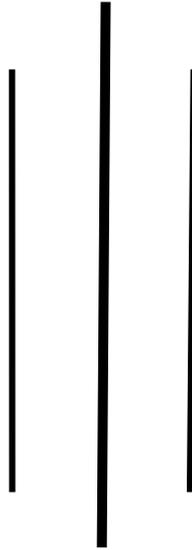




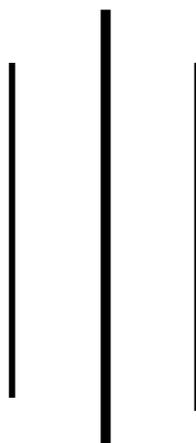
**Budget Speech
of
Fiscal Year 2008-09**



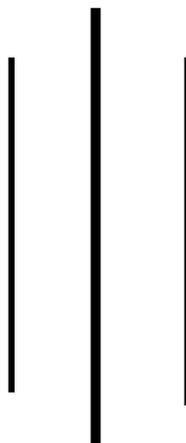
**Government of Nepal
Ministry of Finance
2008**

(Unofficial Translation)

Budget Speech of Fiscal Year 2008-09



**Delivered to
Legislature-Parliament
by
Finance Minister Dr. Babu Ram Bhattarai
on 19 September 2008**



**Government of Nepal
Ministry of Finance
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Website: <http://www.mof.gov.np>

Right Honorable Speaker,

1. Nepal has made a historic u-turn. The end of the era of feudal monarchy has been matched with the beginning of that of federal democratic republic in the country. It is a rare opportunity to be able to witness and experience such a distinct occasion gifted by the change of history which comes only once in a lifetime of the generations of the people. Our generation has been privileged with that glorious opportunity and we all should take pride in that. This epoch-making change has been possible only through the ceaseless struggle, uprising, peoples' war and the people's movement which continued for the last six decades illustrated with a series of people's sacrifices and sufferings. In this context, as a Finance Minister of the national coalition government formed by the nation's first-ever elected Constituent Assembly, I feel immensely delighted for presenting the first budget of the Federal Democratic Republic Nepal in this august Assembly. On this happy occasion, I heartily felicitate all the sovereign Nepali sisters and brothers living in the country and abroad. I also remember with full respect and honor all those known and unknown martyrs who sacrificed their invaluable lives in order for us to celebrate this historic achievement, and offer my deep-down tribute to them. Accordingly, I express high respect to the wounded fighters and deep sympathy to the families of those who were made disappeared.
2. We have disengaged from the past and broken continuity of the feudal unitary system on the political front, but there are still a number of feudal leftovers manifested in economic, social and cultural forms. Moreover, the kind of institutionalized external interference and suppression the country has been continuously facing after the signing of the Sugauli treaty has put itself into a chain of semi-colonialism and neo-colonialism. It is not simply possible to build and develop a prosperous and just society without fully breaking away from the semi-feudal and semi-colonial economic and social relations. For this, it would require to move forward the process of political and economic revolution in an integrated way and bring it to logical end. At present, our chief burden is to complete the overall economic and social transformation process with consolidating the political gains to date and accelerating economic revolution. Therefore, while formulating the current budget, I have taken up as principal challenge and possibility the success of economic revolution for building a new, independent, prosperous and people-oriented Nepal by institutionalizing the political achievements made to date.
3. Budget is not only a detailed annualized account of the country's estimated income and expenditure; it is also a document that provides guidance and direction to the overall economy of the nation. Historically, we are now passing through a spectacular phase of transition from feudalism to national industrial capitalism, and taking that into account, obviously, Nepal's economy seems marred by a big uncertainty and fragility. This would mean that the people belonging to various economic and social classes might naturally cherish different expectations from this budget. In that context, the main thrust of this budget will be to lead the economy towards socialism-oriented national industrial capitalism by eliminating all forms of

feudalism and keeping a fine balance between the expectations and interests of different classes and communities. As a document of the coalition government led by the Nepal Communist Party (Maoist), which is a pro-proletariat party, politically speaking, and which consists of the parties with varying faiths and ideologies, this budget has been fundamentally based on the common minimum program agreed among those parties. Therefore, it will be perfectly natural for this budget if it cannot meet the demands and expectations of any particular class or political force. Likewise, since this was to be prepared and presented soon after a few weeks of the formation of the government, the fact that this budget will abundantly reflect a blend of continuity and its break is only natural, and I want to point to that in the very beginning.

4. We are now in the process of making a great leap forward from one era to another. However, there is always a risk involved in such move. This requires breaking relations from the conventional status quo in terms of thinking and acting. And this requires being little more ambitious too. We can never reach the destination if we do not aim high, as the Great Poet Laxmi Prasad Devkota once famously said, "We should aim to fly high and touch the moon". This coalition government has burdened the responsibility of realizing the dream of thousands of martyrs, the disappeared and the wounded in the course of people's war, people's movement and the Madhesi movement. Therefore, this budget has very carefully and thoughtfully cherished some ambitious goals in areas of revenue and expenditure which, however, are not beyond reach. Likewise, the budget's major indicators have also not gone beyond the established international norms. This is why there will be found no logic in some people's arguing that this budget might negatively impact the macro-economic stability. But one thing we should be clear about: "stability" does not mean "stagnation". Stability is a relative concept. I have believed that this budget has taken the side of dynamic stability and will therefore pass the litmus test. Since this is the first step to the great journey towards a new federal republican era, this budget contains many such programs of long-term nature which may not be completed in one year but would inevitably require to be initiated this year as otherwise it will be too late for the future. Likewise, since this is the first budget presented by the first elected government after the conclusion of the people's revolt followed by the comprehensive peace accord, it was natural for it to include many such important programs which were an integral part of the peace process, even though they have slightly enlarged its size. I humbly urge you all to keep this very fact in mind while going through the pages of this budget.

A Brief Review of the Economic Status of the Country of the last Fiscal Year and the period till today of the current Fiscal Year

Honorable Speaker,

5. The "Economic Survey, 2007/08" that included a critical review of the economic and social indicators of the last Fiscal Year 2007/08 along with their trends and characteristics and the opportunities and challenges of the economy has already

been presented before this esteemed Constituent Assembly by the previous government in July 2008. The "white Paper" I issued just yesterday provides a glimpse of what status of the country's economy this popularly elected government inherited from the earlier government and at what footing we are now making the budget, etc. Before I move on to highlighting the policies and programs of the budget, I would like to briefly mention about the last Fiscal Year's financial and fiscal situation based on the latest available information.

6. Against the estimated rate of 5 percent, GDP growth rate grew last Fiscal Year by 5.6 percent at the basic price owing to the smoothening of the peace process, gradually improved law and order situation because of political understanding, consensus and co-action, growing investment-friendly climate, increased opportunities in trade and services sector and increased production of major agricultural crops. Compared to 6.4 percent in the Fiscal Year 2006/07, the average annual inflation rate reached 7.7 percent in Fiscal Year 2007/08. This is basically due to the international price hike of such commodities as food grains, mineral products and petroleum products, impacting the price of related commodities in the Nepalese market. Due to the significant increase in the tourism sector income and remittances, the foreign exchange reserve and the balance of payment surplus are in a satisfactory condition. The import rose by 16.1 percent against the export rise of 2.4 in the Fiscal Year 2007/08, thereby contributing to the huge trade deficit of 22.2 percent at the tune of Rs. 165 billion 330 million. This trade deficit comes out to be 20 percent of the GDP. Such deficit with India alone stands at Rs. 105 billion 900 million. This is an alarming situation.
7. Going by the latest available information, total government expenditure reached Rs. 163 billion 313 million in the Fiscal Year 2007/08. This consists of Rs. 91 billion 409.7 million (56 percent) as recurrent expenditure, Rs. 55 billion 516.3 million (34 percent) as capital expenditure and Rs. 16 billion 386.9 million (10 percent) as the amount spent in repaying the principals of domestic and foreign loans. The fact that recurrent expenditure has outperformed capital expenditure would in a way signal a weak economic condition of the country.
8. Compared to the revenue mobilization of Rs. 87 billion 712.1 million in Fiscal Year 2006/07, Rs. 107 billion 546.5 million has been mobilized in Fiscal Year 2007/08. On the foreign aid front, Rs. 25 billion 854.3 million was mobilized in Fiscal year 2006/07 whereas in Fiscal Year 2007/08, it rose to Rs. 34 billion 60.8 million.
9. I have presented the progress report as to how much money was allocated ministrywise for the Fiscal Year 2007/08 and the how much was spent, to this august Assembly today. It is not certainly good news that the money allocated to most of the ministries was not spent timely.
10. Already two months of the current Fiscal Year have elapsed when I am presenting this budget. I make it a point to telling you briefly what economic situation the country is in currently, based on the latest available information. Till the beginning

of the third week of September of the current Fiscal Year, Rs. 14 billion 760 million has been disbursed from the government treasury and Rs. 7 billion 790 million has been spent. This spending has been made well within the limits set by the Act for Authorizing Withdrawal and Expenditure from the Consolidated Fund for the Services and Works, 2008. During the same period, revenue has been collected at the tune of Rs. 13 billion 40 million which is higher by 13 percent than in the last Fiscal Year. The government treasury position remains satisfactory. In the last two months of the current Fiscal Year, the foreign aid commitment has stood at Rs. 18 billion 460 million of which Rs. 2 billion 560 million has actually been received as cash.

Honorable Speaker,

11. The successful election of the Constituent Assembly has proved itself as a milestone in the process of institutionalizing the Federal Democratic Republican political system. I am confident that the new Constitution of inclusive and democratic Nepal with federal structure in place will be enacted well within the timeframe stipulated in the Interim Constitution. The Nepali people have hoped for the country's overall socio-economic transformation from their Government which is made of political consensus and support. Fulfilling their aspiration and hope is challenging, if not impossible. However, I believe that a clear message of our making efforts toward fulfilling this aspiration must be communicated to the people through this budget. This belief inspires me to present a brief analysis of the major issues and challenges existent in the economy.

12. Issues and Challenges

a. Underdevelopment and Absolute Poverty: Overall underdevelopment and extreme poverty are major problems of Nepal. Alarming figures of extremely low per capita income and more than half of population living below absolute poverty line present an awful image of the overall economic condition. Average growth rate of 2 percent during the period of last fifty years clearly reveals that there is structural bottleneck in the economy. Therefore, breaking the vicious circle of poverty and underdevelopment through rapid economic growth along with its equitable distribution is the major economic challenge of the day.

b. Stagnation of Agriculture Sector: Stagnation of agriculture sector has become the major factor of underdevelopment and poverty. Despite agriculture sector being a source of employment for about 68 percent of manpower, its contribution to Gross Domestic Product is only 32 percent. Poverty is rampant among those engaged in agriculture because the per capita productivity is the lowest one. Our goal of rapid economic growth and poverty alleviation can never be achieved until we succeed to increase productivity of agriculture sector and shift the excess manpower from agriculture to the other sectors of economy by way of creating opportunities for gainful employment. Overall transformation of agriculture sector cannot take place without breaking the century-long feudal production relations rooted in the sector.

Because of the feudal-based production relations, where peasants cultivating the lands do not have their ownership and those owning the land do not cultivate, productivity of agriculture is always low creating adverse impact on the economic growth.

- c. **Widespread Unemployment and Semi-Unemployment:** Despite the availability of labour force within the county, it has not yet been fully utilized. Youth force is one of the major prospective resources. Unfortunately, our youth force is unemployed within our own country and are compelled to engage in painful foreign employment. Brain drain of educated and trained manpower is increasing. It has become a major challenge to create employment opportunity within the country for those youths and skilled who are marginalized from the mainstream of development, and make them participate in the process of building new Nepal. In the similar vein, the problem of widespread semi-unemployment and disguised unemployment in agriculture and rural sector is rather appalling.
- d. **Inequality and Discrimination:** Pervasive socio-cultural and economic discrimination and inequality on the basis of class, caste, region, gender has become a serious problem of the country. Prosperous and just Nepal is next to impossible unless we come out with the scientific resolution of the problems created by feudal unitary state power. It has become urgent to properly address the demands raised by various oppressed castes including Madhesi, and by regions, women, *dalit*, indigenous and ethnic groups, etc.
- e. **Inadequacy of Physical Infrastructure:** Inadequate and disproportionate development of physical infrastructure has impeded overall development of the country fuelling inequality in the economic ranking of the people. Majority of our rural areas have not yet been able to integrate into the mainstream of the economy because development of basic infrastructure including road networks, electricity, communication etc. have not yet reached out to these areas. Despite the huge hydroelectricity potential within the country, we have been facing high deficit, and, even more, the burden of load shedding. There is an evident lack of drinking water while irrigation system has not been developed adequately. Absence of North-South road network, low access of remote districts to the road, lack of expansion of agricultural roads etc. are the major obstacles to the economic transformation of the country.
- f. **Economic Dependency:** The fact that large portion of our national budget continues to get funded by foreign aid due to the meager mobilization of domestic resources points clearly to our ever-increasing dependency. The foreign trade deficit has been growing annually at an alarming scale. We have been relying on imports of basic goods of daily necessities, whereas the national industries have failed to compete with the imported goods and are heading to collapse. Likewise, the domestic cottage industries have also reached near closure due to the lack of required facilities and backstopping. Economic dependency is thus on rise in all sectors. To free us from this dependency and enable our industries to stand as competitive in the international market, we need to rehabilitate the once operational but currently

sick industries, and encourage to install industries that are based on domestic products and, in particular, agro-products. In the face of increased economic dependency and at this time of transition, it is indeed a challenge for us to reduce such dependency and build nationally self-reliant economy.

- g. Deteriorating Quality of Public Education and Educational Discrimination :** Large numbers of the country's population are still illiterate in the country. Public schools are identified as schools for the disadvantaged people. Each year, large share of the government budget is allocated to public schools. Bulk of allocation made for the education sector goes to basic education. Despite this huge investment, quality of the public schools where children of the majority of the ordinary people attend, continues to deteriorate. The well-off people do not prefer enrolling their children to the public schools. There can be no parallel to this frustrating example of the huge investment in the public education sector. Results of the School Leaving Examinations clearly attest to the low quality of the public schools, and also indicate hideous differences between the performances of public and private schools. Charging of fee by the private schools in an uncontrolled manner has led to further widening the class discrimination, and also prohibited children of disadvantaged family from competition. The only way forward for ending such discrimination rests on our ability to provide qualitative and skill education in the public schools. In this context, eradication of illiteracy by ensuring production of efficient manpower to cope with the need of the time, and production of manpower needed for the modern and developed economy has become one of the major challenges.
- h. Corruption and Very Weak Situation of Service Delivery :** Corruption is rampant, in various forms and from the lowest to the uppermost level of the public machinery. Everyday general public are forced to be smacked by corruption. This has caused a lack of public support and non-cooperation even for the good works initiated by the government. Creation of a corruption-free environment to ensure radical improvement in the delivery of public service mechanism so as to give people a sense of radical change remains therefore a challenge.
- i. Challenge to Bring Peace Process to Logical Conclusion:** The Nepali people through their struggles and revolts launched in different phases, and in particular, the people's war, the historic people's movement of 2005/06 and the Madhesi movement, have vividly expressed their desire for building a society that is egalitarian and is free from all forms of discrimination such as based on ethnicity, gender, class and geographical region. It is not possible to meet this desire in a year until the two-and-half years-long peace process reaches logical conclusion. Knowing that this task is not easy, the present government expresses its strong determination to build a well-advanced, egalitarian and discrimination-free society. Currently, the people have pinned high hopes on the government for immediate relief. It is essential therefore to immediately implement the relief programs that would directly heal the wounds of thousands of families who lost their dear ones in the decade-long people's war and also the martyr's families. Similarly, it is also necessary to enable thousands of people who have been displaced and affected by the natural and

humanitarian disaster to feel the presence of the government. It is equally necessary to provide relief to the ordinary Nepalis who have been hit hard by the price rise and shortage of essential commodities owing to the inefficient public distribution system. In this context, in order for the peace process to arrive at logical conclusion, one important task of the present government is to extend immediate relief to the ordinary people; however, the other equally important and challenging task before the government is to complete the process of constitution building in time based on common consensus and also in line with the aspirations of all class, caste, gender, and the suppressed and neglected communities and region to institutionalize federal democratic republic in the country.

Against the backdrop of the aforementioned challenges and problems, I have cherished the great goal of building prosperous, advanced and egalitarian new Nepal while formulating this budget. In doing so, I have received guidance from the Directive Principles and Policies of the State as enshrined in Nepal's current Interim Constitution, the Common Minimum Program (CMP) of the national coalition government, the desire expressed by the Nepali people through the people's war and people's movement, and the suggestions received from the larger sections of society including farmers, laborers, women, indigenous and ethnic communities, neglected and suppressed classes and communities, Honorable Members of the Constituent Assembly, various political parties, professional and business groups, Revenue Advisory Committee, intelligentsia and civil society. As this year's budget is the first after the founding of the federal democratic republic, I have made efforts at presenting it as original and different in substance from its predecessors. Keeping in focus these ideas and issues, I have defined this Fiscal Year's budget's vision and basic principles, principal objectives and priorities in the following paragraphs.

13. Vision and Basic Principles of the Budget

- a. **Transitional Economy:** The main philosophical foundation of this budget is to eliminate all forms and remnants of feudalism and establish Socialism-oriented industrial capitalism. Therefore, in this transitional economy, private sector, cooperative sector and public sector will all play a coordinating role together. Government will play the role of facilitator in the development of private sector and cooperative sector. Thus, private sector and cooperative sector will be the two legs of this transitional economy and a policy of balanced walking with these two legs will be actively pursued.
- b. **Rapid Economic Growth:** Accelerating the current sluggish growth and laying foundation for the double-digit growth in the next three years is an important vision of this budget. For this to happen, a kind of 'leap-frogging' approach will be adopted instead of continuing with the 'crawling of snakes' approach. Commensurate with this, investment will be directed towards priority areas to achieve the high growth rate. Public-Private Partnership (PPP) Approach will be the cornerstone of capital investment that will help motivate domestic and foreign investors to invest in the priority sectors. Efforts will be carried out, as a campaign, to compensate the insufficiency

of capital and technology by mobilizing the abundant labor force existing in the country in the prioritized development projects.

- c. **Ensuring Social Justice and Security:** The results of high economic growth are not automatically distributed in an equitable manner. In this context, the state will adopt the policy of formation and operation of production, distribution and financial cooperatives of small farmers, entrepreneurs, laborers and consumers, as well as provision of special socio-economic security to the conflict victims, poor, oppressed, unable, disabled, elderly and about-to -disappear communities.
- d. **Independence and Inter-dependence:** In the present globalized capitalist world, no economy can remain isolated as the island of Robinson Crusoe. Therefore, policy of inter-dependence of the national economy with the global economy will be adopted. However, in view of the unequal and difficult process of development in the Capitalist globalization process, policy will be adopted to provide maximum possible security to national economy and development of independent national economy will be accorded special attention.

14. Objectives of the Budget

In line with the vision elaborated above, the budget has set following objectives:

1. Making democracy more people-centered with the institutionalization of the federal democratic republic.
2. Sustaining peace in the country by bringing to logical conclusion the peace process on the basis of the Comprehensive Peace Accord (CPA) agreed between the Nepal Communist Party (Maoist) and the seven political parties.
3. Accelerating the process of economic and social transformation to accomplish the great mission of building just, advanced and prosperous new Nepal.
4. Achieving higher economic growth that comes along with geographical and regional balance, social justice and employment opportunities.
5. Providing immediate relief to the people to make them feel that the country has really become a republic.
6. Erecting foundation of a self-reliant and independent economy through optimally mobilizing the national capital and indigenous resources.

15. Priorities of the Budget

Matching with the above vision and objectives, I have set aside the budget's priorities policywise and sectorwise as follows:

A. Policy Priority

1. **Completion of the Peace Process and Immediate Relief:** In order for ensuring sustainable peace with change by bringing peace process to logical conclusion, I have attached high priority to the tasks mentioned in the CPA but not yet implemented, such as providing relief to the families of the martyrs and the

disappeared, conflict-affected persons, and the wounded; providing and systematizing subsistence support and allowances to the combatants of the Peoples' Liberation Army, and reconstructing the damaged infrastructure. Likewise, special attention has also been paid to the relief to those involved in the people's movement and the Madhesi movement.

2. **Accelerated Economic Growth:** In keeping with the objective of achieving the expected double-digit growth within the next three years and for attracting investment on a large scale to meet that objective, this budget has placed high priority on building infrastructure of strategic significance and developing social infrastructure of human resource development such as in education and health. Also, I have given special priority in the budget to public works and construction through massive mobilization of the people and acceleration of economic growth.
3. **Social Security and Inclusion:** The budget has placed reasonable priority towards expanding the benefits of economic development to the suppressed classes, ethnicities, region, and gender and also guaranteeing social security to the senior citizens, differently abled, widows, *Dalits* and endangered ethnicities. In particular, I have made efforts to maintain an appropriate balance between economic growth and social justice through cooperatives movement, massive employment creation program and village-oriented development campaign.

B. Sectoral Priorities

1. **Transformation of Agriculture Sector:** Building new prosperous Nepal is by no means possible without radically transforming the agriculture sector which is a source of livelihood for more than two thirds of the population. Therefore, the budget has attached top priority towards radical structural change of the agriculture sector which has so far remained subsistence-oriented and also based on feudal production relations, through its commercialization and modernization that would ultimately achieve the goals of accelerated economic growth and social justice. In the same spirit, enhancing export through boosting forest and agro-based industries that have a comparative advantage, and earning foreign exchange therefrom have also been given due emphasis in the budget.
2. **Development of Water Resources:** With the launching of a slogan "In clean water lies Nepal's power", the budget has advanced a policy of utilizing the country's abundant water resources in hydropower, irrigation and drinking water so as to enable this sector to play a central role in the campaign of building new Nepal. Specifically, production of 10 thousands megawatt hydropower in the next 10 years and irrigation of the Terai's and hill's large valleys and fields through the diversion of major rivers are the original program features of this budget.
3. **Wider Expansion of Tourism:** The budget has put special emphasis on developing the tourism industry through mobilizing enormous natural and cultural resources and building necessary infrastructure in that direction. In particular, this budget has come up with a plan of constructing new airports of international and regional level and developing an intensive triangular tourism

infrastructure between Kathmandu, Pokhara and Lumbini thereby causing a tourism revolution in the next couple of years.

4. Qualitative Development and Expansion of Physical Infrastructure:

Development of modern economy is impossible without the speedy development of physical infrastructure such as roads, railways and communication. Therefore, this budget has come forward with the big infrastructure development projects of strategic and long-term significance such as East-West Railways, Kathmandu-Terai Fast Track, Mid-Hill Highway and North-South Highway, and strived for erecting the foundation of building new Nepal.

5. Human Resources Development: In every country's development, building competent and healthy human resources through investment in education and health is a matter of central importance. Therefore, along with launching the slogans of "New Nepal, Learned Nepal" and "New Nepal, Healthy Nepal", this budget has advanced the programs of qualitative significance in education and health sector such as eradicating illiteracy within two years, providing universal access to basic health services and so on.

6. National Industrialization: This budget has resolved to place priority to the national industrialization by launching a policy of running public sector industries and sick industries on commercial footing through adopting the scheme of public-private partnership and encouraging the installation of minerals, agro and forest-based industries.

16. **Campaign for Building New Nepal and Economic Council**

The last 50 years' experience of Nepal has already proved that unless the budget policies, plans and programs are launched in an integrated way on a campaign scale, and unless they are backed by a high level executing and monitoring mechanism, they cannot be implemented efficiently. Therefore, in this historical moment of Nepal entering into the republican era, with an objective of turning the next decade into a decade of economic revolution, and also for consolidating all important economic matters through one channel, a high-level Economic Council has been proposed under the chairmanship of the Right Honorable Prime Minister. The "Investment Board" and "Cooperative Board" working under the Economic Council will drive the "two legs" as mentioned above. Likewise, more than 60 projects and programs starting from the current Fiscal Year, which include different sectors and keep central importance, will be executed with special priority under the "Building New Nepal Campaign". Monitoring of those projects and programs will be conducted by the special committee constituted under the chairmanship of the Right Honorable Prime Minister. I appeal all to complete the programs of such nature as large scale infrastructure, water resources, tourism, urban development, industrial development, education, health, cooperative, employment generation, programs to develop the region of political sacrifice, programs honoring martyrs, relief to conflict-affected people, upliftment of the marginalized class, social protection and community development, on a campaign footing and render a true meaning to building new Nepal.

17. Now I would like to present the major policies and programs of the Budget of Fiscal Year 2008/09 according to the objectives and priorities mentioned above.

A) Nationality and Protection of National Interest

18. The programs of economic development and physical as well as social infrastructure development will be carried out according to the contribution that such programs can make to protect and promote Nepal's sovereignty, national unity, independence, integrity, national pride, and self-dependence to make a self-sustained economy. Special emphasis will be placed to extend north-south road and railways to accrue due benefit from the rapid economic development of the two big neighbors: India, and China.
19. On the basis of Nepal's sovereignty, independence, self-dependence and national interest, the existing policies will be reviewed and new policies will be formulated according to the contributions they can make to national security, foreign policy, utilization of natural resources including water resources, and to the mobilization of foreign aid. The reviewing process of unequal treaties and agreements conducted in the past will be started from the current Fiscal Year.
20. The Nepalese missions abroad will be mobilized for the promotion of national interest in the fields such as economic cooperation, tourism promotion, improved export of Nepali goods and services, foreign employment promotion, and increased foreign investment. For this purpose, capacity enhancement of the existing mission will be made, and Nepali missions will be established in other additional countries.

B) Institutional Development of Federal Democratic Republic and State Restructuring

21. To complete the new constitution making process through the Constituent Assembly within two years, required level of cooperation, instruments and resources will be provided to the Assembly with high priority. I have promised not to let any shortfall of human or financial resources hamper this great task.
22. A Statue of Republic with distinct design will be erected within the vicinity of Narayanhiti premises to mark and long memorize the day that ended feudal monarchy through people's extraordinary courage and sacrifice-led struggle. I have allocated Rs. 50 million for this Statue which will be made using Nepali technician and Nepali design. Likewise, the Narayanhiti premises will be developed as a modern museum. I have anticipated that the Statue of Republic and the museum will turn the Narayanhiti vicinity to an attractive touristic site.
23. Various programs will be carried out to utilize the property of former kings and royal families for the benefit of general public. To find out the properties that they

may have hidden abroad, and bring back such properties into the country, a separate action committee will be formed and work for this will start immediately.

24. To institutionalize the federal democratic republic and bring the peace process to a logical end, I have allocated sufficient budget for National Peace and Reconciliation Commission, High Level Truth and Reconciliation Commission, the Commission for searching the Disappeared Persons, National Inclusion Commission, and State Restructuring Commission.
25. Various programs will be launched to strengthen republic and national unity through creating public awareness on inter-regional dependence among mountain, hill and Terai.
26. Because of the political vacuum and complete absence of accountability in the local bodies which have a direct bearing on the people, an interim apparatus will be established through consensus among the major political parties within mid-January 2009 to make local bodies responsible towards the people until an election for the local bodies has been held. To launch a new campaign of village development together with the slogan of “Make our Village Better and Beautiful”(Hamro Gaun Ramro Banau), I have allocated Rs. 7 billion 830 million in the village development committee grant raising it by hundred percent commencing from the current Fiscal Year. The village development committee grant will be distributed on the basis of population, cost and geographical area ensuring a minimum of Rs. 1.5 million and a maximum of Rs. 3.0 million to each village development committee from this increased allocation.

C) Sustainable Peace and Guarantee of Peace and Security

27. I have allocated necessary budget for the Ministry of Peace and Reconstruction for reintegration, rehabilitation and arms management of the combatants of the Maoist people’s liberation army before mid-March 2009, according to the provisions of the Comprehensive Peace Accord and other agreements made afterward.
28. Necessary reforms will be carried out to keep on making the Nepal army democratic and inclusive. To make the recruitment process, training, education and the basic aspects of the Nepal army more systematic and also to ensure transparency, reform will be carried out of relevant rules and processes. Through increasing its professional competence, the army will be deployed in peace and security, development works, natural disaster relief, and in such works that contribute significantly to world peace.
29. Various criminal and anarchical incidents will be taken into control through strengthening peace and security in society by encouraging co-action between security forces and the people. A code of conduct of the security forces will be formulated and implemented before mid-December 2008, to guarantee peace and security for the people, and to make the administration and security entities

including all state apparatuses impartial and accountable. A local peace committee will be constituted comprising security forces, local administration, political parties, and representatives of civil society to ensure public participation in maintaining peace and security at the local level. I have allocated Rs. 105 million for the local peace committee.

D) Immediate Relief and Reconstruction

Relief and Compensation for the Conflict-affected People

30. The Government is committed to honoring the citizens who lost their lives, and were made disappeared during the armed conflict, and to providing relief to the families who lost their soul-mates. The families affected in such a way will be initially provided a lump-sum financial aid at the rate of Rs. 100 thousand each. Likewise, scholarships will be provided for the education of the children of those who lost their lives. I have allocated Rs. 1 billion 500 million solely for this purpose.
31. I have allocated Rs. 50 million for residential schools to be operated by Martyr's Academy in five development regions in order to make proper education arrangements to martyr's families who sacrificed their lives during the armed conflict.
32. I have earmarked Rs. 12 million for the development of *Living Together (SAHAJIVAN)* Settlements to the families of internally displaced due to the armed conflict.
33. I have allocated Rs. 20 million for herbal collection facilitation related programs to be implemented in Jumla, Banke, and Salyan by creating self-employment in local levels considering the benefit of farmers and laborers in conflict-affected areas.
34. The outstanding monthly allowances of the Maoist People's Liberation Army Combatants as per the agreement will be made available immediately. Now onwards, I have made a provision to distribute monthly allowances regularly. For this, I have allocated the necessary amount.
35. The treatment arrangements will be made for the injured people during the people's war, people's movement and Madhesh movement who have not been treated properly. The compensation will be provided to the physically deformed people, and the martyrs will be honored.
36. The monthly subsistence allowances being provided to families of the martyrs of the people's movement and to the people handicapped as a result of the conflict will be continued. Additionally, I have arranged the amount under the Relief and Rehabilitation Program to provide compensation for damaged vehicles and private properties and looted houses and shops.

37. I have allocated Rs. 20 million for Ram Vriksha Yadav Memorial Centre at Janakpur Hospital and Suresh Wagle Memorial Cancer Centre at TU Teaching Hospital in memory of the Late Ram Vriksha Yadav and Late Suresh Wagle who received martyrdom for establishing the Republic and completely rooting out the feudalistic system.
38. The recently damaged Saptakoshi dam has caused big losses to the peoples and properties in Saptari and Sunkoshi districts. More than 40 thousand people have been very badly affected and become homeless. I appreciate the local and international non-governmental organizations, civil society, security staff, and the government employees and people in general for their wider support to operate relief measures for those affected people. It is urgent to implement immediate relief and rehabilitation programs on one side, and there is also a necessity of restoring transportation system immediately by reconstructing damaged physical infrastructure and building alternative bridges, on the other.

The Development of Public Distribution System

39. The Cooperative Public Distribution System can be an appropriate measure for guarantying the supplies of goods on concessional price for the people in general and the laborers, farmers, homeless, students and those below poverty line, in particular. This system can maintain the balance in the market by controlling the tendency of profiteering and creating artificial shortage of goods by the private sector to fuel the crisis further. But the poor, disadvantaged and conventionally exploited people cannot be organized in Cooperatives without empowering them technically. In view of this, annual subsidy at the rate of Rs. 100 thousands will be provided to 4,000 Consumers Cooperatives, one each for all village development committees and one in each for a cluster of 30 thousand populations in municipalities. The Cooperatives that will be established regionally with a strong presence of the laborers, Dalit, the poor and students will receive such subsidy. The Department of Cooperatives will expand the training programs to enhance the capacity of such Cooperatives. For this, help will be sought from the social mobilizers who are working in various programs of non-governmental organizations and Government of Nepal. Such Cooperatives must maintain their account accurately in a transparent way and must show their account to District Development Committee and the concerned local body as and when asked for. For this, I have allocated Rs. 400 million.
40. The identity card will be distributed to the families below the poverty line in those districts where the poverty alleviation programs are being implemented. For other districts, the District Development Committees will provide identity cards by identifying such families. The provision will be made to sale most necessary consumer goods to such identity card bearers on concessional price through Cooperative Shops.

41. Provision will be made for the effective food supply as per the calendar by increasing the storage capacity of Nepal Food Corporation for those remote hilly districts where local food production is not sufficient. For this, the subsidy to Nepal Food Corporation has been increased and the management of Corporation will be reformed. The Ministry of Commerce and Supplies will prepare an action plan and design estimates within this Fiscal Year to construct new modern Go-downs by evaluating the current location and status of the existing Go-downs for food security in an emergency situation. The modern Go-downs will be constructed phase-wise from the coming Fiscal Year.
42. Incentive will be provided to increase the consumption of local agro-forest based food items in remote hilly areas by testing through Food Laboratory. To reduce the increasing dependency of food in hilly districts, focus will be given to agriculture research and technology.
43. Any kind of obstruction or erection of check post is prohibited on national highways and feeder roads in order to ease the transportation and reduce the cost of transportation of essential goods including food items. All the obstructions will be removed within mid-December, 2008 by installing close circuit televisions or other electrical vigilance system at the checkpoints of Department of Revenue Investigation, Police, Army and other agencies. Nobody will be allowed for syndication or cartelling in public transportation and movement of goods.
44. To stop undue activities which negatively hamper the supply system by creating artificial shortage, effective monitoring calendar will be published and action will be taken by mobilizing monitoring teams. In such teams, representatives from private sectors, civil society or consumer associations/ groups and political parties will be included and the provision will be made for monitoring by the teams as per the checklist.
45. To ease the supply of petroleum products, the monopoly of Nepal Oil Corporation will be ended momentarily and a Regulatory Agency will be set up with the inclusion of private sector for playing the facilitating role in petroleum products transactions.
46. The system of automatic price adjustment with the market price of petroleum products will be established. The mechanism will be set up to manage the sale of the petroleum products by the Nepal Oil Corporation as per the purchasing price to be used by low income people and students as household fuel on the concessional price.

Social Security

47. The value of the money received in lieu of social security allowances which are currently being provided to elderly citizens, single women and physically handicapped persons, has gone down due to the price increase in previous years.

The average age of people belonging to some geographical regions, endangered ethnicities and Dalit communities is lower than the national average age; hence the current 75 years of age threshold for providing monthly allowances may not be applicable to such people. Considering this, massive changes in social security arrangements have been made effective from 17 September 2008. According to this new provision:

- Monthly Rs.500 for all age groups of endangered ethnicities,
- Monthly Rs.500 for Dalits, Single Women and people above 60 years of Karnali Zone,
- Monthly Rs. 500 for all other citizens above 70 years,
- Likewise, I have increased the monthly allowances of blind-disabled. A monthly Rs.1000 for fully handicapped and disabled and Rs. 300 for partially handicapped and disabled will be provided.

I have significantly increased in social security allowances as an expression of state responsibility towards the elderly citizens, dependants and the poor people. I believe that all the citizens and political parties will cooperate by not misusing by any means such allowances which comes from the hard-earned income of the taxpayers. I have increased social security expenses to Rs. 4 billion 410 million, increasing by 440 percent than last Fiscal Year.

48. These social security allowances will not be provided to those who are getting more than this facility from the state treasury. The social security system will be reviewed and made integrated and scientific.

Small Farmers and Debt Relief to Small Household Entrepreneurs

49. Debt has been waived of those borrowers affected by natural disasters and the conflict, the small farmers below poverty line, and the household entrepreneurs borrowing from Agriculture Development Bank, Small Farmers Development Bank, Nepal Bank Limited and Rastriya Banijya Bank upto the principal amount of Rs. 30 thousands, and full interest due and all kinds of penalties on the loan amount of above Rs. 30 thousands upto Rs. 100 thousands. Such waived amount is estimated to be Rs. 9 billion 180 million as per the available statistics; the Government of Nepal will pay to the concerned banks such amount within the next ten years including this Fiscal Year. I have earmarked Rs. 400 million for this purpose. Ministry of Finance will issue a detailed procedure in this regard within mid-November 2008.
50. I have made provision to waive the interests and all kinds of penalties for those electricity bill payers who could not pay during the time of conflict.

Reconstruction of Damaged Physical Infrastructure

51. The reconstruction programs of physical infrastructure damaged due to the conflict will be implemented with high priority. Rs. 4 billion 500 million is estimated for reconstruction of public buildings, bridges, communication tower and airports damaged due to the conflicts. I have allocated Rs. 1 billion 280 million in this Fiscal Year with a view to completing this work momentarily.

Rural Reconstruction and Rehabilitation

52. Road construction, income generating and livelihood training programs in 20 districts and drinking water projects in 38 districts will be started under the Rural Reconstruction and Rehabilitation Sector Development Program for the reconstruction and rehabilitation of the physical infrastructures damaged during the internal conflict and people's war, infrastructure not maintained or fully or partially obstructed construction in rural and urban areas. I have allocated Rs. 820 million 370 thousands for this program.

5) Economic and Social Transformation

"Commercialization and Mechanization in Agriculture, Transformation in Farmer's Living Standards"

53. We have an obscure situation in agriculture: despite its being a source of livelihood for the majority of the Nepali people, this sector is lagging behind. The primary foundation of development, therefore, will be laid by transforming this sector, through ending the feudal land ownership and relations that have existed for hundreds of years, and also through the massive change in its character from subsistence to commercialization. The present government believes that agricultural revolution should be the basis of building New Nepal. I would like to stress on that a strong leap forward is possible in economic development, by establishing agriculture as an occupation for reliable employment and bringing into it modernization and commercialization. I have allocated Rs. 5 billion 910 million for agriculture sector which is higher by 69.30 percent than last year's revised expenditure.
54. The interest subsidy provided through Agriculture Development Bank will be continued to Tea, Cardamom and Coffee farming; for the construction of cold storage; to meet the electricity charges of the Milk Chilling Cooperative Centers, to meet the demand charges of the electricity consumed by the shallow tube wells and to floriculture. Subsidy will be provided for transportation of chemical fertilizers and on the seed and fertilizer's price in 26 remote districts.
55. The impact of recent year's global food crisis has also been seen in Nepal's food market. To survive through such crises, it is urgently necessary to adopt immediate measures as well as start immediately the implementation of longer-term measures. To provide immediate relief to the affected people from food crisis and to help

farmers to increase food production, Rs. 1 billion 225 million has been earmarked. A food crisis mitigation special project will be implemented immediately.

56. To increase agricultural productivity through the slogan "Cooperatives in every village, food storage in every house", small farmers will be motivated for farming through cooperatives models. The agriculture farming will be encouraged, on the basis of feasibility and without encroachment, utilizing the community forest, freed *Kamaiyas* area, new afforestation area, barren land under the electricity transmission lines and public barren lands by organizing the Dalits, socially poor and disadvantaged ethnicities, women, homeless, freed *Kamaiyas* and landless into Cooperatives. I have allocated Rs. 85 million for providing incentives to cooperative farming. The Ministry of Agriculture and Cooperatives will publish the detailed procedures, amend and revise the directives within mid-November and implement accordingly.
57. For the agriculture technology development and research and for the establishment of local agriculture products Gene Bank, I have allocated Rs.510 million.
58. I have allocated Rs. 400 million for the implementation of special livestock program for the direct benefit to 14 thousand families through community livestock development project to be implemented in Tanahu, Lamjung, Baglung, Gulmi, Arghakhanchi, Palpa, Nawalparasi, Rukum, Rolpa, Salyan, Pyuthan, Dailekh, Jajarkot, Surkhet, Banke, Bardia, Doti, Achham, Baitadi districts having densely populated districts by Dalits and freed *Kamaiyas*. I have earmarked Rs. 33.3 million for the implementation of livelihood improvement program for the poor through commercial livestock in high hill districts such as Darchula, Bajhang, Mugu, Humla and Jumla.
59. In this current Fiscal Year, additional 2,275 small irrigation projects will be implemented on the basis of cooperatives and group models. Additional 3 thousands hectares of land owned by small farmers will be irrigated by this program. For this, I have allocated Rs. 145.4 million.
60. I have allocated Rs. 60 million to increase direct participation of the tea producing farmers in tea processing and marketing management, and to extend capital grant to potential tea producing cooperatives for the establishment of tea processing factories. Such capital grant will be equivalent to 25 percent of the total cost of the machinery and equipment to be determined based on their investment proposals.
61. Milk producing cooperatives wishing to establish powder milk factories will be extended grant assistance equivalent to 25 percent of the machinery and equipment. Likewise, a 15 percent interest subsidy on their bank loans will be provided for the next five years, beginning this Fiscal Year, for the powder milk factories to be established in the private sector. I have allocated Rs. 60 million for this programme.

62. With a view to extending commercial seed-market with the involvement of the private sector, cooperative-private sector will be extended capital grant for the construction of a 5 thousand metric tons capacity seed store-house in 10 places.
63. Onion production will be implemented as a campaign. A special pocket area programme will be implemented in 3/4 districts for the production of high value agriculture products like coffee, tea, ginger, banana, lemon, apple, orange, citrus, wooden- apple, *lapsi*, orchids, and fish. Areas for mango and licchi will be extended in Terai.
64. Special integrated programme will be implemented aiming at protecting of a near disappearance situation of yak herding being adopted as one of the main professions by the inhabitants of the mountainous region. Special programme will be implemented to encourage bee keeping.
65. Considering the potentialities for commercial fish-farming, fish production programme, from this Fiscal Year, will be implemented as a campaign in an additional 73 hectares land of Rupandehi, Chitwan, Bara, and Bardia districts by constructing new fish ponds. I have allocated Rs. 10 million to extend grants to the farmers.
66. With a view to ensuring necessary raw materials for the production of livestock food supplements, commercial maize farming will be done in additional 6 thousand hectares land of Sunsari, Sarlahi, Bara, Rautahat, Chitwan, Nawalparasi and Rupendehi districts. I have allocated Rs. 11.50 million for this purpose. It is expected to substitute 36 thousand metric tons equivalent imports of maize.
67. Additional tax will be imposed to discourage the trend of keeping arable land unploughed.
68. Toll free telephone services will be extended to enable farmers to seek solutions for their problems by directly contacting concerned specialist and experts. Arrangements will also be made to make nationwide broadcasting of such conversations between farmers and experts via local frequency modulation (FM).
69. A sum of Rs. 186 million has been allocated for the arrangements and construction of market places, bazaar-stalls, collection centre, managed vegetable markets in each municipalities, and animal slaughter houses, in partnership among local bodies, cooperatives, and private sector.
70. With a view to increasing service delivery and self employment, community agriculture/livestock centre will be operated, one each, in 25 districts with the involvement of local bodies, local organization, and beneficiary farmers.

Irrigation

Expansion of Irrigation, Improvement in living standard of farmers

71. There is no possibility to increase agriculture production unless year-round and reliable irrigation arrangement is ensured for the wide-field in Madhesh and elevated-land in hills. Therefore, a green revolution will be brought in for the maximum utilization of vast amount of surface and groundwater. In addition to ground water irrigation projects, large and medium-sized irrigation projects in Terai, and medium, small and projects based on new technology will be implemented in hills and mountain areas to ensure year round irrigation. A sum of Rs. 5 billion 800 million has been allocated for the irrigation sector which is an increase of 42.60 percent compared to the revised estimate of last Fiscal Year.
72. With a view to ensuring irrigation facilities in 36 hectares of arable land of Banke district, head-works and construction of 15 kilometers long canal and design survey of 18 kilometers of canal of Sikta Irrigation project, a domestically funded project, will be completed in this Fiscal Year. I have allocated Rs. 519 million for this purpose.
73. Irrigated areas will be extended by completing and reconstructing various projects which remained incomplete or could not be completed for various reasons. Some 95 on-going projects of mountain and inner Terai region, and 6 of Terai region - altogether 101 projects, will be completed. 32 new deep tube-wells and 7 thousand 6 hundred shallow tube-wells will be installed in Terai during the current Fiscal Year. These projects will contribute to extending irrigation facilities in additional 30 hectares of land.
74. Under the Irrigation and Water Resources Management Project, rehabilitation and construction of 3 deep tube-well clusters and implementation of 53 irrigation projects will be initiated. Management of 21 thousand hectares of land to be covered by the Kankai, Sunsari-Morang and Narayani projects will be handed over to the user groups.
75. In view of the hilly and mountainous areas not expectedly covered by the irrigation facilities due to the topographical difficulties, those areas will be irrigated through the provision of irrigation ponds, sprinkler and small-scale lift irrigation schemes based on new technology. During the current Fiscal Year, irrigation facilities will be made available in additional 900 hectares of land with the completion of 72 new technology-based irrigation projects in 38 districts of hills and mountains, and additional 112 projects will be initiated in 55 districts. For this, I have allocated Rs. 100 million.
76. Integrated development work for irrigation and hydropower will be started from Veri-Babai, Sunkoshi-Kamala and Madi-Dang diversions.

77. I have allocated a sum of Rs. 20 million for the implementation of river training in Daraudi river of Gorkha and for the extension of irrigation facilities in Palungtar-Gaikhurtar.

Land Reforms

Abolition of Feudal Land Ownership and Production Relations

78. A High Level Scientific Land Reform Commission will be formed for the abolition of feudal land ownership and production relations. I have made necessary allocation for this purpose.
79. Integrated land record is needed for the success of the land reform programme. In order to make land record system reliable, and with a target of extending it in all 75 districts in two years from now, computerized and integrated (single) land ownership certificates, based on land record, will be made available in 25 districts in this Fiscal Year. A sum of Rs. 60 million has been allocated for this programme.
80. With a view to protecting public and government land from increased encroachment, nationwide records of such lands will be published by mid-May 2009.

Setting Free of Ploughmen (*Haliya*) and Rehabilitation of Free Bonded Laborers (*Mukta Kamaiya*)

81. *Haliyas* will be rehabilitated in a dignified manner by totally setting them free of *Haliya* practices. Bonded laborers and their families, yet to be rehabilitated, will also be rehabilitated in this Fiscal Year. Similarly, continuity has been given to the bonded labour entrepreneur development, skill development, model vegetable farming and land exchange and adjustment programmes by allocating Rs. 150 million.

Industrial Revival, Development and Private Sector

82. By mid-December of this year, necessary amendments will be made in existing industrial policy, foreign investment policy, trade policy and other related laws aiming at creating conducive and business friendly environment in the industrial sector. With a view to attracting domestic as well as foreign investment, procedures for the establishment of new business will be made simple, transparent and scientific so as to ensure a broad-based, sustainable and high growth industrial environment to be able to compete with the world economy.
83. Government will extend necessary support for the identification, promotion and development of the products having comparative advantages in the areas such as hydroelectricity, herbal production and processing, organic farming, information technology and medicine.

84. An industrial security force will be formed for providing industrial security in the industrial corridors. Private sector will be involved in the coordination and mobilization of this force.
85. It is unfortunate that the factories established for the production of agricultural tools to be used by the farmers for modern farming, and by others for the development and construction works, are now closed. Likewise, some other government-owned industries also remain closed. This can be seen as a gross misuse of assets and resources. In this context, Agriculture Tools Factory of Birgunj and Hetauda Textile Mills will be brought back into operation in this Fiscal Year. Once these factories are operationlised, fixed percentage of shares will be sold to the laborers and, also to the public. In order to ensure markets for the textiles to be produced, Heatuda textile mills will be developed as a factory producing textiles to be used by Nepal Police, Armed Police and the Nepalese Army. Possibility of re-operatinalisation of Birgunj Sugar Facotry will be pursued through technical valuation. Special programmes will be implemented to increase productivity of the highly labour-intensive Biratnagar Jute Mills and Gorakhkali Rubber Industries. To ensure market for the products, Governmental agencies will purchase tires to be produced by Gorakhkali Rubbber Industry. For all of this, a sum of Rs. 300 million has been allocated.
86. It appears that there are huge potentialities for minerals in Nepal. Such minerals remain yet to be explored, however. In this context, foreign investment will be encouraged for the exploration of minerals where feasibility studies have been already completed. Multinational companies will be invited for the exploration and extraction as well as production of petroleum products.
87. The Act relating to the special economic zones will be enacted in this Fiscal Year. Necessary provisions are made in the accompanying Finance Act for providing customs and income tax exemption facilities in the special economic zones.
88. There remains a huge potentiality for producing cement in the country. However, private sector has not been able to establish cement factories due to the lack of basic physical infrastructure such as electricity and roads. In this context, and with a view to encouraging private sector for the establishment of cement factories in Udaipur, Hetauda, Dang and Surkhet, the government will construct access roads to limestone pits, and will also extend electricity transmission lines. In order to accelerating the pace of the establishment of infrastructural industries, to increase Nepal's export capacity and to increase industrial processing of local resources, special economic zones will also be developed in Jhapa, Dhanusha, Birgunj, Panchkhal, Jumala and Dhangadi. I have allocated a sum of Rs. 600 million for the development of these two industrial infrastructures.

89. IT Park located at Banepa will be developed as a special economic zone. Private sector will be encouraged to invest in the recently constructed special economic zone at Bhairahawa.
90. As Nepal Industrial Development Corporation is in a state of inaction due to the inadequate capital and management weaknesses, it will be operated with reformed management and an additional capital will be raised from the market. At the same time, the Government equity will be maintained at 70 percent.
91. In view of a need to develop large infrastructure industries in the country, there is an urgency to establish an infrastructure bank to mobilize capital investment within the country. This kind of infrastructure bank will be established on the joint participation of the Government and private sector in the current fiscal year for which the Government has earmarked Rs. 250 million.
92. Of the total share capital of Hetuda Cement factory, 5 percent will be sold to its employees and 10 percent to the general public. With regard to 10 percent share of Nepal Telecom set aside for sale, the remaining share will be sold through secondary market.
93. The load shedding in the industrial corridor will not be ended. To ensure uninterrupted power supply, initiative will be taken to establish a thermal plant on public-private partnership near dry ports in Biratnagar and Birgunj. The emphasis will be given for energy security by developing bio-fuel. I have allocated Rs.50 million for the development of bio-fuel.
94. The construction work will be initiated for petrol pipe line on public-private partnership basis from Indian border to Amlekhganj.
95. I have allocated Rs 10 million for the establishment of herbal processing plant in Karnali Zone.
96. In order to operate State Owned Enterprises (SOEs) in a competitive and commercial basis with private sector companies, SOEs now operating under different ministries will be put under a separate holding company. Such holding company will be established by mid January 2009.
97. In order to improve managerial capability of SOEs, the appointment of leading managers will be carried out on competitive basis and terms of reference will be provided in advance. The necessary policy measures will be adopted for curbing unwanted political interference in the overall management of SOEs.
98. The Government will make available public and barren land on long term lease to the private sector if they want to establish dairy industries, amusement parks, tourist rest houses and resorts, hotels, universities and technical institutes on their own investments.

99. I have proposed Rs.1 billion 520 million for the industrial sector which is an increase of 119 percent as compared to last year.

Promotion of Tourism for Economic Change

100. Tourism will be accorded high priority in the new economic development policy. Tourism policy 1995 will be refined and a new policy will be adopted. To this end, program and policies of all ministries will be oriented towards tourism promotion. A necessary preparation will be made to declare 2011 as “Nepal Tourism Year”, the objective of which is to widely publicize within and outside the country in order to bring at least 1 million tourists per year in the country.
101. As motorable roads are being built at the existing trekking trail in Annapurna area, a feasibility study will be carried out and necessary process will be followed with a view to opening new trekking routes at Lamjung-Annapurna, Lamjung-Manaslu, Gorkha-Manaslu areas and up to Manasrover for which base point will be Khaptad. With a view to providing tourism benefits to the residents of trekking routes, an integrated program consisting of agriculture, tourism training and marketing will be implemented.
102. An arrangement will be made wherein Nepal government will guarantee to acquire necessary funding to purchase two large aircrafts for the Nepal Airlines Corporation which will enhance its international seats capacity and make the service timely and reliable.
103. In order to develop tourism as a main component of poverty alleviation and new economic development policy, the number of tourists flow will be increased and the tourism will be developed as a means to enhance income in rural and urban areas. Necessary infrastructure will be created to develop touristic destinations at Shree Antu in Ilam, Halesi in Khotang, Manakamana–Gorakhnath in Gorkha, Swargadwari in Pyuthan, Khaptad in Doti, Ramrosan in Achham and Gadhimai-Simrounghad in Bara. I have allocated Rs. 280 million for the development of tourism infrastructure.
104. A royalty waiver will be provided to expedition groups for 5 years from the beginning of this fiscal year who intend to climb Himalayas in far east and mid-west regions. In order to attract climbers in all seasons, a discount will be provided on the fees in summer and winter seasons.
105. The construction of International Airport at Nijgharh, Bara will begin from this fiscal year. Similarly, the construction of Regional Airports at Pokhara and Bhairawa will also be started. I have set aside Rs. 200 million for these projects, which will be constructed on public-private partnership basis. I have proposed Rs. 950 million for the aviation sector by substantially increasing the allocation compared to revised estimate of last fiscal year.

106. I have set aside Rs. 250 million for upgradation and capacity expansion of 14 domestic airports which are important from the point of regional and tourism view points. I have proposed Rs. 397.8 million for tourism sector by substantially increasing the allocation compared to revised estimate of last Fiscal Year.

Investing in Physical Infrastructure: Foundation for New Nepal

107. The ongoing construction of 1700 kms-long mid-hill Highway, connecting Chiyabhanjyang of Panchthar District in eastern region to Jhulaghat and Baitadi in western region will be named as Puspa Lal Lok Marga (Highway) and remaining portion of 650 km will be completed within 3 years. About 180 km portion of Jajarkot-Dailekh, Ghurmi (Udayapur)-Khurkot and Chaynthapu (Panchthar)-Gopetar (Ilam) will be completed by this year, while the construction of remaining 470 km roads will begin from this year. I have allocated Rs. 350 million for Puspa Lal Lokmarga for the current Fiscal Year.
108. The construction of Kathmandu-Terai Fast Track Road under BOOT will be initiated with high priority from this fiscal year. I have allocated Rs. 171.7 million for management and land acquisition activities under this project for the current Fiscal Year.
109. As of now, 6 districts which are still not connected by roads are lagging behind socially and economically. Roads construction will be intensified to meet the commitment of connecting every district by roads within 2 years. Motorable roads will be constructed in Solukhumbu, Bajura and Manag districts within current fiscal year, while continuity will be given to ongoing road construction at Humla. Similarly, road construction connecting headquarters of Dolpa and Mugu Districts will be continued. I have allocated Rs. 450 million for the construction of these roads.
110. I have allocated Rs. 150 million for the construction of electric Railways in Terai from Mechi to Mahakali. This will also cover upgradation and widening of Railways at Jainagar-Janakpur-Berdibas and to carry out study for the expansion of Kathmandu Pokhara Railways.
111. I have allocated Rs. 125 million for the construction of North-South Highway which will consist of Mahakali, Karnali, Kaligandaki and Koshi Highway. Survey design will be carried out for Mechi Highway consisting of Kechana-Ilam-Phidim-Taplejung-Olanchungola, Seti Highway consisting of Tikapur-beni-Lode-Sanfagar-Khaptad-Chainpur-Urailek-Taklakot. At the same time, detailed survey design as well as the construction work will be carried out for Bharatpur-Thori alternative road from this fiscal year.
112. Under the Terai Road Development Program, upgradation of 31 north south and 17 postal roads will be carried out in first phase in Jhapa, Morang, Sunsari, Saptari,

Siraha, Dhanusha, Mahottari, Sarlahi, Rautahat, Bara, Parsa, Chitwan, Nawalparasi, Rupendehi, Kapilvastu, Dang, Banke, Bardia, Kailali and Kanchanpur Districts. A total of 650 km roads will be upgraded this year, and under the second phase, design for 515 km roads will be completed as well as construction will begin from this year. I have allocated Rs. 775.5 million for this purpose.

113. Upgradation of Baitadi-Satbanjh-Gokuuleswor, Surkhet-Kalikot, Khodpe-Bajhang, Lower Dugeswor-Siyakot-Dailekh and Sunkoshi-Okhaldhunga roads will be started this year. Upgradation of Janakpur-Dhalkebar, Galchhi-Trishuli-Sayaprubesi, Tamakoshi-Manthali-Khurkot, Phidim-Taplejung, Bhairawa-Taulihawa and Changunarayn-Bhaktapur roads will be done.
114. I have allocated Rs. 50 million for Kanti Lokpath, which is under construction as an alternative road connecting Hetuda-kathmandu valley for a long time.
115. I have allocated Rs. 99.8 million for the construction of *Shahid Marga* (Tila-Ghartigaun-Thawang-Rukumkot).
116. I have allocated Rs. 200 million for Benighat-Aarughat-Larke road.
117. The upgradation of Chandra Nighapur-Gaur, Bhaluwang-Pyuthan, Chakchake-Liwang, Sanfebagar-Martadi, Sanfebagar-Mangalsen, Surkhet-Siyakot, Amiliya-Tulsipur-Salyan, Basantapur-terathum (Manglung) and Maldhunga-Beni will begin from this fiscal year.
118. I have allocated Rs. 843.3 million for the construction of industrial corridor up to Pathliya-Birgunj Dry Port and construction of Sunalui Parasi road.
119. I have allocated Rs.82.1 million for the construction of track road of 40 km along Chure range covering Dharan-Chatara-Ghaighat-Sindhuli- Hetuda.
120. The construction of about 16 km roads and 8 bridges at Syaprubesi-Rasuwegadhi will be expedited. I have allocated Rs.649.9 million for this purpose.
121. Kathmandu-Bhaktapur road has become too narrow to cope with the increasing traffic. Therefore, construction work of expanding this road into 6 lanes will be initiated from this fiscal year for which I have allocated Rs. 159.4 million.
122. The work regarding the widening of Soaltee mode- Kalanki- Nagdhunga road will be continued to ease the greater velocity in the traffic system in the valley. A Ringroad (Gulf course) – Bagmati road will be constructed for Kalanki Bypass and Chabahilchowk Bypass. Bagmati corridor, Dhobikhola corridor, and Bishnumati corridor road will be blacktopped. The improvement work at Koteshwor, Kalanki and Chabahilchowk junctions will be started from the first quarter of the coming fiscal year to immediately manage traffic pressure in the Kathmandu Valley.

123. I have allocated Rs. 864.5 million for the repair and maintenance of all the sealed roads.
124. The ongoing construction work of 25 bridges on the main roads and feeder roads will be completed and the construction work of 100 bridges will be continued in this fiscal year. The design and construction of some main bridges including Tamor, Arun, Dudhkoshi, Trishuli and Kaligandaki will be started. The designing of Mechi bridge, Rajapur bridge and Chataraghat bridge of Koshi will be completed and construction will also be started. For this, I have allocated Rs. 710 million.
125. I have allocated Rs. 400 million for the installment of Belly bridge for the immediate operation of transport over those rivers where it will take time to construct the bridges, although roads are already constructed to link the district headquarters but transport is not in operation due to lack of bridges.

Honorable Speaker,

126. I have proposed Rs. 13 billion 910 million for the road transport sector, which is an increase of 77.14 percent in comparison to the revised expenditure of the last fiscal year. The large amount of budget like this had never been allocated for the construction and upgradation of roads on a massive scale. Considering the construction of roads and bridges which I have mentioned above, this year will indeed be a "Year of Construction".

Development of Hydropower

127. I have proposed Rs. 12 billion 690 million for power sector which is an increase of 113 percent in comparison to the revised expenditure of the last Fiscal Year.
128. A high-level power sector development committee under the chairmanship of the Prime Minister will be established to materialize the objectives of producing and utilizing 10,000 MW hydro powers in the next 10 years. Becoming self reliant in power sector can ensure higher economic growth. This committee, keeping in mind the development of hydropower as a main focus, will develop a national energy security policy for the next 40 years on the basis of national consensus.
129. The construction of run of the river type projects, namely, Upper Tamakoshi- 456 MW, Upper Trishuli A-60 MW, Rahughat- 30 MW and Naumure 245 MW, totaling 791 MW, will be started this year. Likewise, necessary works will be initiated to start the construction of Upper Trishuli 3 B - 40 MW, Tamor-Mewa - 110 MW, Upper Seti - 127 MW, Dudhkoshi - 300 MW, Tamakoshi 2 and 3 - 500 MW, West Seti - 750 MW, totaling 1827 MW from both the government and private sectors.

130. Middle Marsyangdi Project of 70 MW will be completed this year. Ongoing projects like Chameliya (30 MW) and Kulekhani Third (14 MW) will be constructed quickly and there will be no shortage of funds for the implementation of these projects. The electricity demand will be managed to provide relief from load shedding. The incentives will be provided for the use of energy efficient electrical gadgets such as capacitor, CFL bulb, tube light, choke, etc.
131. Special emphasis will be given for rural electrification from this fiscal year to meet the commitment of distributing electricity in all villages and households in the next 10 years. For this, I have allocated Rs. 1 billion 520 million for small hydro power projects which is implemented through alternative energy program. A system will be put in place in which there will be no chance to divert the power royalty received by District Development Committees in other sectors until and unless there is a complete rural electrification.
132. A concrete work plan will be formulated and carried forward to discourage the tendencies of holding licenses and signing power purchase agreements but not implementing projects for a long time.
133. The legal provision of not requiring licenses for the production up to 1 MW hydro power projects will be extended up to 3 MW. The limit of present exemption given on Environment Impact Assessment will be increased from 10 MW to 50 MW. The process will be simplified while providing license by forest sector and providing permission for environment impact study.
134. The State will have a prominent role in the development of national transmission system. A national transmission system of 400/220 KV high voltage capacity in a cyclical manner will be developed gradually covering Hill and Terai including the periphery of Hilly Lok Marga. Similarly, capacity of substations will be increased and new substations will also be constructed.
135. Immediate steps will be taken for the construction of 500 MW transmission line and substations connecting the national grid, in order to materialize import and export of power with the neighboring India. Necessary procedures for the construction of three 400 KV main cross border transmission lines, namely Butwal-Sunauli (25 km), Duhabi-Jogbani (15 km) and Dhalkebar-Bhittamod (30 km) have been carried forward. Of these three, construction of Dhalkebar-Bhittamod line will start from this fiscal year and will be completed by Fiscal Year 2009/10.

Rural Infrastructure: Basis for Employment and Development

136. For the creation of massive employment opportunities through development of small irrigation and drinking water projects, construction of rural and agricultural roads, bridges and rivulets, and implementation of income generating activities, labour-oriented development projects based on people's participation approach will be implemented in 75 districts. Local communities will select the local level

projects based on their own needs and implement as well. Such amount will be channeled to the local User Groups through District Development Committees. The ongoing physical infrastructure projects at the local level can use this fund in case of insufficiency. It is expected that this would create an additional employment of 10 million labor days to 100,000 people for 100 days. I have earmarked Rs 1 billion 750 million for this programme.

137. Food for Work Programme will be implemented in the region/sub regions where there are food shortages and no road networks. Emphasis will be given to complete the ongoing projects. Track opening of 125 km motorable road will be carried out by providing 6466 MT of food in the 22 districts where there are food shortages under Rural Community Infrastructure Works Programme. I have earmarked Rs 275.2 million for this programme.
138. In this Fiscal Year, 1805 km of road construction and maintenance of 4170 km road will be carried out in the 75 districts under Rural Access Improvement and Decentralization Program implemented through District Development Committees. Under these programs 325 small bridges, 250 suspension bridges and 6 motorable bridges will be constructed. For these rural infrastructure programmes, I have allocated Rs. 5 billion 270 million.
139. With a view to bring local development fee with in the budget, I have made necessary arrangements for the deposit of such fee and further arrangement to deposit in the fund through appropriation.
140. I propose to allocate Rs. 20 billion 420 million for the programmes, including rural infrastructure building and others under local development. This figure constitutes an increase of 112 percent in the last Fiscal Year's revised expenditure.
141. Feasibility study of electronic Trolley Bus and Cable Car will be carried out for developing alternative means of transportation and will be implemented on gradual basis.
142. Despite huge investment in agricultural and rural roads, expected outcomes have not yet been realized due to the problems, such as- ever increasing number of new projects and non-completion of the ongoing projects within planned cost and time horizon. Therefore, the small projects that are labor-intensive, based on locally available resources and capable for swift delivery will be emphasized in line with the District Transportation Master Plan. Priority will be given to operate transportation through quality improvement and upgradation of such roads rather than quantitative expansion. Policy of selecting new road projects only after feasibility study will be strictly followed. A national archives of rural roads will be maintained

Science and Technology

143. To check the brain-drain of the indigenous scientists and technologists, programmes will be launched to encourage them to engage in innovative and outcome-oriented research works grounded on appropriate proposals.
144. A national lab will be set up under National Academy for Science and Technology with a view to expediting the studies and researches in area of science and technology.
145. The fifth National Science Conference to be participated by about 1200 scientists from within the country and abroad will be convened in Kathamandu.
146. National Information Bank will be established with a view to protecting important public information from catastrophe and anthropogenic accidents. Rs. 230 millions is allocated for construction of building of this bank in the current Fiscal Year.
147. For increasing access of rural people to the modern information technology, Rs. 57.5 millions is earmarked for additional 175 tele-centres in rural communities, schools and Post Offices. Programmes for establishing one tele-centre in each Village Development Committee will be launched gradually.
148. Arrangement will be made to forecast and disseminate the chances of catastrophic floods induced by heavy rain and ice lake explosion. A well-equipped Climate Change Research Center will be established to carry out studies on the impacts of climate change in the development of water resources, hydroelectricity, agriculture and environment.

Promotion of Alternative Energy: Solution to Energy Crisis

149. I propose to observe the Fiscal Year 2008/09 as "Alternative Energy Year" aiming at accelerating socio-economic development, improving ecological condition, and resolving the energy crisis currently facing the country by ways of wider use of alternative and renewable energy, involving community, increasing awareness and promoting development of such energy.
150. Small hydroelectricity projects of up to 1 Megawatt will be promoted for distributing electricity to all Nepalese. In such projects, existing government subsidy will be increased. Similarly, existing subsidy from the Government to biogas and improved stoves will be increased.
151. 20 Megawatts of electricity will be generated in the periphery of Kathmandu Valley through Windmill on basis of Public Private Partnership mode of investment. Similarly, generation of wind energy will be expanded to other potential regions.

152. To fetch minimum facility of lighting, 65000 small and cottage solar power systems will be installed in low-income households in the rural areas currently deprived of the electricity. A special programme will be launched so as to fetch solar light to each home of Rukum district. From this, low income households will at least obtain lighting facility. Similarly, 25000 biogas plants will be constructed in the potential areas, 450 solar drier/cooker, 1500 improved water turbines, and 2500 improved iron stoves and 50000 improved clay stoves will be installed.
153. At present, consumers are badly affected by the problems of price rise and lapses in supply system of petroleum products created by the pressures of the price hike in the international market, compulsion of total dependency on imports, and problems inherent in price adjustment mechanism. To reduce dependency on petroleum products, industries producing bio-diesel locally and widely available plant- *Sajivan* (*Zatropa*) and mixing Ethanol by up to 10 percent in petrol will be encouraged. For wider expansion of *Sajivan* farming, public lands lying barren and lands in the river banks will be provided to the private sector on long-term leasehold basis. Ministry of Agriculture and Cooperatives and the Ministry of Land Reforms and Management will jointly issue the Directives under the leadership of the Ministry of Forest and Soil Conservation by mid-December of this year.

Information and Communication

154. The Right to Information Rules will be enacted and enforced to ensure the access of all to the Right to Information guaranteed by the Constitution and to manage the process regarding this.
155. The working Journalist Rules will be enacted and enforced for safeguarding the interests of working journalists and for speedy enforcement of the working Journalists Act.
156. Access to Radio Nepal and Nepal Television will be made countrywide. Languages and dialects of *Janajatis*, art and culture, reality of life, history, struggle, sacrifice, patriotism, national integrity, artistic, educational, ideological and message-oriented audiovisual materials as well as film production will be encouraged.
157. Rs. 300 millions is allocated to Gorakhapatra Corporation for publication of Gorakhapatra daily in an inclusive fashion, i.e., publication of materials pertaining to the original arts, culture, reality of life etc. in various languages and dialects from various regions.

Urban Development and Housing

158. Unplanned expansion of big cities, including that of Kathmandu, must be managed immediately; otherwise, such unplanned structures will have to be demolished resulting in huge loss of property. To avoid this, a long-term detailed plan for managing existing structures and guidelines for future constructions will be

developed and enforced. An integrated plan of Kathmandu valley will be developed and firmly enforced. An urban development master plan will be formulated and planned infrastructure will be developed for the new places that have a potential to be developed as a city. Formulation of master plan for big cities and building of infrastructure will be started in the five districts- *Kailali, Surkhet, Kaski, Kavre* and *Sunsari*. Similarly, infrastructure will be built in the district Headquarters not yet qualified to be a municipality. For this programme, I have allocated Rs. 150 millions.

159. Construction of infrastructure already taking place in Humla and Kalikot districts for integrating scattered rural settlements and increasing the access of dense settlements to physical facilities will be continued. Such work will be initiated in various districts in hills, mountain and terai as well. I allocate Rs. 145 millions for this purpose.
160. A sum of Rs. 5 million has been allocated for the Jaljala area conservation. Rs. 5 million has been allocated for the development of model settlement in Thawang, the centre of people's liberation campaign. I have allocated a sum of Rs. 248.5 million for the development of areas honoring political sacrifice.
161. The rivers of Kathmandu valley possess tremendous cultural and environmental importance. But they are polluted. The banks of these rivers have been encroached. During the current fiscal year, drainage processing, construction of road on the banks of the river, construction of parks and afforestation programmes shall be conducted as a campaign as an endeavor to keep neat and clean the Bagmati, Vishnumati, and Dhobikhola rivers in the Kathmandu Valley. Taking sands out of the rivers of the valley will be prohibited. Control dams shall be built in ten places of these rivers. Bagmati Civilization Committee shall conduct this programme by mobilizing, *inter alia*, the local communities. I have proposed to raise at the rate of 0.5 percent the registration fee charged for buying and selling the land within the municipalities of the Kathmandu Valley to make the funds available for this campaign. As it is estimated that such a change in registration fee shall generate Rs.300 million, the same amount of money has been appropriated to the Bagmati Civilization Committee.
162. The houses and slums built by encroaching the banks of the rivers of Kathmandu Valley shall gradually be dismantled. Among such dwellers, the real landless/homeless will be identified and housing arrangements shall be made for them.
163. Rs. 2 billion 210 million has been proposed for the housing and urban development sector which is a 61.76 percent rise in the revised housing and urban development sector expenditure of the previous Fiscal Year.
164. Existing laws shall be more effectively enforced for the construction of seismic resistant public and private houses/ buildings in the country.

Construction of New Legislature – Parliament Building

165. The construction of well-equipped and modern building of the Legislature-Parliament, a national pillar for articulating and expressing popular wishes and problems by the elected representatives, will be commenced this year. Rs. 250 million has been earmarked for the construction of this purpose.

"Basis of new Nepal, Education as Universal Fundamental Right"

166. Rs. 38 billion 980 million has been proposed for the education sector which is a 44.5 percent rise from the revised education sector expenditure of the previous Fiscal Year.
167. A three-pronged strategy shall be adopted for the reform of the education sector, which has been established as a constitutionally guaranteed fundamental right. This includes, in particular, enhancing public access, making education skill-oriented and vocational through quality improvement in order to link education with life and productivity, and adopting cost-recovery system in higher education.
168. More than 91 percent people shall have access to primary education in the current Fiscal Year. For this, the existing programs shall be continued making them more inclusive and target oriented. Additional 3500 Child Development Centers shall be established for the highly backward classes of people and *Madrassas*, *Gumbas* and *Gurukul* schooling system shall be accommodated in the mainstream education. Arrangements shall be made for alternate schools so as to provide access of housewives and housemaids to school education.
169. I have allocated Rs. 970 million to continue various scholarship program to be extended from primary to higher level.
170. The ongoing lunch program for the 24000 Children of Karnali Zone shall be continued. Day meals for 170000 students and edible oil for 50000 students shall be distributed in sixteen districts facing food shortage, low access to education and low girl students enrollment rate. Money shall be made available to the local level so that it can be implemented locally. The local productions shall be used for feeding the students in this regard.

Transparency in Investment- Per Capita Funding of Students

171. The system of distributing the school teachers' grants and school building construction grants without any specific policy, program or norms and relating it to power, position and access, has created several aberrations and resources have been misused. Grant for teachers is more in those schools where teacher-student ratio is low and the grant for the same is less where the teacher-student is high. The system of sending grants to schools on the basis of the number of students will be strictly

followed to avoid such aberrations and to ensure transparent and judicious distribution of means and resources. Rs. 19 billion 260 million has been earmarked for the provision of salary and allowances of a total of 148000 permanent and temporary teachers and as well Rs. 700 million has been appropriated for the teachers' grants to be provided to those schools where teacher-students ratio is high.

172. Policy of making the school management committee responsible for the construction of schools and physical infrastructure development shall be adopted. School management committee will be given on the basis of accepted norms a lump sum grant amount for the construction of any kind of schools or their physical reforms. With Rs. 2 billion 950 million appropriated for this purpose, activities like the construction of 9000 classrooms, rehabilitation of 4000 classrooms , building and reform of external environment of 4000 schools, construction of 2000 toilets and construction of 30 model high schools will be completed.
173. The Government regrets on its failure to make textbooks available in time to the school students across the country in the past due to the negligence and monopoly in the printing and distribution of textbooks. Such a shameful situation should end at any cost and condition. The Government, for this purpose, expresses its commitment to make the textbooks available in all district headquarters by the middle of March through creating necessary competitive environment in the textbook printing and distribution process.

Free Primary and Secondary Education

174. Primary education shall be made compulsory and free in pursuance of the state's declared policy of making education a fundamental right of all and gradually making secondary education free. School launch program shall gradually be extended throughout the nation to attract all to the primary education. Beginning from this Fiscal Year, school education up to class 8 shall be made free and fee for class 8 and 10 shall be reduced to gradually make them free. Free education opportunities shall be provided to all public school students of Karnali Zone and such a privilege shall extend up to class 12 in the public school for all *Dalit* students across the nation.
175. Guardians and local bodies shall be made to participate in the school management committee. In case of inadequacy of teachers compared to the number of students, additional grant will be provided to the schools on the basis of per unit cost. Adequate money has been provisioned for this purpose.
176. 33141 primary level and 12250 secondary level teachers consisting of a total of 45391 teachers shall be trained in the coming Fiscal Year for ensuring availability of efficient and skilled teachers.

Vocational and Technical Education

177. Educational unemployment has become a problem for the nation due to the failure of linking education with life and productivity. A campaign will be launched following the finalization of vocational technical education together with the school restructuring activity as the problem can only be addressed by bringing in change to the educational structure. The ongoing regular programs of the technical education shall be continued, and in addition to that, technical education annex program will be conducted in 30 schools. Rs. 488.8 million has been appropriated for this.

National Literacy Campaign

178. Illiteracy is the main cause and consequence of deprivation and underdevelopment. National literacy campaign shall be launched with the slogan of " Know Letters, Be Civilized" guided by the determination of eradicating illiteracy in the coming two years. Local literacy volunteers shall be recruited in each ward of each village development committee to materialize this slogan. A total of 35000 youths shall get employment from this program, and this program will be a concrete step taken against illiteracy. Rs. 1 billion 40 million has been earmarked for this program.

Higher Education

179. Higher education system shall be operated on the basis of cost sharing, and the institutions related to it will be developed as autonomous agencies.
180. I have allocated Rs. 80 million to establish agriculture, forestry and animal science university in Rampur of Chitawan district and a university of technology in Mid-Western region. A medical college will be established in Seti-Mahakali area.
181. The eight campuses being operated in Mugu, Dolpa, Kalikot, Rukum, Jajarkot, Rolpa, Bajhng, and Sangkhuwasabha districts will be gradually changed into Tribhuvan university's constituent campuses.
182. In order to provide an opportunity to youths who were deprived of getting education during the conflict period, open school and Open University concept will be implemented.
183. Foreign students and researchers will also be attracted by establishing special and international standard educational and research centers in the areas like agriculture and forestry, engineering, medicine, information technology, management, etc.
184. I have allocated Rs. 4 billion 280 million for higher education.

Health: "New Nepal, Healthy Nepal"

185. The primary and basic health facilities will be ensured as a fundamental right of Nepali people. Likewise, the "health for all" concept will be implemented. In order

to make public health easily accessible to the general public, investment in rural health services will be increased and a community health policy will be adopted.

186. The arrangement of distributing the most needed medicines free of cost from sub-health posts and health posts that started last Fiscal Year will be expanded also in the district hospitals to increase the access of the people to public health facilities.
187. To reduce maternal mortality rate through the provision of maternity services, infrastructures will be developed in 100 health posts to provide the maternal health services. A 24-hour operation facility including maternity services will be provided in eight districts, viz. Panchthar, Jumla, Dailekha, Pyuthan, Siraha, Sankhuwasabha, Achham, and Gulmi. The maternity services will be provided free of cost to all.
188. A national program will be launched for the treatment of the women suffering from uterus prolepsis and such a facility along with operation services will be provided to 12 thousand women this year.
189. A free of cost operation service will be provided through Martyr Gangalal Heart Center to prevent heart disease of the children below the age of 15, of the senior citizens above the age of 75, and of all endangered ethnic citizens. Likewise, a free of cost service for the dialysis of kidney will be provided through National Kidney Center to the endangered ethnic citizens, and to the senior citizens above 75 years of age.
190. 500 sub-health posts of village development committees which have basic infrastructure facilities will be upgraded to the health posts and subsequently effectiveness will be brought into service delivery.
191. In order to carry acute patients easily to the nearby health posts, 2000 stretchers and 355 Rickshaw ambulances will be provided to the rural areas.
192. To support the infrastructure development of health sector, 42 health post buildings, 10 primary health centers, 8 Ayurveda health center buildings, 18 Ayurveda health post buildings, 4 public health buildings, and 20 maternity rooms will be constructed. I have allocated Rs. 1 billion 560 million in aggregate to construct all health related buildings.
193. I have proposed Rs. 15 billion 580 million in health sector in the current Fiscal Year by increasing 53.92 percent against the revised expenditures of the last Fiscal Year.

Drinking Water and Sanitation

194. Drinking water related programs will be launched in rural and urban areas with a slogan of "Slogan of Drinking water: Taps in the Villages". In the area of rural drinking water program which is being implemented under the Ministry of Local Development, 215 drinking water projects will be completed and the construction of other 738 projects will continue. Out of 533 projects being implemented under district drinking water supply division office, 100 projects will be completed and the construction of the rest of 407 projects will be expedited. Out of 690 projects

being implemented under rural drinking water and sanitation fund, 106 projects will be completed keeping the rest of the projects going on. I have allocated Rs. 3 billion 300 million to operate different continuing projects in rural drinking water sector.

195. In order to improve the quality of drinking water in 10 projects of Nuwakot, Morang, Sindhupalchowk, Nawalparasi, Ilam and Jhapa districts, a water treatment system will be constructed and pure water will be supplied.
196. Together with the search for an alternate source of drinking water, and appropriate management of the existing sources, the drinking water supply in Kathmandu valley will be eased within next one year. With a commitment of completing the construction of Melamchi project within the next five years, 15 per cent work of its tunnel construction, 22 KM road upgradation work from Lamidanda to Melamchi, and 18 KM main entrance construction work of the project will be completed this year. I have allocated Rs. 1 billion 894.6 million for this purpose.
197. In order to provide drinking water in 6 hilly districts of the Western and Mid-Western Region, Western Nepal rural drinking water and sanitation project will be operated. An arsenic reduction program will be operated through the Western Nepal Rural Drinking Water and Sanitation Project in Terai Districts (Kapilvastu, Rupandehi, and Nawalparai) of Western development region.
198. A legal provision will be made to hold fully responsible the local bodies in solid waste management. The task of the Solid Waste Management and Resource Mobilization Center will be restructured as an institution concentrating on technical cooperation field. To manage the solid waste of Kathmandu valley, the infrastructure of the land fill site will be developed and an initiative to curtail the production of solid waste materials will be promoted with the participation of the communities through local bodies. A provision will be developed to manage and implement an international standard Sanitary Land Fill Site in Biratnagar.
199. I have allocated Rs. 984.4 million for making drinking water facility available to 83 thousand people by completing 690 community water and sanitation projects in 21 districts.
200. I have proposed Rs. 7 billion 960 millions for Drinking Water Sector, which is 65.76 percent more of the revised expenditure of the last Fiscal Year in this sector.

Labor and Employment Creation

201. Necessary steps will be initiated to establish employment as fundamental right of the citizens. Based on the recommendations of the National Labor Commission to be set up to settle the problems in the labor sector, necessary amendments in the existing labor laws will be made in order to safeguard the welfare of the laborers as well as to create an investment friendly environment.

202. Taking into consideration the abundant labor force of the country, priority will be accorded to the implementation of short-term and long term labor-intensive development projects.
203. Employment Information Centers will be established at various parts of the country and records of the unemployed will be prepared.
204. Based on the local needs and study of national/international labor market demand, emphasis will be given to the production of competent and skilled labor force.
205. Foreign employment will be made more respectable and the attractive International labor markets will be explored. Labor agreements will be signed with additional countries keeping in mind the security of the workers seeking foreign employment. At least 10 percent seats in the foreign employment will be reserved for the families of martyrs and disappeared people. A policy to encourage to invest in industry and infrastructure development will be adopted by discouraging the tendency to use remittance income received from foreign employment in consumption related expenditures.
206. In order to increase the access of common people to employment opportunities provided by private companies, these companies need to mandatorily issue public notices in national newspapers and other media for the recruitment and selection of employees.
207. Necessary steps will be taken to initiate Pension System for all labors utilizing the amount accumulated in the Welfare Fund as per the Bonus Act. Minimum wage of the labors in private and informal sector will be reviewed and increased as per the need of the hour.

Youth Self-Employment Program

208. In order to provide self-employment opportunities to the youths, a Rs. 500 million "Youth Self-Employment Fund" will be established. Non-collateral, concessional periodic loans, up to Rs 200,000 from banks and financial institutions and free vocational trainings will be provided to the youths interested in carrying out self-employment activities in commercial agriculture, agro-Industries or service sector.
209. To develop skills for employment, a total of 14,200 people from Kathmandu, Panchthar, Dhanusha, Kapilbastu, Humla, Accham, Arghakhanchi, Udayapur, Khotang, Dhading, Gorkha, Nawalparasi, Bhojpur, Siraha, Sindhuli, Sarlahi, Myagdi, Rupendehi, Doti, Kailali and Saptari will be given vocational training - cum- employment. In addition to this, 5000 people will be given six months skill development trainings in General Mechanics, Electricity, Plumbing, Hair Dressing, Sewing-Cutting, Electronics Repairing, Motorcycle Repairing, Auto mechanics, Computer, Welding, Pump-set Mechanics etc. through 13 Skill Development Training Centers under the Ministry of Labor and Transport Management.

Likewise, in accordance with the local demand, 15000 people from targeted groups, families of Martyrs, victims of People's Movement, Madhesi, and Under High School youths will be given short-term skill development trainings.

210. Additional employment opportunities will be provided to 300 people from three districts of highly remote areas by providing special foreign and youth self-employment skill development trainings.
211. I have given continuity to "One Family One Employment Programme" in Karnali Zone, initiated from the Fiscal Year 2006/07, in the coming Fiscal Year too.
212. With the implementation of this budget, an additional 66,000 educated youths will get an opportunity of employment through National Literacy Volunteers and increased number of teachers, Revenue Leakage Control Patrol, VAT market monitoring inspectors and Youth Self-Employment Programme. Likewise, an additional 270,000 people will get employment for 100 days through Labor-oriented Development Programme based on people's participation, local infrastructures development programmes and Karnali Employment Programme. In addition to this, the high public investment in big infrastructures, industrial and tourism infrastructures and significant rise in private investment resulting from policy reform measures is expected to further expand economic activities thereby creating a high level of employment.

Forest and Soil-Conservation

213. Evaluation of Forest and Wild Life Management System will be carried out to prevent the forest area from exploitation and poaching of wildlife. The policy of Scientific Management of forest area will be put in place to conserve the forests as well as to enable marginalized/disadvantaged class, region, castes, gender, socially disadvantaged and people/ communities residing far from the forest in optimizing advantage from it.
214. For the scientific management of forests, the Forest Action Plans of all 75 districts will be updated. Some of the public *chakla* forests of Terai and Inner Terai belt will be leased for commercial plantation to communities/cooperatives.\
215. Electric fencing will be done in the problematic areas of Jhapa and Sunsari to check and control the human and property losses from wild elephants.
216. An extensive plantation in public and private lands will be carried out in the form of a campaign with the objective of expanding the forest area and reducing the excessive pressure on public forest area as well as to increase income generating opportunities through strengthening of local supply. For this, 11.5 million plants including fodder grass,cane, bamboos and herbs will be produced and planted and provision of care will also be made. The policy of "One Place One Species" will be adopted in such plantation programmes.

217. At least 75000 families from poor class Dalits, Janjatis and other marginalized people will be provided with the opportunity of income generation through forest based industries and occupations and leasehold and community forests.
218. In accordance with the Organic Diversity Convention, a law will be enacted for the access to genetic sources, sharing of advantages from it and organic safety. Arrangement will be made for the effective implementation of the forest related agreements/conventions, of which Nepal is a party.
219. Herbs Development Programme will be implemented on the basis of comparative advantage and its contribution to the poverty reduction of poor, women, disadvantaged class and region as well as for the economic development. A Herbs Processing Center will be established in Karnali Zone.
220. In order to rehabilitate the area affected by the climate change a National Adaptation Plan of Action (NAPA) will be prepared and implemented.

Poverty Alleviation and Inclusive Program

221. Main thrust of the government is socio-economic development with inclusiveness as its character. Government is dedicated to provide opportunities and access to the service delivery for minorities, third sex, dalit and backward Janjatis. High priority will be provided to those sectors in services such as education, health, drinking water, social security and all opportunities of socio economic development including employment.
222. In this fiscal year, intensive program based on human development index for poverty alleviation will be implemented in 55 districts directly focusing on backward community including deprived, women, Dalit, Janjati, Madhesi. Traditional skill promotion, income generation, community infrastructure such as roads, bridge and culverts, drinking water, irrigation and capacity development programs such as education, health, and training will be implemented under this program. I have allocated Rs. 2 billion 978 million in Poverty Alleviation Fund for this program.
223. 98 small infrastructure development, 200 leasehold forestry, herbal farming, agriculture and goat rearing, micro finance and marketization program will be implemented in Rukum, Rolpa, Dailekh, Bajang, Bajura, Jajarkot, Humla, Mugu, Kalikot and Dolpa districts. For this, I have allocated Rs 199.7 million.
224. I have allocated Rs. 18 million for implementation of the program related to spur, plantation, protection of public land, social mobilization program, construction of small infrastructure, women empowerment, public awareness in the areas to the northern of Mahendra highway in Siraha, Mahottori, Sarlahi, Dhanusha and Rupandehi districts.

225. Lack of coordination and duplication in implementation has been observed in income generation programs and community development programs in the rural areas. An assessment of these programs will be made in order to take the programs to targeted area and community by integrating the program.
226. In line with the commitment made by the Government of Nepal in ILO Convention No. 169 and international manifesto regarding the rights of tribal and indigenous people, I have allocated Rs. 167.8 million to continuity for special program for uplifting and empowerment of caste, indigenous people, neglected, oppressed, dalit, muslim, backward madhesi which have fallen behind from the socio economic development. Access to all programs implemented in local level should be assured for these people. Programs under the sectoral offices in local level will be monitored and audited in line with inclusiveness and gender responsive.

Women Empowerment, Transformation of Living Standard

227. There has been an important contribution of women in national economy. In the current year, programs will be implemented in order to attain gender equality for women development by ensuring their participation in economic, social and political process. Gender Responsive Budget Initiative has been implemented. I have appropriated Rs.32 billion 910 million for the directly benefitting programs for women which are 13.9 percent of the total budget.
228. Women development program related to poverty alleviation, gender equality and social inclusiveness being implemented in 1843 Village Development Committees (VDC) will be gradually extended to all the VDCs. I have allocated Rs. 345.4 million for this program.
229. I have provided continuity to economic, social, legal empowerment and institutional development programs being implemented in 15 districts namely Baitadi, Bajura, Bajang, Accham, Doti, Kalikot, Jumla, Mugu, Ramechhap, Sindhuli, Dhanusha, Sarlahi, Mahottari, Rautahat and Bara. For this, I have allocated Rs. 199.4 million.
230. National Women Commission is working in the field of women rights and empowerment as well as in the field of rescue of women suffered from violence and for legal advice. In order to strengthen it by providing resources, I have increased grant amount to Rs. 31.4 million.
231. I have allocated Rs. 46.2 million in order to provide helps in kind and cash to four thousand families of 30 VDCs of five districts namely Accham, Banke, Bardiya, Rolpa and Rukum under Decentralized Support Strengthen Program for children and families which are vulnerable and affected by conflict.

232. I have increased grant to the amount of Rs.10 million for National Disabled Federation in order to rehabilitate disabled person based on community approach by collecting data of disabled person from their physical disability; to imparting skills and leadership development training; to providing a training for self-reliance life style; and institutional strengthening of Khagendra Nava Jeewan Kendra, Jorpati.

Social and Cultural Promotion

233. A Cultural Policy will be formulated and implemented within this Fiscal Year and the preservation and promotional activities will be conducted to preserve the shrine of Lumbini and Pashupatinath.
234. The activities relating to updating of data and keeping integrated record of seen and unseen cultural heritage spreading across the country will be continued and Local Bodies and Communities will be mobilized for the preservation and promotion of the places registered in the list of World Heritage.
235. The activities relating to preservation of overall cultural uniqueness of different languages, literatures, arts, music will be conducted and put forwarded through the establishment of separate academy for the language, literature, art and music and drama. I have allocated Rs. 2 million for the establishment of Krishna Sen Ichchhuk Cultural Academy.
236. I have allocated Rs. 2.5 million to mark century ceremony of the Great Poet Laxmi Prasad Devkota by launching different activities.
237. The state will accord special priority to solve the core problems of Nepali people relating to sexual and gender minorities and a common house for 50 people will be provisioned to live together for their socialization.

Access of Rural People to Financial Services

238. With a view to reducing poverty, ongoing micro- credit programme will be effectively managed and implemented. A national level micro-finance fund will be established by integrating and consolidating existing whole- sale micro-credits providers. Both domestic and foreign capital will be deposited into national level micro- finance fund, and the fund thus deposited will be made available as credits to rural cooperatives, non governmental and community organizations including micro finance institutions on a concessional terms of interest. Micro finance providing institutions will be encouraged to implement programmes in rural and high hills areas. For this programme, Rs. 100 million will be made available in the Self-reliant Fund to be managed by Nepal Rastra Bank.

Financial Sector and Capital Market

239. For the enforcement of Secured Transaction Act, establishment of secured transaction registry will be completed within this Fiscal Year. Likewise, Mutual Fund Act and Trust Act will be enacted within this Fiscal Year for further promotion of additional areas of investment.
240. The supervision, monitoring and evaluation job being conducted by the Nepal Rastra Bank will be made more vigorous in order to maintain financial health at a certain standard of the banks and financial institutions that mobilize common people's savings.
241. In the last Fiscal Year, simple actions like passport seizure, freezing of property and debarring from appointments in publicly accountable posts had been taken against the willful defaulters. Such Actions were taken against only those willful defaulters who had a principal payment due more than Rs. 50 million. However, now more stern action will be taken against such willful defaulters. Actions will also be taken to the certain willful defaulters who have less than Rs. 50 million principal as due.
242. Additional benches will be established in the Loan Recovery Tribunal keeping in view the increasing number of cases.
243. In the process of modernizing the transactions of the securities market, computerizing process of the transactions have started at Nepal Stock Exchange from this year. In this process, to make the transactions more transparent and to simplify the ownership transfer process in order to complete it quickly, infrastructures including legal arrangements will be developed to implement the Central Depository System in this Fiscal Year.
244. To ensure the sound financial health at a certain standard of those agencies engaged in mobilization of Contractual Savings like Employees Provident Fund and Citizens Investment Fund, arrangement will be made to carry out the supervision, monitoring and evaluation of those institutions from Nepal Rastra Bank until the establishment of another regulatory agency.

Good governance, Improvement in Service Delivery and Public Accountability

245. To give the sense of good governance to the general public after the political change in the country, all the government agencies will adhere to and execute with high priority the dimensions of good governance such as respect for the people's voice and upholding the sense of responsibility, maintaining political stability and violence less society, effective government, qualitative regulation, rule of law and corruption control. Regulatory role of civil society and mass media will be further broadened. An Administrative Restructuring Commission

will be formed within mid-December 2008, to make civil service accountable to the public, capable, fair, and transparent according to the federal system.

246. The civil service, which is the foundation of governance, has not been able to change its mindset to become pro-public and inclusive. It is necessary to change such mindset in the present situation. Therefore, it will be made mandatory to include the ideal sentence “Civil Service for the Public” in each and every activities of the civil service.
247. I have increased the pay scale of all classes of the government employees by Rs. 2 thousand per month effective from 17 September, 2008 to keep their high morale and for promotion of good governance. In addition to this, I have proposed to adjust the pay scale of few classes to eliminate the existing inconsistency in the pay scale. This proposal I have made for the improvement in the current pay scale is merely an immediate measure. This subject will be handled by the Administrative Restructuring Commission and the Commission will recommend a scientific system of salary increment.
248. To enhance the effectiveness of the service delivery of civil service, effective implementation of employees' code of conduct, simplification of working system, modification on work performance evaluation guidelines, grievance handling and service recipients' satisfaction survey will be conducted.
249. To provide easy health service access to the civil servants and their families, civil servants' hospital constructed by the assistance of Chinese government will be brought into operation. I have allocated Rs. 90 million for the operation and management of this hospital.
250. Improvements in the judiciary will be accentuated giving emphasis on the policy of respecting free judiciary, rule of law and human rights, and to make justice accessible to all; quick, prompt, and easily available to all. I have allocated necessary budget to establish Supreme Court benches in Biratnagar and Nepalgunj after reforming existing laws, and arranging necessary infrastructures
251. Identifying the sensitive agencies and areas from the corruption control perspectives, and to expedite investigation of undue and irregular activities and the law suits of corruption charges, all corruption control agencies' will be strengthened. Anti- corruption campaign will be launched with the support of civil society, non- governmental organization and general public. Possible corruption on public procurement will be controlled and procurement monitoring system will be made effective. To control the collusion and hooliganism at the time of submission of tender, an arrangement will be made to submit tenders through electronic means.

252. The action plan prepared on the recommendation of Public Expenditure and Fiscal Accountability study report to curb financial irregularities, strengthen public expenditure management, and to lessen the financial risk will be implemented from this Fiscal Year.
253. An arrangement has been made for all ministries and constitutional bodies to make public their annual programs and plans within mid-October. Since the present budget has been submitted after the lapse of two months of current Fiscal Year, arrangements have been made that all the line ministries should get approval on their programs from the National Planning Commission by 1st October, and issue the expending authority.
254. For the effective implementation of this budget, an arrangement has been made to have a progress review meeting on the 7th day of each month under the chairmanship of the concerned Minister and a review meeting to be held on the 10th day of every two months at Economic and Infrastructure Committee of the cabinet.
255. The Ministry of Finance will release expenditure authority of unconditional grant directly to the Local bodies within 26 September. An arrangement has been made to freeze the capital budget allocated for the Karnali zone and Bajura district only by mid-November of the next year.

Effectiveness and Transparency of Peace Fund

256. To arrange necessary resources to drive ahead the peace process in an easy manner, I have allocated Rs.2 billion 500 million from the government source in the "Nepal Peace Trust Fund" established last year. I have arranged that the donors' contribution in this Fund will be included in the budget, and the spending on programs running through the Fund will be made according to the regular practices of the government budget release and expenditure. I believe that the assistance from donor community will continue for arranging the fund for the smooth operation of peace process.

Utilization of Foreign Aid

257. The Foreign Aid Policy will be timely revised and made contextual for mobilizing foreign aid in line with the national interest and priorities. The Nepal Development Forum's meeting will be organized within this Fiscal Year with a view, among others, to mobilizing additional external resources for alleviating poverty through rapid economic growth of the economy. A National Action Plan on Aid Effectiveness will be developed to immediately implement the reform measures in areas pointed by the recently concluded survey on effectiveness of foreign aid in Nepal. In order for ensuring transparency and accountability in the foreign aid management, Aid Information Management System will be introduced in the Foreign Aid Coordination Division of the

Ministry of Finance. The tendency of mobilizing foreign aid through creating different parallel structure and substructures in different projects and programs in the past neglecting the national structures will not be encouraged. The involvement of international donors and non-governmental organizations at local level in foreign aid mobilization and management will be discouraged and Nepalese national and local bodies' leadership will be ensured for this purpose.

258. Non-government organizations must pre inform the government before accepting cash or commodity assistance from foreign donor agencies. The registration of such organizations will be cancelled and action will be taken to the concerned individuals who have misused the assistance and act against the national interest by accepting such grants.

Honorable Speaker,

259. I have allocated total Rs. 236 billion 15.9 million for the implementation of the above- mentioned policies and programs which I have stated above. Out of the total expenditure, recurrent expenditure is estimated as Rs. 128 billion 516.5 million, capital expenditure Rs. 91 billion 311 million and principal payment Rs. 16 billion 189.3 million. This expenditure estimate is higher by 39.7 percent against the total allocation of Fiscal Year 2007/08 and by 44.5 percent than the revised expenditure. On the recurrent expenditure side, it is increased by 40.6 percent and on the capital expenditure side by 64.5 percent to the revised expenditure. The principal payment is lowered by 1 percent against the revised expenditure.
260. Out of the total expenditure, I have proposed Rs.111 billion 824.9 million (47.38 percent) for general administration and Rs. 124 billion 199 million (52.62 percent) for development related programs.
261. I have included the expenditures incurred as per "The Bill for Authorizing Withdrawal and Expenditure from the Consolidated Fund for the Services and Works, 2008" which was passed by this House on 14 July 2008, into the above mentioned expenditure that I have proposed.
262. Out of the estimated sources of financing of current year, Rs. 129 billion 215 million will be borne from current source of revenue. Out of the total foreign assistance of Rs. 65 billion 793.8 million, Rs. 47 billion 93.2 million will be borne by foreign grant, and Rs. 18 billion 700.6 million by foreign loan. There will be a deficit of Rs. 41 billion 11.6 million even by mobilizing both the sources.

Honorable Speaker,

263. Now, I would like to briefly present the revenue policy of the current Fiscal Year 2008/2009, principles adopted during the formulation of revenue policies, implementation arrangements and system of these policies, revenue collection strategies, working policies, and programmes.

Revenue Policy and Objectives

264. While formulating revenue policy, attention has been given mainly to lead country toward industrialization by totally ending feudal structure, adoption of a progressive tax system, transformation of tax administration into an electronic one, narrowing the gaps between rich and poor, coordinating and linking economy to other sectors thorough trade facilitation, attracting foreign investment by creating investment friendly environment, lead a decent life by complying with the tax laws as well as paying taxes for the income earned from business and entrepreneurship, and giving a sense of feeling that the tax paid is also a contribution to oneself. In this context, revenue policies are based on the following objectives;

- a. acceleration of country's economy toward industrialization,
- b. maximum mobilization of internal resources for self reliant economy,
- c. broadening tax bases instated of raising tax rate,
- d. export promotion by attracting domestic and foreign investment,
- e. protection to domestic industries and conservation of natural resources,
- f. strengthening of tax administration by making it more efficient,
- g. special priority for the infrastructural projects,
- h. relief to the disadvantaged groups of the society affected by the inflation,
- i. strict monitoring of market and control of the illegal trade,
- j. controlled sale and distribution of health hazards goods,
- k. rationalization of revenue rates committed in bilateral and multilateral agreements,
- l. directing means and sources toward productive sectors.

Strategy for Broadening Tax Bases

265. In the capacity of the first Finance Minister of Republic Nepal, I have proposed a budget of special size by discontinuing practices of traditional budget appropriation. This has been done to honor people's faith, and to meet expectations of the people from the present government. To ensure adequate resources for meeting the allocation that I have proposed, I have adopted following strategies;

- a. With a view to giving one time opportunity to pay tax the property or income accumulated by any individual by paying tax on such property or income, irrespective of sources, at the rate of 10 percent at the price of Shrawan 1, 2065. Such tax shall be required to pay by the end of Magh, 2065 on basis of Voluntary Declaration of Income Scheme. After payment of such tax, the property shall be deemed legal and no source of such property shall be investigated. Property of those failing to comply with this provision will be subject to confiscation.
- b. House rent tax shall be levied at the rental income at the rate of 10 percent. Exemption of due taxes, fees and the interest has been given to those individual or entity, who has earned house rent income up to Fiscal Year 2064/065 but failed to pay tax under Income Tax Act, 2058, can declare the income and pay tax at the rate of 10 percent by the end of Push, 2065.
- c. Entities conducting business of educational consultations services failing to pay Value Added Tax, can register in VAT by the end of Poush, 2065, if they pay the income tax of Fiscal Year 2063/64 and onwards. No VAT penalty, fees and additional fees charges and interest shall be levied.
- d. If any defaulter Brick industries opt to pay tax due, as of the end of Ashad, 2065, by the end of Push 2065, charges and penalties to be imposed on such due shall be waived. In case of defaulter Brick Industries failing to pay due within stipulated timeframe, legal action, including of cancellation of their registration shall be started.
- e. 5 percent education service tax shall be collected from private educational institutions on their monthly fees from Ashoj, 2065. Service tax so collected shall be used for the benefit of the poor students of backward and remote areas.
- f. Private educational institutions not yet managed to come into the tax net can pay tax on their taxable income shown in their financial audit reports from the beginning to date. If such tax is paid by the end of Push, 2065, no fee, penalty, interest and additional fee shall be levied on income as of Ashar, 2064. In the cases, where private educational institutions fail to utilize such facility, the Government will take legal actions, including of prevention form appearing in the SLC examination, against such schools.
- g. Arrangements have been made for urban cooperative agencies and associations to accept tax return along with tax amount of the Income Year 2063/064 assessed on basis of audited report submitted to concerned entity. Filing such return by the end of Push, 2065 will result in waiver of filing tax return of the earlier periods and the tax thereon; no penalty, fee, interest and additional charges will be levied. All cooperative agencies are requested to utilize this opportunity. Those failing to utilize such facility will be subject to severe legal actions, including imposition of taxes for all the past periods.

- h. Taxpayers liable to register with Value Added Tax but not registered so far can register themselves by the end of Push, 2065. Such registration within stipulated time will result in waiver of Value Added Tax, additional charges, interest and penalty of the previous years.
- i. Custom duty and excise duty on alcohol, cigarette, and tobacco have been increased to discourage the consumption of the goods hazardous to health.
- j. Government entities involving in collection of non-tax revenue will be mobilized to review and determine appropriate rate of non-tax revenue (royalty, dividend, penalty, fee). Similarly, working procedures in the Government and public corporations will be reformed so as to identify the sources of revenue growth.

Programs to Increase the Revenue

266. I have adopted following strategies and working procedures for the implementation of above mentioned revenue policies;
- a. Market monitoring will be intensified to bring persons and entities into tax net, and also doing their business in disguise. From this Fiscal Year, surveys will be carried out to assess the transaction amount of all business entity to determine whether their transactions are within the minimum threshold of the Value Added Tax,
 - b. Smuggling and illegal import will be controlled through border patrolling and the development of economic information system.
 - c. In order to make customs valuation system more scientific anomalies in valuation will be removed and different valuation methods used by different customs offices will be made transparent and clear.
 - d. Revenue investigation system will be strengthened to control the leakages in tax revenue. Likewise, income and expenditure of the high profiled people will also be monitored.
 - e. Special programs will be implemented to bring people into the tax net who are earning high income from their profession and business. Impunity being observed in various profession, business and administration will be brought to a halt.
 - f. In order to control leakages in excise effectively, movement of the excisable commodities will be watched effectively. Likewise, sticker management will be made proper and effective.
 - g. General increment in the vehicular tax has been proposed in order to control vehicular congestion in the Kathmandu Valley and to further contribute toward the mobilization of revenue.
 - h. Five percent education service tax will be levied and collected from the educational institutes run by the private sector on the fees collected from

the month of September 2008. The tax revenue thus collected will be spent for the welfare of the disadvantaged students.

- i. Arrangements have been made to control the sales of products which are injurious to health. Likewise, duty free sale of cigarettes and liquor has been prohibited. However, facilities to be purchased from the authorized bonded ware houses will be provided to the persons having diplomatic and exemption status, same facility will be given to Airlines companies to consume for their international flights.
- j. Arrangements have been made to collect an additional fee of 0.5 percent during the registration of the sales of land and buildings in the metropolitan, sub metropolitan and municipality and adjoining village development committees of the Kathmandu Valley. The fee thus collected will be spent for the 'Bagmati Civilization Development Program'.
- k. A working committee will be formed and works will be initiated to determine the demarcation for the collection of revenue between the central and local government.
- l. Tax payer training program and tax payer's education program will be initiated to make the tax administration more tax payer friendly and various publicity programs will be initiated to make aware taxpayers of their rights and duties.
- m. I have made necessary arrangements for the disclosure of the sources of income to purchase house, land, and vehicles exceeding certain limit.

Strategy and Program for Social Security and Virtuous Conduct

267. I have proposed the following revenue measures to regulate the liquor distribution and to levy the property taxes for social security and development of virtuous conduct in order to remove the evils rooted in the society:

- a. Within the next two months, selling of liquor from the daily consumables goods shops will be stopped in the metropolitan, sub metropolitan and municipal cities. For the goods in stock, during this time period the vendors will return back such stock of liquor to the concerned wholesalers, producers or importers and they must accept those items. Directives will be issued within 45 days to fix the places of liquor sale, fix the selling time and allow the sale only for certain age persons and banning the sale of other consumer goods in the liquor shops.
- b. Money Laundering Control Department will be established in this Fiscal Year to control the process of converting black money into white money.
- c. With a view to encourage people to declare their property before the state and live a decent life, the Property Tax Act 2047 will be amended to make it practical, implementable and timely and implemented in this

Fiscal Year accordingly. A High Level Commission of Experts will be constituted for this which will submit its report within three months.

- d. The one day remuneration of Paush 2065 of officials of constitutional bodies, the Nepal Government employees, the universities and schools teachers, officials and personnel of the government owned corporations and other private and non governmental organizations will be deposited in the Youth Self Employment Fund and such fund will be utilized for the employment related promotional activities.

Strategy and Programs related to Revenue Exemption

268. The purpose of tax policy is not only to levy amount from the people, but also to rehabilitate weaker section of the society, professionals, and special contributing institutions in the societies through the means of taxation. Bearing in the mind, I have proposed some revenue exemptions. In addition to that I have proposed to reduce some tariff rates in line with international as well as national commitments made by the Government of Nepal. The exemption and reduction in revenue and reduction in tariff rates are as follows:
 - a. I have proposed a full customs exemption in the scooters to be used by physically handicapped persons. In addition to that I have increased the rebate in land registration fees if the land is transferred and registered to the disabled and physically handicapped person.
 - b. I have arranged to provide ten per cent tax rebate in income tax from remunerations to the women and also increased in rebate in land registration fees if the women get land transferred to their own name.
 - c. I have proposed to levy only one per cent custom duty for the CFL bulb (electric bulb) to make its use wider to help reduce the consumption of electricity.
 - d. I have arranged to provide tax exemption on annual interest income of Rs. 10000 in the amount deposited to the micro credit institutions, rural development banks, postal saving bank, and cooperatives in the rural area.
 - e. I have arranged to provide 50 per cent exemption in license fee with the recommendation of Ministry of Environment, Science and Technology to those brick industries who emit less than 50 per cent of the emission standard set by the Ministry of Environment, Science and Technology.
 - f. The existing Value Added Tax exemption for the hydropower having capacity less than 3 Mega Watt will be expanded to all hydro powers. It is expected that such exemption will help develop hydro electric sector and attract foreign investment.
 - g. With a view to fulfill the commitments made in regional and international organization and to expand the accessibility to the information and communication, I have proposed to zero custom duty on

131 items. I have proposed excise duty on some goods to compensate the revenue loss thereof.

- h. The taxpayer who file the tax return for Fiscal Year 2062/063 along with a payment of fee at the rate of Rs. 100 per month or 0.1 per cent annually of the assessable income whichever is higher, will get rebate on the rest of unpaid fee payable under the existing law. It is believed that small taxpayer will be benefited from this scheme.
- i. The special fee being levied at the rate of 1.5 per cent since Fiscal Year 2058/059 as an extra tax has been abolished. I believe that taxpayers will feel relieved.

Strategy and Programs to Promote Industrial Development

269. With a view to make national economy strong and to promote the investment opportunities to attract domestic as well as foreign investors, I have proposed the following concessions and simplification in revenue policy in line with making it as investment-friendly:
- a. I have reduced the customs duty rate for the imports of industrial raw materials.
 - b. I have made a provision of ten percent income tax exemption on income to be earned from special industries and information and communication technology industries which provide direct employment to 500 Nepali through out the year.
 - c. Customs tariff has been reduced on the importation of refined palm oil and packing materials. The customs tariff on the importation of tanker for dairy industries has been reduced by fifty percent.
 - d. Eighty percent exemption in the import duties and agriculture development fee has been provided to the importation of soybean and sunflower seeds to be used by domestic oil industries as their raw materials.
 - e. Anti Dumping related Bill will be drafted and presented to the august legislative- parliament within this Fiscal Year to protect the domestic industries from the pressure arises from importation of low quality foreign goods.

Strategy and Programs to Control Revenue Leakages and Smuggling

270. Nepali people have very negative attitudes towards revenue leakage. It has been felt that revenue administration has been influenced by a handful of smugglers and black marketers. So I have proposed a controlled policy while proposing a revenue policy which will not leave any ground of revenue leakage. According to this, no one will be given any excuse who is involved in the revenue leakage. In this way, I have proposed the following policies in order to control the revenue leakage:

- a. "Border Security and Revenue Leakage Patrolling" Post will be set up by designating certain areas to control revenue leakage along with the border. Likewise, a monitoring team will be set up and mobilized to monitor the VAT billing system strictly.
- b. The Department of Revenue Investigation and Department of Customs will formulate special procedures and implement it immediately to control smuggling.
- c. A 24 hour- Control Room will be set up in the Department of Revenue Investigation to initiate action by getting any information regarding revenue leakage and to monitor and check the consignment trucks passed through the customs.
- d. In order to control revenue leakage effectively, the organizational structure and working procedure of the Department of Revenue Investigation will be reformed. Furthermore, by fixing monthly and yearly performance targets for the unit offices and the Department with a view to control revenue leakage more effectively.
- e. A 24 hour standby two hundred fifty armed police force will be ready in Department of Revenue Investigation and its unit offices. They will be under the supervision of the Director General of Department of Revenue Investigation and their performance evaluation will also be done by the Director General of Department up to the time when they are deputed to this department. In order to facilitate trading and business activities and internal movement of goods, the barriers of the Department of Revenue Investigation will be removed from today. Instead of it, a flying squad and on the spot inspection team will be put in place.
- f. The meeting of District Level Revenue Leakage Control Committee formed under the chairmanship of Chief District Officer in the main customs points and possible smuggling points, districts will be convened to conducts meetings compulsorily in every fifteen days and it will formulate and implement revenue leakage control plan effectively.
- g. In order to discourage the declaration of under valuation of commodities at custom points, a system will be developed to obtain the information from invoice issuing sources and the stern legal action will be initiated against such practices.
- h. The provision will be made to purchase the under valued goods compulsorily of those importers who submits the documents and bills to the customs offices and declared the value far below the real value; for this, necessary fund will be provided to the concerned agencies.
- i. Necessary revision in Baggage Rules will be done to allow only the limited items to the passengers.
- j. The Post Clearance Audit System in the customs office will be made more effective. For this, Joint Audit System will be initiated with the

joint collaboration of Customs department and Inland Revenue Department.

- k. A massive search operation campaign in godowns and shops will be launched immediately where smugglers are involved in tax evasion by setting up godowns in the border areas and strong controlling actions will be initiated for transporting the smuggled goods internally.
- l. Within the next six months, provisions will be made for those importations via Birgunj, Bhairahawa, Birartnagar and Mechi to import only in the sealed containers.

Strategy and Programs to reform Revenue Administration

271. I have promised to make revenue administration business friendly by making it up to date, simple, transparent and efficient though totally discontinuing opaque working procedures. In this context, I have adopted a policy of rewarding good civil servants with financial and other facilities and rewards working in the revenue. However, those found to be indulged in revenue leakages, and fail to maintain honesty and virtuous conduct will have to face a harsh policy of punishment. I express my full commitment for ending collusions between the revenue administration and business sector so as to control revenue leakages and to end impunity. In this context, I have proposed following administrative reforms within the revenue administration;

- a. A permanent Central Revenue Board with full power will be formed within this Fiscal Year to run revenue administration and to determine revenue policy based on short, medium and long-term through regular study and research works about revenue policy, revenue administration, and revenue related rules and regulations.
- b. Arrangements will be made round the clock opening of customs offices, introducing a shift system, having heavy transaction and workloads for facilitating trade and passengers. A separate desk will be established in major customs offices by simplifying procedures for the collection of revenue within the price limit under existing rules of goods to be imported as accompanied with the passengers.
- c. Dry Port Customs of Sirsia, Birgunj will be fully transformed into a e-commerce office within this Fiscal Year.
- d. With a view to making revenue administration efficient and effective, arrangements will be made to bring in efficient and high quality manpower from the labour market, and also from other groups / services of civil service on the basis of their competence. Accordingly, civil servants working for the revenue group will also be transferred to other

groups/services of the administrative services based on their performance in the revenue service.

- e. Studies will be conducted and research made for designing a separate system of remuneration and facilities for the officials and staffs working in the revenue administration.
- f. With a view to improving the work performance, existing organizational structure of the Inland Revenue Department will be changed. Based on the ratio of work load, additional Inland Revenue Offices will be opened. In the first phase, number of Inland Revenue Offices will be increase in the Kathmandu valley by considering the report submitted by Revenue Administration Organizational Structure Reform Recommendation Working Group, 2006.
- g. Organizational structure of the Department of Customs and offices under this Department will be reviewed. In a gradual manner, customs administration will be made officer's oriented. Likewise, restructuring as well as reestablishment of existing sub-customs offices will be expedited.
- h. Those who are engaged in illegal trade and business, avoiding the payment of taxes, and also not adhering to the legal system will feel uncomfortable because of the policies and programs I have presented. However, those who are running their profession and business within the provisions of laws will feel honored for the contribution they are making toward country's development by paying taxes. This would also bring about changes in the tax paying habits and will also result an increase in the revenue collection.
- i. New Nepal also means a self-reliant Nepal. Economic self-reliance is necessary to reach the stage of self-reliant. For this, internal revenue generation is a prime factor. Hence, I heartily request all industrialists, businessmen, organizations and individuals who are liable to paying taxes to pay the tax as per the law. I am committed to making full use of the taxes collected.

Honorable Speaker,

272 From the revenues policies reforms, and from the adjustments and changes made in the tax rates and administrative reforms, additional Rs. 12 billion 511.6 million is expected to be mobilized and there will be a net deficit of Rs. 28 billion 500 million. Out of the deficit amount, Rs. 25 billion will be financed

from domestic borrowing and Rs. 3 billion 500 million by last year's cash surplus.

273. I hope that proposed domestic borrowing of this level will have no negative effects in macro economic balances and stability, private sector's capacity to borrow will not be inhibited and positive contribution is expected for short term and long term government securities' related transactions by making them active and effective.
274. From the implementation of the proposed budget, the Gross Domestic Product growth rate is estimated to be at 7 percent at the end of current Fiscal Year 2008/09. The growth rate in agriculture sector is expected to be at 4.5% and non agriculture sector at 8.3 percent. Inflation rate is estimated to be around 7.5 percent.
275. Nepal Rastra Bank will announce monetary policy soon in order to make positive effects on macro economic indicators including the price situation in the course of proposed budget implementation and strengthen the country's international trade and balance of payment situation.
276. During the course of preparation of the current year's budget, various leaders of political parties, members of Legislature-Parliament, economists, professors, academicians, various representatives of business communities, commercial and commodity organizations, professional organizations, representatives from civil societies came to my office, even at a short notice, and provided suggestions and advices. Many citizens have provided valuable suggestions for this budget preparation, by responding to the public notice issued by the Ministry of Finance, with a dream of New Nepal. I would like to thank them all.
277. The friendly countries and donor communities who are continuously providing assistance in Nepal's endeavors for socio-economic development have shown great courtesy to the first elected Government of Republic Nepal. They have promised to provide additional assistance to achieve our goal of speedy development and to move forward the peace process. Additional amount of such assistance has also been reflected in this budget proposal. I would like to express my thanks to all friendly countries and donor communities.
278. I have felt that I could not accommodate all the suggestions in this single budget despite the attempts to incorporate all those suggestions given by all well-wishers and to address the people's expectations due to a compulsion of proposing this budget in a short time in this situation where two months have already gone after the start of this Fiscal Year. Despite this, I am committed for the effective implementation of those policies and programs mentioned in the budget during the remaining ten months in order to give a sense of change to the

people. I believe that I will get full support of all Ministers and Secretaries of Government of Nepal and government employees to fulfill my commitment.

Right Honorable Speaker,

279. This is the first budget of the Federal Democratic Republic of Nepal. All the Nepali people, particularly those who are excluded from the fruits of development, segregated, downtrodden and poor, are expecting a dawn of new era through this budget. All the Nepali people are expecting speedy economic growth and social justice. However, as I said in the beginning, it is not possible to fulfill all those expectations right now due to various compulsions. Despite this, I believe that this budget has started a strong beginning in the direction to fulfill those hopes and expectations. We still have to travel a long journey. As has been said, "The first step begins a thousand miles' journey", and this is the first step towards that long journey. I expect a full company of all of yours in that great journey and believe that the full support of all Nepali people and the members of Legislature-Parliament will be secured for the successful implementation of this budget.

Thank you!