

# GOVERNANCE

Issue 72 | June 2, 2023

## Nepal Budget: The Good and the Bad

WEEKLY

Photo by ekantipur.com

The **budget** for the fiscal year 2023/24 in Nepal has been announced, with a total size of Rs 1.751 trillion. This budget distribution includes 65.20 percent allocated for recurrent expenditures, 17.25 percent for capital expenditures, and 17.55 percent for financing.

The annual budget plan for this year aims to address some of the most pressing challenges faced by the country. Notably, funds have been set aside for research and innovation, reflecting a commitment to technological advancement. Additionally, the declaration of this year as the "Year to Promote Entrepreneurship" signifies the government's effort to create opportunities for the youth. A significant step towards digital transformation has been taken with the introduction of a policy allowing all kinds of revenues to be paid through QR codes. This move is expected to streamline financial transactions and enhance efficiency. The budget also addresses the issue of agricultural subsidies by linking them to production. This reform aims to ensure that subsidies reach real farmers who need them the most, as they have been dispersed unevenly in the past. Furthermore, the decision to operate busy government offices in two shifts is noteworthy. This step aims to improve productivity and service delivery to the public.

However, while the budget includes several ambitious programs, it also reintroduces some failed initiatives from previous years. Additional clarification is required for certain policies, such as the elimination of all types of child labor and exploitation. The Nepali economy currently faces several challenges, including pressure on the external sector, issues with banking sector investments, low capital expenditure, low effectiveness of capital expenditure, increasing unproductive current expenditure, high inflation, limited employment opportunities, and a declining economic growth rate. Amidst pressure on current expenditure and the need for more efficiency in capital expenditure, the Infrastructure Development Partnership Programme, known as the 'Lawmakers Development Fund', is set to be revived with an expenditure of 82.5 billion. This decision has been made following pressure from lawmakers, highlighting their desire to influence voters in their constituencies. Critics argue that reviving this fund may not be in the best interest of the country, as it has previously been deemed ineffective.

While the budget showcases positive aspects and addresses various challenges, there are areas where more strategic planning and research are needed. In certain cases, it appears that the government has fallen short in implementing concrete reforms.

Read more: [Ekantipur, Ukalo](#)

### Governance Issues of the Week

1. The government has allocated a budget of NRs 1.25 billion to support startups and NRs 1.1 billion for research and innovation, with a focus on attracting young people to agriculture and livestock businesses. To encourage growth in the information technology industry, the government has implemented provisions to remove restrictions on foreign investment, permit IT companies to open branches abroad and establish an innovation fund within the country.

Read more: [EKantipur](#)

2. The newly built modern parliament building in India has included Lumbini and Kapilvastu, where Siddhartha Gautama (Buddha) was born and grew up, on the map of Akhand India, stating that the map represents a strong and independent nation. Foreign diplomats must take caution to be very clear about the map as it is not clear whether it is depicting history or the future. Taxila of Pakistan is also included in the Akhand India map.

Read more: [Naya Patrika](#)

3. President Ram Chandra Paudel recently approved the citizenship bill, which had been pending for nine months and sparked controversy. The bill's passage, based on constitutional provisions, paves the way for around 400,000 individuals who have been deprived of citizenship rights and left stateless in their own country. However, the bill did not address the 15-point concerns and suggestions put forth by former President Bidya Devi Bhandari.

Read more: [My Republica](#)

4. On Republic Day, the government announced the pardon of 501 convicts, including Resham Chaudary, the mastermind behind the Tikapur massacre. This decision has raised concerns as it appears to undermine the judicial system, coming just ten days after the Supreme Court's ruling to give Chaudary a life sentence. Other 19 individuals prosecuted for their involvement in the Tikapur massacre were pardoned based on the government's recommendation.

Read more: [The Kathmandu Post](#)

5. In the fiscal year 2022/23, the Nepal Electricity Authority emerged as the most profitable public company, earning a net profit of Rs 13.37 billion. The top five profit-making public institutions also included Nepal Telecom, Rastriya Banijya Bank, Citizen Investment Trust, and Deposit and Credit Guarantee Fund, which collectively earned a total net profit of Rs 32.25 billion during the same period. However, Nepal Oil Corporation, Nepal Airline Corporation, Nepal Water Supply, Dairy Development Company, and Nepali Aushadhi Limited reported accumulated losses of Rs 40.78 billion.

Read more: [My Republica](#)

6. The government has imposed Value Added Tax (VAT) on basic necessities and daily consumables through the Economic Bill-2080, which was released along with the budget. In terms of vegetables, the government has imposed VAT on potatoes and onions (except for greens), while in terms of fruits, VAT has been imposed on apples, avocados, kiwis, shrills, cherries, strawberries, and blackberries.

Read more: [Online Khabar](#)

Nepal Governance Weekly is an analytical update of Nepal's current affairs based on media and real sources mining, to sensitize the communities on hot news on various governance issues from the perspective of accountability.

Presented by