नेपाल विकास अनुसन्धान प्रतिष्ठान
Nepal Development Research Institute

NATIONAL BUDGET ANALYSIS OF NEPAL

FISCAL YEAR 2082/83 B.S.

Nepal Development Research Institute

Sanepa, Lalitpur, Nepal
Telephone: +977-1-5437362, 5454975
Fax: +977-1-5437362
Email: info@ndri.org.np
Website: www.ndri.org.np

National Budget Analysis of Nepal

For

The Fiscal Year 2082/83 B.S.

Study Team:

Dr. Rudra Suwal (Senior Economist, Statistician and Thematic Lead, Economic Development Program, NDRI)

Ms. Salisha Raila (Research Associate, Economic Development Program, NDRI)

Dr. Shikha Thapa Magar (Executive Director, NDRI)

Dr. Shankar Shrestha (Senior Research Specialist, NDRI)

Published by:

Economic Development Program

Nepal Development Research Institute (NDRI)

Contents

1. Background and Introduction

The Government of Nepal introduced its first National Budget in 2008 B.S. and has since continued to announce it annually for each fiscal year, which runs from Shrawan 1 (mid-July) to the end of Ashad (mid-July of the following year). The national budget primarily serves to ensure transparency by presenting the government's total revenue and expenditure, detailing income sources such as taxes, non-tax revenues, and external grants, alongside allocations for recurrent, capital, and financing expenditures. Beyond this fiscal balance, the budget functions as a key policy instrument to set national priorities, mobilize resources, promote inclusive development, and maintain economic stability.

Looking at Nepal's budget history, the amount allocated for recurrent expenditure has consistently been significantly higher than that allocated for capital expenditure. Based on historical data, until the fiscal year 2054/55 B.S. capital expenditure exceeded recurrent expenditure. However, in the years that followed, the trend reversed, and recurrent expenditure began to surpass capital expenditure. In recent years, more than 50 percent of the total budget has been allocated to recurrent expenditure, with only a small portion reserved for capital expenditure. 61.3 percent of the total budget was allocated for the recurrent expenditure, 18.9 percent for the capital expenditure, and 19.7 percent for fiscal management for the Fiscal Year 2081/82 B.S. In this context, the budget also presents a detailed account of total revenue collection and total budget expenditure for the upcoming fiscal year.

An analytical review of the past five decades of budget trends reveals that in some years, the budget deficit reached as high as 60 percent. The primary reason for this deficit is the government's failure to increase internal revenue in comparison to the rising total government expenditure. Additionally, a sharp increase especially in recurrent expenditure is the main contributing factor to the budget deficit.

Against this backdrop, the present study critically examines the trends in public finance in Nepal, with a particular focus on the National Budget for FY 2082/83 B.S. It builds on the groundwork established by NDRI's National Budget Analysis Nepal From Fiscal Year 2068/69 to Fiscal Year 2080/81, followed by the National Budget Analysis of Nepal for the Fiscal Year 2081/82 B.S. . In addition, this year's analysis for FY 2082/83 B.S. also assesses the extent to which the National Budget aligns with the [Pre-budget Assessment for the fiscal year 2082/83 B.S.] submitted by NDRI to the Ministry of Finance.

2. Macroeconomic Situation

2.1. Trend on total import and export

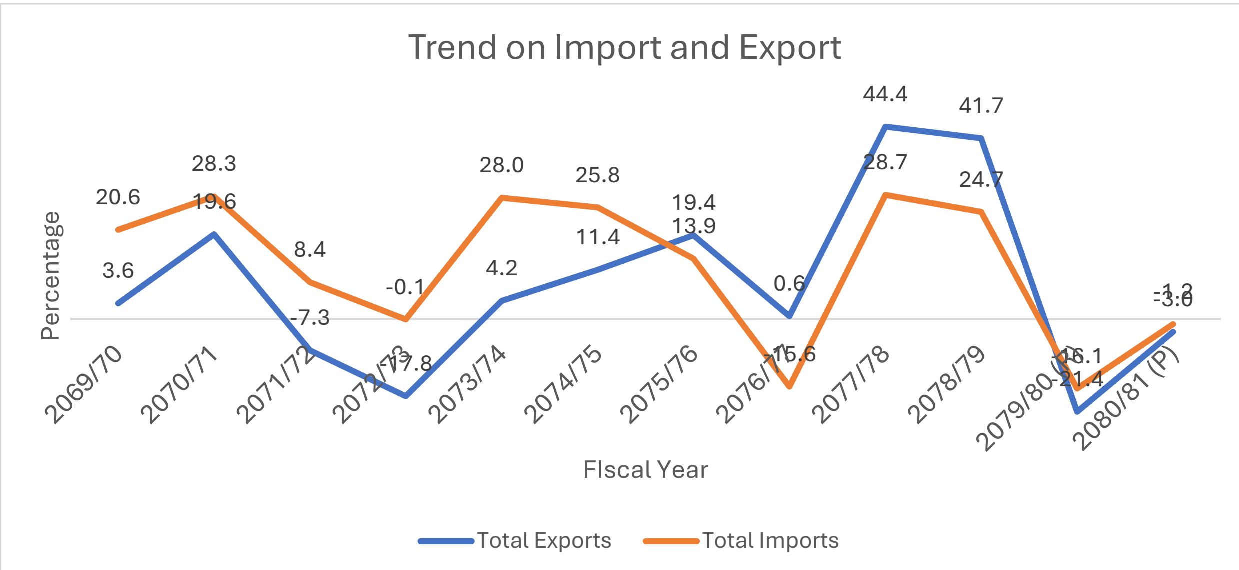

Figure 1 Trend on Import and Export (Source: NRB, Key Macroeconomic indicators, 2081/82 B.S.)

Between FY 2069/70 B.S. and FY 2080/81 B.S., Nepal's trade performance has been marked by a persistent imbalance and high exposure to both domestic and global shocks. Export earnings fluctuated significantly—contracting during crisis years such as FY 2072/73 B.S. and FY 2079/80 B.S., but experiencing brief surges in FY 2077/78 B.S. and FY 2078/79 B.S. Imports, by contrast, remained elevated throughout, with sharp expansions in multiple years, underscoring Nepal's dependence on foreign goods and services. The COVID-19 pandemic temporarily suppressed both exports and imports, though the rebound proved short-lived. In recent years, exports have declined while import growth has slowed, reflecting subdued demand, stricter policy measures, and enduring structural weaknesses in enhancing export competitiveness.

2.2. Real GDP growth at purchasers' price

Nepal's Real GDP at purchasers' prices from FY 2069/70 B.S. to the projected figure for FY 2080/81 B.S. reflects a turbulent yet resilient economic journey shaped by a mix of internal and external forces. The economy began with moderate growth of 4.1 percent in FY 2069/70 B.S., which improved to 6.0 percent in FY 2070/71 B.S., supported by post-conflict recovery and relative political stability. However, growth slowed to 4.0 percent in FY 2071/72 B.S. and plummeted to just 0.4 percent in FY 2072/73 B.S. due to the devastating earthquake and the border blockade, both of which severely disrupted economic activity. A strong rebound followed in FY 2073/74 B.S., with GDP growth soaring to 9.0 percent, driven by reconstruction efforts and improved agricultural output. This momentum continued with robust growth in FY 2074/75 B.S. (7.6%) and FY 2075/76 B.S. (6.7%), underpinned by infrastructure investments, political consolidation, and favorable monsoon conditions. The trend reversed in FY 2076/77 B.S., when the economy contracted by -2.4percent due to the COVID-19 pandemic—the first contraction in decades. As restrictions eased, growth resumed at 4.8 percent in FY 2077/78 B.S. and 5.6percent in FY 2078/79 B.S. However, rising inflation, global uncertainty, and sluggish investment led to a slowdown in FY 2079/80 B.S., with growth falling to 2.0percent. The projection for FY 2080/81 B.S. suggests a modest recovery at 3.9 percent, reflecting cautious optimism amid persistent challenges. Overall, Nepal’s GDP trajectory highlights its vulnerability to shocks but also its capacity for rapid recovery when conditions are favorable.

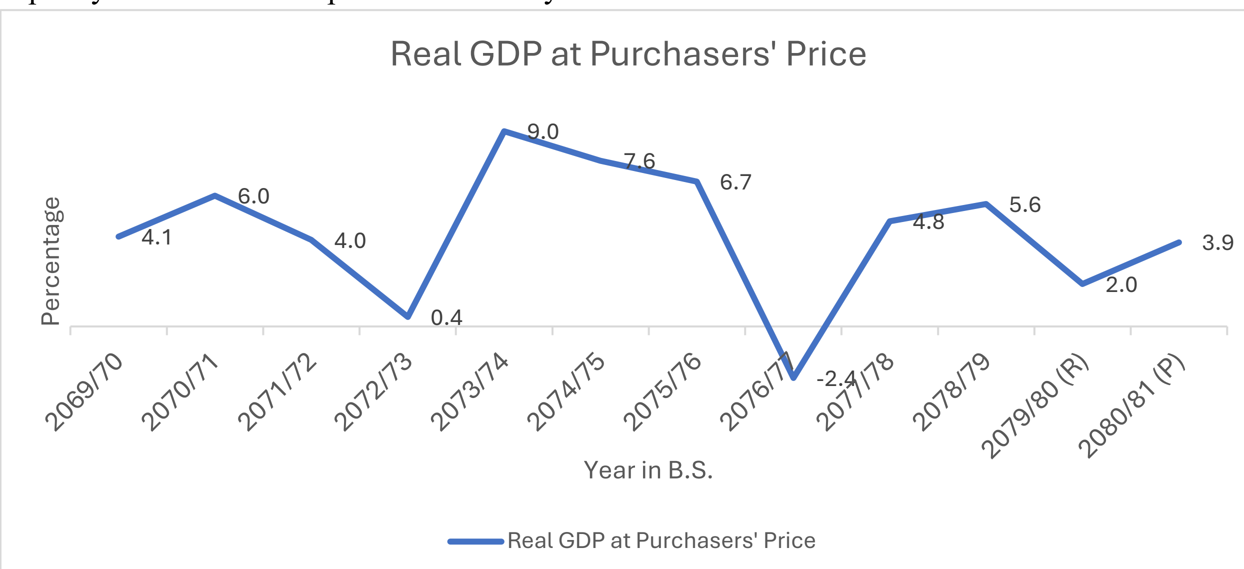

Figure 2 *GDP at Purchasers' Price (Source: NRB, Key Macroeconomic indicators, 2081/82 B.S.)*

2.3. Inflation and growth rate

The targeted and actual inflation of Nepal over the years can be seen in the Table 1 below.

Table 1: Targeted and actual inflation of Nepal

Year	2077/78 B.S.	2078/79B.S.	2079/80B.S.	2080/81 B.S.	2081/82 B.S.	2082/83 B.S
Targeted Inflation	7.0	6.5	7.0	6.5	5.5	5.0
Actual Inflation	3.6	6.3	7.8	5.6	5.4	-

Source: Economic Survey, 2081/82 B.S.

Table 1 illustrates the trajectory of Nepal's inflation in relation to government targets over recent years, highlighting shifts driven by both domestic and global factors. In FY 2077/78 B.S., inflation fell significantly below the target, largely due to subdued economic activity during the COVID-19 pandemic. As the economy began to recover in FY 2077/78 B.S., inflation aligned more closely with the target, reflecting a return to normalcy. However, in FY 2079/80 B.S., inflation exceeded expectations, likely influenced by rising global commodity prices and supply chain disruptions. By FY 2080/81 B.S., inflation dipped below the target again, suggesting improved price stability and weaker demand pressures. In 2081/82 B.S., inflation nearly matched the target, pointing to effective policy measures and economic management. The steady reduction in inflation targets—from 7.0 percent to 5.0 percent—underscores the government's commitment to maintaining price stability and reinforcing inflation control as a central macroeconomic priority.

Table 2: Targeted and actual growth rate (in percentage)

Year	2077/78 B.S.	2078/7B.S.	2079/80B.S.	2080/81 B.S.	2081/82 B.S.	2082/83 B.S
Targeted growth rate	7.0	6.5	8.0	6.0	6.0	6.0
Actual growth rate	4.3	5.6	2.3	3.5	4.6	-

Source: Economic Survey, 2081/82 B.S.

Table 2 presents Nepal's projected versus actual economic growth rates from FY 2077/78 B.S. to FY 2082/83 B.S., revealing a consistent gap between expectations and outcomes. In 2020/21, the economy expanded by 4.35percent, falling well short of the 7percent target—primarily due to the disruptions caused by the COVID-19 pandemic. The following year, FY 2077/78 B.S., saw a modest recovery with growth reaching 5.6 percent, slightly under the 6.5 percent goal. However, in FY 2079/80B.S., growth plunged to 2.1 percent, significantly below the ambitious 8 percent target, likely reflecting subdued demand and broader economic headwinds. In FY 2080/81, growth rebounded to 3.5 percent, yet still lagged behind the 6.0 percent target. Data for FY 2081/82 B.S. suggests that the growth rate has taken a pace and the growth rate for the FY 2081/82 B.s reaches 4.6 percent. The data for FY 2082/83 B.S is yet to reveal the path of economic growth rate. Overall, the trend indicates that Nepal's actual economic performance has consistently underperformed relative to government targets, pointing to slower-than-anticipated recovery and persistent structural challenges.

2.4. National consumer price index

The National Consumer Price Index (NCPI) in Nepal has shown significant fluctuations from FY 2069/70 B.S. to the projected figures for FY 2080/81 B.S., reflecting a mix of domestic and global influences. In the early years, inflation remained high, reaching 9.9percent in both FY 2069/70 B.S. and FY 2072/73 B.S., largely driven by supply-side constraints, the 2015 earthquake, and the subsequent border blockade that disrupted trade and increased the cost of goods. However, the situation improved markedly in the following years, with inflation dropping to 4.5percent in FY 2073/74 B.S. and hovering around 4-5percent until FY 2075/76 B.S., indicating a phase of relative price stability supported by improved supply conditions and economic recovery. Inflation rose again in FY 2076/77 B.S. to 6.2 percent, likely due to external price pressures and Nepal's reliance on imports. During the COVID-19 pandemic in FY 2077/78 B.S., inflation eased to 3.6 percent as economic activity slowed, but it rebounded to 6.3 percent in FY 2078/79 B.S. with the resumption of economic activities and rising global inflation. In FY 2079/80 B.S., inflation surged to 7.7 percent, driven by higher import costs, currency depreciation, and global market disruptions. However, the projected inflation for FY 2080/81 B.S. stands at 5.4 percent, suggesting a moderate decline due to policy interventions by the Nepal Rastra Bank, improved global supply conditions, and base-year effects. Overall, the inflation trend highlights Nepal's vulnerability to external shocks and the critical need for stronger domestic production and effective macroeconomic management.

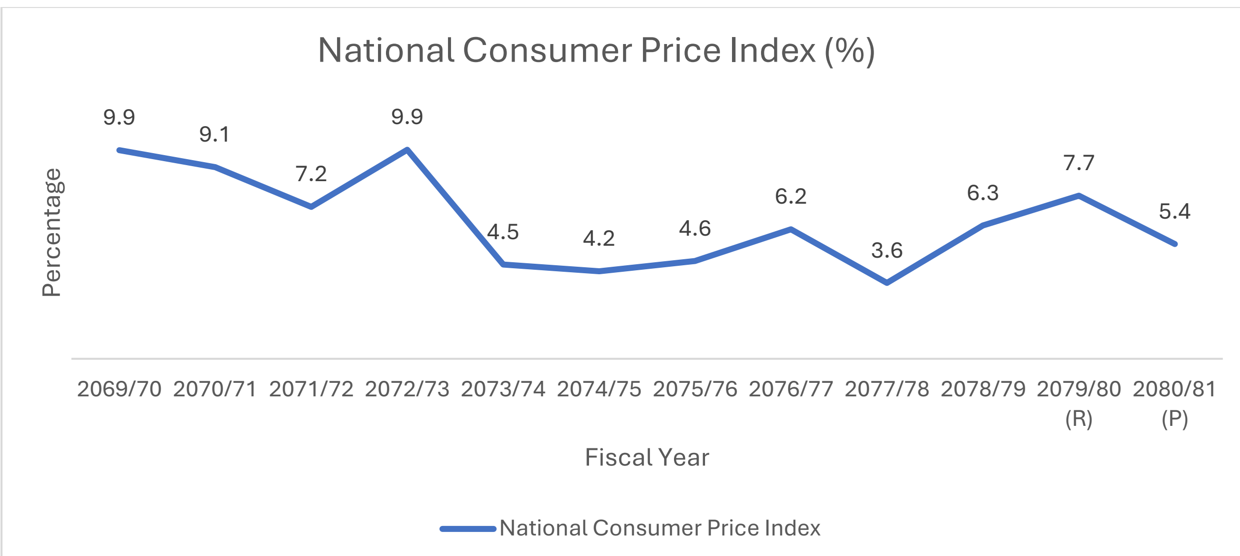

Figure 1 *National Consumer Price Index (%) (Source: NRB, Key Macroeconomic indicators, 2082/83 B.S)*

2.5. Trend of Revenue and Debt in Comparison to GDP

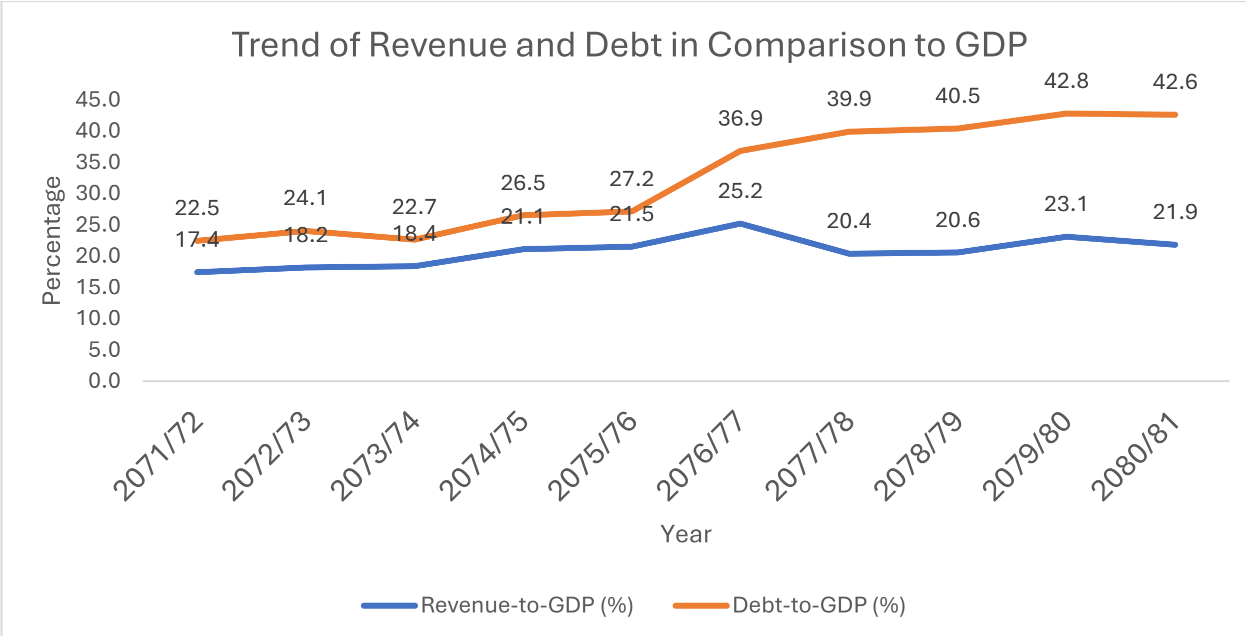

Figure 4 *Trend of Revenue and Debt in Comparison to GDP (Source: NRB, Key Macroeconomic indicators, 2081/82 B.S.)*

Figure 4 presents the trend of Revenue-to-GDP ratio and Debt-to-GDP ratio in Nepal from FY 2071/72 B.S. to FY 2080/81 B.S. In FY 2071/72 B.S., the Revenue-to-GDP ratio was about 17 percent, while the Debt-to-GDP ratio was higher at around 22 percent. In the following year, FY 2072/73 B.S., revenue rose slightly, but debt also increased to nearly 24 percent of GDP. By FY 2073/74 B.S., the ratios narrowed as debt moderated slightly, while revenue remained stable.

From FY 2074/75 B.S. to FY 2075/76 B.S., revenue gradually improved, reaching close to 20 percent of GDP, while debt moved upward to around 28 percent. In FY 2076/77 B.S., revenue peaked at nearly 25 percent of GDP, marking the highest point in the decade. However, this momentum could not be sustained, and revenue declined sharply in FY 2077/78 B.S., before stabilizing between 20–23 percent in FY 2078/79 B.S., FY 2079/80 B.S., and FY 2080/81 B.S.

On the other hand, debt experienced a sharp surge beginning in FY 2076/77 B.S., rising from about 28 percent to nearly 37 percent of GDP. This rising trend continued in FY 2077/78 B.S. and FY 2078/79 B.S., with debt levels stabilizing at around 42 percent of GDP by FY 2079/80 B.S. and FY 2080/81 B.S.

Overall, the graph highlights a growing divergence between revenue and debt trends. While revenue-to-GDP ratios have remained stagnant after peaking in FY 2076/77 B.S., the debt-to-GDP ratio has escalated significantly, reflecting increased fiscal reliance on borrowing and mounting debt sustainability concerns.

3. Structural Analysis of Nepal's Budget

3.1. Budget Summary for the past decade

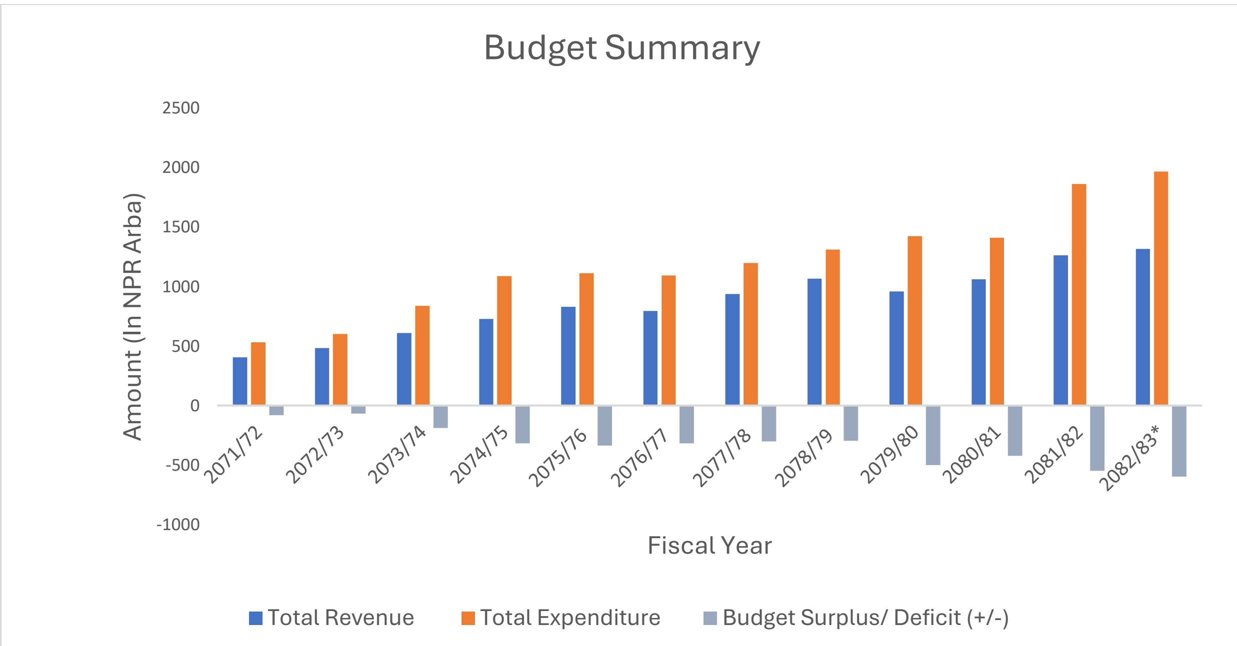

Figure 2 *Budget Surplus/Deficit (Source: National Budget 2071/72-2082/83 B.S. (2011/12-2025/26 A.D.))*

Figure 5 highlights the increasing trend of Nepal's budget deficit from fiscal year 2071/72 B.S. to the projected fiscal year 2082/83 B.S. Throughout this period, government expenditure has consistently exceeded revenue, resulting in continuous fiscal deficits. While revenue has gradually increased, the growth in expenditure, primarily driven by rising recurrent costs, has been significantly higher. In 2071/72 B.S. the budget deficit stood at NPR 81.2 Arba[1],and it has expanded notably over the years, reaching NPR 547.7 Arba in 2081/82 B.S. The projected deficit for 2082/83 B.S. is NPR 595.6 Arba, the highest in the presented timeframe. This persistent and widening fiscal gap underscores the urgent need for enhanced domestic revenue mobilization and more efficient public spending to ensure long-term fiscal sustainability.

[1] 1 Arba = 1 Billion

3.2. Revenue Structure Analysis

Total Revenue and its Composition over time

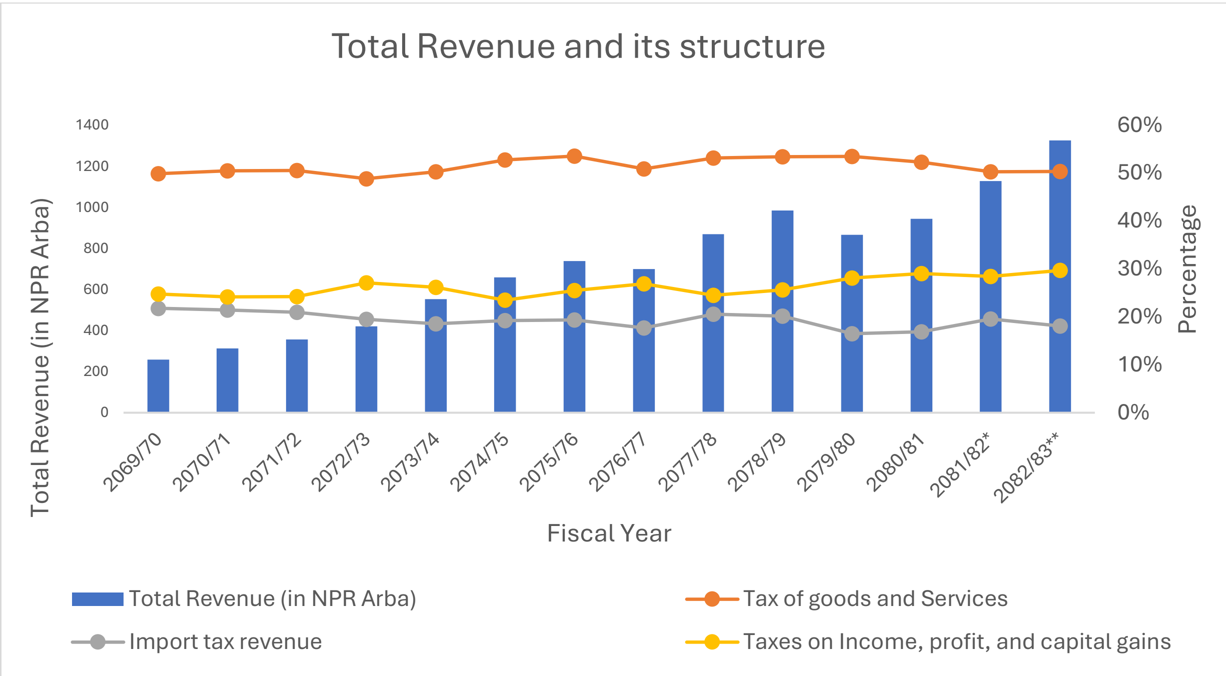

***Figure 3** Total Revenue and its Composition (Source: National Budget 2068/69-2082/83 B.S. (2011/12-2025/26 A.D.))*

Figure 6 presents Nepal's tax revenue trends from fiscal year 2069/70 B.S. to the projected 2082/83 B.S. showing total revenue in NPR Arba, alongside the percentage contribution of key tax components (line graph). A notable trend is the government's increasing reliance on taxes on goods and services which have consistently contributed over 50percent of total tax revenue since 2073/74 B.S. and are projected to account for approximately 52percent in 2082/83 B.S. These consumption-based taxes are relatively easy to collect but inequitable in nature, placing a heavier burden on low-income households who spend a greater share of their income on essential goods. In contrast, direct taxes on income, profit, and capital gains remain low, contributing just over 30percent in the fiscal year 2082/83 B.S.. Similarly, import-based taxes have shown stagnation, remaining around 20 percent throughout the study period, which raises concerns about long-term sustainability in a shifting global trade environment. Overall, while total revenue has grown steadily, the structure reveals a pressing need for reform. To ensure a fair, resilient, and sustainable tax system, Nepal's fiscal policy should focus on broadening the tax base, increasing the share of direct taxes, enhancing compliance, and reducing overreliance on both consumption and import-based taxes.

3.3. Expenditure Priorities

Trend of Expenditure-wise distribution of budget

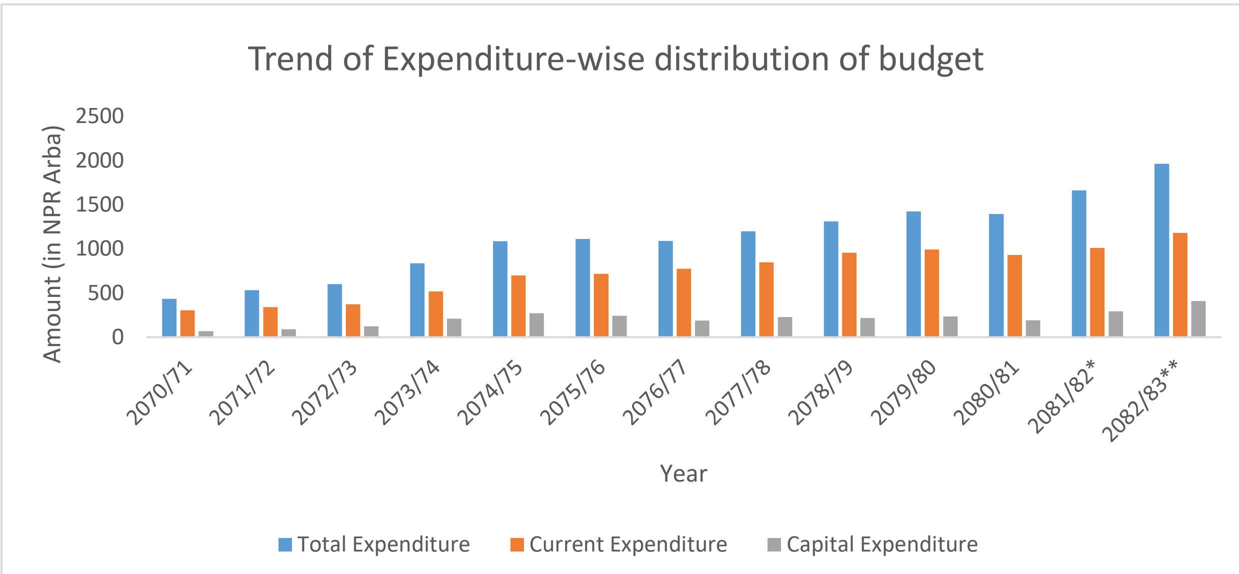

Figure 5 *Total Expenditure, Current Expenditure, and Capital Expenditure (Source: National Budget 2068/69-2082/83 B.S.)*

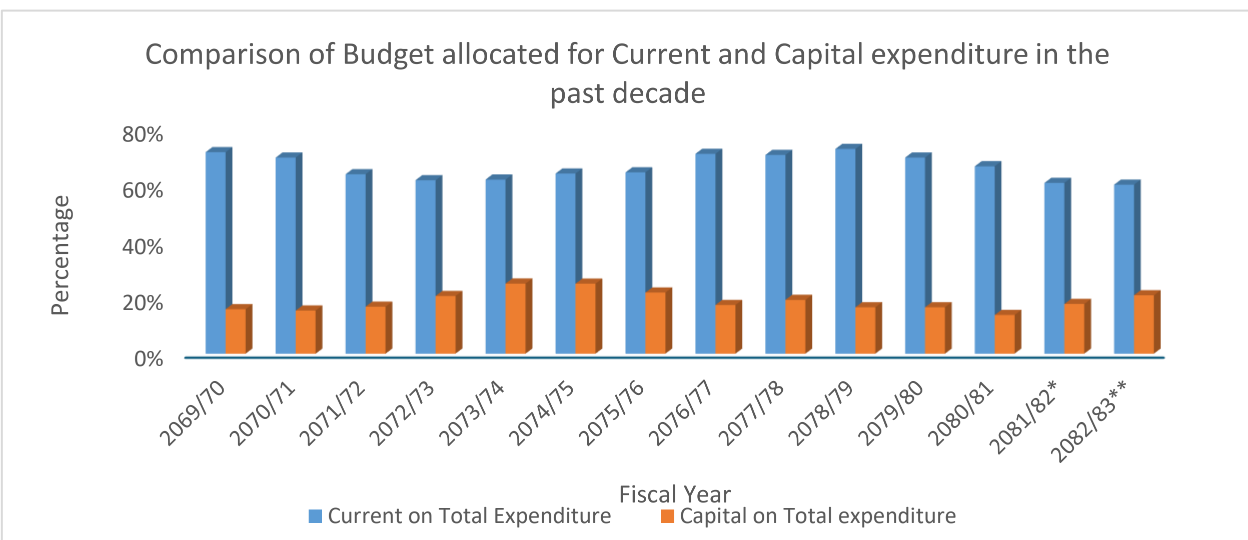

Figure 4 Composition of Budget (Source: National Budget 2068/69-2082/83 B.S.)

Over the past decade, Nepal's budget has grown from NPR 3.45 Kharba[2] in the year 2069/70 B.S to the estimated amount of NPR 19.64 Kharba in the year 2082/83 B.S. The nature of the budget structure based on expenditure has remained almost uniform over the last decade. The proportion of current expenditure and capital expenditure in total expenditure is clearly observable (in **Figure 3 and Figure 4**), as well as the gap between these expenditures. The data shows that less than 25percent of the total budget has been allocated for capital expenditure since the past decade, while the allocation for current expenditure has shown remarkable growth during the period. The same trend is seen to be continued for the fiscal year 2082/83 B. S., where the allocated budget for current expenditure is more than three times the budget allocated for capital expenditure.

3.4. Trend of Sector-wise Expenditure of Budget

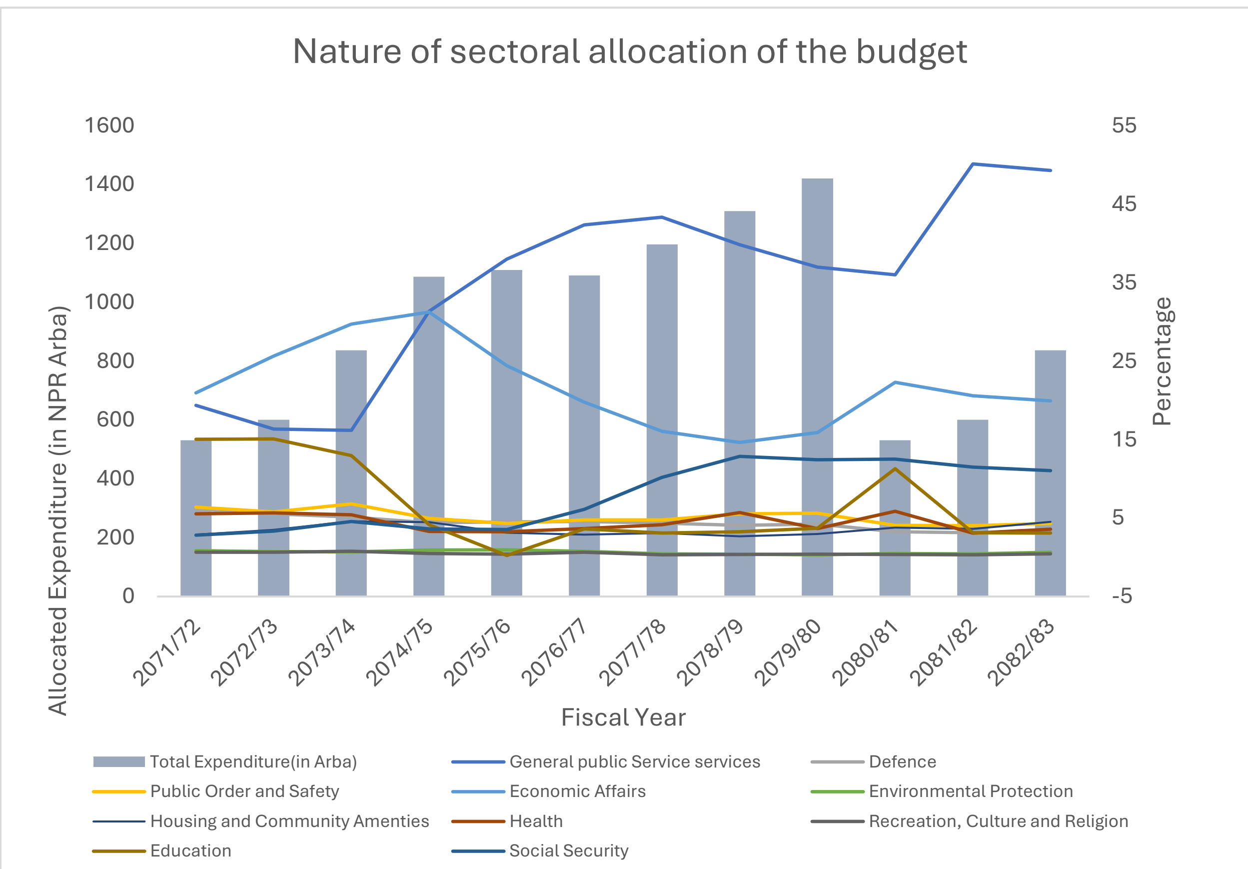

__Figure 6__ Trend of sector-wise allocation of budget (Source: National Budget 2071/72 B.S-2082/83 B.S)

[2] 1 Kharba = 100 Arba = 100 Billion

Figure 9 represents the percentage of budget allocated in the line graphs and the amount of expenditure in the bar graph. The data explains how the priority of the National Budget has shifted in the past decade. The budget allocated for general public services has increased substantially from 19.4 percent in 2071/72 B.S. to a peak of 50.1percent in 2081/82 B.S., indicating rising administrative expenditures. Similarly, the allocated budget for the productive sectors like health, education, and economic affairs has declined. Education experienced a sharp decline from 15.0 percent to 3.1 percent in the same period, signaling a potential risk to human capital development. Meanwhile, spending on Social Security has grown consistently, reflecting the expanding welfare programs. The figure shows that the fiscal pressure from the non-productive sectors is expanding and the budget for the productive sector is shrinking, leading the country to the vicious circle of non-productivity and debt without a backup support mechanism.

3.5. Comparison between Allocated Budget and Actual Expenditure

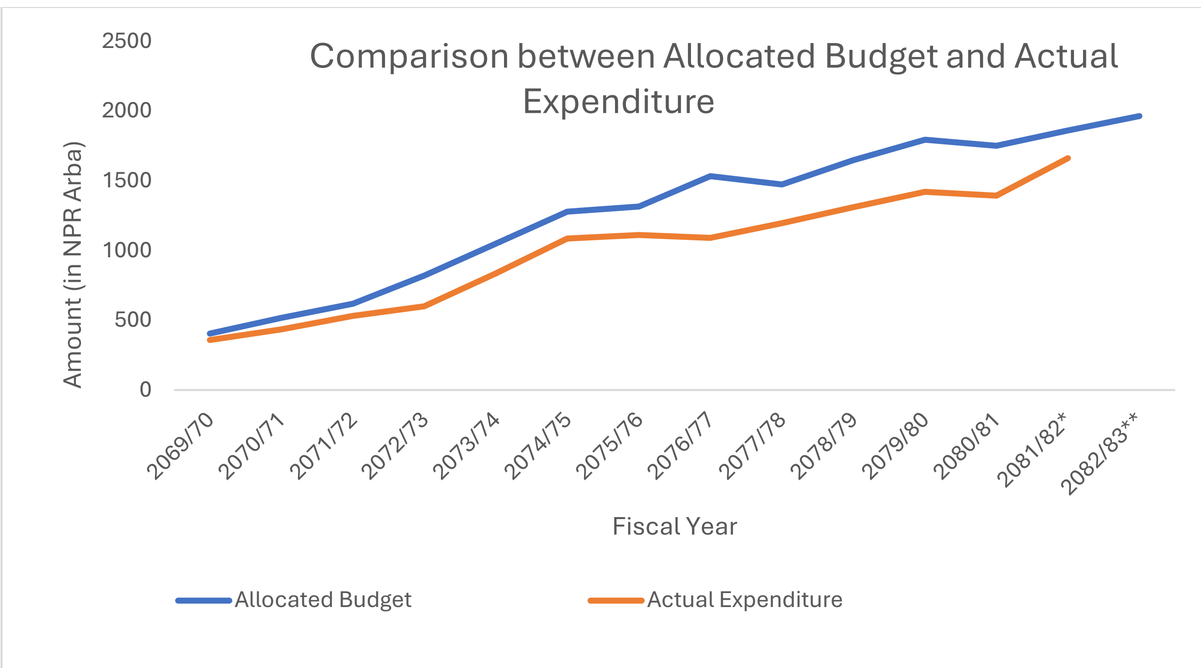

__Figure 7__ Comparison between Allocated Budget and Actual Expenditure (Source: National Budget 2069/70 B.S-2082/83 B.S)

Figure 10 reveals persistent gap between the allocated budget and the actual expenditure. The allocated budget has increased significantly from around NPR 4 Kharba 4 Arba in 2069/70 B.S. to NPR 19 Kharba 64 Arba in 2082/83 B.S. However, actual spending has consistently fallen short, with budget execution rates ranging between 71percent and 89percent. This gap exists particularly due to systematic inefficiencies like delays in project implementation, low absorptive capacity, and weak intergovernmental coordination under federalism. Although there was improvement in FY 2081/82 B.S. , the overall trend raises concerns about the credibility of budget planning, delayed development outcomes, and macro-fiscal risks. These findings underscore the need for more realistic budgeting, stronger public financial management systems, and enhanced implementation capacity at all levels of government.

3.6. Debt collection and debt servicing expenses

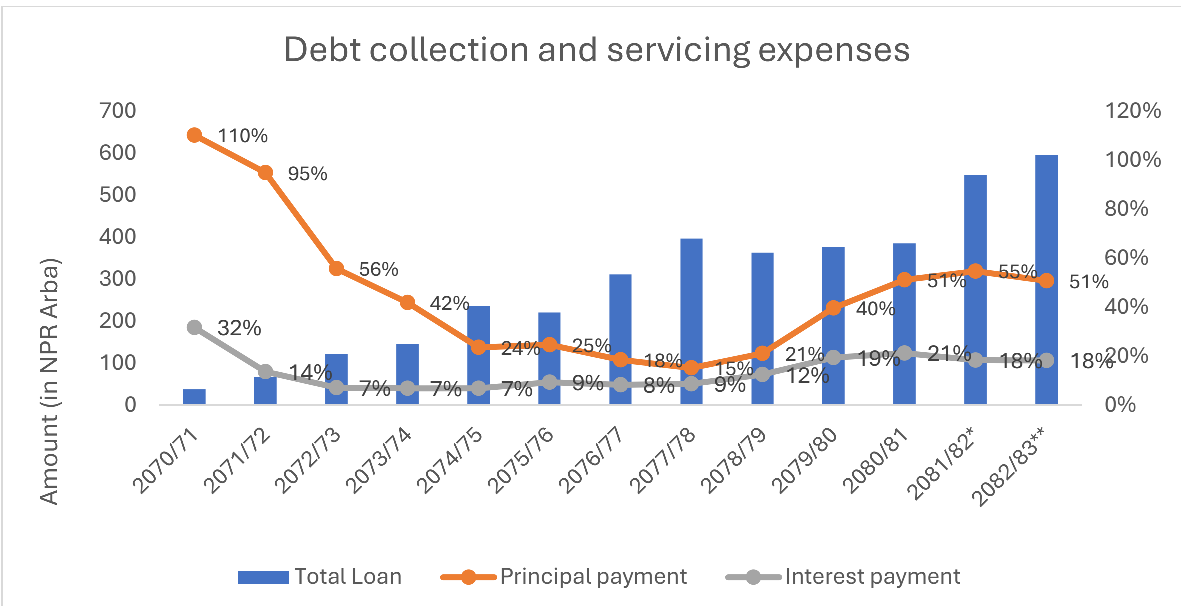

Figure 8 Debt collection and debt servicing expenses (Source: National Budget 2070/71 B.S.-2082/83 B.S.)

Figure 11 represents the total loan amount including both internal and foreign loan (in Arba) using a bar diagram and the corresponding percentages of principal and interest payments through a line graph. The data reveals that a significant portion of the borrowed funds is being used for debt servicing, leaving a limited share for productive or developmental use. This trend continues in the subsequent fiscal years, with FY 2080/81 B.S. showing 51% of allocations directed toward principal repayments and 26% toward interest payments, followed by FY 2082/83 B.S., where 51% is again allocated to principal and 18% to interest obligations. These trends suggest that the bulk of public borrowing is not being channeled toward growth-enhancing investments. To ensure long-term fiscal stability, Nepal must adopt a comprehensive debt management strategy, enhance domestic revenue mobilization, ensure productive use of borrowed funds, and improve the efficiency of public investment and budget execution.

3.7. Trend of Debt Structure in Nepal

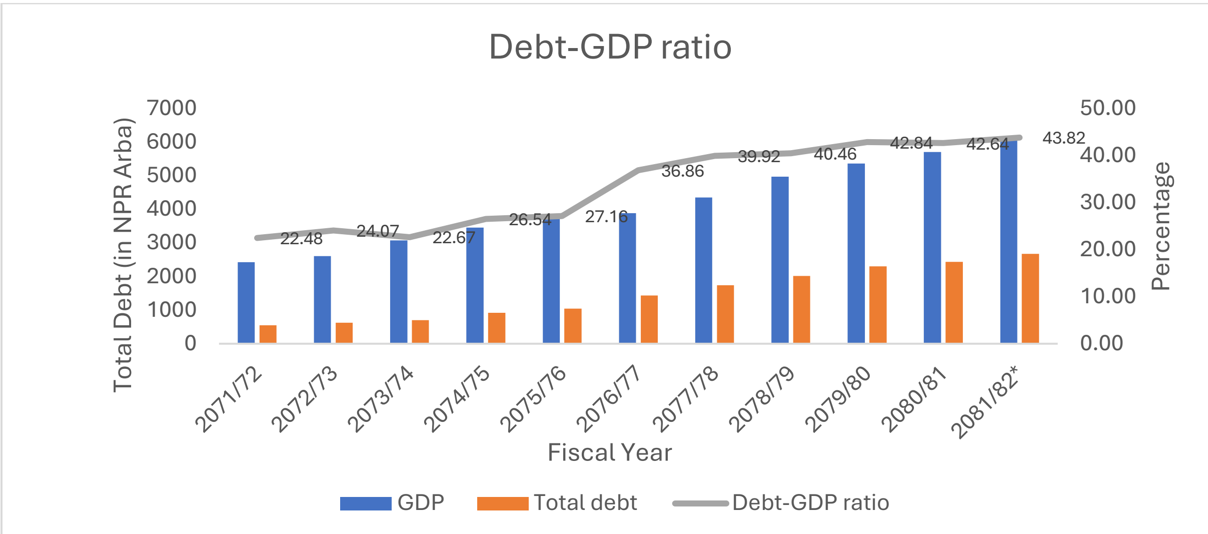

***Figure 9** Trend of Debt Structure in Nepal (Source: Economic Survey FY 2080/81 B.S (FY 2024/25 A.D.)*

Figure 12 reveals that Nepal's total outstanding debt as a percentage of GDP has followed an overall rising trend from FY 2070/71 B.S (22.3%) to a peak of 47.47percent in FY 2080/81 B.S (revised estimate), before a projected slight decline to 39.89 percent in FY 2081/82 B.S.. Both internal and external borrowing have increased over time, with a notable targeted surge in external loans in FY 2081/82 B.S. (29.82% of GDP) compared to internal loans (10.1%). Since FY 2076/77 B.S., the debt-to-GDP ratio has consistently remained around 40percent, raising concerns about fiscal sustainability, especially as a substantial share of the borrowed funds is being absorbed by debt servicing rather than development or capital formation. This pattern indicates limited returns on borrowing and a growing structural dependency on debt. To ensure long-term fiscal health, Nepal should prioritize enhancing domestic revenue generation by reforming tax policy, improving compliance, and widening the tax base. Simultaneously, borrowed resources must be strategically allocated to productive sectors such as infrastructure, education, and health, which can stimulate economic growth and improve the government's future repayment capacity.

4. Review of National Budget FY 2082/83 B.S.

4.1. Major Budget Highlights[3]

- NPR 19 Kharba 64 Arba 11 Crores Allocated
- Allocated budget 5.6% higher than the budget of FY 2081/82 B.S.
- 18.2% more than revised estimate
- 60.1 % Allocated for Current Expenditure
- 20.8% for Capital Expenditure
- 19.1% for Financial Management
- 66.9% From internal revenue
- 2.7% from Foreign Grant
- 30.4% from internal and external debt
- Budget Deficit accounts 30.3% of allocated Budget
- NPR 26 Kharba 76 Arba 4 Crore Outstanding debt
- 18.1% revenue to be collected from import taxes
- 6% Growth Targeted

[3] 1 Kharba = 100 Arba; 1 Arba = 1 Billion; 1 Crore = 10 Million

4.2. Structural overview of Nepal's Budget 2082/83 B.S

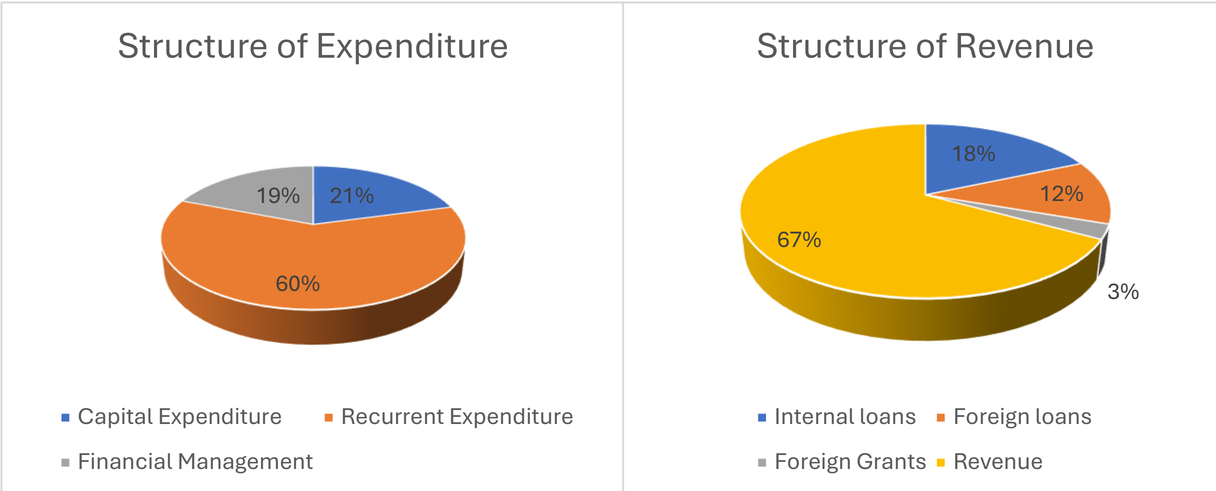

Figure 10 Structure of revenue and expenditure of Nepal's National Budget 2082/83 B.S.

The National Budget of Nepal for the Fiscal Year 2082/83 B.S. has allocated the budget of NPR 19 Kharba 64 Arba 11 crores, among which 60percent is allocated for recurrent expenditure, 21percent for capital expenditure and 19percent for the financial management. The allocation of less than one-fifth of the total budget for capital expenditure expresses the consumption-oriented budget with limited focus on infrastructure and long-term growth. Similarly, on the financing side, only 67percent of the total financing of the budget is planned to be generated from the internal revenue[4], which is highly insufficient to cover the projected expenditure of the country. This forces the government to heavily rely on internal debt (18%), foreign debt (12%), and foreign grants (3%). This huge gap between the sources and uses of fund in the fiscal system of Nepal has created a huge fiscal burden of debt in Nepal, particularly the increasing internal debt, which sweeps away the investable fund of the public to the government system. An alarming situation is that this debt received from the internal and external sources is not utilized for productive purposes, rather for debt servicing and related expenses, creating unsustainable and unproductive fiscal system. To address this, Nepal must rebalance its budget by enhancing capital investment, improving revenue generation, managing debt more prudently, and ensuring better execution of development projects.

[4] Revenue mentioned in the figure 13 indicates the internal revenue

4.3. Objectives of National Budget 2082/83 B.S.

- To achieve high, sustainable and broader economic growth for poverty eradication
- To develop entrepreneurship along with public and private sector investment for employment generation
- To encourage use of modern technologies and enhance economic capacity
- To maintain social justices through social protection and development
- To promote quality public service delivery and Governance

4.4. Priorities of National Budget 2082/83 B.S.

- Enhancement of Entrepreneurship, Employment, Production and Productivity
- Expansion of Investment in productive and High-Quality physical Infrastructure
- Qualitative Improvement in Public Sector
- Balanced Development and Assurance of Social Security
- Citizen Friendly Services, Corruption Control and Governance Reform

4.5. Sectoral Priorities of National Budget 2082/83 B.S.

As usual, the National Budget of Nepal 2082/83 B.S. has allocated sectoral priorities and allocations in the priority sectors, which are discussed in this section.

Agriculture

The National Budget for the Fiscal Year 2082/83B.S. has made some major provisions for the agriculture sector of the economy, which are as follows:

- A total of NPR 57 Arba 48 Crore has been allocated for the Ministry of Agriculture and Livestock Development.
- Chaite rice production promotion program will be implemented in 22 districts across the country to make the country self-sufficient in rice within two years. This initiative is

expected to produce an additional 12 Lakh[5] metric tons of rice. NPR 33 crore is allocated for irrigation infrastructure development.

- NPR 83 crore has been allocated for promotion of cultivation of high valued crop production in Lumbini, Karnali, and Sudurpaschim provinces.
- NPR 25 Arba 82 Crore has been allocated for import of chemical fertilizers.
- The price of crops like paddy, maize, wheat, sugarcane and coffee will be decided 15 days before the time of cultivation.
- NPR 85 crore has been allocated to produce 5 crore 50 lakh doses of vaccines to control the epidemic related to cattle.
- NPR 2 Arba 30 crore has been allocated for the subsidy in cattle insurance premium.

Industry, Commerce, and investment promotion

- The National Budget for the fiscal year 2082/83 B.S has allocated a total amount of NPR 10 Arba 14 crore for the Ministry of Industry, Commerce, and Supplies.
- The budget has allocated NPR 73 crore for the concessional loan for the start-up enterprises to utilize in their skill development, business promotion, marketing and pricing decisions.
- The budget has been provisioned for the registration and renewal of companies through a single door system.
- The budget has provisioned for the rent-free operation for the permitted industries to establish the industry in special economic zone or industrial area. Similarly, the rent for the industries in the special economic zones has been reduced from NPR. 20 per square meter to NPR. 5 per square meter.
- The company establishing the industrial area will be eligible for the facilities equal to hydropower companies and the companies established inside the industrial estate will be eligible for the facilities equal to the industries in the special economic zone.
- NPR 1 Arba 55 crore has been allocated for the development of industrial infrastructure.
- NPR 74 crore has been allocated for the investment board, the initiation of the project development agreement worth NPR. 4 Kharba and project development worth NPR. 7 Kharba with the private sector within the fiscal year 2082/83 B.S.

[5] 1 Million = 10 Lakhs

- Permission is being granted to Nepali businesses or companies to establish processing factories by setting up branches or subsidiaries abroad and exporting processed goods. For this, arrangements have been made to allow up to 25 percent of the foreign income to be invested abroad. Additionally, a provision has been made for businesses to repatriate up to 50 percent of the net profit earned abroad.

Tourism Infrastructure and heritage conservation

- NPR. 13 Arba 28 crore has been allocated for the Ministry of Culture, Tourism, and Civil Aviation.
- The hotels and resorts will be provided with concessions in income tax and electricity fees like that of the manufacturing industry.
- NPR 4 Arba 15 crore has been allocated for the capacity enhancement of Tribhuvan International Airport and development of boutique airport.
- NPR 50 crore has been allocated for the infrastructure development of internal airports.

Forestry and Environment

- NPR 15 Arba 61 crore has been allocated for the Ministry of Forest and Environment
- An integrated watershed management program will be launched to sustain water flow in Chure and Tarai Madhesh regions. Conservation efforts, including afforestation and water management in areas like Galchi and Tamakoshi, will be carried out. A budget of NPR 1 Arba 69 Crore has been allocated for this.
- For development projects by federal, provincial, and local governments, one percent of the cost for land management and tree growing in forest areas will be deposited into the Forest Development Fund.
- The production, import, storage, distribution, and use of plastic thinner than 40 microns has been banned effective from Mangsir 1, 2082 B.S.

Education

- A total of NPR. 2 Kharba 11 Arba 17 Crore has been allocated to the Ministry of Education, Science, and Technology.

- In each district, a performance-based incentive program will be implemented in at least one school, covering a total of 100 schools. These schools will support other low-performing schools to help improve their academic performance. Each selected school will receive NPR 25 Lakhs under this program.
- The amount allocated for the lunch program of the students up to grade five has been increased to NPR. 10 Arba 19 Crore. Similarly, NPR 1 Arba 29 Crore has been allocated towards a free sanitary pad distribution program at the school.
- NPR 2 Arba 44 Crore has been allocated towards scholarship fund dedicated to motivating the students of Mushahar, Dom, and Chamar towards medical education.
- The grants provided by the federal government for the salaries of Early Childhood Development (ECD) facilitators and school staff working in community schools have been revised. A total of NPR 10 Arba 16 Crore has been allocated for this purpose.
- Under the National Education Reform Program, grants have been provided for the construction of physical infrastructure in schools with more than 1,500 students in the Tarai/Madhesh, 1,000 in the Hills, and 500 in the Mountain regions. Construction work in eligible schools will be completed. A total of NPR 2 Arba 72 Crore has been allocated for this purpose.

Health

- A total of NPR. 95 Arba 81 Crore has been allocated to the Ministry of Health and Population.
- Health insurance subsidies will continue to be provided for senior citizens, persons with disabilities, Dalits, the ultra-poor, and minority communities. NPR 10 Billion has been allocated to the health insurance program. Additionally, outstanding claims will be verified by a third party and settled within the fiscal year 2082/83 B.S.
- The basic health center under construction will be completed, and the constructed centers will be operated in collaboration with local communities. NPR 11 Arba 24 Crore has been allocated for this program.
- A total of NPR 13 billion 82 Crore has been allocated for maternal protection programs aimed at the prevention and treatment of pregnancy-related complications, as well as for social health protection programs for marginalized and disabled citizens. Identification,

treatment, and rehabilitation services for children with autism and intellectual disabilities will be initiated in all provinces.

Women, Children, and Elderly

- A total budget of NPR 2 Arba 8 Crore has been allocated towards the Ministry of Women, Children, and Elderlies.
- NPR 62 Crores has been allocated for establishment of rehabilitation centers for the gender-based violence victim women in Madhesh, Sudurpaschim, and Kathmandu Valley.

4.6. Major tax-related Provisions

The major tax revenue-related provisions given by the National Budget for the Fiscal year 2082/83 B.S. are listed below:

- Income tax and electricity tariff concessions that currently apply to special industries will now also benefit the information technology sector, along with hotels and resorts.
- A 75percent reduction in income tax has been announced for revenues earned through the export of information technology services.
- Startups with an annual turnover not exceeding NPR 10 crore will enjoy a full exemption from income tax for a period of up to five years.
- Timber-processing businesses will be able to import mill machinery at a nominal 1percent customs duty to boost domestic timber production and consumption.
- Machinery and equipment required for manufacturing organic and natural fertilizers can now be imported without paying any customs or related duties.
- To promote sports infrastructure, imports of machinery, equipment, and materials for constructing football, cricket, and multi-purpose stadiums will be taxed at just 1percent customs duty.
- Industries engaged in producing green hydrogen will be granted complete import duty waivers on essential equipment, along with income tax exemptions for up to five years.
- Batteries and equipment used to store electricity generated from solar and wind energy can now be imported at a concessional customs duty rate of 1percent.

- Firms involved in manufacturing or assembling electric vehicle charging infrastructure will receive both 1 percent customs duty rate on imported machinery and income tax exemptions for five years.
- To phase out old vehicles, public and private vehicles over 20 years old will have their outstanding income tax liabilities waived, provided the taxes for the last two years have been paid.
- Private sector entities can now import tunnel boring machines used for road, irrigation, and hydropower projects at a reduced customs duty of 1percent.
- Services delivered by clearing houses will no longer be subject to Value Added Tax (VAT).
- Tax Deducted at Source (TDS) at the customs clearance point has been removed for imports of food grains, pulses, fruits, and other plant- and animal-based products.
- The previous requirement for export-import businesses to deposit NPR 3 Lakh bank guarantee when obtaining an EXIM code has been removed.
- The provision that mandated taxpayers to pay a minimum tax even when no taxable transaction occurred has been revoked.
- A new luxury tax will be applied to services provided by five-star and higher-category hotels and resorts, imported liquors, and the sale of gold ornaments.

4.7. Limitations of the National Budget 2082/83 B.S

- Allowing Nepali businesses or companies to establish sales branches abroad or set up processing plants by exporting semi-processed goods—and permitting investment of up to 25percent of annual export income abroad—could pose a risk of capital flight. Therefore, it is essential to have appropriate regulatory measures in place to ensure that profits are repatriated back to the country.
- Despite repeated commitments in recent years, the "Make in Nepal, made in Nepal" campaign has not been effectively implemented, highlighting a major weakness in policy execution.
- Weaknesses persist in prioritizing budget allocations for physical infrastructure development projects and national pride projects. Allocating scattered budget resources toward high-priority projects and ensuring their timely completion would contribute more effectively to the country's infrastructure development.

- The budget continues to exhibit a structural imbalance between revenue and expenditure, with a growing reliance on debt financing to meet recurrent and capital spending needs.
- Recurrent expenditure dominates the budget, while capital expenditure remains stagnant and under-implemented, raising concerns about long-term developmental impact.
- Total outstanding loans including both internal and external loan has reached to 43 percent of GDP, raising sustainability concerns given the country's limited economic growth and return on investments.
- There remains a consistent gap between budget allocations and actual expenditures, particularly in capital projects, due to poor planning, governance, and implementation inefficiencies.
- The budget continues to rely heavily on external assistance, undermining fiscal sovereignty and exposing Nepal to geopolitical and financial vulnerabilities.
- Despite recognizing agriculture, education, health, and climate resilience as priorities, the budget fails to allocate adequate resources or ensure effective utilization in these sectors.
- Many large-scale development projects are progressing slowly or stalled altogether, increasing sunk costs and reducing public trust in the government's fiscal capability.
- Although startup funds have been introduced (e.g., NPR 73 Crore), they are insufficient, poorly targeted, and inaccessible due to bureaucratic red tape and lack of institutional support for returnee migrant entrepreneurs.
- The budget does not adequately integrate cross-sectoral linkages, such as agriculture and food security or climate change and disaster risk reduction, into coherent long-term planning.
- Absence of a robust Mid-Term Expenditure Framework (MTEF) and limited use of Key Performance Indicators (KPIs) weaken the results-orientation of the budget.
- Climate change adaptation and mitigation efforts remain heavily reliant on external finance, with limited domestic investment to ensure resilience in critical sectors like agriculture, water, and energy.
- While the budget includes gender-responsive components, their implementation lacks clarity, scale, and systemic integration to meaningfully improve the roles of women and marginalized groups in development.
- Nepal's export capacity remains weak due to minimal investment in generating value addition, especially in high-potential areas like medicinal herbs and agro based manufacturing products.

- The budget does not adequately address formalization of the informal sector, which forms the backbone of Nepal's subsistence economy and labor market.
- Although the budget emphasizes reducing import dependency, especially in agriculture, it lacks a coherent strategy to boost domestic production and ensure timely availability of essential inputs like fertilizers.
- Despite high vulnerability to climate-induced disasters, budget allocations for disaster governance, risk reduction, and early warning systems remain insufficient and fragmented.

4.8. Alignment with the Pre-Budget recommendations provided by NDRI

The following table provides a comparative analysis of the recommendations submitted by NDRI to the Ministry of Finance on the basis of Pre-budget Analysis Report, and how these have been addressed in the National Budget for Fiscal Year 2082/83 B.S.

NDRI's Pre-Budget Recommendation	**Provisions of National Budget FY 2082/83 B.S. (2025/26 A.D.)**	**Remarks**
Broaden tax base through enhancing production capacity and encouraging formalization of the economy.	• Tax exemptions for startups, IT sector, and export services • Simplification of EXIM code requirements removal of minimum tax	**Partially Addressed** Encouragement for formalization and production enhancement included, but deeper reforms in direct tax base and formalization of the economy is lacking.
Enhance capital budget allocation and rationalize expenditure.	• Capital expenditure remains around 21% of total budget • dominant persists still in recurrent expenditure.	**Not Adequately Addressed** Though a slight shift has been introduced, capital budget remains low (i.e. less than 25%), and the share of recurrent expenditure is still high (about $4/5^{th}$ of total expenditure).
Ensure transparency in budget execution and control leakage.	• General mention of governance reforms and corruption control • No concrete mechanism or implementation plan presented.	**Not Addressed** No significant reform measures to improve transparency or budget execution efficiency.
Prioritize completion of the projects on the basis of urgency.	• Reiterated focus on National Pride Projects, but continuation of scattered allocation without prioritization.	**Not Adequately Addressed** Project prioritization based on urgency and economic returns still missing.

Formulation of growth-oriented budget.	• Provisions for startup support, entrepreneurship, infrastructure development • Industrial zones. • Tax exemptions for growth-oriented industries	**Partially Addressed** Budget has made growth-focused provisions targeting production, entrepreneurship, and infrastructure. However, very small amount has been allocated for this purpose
Prioritize the enhancement of human capital.	• Allocations increased for health and education • Targeted scholarship and nutrition programs included.	**Partially Addressed** – Some improvement in sectoral allocations, but underfunding exists and systemic reforms still lacking.
Shift towards production-based taxation.	• Reduction of duties on machinery imports, green energy, fertilizer production • incentive for value-added exports.	**Partially Addressed** Elements of production-based tax policy incorporated, but broader structural tax reforms still required
Scale-up Start-up Enterprise loan.	• NPR 73 Crore provisioned for concessional loans • High demand acknowledged but fund not expanded.	**Not Adequately Addressed** Budget recognizes issue but has not scaled the startup fund sufficiently.
Prioritize internal resource mobilization rather than internal debt.	• Heavy reliance on domestic borrowing continues • Revenue generation only covers 67% of total outlay.	**Not Addressed** Budget is heavily dependent on debt and limited internal resource mobilization focus.
Promote sustainable and inclusive development.	• Exemption of import duties and taxes for the industries producing green hydrogen • Tax exemption on import of the electric vehicle charging equipment. • Waiver of tax liability on the decomposition of the obsolete vehicles. • Climate investment remains <1%.	**Partially Addressed** While some sustainability components have been included, environmental and inclusive investments remain negligible. The national budget needs to address the needs of women and marginalized communities in a more inclusive manner. Likewise, environmental concerns, currently reflected only marginally, should be given greater emphasis to align with global priorities.