion of existing agricultural zones and subsidies for commercial farming/animal husbandry in those zones.
- g) Promotion of Chaite paddy cultivation in 22 districts to achieve rice self-sufficiency within two years, with NPR 330 million allocated for irrigation infrastructure.
- h) Promotion of high-value livestock farming at 80 local levels across specified provinces, with NPR 0.83 billion allocated.
- i) Increase chemical fertilizer supply to 600,000 metric tons with NPR 28.82 billion subsidy; plans to establish a chemical fertilizer factory; NPR 40 million allocated for organic farming promotion.
- j) Production expansion on arable barren lands along key highways, focusing on cash crops, animal husbandry, high-value fruits, non-timber forest products, and agroforestry.
- k) Fixed support prices for key crops will be announced 15 days before planting; government will purchase crops lacking market access via Food and Trade Company Limited.
- l) Quality and pesticide testing arranged for food products before market sale, rapid pesticide tests at wholesale centers with strict enforcement.
- m) Mobile soil testing camps to improve soil fertility; promotion of local seed variety registration and cultivation.

- n) Improvement of plant, food, and animal quarantine labs to meet international standards to boost exports of organic and high-value products.
- o) Subsidies on lab testing and organic certification fees; zoning programs to declare disease-free areas.
- p) Wildlife damage control measures; promotion of crops suitable for monkey-affected areas; encouragement of flower production.
- q) Youth engagement in agriculture through ecosystem development including land, inputs, insurance, purchase agreements, and markets.
- r) Result-oriented agricultural research aligned with local climate and farming systems; encouragement of private sector in seed R&D; intellectual property registration.
- s) Emphasis on animal husbandry and meat production for export; 850,000 artificial inseminations planned; production of 55 million vaccine doses with NPR 0.85 billion allocated.
- t) Fish meal production target of 40.28 million and distribution of 1 million fruit plants; establishment of coffee nurseries in 20 local areas.
- u) Food storage capacity increased in National and SAARC Food Security Banks; infrastructure for transport, storage, and market access will be developed with public and private sector cooperation.
- v) Completion of nine large agricultural markets; modern infrastructure development in Semlar, Rupandehi for processing and export.
- w) Promotion of exports for cardamom, tea, coffee, ginger, turmeric, orange, chili, churpi, and dairy products through quality standards, lab testing, and branding.
- x) Expansion of crop and livestock insurance access for small and medium farmers; NPR 2.3 billion allocated for insurance premium subsidies.
- y) Development of "Kisan App" and SMS services to provide farmers with regular updates on weather, prices, and input availability.

### Land Management, Cooperatives, and Poverty Alleviation

- a) Laws associated with land ownership and use will be amended to provide permanent solutions for landless Dalits, slum dwellers, and informal settlers.
- b) Within the next fiscal year, land ownership certificates will be issued to 500,000 families after data verification, with adequate resources, personnel, and means ensured.
- c) Government and public land records will be updated and preserved, with a policy to prevent arable land from remaining unused.

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- d) Legal and institutional frameworks will be developed to establish land banks, with land banks being created at least 100 local levels in the next year.
- e) Landowners wishing to lease land can do so through contracts with local governments, and such land may be used for commercial agriculture.
- f) Land use plans will be formulated by classifying land through local governments.
- g) Lidar-based land measurement will be expanded, and the data will support feasibility studies and infrastructure design.
- h) The national network of satellite-based control points will be strengthened to enhance map accuracy.
- i) Records of land reform and survey offices will be digitized, and geographic information systems will be upgraded and expanded nationwide.
- j) Banks, financial institutions, and cooperatives will be connected to an online system for lien and release processes.
- k) Cooperatives will undergo classification, integration, and structural reforms.
- l) The National Cooperative Regulatory Authority will more effectively regulate savings and credit cooperatives.
- m) Savings up to NPR 500,000 in cooperatives will be protected via a deposit and loan protection fund.
- n) A revolving fund will be established to repay depositors using proceeds from auctioned assets of those who embezzled cooperative funds.
- o) A Co-operative Debt Recovery Tribunal will be set up, and the assets and passports of defaulters and embezzlers will be frozen.
- p) Families will self-declare their data for the State Facility ID card, which must be updated every five years and linked to the national identity system.
- q) Legal action will be taken against individuals who provide false declarations to receive state benefits.
- r) Conditional grants will be provided to complete ID data collection and card distribution by the next fiscal year.
- s) Targeted programs will be implemented, in coordination with federal, provincial, and local levels, to eradicate absolute poverty.

### Industry, Trade, and Investment Promotion

- a) Industrial production and productivity will be enhanced to increase the sector's contribution to the national economy, supported by policy stability, investment protection, and sound industrial relations.

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- b) Legal, policy, and procedural reforms will improve the business environment, encourage private investment, and create jobs.
- c) Branding and promotion will focus on micro, small, and medium-sized enterprises (MSMEs), with support for modern technologies and Industry 4.0 implementation.
- d) Innovation-driven startups will be encouraged through incubation centers and concessional loans at a 3% interest rate, backed by an NPR 0.72 billion allocation.
- e) The "Bhagat Sarvajit Entrepreneurship Development Program" will support traditional Dalit crafts with NPR 500 million for grants, loans, and training.
- f) Jewelry-exporting industries will receive bonded warehouse facilities and access to purchase precious metals with 50% export value prepaid in foreign currency.
- g) Business-related public services, including company registration and closure, will be digitized and simplified through a single-point system.
- h) Industries in special economic zones and industrial areas will be granted rent exemptions for the first three years, and reduced monthly rents will be maintained.
- i) Industries exporting over 30% of their products and those in newly developed industrial parks will receive benefits like those in special economic zones.
- j) NPR 1.55 billion will be allocated for developing industrial infrastructure, with incentives for relocating polluting industries out of Kathmandu Valley, including free leased land.
- k) Laws on land acquisition and demarcation will be reviewed to allow land purchases for industrial and housing projects, and previously restricted unsold units will be permitted for sale.
- l) Nepal will actively promote foreign direct investment, simplify investment procedures and profit repatriation, and entering double taxation avoidance agreements.
- m) Anchor investment policies will target national priority sectors, and public-private partnerships (PPP) will be strengthened with legal reforms and viability gap funding.
- n) A PPP Directorate under the Investment Board will manage federal, provincial, and local-level projects, while foreign investors will be allowed to lease premises for official or residential use.
- o) The Investment Board's capacity will be enhanced with NPR 0.74 billion allocated, and in FY 2082/83, projects worth NPR 11 billion will be initiated with private sector collaboration.
- p) Nepali companies may invest up to 25% of export income abroad and must repatriate 50% of profits; the Investment Board will approve outbound investments.

- q) Nepali citizens will be allowed sweat equity for contributing specialized knowledge or services to foreign firms.
- r) Industrial parks and special economic zones will be developed across several locations with private sector involvement.
- s) Export strategies will target high-potential products, emphasizing infrastructure development, technology transfer, and the "Make in Nepal/Made in Nepal" campaign.
- t) Completion and operation of trade infrastructure including Bhairahawa check post and Timure dry port, with a new dry port at Dodhara-Chandani.
- u) A mineral inventory will be compiled, and petroleum production will begin in Dailekh, with exploration in Palpa, Sunsari, and Dang.
- v) International expertise will assess rare earth metal potential, and a mining investment conference will be held in FY 2082/83.
- w) The private sector will participate in the mining and marketing of viable natural resources, following environmental assessments.
- x) Product quality standards will align with international benchmarks; certification and intellectual property protections will be strengthened.
- y) Working capital loans will be made more accessible to manufacturing, tourism, construction, and housing sectors.
- z) Essential food and salt supplies will be ensured in remote regions, and fuel storage capacity will be expanded.
- aa) Ethanol blending will help reduce petrol imports and pollution, with continued expansion of petroleum pipeline and storage projects.
- bb) Measures will be taken to curb black market practices, monopolies, and artificial shortages, with consumer courts expanded nationwide.

### **Tourism Infrastructure and Heritage Conservation**

- a) Nepal will be promoted as a safe and attractive tourist destination through infrastructure development, service quality enhancement, and marketing, with special packages targeting neighboring countries.
- b) Tourist services will be expanded across key segments including para-tourism, mountain and adventure tourism, religious and cultural tourism, and newer forms such as film, health, and sports tourism. Land-based entry points will have reception and service centers.
- c) Private sector investment will be encouraged for the development of jungle safaris, trekking routes, and tourism infrastructure within national parks and protected areas.

Government and forest land will be made available on lease for tourism-related infrastructure such as hill stations, hotels, lodges, and resorts.

- d) Joint programs with the Tourism Board and private sector will promote tourism, including development of safe trekking routes in high mountain areas. Trekking circuits like Shuklaphanta–Khaptad, Bardiya–Rara, Lumbini–Muktinath, Sauraha–Gosaikunda, Janakpur–Kalinchok, and Koshitappu–Sagarmatha will be developed. Trails to Khaptad, Ramaroshan, Badimalika, Budhinanda, Rara, Swargadwari, and Muktinath will also be expanded. Emergency rescue services for climbers and trekkers will be arranged.
- e) Hotels and resorts will receive the same tax and electricity tariff benefits as productive industries. A legal provision will ensure workers in tourism businesses benefit from service charges.
- f) Infrastructure at major religious, cultural, and tourist sites such as Sagarmatha, Pashupatinath, Lumbini, Janakpurdham, Muktinath, Swargadwari, Rara, and Khaptad will be developed. A Lumbini Master Plan will be implemented, and heritage routes will be established around Swayambhunath, Hanumandhoka, Pashupatinath, and Boudhanath.
- g) Attractive areas along the Pushpalal Mid-Hill Highway will be developed for tourism. Rafting in rivers like Karnali, Bheri, Gandaki, Trishuli, and Koshi will be promoted through private sector participation.
- h) The Civil Aviation Authority will be restructured into regulatory and service entities. Nepal aims to exit international aviation safety watchlists within the next fiscal year, and domestic air services will be made safer and more accessible.
- i) NPR 4.15 billion will be allocated for Tribhuvan International Airport capacity expansion and Butwal Airport development. Pokhara International Airport will be developed as a tourism hub, and Gautam Buddha International Airport will be made affordable for tourists and workers, with incentives for cargo services.
- j) Additional incentives and concessions will be offered to airlines operating international flights from Bhairahawa and Pokhara. Nijgadh International Airport will be pursued through alternative financing models.
- k) Regional airport capacity will be expanded at Bhadrapur (Jhapa), Tarigaon (Dang), and Suketar (Taplejung). Preparations will begin for a regional airport in Surkhet, with DPRs prepared for Chuhandanda (Tehrathum), Ajaymeru (Dadeldhura), and Sagarmatha Airport (Udayapur). NPR 500 million will be allocated for domestic airport infrastructure.

- l) Underused domestic airports will be repurposed for aviation training and adventure tourism (e.g., paragliding, ultralight, skydiving) through public-private partnerships. Economic feasibility will guide future airport development.
- m) Nepal's ancient history, culture, and archaeological heritage will be protected. A Panini Knowledge Park will be established in Arghakhanchi to honor the Sanskrit scholar. Historical and archaeological records will be digitized for preservation.

## Forests And Environment

- a) Forest areas will be conserved and utilized sustainably to protect the environment and biodiversity, ensuring commercial use does not cause harm.
- b) The requirement to re-measure trees before cutting them will be removed; dead and fallen trees will be collected for use.
- c) The seasoning industry will be promoted to improve the quality and consumption of wood products nationally, with development around the Pushpalal Mid-Hill Highway.
- d) Grasslands and water resources will be managed to preserve biodiversity and wildlife habitats. Community programs will support income generation and employment in central areas, while intermediate zones will foster human-wildlife coexistence. Modern solar fencing will protect properties from wild elephant damage by guiding their movement.
- e) Export promotion will focus on herb production, processing, certification, and marketing, supported by infrastructure upgrades and NPR 200 million funding for the Herb Production and Processing Company Limited.
- f) Communities will be encouraged to plant and protect fruits, herbs, and high-value plants in community forests and alongside national highways through fruit forest programs.
- g) Integrated watershed management will sustain the Chure and Terai Madhesh water cycles. Wetland protection, tree plantation, natural restoration, and water recharge programs will be implemented with NPR 1.69 billion allocated.
- h) National parks, protected areas, and forests will be developed without harming biodiversity or the environment. A 1% fee from federal, state, and local forest land usage projects will support forest development funds.
- i) The environmental impact assessment process will be streamlined for faster approval. Minor tree count changes (up to 10%) before cutting will not require new assessments.

- j) Production, import, sale, distribution, and use of plastic thinner than 40 microns have been banned. Capital subsidies will be provided to industries to upgrade equipment for compliance.
- k) Programs will address climate change effects like melting glaciers and ecosystem threats. Nepal will advocate climate justice internationally, improve access to climate funds, and implement outcomes from the Everest Dialogue. Climate adaptation will be decentralized to provincial and local levels with international cooperation.
- l) Clear policies will support carbon trading, preparing to sell carbon credit competitively in international markets.
- m) Noise, air, and water pollution standards will be strengthened to protect public health and the environment. National air quality standards will be updated and enforced.
- n) Concessional loans will help factories convert from traditional boilers to electric technology to reduce urban air pollution, including in Kathmandu Valley.
- o) Community awareness campaigns will promote biodiversity protection and forest fire prevention. Individuals and communities contributing to fire control will be rewarded.

### Communication and Digital Infrastructure

- a) New Open Data Portal for seamless government data access, enhancing transparency and accountability.
- b) Press Freedom legislation to protect journalistic independence and citizens' rights to information and privacy.
- c) Updated Digital Nepal Framework 2.0 focusing on innovation, research, and development in ICT.
- d) The Digital Literacy Program targeting 1 million citizens, emphasizing rural and marginalized communities.
- e) Construction of National Data Center in Kathmandu and feasibility study for Data Center in Madhya Pahadi region to attract foreign IT investment.
- f) Information Technology Park in Kathmandu to incubate 100+ IT startups.
- g) Expansion of Disaster Recovery Center in Hetauda and commissioning of Kohalpur Data Center.
- h) Cloud infrastructure upgrades to enhance data security and reliability.
- i) Initiation of Geo Stationary Satellite Orbit Project; plan to launch Nepal's own satellite for improved telecommunications and geospatial services.
- j) Establishment of National AI Research and Innovation Center in partnership with private companies to foster AI and machine learning development.



- k) Policy framework to promote IT service exports, aiming to increase foreign revenue by 20%.
- l) Restructuring of Nepal Telecommunication Authority to improve governance and service quality.
- m) Expansion of 4G network coverage to 90% of the population; launch of 5G services in Kathmandu Valley and other major urban centers.
- n) Implementation of IMEI registration system to curb illegal mobile device imports.
- o) Launch of NTV World Channel and Public Service Broadcasting Digital Platform to expand international outreach.
- p) Legal framework to regulate OTT platforms for content standards and advertisement quality.
- q) Quarterly cybersecurity risk assessments with public advisories; development of Cybersecurity Operations Center staffed with trained personnel.
- r) Completion and operation initiation of Surakshan Printing Center.
- s) Transformation of 50 post offices into Smart Post Offices with integrated e-commerce logistics services.

### Labor, Employment and Social Security

- a) National Employment Promotion Program to train 50,000 youths annually.
- b) Launch of Online Employment Portal linking skilled workers with job opportunities nationwide.
- c) Quarterly job fairs across provinces in partnership with private sector organizations.
- d) Expansion of bilateral labor agreements to 10 more countries, focusing on workplace safety for women labor migrants.
- e) Fully digital Labor Approval System is accessible through provincial government offices.
- f) Worker-to-Entrepreneur Program providing concessional loans (NPR 200,000 to 2 million) to 5,000 returned migrant workers annually.
- g) Revision of vocational and apprenticeship curricula aligned with industry needs; pilot programs in 20 sectors.
- h) Coordination with universities and vocational institutes to deliver short-term skill development courses targeting 30,000 trainees annually.
- i) Integration of social security schemes into a unified system linked with National ID.
- j) Mobile units to deliver National ID cards to 100,000 senior citizens and disabled persons annually.

## Quality Education and Human Capital Development

- a) Incentive grants of NPR 2.5 million per school are awarded to 100 high-performing schools.
- b) School rationalization by mapping and merging schools based on teacher-student ratios and geographic access; funding for infrastructure upgrades.
- c) Establishment of Teacher Bank to fill shortages in English, science, and math; mobilization of 5,000 graduate volunteer teachers annually.
- d) Gradual conversion of conditional grants into financial equalization grants; provincial management of secondary education exams.
- e) Increased funding for the school lunch program benefiting 2.8 million students.
- f) Free sanitary pad distribution for 1.3 million girls.
- g) Scholarships totaling NPR 2.44 billion targeting marginalized communities and difficult Himalayan districts; incentives for medical education for students from Musahar, Dom, and Chamar communities.
- h) Higher education reform including umbrella legislation for universities; restructuring University Grants Commission for quality monitoring and fund allocation.
- i) Infrastructure upgrades at Madan Bhandari Science and Technology University and Shaheed Dashrath Chand University of Health Sciences.
- j) Implementation of free visa policy and multiple entry permits to increase foreign students by 10,000.
- k) Upgrade of one technical school per province to model status.
- l) Technical and vocational programs training 26,900 youth annually in six months or longer courses.

## Healthy Nepal: Healthy Nepali

- a) Healthy Nepal Campaign promoting clean diets, yoga, meditation, exercise, and mental health.
- b) Restructuring health insurance with expanded benefits and integration of social health security.
- c) Expansion of heart and cancer treatment centers to all provinces.
- d) Annual screening campaigns; NPR 2.6 billion allocated for free medicines and online public dashboard of dispensed medicines.
- e) Budget for epidemic rapid response and specialized diagnostics for sickle cell anemia targeting Tharu community.

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- f) Establishment of specialized burn units in one hospital per province.
- g) Capital grants for major hospitals including Kirtipur Jalan and Tilganga Eye Hospital.
- h) Expansion of digital health platforms nationwide; pilot robotic surgery and AI-assisted diagnostics at Veer Hospital.
- i) Continuation of free HPV vaccinations and cancer treatment for children under 14.
- j) Funding for maternal and newborn safety programs (NPR 13.82 billion).
- k) Expansion of mental health services including psychosocial counseling centers, upgrades to Lagankhel Mental Hospital, and establishment of National Neuroscience Center.
- l) Expansion and operationalization of traditional medicine centers (Ayurveda, Homeopathy, Panchakarma Yoga).
- m) Strengthening drug quality control and domestic production of essential medicines.
- n) Population policies aimed at balancing growth, harnessing demographic dividends, and promoting rural employment.

### Youth and Sports

- a) Issuance of National Volunteer Identity Cards to youth aged 16+, with 100,000 youth trained and mobilized annually for social service.
- b) Concessional loans at 3% interest for 10,000 youth annually to start businesses without collateral.
- c) Construction of international-standard Damak Sports Stadium.
- d) Development of high-altitude sports stadiums in Solukhumbu, Mustang, and Jumla.
- e) Upgrading cricket stadiums in Moolpani, Morang, Kailali, Ruppandehi, and Kirtipur with combined funding of NPR 820 million.
- f) Hosting 10th National Sports Tournament in Surkhet, supported by NPR 540 million.
- g) Establishment and operation of National Anti-Doping Agency.
- h) Continuation and expansion of scholarships and incentives for medal-winning athletes and families.
- i) Special women's training programs and awards promoting gender equality in sports.
- j) Sports academies operating in at least three schools per province.

### Women, Children and Senior Citizens

- a) Promote women's empowerment and ensure 33% female participation in executive public roles.

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- b) End discrimination against women and improve their economic and educational status.
- c) Provide targeted nutrition and free air rescue for pregnant women in remote areas.
- d) Promote women's entrepreneurship with free business registration and skill development.
- e) Guarantee children's rights through education, health, and social protection programs in partnership with local bodies.
- f) Continue campaigns for street children, improve juvenile rehabilitation, and integrate child helpline services digitally.
- g) Ensure social security and healthcare for senior citizens and collaborate with charities.
- h) Update disability ID systems and expand community-based rehabilitation services.
- i) Implement strict measures against human trafficking and violence toward women.
- j) Complete construction of service centers for women, children, and seniors, and establish rehabilitation centers for victims of violence with a 0.62 billion budget.
- k) Run national campaigns against untouchability and caste discrimination with special social programs.
- l) Conduct awareness to end child labor, abuse, and harmful traditional practices; enforce legal punishment.
- m) Restructure welfare councils and improve NGO program monitoring.
- n) Empower gender and sexual minorities for dignified lives.

### Clean Energy and Irrigation

- a) Focus on sustainable water resource use with research and digital water management.
- b) Manage hydropower generation and encourage private investment, prioritizing large reservoir projects.
- c) Develop micro-hydropower, solar, and wind energy with tariff differentiation by demand.
- d) Complete rural electrification and increase reliable power supply.
- e) Strengthen regional electricity export and market presence through diplomacy.
- f) Study green hydrogen production feasibility and attract investment.
- g) Promote integration and power purchase agreements for solar and wind energy storage.
- h) Start construction of major hydropower projects after land acquisition; invest in others with public-private partnerships.
- i) Accelerate construction of several hydropower projects and finalize multi-purpose project designs.

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- j) Develop hydropower under the People's Program and prioritize Pancheshwar project construction.
- k) Build substations and transmission lines on schedule and ensure balanced power purchase agreements.
- l) Introduce wheeling charges for industry-built distribution lines and speed underground power line work.
- m) Begin construction of national and international transmission lines and expand based on export potential with a 13.18 billion budget.
- n) Provide uninterrupted electricity in high-demand areas and offer tariff concessions to manufacturing industries.
- o) Promote electric household appliances and pilot full household electrification in seven cities.
- p) Automate power outage notifications and minimize electricity leakage.
- q) Deposit revenues from government hydropower projects into the treasury.
- r) Reduce carbon emissions by boosting alternative energy production and attracting private investment with a 2.33 billion allocation.
- s) Develop irrigation infrastructure alongside multipurpose projects.
- t) Complete key irrigation projects within three years and speed up others with allocated funds.
- u) Accelerate the Sunkoshi-Marine Diversion Project and extend irrigation to 122,000 hectares with 2.73 billion funds.
- v) Expand lift irrigation in hilly areas and provide reliable irrigation to 468,000 hectares with a 3.31 billion budget.
- w) Begin Naumure multipurpose project construction and study several river diversion projects with a 370 million budget.
- x) Develop advanced weather information systems for disaster management.
- y) Conduct river control programs and accelerate irrigation system reconstruction post-disasters with a 5.59 billion allocation.
- z) Add 942 MW hydro capacity and 732 km transmission lines by end of FY 2082/83.
- aa) Provide irrigation to 14,000 additional hectares and build embankments and raised land for flood control.



## Sustainable, Quality and Safe Infrastructure

- a) Build modern, quality infrastructure to boost Nepal's economic and social progress, focusing on sustainable, safe roads, including expressways, underpasses, and overpasses.
- b) Expand national highways from two to eight lanes as needed, with regular maintenance.
- c) New road tracks will open only after economic, technical, and environmental feasibility studies.
- d) Expand tunnel technology, completing key tunnels like Nagadhunga and Siddhababa soon.
- e) Wildlife-friendly overpasses/underpasses will be constructed in forest and national park areas.
- f) Use indigenous materials for urban and sensitive terrain roads to ensure sustainability.
- g) Feasibility study for a pod way system as a ropeway alternative in Kathmandu-Hetauda; promote cable cars in hilly and Himalayan areas.
- h) Upgrade multiple East-West Highway sections to four lanes within two years.
- i) Siddhartha Highway to be upgraded to a dual lane for tourism and economic benefits.
- j) Revise and pre-upgrade Pushpalal Madhyapahadi Highway to double lane with tunnels and viaducts.
- k) Complete Hulaki Highway construction to boost Terai Madhesh economy.
- l) Complete Kathmandu-Terai Madhesh Expressway by FY 2083/84, including tunnels and bridges.
- m) Expand Prithvi Highway and Ambukhaireni-Pokhara road to four lanes.
- n) Complete four-lane trade routes to Terai Madhesh district headquarters.
- o) Accelerate construction and upgrades on Karnali, Kaligandaki, Koshi, and Arun corridors.
- p) Start detailed studies and upgrades on Mahakali and Karnali corridors.
- q) Complete strategic corridors like Tamor, Bheri, and Dumre-Beshishahar-Chame Roads.
- r) Repair and reconstruct disaster-damaged highways.
- s) Complete alternative subsidiary highways and constituency strategic road programs.
- t) Classify roads by geography, population, traffic, and lane number; enforce vehicle standards and improve traffic management to reduce accidents.

- u) Monitor vehicle pollution with modern technology; introduce electric buses and promote mass urban transit.
- v) Establish road accident refresh centers; enforce vehicle fitness and insurance requirements.
- w) Promote electric vehicle use with private investment in charging infrastructure.
- x) Support private sector smart public transport in major cities; decentralize driver's license issuance to provinces.
- y) Conduct feasibility studies for metro and monorail in Kathmandu Valley.
- z) Regulate temporary vehicle imports to border crossings; prohibit extra fees beyond customs duties.
- aa) Continue tunnel construction and feasibility studies for multiple tunnel projects.
- bb) Study standard gauge electric railway along East-West Highway; progress on Vardiwas-Nijgarh section.
- cc) Prepare Kathmandu-Kerung railway detailed project report and plan railway links to border towns.
- dd) Enforce national road safety standards; establish emergency services (helicopters, ambulances) on highways.
- ee) Develop inland water transport on major rivers for connectivity to ports.
- ff) Complete major tunnel and road paving projects; many bridges to be constructed.

### Planned Urban Development

- a) Guarantee citizens' right to secure housing; link urban growth with economic and employment expansion.
- b) Support land acquisition and financial assistance for collective housing; encourage private sector in community housing.
- c) Plan smart cities and eco-villages; relocate vulnerable settlements to integrated, safe, facility-equipped areas emphasizing local architecture.
- d) Manage city development in Kathmandu Valley with private sector partnership.
- e) Develop utility corridors to improve services and urban aesthetics in Kathmandu Valley and other major cities.
- f) Construct new public parks, stadiums, and an international exhibition hall.
- g) Develop district headquarters infrastructure, complete local administrative buildings.
- h) Complete federal government buildings and reconstruct historic government structures.

- i) Establish modern waste processing centers for energy, fertilizer, and briquettes with local and private partnerships.
- j) Clean rivers in Kathmandu Valley and expand corridor roads.
- k) Build new cities in major hilly locations along Pushpalal Highway.
- l) Strengthen City Development Fund and increase investment for urban infrastructure nationwide.
- m) Implement housing programs to build safe citizen housing and improve thatched roof houses.
- n) Upgrade and pave extensive urban and rural roads; complete many local bridges.

### Water Supply and Sanitation

- a) Provide clean, quality drinking water nationwide with community involvement for sustainability.
- b) Integrate Kathmandu Valley water supply bodies for unified management.
- c) Address challenges of climate change and urbanization on water resources.
- d) Launch model drinking water projects in provincial cities and provide clean water to prisons.
- e) Relocate Melamchi water headworks to safer sites; expand water treatment and distribution in Kathmandu Valley.
- f) Complete drinking water projects in Terai Madhesh; support community-based water programs.
- g) Build climate-adapted drinking water projects nationwide.
- h) Complete major water pumping projects like Bheri in Surkhet.
- i) Provide electricity tariff discounts for lift irrigation water supply.
- j) Construct and upgrade sewage treatment in major cities.
- k) Target expanding safe drinking water coverage to 37% of the population with 98% having basic water access.

### Post-Disaster Reconstruction

- a) Strengthen early warning systems and human resource capacity in disaster management.
- b) Reconstruct private homes, schools, public infrastructure, and cultural heritage damaged by natural disasters.

## Economic Planning and Statistics

- a) Implement an integrated national project bank MIS to prevent duplication across federal, provincial, and local levels, aligned with constitutional authority, work reports, and project standards.
- b) Ensure coordination for sustainable natural resource use.
- c) Establish an inter-agency mechanism linking the project bank, medium-term expenditure, and ministry budget systems.
- d) Complete the National Economic Census 2082.
- e) Update the national accounts base year. Prepare statistical profiles for union, state, and local levels.
- f) Enhance big data processing and gradually implement open data policies.

## National Security and Law and Order

- a) Protect Nepal's sovereignty, geographical integrity, freedom, and national unity.
- b) Strengthen security agencies with resources, arms, and equipment. Enhance the Nepali Army's capacity for security, development, and disaster response; continue the "Bunker to Wreck" program.
- c) Reinforce local administration for peace and law enforcement. Empower Nepal Police and deploy Armed Police for border security, disaster management, and peacekeeping. Develop National Research Department capacity.
- d) Upgrade immigration with online payment and visa facilities. Provide free residential visas to startup experts/investors and digital nomad visas to foreign remote workers.
- e) Expand the National Service Team scope. Conduct community awareness on youth and child drug protection.
- f) Transform prisons into correctional facilities with infrastructure, training, enterprise support, and counseling. Implement open prison concepts. Complete new prison construction.

## Foreign Relations

- a) Develop international relations based on equality, mutual benefit, and respect; strengthen bilateral ties with neighbors.
- b) Promote foreign aid, investment, exports, and tourism through economic diplomacy. Prioritize Nepal's rights in seaweed mining.

- c) Protect Nepalis abroad through diplomatic initiatives. Leverage NRN knowledge, skills, capital, and networks for national development. Expedite rescue for Nepalis in crises overseas.

### Rule of Law and Human Right

- a) Amend the Constitution by political consensus. Strengthen the federal democratic republic, the rule of law, human rights, justice, democratic values, and press freedom.
- b) Complete remaining peace and transitional justice processes. Operationalize truth and reconciliation commissions. Provide free treatment for conflict victims; allocate Rs. 1 billion for conflict-related investigation and compensation.
- c) Use IT to simplify and improve justice accessibility and efficiency. Ensure equal justice via free legal aid for vulnerable groups. Implement electronic attorney programs for better legal representation.

### Prevention of Money Laundering

- a) Implement national strategy and action plan to remove Nepal from intensive monitoring and prevent money laundering and terrorist financing.
- b) Expedite investigation and prosecution of financial crimes post-risk assessment.
- c) Strengthening monitoring and enforcement by regulatory bodies (NRB, Securities Board, Insurance Authority, Cooperative Authority).

### Financial Sector Improvement

- a) Regulatory bodies in the financial sector will be strengthened; access to capital and credit will be improved; risk management and governance frameworks will be enhanced using new risk mitigation tools.
- b) Laws governing Nepal Rastra Bank and Nepal Insurance Authority will be updated periodically. The Securities Board's capacity will be enhanced to protect public investments, and Nepal Stock Exchange will be restructured.
- c) Second Financial Sector Reform Strategy will be implemented. An asset management company will be established to manage bad loans and non-banking assets of financial institutions.
- d) Business revival measures include loan rescheduling, increased working capital flow, and interest penalty concessions for affected industries.



- e) Annual KYC data submission will be centralized and linked to national ID; KYC submission will be digitized.
- f) Private sector credit will be expanded by revising sectoral risk regimes and improving access to working capital loans.
- g) A Neo Bank will be established in FY 2082/83. Access to financial services in rural areas will be expanded through digital, mobile, and branchless banking.
- h) Property insurance coverage will expand to include damage from disasters and accidents. Rural access and cyber insurance services will be developed. Reinsurance will be arranged for deposit and credit protection.
- i) Green taxonomy-based policies will mobilize private capital for sustainable development; local currency-linked bonds will be issued in international markets.
- j) Institutional investors will be enabled to invest in priority industries. Legal provisions will allow Provident, Investment, and Social Security Funds to invest in private equity and venture capital.
- k) Government bonds will begin secondary market trading. Non-resident Nepalis will be allowed to participate in these markets.
- l) Interest subsidy systems for loans will be integrated to boost production, employment, and self-employment in target sectors.
- m) Microfinance institutions' internal controls will be improved. Distressed borrowers will be supported with subsidized loans.
- n) Hedging services will be introduced to mitigate forex risks and attract foreign investment.
- o) Lending-related laws will be developed. The Damasahi Act will be revised. Banking-based remittance and productive investment will be promoted. Public payments will be fully digitized.
- p) Criminal assets, including crypto and illegal foreign currency, will be confiscated and deposited in a reserve fund. Asset control and seizure systems will be made more effective.

### Public Institution Management

- a) Public institutions' competitiveness will improve via management autonomy, tech transfer, innovation, restructuring, partnerships, and divestment; government retains land ownership.
- b) Closed/sick state-owned industries will be revived using new technology; Dhowadi Iron Company to operate as public-private partnership.

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- c) Government investments in Janakpur Cigarette Factory, Gorakhkali Rubber, Butwal Yarn, Nepal Metal, Nepal Orient Magnesite, Hetauda and Udaypur Cement will be reviewed and managed based on commercial potential.
- d) 30% of Nepal Telecom shares will be divested publicly, maintaining government majority; strategic partnerships will institutionalize the company.
- e) Nepal Electricity Authority's regulatory capacity will be strengthened; roles of generation, transmission, and distribution will be clearly separated.
- f) Nepal Airlines will be transformed into a public company with international partnerships to boost capacity and professionalism; restructuring planned for Nepal Dairy Institute, National Insurance, and Life Insurance Companies.
- g) Officials/employees in public institutions failing to meet expenses, lack retirement funds, or auditing will be barred from government-funded foreign trips to prevent financial burdens.

### Governance Reform and Corruption Control

- a) Work detail reports will be reviewed and laws amended to maintain functional uniformity among federal, provincial, and local governments under High-Level Reform Commission guidance.
- b) The Federal Civil Service Bill is to be passed to standardize national servants' service conditions and promote ethical conduct.
- c) Prime Minister and Council of Ministers offices will be enhanced as a center of excellence for effective, result-oriented public service.
- d) Interoperability of IT systems will be established; Citizen App's scope expanded to integrate public services for ease and cost efficiency; secure electronic data storage for all government agencies.
- e) National ID cards will be used across public and financial services (banks, insurance, telecom, securities) with no fees; electronic citizenship distribution to be strengthened.
- f) Salary increases for national servants are limited due to fiscal constraints, but dearness allowance raised to Rs. 5,000.
- g) Accessible housing program will build 100,000 units in seven provinces for civil servants, security personnel, and teachers at subsidized rates with private sector and provident fund support.
- h) Civil hospitals will be upgraded; health benefits extended to employees' family members.

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- i) Contractual and temporary staff will be included in social security with a 10% employee and contributor contribution package.
- j) Constitutional bodies will receive required resources; transparency, accountability, ethics, and code of conduct will be enforced. Zero tolerance for corruption; conflict of interest law will be formulated; second national anti-corruption strategy will be implemented.
- k) Voter ID cards will be linked with national ID cards starting in Kathmandu Valley to improve election credibility.

### **Mobilization of Foreign Aid**

- a) Mobilize aid for high-return, priority projects under country leadership and ownership. Improve aid utilization capacity.
- b) Provide aid only to projects meeting readiness criteria. Ensure timely, cost-effective completion.
- c) Grant forest uses permissions to priority foreign aid projects to expedite implementation.
- d) Mobilize multi-donor aid for high-cost infrastructure projects based on feasibility.

### **Public Finance and Project Management**

- a) Improve public finance effectiveness via allocation efficiency, budget discipline, cash flow management, and sustainable public debt use. Implement financial management reform strategy.
- b) Adopt innovative international development finance practices. Pass Alternative Development Finance Bill to attract private investment for infrastructure projects; begin construction next fiscal year.
- c) Set clear criteria for national pride projects; review existing projects accordingly.
- d) Reduce development projects by 4,654 to streamline management. No federal allocations below Rs. 30 million for infrastructure. Increase ministry accountability for capital expenditure execution.
- e) Require land and forest approvals before procurement. Permit three-shift work to accelerate contracts.
- f) Amend procurement law for timely, cost-effective, quality infrastructure completion. Upgrade e-procurement. Prepare and localize tender documents. Hold managers

accountable. Use legal, transparent arbitration. Package project works into single contracts.

- g) Require balanced budgets and annual obligation management at provincial/local levels within medium-term expenditure limits.
- h) Allow procurement and contract signing after budget approval within the fiscal year.
- i) Restrict fund transfers for national pride projects from next fiscal year except in special cases. Monitor projects over Rs. 250 million via national dashboard.
- j) Hold officials accountable for delays causing cost overruns. Ensure resources for projects with 80%+ progress.
- k) Emphasize completion of consecutive projects; allocate funds for multi-year projects and liabilities.
- l) Legally hold officials accountable for liabilities from faulty designs. Construct provincial/local roads in hills/mountains with intermediate lanes, excluding national highways.

### Frugality

- a) Laws will be enacted to strengthen budget discipline across federal, provincial, and local levels, with unified public expenditure standards.
- b) A national subsidy policy focused on production incentives will be introduced, applicable at all three government levels to prevent duplication: subsidy capped at 50% of cost.
- c) A national organization and management standard will be formulated; existing structures and positions to be reviewed to reduce current expenses.
- d) Salaries and benefits of officials in state-funded bodies (institutions, boards, committees) to be reviewed and standardized; a recommendation committee will report in 3 months.
- e) As per the High-Level Economic Reforms Commission, citizens aged 70+ to receive senior citizen allowances starting next fiscal year; current lower age for remote and targeted groups to remain unchanged.
- f) An umbrella law will ensure uniformity in management of public establishments; foundation and development committees must operate within federal grant limits.
- g) Government-funded foreign visits will be limited to essential high-level diplomatic missions and mandatory participation in international organizations.
- h) Consulting services banned unless deemed essential by the officer responsible; no consultants for laws, policies, procedures, or supervision of large/complex projects.

- i) Construction project contingency capped at Up to 3% for projects with estimates  $\leq$  Rs. 1 billion and up to 2% for projects  $>$  Rs. 1 billion

## H. Revenue Policy and Program

### Objective

- a) Make the revenue system investment-friendly and production-oriented.
- b) attract foreign capital and technology,
- c) improve tax compliance and reduce revenue leakages.

### Timely Reforms in Tax Laws

- a) Review laws on VAT, Income Tax, and Excise Duty to align with international standards and new business models.
- b) Consider applying multiple VAT rates where practical.
- c) Update non-tax revenue rates through relevant amendments.

### Industrial Protection and Investment Promotion

- a) Income tax and electricity tariff exemptions for IT industries, hotels, and resorts.
- b) 75% discount on income tax for IT export services; 5% final tax on Nepal-based IT exporters.
- c) Startups with turnover up to NPR 100 million exempt from income tax for 5 years.
- d) 1% customs duty on wood industry mill machinery; other taxes abolished.
- e) Customs duty is exempted on machinery for organic/natural fertilizer production.
- f) 1% customs duty on sports equipment imports for stadium infrastructure: other taxes abolished.
- g) No taxes on machinery for green hydrogen production; 5-year income tax exemption for producers.
- h) 1% customs duty on batteries and equipment for solar/wind energy storage; no other taxes.
- i) 1% customs duty on equipment for electric vehicle charging assembly; 5-year income tax exemption.
- j) Income tax exemption on vehicles  $>$  20 years old if last 2 years' tax paid.
- k) 1% customs duty and tax discounts for importing tunnel-boring machines.
- l) Deduct rental paid taxes from taxable income for transportation service providers.

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- m) Retirement funds must affiliate with Employee Provident Fund or similar institutions.
- n) Concessions on interest/fines for delayed VAT and excise duty filings.
- o) VAT exemptions and fines waived for international air service companies registering and paying VAT.
- p) Allow amendments for taxpayers with arrears due to revised assessments.
- q) VAT exemption on clearing house services to encourage digital payments.
- r) Advance income tax canceled on customs for food and animal products.
- s) VAT exemption on hearing aids.
- t) Tourists are allowed to bring foreign currency up to \$5,000 without declaration.
- u) Ambulance imports price limit for revenue exemption removed.
- v) Taxes on electric vehicles are kept unchanged to promote usage and reduce pollution.

### Expanding Taxation Scope and Protecting Base

- a) Increase customs duty on alcohol, tobacco, and cigarettes; modest increase in excise duties; expand health risk tax scope.
- b) Expand the central tax monitoring system with taxpayer electronic involvement.
- c) Promote voluntary tax compliance through education.
- d) Expand the digital service tax base to cover all digital transactions.
- e) Regular revision of tax exemptions and concessions to keep tax expenditure reasonable.

### Facilitating Trade and Improving Service Delivery

- a) Prohibit additional fees (entry, route, etc.) on temporarily imported vehicles after customs duty is paid.
- b) Remove NPR 0.3 million bank guarantee requirements for importers/exporters.
- c) Abolish minimum tax payments when no taxable transaction occurs.
- d) Authorized commercial people receive fast-track facilities and on-site goods testing.
- e) Develop an automated customs valuation system based on international price trends.

### Control of Revenue Leakage

- a) Develop bilateral trade data exchange systems with neighboring countries.
- b) Build an intelligence-based investigation system for leakage control.
- c) Strengthen information exchange and joint monitoring among revenue agencies.

## Efficiency Enhancement in Revenue Administration

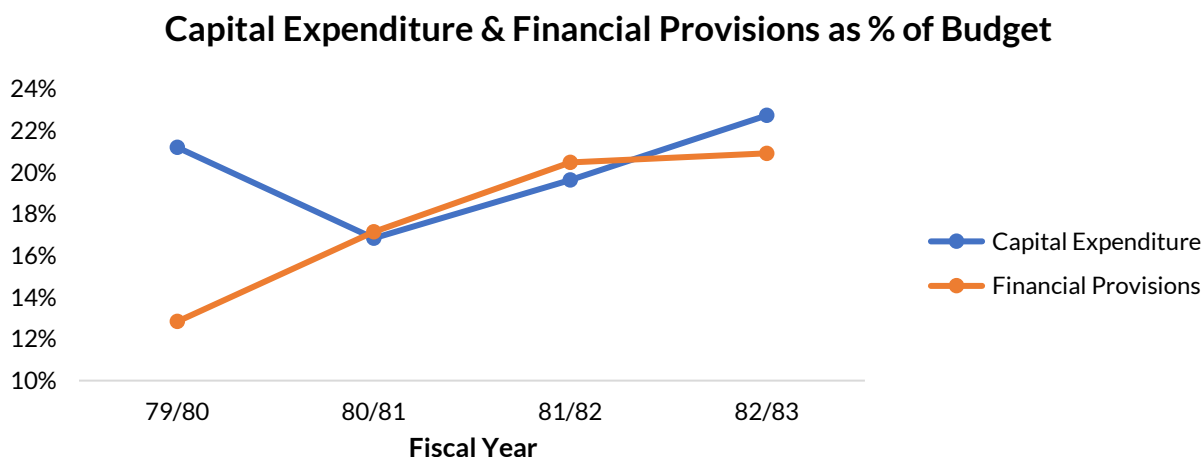
- a) Make revenue administration paperless, contactless, and faceless by specialization and capacity building.
- b) Establish and upgrade integrated check posts at major customs points.
- c) Reengineer business processes to simplify tax compliance and reduce costs in line with updated internal systems.
- d) Accelerate improvements as per the Internal Revenue Mobilization Strategy and Customs Reform plans.
- e) Expand the national one-door information system to facilitate foreign trade.



## I. Key Takeaways

The fiscal policy for FY 82/83 represents a deliberate and much-needed shift in direction, with the government signaling an intent to break away from past patterns of increasing recurrent spending and weak private sector engagement. This year's budget emphasizes private sector-led growth, digital transformation, entrepreneurship, and productivity enhancement, an encouraging sign that policymakers are aware of the economy's structural limitations and willing to act. Measures such as raising the eligibility age for social security benefits and eliminating duplicate facilitation schemes show a growing fiscal consciousness and a reluctance to increase government employee salaries directly and add manifold liabilities despite inflationary pressures. Similarly, restrictions on salary increases and foreign visits for employees of public institutions in loss also show an orientation towards the same. However, these measures, though positive in intent, cannot be expected to make a significant dent on the juggernaut of recurrent expenditure that Nepal has cultivated over the last decade. Nonetheless, a rekindled focus on startups and digital business reflects the government's efforts to expand the economy, even though these efforts are unlikely to bear fruit in the short term. Nevertheless, if we fail to see a radical departure in how recurrent expenditure is made, we might not observe considerable improvements in the nation's finances. This might happen once the government starts to reduce budgets for various ministries, such as the Home Ministry.

Similarly, although some semblance of strategic realignment has been observed, the country's fiscal structure remains constrained by persistent imbalances. Of the total budget, 60% is allocated to recurrent expenditure, while only around 21% goes to capital investment, with financing expenditures at 19%.



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Looking at the historical data as seen in the above chart, there has been an increase in financing provisions relative to capital expenditure in the budget from FY 79/80, with capital expenditure and financial provisions remaining almost equal in the subsequent fiscal years. As this budget continues with the trend of sourcing debt to finance the budget deficit, the debt burden will only increase, and in the absence of substantial revenue growth to offset it, this is sure to lead to the capital expenditure's portion within the budget going down even further. When combined with increases in the historically low levels of interest rates, which will surely escalate financing costs, this will surely trouble the government coffers significantly and ultimately accelerate the crowding out of capital expenditure, leading to development paralysis.

The projected total deficit for this budget is around 43% of the expected revenue, which signifies that we are making expenditures far beyond our sources. This deficit is expected to be compensated for by using both internal borrowing and external debt in the ratio of 60:40. However, the projected external debt figures seem far-fetched, as last year's achievement on this was just 78% of the target. With regards to the growing internal debt burden supporting government financing, the financial sector currently does seem to have enough room to absorb government borrowing owing to ample liquidity and sluggish credit demand. However, the structural reliance on debt is still concerning, especially in the absence of significant improvements in capital spending effectiveness and revenue base diversification, as the liquidity scenario will not remain the same forever.

The policy has also looked towards addressing certain structural issues regarding taxation with different VAT rates based on the productivity of industries being considered. Similarly, the policy has also provided measures aimed at boosting key sectors like IT, tourism, renewable energy, and manufacturing by offering significant tax exemptions, customs duty reductions, and compliance relief. This can help chart the way forward by encouraging exports, promoting digital payments, accelerating clean energy adoption, and boosting startup growth while also helping ease tax burdens and promoting formalization. Free visa provisions for foreign students and their families, as well as various concessions for digital nomads, show a move towards onboarding foreigners and gaining economic benefits beyond those provided by traditional avenues of tourism.

With credit growth, which is key to driving demand in Nepal's credit-dependent economy, being just 8.28% on a YoY Basis, achieving a 6% growth would require credit expansion of at least 15% in real terms, which could prove difficult if not for regulatory intervention and support. This is because, despite favorable liquidity conditions and a low base rate of 6.30%, BFIs are still quite reluctant to lend due to rising non-performing assets (NPAs

exceeding 5%), while potential borrowers are equally hesitant due to weak market confidence. This dual crisis of trust has stifled the very domestic demand that the fiscal policy seeks to revive. Thus, an expansionary monetary policy in line with this fiscal policy and coupled with provisions such as establishing an asset management company to shoulder some of the NPA burden from BFIs will be critical to restarting the credit cycle and restoring economic momentum as will be the recapitalization of loans and interest discount for embattled industries stated in the policy. However, the unintended consequences of such a policy can also help create another asset bubble if not implemented cautiously.

At the sectoral level, development priorities are well-placed. Agriculture receives focused support, including major investment for fertilizer subsidies and the establishment of a fertilizer factory to fulfill market needs. Similarly, efforts to boost mechanization, irrigation, and commercialization will help the sector prosper. Infrastructure development also gets a strong push, with ongoing projects like the Kathmandu-Tarai Expressway, multi-lane highways across the country, and expected additional power generation of 942 MW capacity, and building 732 km of transmission lines. Likewise, the budget lays the groundwork for a more digital economy, including IT parks, National Data Centers, 90% 4G coverage, and the launch of 5G in urban centers. These initiatives demonstrate forward-looking policy thinking, even if their economic returns may only materialize in the medium term.

Nonetheless, structural weaknesses continue to impede Nepal's long-term potential. Besides callous government spending, a slowdown in the manufacturing sector leading to capacity utilization below 50%, as well as transitionally puffed-up export figures (65.2% YoY growth) which is inflated by a 7,500% surge in refined soybean oil exports, buoyed by international tariff arbitrage rather than genuine export diversification or competitiveness show where our economy is at. The economy remains excessively reliant on import-based taxes, leaving revenues vulnerable to global price shocks and trade fluctuations. While remittances have grown by 10% to NPR 1.19 trillion, this also reflects a high dependence on external sources rather than robust domestic productivity. Foreign debt targets also appear optimistic under tightening global financial conditions, and unless project implementation improves significantly, even the best intentions risk being undermined by poor delivery.

Overall, this policy stands out for its ambitious yet well-meaning intentions. The government is trying to stimulate private sector activity, modernize public service delivery, and lay the groundwork for longer-term economic transformation. These are all

necessary and commendable goals. However, converting intention into impact will require improved drastic action, such as severe cuts in recurrent expenditure and a complete overhaul of the oversized bureaucracy, allowing government operations to become leaner and efficient. This will require the development of mechanisms that expedite the delivery of quality services and needs to begin in earnest. Similarly, there is an acute need to not only increase the allocation of capital expenditure in the national budget but also to ensure its efficient and timely utilization.

This is crucial for driving infrastructure development, enhancing public service delivery, and stimulating private sector investment, all of which are essential components for achieving sustainable and inclusive economic growth. Equally important is enabling institutional coordination, faster execution, and credible commitment to structural reforms. With good current account surplus improvement and substantial foreign exchange reserves, Nepal has a temporary macroeconomic cushion that it must leverage to chart a path forward. The challenge now is using this window as an opportunity to build a more resilient, inclusive, and investment-friendly economy, not through bold projections alone, but through consistent and credible action.