

(Unofficial Translation)



# **Public Statement on Income & Expenditure for the Fiscal Year 2012-13**



GOVERNMENT OF NEPAL  
MINISTRY OF FINANCE  
2013



**Public Statement  
on  
Income & Expenditure of  
Fiscal Year 2012-13**



**Delivered by**

**Finance Minister Mr. Shanker Prasad Koirala**

**9 April 2013**



**GOVERNMENT OF NEPAL  
MINISTRY OF FINANCE  
2013**

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## **Respected Sisters and Brothers,**

1. We all are aware that the present Government has been formed with the main objective of conducting free and fair election of the Constituent Assembly in the context of special political circumstances of the country. At this moment, I on behalf of the Government, would like to express my sincere gratitude to all concerned who have entrusted me this great responsibility. This Government will remain honest and is seriously committed to carry out election for Constituent Assembly in fair, free and credible manner as soon as possible and thus constitute a freshly mandated Constituent Assembly.
2. Although this Government's prime responsibility is to conduct credible election for the Constituent Assembly, the social and economic transformation of the country is not possible without a dynamic economy. Hence, as a Finance Minister, I am responsible for ensuring adequate resources to the forthcoming Constituent Assembly election and, at the same time, ensuring macro-economic stability of the country and move ahead with the sustainable development agenda. However, the budget of this Government, formed with a responsibility of achieving a given mandate cannot address all the expectations of the people.
3. In the sixty year's budget history of Nepal, this is the first time that we have been unable to bring a full fledged budget with the estimate of revenue and expenditure even in the lapse of first eight months of the Fiscal Year. Due to the situations created in the aftermath of the dissolution of Constituent Assembly, the economy could not move robustly as the public expenditures had to be managed within the actual expenditure of previous Fiscal Year as provisioned under two ordinances. Therefore, I am presenting a full adjusted budget with the estimate of revenue and expenditures while adjusting the appropriated amounts in the ordinances promulgated by Rt. Hon. President on July 15, 2012 and November 20, 2012.
4. A budget for the current Fiscal Year 2013-14 was required, among others, to maintain economic stability through achieving a high and sustainable economic growth, to ensure adequate resources for the ongoing projects/programs, to give continuity to developmental activities, and to create investment friendly environment by building confidence of the private sector. This full budget is being prepared

by adjusting two ordinances which were promulgated earlier. I have presented this Appropriation Ordinance for the information of all Nepalese people, which is approved by Rt. Hon. President.

**Respected Sisters and Brothers,**

5. As we all know, Nepal is following a liberal, open and market based economy since the decade of 1990s as its main developmental policy. During this period, the socio-economic indicators of the country have improved despite adverse situation, protracted political transition and numerous other obstacles. The country's poverty level has dropped by 25 percent and there have been positive changes in the social indicators as development avenues opened up because of this policy adopted by the country and the attraction created for the private sector investment. I believe that the success of this policy is reflected by the fact that Nepal is poised to achieve most of MDGs by the stipulated time.
6. I believe that private sector is the main engine of economic growth. The present Government believes that government, private and cooperative sectors are complementary to each other for the economic development of the country. As per this conviction, the Government will try to give continuity to the positive aspect of the market economy and in order to accelerate the economic development of the country, the roles of the state, private sector and cooperatives will be made more meaningful. I will try to focus on these priorities and further the development path during my tenure.

**Respected Sisters and Brothers,**

7. Before presenting estimate of revenue and expenditure of Fiscal Year 2012-13, now I would like to present some of the macro-economic indicators that show country's current economic situation.
8. The economic growth rate is expected to be lower than last year due to unfavorable environment of the country. The agriculture growth

rate will be lowered at 1.3 percent in current Fiscal Year. Likewise, non-agriculture sector growth rate remains at 4.8 percent. Out of this, service sector growth is expected to remain at 6 percent and industrial sector growth at 1.5 percent. Due to this, economic growth rate is projected to be at 3.6 percent in basic prices in current Fiscal Year 2012-13.

9. In current Fiscal Year, inflation in mid-February, 2013 remains at 10.1 percent against the target of 7.5 percent. Such pressure in prices comes up with the decrease in agriculture production and problems in supplies.
10. On the public finances, until the mid-March of this current Fiscal Year, current expenditure reaches to Rs. 129.88 billion, capital expenditure reaches to Rs. 13.42 billion and financial management reaches to Rs. 11.50 billion. The total public expenditure is Rs. 154.80 billion. This amount is 44 percent of the total amount that was authorized by Ordinances related to the Expenditures for Services and Works.
11. Until the mid- March of current Fiscal Year, the revenue collection is Rs. 177.96 billion. Out of this, tax revenue is Rs. 156.78 billion and non-tax revenue is Rs. 21.18 billion. The total revenue is higher by 23.2 percent than the last year's same period.
12. On the foreign aid mobilization, until the mid-March, total foreign aid commitment reaches equivalent to Rs. 39.26 billion, of which grant is Rs. 21.98 billion and loan is Rs. 17.27 billion.
13. On foreign trade, the tendency is high trade deficit due to increase in imports. Until the eight months of current Fiscal Year, trade deficit remains equivalent to Rs. 308 billion. Until mid- March, total imports reaches to Rs. 358 billion which is 24 percent higher than the last year. During this period, total export remains equivalent to Rs. 50 billion, which is 5 percent higher than the last year.

14. Despite the high trade deficit, the balance of payment is surplus by Rs. 1.59 billion until mid-February due to increase in income from services and remittances. Additionally, a foreign exchanges reserve is increased to Rs. 437.85 billion by which import of goods and services for 8.5 months is possible.

**Respected Sisters and Brothers,**

15. Before presenting the appropriation for the current Fiscal Year, I would like to mention some policy measures.
16. Agriculture programs will be implemented so as to increase agricultural production thereby achieving import substitution and maintaining food security.
17. Investment will be expanded in the areas of energy, transport and infrastructure development in the perspective of industries not yet well developed as expected due to energy crisis and lack of sustainable access to transportation; industrial production becoming expensive due to high transaction cost; and not being able to bring foreign investment as desired. The Government will increase the investment on electricity transmission line and prepare the environment for increasing private investment in hydroelectricity projects.
18. Considering the economic situation of the country that has become import-oriented due to declining competitive capacity, export friendly policy will be adopted in order to narrow down the difference between import and export. Areas for export promotion with comparative and competitive advantage will be identified and focus will be given on the development, expansion, diversification, marketing and branding of such goods.
19. The Government will make investment on the tourism infrastructure from the perspective of the country as a whole being potential for

tourism. For this, public-private partnership will be ensured so as the leadership of private sector remains intact in the task of professional development and promotion of tourism activities.

20. A huge contribution has been made by remittance income in minimizing poverty and improving socio-economic indicators. Policy will be adopted to invest remittance income in the area of capital formation and generating employment opportunities within the country.
21. Foreign aid will be mobilized in order to provide source of investment required for economic development, invite new technology and gaining new knowledge emerged in the international arena. Foreign aid mobilization will be done based on the policy adopted for the physical and social infrastructure development projects and emphasis will be given for the country's priority areas.
22. Enhancing the quality of services will be stressed with the increased investment in basic social service sectors such as education, health, drinking water and sanitation.
23. Credible provisions will be made in peace and security, law and order and guaranteeing of human rights. Judicial administration will be made effective for fair, transparent and speedy justice.
24. As per the concept of inclusive development, a policy will be adopted to uplift the living standard of Women, Dalit, Indigenous people, Madheshi, Muslim and the peoples of the areas which are economically, socially and geographically backward.
25. In line with international commitment, necessary laws will be formulated for the control of money laundering. Revenue administration will be made disciplined, respectable and professional. Revenue administration will be made taxpayer friendly and well equipped with technology through increasing the capacity of officials engaged in revenue administration. Revenue leakage will be

controlled through adopting the policy of taking maximum actions to all those involved in revenue leakage activities.

26. Financial discipline will be maintained through making public expenditure economical. Zero tolerance policy will be adopted for the tendencies such as not releasing appropriated budget on time, not procuring contract on time, not doing timely audit for the spent amount, not complying financial discipline and corruption related activities.
  
27. It is the fundamental rights of general public to receive basic public services related to their daily lives easily, transparently and in a client friendly way. For this, governance will be guaranteed by making service provider agency and officials responsible towards ensuring the Government's service delivery.

**Respected Sisters and Brothers,**

28. Public expectations are enormous. Government wants to increase investment in various sectors such as infrastructures, social services, inclusive development, and improvement in judicial administration. However, due to the time constraint in current year and the situation of need of allocating resources for already created obligatory expenditures, it is not felt realistic and practical to announce new policies and programs. Therefore, I have tried to make provision for necessary program and budget, through rationally using available resources and time, for Constituent Assembly election, continuation of major physical infrastructure projects, effective service delivery and maintaining law and order.
  
29. As the prime mission of the present Government is to hold free, fair and credible election of the Constituent Assembly, I have appropriated Rs. 6 billion for the election. Likewise, I have apportioned Rs. 8 billion for making arrangements for effective election security.



30. In order to minimize the risk in commercialization of agriculture sector investment and ensure the investment by farmers and ensure security in the investment made by the farmers, I have appropriated necessary funds to bear the 50% of the insurance premium paid by the farmers by the Government under the fisheries, poultry and agriculture insurance scheme introduced from January 14, 2013.
31. Necessary additional funds have been appropriated in order to make adequate supply of chemical fertilizer through easy and simple procedures.
32. The interest subsidy being provided to commercial animal farming will be extended to commercial agriculture sector as well, and a policy of interest subsidy to sheep farming in mountain region will also be adopted in order to promote pashmina (wool) industry. I have arranged additional amount for the improvement in animal breeding.
33. In order to manage marketing of the agriculture products, I have provisioned necessary amount to establish 5 collection centers in East-West Highway. Likewise, I have adopted a policy of promoting high value fruit production.
34. As per the notion of one district one product based on public-private-partnership, I have allocated Rs. 20 million in order to initiate preliminary tasks of promoting the productions of herbs in Okhaldhunga, honey in Arghakhanchi, trout fish in Rasuwa, vegetables farming and storage in Dhading, citrus juice in Sindhupalanchowk, seeds production packaging in Pyuthan, dairy production in Bara, fisheries in Rautahat, high-value stones in Jajarkot and pashmina wool in Manang.
35. Since there has been the possibility of country to be self sustained in cement within two years, the policy to build the access road and electricity transmission line, on behalf of Government, for the

cement industry will be continued. For this purpose, necessary additional budget for remaining period of this Fiscal Year has been allocated.

36. In the context of no additional Industrial Zone being established for the last 25 years, necessary actions will be initiated to establish additional one Industrial Zone. Arrangement has been made to complete and operate the Bhairahawa Special Economic Zone at the end of this Fiscal Year.
37. Necessary arrangements will be made to provide facility and incentives for the rehabilitation of sick industry in accordance with the recommendations of Sick Industry Rehabilitation Committee. Similarly, necessary budget has been allocated to register the trade mark of pasmina industry in additional five countries abroad.
38. I have allocated necessary budget for Women Entrepreneurship Development Fund and Technology Development Fund, respectively. Similarly, necessary budget has been allocated in order to initiate infrastructure related primary work of one National Cottage Industry and Small Industry Exhibition and Sales stall to be established in Kathmandu.
39. I have allocated Rs.300 million for the remaining period of current Fiscal Year for export promotion including the works of simplification of procedures related to export subsidy to be paid from Export Promotion Fund.
40. I have made necessary arrangement to effectively mobilize the Revenue and Industrial security force established for the purpose of revenue leakage control and industrial security.
41. Additional budget has been allocated to minimize the gap between the demand and supply of electricity to reduce load shedding. Similarly, necessary budget has been allocated for the optimal operation of Biratnagar Multi fuel plant and Hetauda Diesel plant.

Private sector promoters will be encouraged to build hydro electricity project within the country. Until the sufficient production of hydro electricity is maintained, the Government will bear the cost differences between the cost of imported electricity from India and sales price in order to reduce the load shedding.

42. There will be policy continuation to give priority to private sector in hydroelectricity generation. I have allocated adequate budget as per prior commitment of the Government so as to instantly commence the construction of electricity transmission lines for the six hydroelectricity projects that the government has handed over to private sector through open competition. I have allocated budget to Koshi Corridor, Mechi Corridor, Kaligandaki Corridor, and Solu Corridor Transmission Line Projects with priority.
43. I have allocated fund to Upper Tamakoshi Hydroelectricity Project, the biggest Government funded under - construction project, to expedite its construction. Similarly, necessary fund is provisioned for Budhi Gandaki and Nalsingh Gadh hydropower projects.
44. I have managed incentives to produce the means of production which are supportive in renewable energy production inside the country. I have taken the policy of extending Solar Energy Production Programme for Family Use in city areas, which is currently in operation in rural areas.
45. The supply system will be eased for the public consumption items like food, essential consumer products, chemical fertilizer and petroleum products. I have allocated adequate resources to make the market monitoring effective so as to protect the interest of consumers.
46. Adequate budget has been allocated for some of the high national priority projects. Such projects are Rani Jamara Kularia, Sikta, Babai and Mahakali Irrigation Projects, Kathmandu Valley Urban Road Project, Postal Highways, Mid Hill Lok Marga, Road Sector Development Project, Sub-regional Transport Enhancement Project,

District Road Support Project and Ring Road Improvement Project. I have ensured sufficient budget for the national pride projects and made necessary provisions for ensuring adequate budget for multi-year contracted projects. Similarly, I have allocated adequate counterpart fund for the foreign aided projects.

47. For the sake of strengthening financial sector, emphasis will be placed for capitalization of the Government owned banks, financial access enhancement and merger of banks and financial institutions. The merger process of *Grameen* Banks will be continued.
48. Establishing the role of cooperatives in production, processing and distribution, an effective policy regulation for saving and credit cooperatives has been adopted.
49. Additional amount of Rs. 40 million has been allocated for Nepal Academy, Academy of Fine Arts and Academy of Theater and Music to uplift and encourage art, culture and literature.
50. Adequate budget has been allocated for the School Sector Reform Program and Health Sector Reform Program.
51. I have provisioned budget shortfall required for the salary of Tribhuvan University's professors. Additional Rs. 1 billion has been provisioned to provide pension for retired teachers.
52. Necessary budget has been allocated for social security programme. I have arranged sufficient budget for the programmes in the area of women, children, youth and social welfare.
53. Necessary budget has been provisioned for the infrastructure development of Information and Communication sector in order to minimize the digital divide of information technology. Adequate budget has been provisioned for the welfare advertisement which is being provided from the Government to enhance the morale of mass-media.

54. Sufficient budget has been allocated for strengthening judicial administration. Necessary budget has been arranged for administrative reform, strengthening and expanding economic diplomacy.
55. Adequate budget has been allocated for Rural Access Improvement and Decentralization Project as well as Local Self Governance and Community Development Program for the current Fiscal Year.

**Respected Sisters and Brothers,**

56. Now, I present the adjusted estimate of Revenue and Expenditure, prepared by adjusting the two ordinances issued previously in current Fiscal Year.
57. Appropriation Ordinance - 2013, with the estimate of revenue and expenditures adjusting the expenditures accrued through the ordinances issued in the past, Financial Ordinance - 2013 and Ordinance to Recover Public Debt - 2013 prepared by Council of Ministers have been issued by Rt. Hon. President, today.
58. As provisioned in the Ordinances which empowered the Government to withdraw money for services and activities from Consolidate Fund 2012-13 based on the amount equivalent to the total expenditure of Fiscal Year 2011-12 to conduct the services and activities for Fiscal Year 2012-13 had authorized the Government to make public expenditure equivalent to Rs. 351.93 billion. Out of this, current expenditure was of Rs. 246.87 billion, capital expenditure Rs.51.34 billion and financing provision Rs. 53.72 billion.
59. The full-sized adjusted total budget for Fiscal Year 2012-13 will be Rs 404.82 billion. Out of this, Rs. 279.1 billion or 68.92 percent is allocated for recurrent expenditure, Rs 66.13 billion or 16.34 percent

for capital expenditure and Rs. 59.67 billion or 14.74 percent for financing provisions.

60. On the source of financing, Rs. 289.60 billion will be covered from revenue, Rs. 4.39 billion from receipt of principal repayment and Rs. 46.98 from foreign grants. The deficit amount of Rs. 63.83 billion will be recovered from foreign loans amounting to Rs. 25.83 billion and domestic borrowing amounting to Rs. 38 billion.
61. It has been reconfirmed in the Financial Ordinance 2013 that the procedure, process and rates of revenue will be according to the Financial Act, 2012.
62. The Government will attempt to achieving efficiency in acquisition of the resources, including allocation, and mobilization along with keeping macro-economic indicators at a favorable position for economic growth and stability.
63. I believe that all the concerned stakeholders will fully cooperate for the implementation of the policies and programmes provisioned in this budget in order to realize good governance in the country and maintain the financial discipline.
64. For the speedy implementation of development projects, I have arranged mandatory approval of priority one development projects within ten days of authorization received date. For the second and third priority projects, arrangement has been made to approve the programme immediately from the concerned Ministry and implement them accordingly.
65. I would like to express my sincere gratitude for the guidance and cooperation provided by the Rt. Hon. President during the formulation of this budget. I am grateful to Rt. Hon. Chairman of the Council of Ministers, the top level leadership of the various political parties, Hon. Ministers and former finance ministers for their suggestions and cooperation. I would like to thank for the

cooperation and suggestions received from the National Planning Commission and Nepal Rastra Bank during the course of this budget preparation. Likewise, I would like to thank all the private sector, taxpayers, enterprises and professional organizations, civil society, academicians, economists, media circles and civil servants for their support. I would like to express my special thanks to the friendly countries and all development partners for their continuous support in the development endeavors of Nepal.

**Thank you!**