

Fellow Sisters and Brothers,

1. We are heading towards peace, stability and progress with a determination of ending the state of uncertainty and confusion created by the political and economic problems during the past few years. The challenge before us today is to move forward with an understanding about the problems and difficulties experienced in different walks of national life and transform them into opportunities and lessons. The ceasefire and peace dialogue initiated by the preceding government in the process of finding a lasting solution to all political problems have been a welcome respite for all the Nepalese. Similarly, the GDP that had a negative growth rate of 0.5 percent for the first time in two decades is now gradually picking up. Thus, the people now appear to have confidence towards the improvement in the existing condition and possibility of further improvement in it. Amidst the scenario of these hopes, aspirations and challenges, I have come here to present the public statement of income and expenditure for fiscal year 2003/04.
2. The government is committed to finding a permanent solution to political and social problems by bringing consensus among all political forces within the country. The government is committed to turn the state of current ceasefire into enduring and sustainable peace. In addition, the government considers as its duty and responsibility to proceed with the reform measures aimed at forward-looking transformation of the society through strengthening and institutionalizing multi-party parliamentary democracy, and in doing so, conducting free and fair elections of the House of Representatives and local bodies ensuring all-inclusive participation.
3. Peace is prerequisite to accelerated economic development, and judicious and equitable economic structure is necessary for the sustenance of peace that the social unrest in the past few years has taken heavy toll of human lives and caused considerable damage to public properties and development infrastructure together with the loss for no reason of lots of lives and properties worth billions of rupees is a painful fact known to all. Increased regular expenditure and lower revenue growth rate have further caused a situation where the government is left with no choice but to reduce development expenditure. As a result, economic development has slowed down, causing the deepening of poverty and widening of social disparity. In this context, this is high time to seek reliable and sustainable solutions for the problems faced by the people devoid of opportunities to enjoy the fruits of development, and also to address the issues of poverty, destitution, weak governance, social exclusion and discrimination by remaining wholeheartedly committed to efforts toward restoring peace through dialogue and consensus.

4. Owing mostly to these internal inadequacies, almost all sectors of economy—industry, trade, construction, tourism, exports, services and agriculture—have adversely been affected in the recent past. Revitalizing them is indispensable for achieving social peace and thereby reducing poverty. Likewise, guaranteeing good governance is equally necessary for solving the problems of social inequality and marginalization of the people. The time has come to deal with all these issues together and immediately. Never before in the history of Nepal were we burdened with such a heavy task of accomplishing so many things within so limited time. However, the task, though difficult, is not impossible.

Brief Economic and Budget Performance Review of Fiscal Year 2002/03

Fellow Sisters and Brothers,

5. The Economic Survey, 2003 containing socio-economic indicators, economic trends, features and challenges of the national economy as well as ministry-wise progress report of programs and budget have already been made public.
6. Economic growth rate is expected to be 2.4 percent in FY 2002/03. Export seems to be marginally improved, while import has risen at higher rate compared to export resulting in the decline in export-import ratio, which is expected to be 38.5 percent. The foreign currency reserve has significantly increased during the first 10 months of FY 2002/03, which seems to be sufficient to cover the cost of importing goods for more than 11 months and importing goods and services for more than 9 months. Consumer price index and private sector investment are expected to increase by 5.0 and 9.8 percent respectively. In sum, indications of improvement in economic situation are observed despite unfavorable condition.
7. The revised estimate for total expenditure of FY 2002/03 is Rs. 84 billion 560 million, which consists of regular expenditure of Rs. 56 billion 560 million and development expenditure of Rs. 28 billion 010 million as against a total expenditure of Rs. 80 billion 070 million in FY 2001/02 with regular expenditure of Rs. 48 billion 590 million and development expenditure of Rs. 31 billion 480 million respectively. On revenue front, Rs. 55 billion 250 million is a revised target for FY 2002/03 as compared to actual collection of Rs. 50 billion 450 million in FY 2001/02.
8. Following a number of austerity measures, regular expenditure was prudently managed in FY 2002/03 with the settlement of arrears of drinking water, electricity, telephone and pension, and the principal and interest of the domestic debt were

paid even exceeding the allocated budget. This helped reduce outstanding liabilities.

9. Beginning the middle of FY 2002/03, indications of improved peace and security situation are observed following a favorable political situation for peace dialogue. As a result, economic activities of both private and government sectors are in good shape together with the improvement in tax collection, development expenditure, capital formation of private sector and Gross Domestic Product.
10. Achievements have been made in the areas of controlling corruption, making government's decision transparent, expanding of public audit system in the areas of public concern and increasing efficiency of decentralization. It is not that, efforts have not been made to maintain fiscal discipline and reforms; implementation status, however, could not be made satisfactory with respect to programs such as poverty alleviation and employment generation, improvement in investment climate, promotion of foreign investment and exports and revival of the tourism sector. This was caused by the internal conflict, violence and absence of unanimity on major issues such as peace and development among responsible political parties.
11. Availability of adequate resources has been guaranteed to those projects categorized as priority one in conformity with the Medium Term Expenditure Framework (MTEF) in order to enhance the productivity and effectiveness of public expenditure. Efforts are being made to reorient programs so as to make them target-oriented within the framework of Poverty Reduction Strategy Paper (PRSP) and the Tenth Plan.

Present Challenges

Fellow Sisters and Brothers,

12. Poverty still remains a major challenge of the country. A Living Standard Survey of Household, 1976/77 revealed that 33 percent of the population was living below poverty line. But the incidence of poverty has rather intensified and stood at 38 percent at the end of Ninth Five Year Plan , attesting to the fact that our efforts in poverty alleviation were either misplaced or insufficient. Among the three

dimensions of poverty in Nepal – income poverty, human poverty, and social exclusion - the third dimension has been the cause of social conflict and unrest in the recent years. While our entire programs and activities should focus income generation and improvement in living standards of the people, we must make sure that we rebuild a completely tolerant and inclusive society where everyone is treated equally and will have unhindered and easy access to all socio-economic opportunities without discrimination of any form whatsoever.

13. While most of the remote mountain areas remain already deprived of basic development facilities and infrastructure required for a decent human living, the infrastructure built with so much efforts in several parts of the country has been destroyed to its worst. The allocation of huge amount of resources needed for rehabilitation and reconstruction of those infrastructures would now create a crowding out effect on the new construction of infrastructures in needy areas.
14. Public sector governance has remained very weak in recent years. Weaknesses are not only physically visible but are also contributing to accumulated liability to the exchequer. Government is required to invest over Rs.100 billion to get rid of non-performing and loss making state -owned enterprises. Results of School Leaving Certificate Examination just published further attested the fact that more than Rs.12 billion spent every year on school education is wasted largely due to the weak and ineffective management. Government's decisions, especially on economic matters that affect people at large, are not being made transparent, thus giving an impression of corruption and misuse of public resources.
15. As the large share of revenue is being spent to meet regular expenditure, development expenditure is increasingly dependent on domestic borrowings and foreign assistance. Donor communities still remain very much positive and aid commitment has been increased despite the fact that overall situation is complex and difficult. There is a possibility that aid commitment could decrease and resources needed for development expenditure unmet, if the governance continues to remain weak.
16. The quality of assets in the banking sector is one of the most important indicators of the sound health of the economy. Public sector commercial and development banks are with a huge portfolio of unproductive and non-performing assets. As borrowers have not been complying with the repayment schedule, the volume of the bad debt has been on rise. On one hand, there is a growing tendency of misusing public savings, on the other, investment-friendly and environment-conducive incentives for honest investors are absent. To cope with these problems, it is necessary to maintain fiscal discipline, ensure transparency and effective supervision, and create profitable business environment in the country.

Objectives and Strategies

Fellow Sisters and Brothers,

17. The mission of this budget is to contribute to political and socio-economic transformation and advancement of Nepalese society through people-government partnership and collaboration.
18. While continuing the poverty alleviation and economic reform policy and programs, following 10 working policies will be adopted to achieve the above mission:
 - a. Place special emphasis on the programs of poverty reduction, regional balance, employment promotion, and social justice within the framework of Tenth Plan's growth target, fiscal balance and policy structure.
 - b. Adopt policy of collaboration and partnership among the government, people's institutions and organized private sector for the selection and implementation of development projects.
 - c. Enhance public ownership in the existing and new economic units and infrastructure to effectively tap private savings and efficiency for the growth in national production. In this process, make maximum use of stock market for the transfer of ownership of state-owned trading and industrial enterprises.
 - d. Develop appropriate standards and norms for performance evaluation of state-owned enterprises with a view to enhancing their efficiency and effectiveness and, on the basis of such evaluation, decide on the continuation or dismissal of top management.
 - e. Impose strict financial discipline, expedite and intensify the anti-corruption drive, and practice the principles of transparency in the financial decisions of the government.
 - f. Encourage competition, efficiency and excellence in the economy by discouraging and controlling monopolistic behavior.
 - g. Provide income-generation and employment opportunities to women, Dalit, the oppressed and the people of backward community, who have long been in the vicious circle of poverty due to age-old traditions of social exclusion,

for their social and economic upliftment by ensuring their active and fullest involvement in all programs of economic and social development.

- h. Accelerate people-government joint action to ensure sustainable peace.
- i. Reorient the government machinery to become a responsible institution respecting the people and making quick, lawful and rational decisions.
- j. Restore confidence of the people on the government's commitment and its implementation.

Development Policy, Programs and Resource Allocation

Fellow Sisters and Brothers,

- 19. Complete restoration of peace in the country is imperative for ensuring successful implementation of above-mentioned working policies. Keeping this fact in mind, the present government, giving paramount priority to constitutional monarchy, well being of Nepalese people, national interest and democratic principles, is involved in peace process with all its good intentions.
- 20. The programs for the current fiscal year will help implement, as targeted, the above- mentioned 10 policy actions. Budgetary allocation of Rs. 60 billion 555 million as regular (recurrent) and Rs. 41 billion 845 million as development expenditures totaling Rs. 102 billion 400 million has been made for the implementation of these policies and programs. Of the total allocation, Rs. 29 billion 292.9 million is allocated for capital expenditure and Rs. 73 billion 107 million for recurrent expenditures. This allocation to capital cost is higher by 9.8 percent as compared to the allocation of fiscal year 2002/03, and is 38.0 percent higher than the revised estimate.
- 21. Of the total recurrent expenditure, 24 percent or Rs.17 billion 550 million is allocated for domestic and external debt servicing. Similarly, 52.7 percent or Rs.38 billion 500 million is estimated to be spent on the payment of salaries, allowances and pensions of civil, army and police personnel, and teachers. It is not possible to reduce this large sum of recurrent expenditure immediately and at one time. For this, long-term commitment and continued efforts are necessary. Considering this fact, while containing the regular expenditure to the extent possible, development expenditures have been allocated on the basis of project prioritization by focusing the limited resources to achieve the targeted budgetary strategy.

22. In order to achieve the development objectives of the Tenth Plan by remaining within the above-mentioned strategies and targeted policy options, development budget for the fiscal year 2003/04 has been allocated. Besides, budgetary allocation is made for the implementation of the action plan related to reform programs, economic reforms, and for reconstruction and rehabilitation.
- a. Rs. 17 billion 470 million for the achievement of the target of higher, sustainable and broad-based economic growth, of which Rs. 2 billion and 340 million for economic reforms program,
 - b. Rs. 16 billion 300 million for social sector and rural infrastructure development, of which 800 million for reconstruction and rehabilitation,
 - c. Rs. 2 billion 980 million for the implementation of targeted programs to achieve the objectives of social inclusion, and
 - d. Rs. 5 billion 90 million for the implementation of the programs on good governance.
23. With the objective of maximum utilization of available financial resources, development programs and projects are prioritized according to Medium Term Expenditure Framework (MTEF). Adequate budget will be allocated to the priority one (P1) projects with arrangements to ensure performance based funding without any constraints. Out of total development budget, 72.5 percent is allocated for P1 projects.
24. As compared to fiscal year 2002/03, the development budget for Far-western and Mid western development regions that are deprived of adequate economic infrastructure and opportunities for social development has been increased by 34.3 percent or Rs. 6 billion 460 million in fiscal year 2003/04. Allocation in the transport sector for these two development regions has been raised by 214.9 percent in fiscal year 2003/04 in comparison to fiscal year 2002/2003. In addition to the access to road transport facility, these regions will have significant increase in the employment opportunities at the rural level.
25. I now propose the details of development policy and programs for the fiscal year 2003/04.
- a) **Higher, Sustainable and Broad-based Economic Growth.**

Agriculture, Irrigation and Forests

26. Recognizing the fact that the Agricultural Perspective Plan will guide agricultural development programs of the government, emphasis will be given to marketing and commercialization of location-specific particular agricultural crops on the basis of geographical feasibility.
27. Involvement of more farmers through land consolidation is essential for the commercial production of cereal, cash crops, fruits and livestock with the application of improved technology. The government will provide on-the-spot as well as full-time technical support, irrigation facilities, agriculture roads, marketing services, and interest subsidy to the farmers if organized as a cooperative of more than 25 farmers. The Ministry of Agriculture and Cooperatives will formulate the detailed guidelines by mid-October 2003.
28. With the objective of enhancing farmers' access to assets, at least three government owned agricultural farms will be leased out at least for 10 years for the purpose of the production as per farm objectives. Such lease agreement will be made with the organized farmers' cooperatives formed on cooperative principles. Ministry of Agriculture and Cooperatives will formulate its working procedures and implement them by the first trimester of this fiscal year. This will be a significant beginning of people-government partnership on the management of national assets.
29. In the context of failure in achieving the expected results from the government investment on agricultural farms, a two-way management system will be introduced at horticulture centres of Nawalpur and Sarlahi, fisheries development centre of Makwanpur and livestock farm of Pokhara in the fiscal year 2003/04. Objective of this measure is to increase the productivity of assets of such farms and motivate the farmers of these areas to adopt the improved technology. Under this system, agricultural farms of HMG/N, in addition to their regular activities, can generate income by carrying out commercial activities. Out of additional net income generated through such activities, 15 percent will be deposited in the government treasury and the rest can be utilized for the maintenance of farms and incentives to the employees. With the introduction of such a system, utility and the productivity of farms will be enhanced and the financial liability of HMG/N will gradually decline. Ministry of Agriculture and Cooperative will formulate its working procedures and implement them by mid-September of 2003.
30. Department of Agriculture and Department of Irrigation will jointly initiate on-site water management system in 20 districts. Irrigation Regulation, 2057 B.S. will be amended in order to make Water User Groups (WUGs) financially self-reliant, and empower them to collect water use charges.

31. Fifty Farmers Field Schools in Mid-Western and Far-Western regions will be run to assist the farmers in Integrated Pest Management (IPM) and increase their crop production and productivity. Agricultural Development Fund for farmers of six districts of the Kingdom will be established. Of these, four will be established in the districts of Mid-Western and Far-Western regions.
32. District level agriculture extension services are being carried out through District Development Committees since fiscal year 2002/03. As the experience of the first year has been encouraging, this will be further strengthened.
33. Three thousand small irrigation projects will be implemented under the food and nutrition security program. A special goat-raising program will be implemented in 19 districts of Mid-Western and Far-Western regions under the third livestock development project. This program will benefit 500 freed bonded-laborers and 1,700 *dalit* households.
34. Conservation, technical experimentation and development of various genetic agricultural resources will be emphasized with a view to building a firm foundation for enhancing agricultural productivity and crop diversification.
35. Besides already established commercial tea estates of Jhapa, Ilam, Panchthar, Dhankuta and Terathum, development of commercial tea farming in Sindhupalchowk and Nuwakot of Central Region has been initiated. In fiscal year 2003/04, necessary assistance will be provided for the development of tea farming in Bhotechaur of Sindhupalchowk, and Kakani, Deurali and Tame of Nuwakot districts. Sixty percent interest subsidy on loans for new tea farming and a three percentage point interest subsidy for old tea farming will be provided for the development and promotion of tea industry.
36. Livestock insurance will be launched through Agriculture Development Bank and Credit Guarantee Corporation in 30 districts including Rasuwa, Jajarkot, Humla, Dolpa, Mugu, and Kalikot to protect farmers against the loss of their livestock. The existing scheme of 50 percent subsidy on insurance premium will be continued.
37. Carpet business in Nepal started more than two decades ago, but no effort has been made to benefit the rural areas from this industry, as wool is not yet being produced in the country. His Majesty's Government will support the initiation of wool and carpet entrepreneurs to establish a new company for producing wool within the country. Sheep farming will be initiated with the leadership of the private sector and the government support, so that raw material for the carpet industries, even if in a limited quantity, will be available within the country. I would like to inform that a formal proposal has already been received from private sector in this regard as per the government-people partnership concept. I believe that this effort of cooperation

and understanding between public and private entrepreneurs will be an important beginning to ultimately benefit the farmers from the export industry.

38. Floriculture has been expanding in Nepal and Flowers' production is expected to be an important exportable item in future. So, with a view to encouraging this business, a three percentage point interest concession will be provided on loans to the organized sector of this business.
39. Dairy business has been expanding in the country since last few years. It is necessary to encourage this business, which plays an important role in increasing employment and income in rural areas. The present tariff on electricity used for milk chilling throughout the country will be reduced by 50 percent. In the process of increasing milk-based products, a cheese factory will be established in Chipa Bhanjyang, the border of Kathmandu, Sindhupalchowk and Nuwakot districts.
40. The government believes that the ownership and management of milk processing industry should be under the producers themselves. This arrangement will provide value added benefits to the farmers. Accordingly, beginning FY 2003/04, HMG/N will initiate the transfer of processing centers of the Dairy Development Corporation to dairy producer cooperatives on the basis of specific valuation norms. Such cooperatives will collect share capital by deducting certain amount at the time of the payment for milk, and the dues of the government will be paid out of this collected capital. With this step, a new campaign will be launched to make all farmers the real owner of the dairy industry.
41. To link rural agro-business with the market and develop local infrastructure as per the Agricultural Perspective Plan, Rs. 318.7 million has been allocated for Local Infrastructure Development and Rural Roads.
42. To date, Nepal Food Corporation has been buying rice in the Terai and selling it in the remote areas. This provision has saggged the motivation of increasing food production in the hills. To improve this situation, a program of food procurement at the local level will be initiated. Under this initiative, procurement price of local produce in the remote areas will be fixed equal to the total of purchase price in the Terai plus cost of transportation by Nepal Food Corporation to the destination. A program of food grain procurement from the local farmers at such price will be launched. I believe that such an incentive will help increase food production and purchasing capacity in rural areas.
43. At present, operation of commercial banks is mainly limited to the urban areas. An Agriculture and Rural Development Bank will be established with participation and ownership of all commercial banks to use their resources, even if in limited quantities, in rural areas. The management and operational responsibility of this

bank will remain with the private sector. HMG/N and Nepal Rastra Bank support this endeavor while private sector initiates the Bank. It is expected that this program will be a new attempt for the positive understanding between the people and the government. It is also expected that this new alternative of the capital flow in rural area will create a competitive environment thereby enhancing the efficiency of Agriculture Development Bank.

44. In order to implement agricultural-related policies and programs, Rs. 2 billion 200 million, which is 20.6 percent more than revised estimate for the fiscal year 2002/03 has been allocated.
45. Round the year irrigation facility is needed to increase crop production. Irrigation program will be launched with a target of increasing the fully irrigated area by 2,41,600 hectares by the end of the Tenth Plan. In addition, the government will pay special attention to the repair and maintenance of already completed big and medium sized irrigation projects. Attention of the government will also be focused on ensuring round the year irrigation to 280,700 hectares of land from such projects.
46. Allocation for 22 deep tube-well schemes in the districts of Jhapa, Sunsari, Siraha, and Saptari has been made.
47. Bagmati Irrigation Project will be completed in the fiscal year 2003/04; and Sikta Project will be started.
48. Rs. 582.8 million has been allocated for water-induced disaster prevention and river training.
49. Community Forestry Program will be undertaken as a strategy for forestry development, conservation and utilization. Leasehold Forestry and Forage Development Program will be implemented through landless farmers and low-income people. A legal provision will be introduced to make available institutional credit to forest user groups to carry out forest-based business and industries under the community forestry program.
50. Nepal has been contributing to the balanced global environment by preserving its 18 percent land for national parks, conservation areas and wildlife reserve. In addition to conserving the environment, the year 2003 has been observed as an Eco-Tourism Year to develop the areas as a means to help poverty alleviation and income generation. In order to effectively utilize the conservation areas for tourism development and poverty alleviation, interested Non-Governmental or other institutions will be provided the conservation areas from the FY 2003/04 except the Royal Chitwan National Park, Royal Bardiya National Park, Sagarmatha National Park, Langtang National Park and Royal Shuklaphanta Reserve on condition of not

compromising environment and biodiversity conservation. From this arrangement, new opportunities for employment and income generation will be created and will have a positive impact on government revenue as well.

Private Sector, Trade, Industry and Exports

Fellow Sisters and Brothers,

51. The government highly values the role of the private sector in economic development, and realizes that the private sector can thrive only under liberal and hassle-free environment.
52. The Tenth Plan envisages that more than 70 percent of investment would be channeled through the private sector. One of the main factors of the plan's success is the greater participation of the private sector. Keeping this fact in view, the Government, under its people-government partnership initiative, will encourage Build-Own-Operate-Transfer (BOOT) process to build various infrastructures in the country. In order to materialize it the Government will enact BOOT related necessary laws mid-August 2003. After the enforcement of this law, the process of building Kathmandu-Hetaunda new highway and other Expressways, and infrastructures like bridges, warehouse in custom area, public housing, electricity will be expedited. I would like to inform that one of the major umbrella institutions in the field of industry and commerce – Confederation of Nepalese Industries (CNI) – has formally proposed their interest to build Kathmandu–Hetaunda Express Way on the BOOT procedure. I hope that the conception and process of BOOT would open a new avenue for people-government partnership, and help private capital orient towards infrastructure building, increase in production and promotion of employment.
53. The government is trying its best to create an environment to attract investment in easy and hassle-free manner especially from Nepalese nationals gaining intellectual and entrepreneurial capability from abroad. A conference of Non-resident Nepalis (NRNs) will be organized during the first trimester of the FY 2003/04 under government initiatives. Based on the recommendations of the conference, necessary legal provisions will be made to increase Non-resident Nepalis' investment in Nepal. Similarly, economic diplomacy will be intensified to promote foreign investment in Nepal.

54. Government's policy has long been to make privatization as an effective means of increasing economic efficiency. The actual process of privatization, however, has been questioned and disputed in public. In fact, due to frequent political intervention and lack of financial discipline in state-owned enterprises, these important economic units have instead become a burden to the nation. In order to improve this situation, following process of privatization will be adopted:
- Necessary laws regarding fiscal transparency will be enacted within the first four months of the fiscal year 2003/04.
 - After the enactment of fiscal transparency laws whole process of privatization will be made legally transparent and all decisions regarding privatization will be made available to all interested parties.
 - Stock Market will be made involved in the process of privatization as far as practicable.
 - The privatization list will include not only loss making state-owned enterprises but also profit-making ones. In this process, Nepal Tele-communication Corporation will be converted into a company and the process of selling its ownership to public will be started by mid January 2004. This will create an environment where people's ownership, participation and control can be effectively established in the economic assets owned by the government. The government has adopted the policy of transferring more than 50 percent of its ownership in the state-owned enterprises to public through the stock market, also considering its capacity and elasticity. Same process will be applied to sell the shares of Rastriya Beema Sansthan, as well. The process of privatizing, liquidating or dissolving 9 state-owned enterprises started in FY 2002/03 will be completed in FY 2003/04.
 - The policy of competition will be adopted in the case of state-owned enterprises that are not practical for privatization. Under this policy, the efficiency of Nepal Oil Corporation can be improved. Presently, Nepal Oil Corporation has a monopoly in importing petroleum products. From now on, companies wholly owned by Nepalese entrepreneurs or with 50 percent foreign equity participation and registered in Nepal will be allowed to import and deal in petroleum products; for this purpose, suitable regulatory mechanism will be put in place and standards for paid-up capital and storage facility will be specified. This arrangement will create environment of competition in petroleum business and help improving the efficiency of Nepal Oil Corporation.
 - In case of enterprises that cannot and will not be privatized, performance indicators consisting of factors, such as actual capacity utilization, installed

capacity, asset turnover, profit, return on investment, worker's productivity, use of raw materials, yield, etc. and norms for economic efficiency and labor productivity will be prepared. Performance contract will be signed jointly with Board of Directors and General Managers of the state-owned enterprises based on the above criteria. Members of the Board and General Managers will automatically be dismissed if the performance of the enterprises is less than 50 percent of the set criteria. Similarly, the top management will be awarded if the performance of such enterprises is above 80 percent of the set standards. Management appointed through this process will be given sufficient time to meet set criteria and will not be removed from office at least for two years, and necessary management autonomy will be guaranteed to them. Along with this, in order to maintain tight fiscal discipline, the chief executives of state-owned enterprises, unable to complete their books of accounts audited within 6 months after the completion of the fiscal year, will automatically be removed from their office. I am confident that such managerial and fiscal discipline would help increasing performance of state-owned enterprises and minimize their losses. Detailed policy framework regarding this is given in the appendix 11.

55. In order to provide organized shape to scattered handicraft industry a 'Handicraft Village' will be established at Bungmati of Lalitpur district. Under the concept of public-private cooperation, the Government will make provisions for land and transportation facility, and Handicraft Association will make all other investments. I would like to inform that the Government has received concurrence and commitment from the Handicraft Association to this effect.
56. Handicraft goods are exempt from Value Added Tax (VAT). If industries are not registered in VAT, they are not allowed to participate in government tender bidding procedure to supply goods and services. This provision has created difficulty to handicraft industry to participate in the bidding procedure. In order to resolve this problem, handicraft industries will be allowed to participate in the government tender bidding procedure in spite of their not being VAT-registered. Similarly, as there is no proper mechanism of issuing certificate of origin to Nepalese metal craft producers, they are facing problem of exporting their products. From now on, the certificate of origin issued by Handicraft Association will be sufficient documentation for export. I hope, this mechanism will reduce the hassles and encourage small handicraft entrepreneurs.
57. Designing is important for the promotion of handicraft industry. If the Handicraft Association bears the 50 percent of the cost of establishing a new Handicraft Design Center, the Government will bear the remaining cost as a partnership with private sector.

58. In order to assist and encourage textile industry, foreign exchange concession will be granted on the importation of yarn—of the type not produced in Nepal—from India. I am confident that this will reduce the production cost of textile, enhance competitiveness and promote employment in this sector.
59. Until now, industrial enterprises located in industrial estates do not have land entitlements. While such enterprises cannot use the land as collateral for loan financing, the government is deprived of financial resources for the establishment of additional industrial districts. Keeping this in mind, His Majesty's Government will sell such leased lands to concerned industrial enterprises at a rate slightly lower than the prevailing market price. The amount received from such sale will be invested in the construction of new special economic zones. For the development and administration of Industrial Districts, Export Processing Zones, Recreational Zones, and Special Trade Zone, a Special Economic Zone law, with the provisions of flexible labor policy, will be formulated within six months. The government will ensure the provision of essential infrastructures, including information technology services, banking service, security and simplified tax and customs services in special economic zones. In connection with the establishment of special economic zones, infrastructure development will be initiated in the vicinity of Birgunj, Panchkhal of Kavre and Ratmate-Jiling-Devghat areas of Nuwakot in the fiscal year 2060/61. An amount of Rs. 42.5 million has been allocated for the speedy completion of ongoing export processing zones and for the construction of infrastructures for new special economic zones. I am confident that the concept and the plan of special economic zones will be important for the industrial development, export promotion and industrial employment.
60. A healthy and constructive competition helps foster private sector development and consumers can get quality goods and services at reasonable prices. In the absence of strong regulatory mechanism, monopolistic trend develops in the market. This trend must be stopped in the interest of investors, consumers and general public. Hence, law related to competition will be formulated within mid January 2004 in order to ensure healthy competition and to stop distortions resulting from carteling.
61. Necessary amendments in the law will be made to eliminate the requirement of road permit for all highways in order to ensure competitive environment in transport sector, to eliminate monopoly and carteling, and to do away with administrative rent-seeking emanating from control regime.
62. A provision has been made to provide refinancing of up to Rs. 1,500 million from Nepal Rastra Bank to industries falling sick due to economic recession. The present system of paying 25 percent of accrued interest to be eligible under this program

from the banks has been relaxed. From now on, sick establishment will be eligible to receive loan or restructure credit by paying 12 percent interest.

63. In order to reduce the expenses of the exporters and minimize administrative hassles, "one-time-lock system" will be introduced under which re-inspection at custom points will not be done for goods consigned in sealed containers after inspection from customs office in Kathmandu.
64. It is imperative to institutionalize Export Houses in the context of competitive global economy and also in the context of Nepal's accession to WTO. His Majesty's Government will encourage establishment of Export Houses to attract private entrepreneurs and businessmen. These companies will be entitled to get all facilities and concessions enjoyed by manufacturer-exporter if they export products of Nepalese manufacturers. I believe that this policy will result into establishment of organized export houses and help facilitate especially small producers to export their products.
65. In order to promote export, the present system of export service charge has been abolished and most of the export duties have been reduced. The rate of income tax on export income has also been brought at par with the rate applicable to manufacturing enterprises.
66. Double taxation on dividend has been abolished to protect the interest of private sector and investors as well as to boost investment and savings and to give new dynamism to capital market.
67. At present, sole trading and partnership businesses are required to renew their registration every year. This system will be replaced by suitable amendment in the law to require renewal only once in five years.
68. Bonded warehouse facility will be provided to industries importing industrial raw materials or semi processed materials with a view to exporting more than 80 percent of the finished goods to India or the third countries produced from such materials. I believe that this will increase industrial production and enhance export.
69. Cyber law will be formulated to contain fraud and misuse in internet technology. The government will also encourage software export. Substantial work of Technology Park in Banepa will be completed in fiscal year 2003/04.
70. A sum of Rs. 503.9 million has been allocated for the development of industrial sector.

Tourism

Fellow Sisters and Brothers,

71. With the beginning of FY 2003/04, emphasis will be given for the promotion of regional tourism. In this connection, different promotional activities including advertisement will be carried out through Nepal Tourism Board in association with private sector to attract more tourists from SAARC countries and neighboring country China. An arrangement has been made to waive visa duties for tourist coming from SAARC countries and neighboring country China. I believe that the number of tourists visiting from these countries will increase to 2 hundred thousand annually upon implementation of these regional tourism promotional activities.
72. As tourism business in Nepal is still in crisis, it deserves government's support. To this end, visa fee has been waived to those tourists reentering the country within one year of 15-day long stay in Nepal. Similarly, visa fees have been waived to those tourists who wish to enter Nepal only for three days or less. I believe that these measures will help to develop Nepal as a regional tourism hub and will also help expansion of employment opportunities and economic activities.
73. In order to reduce the expenses of trekkers and attract more mountain tourists, the provision of deputing environment officer for Upper Mustang, Humla, and Byas region of Darchula has been abolished.
74. In order to attract domestic and foreign tourists and pilgrims, necessary investment will be made in places like Halesi, Sworgadwari, Muktinath, Janakpurdham, Devghat, Lumbini, Ridi, Pathibhara and Kakani which are sacred and beautiful places of the kingdom in terms of religion, culture and nature.
75. The role of Royal Nepal Airlines Corporation for the promotion of tourism industry has been an important one. The economic condition and commercial capacity of the corporation has declined since last few years due to various reasons including political interference and financial indiscipline. It is necessary to restructure the corporation in order to run it on the basis of competition and efficiency in the days to come. In this context, the following steps will be taken before mid-January 2004:
 - a. The property of Royal Nepal Airlines Corporation will be assessed from which net asset will be determined by deducting total liability.

- b. The corporation will be registered under the Company Act as two separate companies for domestic and international operations.
 - c. The net asset of the Corporation will be divided between both new companies.
 - d. Both new companies will be operated under the investment of national or international investors or foreign airlines companies or both with a maximum of 80 percent of the net asset of these two companies. In this process, Nepalese investors will be involved in the ownership of the new companies through Stock Exchange. I hope that this will set a new example in the national economic arena as a people-government partnership.
 - e. The services of the permanent employees of the corporation will be guaranteed in this process of changes.
76. In order to begin the construction of an alternative international airport, selection of appropriate site and project proposal will be decided on the basis of Build-Own-Operate-Transfer (BOOT) scheme within this fiscal year.
77. Programs for the development of tourism sector will be implemented with the participation of private sector and Nepal Tourism Board. In addition to the resources of the private sector and the Board, Rs. 53 million has been allocated for the development of this sector.

Road and Transport

78. Roads Board will be fully activated in fiscal year 2003/04. The Board will have its financial resources from a levy on petrol and diesel and from road tolls. I expect that the Board will effectively carry out maintenance of the highways and other roads.
79. At present, the number of motor vehicles is on the rise in various urban areas of the Kingdom, while no expansion of urban roads has been made accordingly. The existing roads are also not in good condition. It is obvious that various urban areas including the city of Kathmandu will be in difficult situation in the coming years due to excessive influx of motor vehicles. So, it is necessary to initiate new measures to ensure extension and maintenance of urban roads by using our own resources without relying totally on foreign assistance. Taking this fact into considerations, Urban Roads Construction and Maintenance Fee is imposed with immediate effect on vehicles at the time of their registration. Arrangement has been made to utilize

the total amount collected from such fee for the extension of urban roads in the Kingdom.

80. Not only the urban roads, even the feeder roads are in their worst condition. Hence, arrangement will be made to give responsibility to the user groups for maintaining such feeder roads. The government would contribute 50 percent of the costs, whereas the user groups and the concerned municipalities are expected to contribute 20 percent and 30 percent respectively.
81. Roads transport has been considered one of the important means of integrating the nation by connecting different geographical regions. In the context of Government's policy to provide motorable road facility to 70 District Headquarters by the end of the Tenth Plan, construction of motorable roads connecting district Head Quarters of Darchula (Khalanga), Bhajang (Chainpur),Kalikot (Khadchakra-Manma) and Jajarkot (Khalanga) district will be completed in FY 2003/04.
82. Rs. 460 million has been allocated for the construction of Karnali Highway (Surkhet –Jumla Sector). For Bisheshwor Prasad Koirala Road (Banepa-Sindhuli-Bardibas) including Nepalthok Portion, Rs. 400 million has been allocated. Similarly Rs. 100.5 million has been allocated for the construction of Naradmuni Thulung Road (Hile-Leguaghat- Bhojpur).
83. A sum of Rs. 957 million has been allocated for the Road Maintenance and Development Project and Rs. 290 million for repair and maintenance of different roads.
84. Rs.1 billion 360 million has been allocated for the construction of different roads in the districts of Mid-Western and Far-Western regions. I am confident that substantially increased allocation in these regions will bring new dimension for the development and in creating employment in that region.
85. Out of 102 bridges under construction in different highways and feeder roads, construction of 30 bridges will be completed in FY 2003/04. For this purpose, Rs. 465.5 million has been allocated.
86. A total of Rs. 5 billion 390 million has been allocated for the development of roads transport sector.

Power Development

87. Government's direct investment on large and medium-sized power projects will be gradually reduced after the completion of Middle-Marsyangdi, Chameliya and

Kulekhani III. Private sector investment will be encouraged in new power projects. In order to facilitate the process of private sector investment, a Power Development Fund will be established in the fiscal year 2003/04. The fund will channel loans to the private sector for the construction of medium-sized power projects.

88. Construction of small hydropower projects in Heldung of Humla and Gamgadi of Mugu will be expedited.
89. With a view to making maximum use of the available electricity generation capacity and also to improve the quality of service to the customers, special and concessionary electricity tariff will be introduced during the rainy season and off-peak periods. Electricity tariff will be reviewed at the end of every fiscal year. During the rainy season, electricity to industries will be supplied at lower than the regular rate.
90. Expansion of electrification is an important infrastructure of development. Hence, in addition to broadening the public investment in this sector, a concept of partnership between the government and the people will be advanced. Government has raised the level of allocation in rural electrification by Rs.1.0 billion. Also, in order to put into operation the concept of the public ownership in rural electrification, Nepal Electricity Authority (NEA) will transfer the responsibility of electricity distribution to Municipalities. Similarly, such responsibility will be given to electricity cooperatives to be formed at the village level. In pursuance of this policy, NEA will sell electricity to Municipalities and Cooperatives at the bulk rate and these institutions will sell electricity at the consumers level. The spread between the bulk rate and the fees to be collected from the users will be the source of income to Municipalities and Cooperatives. Such an arrangement is expected to effectively contain leakages of electricity and also gradually establish public ownership of electricity distribution mechanism. With the objectives of moving this policy ahead and encouraging the involvement of the people in the extension of rural electrification, the Government will provide 80 percent of the capital cost of rural electrification to District Development Committees and Rural Electricity Cooperatives willing to do so. The result of this program will be that the responsibility of institutional leadership for rural electrification and investments thereon will lie upon people owned electricity cooperatives and District Development Committees.
91. Considering expansion and operation of rural electrification under the concept of people's ownership, a capital grant of Rs. 75,000 will be provided to the Village Development Committee, Municipality, District Development Committee or a village level electricity Cooperative, which individually or jointly design a hydropower project to generate up to 500 KW electricity. This arrangement is expected to begin

a new campaign of "Village Development: A Basis for People's Ownership" with government-people partnership.

92. The Government is aware of the developmental aspirations and needs of the people living in the vicinity of large hydroelectric power projects. As an expression of this realization, Rs. 197 million has been allocated for the implementation of a "Neighborhood Support Program" around Middle-Marsyangdi Hydro Power Project area.
93. A total of Rs. 6 billion 920 million has been allocated for the development of electricity sector.

Foreign Employment

94. There has been a sharp rise in overseas employment since few years. But, credit provision for overseas employment seekers could not be simplified. As a result, people from the economically deprived communities could not utilize such opportunities as much as necessary. Effort of the government alone towards this end has not been much effective. Therefore, the government will sympathetically consider the establishment of Nepal Employment Bank based on people - government understanding. The Overseas Employment Association has formally agreed to invest in the establishment of the bank. The main function of the bank will be to provide credit to workers going abroad with a guaranteed employment. Also, the bank is expected to work as formal channel of foreign workers remittances into Nepal.
95. People belonging to economically deprived and Dalit communities have not been able to utilize overseas employment opportunities to a desired level, as required initial investment has been very high. It is necessary to bring an end to this situation and create an environment where people of deprived, Dalits and insurgency affected communities will not require initial investment of large sums of money for overseas employment. To resolve this situation, steps will be taken to enter into Government-to-Government Agreement with the countries where Nepalese workers fulfill their labor requirements. Under this arrangement, a fixed portion will be deducted from the salary of the worker employed under such Agreement and paid back to the employment agency. This arrangement will bring an end to the present situation of requiring huge initial investment before getting an employment.

96. As Foreign Employment Rules, 1985 has been found to be more control oriented; it will be amended by mid October 2003 to make it more oriented toward employment promotion.

b) Social Sector and Infrastructure Development

Education

Fellow Sisters and Brothers,

97. There is no doubt that building a cultured, civilized and disciplined society is possible only through the provision of quality education. Unfortunately the Nepalese education sector and quality of educations is gradually deteriorating these days. There is grievance of the general public that teachers do not take the responsibility towards their schools and the community. Further, the public grievance is also that the teachers, who are bestowed with the responsibility of creating cultured, civilized and disciplined citizens, majority of them are themselves indulged in active politics, Not only this, unknowingly they are dragging innocent minors into politics. The present school inspection system and monitoring mechanism is incapable of correcting these anomalies. In order to overcoming such anomalies and to making teachers responsible to toward schools and the communities, Government will continue to hand over the schools to the Local Management Committees. It is expected that the guardian's participation in the management of the schools will no longer allow their children to engage in politics and this will also enhance the level of teaching and learning activities in such schools. In this process at least 600 schools will be handed over to the Local Management Committee. The regular grant to these schools will be continued and additional Rs. 100, 000 will be provided to schools as an incentive for the improvement of their standard.
98. In order to materialize Nepal's commitment to international goal of "Education for All by 2015", an intensive and broad literacy campaign will be launched in eight districts to eradicate illiteracy in this fiscal year. Priority will be given to youths of the program districts to work as teachers who have passed the class 10 examinations to become teachers. Preference will be given to girl students of the same district. This program is expected to provide employment to more than four thousands unemployed literate youths in their districts. A total of Rs.77.3 million has been allocated for this purpose.

99. Both the private sector and community has been playing an important role in the development of education. In past the Government had not supported the primary schools and they were run by the community themselves. The government is serious and responsible for primary schools and has adopted the policy to assist them with available means and resources. Hence, a policy of providing community managed schools—maintaining predetermined teacher student ratio—with a maximum of salary of one teacher or $\frac{1}{4}$ of the salary bill. I am confident that the people-government partnership will contribute toward enhancing education sector.
100. Necessary measures of cost-recovery will be adopted in higher education. Accordingly, the campuses affiliated with Tribhuvan University will be encouraged to utilize their physical facilities for productive use and training programs to generate more income. The campuses with their own decision can utilize such income to provide additional financial incentives to the teachers on a certain accepted standards.
101. Participation of students from Dalits and ethnic communities as well as girls is relatively low in school education structure. A policy of providing additional grant has been adopted in pursuance of affirmative action. According to this policy, community schools being run on government grant will receive such additional grant as follows, with an appropriate monitoring mechanism in place:
- a) Schools of 20 districts whose rate of girl students' enrollment is lower than the national average of 44.8 percent will receive 25 percent grant in addition to the regular grant upon raising such enrollment rate to over 45 percent and retaining it throughout the year.
 - b) Schools of Mid-Western and Far-Western Regions, whose enrollment of students from Dalits and ethnic communities is over 30 percent, and maintain it throughout the year will receive 25 percent grant in addition to the regular grant.
 - c) Schools which fulfill both conditions will receive grants provided under both provisions stated in clauses (a) and (b).
 - d) Half of such additional grants will have to be utilized to provide incentives to the teachers and the other half could be utilized for school infrastructure by a decision of the school management committee.
102. At present, the quality of public educational institutions is not found improved. Due to this reason, the gap of quality and standards between the private and public schools has widened. It has thus become necessary to take multidimensional steps

to solve this problem. Starting from this year, an additional grant of Rs.400,000 per school will be provided to schools of rural areas securing more than 50 percent of the successful result in SLC exams to enhance quality education of these schools. At least, half of this additional grant can be utilized in teachers' facility and the remaining half for physical facilities of the school by a decision of school management committee. It is believed that this policy will help to enhance the quality of education by increased competition among the schools thereby motivating teachers to provide quality teaching.

103. The lower access of Dalits and ethnic communities to higher education is a matter of grave concern. Our experience shows that this will automatically result in their lower participation in the economic and administrative arena of the country. His Majesty's Government has decided to adopt a policy of affirmative action in accordance with the principle of distributive justice to improve this situation. According to this policy, all the Colleges and Universities depending on Government grant will have to provide compulsory admission to at least 20 percent girls, 10 percent to the ones belonging to *Dalits* and 15 percent from ethnic community in every admission session. I believe that this policy will have far-reaching and catalytic impact on the governance structure of the nation.
104. All the children from Dalit families admitted in primary schools will be provided with scholarships. An amount of Rs. 81.7 million has been earmarked for this purpose.
105. Rs. 270 million has been allocated for the extension of physical facilities of public schools.
106. Under the people-government-private sector partnership program for the promotion of vocational education, trade schools will be opened in Jhapa, Nuwakot, Kapilvastu, Surkhet and Kanchanpur, one each in five development regions. The schools will be established under the joint investment and management of HMG/N, local municipalities and the Chamber of Commerce. The concerned municipalities have to make provisions for necessary land, while HMG/N and the Chamber of Commerce jointly make the funding. Such schools will impart income generating vocational training in such fields as carpentry, plumbing, masonry, etc. Municipality and local Chamber of Commerce will have their primary involvement in the management of these trade schools. I would also like to inform you that a written commitment in this regard has been received from FNCCI.
107. An amount of Rs. 70 million has been allocated to establish Manmohan Polytechnic Institute in Biratnagar of Eastern Region in order to produce middle-level manpower with basic skills.

108. Primary School Nutrition Program will be continued and further expanded. An amount of Rs. 575.4 million has been allocated for this purpose, which is an increase by 15 per cent as compared to fiscal year 2002/2003.
109. An amount of Rs. 15 billion 470 million has been allocated for the education sector in fiscal year 2003/2004, of which Rs. 4 billion 340 million is for development expenditure.

Health

Fellow Sisters and Brothers,

110. Supply of essential drugs will be carried out as a campaign in fiscal year 2003/2004. Pursuant to HMG/N's declared policy, a total of 500 sub-health posts will be handed over to the communities in fiscal year 2003/2004. Necessary resources will be provided to support the management of such sub-health posts. Resources will also be made available for the construction of buildings for 250 sub-health posts in fiscal year 2003/2004.
111. Each family living in districts having low Human Development Index, namely, Mugu, Bajura, Kalikot, Bajhang, Jajarkot, Dolpa, Jumla, Doti, Achham, Jumla, Rasuwa, Dailekh and Salyan will be distributed medical kits. I believe that 247,000 families get benefit from the distribution of medical kits thereby improving the family health of rural people. A number of 250,000 persons will be vaccinated against Japanese Encephalitis. Mobile health service camp with expert services will be conducted in 15 districts of the kingdom.
112. Community Health Insurance Scheme (CHIS) will be introduced on a pilot basis in Morang, Dhading, Nawalparasi, Banke, Gorkha, Lamjung, Kailali and Solukhumbu districts.
113. Change has been made in the present system of collection and utilization of smoking and alcohol fees. From now on, a portion of excise duty collected from cigarette and alcohol will be earmarked every year through the budget to support programs for preventing tobacco-related diseases. Fifty percent of the earmarked budget will be used to support institutions engaged in the prevention of cancer, while the remaining 50 percent will be used to assist institutions engaged in the prevention of heart and tobacco-related diseases and also in running anti-smoking and -alcohol campaigns.

114. The present government is committed to enhancing the national capacity to control the expansion of HIV/AIDS. Priority will be given to develop the institutional capability and competence of the National AIDS and STD Control Center in coping with the disease efficiently.
115. Necessary amount is allocated to enhance the quality of services provided by Shahid Gangalal National Heart Center, National Academy for Medical Sciences (Bir Hospital), Tribhuvan University Teaching Hospital, B.P. Koirala Institute of Health Sciences and some eye hospitals, along with equipping them with modern equipment.
116. A total of Rs. 5 billion 200 million has been allocated for the health sector, out of which Rs. 3 billion 200 million is earmarked for the development expenditure.

Drinking Water

117. High priority shall be accorded to complete those water supply and sanitation projects, which give quick return and have involvement of poor, *dalit*, and women in their user committees.
118. Community Drinking Water and Sanitation Program will be launched in 1200 VDCs of 20 districts from the beginning of this fiscal year, and drinking water facility will be made available to 850,000 people by the end of the fiscal year.
119. Urban and semi-urban centers with high population growth do not have adequate supply of quality drinking water. In order to improve the situation, the government will complete the ongoing water supply projects in 15 urban centers of 8 districts in the fiscal year 2003/04.
120. Rs. 1 billion 270 million has been allocated for Melamchi Water Supply Project. In order to meet the demand, to some extent, the drinking water demand of Kathmandu valley, Manohara and Sainbu water supply projects will be completed in the fiscal year 2003/04 for which Rs. 411.5 million has been allocated.
121. Keeping in mind the objective of meeting everyone's demand of drinking water by the end of the Tenth Plan, Rs. 3 billion 460 million has been allocated in fiscal year 2003/04 to implement various water supply and sanitation projects.

Population, Environment and Human Settlement

122. In order to minimize the influx of population in Kathmandu valley and to check the growth of unsystematic urbanization, urban and environment improvement program will be implemented in emerging cities namely, Dhulikhel, Banepa, Panauti, Bidur, Kamalamai, Ratna Nagar, Hetauda, Bharatpur, and Dhadingbesi.
123. With an objective to improving the environment of Kathmandu Valley through systematic urbanization measures, laws will be promulgated to constitute an autonomous Kathmandu Valley Development Authority. The existing Kathmandu Valley Town Development Committee will be dissolved after the constitution of the authority. The authority will help develop integrated Kathmandu Valley Master Plan thereby assist the municipalities and VDCs in directing local development activities. The authority will have the representation of the Executive Chiefs of all municipalities. VDCs of the three districts will also be represented in the authority. This forward-looking policy of involving the government, municipalities and VDCs in the planned development of Kathmandu Valley will be a reflection of a strong people-government partnership.
124. National Building Code will be enforced with a view to minimizing human loss occurring due to natural disasters including the earthquake and also to promote low-cost, safe and employment-oriented building construction.
125. It is necessary to encourage electric public transport system in the country to bring about improvement in the environment and reduce the increasing rate of consumption of petroleum products. With a view to meeting this objective, in the first stage, arrangement has been made to exempt customs duties for the coming 5 years on the import of electric equipment and vehicles for operating the trolley bus services along the Kathmandu, Pokhara, Sunauli-Butwal, Biratnagar-Dharan, Birgunj-Hetauda and Nepalgunj- Kohalpur sectors. I hope this policy will encourage the private sector to invest in the electric transport system.
126. To promote environment-friendly atmosphere in the Kathmandu Valley, the Trolley Bus Service will be resumed and the existing buses and equipment will be handed over to the municipalities of Kathmandu, Bhaktapur and Madhyapur Thimi to operate the bus service jointly.
127. In the context of increasing import and consumption of petrol, an alternative source of domestic production and environment-friendly energy has to be developed. For

this, an enabling environment will be created to promote the trade for mixing the byproduct of sugar ethanol with petrol.

128. In order to implement the Government's policy to replace the 20 years old vehicles in the Kathmandu valley and to comply with the verdict of the Supreme Court, if the vehicle owners voluntarily cancel the registration of their vehicles in the Bagmati zone on the condition that such vehicles will not ply the roads of Kathmandu Valley, Pokhara and Lumbini Master Plan Area, or convert them into scrap, an arrangement has been made to register the new vehicle on the same old registration number. This will help improve the environment of the valley.
129. The restriction on the registration of new electric vehicles will be lifted and concessional tariff rate of electricity will be provided for such vehicles.
130. I would like to inform you that environmental friendly cement-brick and modern shaft brick kiln production promotion policy will be adopted. In order to encourage such industries and discourage the existing Bull Trench Kiln, the excise rate has been revised.
131. For the long-term solid waste management of the Kathmandu valley, infrastructure will be developed at Okharpauwa and a spot for short-term solid waste disposal will be prepared. Construction work at the places will be completed in the FY 2003/04.
132. Standard norms for industrial pollution will be prepared and monitoring activities will be intensified.

Rural Infrastructure and Local Development

Fellow Sisters and Brothers,

133. Emphasis will be laid on the sprinkler and pond irrigation in places where traditional irrigation facilities are not available.
134. Radio has been an effective means of communication and education in the rural areas. In order to expand rural communication system, three Frequency Modulation Stations will be set up in Humla, Illam and Dang in fiscal year 2003/04.
135. It is within the priority of the government to facilitate people's access to alternate energy. In fiscal year 2003/04, 22 thousand bio-gas plants will be distributed in 65 districts. Provisions has been made for the construction of mini hydropower projects in 47 districts, with a total generation capacity of 1,750 Kilowatt of electricity.

Similarly, 10 thousand solar panels will be distributed in 73 districts. Under the Community Energy Program, community solar pumping and solar heaters for cooking, heating and drying will be distributed in eight districts. This will benefit 720 families and the budget has been allocated for this purpose.

136. The construction of Multi-Span suspension bridge on the Mahakali River will be completed in the fiscal year 2003/04 and this will link the Chandani and Dodhara Village Development Committees to the other parts of the district.
137. With a view to eradicate poverty and socio-economic upliftment of Bhojpur, Khotang, Sankhuwasabha, Achham, Dailekh and Doti, and to link these districts with the national road network, 300 kilometres of road will be constructed. Survey, Design, Environment Impact Assessment, Social Saving Mobilization and preparation of Master Plan of Roads will be completed under the Rural Access Program in the fiscal year 2003/04. For this purpose, Rs. 406.5 million has been allocated.
138. The Food for Work Program implemented in 31 food deficit districts of Mid-Western and Far-Western Development Region will be continued in this fiscal year and for this purpose Rs. 388.7 million has been allocated.
139. An arrangement has been made to provide the share of the tourism royalty to the concerned District Development Committees as provisioned in the Local Self Governance Regulations.
140. The distribution of block grants to District Development Committees will be done on the basis of poverty-based formula. The districts with higher poverty index will get higher amount of grant than the districts with lower poverty index. In fiscal year 2003/04, the same mechanism will be adopted in case of block grants to Village Development Committees. The Local Government Finance Commission will also be strengthened.
141. In order to strengthen local bodies in providing better services to public, the government continues to provide necessary equipments. In this context, in fiscal year 2003/04, the government will provide ten districts with bulldozers, and waste collection truck and firefighters for 15 municipalities, for which the recipient local bodies will have to contribute 10 percent of the cost of acquisition.
142. Local Bodies Service Commission will be set up with a view to instituting fair and competitive selection and recruitment of staff for local bodies. This is expected to enhance administrative capacity at local levels.
143. In view of the administrative significance of capital city and of the specific governing powers required by metropolitan and sub-metropolitan cities, a new Municipalities

law will be formulated by the end of mid-January, 2004. This legal framework will enable the municipalities to operate as city governments.

144. District Technical Offices will be brought under the administrative jurisdiction of District Development Committees. District Technical Office will be continue to receive technical backstopping services from central level authority.
145. All funds going to District Development Committees will henceforth be funneled through District Development Fund. This arrangement will enable the achievement of the objective of poverty alleviation in integrated manner. For the effective implementation of the fund, the existing legislation (law) will be reviewed and amended as necessary.

c) Targeted Programmes for Social Inclusion

146. In order to expedite construction of suspension bridge in the mid and far west regions, arrangements have been made for additional bridges as well in the fiscal year 2003/04.
147. Rs. 600 million has been allocated for senior citizen, disabled, handicapped and widows. Programs aimed at benefiting disabled and handicapped have been continued.
148. Considering the responsibility of nation to honour National level Talents, arrangements have been made to provide Madan-Ashrit Memorial Foundation, Tanka Prasad Acharya Memorial Foundation, Pasang Lhamu Foundation, Great Guru Phalgunanda Memorial Foundation, Nepali Shiksyia Parishad to implement programs on *Adi Kavi* Bhanubhakta, Ganesh Man Singh Memorial Foundation and Matrika Prasad Koirala Foundation with financial assistance from the National Talents Memorial Fund.
149. To improve the level of health and education of women and children, under the decentralized action plan for women and children, programs like- vaccination, nutrition, sanitation and safe drinking water, provision of latrines, maternal health care will be implemented in 200 Village Development Committees of 18 districts. Likewise, local bodies in Saptari, Mahottari, Rautahat, Kapilbastu Dang and Dadeldhura districts will implement population education and reproductive health programs.
150. With a view to ensuring smooth flow of resources for the programs aimed at alleviating poverty, a Poverty Alleviation Fund (PAF) will be established soon. It is expected that the establishment of the fund will be instrumental towards achieving

target of poverty alleviation and ensuring income generation, and social empowerment and peoples' participation. A sum of Rs. 400 million has been earmarked for the fund.

151. Arrangements have been made to provide special assistance to widows affected by Maoist insurgency and scholarships to the orphans for their school education.
152. Arrangements have been made to monitor implementation of programs with increased allocation in the mid and far west regions by the National Planning Commission.
153. Efforts will be made to implement targeted programs aimed at achieving gender equity and ensuring their development. Hence, necessary allocation has been made for the implementation of programs such as women empowerment, women awareness and income generation.
154. An arrangement has also been made to guaranteeing the credits up to Rs. 10 million to cottage and small industries.
155. Effective arrangement will be made to ensure smooth flow of credits to the rural areas from micro finance institutions for the implementation of targeted programs. Flow of credit to targeted groups in rural areas will be managed more effectively. For this, Rs. 190 million has been allocated. To strengthen the credit programs targeted to poor and marginalized people, a contribution of Rs. 10 million has been made to Rural Self-reliance Fund.

d) Good Governance

Fellow Sisters and Brothers,

156. I would like to reiterate that the government is committed to strengthen the parliamentary system. Revitalization of democratic institutions through free and fair election is a prime responsibility of the government. That is why an adequate amount has been set aside for the general election of the House of Representatives in FY 2003/04.
157. We cannot imagine a corruption-free society without eliminating corruption at the political level. Corruption originates with unhealthy and non-transparent way of fund-raising for running in elections. In order to free political parties from the possibilities of non-transparent donations, arrangement has been made to provide grant to political parties from the government budget prior to the elections. For this

purpose, a provision has been made so as to provide grant to the nationally recognized political parties registered with the Election Commission. The basis of such grant will be the votes obtained by them in the immediately preceding General Elections for House of Representatives. The rate will be Rs. 20 per vote obtained in such elections. Such grants will be made available two months before the elections. In addition, some new tax measures, which are mentioned in the revenue proposal of this statement, have been proposed in order to ensure transparency in the donations made by business houses to the political parties from two months prior to elections. All political parties enjoying this benefit will be required to publish their annual Income-Expenditure statements and Balance Sheets audited by Chartered Accountant, member of Nepal Chartered Accountant Association.

158. Transparency in government activities is a sure-shot measure to control corruption. With this concept in view, His Majesty's Government will soon enact a Fiscal Transparency Act. After the enactment of the law, people will have access to the documents related to bases of various government decisions, formal procedures related to contracts, procurements, variation in contract amounts, etc. I believe that this will greatly help control corruption in the public sector, maintain honesty and good governance, and boost public trust in the Government.
159. The civil service, police and army personnel have been facing persistent problems of taking loans or selling their own assets to bear costly medical treatment when they fall seriously ill. Arrangement of health insurance will be made in the coming three months by which 200 people will be insured up to an amount of Rs. 200,000 against special treatment, and a maximum of 3,000 people will be insured against hospitalized cases each year from fiscal year 2003/2004. This facility will be in addition to the existing facilities provided by the prevailing laws.
160. It is quite natural for every employee to wish to own a house. It is also heard in many instances that they follow a wrong way of earning when this desire is not fulfilled in a normal way. In order to motivate employees by providing them housing facility in a simple way, arrangement has been made to invest in 1,100 low and middle-income group targeted housings outside the Ring Road of Kathmandu Metropolis by the Employees Provident Fund in fiscal year 2003/2004. As many as 500 such housings will be constructed in districts outside of the Kathmandu valley. The fund will make available such housing on soft loans. I would like to inform that some initial preparation in this regard has already begun.
161. The Contributory Pension System, which could not be introduced despite its announcement two years ago, will be introduced within three months of FY 2003/2004. Legal provision will be made for this system to cover the income security for elders belonging to the civil service, police, army and teachers.

162. The Police Force that is competent, dedicated, efficient, modern and respectful to human rights is indispensable for good governance. Need for reforming its recruitment and training system is felt in order to make its cadres competent, professional and dedicated. For this purpose, arrangement will be made to establish an independent police commission and emphasis will be given to training. I am confident that this measure will stop the possibility of politicizing the police force. In order to enhance efficiency rather than a numerical expansion of the police force, the government will focus on imparting qualitative training, equipping it with adequate resources and encouraging the community police.
163. As the prevailing living allowance of prisoners inside various jails in the Kingdom remains inadequate for a decent subsistence and keeping in view the equity base, their living allowance has been increased to Rs. 30 per day per prisoner from Rs. 15.
164. Allocation to the National Human Rights Commission has been increased. National Human Rights Action Plan will be prepared and made public in fiscal year 2003/2004.
165. Sufficient amount has been allocated for the House of Representatives and National Assembly and their administrative expenditures.
166. All government offices, District Development Committees and Village Development Committees as well as the agencies receiving government grants will be required to make public and post the statement of their annual budget or the amount received for programs and monthly their expenditure statement for public information. The District Development Committees will have to make physical progress statements public trimesterly. The practice of informing public about the progress of the programs and expenditure is expected to contribute to prevent the instances of corruption and abuse of resources. For all local level development activities, public audit will be mandatory.
167. There are several complaints about the irregularities and inconveniences caused by the procurement of materials at the central level but consumed at the district level projects and programs. From fiscal year 2003/2004, arrangement has been made so that the government agency which will use the materials will be delegated the procurement authority along with expenditures authorization of the same,
168. In a bid to ensure good governance, programs like- to increase women's participation in civil service and to bring out a policy of affirmative actions, to formulate pay-scale policy, to make a provision of Performance Incentive Fund and to make timely reforms on Civil Service Act will be gradually implemented. Similarly,

“Immediate Action Plan, 2003” will be implemented on a priority basis to continue the reform programs.

169. An arrangement has been made under which each Ministry has to declare, every year, one of the best performing employees of the district offices as “Best Civil Servant of the Year” by making continuous monitoring and assessment of the performance and service delivery level of district offices. I believe that such an arrangement will help in creating a competitive environment among district offices to increase their quality of service and consequently the general public will get efficient and quick services. Best Civil Servant of the Year will be declared publicly. For this an objective and transparent norms and selection criteria will be prepared and made public.
170. An arrangement has been made that a joint team of officers comprising of District Administration, Health, Education, Drinking Water, Agriculture, Livestock Development and District Development Committee offices will visit every electoral constituency regularly to ensure that the services provided by the state actually reaches to the rural people. Such a team may consist of representatives from NGOs and Civil Societies. This team will provide services to the people on the spot. I believe that this will directly benefit to the rural people.

e) Economic Reforms

171. Various public expenditure reforms were undertaken in the FY 2002/03 with the introduction of Medium Term Expenditure Framework. In the process of public expenditure reforms, programs and projects were prioritized, and fund availability to higher priority projects was made ascertained with the introduction of a mechanism of performance-based release system. For fiscal year 2003/04, first priority programs and projects have been allocated about 72.5 percent of the total development budget, second priority projects have 23.3 percent and the rest have been allocated for the third priority projects. An arrangement for the National Planning Commission to publish the detailed annual plan of first priority projects in mid-July has been made.
172. The implementation experience of policy and programs adopted in the process of expenditure reforms has been encouraging and the donor communities have also expressed their positive response. Accordingly, foreign aid commitment has increased. Arrangements have been made to further strengthen such reform programs in fiscal year 2003/04.

173. For the first time in FY 2001/02, Nepal Development Forum was concluded in Nepal. This Forum provided an opportunity to the donor communities to know Nepal very closely. This meeting has also contributed in creating an enabling environment for the development endeavors of Nepal. As a result of this meeting donor communities have expressed their commitment to continue to support Nepal financially. Therefore, arrangement will be made to conduct the next Nepal Development Forum meeting in fiscal year 2003/04 in Nepal. Similarly, continuity will be given in the implementation of "The Foreign Aid Policy, 2002" for effective mobilisation of the available bilateral/multilateral and INGOs assistance as per the need of the nation.
174. Expenditures made hurriedly at the last moment of the fiscal year have the possibility of construction works being of substandard and of financial misappropriation. In order to discourage such trends, budget release will be stopped for those projects that do not complete contract awarding by the second week of February or which remain 3 months behind the approved work schedule without any convincing reasons. Provision has been made not to allow budget transfer or additional budget release for development programs after second week of May unless there are any unavoidable circumstances. By implementing this policy with full commitment, I am hopeful of discouraging the demand for a huge portion of development budget at the end of the fiscal year.
175. In order to discourage the irresponsible banking practices and misuse of deposit amount of the clients in the banking sector, a separate Bank and Financial Institution Act will be formulated and implemented by integrating various existing laws, which will facilitate effective management and regulation of the overall banking system.
176. It has been observed that Cooperative Savings and Financial Institutions have increased financial distortion by collecting savings from the general people and making uncontrolled loan flow against the principle of cooperatives. Necessary improvement will be made in the existing legislation to improve the cooperatives.
177. Rs. 150 million has been allocated for the establishment of Asset Management Company in order to strengthen financial capability of commercial banks and financial institutions through reducing the risk of inactive credit.
178. Arrangement will be made for "Stock Exchange Ordinance, 2060" in order to attract the investors towards stock market, and increase its reliability to make regulatory power of stock exchange strong and clear. Likewise improvement will be made in order to make the capital mobilization effective in the stock market by establishing competition and transparency on its operation. In the same way, this will help create market-oriented and investor friendly stock market. Similarly, appropriate

legal arrangement will be made and implemented by fixing necessary prudential norms to strengthen professional status and capability of investors related to stock exchange.

179. Contracting out of the management of two large commercial banks has been completed and new managements have already commenced their works. In this connection, from fiscal year 2003/04, reengineering of Nepal Rastra Bank will be initiated and management information system of commercial banks will be developed, which will enhance networking among banks. For the financial sector reform, laws relating to Secured Transaction, Insolvency and Companies will be formulated whereas laws related to Anti-Money Laundering and Asset Management Company will be formulated within next six months. A sum of Rs. 940 million has been allocated for corporate and financial sector governance related works.
180. Emphasis will be given on the quantitative and qualitative growth of financial institutions so as to maintain the liberal policy in financial sector as required in the context of Nepal's accession to WTO. In this context, Nepal Rastra Bank is taking initiative to introduce international-standard rules and regulations in the financial sector of Nepal. It is obvious that financial institutions may feel some uneasiness to follow these arrangements on regulations and supervision in the context of economic slackness. However, these arrangements are inevitable to prepare financial institutions for competitive environment in future.
181. Nepal Rastra Bank has made arrangements for making public as well as implement the objectives and strategies of monetary policy in line with the fiscal policy of His Majesty's Government of Nepal. The monetary policy will be made public and implemented keeping in mind the macro economic situation and indicators without allowing to have negative impacts on the macro economic stability of the country. The flexible monetary policy adopted with the consideration of inflation adjustment to reduce the cost of capital required for the investment in economic activities of the country is believed to be helpful to some extent to control the economic slowdown and direct resources to export sector including sick industries. On this basis, Nepal Rastra Bank will follow this policy in the days to come.
182. The limit of deposit insurance by all banks and financial institutions has been increased from 50,000 to 100,000 from FY 2003/04.
183. As fair and competitive procurement is helpful in the development of private sector and control of corruption, the Government will introduce public procurement laws and train the concerned officials. After the enforcement of public procurement laws based on international standard, uniformity in the procurement of foreign aided project will be maintained and cumbersome process of complying separate process of each donor will come to an end. A permanent committee will be established for

the implementation and regular monitoring of the recommendations of Financial Accountability Assessment Report.

184. Debt Recovery Tribunal will start its operation from the beginning of FY 2003/04. His Majesty's Government is committed to reduce non-performing asset and reform the banking sector. In this light, necessary assistance will be made available to the task of punishing defaulters of principal and interest. I want to inform that this Government is committed against the tendency of non-repayment of bank loans.
185. As the people accept government bonds without any hesitation, these bonds will be indexed in security market in this fiscal year and secondary market will be expanded. At the same time, buying and selling of bonds will be made easier and simpler. Similarly, primary issuance of government bonds will be made on the basis of competitive auctioning.

f) Reconstruction and Rehabilitation

186. An arrangement has been made to launch special program to reconstruct infrastructures destroyed with destructive activities in the past so as to reestablish people's confidence on the Government. Similarly, activities relating to rehabilitation and employment to the families affected and displaced by violence will be initiated.
187. A district level committee under the convenorship of Chief District Officer and representatives from all national parties and civil society will be established for the reconstruction of VDC buildings, health posts and other government buildings destroyed by violent activities. This committee will establish user groups at the local level and provide necessary funding for the reconstruction of destroyed buildings and infrastructures.
188. Of the above mentioned total allocation of Rs. 102 billion 400 million for regular and development expenditures, Rs. 57 billion 228.1 million, Rs. 15 billion 512.2 million and Rs. 12 billion 820.788 million will be met by present existing revenue sources, foreign grants and foreign loans, respectively, thus resulting in a deficit of Rs. 16 billion 838.9 million.

Fellow Sisters and Brothers,

189. Now, I would like to present policies of revenue mobilization, adjustment and changes in the prevailing policies and statement of revenue.

190. Last year, Fiscal Reform Task Force, 2002 was constituted to suggest short-term and long-term reformative measure in the areas of revenue structure, policies, administration, and existing rules and regulation. Similarly, Revenue Advisory Board also presented revenue related suggestions for the budget of FY 2003/4. I, myself, interacted with the representatives of the various institutions and stakeholders including various business organizations. After serious thinking of these study reports and suggestions thereof, revenue related policies and administrative and legal provisions for FY 2003/4 has taken its shape.
191. The objective of the tax system for FY 2003/4, is to enhance effectiveness and elasticity of the tax system, emphasize on broadening the tax base with the reduction and adjustment in the tax rates, encouraging investment, consumption and saving by taxpayer friendly practices and providing incentives and facilities to the exporters, investors, entrepreneurs and general taxpayer.
192. As Income Tax Act, 2002 has been enacted recently; it will take some time to know its implications. Nevertheless, efforts have been made to make the Act simple and understandable to eliminate taxpayer grievances on ambiguity contained in the language. Similarly, making Manual and Directives public within six-month period will make income tax system taxpayer-oriented.
193. Special duty on the import of goods has been reduced by 50 percent. However, Special duty levied on vehicle, petroleum products, liquor, cigarettes and the like items have been adjusted in the customs duty and excise, so that revenue collection could be maintained at the previous level.
194. To enhance the effectiveness of Value added tax and broaden its base, various activities including, taxpayer awareness programs, auditing, improvement in customs valuations and taxpayer registration campaign shall be implemented. "Gift Lottery Programme" shall be conducted in Kathmandu valley on some goods to encourage billing practices.
195. Three-year special customs plan shall be prepared and implemented from Fiscal 2003/4 to drastically improve customs administration. The plan will include reforms in customs valuation procedure, improvement in procedural matters, automation and improvement in physical infrastructure, an personnel evaluation system based on job performance indicators, human resource development through training management, and risk based customs clearance and audit. Database on international price of some important commodities shall be prepared in cooperation with Trade Promotion Centre and published by updating on a regular basis.

196. Refund of Indian excise under DRP has been encouraging during last fiscal year. This process shall be integrated with modern information system and refund process of Indian excise shall be made more systematic and effective.
197. Liquor control service charges and tobacco and liquor fees have been eliminated and adjusted in excise duties. Since these funds have been waived, necessary expenses shall be met through budgetary process. A policy of transparent budgetary management of income and expenses shall be adopted by gradually waiving off such funds, which is outside budgetary process.
198. In view of collecting necessary resources for regular maintenance of major roads and highways and maintaining required quality throughout the year, arrangement has been made to levy road improvement fees by Rs. one on the import of per litre petrol and fifty paise per litre of diesel. Necessary arrangement has been made to contain consumer price due to this levy. Amount collected from road improvement fees shall be provided to the Road Board through budget allocation process. In order to construct and maintain urban roads and to collect adequate resources from its users, urban road construction and maintenance fee has been levied on vehicles at the rate of 1.5 percent of its value and Rs. three thousand per piece in the case of motorcycle at the time of registration of such vehicles.
199. Policy to review different non tax revenue headings, such as; fees, royalty, charges and public sector commodities and services, has been adopted on the basis of its cost and timelines. While determining the price of goods and services to be provided by the government, due attention will be paid so that cost could be recovered and consideration will be taken on ability to pay as necessary.
200. In order to provide more authority to Revenue Investigation Department and make it more effective, additional legal provisions have been arranged. Emphasis has been placed on activities such as; special vigilance in the revenue leakage of customs, Value Added Tax, and Income tax, collecting information on tax evasion and take necessary action in coordination with respective departments, and surprise inspection of internal transportation with an arrangement of rewarding persons providing information on tax evasion.
201. Now I am going to state on direct tax proposals.
202. With an objective of relieving taxpayers of lower income bracket, allowance of deduction from income has been increased to Rs. 80,000 and 100,000 for an individual and a couple respectively. To encourage life insurance, arrangement has been made to deduct premium paid upto 7 percent of the policy amount or Rs. ten thousand whichever is lower. In addition to this, tax on profit of investment insurance has been reduced to 5 percent from its present level of 10 percent.

203. To create conducive environment to pay tax in a simplified manner for small and low income entrepreneurs and to maintain tax incidence at the minimum level, the extent of income from business and amount of transaction has been increased from its present level to Rs. one hundred twenty thousand for income and Rs. 1.2 million for amount of transaction.
204. Considering the sentiments of exporters arrangement for special desk shall be made for submitting tax returns and for tax auditing and thus prompt and effective service will be provided to them.
205. In order to encourage and stimulate export, arrangement has been made to provide concessions on tax rate, so that exporters will be charged at a rate not exceeding 20 percent.
206. Companies, which have been running in profits, may donate by publicly announcing up to Rs. 5 million from its profit to political parties which are recognized as national parties, in the election year of house of representatives and within two months prior to the commencement of such election, shall be allowed to deduct such expenses for income tax purposes. Such facility shall not be allowed in case of natural person.
207. The temple of Sri Pashupati Nath, and Lumbini, the birthplace of Gautam Buddha are the symbol of religious belief and most respectable cultural heritage of Nepal. It is our auspicious duty to preserve and develop these two religious and cultural heritages. Inspired by this value, donation upto Rs. 5.0 million to Pashupati Area Development Fund and Lumbini Development Fund will be deducted as expenses for income tax purpose. It is believed that this will inspire and encourage all we Nepalese in the development of these two auspicious places of pilgrimage.
208. In order to bring transparency in tax administration, process of tax audit will be improved. Selection for tax audit will be made on the basis of revenue risks indicators. In order to make tax audit simpler, transparent, quick and effective and to avoid delays and unnecessary hassles, tax payers will be intimated of the selection for tax audit. Arrangements will be made to complete tax audit within three months of the selection. A tax audit manual will be developed to make the process of tax audit transparent as well.
209. In order to discourage tax evasion, tax evaders will be kept under surveillance list prepared on the basis of specific indicators. A special Enforcement Task Force under strengthening revenue programmes will be established to conduct investigative tax audit, to assess properties, to make search and seizure, and to procure goods under invoiced.

210. Arrangements have been made to complete reviewing and reassessment of taxes within 90 days of tax assessment if taxpayers have filed petition against assessment made by the lower layers.
211. Arrangement has been made to increase the permissible limit for repair and maintenance expenditure from 5 to 7 percent of the written down value of the pool of assets related with the assets to be repaired.
212. Now I would like to brief you on Indirect Taxes provisions.
213. In order to make the VAT refund process simple, quick and transparent, decision on VAT refund should be made within 10 days of filing the tax returns. Necessary arrangement has been made to refund the VAT within 15 days in case of acceptance to refund is made by the Inland Revenue Office (IRO) and within 30 days in case of the decision by the department. In case of failure to refund within the stipulated time, record of the responsible officer with the reason will be maintained and monitored.
214. Provision of VAT deduction on the goods lost due to fire, theft, and breakage has been made in the law itself.
215. As per the policy of gradually narrowing down the list of VAT exempted goods and services, unprocessed mustard oil has been removed from the list from the FY 2003/04.
216. Code of conduct will be prepared for the tax officers deputed on regular or emergency inspection, auditing, or investigation to make their job behavior transparent. Receipt for acquisition of documents and records should be issued to the concerned in relation of any investigation. Departmental action will be taken immediately to the personnel against breach the code of conduct.
217. The system of tax credit for excise paid on raw materials by the liquor industry to be deducted in taxes on final products has been reintroduced.
218. Excise rates on products like liquor and cigarettes, which are injurious to public health, has been increased marginally.
219. Rising pollution in the cities including Kathmandu has posed complex problem. One of the causes of pollution is the traditional brick kiln. It has been proved that adoption of new brick kiln technology would substantially help in reducing pollution. Hence, excise license fee will be waived to industries, which adopts modern technology and meets the environmental standard. Excise duty on brick factories, which do not meet environmental standard and pollute the atmosphere, has been doubled from Rs. 100,000 to Rs. 200,000.

220. Customs duty on vehicles has been reduced to 80 and 40 percent respectively against the earlier duty of 130 and 80 percents respectively. Thus, now the upper ceiling of Customs duty has been reduced to 80 percent only. Thirty two percent excise duty has been levied to compensate for the loss in revenue caused by the reduction in customs tariff rate. On these vehicles Ad valorem excise on imports will be levied on the price of goods declared for the customs purpose plus the customs duty.
221. Export service charge levied on export of goods has been withdrawn. Customs duty on exports has been slightly cut down.
222. To protect the domestic industries, customs tariff on some goods have been slightly increased. Customs tariff on some goods has also been raised for agricultural protection; administrative simplicity and tariff uniformity has been maintained for similar types of commodities. Similarly tariff has also been adjusted to keep the tariff on raw materials at lower level.
223. Import duty on computers and computer parts has been reduced to encourage Information Technology.
224. An arrangement has been made to facilitate importers by making the provision of priority inspection and clearance of goods by declaring the price of goods and paying the customs duty prior to its arrival at the customs.
225. It is found that inferior quality pharmaceutical products are being sold in Nepal in absence of quality inspection and minimal rate of registration. In order to protect domestic pharmaceutical industries, registration fees for company registration, registration of products, and inspection fee for production process will be increased. Inspection of production process for foreign pharmaceutical industry would be required prior to registration of products for sale.
226. Apart from the present source of revenue, there will be an additional revenue mobilization of Rs. 4 billion 998.9 million from the change in the rates of tax and non-tax revenue and administrative reform. The net deficit will be of Rs. 11 billion 840 million.
227. The net deficit of Rs. 11 billion 840 million, as mentioned above on the basis of expenditure estimation, will be met through domestic borrowings.
228. While formulating the budget for FY 2003/4, budget deficit is contained within 5.0 percent of GDP. Similarly, net internal borrowing will be kept below 2.0 percent of GDP. Mobilization of net internal borrowing will be limited to 1.0 percent of GDP at the end of 10th Plan.

229. With the implementation of the policy and programs as mentioned above, I have expected that they will contribute to peace and stability, increase in private investment through the expansion in economic activities, creation of more employment opportunities, and help towards alleviation of poverty. His Majesty's Government of Nepal is committed to provide continuity to economic reform programs. I firmly believe that continuity of these reform programs will improve the economic growth and investment promotion besides creating conducive environment towards that end. I expect that implementation of policies and programs declared through this budget, in addition to an increase in exports, will have positive impact on the development of rural areas.
230. The aggregate economic growth in FY 2003/4 is expected at 4.5 percent consisting of 3.0 percent in agriculture and 5.8 percent in non-agriculture sector. In order to realize effective achievement towards poverty alleviation, it is however necessary to reach the growth rate to at least 6.0 percent. But, in the present context where there is a need of fiscal balance, and due to various other factors, I think that the growth rate between 4.0 and 4.5 percent would be realistic. Similarly, inflation is estimated to remain at 4.0 to 5.0 percent, narrow money supply 9.5 percent and broad money supply 11.1 percent. As a result of the implementation of revenue policies and administrative reforms, the revenue/GDP ratio is estimated at 13.4 percent through an increase in revenue mobilization.
231. Actual Income and expenditure for FY 2001/02, revised estimate of income and expenditure for FY 2002/03, estimate of income and expenditure for FY 2003/04 and highlights of economic situation for FY 2002/03 are presented in the Annexes.
232. A brief description of technical assistance being made available to Nepal on bilateral and multilateral basis and assistance received through International Non Governmental Organizations (INGOs) has been presented separately.
233. On this occasion, I would like to thank Honorable Speaker and Honorable Deputy Speaker, House of Representative, Honorable Members of National Assembly, including individuals from Industry, commerce, tourism sectors and intellectuals, teachers, professors, civil servants and civil society for their support in preparing this income and expenditure statement.
234. I have dwelt in the beginning of my presentation that the objectives of this budget is to give continuity to reform oriented economic policy including economic reform programs initiated earlier. Objectives also include to encourage competitiveness, efficiency, soundness and equity in distribution in the economy, targeted to poverty alleviation. At the same time, the implementation of these policies will be made more effective. In this context, I sincerely thank former finance ministers for their

attempt to implement economic reforms and give dynamism to the economy even in this difficult situation.

235. It is proposed that about 70 percent of estimated development expenditure for FY 2003/04 will be financed from grant and loan assistance under foreign aid. In fact, the preparation of this budget in the absence of financial and technical assistance from bilateral and multilateral sources would have been most difficult. Therefore, I would like to express my sincere gratitude to our development partners and institutions for their continued support in the socio-economic development of Nepal. Similarly, in order to avoid funding shortage for the implementation of proposed projects under external assistance in FY 2003/04, I expect cooperation from all donor agencies.
236. Finally, I expect cooperation from all concerned in the successful implementation of this budget, which is directed towards transformation of Nepali society in the spirit of government-people partnership.

Thank You.

**Summary of the Macroeconomic situation and the implementation
of the budget of FY 2002/03**

1. For the first time in the last 20 years, GDP growth remained negative in FY 2001/02 whereas in FY 2002/03, it is estimated to increase by 2.4 percent. In FY 2002/03 agriculture sector production is estimated to increase by 2.1 percent despite a slight reduction in the production of paddy. Similarly, the production in non-agriculture sector is estimated to rise by 2.5 percent.
2. Exports during the first ten months of FY 2002/03 increased by 3.2 percent in comparison to the corresponding period of FY 2001/02. During the same period of FY 2001/02 the export had decreased by 13.4 percent whereas it is estimated to increase by around 3 percent in FY 2002/03. The export trade that decreased by 8.7 percent during the first 10 months of the FY 2001/02 has increased by 16.9 percent during the same period of FY 2002/03. The export-import ratio is expected to decline to 38.5 percent in FY 2002/03 from 44.5 percent of FY 2001/02. In FY 2001/02 trade deficit was 14.1 percent of GDP, which is estimated to reach 17.5 percent in FY 2002/03.
3. During the first 8 months of FY 2002/03 current account deficit totaled Rs. 17 billion 360 million, which is 50.6 percent more in comparison to the same period of the last fiscal year. By the end of FY 2002/03 current account deficit is expected to reach Rs. 33 billion 790 million. Thus the current account deficit is expected to rise to the level of 7.6 percent of GDP in FY 2002/03 from 4.6 percent in FY 2001/02. The balance of payment surplus was Rs. 100 million during the first 8 months of FY 2002/03, which is expected to reach Rs. 1 billion by the end of the fiscal year. The total foreign exchange reserve within the banking system as of mid-May, 2003 has reached 112 billion 59 million, of which Rs. 97 billion 80 million is in convertible currency. The convertible currency reserve rose by 20.2 percent as compared to the same period of previous year. Based on the imports of first ten months of fiscal year 2002/03, this reserve is sufficient to sustain goods imports of 11 months and goods and services imports of 9 months.
4. The narrow money supply by the end of the fiscal year 2002/03 is estimated to increase by 7.5 percent as compared to the previous year. This represents 1.8 percentage point decline over the growth of previous year. Due to accelerated

increase in time deposits and net non-monetary liabilities, the rate of growth of narrow money is expected to remain low. The broad money, however, is estimated to grow by about 9 percent in the fiscal year 2002/03, which is 4.5 percentage-point more than the previous year. Based on the consumer price index of first ten months of the fiscal year 2002/03 and estimate for the remaining period, the consumer price index at the end of the year is estimated to increase by 5 percent. This increase is 2.1 percentage-point more than immediately preceding year.

5. Despite adverse economic situation in the first half of fiscal year 2002/03 and declining development expenditure, the total fixed capital formation is estimated to increase by 5.2 percent by the end of the fiscal year as compared to 4.1 percent growth of the previous fiscal year. The total capital formation has been possible because of significant rise in private sector capital formation, which is estimated at 9.8 percent.
6. Until the first week of November 2002, growth rate of revenue collection remained negative as compared to the same period last year. Due to the improvement in peace and security situation, the growth rate consistently picked up thereafter and by the end of eleventh month of the fiscal year 2002/03, it went up to 10.3 percent. The revised estimate of total revenue in fiscal year 2002/03 is Rs. 55 billion 250 million, which is 96.7 percent of the target. This revised estimate represents 9.5 percent growth over the actual collection of Rs.50 billion 450 million, 12.4 percent of GDP in fiscal year 2001/02.
7. Regular expenditure in fiscal year 2001/02 was Rs. 48 billion 590 million. The revised estimated regular expenditure for the fiscal year 2002/03 is Rs. 56 billion 560 million, which is 98.4 percent of the total regular expenditure. As part of economic reform program, unnecessary spending was curtailed and savings generated due to withholding of general elections were used to discharge pension and domestic debt obligations and settlement of past arrears of expenditures.
8. The development expenditure in fiscal year 2002/03 suffered a severe blow primarily due to social unrest and also partly because of inadequate resources. The revised estimate of development expenditure for the fiscal year 2002/03 is estimated at Rs. 28 billion 10 million, which is 11 percent less than the actual expenditure of Rs. 38 billion 680 million of fiscal year 2000/01 and 72.4 percent less compared to Rs. 38 billion 680 million of development expenditure. Until fiscal year 1997/98, development expenditure used to be always more than the regular expenditure. Since fiscal year 1998/99, regular expenditure surpassed the development expenditure and now it is almost twice the development expenditure. Despite recent public expenditure reform effort, there is still more to be done to ensure to make government expenditure more productive.

9. Of the total estimated development expenditure of fiscal year 2002/03, 69.7 percent or Rs. 26 billion 970 million was proposed to be financed from external sources. Of which Rs. 17 billion 320 million is expected to be disbursed.
10. The worsening peace and security situation, which hampered development works at the district level is the major reason behind the slow disbursement of foreign aid, among others. Due to the dissolution of the House of the Representatives and the completion of the tenure of the local bodies, the development projects to be implemented through the participation and supervision of the elected authorities of DDCs, municipalities and VDCs could not be implemented as intended. There is a clear indication of improvement in foreign aid disbursement after the ceasefire between the government and Maoists in January 2003.
11. At the beginning of the fiscal year 2002/03, His Majesty's Government implemented the Foreign Aid Policy, 2002. Similarly, the government also initiated the implementation of the Reform Agenda and the Immediate Action Plan (IAP) as discussed in the Nepal Development Forum Meeting held in Nepal for the first time in February 2002. Foreign aid commitment has improved significantly due to the successful organization of the Nepal Development Forum, 2002 and donors assured continued commitment of the government towards the implementation of the IAP.
12. Nepal remained in the Low Case of the World Bank due to the slow progress in implementation of the Reform Agenda submitted in Nepal Aid Group Meeting, Paris, France in 2000 but due to its commitment and the progress gained in the implementation of IAP, the Bank has decided to upgrade Nepal from the low case to the Base Case. Due to this promotion, Nepal will be able to receive the assistance up to the level of US \$ 190 million each year from the World Bank.
13. The budget of fiscal year 2002/2003 had the objectives of investment for peace, acceleration of pace of the poverty reduction programs and expansion and strengthening of economic reform programs in order to free the economy from unfavorable economic situation. A summary of the budget policy and its implementation status is presented below.
14. Indications of improvement in the law and order situation are evident due to the creation of an environment for peace talks after the declaration of ceasefire during the middle of the fiscal year. As a consequence, growth in revenue collection, development expenditures, private sector capital formation and gross domestic product is clearly evident following the improvements in the activities of both private and public sector.

15. Implementation of the IAP has been satisfactory. The MTEF, which was under discussion for a number of years, was introduced in the budget of the fiscal year 2002/2003 from agriculture, irrigation, roads, power, drinking water, health and education and has been fully implemented by the middle of the same fiscal year. A system has been initiated by which none of the 211 projects classified as carrying first priority based on the MTEF will face lack of resources on any grounds. In addition, arrangement of performance-based release of resources has been made for all the projects. In order to accelerate resource flow and development spending in the mid and far-western regions, special arrangement was made during the course of the mid fiscal year for speedy execution of public works and construction works by user-groups.
16. In order to strengthen the process of decentralization, arrangement was made to implement local level agricultural extension program and education, health and small infrastructure projects through Local Development Fund on the recommendation of District Development Committees. This is a clear example of government's commitment to fully decentralize the programs to be implemented at the local level. As part of the decentralization program, management of 91 schools were handed over to the School Management Committees and 481 sub-health posts were handed over to the local communities in FY 2002/03. Arrangement has been made to transfer the block grant allocated to such schools and health posts through District Development Committees.
17. The anti-corruption strategy and action plan are in the process of circulation after their formulation, while the government is trying to equip the National Vigilance Center with adequate resources after its establishment. Likewise, Service Contract Guidelines, 2003 has already been issued with a view to avoid creation of long term liability and simplify recruitment process of required personnel for the sake of administrative flexibility, while 7,500 redundant civil service positions have been eliminated. As recommended by the Country Financial Accountability Assessment Report, a number of measures have been taken to ensure fiscal accountability and transparency in the public sector. Work on drafting a new Public Procurement Law has been initiated, while Accounting and Auditing Standards Boards have been constituted and these Boards have already issued primary drafts of 15 Nepal Accounting Standards and 10 Nepal Auditing Standards. Compliance to these standards is expected to enhance corporate governance. A Debt Recovery Tribunal with full authority has already been established with a view to expedite recovery of outstanding loans of commercial banks and financial institutions.
18. Keeping in view of the need of a healthy financial sector for the well functioning of an economy, necessary actions were completed for the managerial reform of two of the four commercial banks that had huge portfolio of Non-Performing Assets

(NPAs). The task of conducting detailed study on structural reform of two development banks is in its final stage. In addition, work on structural reform of Nepal Rastra Bank is already underway.

19. A dynamic monetary policy will be as important as the timely fiscal policy in order to stabilize the economy. For this purpose, the tasks of making the monetary policy public, by formulating it timely with due consideration to the market condition in an autonomous way, by Nepal Rastra Bank and regular monitoring of such policy has begun.
20. In order to support the institutions and people in trouble due to problems in the industrial and agriculture sector, soft credit for the rehabilitation of sick industries and interest relief for the deprived rural farmers were provided under the special program launched with the government initiative. A total of 38 industrial enterprises and 56,000 people have been benefited from such programs.

**Policy for the Enhancement of Productivity and Financial Efficiency
of the Public Enterprises**

1. Performance Indicators of weighted average of annual target and work performance will be developed to enhance productivity and financial efficiency of the public enterprises. These indicators will be linked with the annual target of these enterprises and work performance of general managers and chief executives and their performance will be judged on the basis of these indicators. After developing such performance standards for the general managers and executives, a provision of signing an agreement between the line ministry and the managers and chief executives has been designed. Following arrangements have been made to implement this provision.
 - a. A Committee comprising of representatives from the line ministry, the National Planning Commission and the Ministry of Finance will determine annual target of work performance standard and its weightage average. If need arises the Committee can invite or avail the services of the experts.
 - b. The Committee will decide the indicators on the basis of following issues:
 1. Physical Production
 2. Capacity Utilization
 3. Assets Turnover
 4. Profit
 5. Return on Investment
 6. Employees/ Labour Productivity
 7. Consumption of Raw materials and Recovery Rate.
 8. Other appropriate indicators as the Committee feels necessary to include
2. The Committee will recommend annually to the concerned ministries to initiate action on the basis of weighted average indicators so far developed and the line ministries should comply with the Committee recommendations:

- a. to continue the term of the Board of Director and the Chief Executive of the Public Enterprise who achieves the 80 percent or more target,
 - b. to caution the Board of Director and the Chief Executive of the Public Enterprise who achieves less than 80 but more than 50. If the trend of inability to achieve continues for the second year the Board of Director and the Chief Executive will not be given responsibility for the another term.
 - c. to initiate the departmental action against Board of Director and the Chief Executive of the Public Enterprise Who achieved less than 50 percent target.
3. The line ministry will sign a performance contract with the Board and the CEO for at least two years on the basis of work performance standard indicator developed by the Committee.
 4. The Committee will inform the Ministry of Finance every trimester about the monitoring and its result on the basis of these indicators.
 5. The Board and the CEO will be given authority and managerial autonomy to achieve the target and such Board and CEO will be awarded who achieved the given target and given authority to distribute a certain percentage of profit among the workers and staff as incentives

Annex -1
(Rs. In '000)

Description	Actual Expenditure of 2001/02	Revised Estimate o 2002/03	Estimate of 2003/04
Total Expenditure	80,07,22,91	84,57,22,89	1,02,40,00,00
Regular	48,59,00,48	56,55,64,14	60,55,50,00
Development	31,48,22,43	28,01,58,75	41,84,50,00
<i>Of which</i>			
<i>Recurrent</i>	55,29,88,68	63,34,08,03	73,10,70,46
<i>of which repayment of debt principal</i>	6,43,49,72	9,46,00,00	9,62,88,59
<i>Capital</i>	24,77,34,23	21,23,14,86	29,29,29,54
Sources of Financing	57,13,16,31	63,62,22,89	77,73,92,12
Revenue	50,44,54,91	55,25,00,00	62,22,70,00
Existing Sources	50,44,54,91	55,25,00,00	57,22,81,00
Tariff Adjustments and Administrative Reforms			4,99,89,00
Foreign Grant	6,68,61,40	8,37,22,89	15,51,22,12
Bilateral	4,58,83,06	6,34,22,89	12,78,00,32
Multilateral	2,09,78,34	2,03,00,00	2,73,21,80
Surplus (+) Deficit (-)	-22,94,06,60	-20,95,00,00	-24,66,07,88
Sources of Deficit Financing			
Foreign Loan	7,69,87,08	8,95,00,00	12,82,07,88
Bilateral	8,70,46	10,00,00	93,99,93
Multilateral	7,61,16,62	8,85,00,00	11,88,07,95
Domestic Borrowings	8,00,00,00	12,00,00,00	11,84,00,00
Cash Balance (-Surplus)	7,24,19,52	0	

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Annex-2
(Rs. in '000)

Code No.	Head	Existing Sources	Tariff Adjustments and Administrative Refo	Total
1.1.01.00	Commodity Tax based on Foreign Trade	14,664,000	780,000	15,444,000
1.1.01.10	Import Duties	11,312,000	780,000	12,092,000
1.1.01.30	Indian Excise Refund	2,212,000		2,212,000
1.1.01.40	Export Duties	630,000		630,000
1.1.01.60	Other Income of Customs	30,000		30,000
1.1.01.70	Agriculture Improvement Duties	470,000		470,000
1.1.01.90	Other Duties	10,000		10,000
1.1.02.00	Internal Commodity Tax based on Goods and Services	20,560,700	1,753,000	22,313,700
1.1.02.10	Value Added Tax	15,203,500	300,000	15,503,500
1.1.02.11	Production	1,963,300	230,000	2,193,300
1.1.02.12	Imports	9,850,000	70,000	9,920,000
1.1.02.13	Sales and Distribution	784,000		784,000
1.1.02.14	Contract and Consultancy	967,700		967,700
1.1.02.15	Tourism Industries	324,800		324,800
1.1.02.19	Other Services	1,313,700		1,313,700
1.1.02.20	Excise Duties	4,706,800	1,393,000	6,099,800
1.1.02.21	Cigarettes	2,001,000	291,000	2,292,000
1.1.02.22	Bidi	6,300	400	6,700
1.1.02.23	Liquor	1,171,400	164,100	1,335,500
1.1.02.25	Beer	986,000	159,600	1,145,600
1.1.02.26	Other Industrial Production	327,600	82,400	410,000
1.1.02.27	Excise on Import	214,500	695,500	910,000
1.1.02.50	Vehicle Tax	650,400	60,000	710,400
	Indirect Tax Total	35,224,700	2,533,000	37,757,700
1.1.03.00	Income Tax	8,147,500	550,000	8,697,500
1.1.03.10	Corporate Income Tax	5,620,000	450,000	6,070,000
1.1.03.11	Government Corporations	1,250,000		1,250,000
1.1.03.12	Public Limited Companies	1,400,000	150,000	1,550,000
1.1.03.13	Private Limited Companies	1,100,000	100,000	1,200,000
1.1.03.14	Personal or Sole Trading Firm	1,750,000	200,000	1,950,000
1.1.03.19	Other Institutions	120,000		120,000

1.1.03.20	Remuneration Tax	1,200,000	100,000	1,300,000
1.1.03.50	Income Tax on Investment	1,322,000		1,322,000
1.1.03.51	Lease or Rent	400,000		400,000
1.1.03.52	Interest	850,000		850,000
1.1.03.53	Capital Gains	20,000		20,000
1.1.03.54	Dividends	50,000		50,000
1.1.03.59	Other Income from Investment	2,000		2,000
1.1.03.60	Tax on Windfall Gain	3,000		3,000
1.1.03.90	Others	2,500		2,500

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Annex-2
(Rs. in '000)

Code No.	Head	Existing Sources	Tariff Adjustments and Administrative Refo	Total
1.1.04.00	Tax on House, Land and Other Property	1,650,000	50,000	1,700,000
1.1.04.30	House and Land Registration	1,650,000	50,000	1,700,000
	Direct Tax Total	9,797,500	600,000	10,397,500
	Tax Revenue Total	45,022,200	3,133,000	48,155,200
1.1.05.00	Duty and Fees	2,253,600	877,900	3,131,500
1.1.05.10	Firm Registration	71,000	80,000	151,000
1.1.05.20	Agency Registration	3,700	4,300	8,000
1.1.05.30	Arms Registration	3,500	15,000	18,500
1.1.05.40	Transportation Sector Fee	128,900	585,000	713,900
1.1.05.41	Vehicle Licence fee	128,900	185,000	313,900
1.1.05.42	Road Improvement Fee		220,000	220,000
1.1.05.43	Urban Road Construction and Maintenance Fee		180,000	180,000
1.1.05.50	Export Import Licence Fees	22,400	10,700	33,100
1.1.05.60	Examination Fees	40,200	3,600	43,800
1.1.05.70	Passport Fees	610,000	100,000	710,000
1.1.05.80	Tourism Fees	908,300		908,300

1.1.05.81	Visa Fees	637,300		637,300
1.1.05.82	Mountaineering and Trekking Fees	266,500		266,500
1.1.05.83	Other Fees	4,500		4,500
1.1.05.90	Other Administrative Fees	465,600	79,300	544,900
1.1.05.95	Telephone Ownership and Service Fees	403,600		403,600
1.1.05.99	Others	62,000	79,300	141,300
1.1.06.00	Penalty, Fines and Forfeitures	135,000	18,700	153,700
1.1.06.10	Judicial Duties, Penalty, Fines and Forfeiture	101,900	10,000	111,900
1.1.06.20	Administrative Penalty, Fines and Forfeiture	33,100	8,700	41,800
1.1.07.00	Receipt from Sales and Rent of Government Property, Services and Commodities	1,330,600	441,500	1,772,100
1.1.07.10	Receipt From Water Resources	12,500	1,200	13,700
1.1.07.11	Drinking Water	10,000	1,200	11,200
1.1.07.12	Irrigation	1,600		1,600
1.1.07.13	Electricity	900		900
1.1.07.20	Postal Services	292,100	80,000	372,100
1.1.07.30	Food and Agriculture	57,600	15,000	72,600
1.1.07.40	Education	141,000	30,000	171,000
1.1.07.50	Forest	571,700	130,000	701,700
1.1.07.60	Transport	111,900	155,300	267,200
1.1.07.70	Others	143,800	30,000	173,800
1.1.08.00	Dividends	2,604,600		2,604,600
1.1.08.10	Financial Institutions	2,016,500		2,016,500
1.1.08.20	Trading Concerns	50,400		50,400
1.1.08.30	Industrial Undertakings	10,100		10,100

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Annex-2
(Rs. in '000)

Code No.	Head	Existing Sources	Tariff Adjustments and Administrative Refc	Total
1.1.08.40	Service oriented Institutions	401,700		401,700
1.1.08.50	Others	125,900		125,900

1.1.09.00	Interests	1,023,300		1,023,300
1.1.09.10	Financial Institutions	109,100		109,100
1.1.09.20	Trading Concerns	600		600
1.1.09.30	Industrial Undertakings	50,400		50,400
1.1.09.40	Services Oriented Institutions	856,100		856,100
1.1.09.50	Others	7,100		7,100
1.1.10.00	Royalty and Sales of Government Property	1,090,400	527,800	1,618,200
1.1.10.10	Royalty	935,000	40,600	975,600
1.1.10.11	Royalty From Mining	16,700	600	17,300
1.1.10.12	Royalty Related to Water Resource	640,000		640,000
1.1.10.13	Casino Royalties	67,200	3,000	70,200
1.1.10.19	Other Royalties	211,100	37,000	248,100
1.1.10.20	Sales	155,400	487,200	642,600
1.1.10.21	Sales of Government Land and Buildings	80,000	420,000	500,000
1.1.10.22	Sales of Government Goods	50,400	47,200	97,600
1.1.10.23	Other Sales	25,000	20,000	45,000
1.1.11.00	Principal Repayment	2,050,000		2,050,000
1.1.11.10	Financial Institutions	217,400		217,400
1.1.11.20	Trading Concerns	300		300
1.1.11.30	Industrial Undertakings	124,800		124,800
1.1.11.40	Service Oriented Institutions	1,700,900		1,700,900
1.1.11.50	Others	6,600		6,600
1.1.12.00	Donation, Gift and Miscellaneous Income	1,718,400		1,718,400
1.1.12.10	Donations and Gift	600		600
1.1.12.20	Miscellaneous	1,717,800		1,717,800
	Non Tax Revenue Total	12,205,900	1,865,900	14,071,800
	Revenue Total	57,228,100	4,998,900	62,227,000

Annex - 3
(Rs. In '000)

Description	Actual Expenditure of 2001/02	Revised Estimate of 2002/03	Estimate of 2003/04
Total Expenditure	80,07,22,91	84,57,22,89	1,02,40,00,00
Regular	48,59,00,48	56,55,64,14	60,55,50,00
Development	31,48,22,43	28,01,58,75	41,84,50,00
Central Level	24,57,96,22	20,66,70,85	31,68,47,11
District Level	6,90,26,21	7,34,87,90	10,16,02,89
Chargeable	12,52,88,14	16,80,03,23	18,13,35,76
Appropriated	67,54,34,77	67,77,19,66	84,26,64,24
Recurrent Expenditure	55,29,88,68	63,34,08,03	73,10,70,46
Capital Expenditure	24,77,34,23	21,23,14,86	29,29,29,54

Annex - 4

(Rs. In '000)

Code	Description	Regular	Development	Total	Recurrent	Capital
11	<u>His Majesty the King</u> , Royal Family and Royal Palace	329,175	0	329,175	329,175	
12	State Council	10,977	0	10,977	10,977	
13	Parliament	221,429	0	221,429	209,254	12,175
14	Court	464,515	125,800	590,315	467,380	122,935
15	Commission for Investigation of Abuse of Authority	27,727	3,150	30,877	29,927	950
16	Office of the Auditor General	58,060	28,100	86,160	81,820	4,340
17	Public Service Commission	59,082	6,500	65,582	61,067	4,515
18	Election Commission	616,190	0	616,190	616,190	
19	Office of the Attorney General	86,358	6,500	92,858	90,553	2,305
20	Council of Justice	5,766	0	5,766	5,757	9
25	Prime Minister's Office	18,075	0	18,075	17,975	100
27	National Vigilance Center	9,410	0	9,410	5,410	4,000
30	Council of Ministers	52,750	2,100	54,850	54,650	200
35	Ministry of Finance	528,099	466,278	994,377	863,399	130,978
38	Ministry of Industry, Commerce & Supply	250,661	755,265	1,005,926	840,677	165,249
39	Ministry of Law, Justice and Parliamentary Affairs	25,433	1,000	26,433	26,333	100
40	Ministry of Agriculture & Cooperatives	176,209	2,296,736	2,472,945	2,127,717	345,228
45	Ministry of Home	6,967,671	86,000	7,053,671	6,565,506	488,165
46	Ministry of Population & Environment	9,405	41,650	51,055	43,255	7,800
47	Ministry of Water Resources	269,027	2,765,633	3,034,660	469,374	2,565,286
48	Ministry of Physical Planning and Works	485,776	8,035,488	8,521,264	1,002,994	7,518,270
49	Ministry of Culture, Tourism and Civil Aviation	93,085	249,855	342,940	142,690	200,250
50	Ministry of Foreign Affairs	1,019,194	0	1,019,194	1,010,344	8,850
55	Ministry of Land Reform and Management	387,089	326,869	713,958	599,380	114,578
56	Ministry of Women, Children & Social Welfare	62,563	188,773	251,336	250,140	1,196
58	Ministry of Defence	7,184,221	0	7,184,221	6,340,321	843,900
59	Ministry of Forest and Soil Conservation	1,313,217	626,254	1,939,471	1,529,630	409,841
61	Ministry of Science & Technology	26,798	812,198	838,996	123,583	715,413
65	Ministry of Education & Sports	11,244,801	4,368,473	15,613,274	14,207,575	1,405,699
66	Ministry of General Administration	43,843	12,500	56,343	52,848	3,495
67	Ministry of Information and Communication	936,876	253,450	1,190,326	1,044,924	145,402
69	Ministry of Local Development	662,215	5,879,707	6,541,922	2,455,417	4,086,505
70	Ministry of Health	2,191,004	2,856,298	5,047,302	4,753,867	293,435

71	Ministry of Labour & Transport Management	49,989	65,700	115,689	104,582	11,107
72	National Planning Commission Secretariat	87,770	506,623	594,393	577,540	16,853
81	Ministry of Finance - Repayment of Domestic Debt	8,767,304	0	8,767,304	8,767,304	
82	Ministry of Finance - Repayment of Foreign Debt - Multilateral	6,181,821	0	6,181,821	6,181,821	
83	Ministry of Finance - Repayment of Foreign Debt - Bilateral	2,601,991	0	2,601,991	2,601,991	
86	Ministry of Finance - Investments in Foreign Institutions	34,500	0	34,500		34,500
87	Ministry of Finance - Investments - Public Enterprises	0	7,470,000	7,470,000		7,470,000
95	Ministry of Finance - Miscellaneous	6,994,924	3,608,100	10,603,024	8,443,699	2,159,325
Total		60,555,000	41,845,000	102,400,000	73,107,046	29,292,954

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Annex-5
(Rs. in '000)

Code No.	Head	2001/02 Actual	2002/03 Revised Estimate
1.1.01.00	Commodity Tax based on Foreign Trade	12,658,748	14,179,700
1.1.01.10	Import Duties	9,678,362	10,607,300
1.1.01.20	Equalizing Duties	166,049	
1.1.01.30	Indian Excise Refund	1,700,898	2,241,500
1.1.01.40	Export Duties	362,673	708,800
1.1.01.50	Export Service Charge	554,705	182,100
1.1.01.60	Other Income of Customs	28,361	12,500
1.1.01.70	Agriculture Improvement Duties	167,700	420,000
1.1.01.90	Other Duties	0	7,500
1.1.02.00	Internal Commodity Tax based on Goods and Services	16,634,035	18,984,700
1.1.02.10	Value Added Tax	11,963,974	13,580,000
1.1.02.11	Production	1,711,082	1,753,000
1.1.02.12	Imports	7,354,902	8,800,000
1.1.02.13	Sales and Distribution	823,392	700,000
1.1.02.14	Contract and Consultancy	2,074,598	864,000
1.1.02.15	Tourism Industries	0	290,000
1.1.02.19	Other Services	0	1,173,000
1.1.02.20	Excise Duties	3,807,046	4,774,700
1.1.02.21	Cigarettes	1,813,233	1,984,800
1.1.02.22	Bidi	4,164	24,000
1.1.02.23	Liquor	929,689	1,219,100
1.1.02.24	Low Quality Liquor	457	
1.1.02.25	Beer	807,140	1,005,000
1.1.02.26	Other Industrial Production	252,363	333,400
1.1.02.27	Excise on Import	0	208,400
1.1.02.30	Contract Tax	301,174	
1.1.02.40	Entertainment Tax	2,095	
1.1.02.50	Vehicle Tax	559,740	630,000
1.1.02.60	Hotel Tax	6	
	Indirect Tax Total	29,292,783	33,164,400
1.1.03.00	Income Tax	8,903,693	7,852,500
1.1.03.10	Corporate Income Tax	4,355,197	5,500,000

1.1.03.11	Government Corporations	1,769,333	1,193,000
1.1.03.12	Public Limited Companies	1,412,013	1,350,000
1.1.03.13	Private Limited Companies	1,173,851	1,100,000
1.1.03.14	Personal or Sole Trading Firm	0	1,750,000
1.1.03.19	Other Institutions	0	107,000
1.1.03.20	Remuneration Tax	3,732,600	1,141,000
1.1.03.21	Remuneration Tax	835,558	
1.1.03.22	Business, Industry and Occupation	2,897,042	
1.1.03.30	House And Land Rent Tax	348,194	
1.1.03.40	Interest Tax	467,702	
1.1.03.50	Income Tax on Investment	0	1,207,000
1.1.03.51	Lease or Rent	0	372,500

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Annex-5
(Rs. in '000)

Code No.	Head	2001/02 Actual	2002/03 Revised Estimate
1.1.03.52	Interest	0	760,000
1.1.03.53	Capital Gains	0	22,500
1.1.03.54	Dividends	0	50,000
1.1.03.59	Other Income from Investment	0	2,000
1.1.03.60	Tax on Windfall Gain	0	2,500
1.1.03.90	Others	0	2,000
1.1.04.00	Tax on House, Land and Other Property	1,134,112	1,600,000
1.1.04.10	Land Revenue	691	
1.1.04.20	Land Tax	132	
1.1.04.30	House and Land Registration	1,130,997	1,600,000
1.1.04.40	House and Land tax	2,292	
	Direct Tax Total	10,037,805	9,452,500
	Tax Revenue Total	39,330,588	42,616,900
1.1.05.00	Duty and Fees	1,756,734	2,558,100
1.1.05.10	Firm Registration	68,518	70,000
1.1.05.20	Agency Registration	3,341	3,400
1.1.05.30	Arms Registration	1,417	3,100
1.1.05.40	Transportation Sector Fee	111,111	115,100

1.1.05.50	Export Import Licence Fees	17,393	20,000
1.1.05.60	Examination Fees	23,596	35,900
1.1.05.70	Passport Fees	568,824	659,000
1.1.05.80	Tourism Fees	899,397	900,300
1.1.05.81	Visa Fees	709,389	658,300
1.1.05.82	Mountaineering and Trekking Fees	187,026	238,000
1.1.05.83	Other Fees	2,982	4,000
1.1.05.90	Other Administrative Fees	63,137	751,300
1.1.05.95	Telephone Ownership and Service Fees	0	696,000
1.1.05.99	Others	0	55,300
1.1.06.00	Penalty, Fines and Forfeitures	230,300	120,600
1.1.06.10	Judicial Duties, Penalty, Fines and Forfeiture	192,230	91,000
1.1.06.20	Administrative Penalty, Fines and Forfeiture	38,070	29,600
1.1.07.00	Receipt from Sales and Rent of Government Property, Services and Commodities	1,142,950	1,249,100
1.1.07.10	Receipt From Water Resources	7,776	11,200
1.1.07.11	Drinking Water	6,493	8,900
1.1.07.12	Irrigation	1,279	1,400
1.1.07.13	Electricity	4	900
1.1.07.20	Postal Services	230,349	260,800
1.1.07.30	Food and Agriculture	45,933	51,400
1.1.07.40	Education	128,024	130,900
1.1.07.50	Forest	546,170	559,600
1.1.07.60	Transport	99,944	106,800
1.1.07.70	Others	84,754	128,400
1.1.08.00	Dividends	2,512,822	2,461,900

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Annex-5
(Rs. in '000)

Code No.	Head	2001/02 Actual	2002/03 Revised Estimate
1.1.08.10	Financial Institutions	2,281,765	1,908,300
1.1.08.20	Trading Concerns	8,822	45,000
1.1.08.30	Industrial Undertakings	0	9,000
1.1.08.40	Service oriented Institutions	161,766	387,200

1.1.08.50	Others	60,469	112,400
1.1.09.00	Interests	1,220,275	958,100
1.1.09.10	Financial Institutions	98,336	142,000
1.1.09.20	Trading Concerns	0	400
1.1.09.30	Industrial Undertakings	78,941	45,000
1.1.09.40	Services Oriented Institutions	1,029,494	758,700
1.1.09.50	Others	13,504	12,000
1.1.10.00	Royalty and Sales of Government Property	723,872	1,772,500
1.1.10.10	Royalty	652,463	994,000
1.1.10.11	Royalty From Mining	15,281	16,300
1.1.10.12	Royalty Related to Water Resource	582,273	710,000
1.1.10.13	Casino Royalties	54,909	60,000
1.1.10.19	Other Royalties	0	207,700
1.1.10.20	Sales	71,409	778,500
1.1.10.21	Sales of Government Land and Buildings	15,653	708,500
1.1.10.22	Sales of Government Goods	32,387	45,000
1.1.10.23	Other Sales	23,369	25,000
1.1.11.00	Principal Repayment	1,889,132	1,332,400
1.1.11.10	Financial Institutions	304,427	253,000
1.1.11.20	Trading Concerns	10	100
1.1.11.30	Industrial Undertakings	88,950	87,300
1.1.11.40	Service Oriented Institutions	1,487,280	962,000
1.1.11.50	Others	8,465	30,000
1.1.12.00	Donation, Gift and Miscellaneous Income	1,638,818	2,180,400
1.1.12.10	Donations and Gift	3,730	400
1.1.12.20	Miscellaneous	1,635,088	2,180,000
	Non Tax Revenue Total	11,114,903	12,633,100
	Revenue Total	50,445,491	55,250,000

Budget Status: Regular and Development

Annex - 6
(Rs. In '000)

Code	Head	Fiscal Year 2001/02 Actual Expenditure		Fiscal Year 2002/03 Revised Estimate	
		Regular	Development	Regular	Development
11	His Majesty the King, Royal Family and Royal Palace	116,226	0	387,900	0
12	State Council	8,165	0	9,000	0
13	Parliament	182,369	0	86,000	0
14	Court	411,540	62,275	445,374	49,945
15	Commission for Investigation of Abuse of Authority	14,240	2,214	17,090	2,505
16	Office of the Auditor General	55,900	3,496	57,315	12,768
17	Public Service Commission	46,646	1,620	52,800	4,615
18	Election Commission	86,553	0	172,200	0
19	Office of the Attorney General	77,267	6,098	82,900	5,476
20	Council of Justice	4,230	0	5,000	0
25	Prime Minister's Office	16,274	0	14,000	0
26	Deputy Prime Minister's Office	142	0	0	0
30	Council of Ministers	46,326	0	48,900	0
35	Ministry of Finance	463,112	207,942	482,400	440,969
38	Ministry of Industry, Commerce & Supply	268,656	890,275	255,248	801,492
39	Ministry of Law, Justice and Parliamentary Affairs	19,831	2,429	21,200	2,239
40	Ministry of Agriculture & Cooperatives	149,094	2,572,245	161,644	1,873,962
45	Ministry of Home	7,283,931	163,253	7,586,200	113,665
46	Ministry of Population & Environment	9,149	18,636	9,250	23,062
47	Ministry of Water Resources	61,880	3,110,419	254,734	2,142,770
48	Ministry of Physical Planning and Works	337,891	6,280,850	424,689	5,328,167
49	Ministry of Culture, Tourism and Civil Aviation	98,262	557,049	104,197	317,957
50	Ministry of Foreign Affairs	743,695	0	968,195	0
55	Ministry of Land Reform and Management	336,782	354,810	367,500	197,884
56	Ministry of Women, Children & Social Welfare	50,690	186,432	60,955	156,186
58	Ministry of Defence	5,881,952	0	7,494,805	0
59	Ministry of Forest and Soil Conservation	1,019,993	630,857	980,978	554,591
61	Ministry of Science & Technology	23,698	384,098	26,200	217,726
65	Ministry of Education & Sports	10,328,646	2,808,300	11,048,477	2,287,762
66	Ministry of General Administration	40,740	71,070	41,600	11,085
67	Ministry of Information and Communication	873,873	136,805	901,667	103,005
69	Ministry of Local Development	582,949	3,590,951	634,617	4,043,014
70	Ministry of Health	1,993,828	1,816,725	2,111,223	1,925,161

71	Ministry of Labour & Transport Management	47,688	69,020	47,738	60,951
72	National Planning Commission Secretariat	78,180	148,257	83,700	158,288
81	Ministry of Finance - Repayment of Domestic Debt	5,637,915	0	8,661,442	0
82	Ministry of Finance - Repayment of Foreign Debt - Multilateral	4,460,910	0	5,295,169	0
83	Ministry of Finance - Repayment of Foreign Debt - Bilateral	2,106,420	0	2,227,007	0
86	Ministry of Finance - Investments in Foreign Institutions	12,575	0	37,500	0
87	Ministry of Finance - Investments - Public Enterprises	0	4,847,598	0	5,047,650
95	Ministry of Finance - Miscellaneous	4,611,830	2,558,519	4,889,600	2,132,980
Total		48,590,048	31,482,243	56,556,414	28,015,875

(Regular Expenditure)

Annex - 7
(Rs. In '000)

Sector/Ministry	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
His Majesty the King, Royal Family and Royal Palace	32,91,75	32,91,75	0	0.54
101 His Majesty the King, Royal Family and Royal Palace	32,91,75	32,91,75	0	0.54
11 His Majesty the King, Royal Family and Royal Palace	32,91,75	32,91,75	0	0.54
Total Regular Expenditure				
Constitutional Bodies	1,53,81,95	1,52,39,96	1,41,99	2.54
102 Constitutional Bodies	1,53,81,95	1,52,39,96	1,41,99	2.54
12 State Council	1,09,77	1,09,77	0	0.02
13 Parliament	22,14,29	20,92,54	1,21,75	0.37
14 Court	45,26,06	45,10,16	15,90	0.75
15 Commission for Investigation of Abuse of Authority	2,77,27	2,74,27	3,00	0.05
16 Office of the Auditor General	5,80,60	5,80,60	0	0.10
17 Public Service Commission	5,90,82	5,90,82	0	0.10
18 Election Commission	61,61,90	61,61,90	0	1.02
19 Office of the Attorney General	8,63,58	8,62,33	1,25	0.14
20 Council of Justice	57,66	57,57	9	0.01
General Administration	9,00,44,92	8,51,95,43	48,49,49	14.87
103 General Administration	2,16,89,03	2,14,64,79	2,24,24	3.58
14 Court	1,19,09	1,18,84	25	0.02
25 Prime Minister's Office	1,80,75	1,79,75	1,00	0.03
27 National Vigilance Center	94,10	54,10	40,00	0.02
30 Council of Ministers	5,27,50	5,25,50	2,00	0.09
35 Ministry of Finance	3,51,75	3,51,75	0	0.06
38 Ministry of Industry, Commerce & Supply	1,96,12	1,93,53	2,59	0.03
39 Ministry of Law, Justice and Parliamentary Affairs	2,54,33	2,53,33	1,00	0.04
40 Ministry of Agriculture & Cooperatives	1,59,44	1,59,44	0	0.03
45 Ministry of Home	68,87,26	68,11,86	75,40	1.14
46 Ministry of Population & Environment	94,05	94,05	0	0.02
47 Ministry of Water Resources	86,11	86,11	0	0.01
48 Ministry of Physical Planning and Works	1,98,46	1,97,21	1,25	0.03
49 Ministry of Culture, Tourism and Civil Aviation	1,77,43	1,77,43	0	0.03
50 Ministry of Foreign Affairs	1,01,91,94	1,01,03,44	88,50	1.68

55	Ministry of Land Reform and Management	69,78	69,78	0	0.01
56	Ministry of Women, Children & Social Welfare	1,78,22	1,78,22	0	0.03
58	Ministry of Defence	48,12	48,12	0	0.01
59	Ministry of Forest and Soil Conservation	1,25,74	1,24,49	1,25	0.02
61	Ministry of Science & Technology	1,23,18	1,17,18	6,00	0.02
65	Ministry of Education & Sports	2,46,22	2,46,22	0	0.04
66	Ministry of General Administration	4,38,43	4,38,43	0	0.07
67	Ministry of Information and Communication	91,35	91,35	0	0.02
69	Ministry of Local Development	3,66,23	3,66,23	0	0.06
70	Ministry of Health	1,58,79	1,58,79	0	0.03
71	Ministry of Labour & Transport Management	84,14	79,14	5,00	0.01
72	National Planning Commission Secretariat	2,40,50	2,40,50	0	0.04
104	Police	6,27,89,45	5,81,64,20	46,25,25	10.37
45	Ministry of Home	6,27,89,45	5,81,64,20	46,25,25	10.37

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Sector/Ministry	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
105 Revenue & Financial Administration	49,29,24	49,29,24	0	0.81
35 Ministry of Finance	49,29,24	49,29,24	0	0.81
106 Planning & Statistics	6,37,20	6,37,20	0	0.11
72 National Planning Commission Secretariat	6,37,20	6,37,20	0	0.11
Defence	7,17,94,09	6,33,55,09	84,39,00	11.86
107 Defence	7,17,94,09	6,33,55,09	84,39,00	11.86
58 Ministry of Defence	7,17,94,09	6,33,55,09	84,39,00	11.86
Social Services	14,35,96,19	14,34,09,39	1,86,80	23.71
108 Education	11,13,71,79	11,13,66,19	5,60	18.39
65 Ministry of Education & Sports	11,13,71,79	11,13,66,19	5,60	18.39

109 Health	2,17,51,25	2,17,51,25	0	3.59
70 Ministry of Health	2,17,51,25	2,17,51,25	0	3.59
110 Drinking Water	1,35,93	1,35,93	0	0.02
48 Ministry of Physical Planning and Works	1,35,93	1,35,93	0	0.02
111 Local Development	2,55,92	2,51,72	4,20	0.04
69 Ministry of Local Development	2,55,92	2,51,72	4,20	0.04
Other Social Services	1,00,81,30	99,04,30	1,77,00	1.66
113 Women, Children & Social Welfare	4,47,41	4,47,41	0	0.07
56 Ministry of Women, Children & Social Welfare	4,47,41	4,47,41	0	0.07
114 Youth, Sports & Culture	14,67,06	14,67,06	0	0.24
49 Ministry of Culture, Tourism and Civil Aviation	6,37,06	6,37,06	0	0.11
65 Ministry of Education & Sports	8,30,00	8,30,00	0	0.14
115 Housing	21,66,83	19,89,83	1,77,00	0.36
48 Ministry of Physical Planning and Works	21,66,83	19,89,83	1,77,00	0.36
116 Others - Social	60,00,00	60,00,00	0	0.99
69 Ministry of Local Development	60,00,00	60,00,00	0	0.99
Economic Services	3,59,80,70	3,43,47,15	16,33,55	5.94
117 Agriculture	16,02,65	15,64,60	38,05	0.26
40 Ministry of Agriculture & Cooperatives	16,02,65	15,64,60	38,05	0.26
118 Irrigation	24,64,86	24,64,86	0	0.41
47 Ministry of Water Resources	24,64,86	24,64,86	0	0.41

Sector/Ministry	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
119 Land Reform & Survey	38,01,11	38,01,11	0	0.63
55 Ministry of Land Reform and Management	38,01,11	38,01,11	0	0.63
120 Forest	1,30,06,43	1,18,46,43	11,60,00	2.15
59 Ministry of Forest and Soil Conservation	1,30,06,43	1,18,46,43	11,60,00	2.15
121 Industry	19,55,92	18,85,87	70,05	0.32
38 Ministry of Industry, Commerce & Supply	19,55,92	18,85,87	70,05	0.32
122 Communications	92,77,41	92,64,16	13,25	1.53
67 Ministry of Information and Communication	92,77,41	92,64,16	13,25	1.53
Transportation	26,35,77	26,35,77	0	0.44
123 Road Transportation	26,35,77	26,35,77	0	0.44
48 Ministry of Physical Planning and Works	23,56,54	23,56,54	0	0.39
71 Ministry of Labour & Transport Management	2,79,23	2,79,23	0	0.05
125 Electricity	1,39,30	1,39,30	0	0.02
47 Ministry of Water Resources	1,39,30	1,39,30	0	0.02
Other Economic Services	10,97,25	7,45,05	3,52,20	0.18
126 Tourism	1,16,36	1,16,36	0	0.02
49 Ministry of Culture, Tourism and Civil Aviation	1,16,36	1,16,36	0	0.02
127 Metereology	1,44,80	1,44,80	0	0.02
61 Ministry of Science & Technology	1,44,80	1,44,80	0	0.02
129 Commerce	3,54,57	3,47,37	7,20	0.06
38 Ministry of Industry, Commerce & Supply	3,54,57	3,47,37	7,20	0.06
130 Labour	1,36,52	1,36,52	0	0.02
71 Ministry of Labour & Transport Management	1,36,52	1,36,52	0	0.02
131 Others - Economic	3,45,00	0	3,45,00	0.06
86 Ministry of Finance - Investments in Foreign Institutions	3,45,00	0	3,45,00	0.06
Loan Payment	17,55,11,16	17,55,11,16	0	28.98
132 Internal Loan Payment	8,76,73,04	8,76,73,04	0	14.48
81 Ministry of Finance - Repayment of Domestic Debt	8,76,73,04	8,76,73,04	0	14.48

133 External Loan Payment

- 82 Ministry of Finance - Repayment of Foreign Debt - Multilateral
- 83 Ministry of Finance - Repayment of Foreign Debt - Bilateral

Miscellaneous

134 Miscellaneous

- 95 Ministry of Finance - Miscellaneous

8,78,38,12	8,78,38,12	0	14.51
6,18,18,21	6,18,18,21	0	10.21
2,60,19,91	2,60,19,91	0	4.30
6,99,49,24	6,86,64,24	12,85,00	11.55
6,99,49,24	6,86,64,24	12,85,00	11.55
6,99,49,24	6,86,64,24	12,85,00	11.55
60,55,50,00	58,90,14,17	1,65,35,83	100

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(Regular Expenditure)

Annex - 7A

(Rs. In '000)

Ministry/Sector	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
11 His Majesty the King, Royal Family and Royal Palace	32,91,75	32,91,75	0	0.54
101 His Majesty the King, Royal Family and Royal Place	32,91,75	32,91,75	0	0.54
12 State Council	1,09,77	1,09,77	0	0.02
102 Constitutional Bodies	1,09,77	1,09,77	0	0.02
13 Parliament	22,14,29	20,92,54	1,21,75	0.37
102 Constitutional Bodies	22,14,29	20,92,54	1,21,75	0.37
14 Court	46,45,15	46,29,00	16,15	0.77
102 Constitutional Bodies	45,26,06	45,10,16	15,90	0.75
103 General Administration	1,19,09	1,18,84	25	0.02
15 Commission for Investigation of Abuse of Authority	2,77,27	2,74,27	3,00	0.05
102 Constitutional Bodies	2,77,27	2,74,27	3,00	0.05
16 Office of the Auditor General	5,80,60	5,80,60	0	0.10
102 Constitutional Bodies	5,80,60	5,80,60	0	0.10
17 Public Service Commission	5,90,82	5,90,82	0	0.10
102 Constitutional Bodies	5,90,82	5,90,82	0	0.10
18 Election Commission	61,61,90	61,61,90	0	1.02
102 Constitutional Bodies	61,61,90	61,61,90	0	1.02
19 Office of the Attorney General	8,63,58	8,62,33	1,25	0.14
102 Constitutional Bodies	8,63,58	8,62,33	1,25	0.14
20 Council of Justice	57,66	57,57	9	0.01
102 Constitutional Bodies	57,66	57,57	9	0.01
25 Prime Minister's Office	1,80,75	1,79,75	1,00	0.03
103 General Administration	1,80,75	1,79,75	1,00	0.03
27 National Vigilance Center	94,10	54,10	40,00	0.02
103 General Administration	94,10	54,10	40,00	0.02
30 Council of Ministers	5,27,50	5,25,50	2,00	0.09
103 General Administration	5,27,50	5,25,50	2,00	0.09
35 Ministry of Finance	52,80,99	52,80,99	0	0.87
103 General Administration	3,51,75	3,51,75	0	0.06
105 Revenue & Financial Administration	49,29,24	49,29,24	0	0.81
38 Ministry of Industry, Commerce & Supply	25,06,61	24,26,77	79,84	0.41

103	General Administration	1,96,12	1,93,53	2,59	0.03
121	Industry	19,55,92	18,85,87	70,05	0.32
129	Commerce	3,54,57	3,47,37	7,20	0.06
39	Ministry of Law, Justice and Parliamentary Affairs	2,54,33	2,53,33	1,00	0.04
103	General Administration	2,54,33	2,53,33	1,00	0.04
40	Ministry of Agriculture & Cooperatives	17,62,09	17,24,04	38,05	0.29
103	General Administration	1,59,44	1,59,44	0	0.03
117	Agriculture	16,02,65	15,64,60	38,05	0.26
45	Ministry of Home	6,96,76,71	6,49,76,06	47,00,65	11.51
103	General Administration	68,87,26	68,11,86	75,40	1.14
104	Police	6,27,89,45	5,81,64,20	46,25,25	10.37
46	Ministry of Population & Environment	94,05	94,05	0	0.02
103	General Administration	94,05	94,05	0	0.02
47	Ministry of Water Resources	26,90,27	26,90,27	0	0.44
103	General Administration	86,11	86,11	0	0.01

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Ministry/Sector	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
118 Irrigation	24,64,86	24,64,86	0	0.41
125 Electricity	1,39,30	1,39,30	0	0.02
48 Ministry of Physical Planning and Works	48,57,76	46,79,51	1,78,25	0.80
103 General Administration	1,98,46	1,97,21	1,25	0.03
110 Drinking Water	1,35,93	1,35,93	0	0.02
115 Housing	21,66,83	19,89,83	1,77,00	0.36
123 Road Transportation	23,56,54	23,56,54	0	0.39
49 Ministry of Culture, Tourism and Civil Aviation	9,30,85	9,30,85	0	0.15
103 General Administration	1,77,43	1,77,43	0	0.03
114 Youth, Sports & Culture	6,37,06	6,37,06	0	0.11
126 Tourism	1,16,36	1,16,36	0	0.02
50 Ministry of Foreign Affairs	1,01,91,94	1,01,03,44	88,50	1.68
103 General Administration	1,01,91,94	1,01,03,44	88,50	1.68

55	Ministry of Land Reform and Management	38,70,89	38,70,89	0	0.64
103	General Administration	69,78	69,78	0	0.01
119	Land Reform & Survey	38,01,11	38,01,11	0	0.63
56	Ministry of Women, Children & Social Welfare	6,25,63	6,25,63	0	0.10
103	General Administration	1,78,22	1,78,22	0	0.03
113	Women, Children & Social Welfare	4,47,41	4,47,41	0	0.07
58	Ministry of Defence	7,18,42,21	6,34,03,21	84,39,00	11.86
103	General Administration	48,12	48,12	0	0.01
107	Defence	7,17,94,09	6,33,55,09	84,39,00	11.86
59	Ministry of Forest and Soil Conservation	1,31,32,17	1,19,70,92	11,61,25	2.17
103	General Administration	1,25,74	1,24,49	1,25	0.02
120	Forest	1,30,06,43	1,18,46,43	11,60,00	2.15
61	Ministry of Science & Technology	2,67,98	2,61,98	6,00	0.04
103	General Administration	1,23,18	1,17,18	6,00	0.02
127	Metereology	1,44,80	1,44,80	0	0.02
65	Ministry of Education & Sports	11,24,48,01	11,24,42,41	5,60	18.57
103	General Administration	2,46,22	2,46,22	0	0.04
108	Education	11,13,71,79	11,13,66,19	5,60	18.39
114	Youth, Sports & Culture	8,30,00	8,30,00	0	0.14
66	Ministry of General Administration	4,38,43	4,38,43	0	0.07
103	General Administration	4,38,43	4,38,43	0	0.07
67	Ministry of Information and Communication	93,68,76	93,55,51	13,25	1.55
103	General Administration	91,35	91,35	0	0.02
122	Communications	92,77,41	92,64,16	13,25	1.53
69	Ministry of Local Development	66,22,15	66,17,95	4,20	1.09
103	General Administration	3,66,23	3,66,23	0	0.06
111	Local Development	2,55,92	2,51,72	4,20	0.04
116	Others - Social	60,00,00	60,00,00	0	0.99
70	Ministry of Health	2,19,10,04	2,19,10,04	0	3.62
103	General Administration	1,58,79	1,58,79	0	0.03
109	Health	2,17,51,25	2,17,51,25	0	3.59
71	Ministry of Labour & Transport Management	4,99,89	4,94,89	5,00	0.08
103	General Administration	84,14	79,14	5,00	0.01

Ministry/Sector	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
123 Road Transportation	2,79,23	2,79,23	0	0.05
130 Labour	1,36,52	1,36,52	0	0.02
72 National Planning Commission Secretariat	8,77,70	8,77,70	0	0.14
103 General Administration	2,40,50	2,40,50	0	0.04
106 Planning & Statistics	6,37,20	6,37,20	0	0.11
81 Ministry of Finance - Repayment of Domestic Debt	8,76,73,04	8,76,73,04	0	14.48
132 Internal Loan Payment	8,76,73,04	8,76,73,04	0	14.48
82 Ministry of Finance - Repayment of Foreign Debt - Multilateral	6,18,18,21	6,18,18,21	0	10.21
133 External Loan Payment	6,18,18,21	6,18,18,21	0	10.21
83 Ministry of Finance - Repayment of Foreign Debt - Bilateral	2,60,19,91	2,60,19,91	0	4.30
133 External Loan Payment	2,60,19,91	2,60,19,91	0	4.30
86 Ministry of Finance - Investments in Foreign Institutions	3,45,00	0	3,45,00	0.06
131 Others - Economic	3,45,00	0	3,45,00	0.06
95 Ministry of Finance - Miscellaneous	6,99,49,24	6,86,64,24	12,85,00	11.55
134 Miscellaneous	6,99,49,24	6,86,64,24	12,85,00	11.55
Total Regular Expenses	60,55,50,00	58,90,14,17	1,65,35,83	100.00

(Development Expenditure)

Annex - 8

(RS. In '000)

Sector/Ministry	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
Constitutional Bodies	17,00,50	3,70,45	13,30,05	0.41
102 Constitutional Bodies	17,00,50	3,70,45	13,30,05	0.41
14 Court	12,58,00	44,80	12,13,20	0.30
15 Commission for Investigation of Abuse of Authority	31,50	25,00	6,50	0.01
16 Office of the Auditor General	2,81,00	2,37,60	43,40	0.07
17 Public Service Commission	65,00	19,85	45,15	0.02
19 Office of the Attorney General	65,00	43,20	21,80	0.02
General Administration	28,59,53	15,76,23	12,83,30	0.68
103 General Administration	4,52,00	2,36,05	2,15,95	0.11
30 Council of Ministers	21,00	21,00	0	0.01
39 Ministry of Law, Justice and Parliamentary Affairs	10,00	10,00	0	0.00
45 Ministry of Home	2,96,00	1,15,00	1,81,00	0.07
66 Ministry of General Administration	1,25,00	90,05	34,95	0.03
105 Revenue & Financial Administration	14,84,00	5,80,26	9,03,74	0.35
35 Ministry of Finance	14,84,00	5,80,26	9,03,74	0.35
106 Planning & Statistics	9,23,53	7,59,92	1,63,61	0.22
72 National Planning Commission Secretariat	9,23,53	7,59,92	1,63,61	0.22
Social Services	17,57,94,23	8,75,71,89	8,82,22,34	42.01
108 Education	4,33,59,23	2,93,07,84	1,40,51,39	10.36
65 Ministry of Education & Sports	4,33,59,23	2,93,07,84	1,40,51,39	10.36
109 Health	3,02,62,98	2,73,28,63	29,34,35	7.23
38 Ministry of Industry, Commerce & Supply	5,00,00	5,00,00	0	0.12
69 Ministry of Local Development	12,00,00	12,00,00	0	0.29
70 Ministry of Health	2,85,62,98	2,56,28,63	29,34,35	6.83
110 Drinking Water	3,45,71,18	42,39,17	3,03,32,01	8.26
48 Ministry of Physical Planning and Works	2,83,85,88	42,08,76	2,41,77,12	6.78
69 Ministry of Local Development	15,20,30	30,41	14,89,89	0.36
87 Ministry of Finance - Investments - Public Enterprises	46,65,00	0	46,65,00	1.11
111 Local Development	5,39,88,81	1,71,14,95	3,68,73,86	12.90
69 Ministry of Local Development	5,09,88,81	1,61,14,95	3,48,73,86	12.19
95 Ministry of Finance - Miscellaneous	30,00,00	10,00,00	20,00,00	0.72
Other Social Services	1,36,12,03	95,81,30	40,30,73	3.25

112 Population & Environment	4,16,50	3,38,50	78,00	0.10
46 Ministry of Population & Environment	4,16,50	3,38,50	78,00	0.10
113 Women, Children & Social Welfare	23,87,73	23,75,77	11,96	0.57
56 Ministry of Women, Children & Social Welfare	18,87,73	18,75,77	11,96	0.45
95 Ministry of Finance - Miscellaneous	5,00,00	5,00,00	0	0.12
114 Youth, Sports & Culture	22,49,05	6,09,60	16,39,45	0.54
49 Ministry of Culture, Tourism and Civil Aviation	19,23,55	2,84,10	16,39,45	0.46
65 Ministry of Education & Sports	3,25,50	3,25,50	0	0.08
115 Housing	27,80,00	10,51,36	17,28,64	0.66
45 Ministry of Home	5,00,00	5,00,00	0	0.12
48 Ministry of Physical Planning and Works	22,35,00	5,06,36	17,28,64	0.53
49 Ministry of Culture, Tourism and Civil Aviation	45,00	45,00	0	0.01
116 Others - Social	57,78,75	52,06,07	5,72,68	1.38
45 Ministry of Home	64,00	64,00	0	0.02
61 Ministry of Science & Technology	5,87,99	4,96,89	91,10	0.14

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Sector/Ministry	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
69 Ministry of Local Development	9,84,06	5,07,40	4,76,66	0.24
72 National Planning Commission Secretariat	41,42,70	41,37,78	4,92	0.99
Economic Services	23,33,46,41	4,78,12,63	18,55,33,78	55.76
117 Agriculture	2,19,56,51	1,89,92,27	29,64,24	5.25
35 Ministry of Finance	4,48,00	1,08,00	3,40,00	0.11
40 Ministry of Agriculture & Cooperatives	2,12,83,51	1,88,84,27	23,99,24	5.09
87 Ministry of Finance - Investments - Public Enterprises	2,25,00	0	2,25,00	0.05
118 Irrigation	2,69,67,34	29,30,97	2,40,36,37	6.44
35 Ministry of Finance	5,00,00	5,00,00	0	0.12
40 Ministry of Agriculture & Cooperatives	16,83,85	6,68,86	10,14,99	0.40
47 Ministry of Water Resources	2,47,83,49	17,62,11	2,30,21,38	5.92
119 Land Reform & Survey	32,68,69	21,22,91	11,45,78	0.78
55 Ministry of Land Reform and Management	32,68,69	21,22,91	11,45,78	0.78
120 Forest	62,62,54	33,25,38	29,37,16	1.50

59 Ministry of Forest and Soil Conservation	62,62,54	33,25,38	29,37,16	1.50
121 Industry	50,38,65	32,00,68	18,37,97	1.20
38 Ministry of Industry, Commerce & Supply	43,55,65	31,75,88	11,79,77	1.04
61 Ministry of Science & Technology	6,00,00	24,80	5,75,20	0.14
87 Ministry of Finance - Investments - Public Enterprises	83,00	0	83,00	0.02
122 Communications	84,74,50	11,28,57	73,45,93	2.03
61 Ministry of Science & Technology	90,00	34,84	55,16	0.02
67 Ministry of Information and Communication	25,34,50	10,93,73	14,40,77	0.61
87 Ministry of Finance - Investments - Public Enterprises	58,50,00	0	58,50,00	1.40
Transportation	5,39,41,80	7,44,32	5,31,97,48	12.89
123 Road Transportation	5,39,41,80	7,44,32	5,31,97,48	12.89
48 Ministry of Physical Planning and Works	4,97,34,00	6,35,31	4,90,98,69	11.89
69 Ministry of Local Development	41,03,90	83,46	40,20,44	0.98
71 Ministry of Labour & Transport Management	1,03,90	25,55	78,35	0.02
125 Electricity	6,91,93,74	3,86,37	6,88,07,37	16.54
47 Ministry of Water Resources	28,72,84	2,41,36	26,31,48	0.69
61 Ministry of Science & Technology	63,74,90	1,45,01	62,29,89	1.52
87 Ministry of Finance - Investments - Public Enterprises	5,99,46,00	0	5,99,46,00	14.33
Other Economic Services	3,82,42,64	1,49,81,16	2,32,61,48	9.14
126 Tourism	5,30,00	1,66,95	3,63,05	0.13
49 Ministry of Culture, Tourism and Civil Aviation	5,30,00	1,66,95	3,63,05	0.13
127 Metereology	4,69,09	2,72,31	1,96,78	0.11
61 Ministry of Science & Technology	4,69,09	2,72,31	1,96,78	0.11
128 Supply	18,89,00	18,89,00	0	0.45
38 Ministry of Industry, Commerce & Supply	18,89,00	18,89,00	0	0.45
129 Commerce	8,08,00	4,15,12	3,92,88	0.19
38 Ministry of Industry, Commerce & Supply	8,08,00	4,15,12	3,92,88	0.19
130 Labour	10,85,60	10,57,88	27,72	0.26
71 Ministry of Labour & Transport Management	5,53,10	5,25,38	27,72	0.13
95 Ministry of Finance - Miscellaneous	5,32,50	5,32,50	0	0.13
131 Others - Economic	3,34,60,95	1,11,79,90	2,22,81,05	8.00
35 Ministry of Finance	21,06,70	20,64,90	41,80	0.50
87 Ministry of Finance - Investments - Public Enterprises	39,31,00	0	39,31,00	0.94

Sector/Ministry	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
95 Ministry of Finance - Miscellaneous	2,74,23,25	91,15,00	1,83,08,25	6.55
Miscellaneous	47,49,33	47,25,09	24,24	1.13
134 Miscellaneous	47,49,33	47,25,09	24,24	1.13
35 Ministry of Finance	1,24,08	99,84	24,24	0.03
95 Ministry of Finance - Miscellaneous	46,25,25	46,25,25	0	1.11
Total Development Expenses	41,84,50,00	14,20,56,29	27,63,93,71	100.00

(Development Expenditure)

Annex - 8A
(Rs. In '000)

Ministry/Sector	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
14 Court	12,58,00	44,80	12,13,20	0.30
102 Constitutional Bodies	12,58,00	44,80	12,13,20	0.30
15 Commission for Investigation of Abuse of Authority	31,50	25,00	6,50	0.01
102 Constitutional Bodies	31,50	25,00	6,50	0.01
16 Office of the Auditor General	2,81,00	2,37,60	43,40	0.07
102 Constitutional Bodies	2,81,00	2,37,60	43,40	0.07
17 Public Service Commission	65,00	19,85	45,15	0.02
102 Constitutional Bodies	65,00	19,85	45,15	0.02
19 Office of the Attorney General	65,00	43,20	21,80	0.02
102 Constitutional Bodies	65,00	43,20	21,80	0.02
30 Council of Ministers	21,00	21,00	0	0.01
103 General Administration	21,00	21,00	0	0.01
35 Ministry of Finance	46,62,78	33,53,00	13,09,78	1.11
105 Revenue & Financial Administration	14,84,00	5,80,26	9,03,74	0.35
117 Agriculture	4,48,00	1,08,00	3,40,00	0.11
118 Irrigation	5,00,00	5,00,00	0	0.12
131 Others - Economic	21,06,70	20,64,90	41,80	0.50
134 Miscellaneous	1,24,08	99,84	24,24	0.03
38 Ministry of Industry, Commerce & Supply	75,52,65	59,80,00	15,72,65	1.80
109 Health	5,00,00	5,00,00	0	0.12
121 Industry	43,55,65	31,75,88	11,79,77	1.04
128 Supply	18,89,00	18,89,00	0	0.45
129 Commerce	8,08,00	4,15,12	3,92,88	0.19
39 Ministry of Law, Justice and Parliamentary Affairs	10,00	10,00	0	0.00
103 General Administration	10,00	10,00	0	0.00
40 Ministry of Agriculture & Cooperatives	2,29,67,36	1,95,53,13	34,14,23	5.49
117 Agriculture	2,12,83,51	1,88,84,27	23,99,24	5.09
118 Irrigation	16,83,85	6,68,86	10,14,99	0.40
45 Ministry of Home	8,60,00	6,79,00	1,81,00	0.21
103 General Administration	2,96,00	1,15,00	1,81,00	0.07
115 Housing	5,00,00	5,00,00	0	0.12
116 Others - Social	64,00	64,00	0	0.02

46 Ministry of Population & Environment	4,16,50	3,38,50	78,00	0.10
112 Population & Environment	4,16,50	3,38,50	78,00	0.10
47 Ministry of Water Resources	2,76,56,33	20,03,47	2,56,52,86	6.61
118 Irrigation	2,47,83,49	17,62,11	2,30,21,38	5.92
125 Electricity	28,72,84	2,41,36	26,31,48	0.69
48 Ministry of Physical Planning and Works	8,03,54,88	53,50,43	7,50,04,45	19.20
110 Drinking Water	2,83,85,88	42,08,76	2,41,77,12	6.78
115 Housing	22,35,00	5,06,36	17,28,64	0.53
123 Road Transportation	4,97,34,00	6,35,31	4,90,98,69	11.89
49 Ministry of Culture, Tourism and Civil Aviation	24,98,55	4,96,05	20,02,50	0.60
114 Youth, Sports & Culture	19,23,55	2,84,10	16,39,45	0.46
115 Housing	45,00	45,00	0	0.01
126 Tourism	5,30,00	1,66,95	3,63,05	0.13
55 Ministry of Land Reform and Management	32,68,69	21,22,91	11,45,78	0.78
119 Land Reform & Survey	32,68,69	21,22,91	11,45,78	0.78

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Ministry/Sector	2003/04 budget			Distrib. %
	Total	Recurrent	Capital	
56 Ministry of Women, Children & Social Welfare	18,87,73	18,75,77	11,96	0.45
113 Women, Children & Social Welfare	18,87,73	18,75,77	11,96	0.45
59 Ministry of Forest and Soil Conservation	62,62,54	33,25,38	29,37,16	1.50
120 Forest	62,62,54	33,25,38	29,37,16	1.50
61 Ministry of Science & Technology	81,21,98	9,73,85	71,48,13	1.94
116 Others - Social	5,87,99	4,96,89	91,10	0.14
121 Industry	6,00,00	24,80	5,75,20	0.14
122 Communications	90,00	34,84	55,16	0.02
125 Electricity	63,74,90	1,45,01	62,29,89	1.52
127 Metereology	4,69,09	2,72,31	1,96,78	0.11
65 Ministry of Education & Sports	4,36,84,73	2,96,33,34	1,40,51,39	10.44
108 Education	4,33,59,23	2,93,07,84	1,40,51,39	10.36
114 Youth, Sports & Culture	3,25,50	3,25,50	0	0.08
66 Ministry of General Administration	1,25,00	90,05	34,95	0.03

103	General Administration	1,25,00	90,05	34,95	0.03
67	Ministry of Information and Communication	25,34,50	10,93,73	14,40,77	0.61
122	Communications	25,34,50	10,93,73	14,40,77	0.61
69	Ministry of Local Development	5,87,97,07	1,79,36,22	4,08,60,85	14.05
109	Health	12,00,00	12,00,00	0	0.29
110	Drinking Water	15,20,30	30,41	14,89,89	0.36
111	Local Development	5,09,88,81	1,61,14,95	3,48,73,86	12.19
116	Others - Social	9,84,06	5,07,40	4,76,66	0.24
123	Road Transportation	41,03,90	83,46	40,20,44	0.98
70	Ministry of Health	2,85,62,98	2,56,28,63	29,34,35	6.83
109	Health	2,85,62,98	2,56,28,63	29,34,35	6.83
71	Ministry of Labour & Transport Management	6,57,00	5,50,93	1,06,07	0.16
123	Road Transportation	1,03,90	25,55	78,35	0.02
130	Labour	5,53,10	5,25,38	27,72	0.13
72	National Planning Commission Secretariat	50,66,23	48,97,70	1,68,53	1.21
106	Planning & Statistics	9,23,53	7,59,92	1,63,61	0.22
116	Others - Social	41,42,70	41,37,78	4,92	0.99
87	Ministry of Finance - Investments - Public Enterprises	7,47,00,00	0	7,47,00,00	17.85
110	Drinking Water	46,65,00	0	46,65,00	1.11
117	Agriculture	2,25,00	0	2,25,00	0.05
121	Industry	83,00	0	83,00	0.02
122	Communications	58,50,00	0	58,50,00	1.40
125	Electricity	5,99,46,00	0	5,99,46,00	14.33
131	Others - Economic	39,31,00	0	39,31,00	0.94
95	Ministry of Finance - Miscellaneous	3,60,81,00	1,57,72,75	2,03,08,25	8.62
111	Local Development	30,00,00	10,00,00	20,00,00	0.72
113	Women, Children & Social Welfare	5,00,00	5,00,00	0	0.12
130	Labour	5,32,50	5,32,50	0	0.13
131	Others - Economic	2,74,23,25	91,15,00	1,83,08,25	6.55
134	Miscellaneous	46,25,25	46,25,25	0	1.11
	Total Development Expenses	41,84,50,00	14,20,56,29	27,63,93,71	100.00

Sector-wise Priority and Strategic Allocation, Fiscal Year - 2003/04

Development Expenditure

Annex 8b

(Rs. in '000s)

Sector/Ministry	2003/04 Allocation	Priority				Strategy				
		P1	P2	P3	N	01	02	03	04	07
Constitutional Bodies	170050	170050	0	0	0	0	0	0	170050	0
102 Constitutional Bodies	170050	170050	0	0	0	0	0	0	170050	0
14 Court	125800	125800	0	0	0	0	0	0	125800	0
15 Commission for Investigation of Abuse of Authority	3150	3150	0	0	0	0	0	0	3150	0
16 Office of the Auditor General	28100	28100	0	0	0	0	0	0	28100	0
17 Public Service Commission	6500	6500	0	0	0	0	0	0	6500	0
19 Office of the Attorney General	6500	6500	0	0	0	0	0	0	6500	0
General Administration	285953	177553	78800	29600	0	0	0	0	285953	0
103 General Administration	45200	3100	12500	29600	0	0	0	0	45200	0
30 Council of Ministers	2100	2100	0	0	0	0	0	0	2100	0
39 Ministry of Law, Justice and Parliamentary Affairs	1000	1000	0	0	0	0	0	0	1000	0
45 Ministry of Home	29600	0	0	29600	0	0	0	0	29600	0
66 Ministry of General Administration	12500	0	12500	0	0	0	0	0	12500	0
104 Police										
105 Revenue & Financial Administration	148400	134700	13700	0	0	0	0	0	148400	0
35 Ministry of Finance	148400	134700	13700	0	0	0	0	0	148400	0
106 Planning & Statistics	92353	39753	52600	0	0	0	0	0	92353	0
72 National Planning Commission Secretariat	92353	39753	52600	0	0	0	0	0	92353	0
Social Services	17579423	12642592	4141372	795459	0	0	11846418	2411106	3321899	0
108 Education	4335923	2657110	1443350	235463	0	0	3369836	966087	0	0
65 Ministry of Education & Sports	4335923	2657110	1443350	235463	0	0	3369836	966087	0	0
109 Health	3026298	1655208	1094356	276734	0	0	2908018	50000	68280	0
38 Ministry of Industry, Commerce & Supply	50000	50000	0	0	0	0	0	50000	0	0
69 Ministry of Local Development	120000	0	120000	0	0	0	120000	0	0	0
70 Ministry of Health	2856298	1605208	974356	276734	0	0	2788018	0	68280	0
110 Drinking Water	3457118	3116288	287330	53500	0	0	3445618	0	11500	0
48 Ministry of Physical Planning and Works	2838588	2669788	115300	53500	0	0	2827088	0	11500	0
69 Ministry of Local Development	152030	0	152030	0	0	0	152030	0	0	0
87 Ministry of Finance - Investments - Public Enterprises	466500	446500	20000	0	0	0	466500	0	0	0
111 Local Development	5398881	4121931	1195270	81680	0	0	1632441	584620	3181820	0

Sector/Ministry	2003/04 Allocation	Priority				Strategy				
		P1	P2	P3	N	01	02	03	04	07
69 Ministry of Local Development	5098881	3821931	1195270	81680	0	0	1432441	484620	3181820	0
95 Ministry of Finance - Miscellaneous	300000	300000	0	0	0	0	200000	100000	0	0
<i>Other Social Services</i>	1361203	1092055	121066	148082	0	0	490505	810399	60299	0
112 Population & Environment	41650	41650	0	0	0	0	41650	0	0	0
46 Ministry of Population & Environment	41650	41650	0	0	0	0	41650	0	0	0
113 Women, Children & Social Welfare	238773	162630	73266	2877	0	0	0	238773	0	0
56 Ministry of Women, Children & Social Welfare	188773	112630	73266	2877	0	0	0	188773	0	0
95 Ministry of Finance - Miscellaneous	50000	50000	0	0	0	0	0	50000	0	0
114 Youth, Sports & Culture	224905	128300	7900	88705	0	0	222355	2550	0	0
49 Ministry of Culture, Tourism and Civil Aviation	192355	128300	7900	56155	0	0	192355	0	0	0
65 Ministry of Education & Sports	32550	0	0	32550	0	0	30000	2550	0	0
115 Housing	278000	214500	33500	30000	0	0	200000	50000	28000	0
45 Ministry of Home	50000	50000	0	0	0	0	0	50000	0	0
48 Ministry of Physical Planning and Works	223500	164500	29000	30000	0	0	195500	0	28000	0
49 Ministry of Culture, Tourism and Civil Aviation	4500	0	4500	0	0	0	4500	0	0	0
116 Others - Social	577875	544975	6400	26500	0	0	26500	519076	32299	0
45 Ministry of Home	6400	0	6400	0	0	0	0	6400	0	0
61 Ministry of Science & Technology	58799	32299	0	26500	0	0	26500	0	32299	0
69 Ministry of Local Development	98406	98406	0	0	0	0	0	98406	0	0
72 National Planning Commission Secretariat	414270	414270	0	0	0	0	0	414270	0	0
Economic Services	23334641	17348498	5108038	878105	0	17462450	4450718	568044	853429	0
117 Agriculture	2195651	1526054	593543	76054	0	1994422	33000	74819	93410	0
35 Ministry of Finance	44800	17800	27000	0	0	44800	0	0	0	0
40 Ministry of Agriculture & Cooperatives	2128351	1508254	544043	76054	0	1927122	33000	74819	93410	0
87 Ministry of Finance - Investments - Public Enterprises	22500	0	22500	0	0	22500	0	0	0	0
118 Irrigation	2696734	2250061	404573	42100	0	2458949	217885	0	19900	0
35 Ministry of Finance	50000	50000	0	0	0	0	50000	0	0	0

40 Ministry of Agriculture & Cooperatives
 47 Ministry of Water Resources
 119 Land Reform & Survey

168385	168385	0	0	0	500	167885	0	0	0
2478349	2031676	404573	42100	0	2458449	0	0	19900	0
326869	124925	121266	80678	0	0	0	9984	316885	0

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Sector/Ministry	2003/04 Allocation	Priority				Strategy				
		P1	P2	P3	N	01	02	03	04	07
55 Ministry of Land Reform and Management	326869	124925	121266	80678	0	0	0	9984	316885	0
120 Forest	626254	407241	164474	54539	0	443334	100280	55391	27249	0
59 Ministry of Forest and Soil Conservation	626254	407241	164474	54539	0	443334	100280	55391	27249	0
121 Industry	503865	144884	318447	40534	0	184176	279664	0	40025	0
38 Ministry of Industry, Commerce & Supply	435565	144884	258447	32234	0	175876	219664	0	40025	0
61 Ministry of Science & Technology	60000	0	60000	0	0	0	60000	0	0	0
87 Ministry of Finance - Investments - Public Enterprises	8300	0	0	8300	0	8300	0	0	0	0
122 Communications	847450	800100	38350	9000	0	746400	31500	0	69550	0
61 Ministry of Science & Technology	9000	0	0	9000	0	0	9000	0	0	0
67 Ministry of Information and Communication	253450	215100	38350	0	0	161400	22500	0	69550	0
87 Ministry of Finance - Investments - Public Enterprises	585000	585000	0	0	0	585000	0	0	0	0
<i>Transportation</i>	<i>5394180</i>	<i>3530980</i>	<i>1462700</i>	<i>400500</i>	<i>0</i>	<i>4553200</i>	<i>823090</i>	<i>0</i>	<i>17890</i>	<i>0</i>
123 Road Transportation	5394180	3530980	1462700	400500	0	4553200	823090	0	17890	0
48 Ministry of Physical Planning and Works	4973400	3110200	1462700	400500	0	4553200	412700	0	7500	0
69 Ministry of Local Development	410390	410390	0	0	0	0	410390	0	0	0
71 Ministry of Labour & Transport Management	10390	10390	0	0	0	0	0	0	10390	0
125 Electricity	6919374	6048891	747983	122500	0	4775834	2102490	0	41050	0
47 Ministry of Water Resources	287284	157901	109383	20000	0	277734	0	0	9550	0
61 Ministry of Science & Technology	637490	637490	0	0	0	0	637490	0	0	0
87 Ministry of Finance - Investments - Public Enterprises	5994600	5253500	638600	102500	0	4498100	1465000	0	31500	0
<i>Other Economic Services</i>	<i>3824264</i>	<i>2515362</i>	<i>1256702</i>	<i>52200</i>	<i>0</i>	<i>2306135</i>	<i>862809</i>	<i>427850</i>	<i>227470</i>	<i>0</i>
126 Tourism	53000	27500	19500	6000	0	29000	12000	0	12000	0

49 Ministry of Culture, Tourism and Civil Aviation

127 Metereology

61 Ministry of Science & Technology

128 Supply

38 Ministry of Industry, Commerce & Supply

129 Commerce

38 Ministry of Industry, Commerce & Supply

130 Labour

53000	27500	19500	6000	0	29000	12000	0	12000	0
46909	40909	6000	0	0	0	46909	0	0	0
46909	40909	6000	0	0	0	46909	0	0	0
188900	188900	0	0	0	0	0	188900	0	0
188900	188900	0	0	0	0	0	188900	0	0
80800	45100	2200	33500	0	78600	0	0	2200	0
80800	45100	2200	33500	0	78600	0	0	2200	0
108560	71358	32002	5200	0	56210	3900	45850	2600	0

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Sector/Ministry	2003/04 Allocation	Priority				Strategy				
		P1	P2	P3	N	01	02	03	04	07
71 Ministry of Labour & Transport Management	55310	18108	32002	5200	0	46210	3900	2600	2600	0
95 Ministry of Finance - Miscellaneous	53250	53250	0	0	0	10000	0	43250	0	0
131 Others - Economic	3346095	2141595	1197000	7500	0	2142325	800000	193100	210670	0
35 Ministry of Finance	210670	203170	0	7500	0	0	0	0	210670	0
87 Ministry of Finance - Investments - Public Enterprises	393100	193100	200000	0	0	200000	0	193100	0	0
95 Ministry of Finance - Miscellaneous	2742325	1745325	997000	0	0	1942325	800000	0	0	0
Miscellaneous	474933	0	424933	50000	0	10000	0	0	464933	0
134 Miscellaneous	474933	0	424933	50000	0	10000	0	0	464933	0
35 Ministry of Finance	12408	0	12408	0	0	0	0	0	12408	0
95 Ministry of Finance - Miscellaneous	462525	0	412525	50000	0	10000	0	0	452525	0
Total	41845000	30338693	9753143	1753164	0	17472450	16297136	2979150	5096264	0

Note:

Code	Priority
P1	First
P2	Second
P3	Third
N	None-Regular

Code	Strategy
01	Sustainable and broad based economic growth
02	Social sector and infrastructure development
03	Targeted Programs
04	Governance
07	General Administration

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Fiscal Year 2003/04

Annex - 9

(Rs. in '000s)

Economic Heads and Expenditure Line Items	Regular	Development	Total
Current Expenditure	58,901,417	14,205,629	73,107,046
His Majesty the King, Royal Family and Royal Palace	329,175	0	329,175
His Majesty the King, Royal Family & Royal Palace	329,175	0	329,175
1 Consumption Expenses	21,764,594	1,617,680	23,382,274
1.01 Salary	12,907,592	1,323,790	14,231,382
1.02 Allow ances	1,122,101	103,243	1,225,344
1.03 Transfer, Travelling Allow ances	186,041	19,164	205,205
1.04 Clothing	667,467	2,343	669,810
1.05 Food	2,860,573	39,221	2,899,794
1.06 Employee's Medical Expenses	640,800	0	640,800
1.07 Retirement Benefit	3,262,500	0	3,262,500
1.08 Staff Training	117,520	129,919	247,439
2 Office Operation and Services Expenses	2,657,101	1,454,494	4,111,595
2.01 Water and Electricity	466,007	88,642	554,649
2.02 Communication	304,775	55,426	360,201
2.03 General Office Expenses	635,954	352,275	988,229
2.04 Rent	433,174	111,041	544,215
2.05 Repair and Maintanace	349,752	125,063	474,815
2.06 Fuel and Oil	280,319	116,800	397,119
2.07 Consultancy and Other Services fees	31,137	545,101	576,238
2.08 Miscellaneous	155,983	60,146	216,129
3 Grants and Subsidies (Current Transfer)	12,372,041	6,747,338	19,119,379
3.01 Operating Subsidy to Public Enterprises	5,000	1,030,580	1,035,580
3.02 Operating Subsidy to Local bodies	399,170	2,274,704	2,673,874
3.03 Social Security Grants	11,332,871	3,442,054	14,774,925
3.04 Social Security Sunsidcs	635,000	0	635,000
4 Service and Production Expenses	1,629,309	2,896,028	4,525,337
4.01 Production Materials	140,400	141,148	281,548
4.02 Medicines	133,982	696,802	830,784
4.03 Books and Materials	2,377	51,415	53,792
4.04 Program supplies and expenses	58,055	1,736,510	1,794,565

4.05 Program Travelling Expenses	1,214,839	255,063	1,469,902
4.06 Operation and Maintenance of Public Property	79,656	15,090	94,746
9 Contingency Expenses	2,432,821	1,490,089	3,922,910
9.01 Contingencies	2,432,821	1,490,089	3,922,910
10 Principal Payments	9,628,859	0	9,628,859
10.01 Principal repayment - Domestic	3,483,498	0	3,483,498
10.02 Principal repayment - Foreign	6,145,361	0	6,145,361
11 Interest Payments	7,922,257	0	7,922,257
11.01 Interest repayment - Domestic	5,283,806	0	5,283,806
11.02 Interest repayment - Foreign	2,638,451	0	2,638,451

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Economic Heads and Expenditure Line Items	Regular	Development	Total
12 Refund	165,260	0	165,260
12.01 Refund Expenditure	165,260	0	165,260

Capital Expenditure	1,653,583	27,639,371	29,292,954
5 Capital Transfer	154,800	55,333	210,133
5.01 Land Purchase	114,800	54,333	169,133
5.02 Building Purchase	40,000	1,000	41,000
6 Capital Formation	1,464,283	12,293,567	13,757,850
6.01 Furniture	34,680	26,326	61,006
6.02 Vehicles	62,004	144,515	206,519
6.03 Machinery & Equipment	912,099	314,025	1,226,124
6.04 Building Construction	382,100	688,593	1,070,693
6.05 Civil Construction	48,650	9,780,512	9,829,162
6.06 Capital Formation	24,750	623,781	648,531
6.07 Research and Consultancy Services Fees	0	715,815	715,815
7 Investment	34,500	8,100,900	8,135,400

7.01	Investment - Share	34,500	1,385,300	1,419,800
7.02	Investment - Loan	0	6,715,600	6,715,600
8 Capital Grants		0	7,189,571	7,189,571
8.01	Capital Grants to Public Enterprises	0	817,362	817,362
8.02	Capital Grants to Local Bodies	0	2,835,838	2,835,838
8.03	Capital Grants to Non Profit Institution	0	3,536,371	3,536,371
Grand Total:		60,555,000	41,845,000	102,400,000