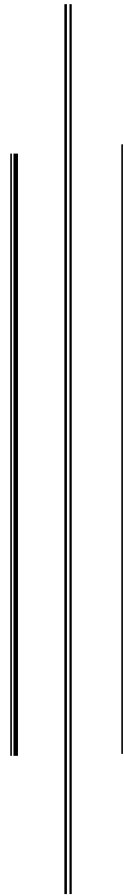
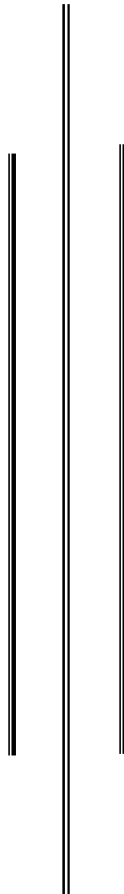


**Speech Made by
Honourable Finance Minister Mr. Janardan Sharma 'Prabhakar'
to the Federal Parliament
regarding
Bill for Replacing the Financial Ordinances
(Fiscal Year 2021/22)**



**Government of Nepal
Ministry of Finance
10 September 2021**

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<https://www.mof.gov.np>**

Rt. Honorable Speaker,

1. As the Minister of Finance of the Government of Nepal, I am here in this dignified meeting of the House of Representatives to present a bill that replaces finance ordinances related to the fiscal year 2021/22.
2. I express my heartfelt homage to all the martyrs who sacrificed their lives for the political and social change in Nepal and I have due respect for those who have been disappeared as well.
3. As the government is a perpetual institution, I have already presented the ordinances announced by the previous government related to the income and expenditure of the fiscal year 2021/22 in the House of Representatives. Based on the guiding principles of the Constitution of Nepal, the common minimum programme of the coalition Government, the policies and priorities of the present government, the established principle of no taxation without representation and to address the challenges posed by the COVID-19 pandemic, I have presented the replacement bill in the sovereign House of Representatives with some changes in the estimates of revenue and expenditure.
4. After the formation of the present government, I have presented the statement containing the real picture of the current economic status of the country to this esteemed House on 10 August, 2021.
5. It has been essential to amend the budget to provide adequate resources for vaccination against COVID-19, implement the common minimum programme of the coalition government, and make the allocation of resources balanced and equitable. It also has been necessary to reprioritize the proposed projects having preparatory works not completed, that are economically and technically non-feasible, and that are not assured of resources. I have made some amendments in the ordinance related to income and expenditure of the fiscal year 2021/22 to make fiscal management transparent and predictable as well as to achieve higher economic growth rate by utilizing the resources optimally and maintaining macroeconomic stability.
6. The proposed replacement bill has the following objectives:
 - a) to reduce the existing multidimensional poverty,
 - b) to achieve a high rate of economic growth by reviving the economy,
 - c) to build an inclusive and socialism oriented economy as envisaged in the constitution.
7. Despite adequate resources and human capital, the multidimensional poverty is 17.4 percent and the situation in Karnali Province, Province No. 2 and Far Western Province is even more serious. Furthermore, a detailed plan that comprises the identification of the underlying causes of poverty, review of poverty reduction efforts made so far and measures to poverty reduction will be prepared within three months and brought into implementation in an integrated manner.
8. It has been behindhand to make the foreign trade balanced by reducing the increasing trade deficit gradually. In this regard, a comprehensive plan as well as a sectoral implementation plan specifying the possible and essential activities will be prepared within three months.
9. The effective programme for social and cultural transformation will be launched in order to eradicate all social discrimination based on *dalit*, *tharu*, *aadivasi janajati*, *muslim*, poverty, women, senior citizens, persons with disabilities, children, gender minorities, and language/culture.

10. Legal and structural reforms will be made for effective implementation of the federal democratic republic system, inclusive proportional representation, federal system, three tiers of governments and their defined jurisdiction, implementation of fundamental rights, corruption control and good governance.
11. A concrete policy and plan based on suggestions derived from citizen and political level on the activities to be performed in the social, cultural, and economic sectors will be prepared and implemented in order to execute the constitutional provision of maintaining social justice and building the socialism-oriented economy.
12. I have not made any substantial changes on the fiscal transfers at provincial and local level, projects of national pride, game-changer projects, multi-year projects, and the programmes related to social security and protection, COVID-19 relief and rehabilitation, as well as revenue mobilization.

Main Programmes

13. The issue of protecting the lives of the people from the COVID-19 pandemic and reviving the sluggish economy has remained a top priority of this government. I have allocated necessary resources to ensure free supply of vaccines against COVID-19 to get vaccinated to all eligible Nepali as soon as possible. As of 8 September 2021; 5.73 million people have received the first dose and 5.12 million people have received the full dose of the vaccine against COVID-19 pandemic which is 17 percent of the total population. So far, 13.36 million doses of vaccine have been brought in Nepal and about 30 million doses are in the process of being received.
14. The Government is committed to provide sufficient resources for the prevention, control and treatment of COVID-19 infection. I have made arrangements to mobilize internal resources in addition to foreign resources for vaccine management.
15. I have reduced minimum of 10 percent of current budget allocated on recurrent expenditure on meeting allowance; fuel; repair and maintenance; staff training; skill development, public awareness training and seminar; programme; monitoring and evaluation; travel; miscellaneous programme. Around Rs. 5 billion, the savings from so curtailed, will be utilized to procure vaccines against COVID -19.
16. I have made an arrangement to provide a sum of Rs.5 thousand per month as a medical expense to the kidney transplant patients, all types of cancer patients and patients with spinal paralysis.
17. I have made an arrangement to provide a sum of Rs. 3 thousand per month as a subsistence allowance to the family having sacrificed their lives in movement for political change.
18. We know that various relief and support programmes through the monetary policy made public after the formation of this government for stimulating the economy ravaged by the COVID-19 are under implementation. Such programmes provisioned in the monetary policy will be made more effective through the fiscal policy by making them complement to each other.
19. I have allocated additional budget and given continuity to the relief and support programmes targeted for the revival of business affected by COVID-19 as well as for the economy revival programmes.
20. I have made an arrangement to provide a sum of Rs. 10 thousand as a relief per family for one time on the basis of certain criteria to those 500 thousand extremely poor families engaged in the informal and unorganized sector who have lost their jobs and income due to the impact of COVID-19. I have made necessary preparations to handover such amount in coordination with the local level within the month of mid-October, 2021.

21. For expediting the agricultural production through utilization of available land, climate and market, I have made an arrangement to form and mobilize a team comprising government, private sector, cooperatives and Agriculture Collaboration Groups for the implementation of a large scale production, processing, research, training and dissemination programme as a sample in every province under the Prime Minister Agriculture Modernization Programme in order to motivate the people involved in agricultural sector by facilitating farmers to address their problems including agricultural inputs, technological use and knowledge, training, carriage and market management.
22. I have made an arrangement to provide various exemptions and concessional loans for setting up small processing centers which interlink agriculture with industry and for establishing small, medium and large-scale industries and other industries based on domestic raw materials in those centers.
23. I have increased the grant on insurance premium being provided for agricultural crops and animal husbandry from 50 percent to 80 percent by extending the scope of such insurance in order to promote the attraction of more farmers towards agriculture and animal husbandry by reducing the associated risks.
24. Policy and mechanisms related to monitoring of cooperative sector will be formulated. Arrangement will be made for the cooperatives so as to invest 50 percent of their loan in agriculture and productive sector by setting up sister company.
25. Arrangements will be made to invest the social security fund in high income generating sectors so as to manage sustainable source of income in order to reduce the excess burden on state treasury due to various social security programmes provided by the state. Studies will be carried out for necessary legal and institutional arrangements to integrate all social security programmes and make them more effective.
26. Integrated records will be prepared by updating the existing inventory of unemployed youths. In order to enhance business efficiency by uniting youths through labor groups or labor cooperatives, a legal provision that allows such groups or cooperatives to participate with trainings on the construction works of public sector amounting up to Rs. 100 million through mutual competition will be made. First priority will be given to deprived dalits and extremely poor citizens in labour oriented employment programme to be run by the government.
27. I have expanded the interest subsidy programme on concessional loans to be provided without collateral to create self-employment in the areas of micro, small and medium enterprises, commercial agriculture, youth enterprises, women enterprises, returnees from foreign employment, Dalit Community Business Development and other sectors of production. I have made an arrangement to make at least 500 unemployed youths to self-employed in each municipality by providing priority to such youths in skill and entrepreneurship training and lending such loans through the branches of commercial banks.
28. I have arranged special incentives for the investment to be made on infrastructure development projects such as nationally important hydropower project, international airports, tunnel and roadways, railways; and productive industries such as cement industry, steel industry, agro-based industries, tourism service related industries and industries having employment of more than 300 domestic workers and utilizing more than fifty percent domestic raw materials.

29. An effective policy will be adopted to transform the import and remittance based economy into production and internal income based economy. Trade deficit will be reduced by protecting domestic products, identifying exportable and comparative advantageous goods and increasing their competitiveness. The industries that domestically produce the products from raw material to finished goods will be encouraged by involving them in the domestic production campaign.
30. A high-level facilitation committee will be formed to make Nepali products competitive in the international market by reducing the cost of industrial production. Foreign investment will be attracted by further improving the investment environment. Necessary policy and legal arrangements will be made to improve the Doing Business Index.
31. A business favorable environment will be created by adopting a private sector friendly policy that establishes private sectors as the vehicle of economic development of the country.
32. Road construction policy with clear jurisdiction of federal, province and local levels will be adopted by preparing the detailed map of road network so as to carry out the road construction in a planned manner, which remains as the basis of building a prosperous Nepal. The execution of 1,400 road projects without studies from the economic and technical point of view, without proper preparatory works and that can be handed over to province and local levels have been suspended. Such projects will be cancelled or handed over to the province and local levels based on necessity and relevancy.
33. Arrangements will be made such that the private sector may construct tunnels, power transmission lines, airports and other transport infrastructures based on new technology, hydropower projects, large hospitals, universities and other major infrastructures on Engineering, Procurement, Construction and Financing (EPCF) modality. I have taken a policy to encourage the private sectors for the construction and operation of infrastructures such as express road, tunnel, expressway, and flyover. New financial instruments such as infrastructure bonds, blended finance will be introduced for infrastructure development.
34. I have made arrangements to attract investment by providing exemptions and concessions for hydropower projects with reservoirs and semi-reservoirs above 200 Megawatt. While preparing new plans, an integrated mapping will be prepared to identify hydropower generation capacity, irrigation potential and drinking water source with a view to multi-use of water resources,.
35. Open space will be maintained and gardens and public parks with gymnasiums will be constructed with the participation of the concerned local level in order to maintain public health and clean environment in urban areas including Kathmandu Valley.
36. Affordable and accessible food will be provided to the urban destitute citizens in at least 10 places in the Kathmandu Valley in collaboration with social organizations.
37. Construction of model integrated settlements will be started in a way to develop integrated settlements for the families scattered in the high mountainous areas.
38. I have made arrangements to build various infrastructures and conduct promotional programmes with exemptions and concessions to revive the tourism sector hugely affected by COVID-19.
39. Construction of a museum that reflects the governance system covering the entire historical period of the country from Ramapithecus will be started in the Narayanhiti Durbar Museum premises. I have allocated necessary budget to start the construction of the historical museum so as to cover the history of the martyrs from Yogamaya to the present day, the foremost politicians who sacrificed and led during the course of historical events like the people's movement, the people's war and the Madhesh movement. A religious

museum will be established to promote religious tourism by displaying the religion, culture and traditions of Nepal.

40. At least one Educational Excellence Centre will be established in each province to improve the quality of education by increasing access to technology to produce competent manpower. I have also made arrangements to produce quality educational materials and curriculum from this Centre and make them available in public schools across the provinces through electronic means.
41. Education mapping based on geography and number of students from primary education to secondary education will be prepared and implemented so as to develop the quality of education sector through proper use of quality education, technical education, infrastructure and technology. A detailed plan will be formulated and implemented to enhance the quality of education by developing physical infrastructure, manpower and technology. "Earning while Studying Programme" for students up to class 12 studying in technical disciplines will be started as a model in some schools of all the provinces.
42. A study will be conducted to construct a separate hospital for the health treatment of teachers.
43. Universities will be developed as research centers by developing necessary infrastructures. Arrangements will be made to reconstruct Trichandra College, the oldest college of the country, and Ghantaghar in its original structure so as to reflect its historical significance.
44. I have made arrangements for the regular supply of drinking water through necessary maintenance and restoration of Melamchi Drinking Water Project by April 2022 that was damaged by the flood. I have allocated budget for the immediate reconstruction and rehabilitation programme for the damage including the roads caused by river erosion, floods and landslides.
45. The capacity of women will be enhanced by developing women leadership mechanism in each ward. "Women at First Programme" so as to provide priority to women, will be operated to make them economically and socially capable.
46. Integrated programmes will be implemented to raise the living standards of the deprived dalits by addressing their economic, social and cultural problems.
47. In order to implement the Right to Housing guaranteed by the constitution, a systematic housing scheme will be expanded for the homeless *dalits* in Karnali Province and Province No. 2 as well as in all provinces. Targeted employment programmes will be conducted for such groups.
48. As Nepal is in a high-risk zone from the view point of adverse effects of climate change; climate adaptation, mitigation and rehabilitation programmes will be conducted to minimize the risk on people's lives caused by the climate change. Development projects and programmes will be implemented in a climate friendly, sustainable, resilient and inclusive manner.
49. In order to make the human settlement and development works systematic by identifying the risky areas,, geological study (scanning) will be carried out through modern technology; and on the basis of which, programmes including development works will be implemented.
50. The distribution of grants for private housing that has remained to distribute during the post-earthquake reconstruction phase will be completed by mid-December 2021. The remaining works related to post-earthquake reconstruction will be handed over to the related ministry and completed.

51. The interest of general investors will be protected by maintaining good financial governance in the capital market. A policy of making the potential public enterprises under the government self-reliant and enhancing their capability to mobilize additional sources of investment will be adopted by transforming them into fully government-owned company models as per the need and listing them in the capital market.
52. A policy for Public Enterprises that are continuously incurring losses will be adopted to operate, dissolve or manage them through an appropriate model by making structural and managerial reforms.
53. In order to make the fiscal federalism more effective, the province and local level will be made more effective in exercising their power as per the Constitution including resource allocation and capacity building.
54. International Financial Assistance will be mobilized aligning it with national interest, needs and priority and by incorporating it within the budgetary system. Such assistance will be accepted on the basis of technical preparation, cost-benefit analysis, implementation capacity and ownership of the project, as well as the effectiveness of the assistance. The resources will not be included in the budget without ensuring assistance.
55. Resource assurance will not be provided to any projects or programmes other than those falling under the standard related to the Multi-Year Contract, 2077, those relating to the procurement of COVID-19 vaccine and health materials and of which resource arrangement has already been estimated within Medium Term Expenditure Framework. I have annulled all the resource assurances provided to those projects that are beyond the scope of the abovementioned standard.
56. A system of incurring public expenditure in line with budget allocation will be ensured by monitoring development projects online. An arrangement that requires the Ministries and Agencies to achieve results vis-à-vis monthly targets will be made in order to increase capital expenditure.
57. Tendency of occupying multiple contracts at a time beyond their capacity and not completing the work in time by construction companies will be improved. Priority will be given for recruitment and development of technical manpower required for development activities. Policy of preparing Detail Project Report by public enterprises, as far as possible, including Government Engineering Companies will be adopted.
58. Standard related to making public expenditure economy and effective will be formulated and implemented in order to manage resources for procurement of COVID-19 vaccine, revive the sluggish economy due to COVID-19, manage the mandatory financial obligation and further strengthen the effectiveness of capital expenditure by maintaining economy in recurrent expenditure.
59. As the use of public debt in unproductive sector carries the risks such as necessity of allocating massive chunk of revenue for debt servicing, increasing debt burden for future generation and narrowing down of financial resource to be mobilized by private sector, I have adopted the policy of utilizing public debt only in the areas of capital formation, national necessity, having high returns, and in productive sector. I have reduced the portion of domestic and foreign borrowing as proposed in the Appropriation Ordinance, 2021 by Rs. 37 billion. This will contribute to a marginal reduction of debt burden of Nepali people.
60. I have made an arrangement to establish a Think Tank in the Ministry of Finance for formulating economic policy based on study, research and analysis.
61. I have made an arrangement of providing public welfare advertisement to online media too by extending its scope.

62. In order to complete the peace building process, the remaining tasks of Comprehensive Peace Accord and the consensus and agreements concluded with different groups including Terai-Madhesh Movement will be implemented.

Rt. Honorable Speaker,

63. I have allocated Rs. 1,632.83 billion to implement the policies and programmes of this fiscal year. Out of the total allocation, amounts to be spent by federal government, Rs. 677.99 billion (41.52 percent) is for recurrent expenditure, Rs. 378.10 billion (23.16 percent) is for capital expenditure and Rs. 189.44 billion (11.6 percent) is for fiscal arrangement as well as Rs. 387.30 billion (23.72 percent) is for intergovernmental fiscal transfer to provinces and local levels. Out of total budget allocation for fiscal transfers, Rs. 325.75 billion (84.11 percent) is for recurrent expenditure including equalization grant and Rs. 61.55 billion (15.89 percent) is for capital expenditure.
64. Out of total estimated expenditure, Rs. 1,050.82 billion will be financed through revenue mobilization and Rs. 59.92 billion will be financed through foreign grants. This will lead to a deficit of Rs. 522.09 billion. Out of this total deficit including the amount allocated for fiscal arrangement, Rs. 283.09 billion will be covered from foreign loan and the remaining Rs. 239 billion will be financed through domestic borrowing.

Rt. Honorable Speaker,

Now, I present the revised revenue mobilization policy and programme for this current FY 2021/22.

65. I have slightly amended the revenue mobilization policy and programme of FY 2021/22 keeping its substantial aspect as it is. I have made an arrangement for implementing the revised tax and revenue provisions instantly from today. While determining the revenue policy and tax rate, I have accorded high priority for speedy economic recovery and development by providing relief through exemptions and concessions to the taxpayers in this adverse situation created by the crisis due to COVID-19.
66. A high- level commission for tax system review will be formed to suggest reforms to be made on direct and indirect tax systems including VAT, income tax, customs duty, excise duty and non-tax in order to expand the tax net and protect the tax base, control tax leakage and create investment friendly environment.
67. An arrangement will be made to facilitate the payment of all the taxes and duties at customs point through electronic medium. While using excise stickers, an arrangement has been made to scan the QR code and store the corresponding data in the automated system of Inland Revenue Department.
68. If any resident natural person not involved in business operation receives any payment in foreign currency for providing software or other similar type of electronic service outside Nepal or for uploading the videos in social sites, I have made arrangement for collection of advance tax at the rate of one percent of the received amount through the related bank, financial institutions and money transfer institutions on the payment of such amount.
69. I have made an arrangement to waive the fees and interest on the income tax for the Fiscal Year 2075/76/, 2076/77 and 2077/78 if a natural person including doctor, artist, journalist, sportsperson, engineer, lawyer, auditor, *lekhpadhi* professional, consultant, agent and mediation service provider pay the income tax for these years as per the Income Tax Act, 2002 by mid-February 2022 and obtain Permanent Account Number. I have made an arrangement to waive the income tax and value added tax on the income of the previous period if the tax is paid so.

70. I have made an arrangement to provide income tax exemption fully for the first 15 years after the commencement of business operation and 50 percent exemption thereafter for 6 years to those reservoir and semi reservoir hydropower projects above 200 Mega Watt and concluding financial closure by mid-April 2026. I have reduced and made an arrangement of levying one percent duties on the import of construction equipment, plants, machinery and their parts, penstock and steel sheet necessary for such projects.
71. I have made an arrangement to provide special income tax exemption and concession on the basis of investment to the industries related to the tourism sector and airline companies operating international flights.
72. Strict monitoring, close surveillance and extensive investigation will be expedited to control the use of fake bill and invoices, fake excise stickers and leakage of excise duty.
73. There will be a full tax exemption to the industries producing health related vaccines, oxygen gas and sanitary pad for the first 3 years after the commencement of their production and 50 percent tax exemption for 2 years thereafter.
74. In the case there is a difference in the declaration of transaction amount by the taxpayers having filed presumptive and turnover based income tax returns and paid tax for the fiscal year 2016/17 to 2019/20, I have made an arrangement to assume the tax to the extent declared by taxpayer as final if the actual transaction for every fiscal year is declared and 1.5 percent tax on the differential sales amount is paid by mid-April 2022.
75. I have made an arrangement of waiving remaining fees and penalties for the companies and firms having not submitted their annual statements and not renewed up-to the fiscal year 2018/19 as per the company Act, 2006 and Private Firm Registration Act, 1958 if they submit the statements and; pay fees and 5 percent of the penalties by mid-January 2022.

Rt. Honorable Speaker,

76. I have projected to achieve 7 percent of economic growth through the implementation of policy and programmes adopted by the government through the replacement bill and the expansion of economic activities by supplying COVID-19 vaccine to all within mid-April 2022. I have projected inflation rate to be contained within 6.5 percent.
77. Finally, I would like to thank all respected taxpayers, Nepali sisters, brothers and development partners who have contributed to the economic and social development of Nepal. I expect the support of all concerned including the honorable members of the Federal Parliament in the implementation of the budget presented through the replacement bill.

Thank you.

Disclaimer: If the content in English and Nepali version of budget speech contradicts, the latter will be valid.