

Budget Speech Delivered by

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Minister of state for Finance

For the year

1980/81

On 7th July '1980

I

Honourable Chairman,

First of all I would like to express my loyal and respectful gratitude to His Majesty the King for nominating me as a member of the Rastriya Panchayat and also appointing me as the Minister of State for Finance. I am naturally pleased to present the Budget of the Kingdom of Nepal for 1980/81 to this august House during this important thirty-first session.

1. The successful completion of the historical referendum in a peaceful manner, which provided an opportunity for all of us to make a choice of the political system, has clearly demonstrated to the world the noble tradition of the Crown in responding to the will of the people. As a result we have expressed our firm conviction on the Partyless Panchayat System with timely reforms. At the same time this has provided us a source of inspiration and strength to direct the political system towards a definite goal. So, the time has come for all of us to fulfil our duties and responsibilities as entrusted by the people.

2. It is evident that any political system is a means to attain the national goals and objectives. It is the primary responsibility of a popular government to seek the welfare of the majority of the people. Hence all our efforts for economic and social development should be directed to this end. Similarly, measures to be undertaken in the economic field should also be designed in this context to meet the basic needs of the people.

3. Honourable Chairman, with this background I now submit the estimates of revenue and expenditure for 1980/81.

4. I have already presented to this House the 'Economic Survey' of 1979/80, which contains a review of the current state of the economy and at the same time highlights the leading issues in this field. Since the Budget for 1980/81 has been formulated in view of the current economic situation of the country I would now like to throw some light on the major economic problems such as decline in production in the current year, increase in prices and its adverse effects, various obstacles in the implementation of the development programmes and critical imbalance in the foreign trade etc.

5. I need not over emphasise here that the budget is not only a means to review the current economic situation but also a practical instrument to set the course of the economy to a definite direction in the process of overcoming the current problems. The fundamental principle of the budget is to help attain the aspirations of the common people particularly that of the poor. In a country where poor and small farmers are in great majority and which has meagre and limited resources and is land-locked, the economic policy based simply on theoretical principles without any regard to the realities can not lead to an all round development of the economy. The difficult geographical condition, poor economic condition of the majority of the people, limited technical and administrative capabilities, scarcity of resources, proximity to India etc. are some of the major factors which lead us to reassess the application of the prevailing principles. I have tried to present next fiscal year's policy and programme keeping in mind the political and economic reality of the country.

6. The current fiscal year is the final year of the Fifth five-year plan. Honourable Members are aware of the fact from the Economic Survey that the economic condition has not improved satisfactorily during the plan period. The current Fifth Plan envisaged to increase investment in the directly productive sector and thereby increase the national income by 4 to 5 percent per annum but the result has been very poor. Though the mobilisation of financial resources has increased more than the Plan outlay, the national income is estimated to have increased at an average annual rate of 2 percent only. During the plan period the agricultural production has declined and the achievement in the industrial production has not been up to the expectation. The previous plans have been successful in creating economic infrastructure in the country. On the whole; the targets envisaged in various sectors of the economy during the current plan have remained unfulfilled.

7. Last year the food production increased by 3 percent due to favourable weather conditions but this year because of drought the food production has declined by about 13 percent which resulted in the food problem in the Western region, Far Western region and other hilly areas. In order to solve the food problem His Majesty's Government took timely measures to distribute food from its own resources

and food received from the friendly countries and international organisations in the drought affected areas. Moreover, "food for work" programme was launched for the benefit of the people who have no purchasing power. Food was airdropped in the remote areas, as the transportation through the land in the remote areas is time consuming. On behalf of His Majesty's Government of Nepal. I would like to express sincere appreciation to the friendly countries and international organizations for their generous cooperation in solving our food problem. I would also like to express gratitude to the people for their cooperation and patience at the time of the national crisis.

1.8. Nepal though an agricultural country is facing a great problem of declining agricultural production and progress in the industrial sector has been almost nil. This has made the economic condition of the small farmers very poor and miserable. In consequence, the economy suffers from the growing unemployment and underemployment. Similarly, shortage and lack of supply of goods and services have impeded the development works of the country. Though it is natural that the agricultural production has declined due to adverse weather conditions, continuing fall in the agricultural productivity has become a serious and critical issue. In addition, the environmental imbalances have further aggravated the problem of soil erosion. Thus, we are today, confronted with the challenging tasks of development to increase agricultural productivity, soil erosion control and create a favourable atmosphere for industrial development.

9. If we take a cursory glance on the current economic situation of our country, high price rise and its adverse impact has become a serious problem. Though it seems natural to have price rise since there is a decline in production and imbalance in supply system, I don't need to stress here how the tremendous price increase in daily necessary goods has posed serious problems and difficulties to the common people, but also affected adversely the country's economy as a whole. In addition, the decline in food grains production due to droughts this year, has added complexity to the problem of price increase. Though His Majesty's Government has endeavoured to control price rise by taking various progressive measures in the field of production, supply and distribution systems, the price situation has been controlled to a very limited extent only. The national urban consumer price index for the nine months of the current year shows an increase of 8.4 percent, however, the rate of increase in price level in April 1980 is 13.3 percent as compared to April 1979.

10. The main factors responsible for tremendous increase in price level are increase in prices of most of the goods in neighbouring country as well as in the international market and the price escalation of petroleum products by the OPEC countries. The price of petroleum products in the international market has gone up at an average rate of 34.0 per cent per annum and the world inflation rate for this year is estimated to rise by 9 per cent. In addition, our domestic factors are also responsible for the price rise in our country. A shortfall in the production of food grains, shortage of essential goods and decline in the production of industrial products have all contributed for the rise in price level.

11. Honourable Members of the House are aware from the Economic Survey that increasing deficits in the balance of foreign trade have an adverse impact on the balance of payments position of the current year. The deficits in the balance of trade have increased tremendously in comparison to the past years and will lead to an unfavourable balance of payment position, which will have an adverse effect on the country's economy as a whole. During the first eight months of the current year the balance of payment shows a surplus of Rs. 47.6 million. However, deficits are likely to occur at the end of the current fiscal year. At present foreign aid plays a dominant role to accrue surplus in the balance of payments position and this cannot be considered as economically sound. If the present situation continues the balance of payments will pose a serious and complex problem to our economy within few years. Thus it is evident that the excessive increase in liquidity in the economy can create an adverse effect on the balance of payments position.

12. Honourable Chairman, I want to express my sincere gratitude to the Honourable members for their timely and valuable suggestions during the course of discussions on the Royal Address by His Majesty the King on the policies and programme for the coming year and most of the practical suggestions I have incorporated in this budget. It is my firm belief that only those principles and policies which represent the country's dire necessity and are responsive to people's aspirations and consistent with suggestions from the people's representatives can be implemented successfully in order to develop and lead the country towards right direction. Today the country needs a practical and dynamic policy and direction for its development. The Partyless Panchayat System has today deeply rooted its foundation as desired by the people and there is no doubt that within this system the cooperation between and the government and the people and the coordination among the various classes can contribute a great deal in our various tasks of development. With this background, I have designed the development policy as well as economic policy for the next year.

13. Honourable Chairman, the next year is the first year of our Sixth Five Year Plan. The Plan has given an account of the real economic and social condition of the country and has set objectives like maximum possible increase in production, creation of employment opportunities and fulfilment of the basic minimum needs of the people. The budget for the coming year has been formulated in accordance with these policies and objectives.

14. Honourable Chairman, I would like to inform the Honourable Members of this House that the objectives of all our policies and programmes are that the fruits of development be shared by the lower income group as well as living standard of the poor and backward class is raised. Emphasis has, therefore, been given to the activities related to drinking water, primary education, medical care and rural development, which help to fulfil the basic minimum needs.

15. Honourable Chairman, I need not mention to the House that increase in agricultural production is the only means to improve economic condition and to uplift the rural living standard of the small farmers who represent the vast majority of the population. In addition, it is indisputable that agriculture plays a vital role in our economy from the point of view of resource mobilisation and employment. In this context and in line with the objective of the Sixth Plan to increase production special emphasis has been given for production-oriented programme in the budget for the coming year. Improvement will be made in agricultural research, extension and credit facilities. Appropriate environment will be created in the storage and marketing system of agricultural inputs and agriculture products. In order to take agriculture programme effective necessary measures will be taken to revamp the agricultural research programme giving priority to solve the farmer's problems.

16. It is my firm belief that in the process of agricultural development the efforts on the part of His Majesty's Government as well as active participation from the farmers are equally needed for the successful implementation of the various agricultural programmes. In view of this, agricultural extension activities will be further intensified from the next fiscal year so as to mobilise and ensure public participation. Agriculture committees will be organised at various levels and the over-all responsibilities of agriculture development planning, programming and implementation will be gradually entrusted to people's representatives. The personnel of all agencies involved in agriculture will be responsible to the committee. Hope this arrangement will lead to a successful implementation of agricultural development programme with a close relation between public representatives and administrative machineries.

17. Since agriculture production has been accorded a high priority, agricultural inputs like irrigation, improved seeds, chemical fertiliser and agricultural credit will be made available in a coordinated way. Agriculture development programme will be carried out in an integrated way in those areas where irrigation facilities are already available. In the field of agriculture credit, a policy aiming at simplifying the procedure for the disbursement of loan will be adopted and at least 60 percent of the total credit provided by the Agriculture Development Bank will be earmarked for short term lending in the productive sector. Out of this earmarked amount maximum possible credit will be made available to the small farmers. In addition, a study regarding the interest charged on the agricultural credit will be undertaken. Small farmer development programme will be further extended effectively. His Majesty's Government will make necessary arrangement to provide facility in the interest on credit to the small farmers under small farmer development programme from the coming year.

18. In a country like Nepal with limited resources and poverty stricken rural population, it seems to be appropriate to pay more attention to the promotion and development of small, cottage and rural enterprises. By this measure, unutilised manpower will be absorbed and the problems of unemployment and under employment will also be solved to some extent. On the one hand, the development of such enterprises will gradually increase the income of the rural population; on the other hand, it will help the industrialisation process. In addition, import substitution of various goods imported in Nepal and production of the processed and finished exportable products is possible. Special provision has been made to provide necessary facilities for the development of the small, cottage and rural enterprises.

19. I have already informed the Honourable Members that new industries have not as yet come up in a satisfactory way and even the existing industries are working below capacity. In view of the importance of private sector in the process of industrial development His Majesty's Government have given priority to this sector by providing various facilities. However, it has been experienced that neither these facilities have been used in a simplified manner nor they have been properly utilised. In the absence of necessary cooperation and goodwill between His Majesty's Government and private sector minor problems have come up which have also hindered in establishing industries. In order to clear such obstacles and remove the sense of uncertainty, which have beset the process of industrial development, necessary policy will be formulated and administrative reforms will be introduced.

20. In order to create congenial atmosphere for investment appropriate amendments in the Industrial Enterprises Act will be made and the incentives provided by the Act will be made available without any delay. In the coming year efforts will be made to consolidate and make effective various facilities which Government have been providing to industrial enterprises. His Majesty's Government is determined to create suitable atmosphere for industrial investment by amending Income Tax Act. His Majesty's Government is confident that the private sector will keep economic well being of the country in mind and within the scope of facilities provided by the Government and guided by the principle of the Sixth Plan will make best effort by increasing investment in the industrial sector. I expect that from the coming year a major portion of investment of private sector, which has so far been confined to trade, will be diverted to productive industrial investment.

21. It is obvious to all of us that unless the population growth rate of the country is checked the common people cannot share the fruit of development to the desired extent. In view of this fact His Majesty's Government has launched family planning programme for the last few years. A high level National Population Commission has been formed to coordinate and provide policy guidelines at the national level to various population control programmes implemented in different sectors. Since family planning programme alone is not enough to check the increasing population problem a multi-sectored population programme beyond the health sector shall be introduced in order to tackle the population problem more effectively.

22. I have already pointed out that the general price level of the country has been significantly affected by the current price rise in the neighbouring countries and international market. Inflationary pressure is unavoidable in the context of the existing level and pattern of the economic development of the country. His Majesty's Government has concentrated its increasing efforts to meet the challenge posed by this aggravating situation. I need not point out that there are short, medium and long-term measures to control price rise. To develop an economic structure, which will reduce dependancy on import of basic essential goods, to increase the production of agricultural and industrial goods, to check effectively the international border, are some of the difficult measures, which are part of the long, and medium term measures to control price rise. His Majesty's Government is actively involved in these measures and additional efforts will be made in this regard in the coming years.

23. There are limited alternative measures to control the price rise in the short run. Our past experiences have made it clear that the price control measures through the local administration have failed mainly due to the rapid rise in the price in the neighbouring countries and the open international border. Any measure to control price through administrative measure has further aggravated the situation and resulted in the shortage of goods in the market. Therefore, the timely supply of the commodities in the market is the only effective way to check the price rise in the short period.

24. From the coming fiscal year His Majesty's Government will undertake the following measures for the improvement of the price situation: -

(a) Rates of import duties on the necessary consumption goods, sales taxes and excise duties will be changed to relieve the consumers from the price rise.

(b) With a view to give incentives to the private businessmen to import essential goods from the overseas countries, some changes will be made on the rates of import duties and sales taxes and assessment procedure will be improved.

(c) From the coming fiscal year His Majesty's Government will pay special attention to make available essential goods at fair price to the common people.

(d) The existing restriction in the transport of goods from one district to another shall be removed.

(e) Unnecessary control on the prices of commodities shall be removed as far as possible.

(f) Necessary action will be undertaken against the hoarders and speculators.

25. Honourable Members are aware of the fact that the price will be stable only when the demand and supply are in equilibrium. But in our cases demand for the commodities is increasing on one hand while on the other, supply of commodities is deteriorating. In this context greater attention has to be paid to a proper management of demand and increase in the supply of commodities.

26. Hon'ble Members are well aware that for the promotion of trade with overseas countries His Majesty's Government has granted various facilities according to its foreign exchange policy. However, the experience so far tells us that export promotion has been quite negligible in comparison to the facilities provided by the Government. At the same time it is necessary to develop trade with our neighbouring countries as well. Moreover, it is not possible to expand export sector by providing financial incentives alone without increasing domestic production by utilising available resources of the country. His Majesty's Government has been taking necessary steps to improve the present exchange system introduced with a view to eliminate the various distortions of the economy and to boost export trade in the long run.

27. Honourable Members are aware that the volume of government investment on various public corporations has increased significantly. Up to the current year Rs. 1380.9 million worth of direct shares by the government, Rs. 844.1 million worth of government guarantee loans have been provided to the various corporations in addition to the usual continuation of grants in various forms. But most of the corporations are not in a position to make profits and meet their liabilities. These corporations have not been able to contribute even 5 percent of the total investment in the form of dividends to the government.

28. Therefore, His Majesty's Government will take necessary steps to improve the performance of the public undertakings by strengthening and improving their efficiency and management. Since different corporations with similar objectives and functions create unnecessary competition among themselves various such corporations will be amalgamated and segregated, if necessary, according to their work patterns and performances to bring cooperation and coordination among themselves. Basic and other important industries to be undertaken by the public sector will be fixed and will be developed through the public corporations and the rest will be given to the private sector. A policy will be adopted to encourage private sector in the field of industry and trade. Public corporations with the commercial nature, which are not running properly and are not felt necessary, will be abolished.

29. The requirements of the commercial banks to extend credit for the production and employment-oriented works have been reduced from 7 percent to 5 percent of their total deposit liabilities in March 1980. With a view to increase the level of these requirements and to improve the bank credit system in a more planned and well-organised manner necessary measures including the training of the bank staff will be undertaken. Similarly, His Majesty's Government will establish a priority sector coordination committee in order to bring coordination among Nepal Rastra Bank, Commercial Banks and various Ministries of His Majesty's Government. The committee will deal mainly with the bank credit, production and priority sectors. This kind of arrangement will discourage unnecessary hoarding habit of the people, will regulate supply of goods and will also discourage smuggling. An in-depth study on present interest rate policy will be undertaken with an objective to fix the rate of interest on the basis of price increases without causing any adverse effect on agriculture industry and trade. ~ 30. At present, there are altogether 240 branches of the commercial banks covering all the 75 districts of the Kingdom. However, there is only one bank office per 58 thousand people on the average. Even these branches are not established on the basis of regional balance and are situated randomly on various zones, districts and localities. Therefore, during the Sixth Plan period, a bank office per 30 thousand populations on the average will be established and necessary steps will be undertaken for bank extension programme on the basis of regional balance.

31. Since the last few years, money supply has increased gradually but the National production has not been able to increase to a desirable extent. Consequently, the liquidity in the hands of people has gone up tremendously as compared to the increase in national income. The enormous increase in money supply is not desirable. To check this kind of situation, I have arranged for an effective revenue policy and thereby to curtail unproductive expenditure of the people. This will lead to the flow of investment on productive sectors and at the same time the tax collection under the existing tax system will be widely covered.

32. The objective of tax collection as I have envisaged is not only to increase the government revenue but also to encourage production activities. The tax policy has been made production-oriented as far as possible in recognition of the fact that an increase in production will uplift the living standard of the people which will also help to raise the government revenue. There are various taxes at present, which have affected adversely on our domestic production and I have made an attempt to make them production-oriented to the extent possible.

33. It is not possible to achieve the development goal without strengthening the administrative capability. The traditional administrative system is inadequate to manage the economy. It is essential, therefore, that the management system should be modernised. Hence, various measures will be undertaken in the coming year to make the administration more efficient and in the meantime economic discipline will also be enforced. Particularly improvement will be made in the programme budgeting system and emphasis will be given on the collection of information pertaining to plan, programme and budget control. Besides these, the concerned Departments and Ministries of His Majesty's Government will be made more capable of formulating and implementing the plan and programmes. Effective training facilities will be made available in order to improve the administrative efficiency.

34. During the initial phase of economic development of a least developed country like ours, dependency on foreign assistance would undoubtedly remain high. In the coming years, His Majesty's Government would remain active to accelerate the rate of growth of development by mobilising increasing amount of internal resources. But, as internal resources alone would not suffice for desired rate of growth, foreign assistance would remain to be important as was in the preceding years. Internationally the developed countries have shouldered more responsibility to meet the aspirations of the developing countries and this naturally led to an increase in the level of foreign assistance. For the current decade, the developed countries have pledged to provide 0.7 per cent of their GNP to developing countries, which is expected to, goes up to 1 per cent of the GNP in the following decade. This implies that the level of foreign assistance will increase. The organised effort of the developing countries for proper distribution of resources in order to bring about economic and social stability has also contributed in increasing the amount of foreign assistance.

35. Honourable Chairman, although in the initial stage of development foreign assistance is helpful, a nation cannot sustain progress without being self-reliant. Therefore, His Majesty's Government is conscious for increasing the proportion of our contribution by mobilising internal resources. Keeping this in mind, I have aimed to reduce the proportion of foreign assistance in a gradual way. In order to achieve this objective, it is all the more necessary that the base and area of taxation has to be widened. In the coming year's budget priority has been given for channelising available foreign assistance in meeting basic needs and also making productive investment. Even in order to increase the level of foreign assistance we have to mobilize internal resources. Keeping this in view, as I have mentioned earlier, special arrangements in revenue administration are being made for the mobilisation of internal resources.

II

Honourable Chairman,

1. I would now like to submit the actual expenditures of 1978/79 and revised estimates of 1979/80. Actual expenditure under the regular and development budget was Rs. 3020.49 million in 1978/79 as against the revised estimates of Rs. 3114.58 million. On the resources side, revenues receipt was Rs. 1811.91 million as against the revised estimates of Rs. 1703.97 million. Foreign aid disbursements including grants and loans were in the order of Rs. 989.40 million as against the estimates of Rs. 1040.08 million. The resource gap of Rs. 219.18 million was met partly from internal borrowing of Rs. 200 million and the rest from drawing on the cash balance.

2. The revised estimates of development and regular expenditures for the current year are Rs. 3542.14 million as against the original estimates of Rs. 4183.88 million. The revised estimates of revenue receipt and foreign aid disbursement are in the order of Rs. 1747.60 million and Rs. 1363.80 million as against the estimates of Rs. 2121.29 million and Rs. 1876.24 million respectively. The resource gap was met partly from internal borrowing of Rs. 180 million and the rest of Rs. 250.74 million from drawing on the cash balance.

III

Honourable Chairman,

1. I have presented the development budget for the next year on the basis of the policy and objectives as outlined in the fundamental principles of the sixth plan, which will come into operation from the coming fiscal year. Although a document describing development programme proposed for next year will be separately presented to this House, I would like to throw some light on this matter.

2. Since a substantial portion of fund has to be allocated for ongoing projects launched by His Majesty's Government during the fifth five year plan it has not been possible to allocate ~ adequate fund for all the new projects some of which has to be postponed for future. While preparing the budget estimates for the programme of the next year I have given consideration to restrict the continuing activities of the fifth plan in order to facilitate a fundamental change in investment pattern within the next two to three years, if not in one year. In addition, I have tried to limit to the maximum possible extent new projects to be financed entirely out of the resources of His Majesty's Government. The government policy to curtail unnecessary expenses in regular and development side has been effectively followed for next year. Recurring expenses to be borne by His Majesty's Government have also been severely curtailed. I have made an endeavour to create a healthy practice of making budgetary provision on the basis of realistic estimate and implementation capability so that development expenditure will become more realistic and meaningful.

3. Besides according priority for the development of agriculture, cottage and village industries, the sixth plan has emphasised the need for productive investment and to launch programme that will meet the basic minimum needs. It is clear that the sixth plan has aimed at growth with equity.

4. Since Nepal is full of villages the importance of rural development in the national development is very significant. As a natural feature of our country the majority of our people are poor and economically less active with limited resources and shortage of skilled manpower. In view of these characteristics and in order to gain maximum economic returns by consolidating economic and social resources in one centre rather than scattering these resources unevenly integrated rural development programme has been accorded special place in next year's ... programme. Accordingly, 27 districts in the kingdom will be covered by rural development programme next year. In addition, several development schemes will be launched at local level with local resources to meet local needs. With a view to encourage the participation of local Panchayats in the local development activities the amount, of grant-in-aid has been substantially increased. In addition, separate development programmes for the development of the remote area of the kingdom will be continued. An amount of about Rs. 290 million has been earmarked for rural development programme in the next fiscal year, which comes to 8 per cent of the total development expenditure and is almost twice the amount compared to last year's allocation and 70 per cent more than the current year's allocation.

5. In addition to the integrated rural development programme, which is one of the means to fulfil the minimum basic needs of the rural population, rural drinking water programmes has been given special importance in the coming year. Funds allocated for the rural drinking water programme in next year's budget are nearly 75 per cent more than the current year's allocation. In addition, provisions have been made in the budget for suspension bridges, expansion of basic health services and primary education, which will serve the basic minimum needs of rural people.

6. Cottage industry has a special role in the economy of Nepal. Steps have been taken to launch a project for the development of cottage industries which will provide employment opportunities, improve the living condition of rural people and earn 'foreign exchange by the export of goods produced from such industries. Coordinating various agencies dealing with cottage industries will create effective machinery.

7. Recognising the importance of labour intensive projects, which will provide additional employment opportunities especially in the hilly region of the kingdom, labour intensive minor irrigation schemes will be launched during the coming fiscal year. Similarly, additional employment opportunities will be created in the hilly region by implementing road projects under the "food for work." scheme.

8. In view of the need to increase national production, agriculture sector has been accorded highest priority in next year's development budget. Twenty seven percent of the total development budget has been allocated to agriculture sector. In order to increase production in major crops, cash crops, milk, egg, meat, fish, fruits and vegetables necessary steps will be taken to expand the existing programme of agriculture extension service and encourage peoples' participation. Similarly, research in agriculture will be limited mainly to all agriculture stations. Research activities will be made more practical and adaptable and research priority would be geared to meet the

requirement of farmers. Other agriculture farms will be made production oriented while agriculture extension workers and farmers will be trained to make agriculture extension service more effective. In irrigation, 10,500 hectares of additional land will be brought under irrigation by completing various irrigation schemes during next year. Small farmers development programme, which is now being implemented by Agriculture Development Bank, will be undertaken at national level from next year. Since it is not feasible to undertake all the schemes at once in all districts basic infrastructure will be created next year to run the programme in some districts while existing programme will be made more extensive. 9. Soil conservation and watershed management programme will be continued in order to check gradually the increasing problem of soil erosion in the hill and flood in the plain; in reality the problem of soil erosion can be resolved only with the cooperation of the local people. Hence this programme will be continued and integrated along with other programme according to the local requirement. Provision of funds has been made to launch new projects next year in this field.

10. Resettlement programme in the hill be continued keeping in view the increasing population in terai area, shortage of arable land and deforestation. In view of this policy, development of other occupations in suitable places will be promoted including development of handicraft industries, cooperatives, cash crops and livestock. Resettlement plan based on non-agricultural activities will be prepared after conducting feasibility studies. 11. The need to develop an effective programme to meet the daily requirement of fuel is obvious which is growing along with the rise in population and decrease in forest area. In this context, community forest programme shall be launched in hill districts next year. Re- search, production and distribution of fuel saving stove will be carried out. In addition, due attention will be paid to develop electric power, solar energy, biogas and natural gas as an alternate source of energy.

12. About 19 per cent of the total development budget has been allocated for power development, which is 33 per cent more than the current year's allocation. During the middle of the next year the construction of 10,000 kW Hetauda diesel plant will be completed. With the completion of this diesel plant I hope it will help to meet to some extent the current demand *for power*' in the central development region. The construction of Kulekhani hydropower will continue smoothly. Within the next year the pre-conditions for construction of the Marsyangdi hydropower will also be completed. Arrangements have been completed to link power grid between central and eastern development regions and preliminary construction works will start. Necessary funds have been provided for the construction of micro hydel plants to meet the local requirement at various places.

13. In respect of industrial development, budgetary provisions have been made for the expansion of industrial capacity in order to run the existing industries smoothly. Necessary allocation has also been made for the construction of Hetauda Cement Factory.

14. About 19 per cent of the development expenditure has been allocated for transport development, which is lower by 13 per cent in comparison with the provision of the current year. Adequate provision has been made for continuing projects like Hetauda-Narayanghat, Butwal-Kohalpur, Dharan-Dhankuta and Gorkha-Narayanghat Hihgways. Priority has been given for feeder roads, which link with hi ghways, and also for the construction of north-south roads. Preliminary step will be under taken for a feasibility study regarding electric train in Mahendra Raj Marga. Regarding air transport, additional facilities will be provided to the existing airports. In the coming year, reinforcement of the runway of Tribhuvan International Airport will be completed and construction of terminal complex will begin. Special attention has been given for providing minimum transport facility in less developed region of the country. As compared with the previous year, allocation for the construction of the suspension bridges has been increased by 57 percent and construction of new bridges will be undertaken in various districts in the coming year.

15. Allocation has been made in the budget for the expansion of the existing telecommunication facility, which connects us with neighbouring countries. The construction of earth-satellite project, which has been undertaken for facilitating Nepal's relation with other countries, will also continue in the next year.

16. Emphasis will be given during the next fiscal year to consolidate, expand and provide physical facilities to free primary education. In accordance with the policy of gradually adding class four and five into primary education through out the Kingdom class four and five have been added as a first step in the primary schools of remote districts. In higher education expansion of teaching facilities in Agriculture, Medicine and Engineering will continue. Adult literacy programme, which will provide skill and knowledge to the illiterate adults by improving their literacy rate, will continue so that they will be able to contribute in the local development. Proper atmosphere will be- created to encourage peoples participation gradually in the field of education.

17. With a view to provide minimum basic health services to rural people by integrating health services, 50 new health posts will be established in health sector next year. In order to protect people living in remote hill district from goitre disease iodised treatment will be provided in addition to the ongoing iodised salt distribution programme. In accordance to the principle of establishing at least one 15-bed hospital in each district by the end of sixth plan, construction activities of 15-bed hospital shall continue in 13 districts next year.

18. Of the total development budget presented today 16.43 per cent has- been allocated for the Eastern Development Region, 42.87 percent for the Central Development Region, 13.05 percent for Western Development Region, 16.88 per cent for the Far Western Development Region, and 10.77 per cent has been allocated for programmes for which regional allocation can not be identified. Accordingly, the allocation for Eastern Development Region has been increased from Rs. 490 million in the current year to Rs. 560 million next year, allocation in the Central Development Region has been increased from Rs. 1300 million to Rs. 1460 million, allocation in the Western Development Region has gone up from Rs. 420 million to Rs. 450 million and the allocation for Far Western Development Region has been increased to Rs. 580 mill- ion from 420 million during the same period. An increase in allocation from 340 million in the current year to Rs. 370 million in next year has been made for the Central level and other projects which cannot be identified on regional basis. In pursuant to the policy of expanding investment in development expenditure from the regional stand point I feel that more investment must be made in that part of the country which has remained socially and economically backward~ Because of large projects like Kulekhani hydel project, Devighat hydel project, Hetauda Cement plant, Tribhuvan International Airport, Thankot-Naubise Road which are now under construction it is but natural to continue huge investment in the Central Development Region. However, I wish to draw the kind attention of the House through Honourable Chairman that the investment made in Central Region will directly or indirectly benefit other Development Regions as well.

19. I now submit the estimates of revenue and expenditure, for the next fiscal year. The development expenditure is estimated to be Rs. 3413.92 million and the regular expenditures at Rs, 1454.18 million. As against the revised estimates of the current year the development expenditure for the next fiscal year is estimated to increase by 45.5 per cent and the regular expenditure by 21.6 per cent only.

20. On the regular expenditure Rs. 66.47 mill on is allocated for Constitutional Organs Rs. 225.26 million for General Administration; Rs. 36.95 million for Revenue Administration; Rs. 13.98 million for Economic Administration and Planning; Rs. 19.75

million for Judicial Administration; Rs. 48.00 million for Foreign Service; Rs. 264.01 million for Defence; Rs. 213.15 million for Social Services; Rs. 115.39 million for Economic Services; Rs. 246.52 million for Investment, Loan and Debt Servicing and Rs. 204.10 million, for Miscellaneous items.

21. Of the total development expenditure Rs. 2529.76 million is allocated for Economic Services; Rs. 802.17 million for Social Services and Rs. 81.99 million for Economic Administration, Planning, General Administration and Miscellaneous. In Economic Services, Rs. 743.75 million is set aside for Agriculture, Irrigation and Land Reforms; Rs. 144.61 million for Forest; Rs. 233.15 million for Industry and Mines; Rs. 645.22 million for Transport; Rs. 58.20 million for Communications; Rs. 653.79 million for Power; Rs. 30.23 million for Cadastral Survey and Rs. 20.81 million for other Economic Services. In Social Services, Rs. 322.64 million is allocated for Education; Rs. 164.80 million for Health; Rs. 120.13 million for Drinking Water; Rs. 152.33 million for Panchayat and Rs. 42.27 million for other Social Services.

22. On the resources side, Government Revenue from various sources is estimated at Rs. 2177.89 million for the next year. This estimate is 24.6 per cent higher than the revised estimate of the current year. Of the total estimated revenue, tax revenue is estimated at Rs. 1748.02 million and non-tax revenue Rs. 429.87 million.

23. Of the tax revenue, Rs. 664.85 million is estimated to accrue from customs and Rs. 702.12 million from taxes on production and consumption of goods and services. Revenue from income taxes, profit and property tax is estimated at Rs. 216.0 million while land tax and registration are expected to yield Rs. 165.05 million. Regarding non tax revenue Rs. 159.80 million is expected to be collected from the sale of public goods and services, Rs. 174.26 million from principal and interest and Rs. 95.81 million from fee, charges, royalty and other miscellaneous items.

24. The total foreign aid in the form of grant and loan is estimated to increase by 50 per cent to Rs. 2048.35 million as compared to the revised estimates of the current fiscal year. According to the estimate of the current year 63 per cent of the development expenditure will be financed by foreign aid. In the next year 60 per cent of the total development expenditure is estimated to meet from foreign aid. Although in comparison with the present year there will be an increment in government's contribution to the development expenditure, in the next year it should not lead us complacency. Nonetheless it only reflects our determination to mobilise internal resources to the maximum extent. In view of the need for making substantial investment in the coming years for economic and social development the foreign aid will continue to play significant role. The non-aligned foreign policy, which Nepal has successfully pursued, and our growing relationship with various friendly countries and international organisations have ensured an increased level of technical and financial assistance. Aid Nepal Group has played an important role in this regard. On behalf of His Majesty's Government of Nepal I wish to express our sincere thanks to all friendly countries and international organisations for their cooperation.

25. With the total expenditure thus estimated at Rs. 4868.10 million and with the total receipts from the existing source of revenue at Rs. 2177.89 million and foreign aid estimated at Rs. 2048.35 million the resource gap for the next year will be Rs. 641.86 million.

IV

Honourable Chairman,

1. Now I propose some additional tax and non-tax revenue measures to meet the budgetary gap While making these proposals, care has been taken to lessen the economic burden of the economically poor segments of our society and due attention is paid to extend facilities to this group as far as possible. In doing so I have tried to incorporate practical suggestions made by the Economic Commission which was constituted to study the various aspects of taxation following the direction of His Majesty the King. I have also tried to incorporate some of the suggestion made by industrial and commercial communities and organizations.

2. Honourable Chairman, in a least developed country like ours where the majority of the population is poor and weak, where the economic growth is in its infancy, where industrial growth has just started, where economy is agro-based and where there is a vast number of small farmers, the all-round welfare of this group should be the paramount consideration of the tax system of the country and it should be directed to mobilize resources for development of the country. The objective of the tax system is not only to collect more revenue but is also to mobilize resource through increased productivity and thereby help the economy of the country. Honourable Chairman, I am unable to accept the premise that high rate of taxation results into higher revenue and lower rates into lower revenue. As a matter of fact, the objective of tax administration should be to promote the habit of voluntary payment of taxes. This objective cannot be achieved unless we make our tax system simple, scientific and just. Tax system that does not adversely affect common people at large and is conducive to trade and industries, and is easily administered will help achieve this objective. The tax and non-tax proposals, which are being proposed, are indicative of these facts.

3. Firstly, I would like to place before these House proposals for indirect taxes. The objectives of the proposals are export promotion, adequate supplies of raw material to industries as well as basic and daily necessities of common people, healthy growth of national and international trade, discouragement to smuggling and deflections of trade, maintenance of favourable price of agro-inputs, timely supplies and avoidance of price instability.

4. Exports of unprocessed raw material will be discouraged by increasing customs duty and will be made available to local industries. To promote more exports of raw jute, customs duty on its export has been reduced. This reduction will bring a shortfall of about Rs. 2.8 million.

5. On import side, some changes have been made on customs duty also. But these changes will not adversely affect price and the supplies of basic necessities to common people. Duties on imports of some basic medicines such as antibiotic, sulph drugs vitamins, etc. have been reduced from today.

6. To provide protection to some indigenous industries import duties on woollen carpets and hosiery goods have been raised. Likewise import duties on non-fuel based means of transport such as cycles, rickshaw, tanga, cart have been reduced, and only one percent customs duty will be charged on these items. To curb the increasing fuel consumption, duty on petrol will be increased by 10 paisa per litre. In addition, duty on aviation fuel has been

increased by 30 paise per litre but duty on diesel and kerosene will remain unchanged. Import duties on sugar and mustard oil have been considerably reduced.

7. In order to facilitate the supply of essential items to the common people at a " cheaper price the existing difference of import duties on similar goods from India and other countries will be gradually reduced in line with the trade treaty between Nepal and India and with this consideration differences of duties on some items such as medicine, textiles & means of transport have been reduced.

8. In view of the growing trend of passengers to import more and more commercial items without import license in addition to the quantity of goods on personal effects allowed under the prevailing passenger baggage rules the following changes have been made in the passenger baggage rules in order to discourage this undesirable trend and to encourage the regular import of such items.

(a) Items, which a passenger can bring without customs duty, are Camera, Tape recorder, Tape-cassette, Record player, Transistor radio, Projector, Movie-camera, Stereo, Typewriter, Sewing machine and binocular. From now on these items will be imported only once in a year by the incoming passengers.

(b) Under the passenger baggage rule if someone imports excess goods within the permissible amount as prescribed under the said rule, then a flat customs duty of 150 percent and sales tax of the highest rate will be charged on all such excess goods.

(c) Under the passenger baggage rule only personal effects will be allowed to import.

9. The present customs nomenclature and the classification of goods is in existence since several years. To make this nomenclature more scientific, practical and simple, a new -4 classification Code that has been prepared on the basis of customs co-operation council nomenclature has been published. More than 130 countries in the world have adopted this nonomenclature and it will help us to compare our trade statistics with other countries.

For the sake of simplicity the surcharges have been included in the customs duty itself. Many ~ specific duties have been changed into ad valorem. This will help the importer to find out which commodity comes under which heading. There is no separate schedules for export items; " both imports and exports are shown on the same schedule which makes the work of the staff easier

10. The changes in the customs duties will be effective immediately. The changed rates are in schedules 1, 2, 3 & 4. It is estimated that changed rates will generate additional revenue of Rs. 47.14 million.

11. In excise, a flat duty system for the small rice and oil mill has been changed in order to make the system more progressive and justifiable. From the next fiscal year, flat duty rate for the mills having more than 10 hp has been changed. Rice mills of 30 hp and oil mills of 25. (BHP) -are under the flat rate system till now. From next fiscal year both the rice and oil mills having up to 30 (BHP) will be brought under flat rate of excise duty.

12. With a view to provide some relief on rice and oil mills of remote and rural area; mills run by crude oil are given ten per cent rebate as compared to mills operated by electricity. This arrangement is expected to incur a loss of one million rupees in excise duty from such rice and oil mills.

13. Henceforth the mills under flat duty with hauler system need not keep accounts for the excise purpose. Duties on other rice and oil mill remain unchanged. Rates of flat duty for rice and oil mills are given in the Annex five.

14. I have proposed to bring some changes and levy new rate of excise duty on the following goods.

1. Cigarette

A. Up to the value of Rs. 25/- for one thousand sticks	Rs. 17/-
B. Above Rs. 25/- to Rs. 35/- for one thousand sticks	Rs. 22/-
C. Above Rs. 35/- to Rs. 50/- for one thousand sticks	Rs. 55/-
D. Above Rs. 50/- to Rs. 100/- for one thousand sticks	Rs. 77/-
E. Above Rs. 100/- to Rs. 200/- for one thousand sticks	Rs. 132/- ,
F. Above Rs. 200/- and more for one thousand sticks	Rs. 165/-
2. Beer Per litre	Rs. 7/-

3. Country Liquor

Bottled country liquor having 50 UP or more UP strength Per L.P.Litre Rs. 8/50

4. Stainless steel utensils	per kilogram	Rs. 15/-
5. Cement	per ton	Rs. 240/-

6. Textiles made of nylon and synthetic yarn

Shirting having up to 92 cm. in width per meter Rs.1/40

7. I have proposed to impose excise duty on the following new items as per below:

(a) Benefited cut pieces that come on normal manufacturing, processing and packing process and waste clothe Fents and rags per Kg. Rs. 7/-

(b) Chang per litre Rs. 2/50 (c) Bricks (produced with chimney system) per thousand Rs. 1/-

8. All the cottage and village industries will be exempted from the excise duty other than those as mentioned below: Drinks with or without alcohol: cigarettes; biri; matches; catachu (Kathha), alcohol, rice; oil; raw sugar; swan timber; stainless steel utensils; steel furniture made with the help of power operated bending and cutting machines; watches; calculator; radio; cassette assembling; zip fastener; diamond cutting industries. For the purpose of excise exemption cottage and village industry will be defined as cottage and village industry which have fixed capital of Rs. 0.2 million considering value of machinery and tools only. Existing annex of excise rate on cottage and village industries has been abolished.

15. All other excise duties will remain unchanged. Rs, 12 million will be collected from the above changes in excise duty.

16. With a view to a more pragmatic approach I have classified the commodities into three categories for purposes of sales taxes in the coming fiscal year instead of the two groups under the existing system depending on the nature and quality of the product. On this basis I have also proposed to

change with immediate effect the current rates of sales taxes from 8% and 12% to 5 %, 10% and 15% depending upon the types of goods. From the point of view of saving cost I have proposed sales tax at the 'rate of 5 % only on goods of day-to-day consumption, household articles, stationery items and on machineries and tools needed for construction while the comfort and luxurious items have been taxed at, the rate of 10% and 15% respectively. The schedule of sales tax is given in the annex of Sales Taxes.

The proposed sales tax changes will bring an additional income of Rs. 52 million.

17. Since the maximum and the minimum rates fixed as entry fees on movie hall tickets have since long been kept unchanged some changes have been introduced in the rate of entertainment tax. Moreover, the proprietors of movie, houses are allowed to raise the entry fees by 50% so that they will be encouraged to improve and properly maintain movie halls. The changes proposed in entertainment tax are as follows: -

Entry fee up to Rs. 1.00	100%
Entry fee from Rs. 1.01 to Rs. 1.50	125%
Entry fee from Rs. 1.51 to Rs. 2.00	175%
Entry fee from Rs. 2.01 to Rs. 3.00	250%
Entry fee from Rs. 3.01 and above	300%

Additional revenue "of Rs. 5 million will be generated from the proposed change. 18. The existing tax rates on film distributors imposed at the rate of 40% of their incomes though paid by the foreigners are, in fact, indirectly borne by the national film distributors and film goers who pay separate taxes to the government on account their incomes. Hence, for reasons of equity the existing tax rates imposed .on film distributors have been reduced to 25% from this fiscal year.

19. Since it is appropriate to levy hotel tax on the basis of the standard of hotel, it is proposed to raise hotel tax from existing rate of 10 percent to 12 percent for hotels with star. Tax ~ate on hotels without star is kept unchanged. It is estimated to bring additional revenue of Rs. 2.5 million from the above change.

20. I now submit my proposal for direct taxes. The exemption limit of income taxes for the coming fiscal year for the single individual, the married couple and the person with family the tax rates beyond the exemption limit remain unchanged. Up to now the individuals, the couples, the families, firm, company, corporate units and the temporary citizens were treated differently and were divided in two different groups for tax purposes. Under the existing system, in spite of various incentives offered to industrialists in the line with the policy of industrial development similar taxes were levied in industries and trade " sector which' attracted few persons in industrial venture. Hence the existing tax rates on industrial incomes will be retained. But I propose to impose all additional tax at the rate of 5 % of the existing schedule on business incomes.

However those businessmen who export domestically manufactured products based on domestic raw materials need not bear the additional burden of such taxes on their commercial gains.

21. An additional tax of 7 percent of the existing rate will hereafter be levied on the incomes of the temporary citizens.

22. Similarly while assessing tax on incomes earned from cottage industries the exemption limit applied on personal incomes will also apply on earnings from cottage industries and taxes will be imposed beyond that level only.

In case where both husband and wife of a family are earning member and are earning income by work their incomes will be treated individually and taxes will be assessed on such basis.

23. Tax relief is given on incomes from gratuity and pensions received by the officials from His Majesty's' Government service or persons retired from public corporations or social services organizations.

Rs. 15 million is expected to realise from the changes proposed in the income tax.

24. The existing embarkation tax is very low. I propose to increase the existing tax rate next year. According to the proposed tax rate passengers will have to pay Rs. 100/- and Rs. 15/ per person as embarkation tax on international and domestic flight respectively. Existing provision of giving embarkation tax relief to persons up to the age of 12 years has been changed to two years of age in conformity with the current international practice.

There will be no embarkation charges on domestic flights to remote areas defined by His Majesty's Government. The proposed changes are expected to increase revenue by Rs. 6.6 million.

25. The existing slab system on the income earned from the interest on fixed deposit has been abolished in order to facilitate the administrative efficiency of the Banks. Exemption limit on interest earned on the fixed deposit has also been abolished whereas five percent fixed deposit interest tax on the total interest earned on bank deposit has been introduced.

26. Since it will not be socially equitable to tax without exemption limit to those depositors who have no other source of income except the interest earned on bank deposits, tax exemption limit has been fixed at Rs. 7,500/- for an individual and Rs 10,000/- for married couple and family on their total earnings. Interest tax collected by the bank shall be returned by the bank itself to the depositors who receive notice of tax exemption from the tax office.

27. The existing tax on credit provided by the Bank has been abolished from the next fiscal year.

28. Those, who own video set and equipment will have to register such equipments at the tax office within the first three months of the next fiscal year by paying an initial fee of Rs. 1,000/-. They should renew its license every year with the payment of Rs. 1,000/-annually. Additional revenue of Rs 0.2 million is estimated to be collected from the above measure.

29. Revision in the current income tax act has been proposed in 9rder to make tax system more clear and simple. Tax exemption is proposed on donation of up to Rs. 0. 1 million and other income received as compensation from life insurance scheme, gratuity and pension.

30. The existing rates of land revenue will remain unchanged in the coming fiscal year.

31. Landowner's holding one bigha of land are at present getting privilege of 50 percent rebate in land revenue. However, it is felt that the existing facility has to be increased in order to allow them to maintain minimum living standard. Hence the- landowner owning 1 .5 bigha of land in Terai and 20 ropanies of land in hilly areas will be provided 75 percent rebate in the land revenue from the next fiscal year. In the remaining hilly areas where the

cadastral survey has not yet been completed all landowners will be given 75 per cent rebate in land revenue. Almost 75 percent of the landowners will benefit from this measure while the loss in revenue will be Rs. 13.2 million.

32. As per the provision made in the sixth amendment of the Land (survey and measurement) Act 2019 a deduction of the area for the bund and terraces (aali and kanla) has been made at the rate of 6 anna (or 37.5 percent) per ropani in dry land and 4 anna (or 25 per cent) per ropani in wet land in the hill area where the cadastral survey has been completed.

Accordingly, in the coming fiscal year, there will be reduction in the rate of land revenue by the same percentage (i. e. 37.5 per cent in dry land and 25 per cent in wet land) in such hilly areas.

33. As the rate of registration fee on the deeds of transfer of property and endowment deeds (effected before death) is almost the same for the rural area, therefore, for the purpose of uniformity the registration fee on the above deeds will remain the same for the land and property in urban areas also.

34. The present rate of registration fee is the same on the endowment deed to be effective before death and after death. As the beneficiary of endowment deeds to be effective after death may not actually enjoy the property the benefactor may cancel the deed at any time according to his/her wish. Hence the fee for such deeds will be only Rs. 100/-.

35. It has been deemed inappropriate to charge higher rate for the partition deeds. Therefore the rate of registration fee for such deeds has been reduced as per schedule.

36. I have proposed 1 per cent extra registration fee for the document which is registered in the district other than where the land and property exist. This measure will help to keep the land records up-to-date and at the same time minimise the complications that might have to be faced by the purchaser.

37. Provision has been made in the schedule for the exemption of registration fee to those institutions, which are engaged in public welfare or religious activities.

38. Other registration rate is kept unchanged. The measures proposed above are estimated to yield additional revenue of Rs. 10 million.

39. For mobilising resources for local development nobody will doubt that the agriculture sector should bear the burden. In our country this is truer as agriculture is the mainstay of the economy. But at the same time we have to be careful on our past experiences in internal resources mobilisation. Therefore, as a beginning as an attempt to explore the possibility for the maximum people's participation I am proposing a new system of local development fee. Such fees will not be an economic burden and can be easily administered. In considering the above facts, local development fees will be collected on the basis of the land revenue.

40. The rate of such fees will be only 5 percent of land revenue in 41 districts where Land Revenue Act has been introduced. While in the remaining 34 districts, only Rs. 1 per landowner will be collected.

41. The collected fee will be provided by HMG/N to the district where it will be utilised strictly for local development. At the same time, there will be no change in the allocation of resources for local development purpose. I hope, Honourable Members will agree with me that an effective system of collecting and utilising such fund will accelerate the process of rural development. If a request is made by any district to introduce the Panchayat Development and Land Tax, which has been suspended in the current year, this tax will be again introduced in that district and the local development fee will not be collected.

42. Up-to-date records of crops, plots, landowners and tillers will be maintained regarding the use of irrigation water. On this basis the concerned irrigation project offices will collect water cess. The prevailing rules and regulations in this respect will also be amended to make it more effective.

43. Now I submit the proposals for non-tax revenue.

Since it has been necessary to change the rates of charges under the heading Charges, Fees, Fines and Forfeiture, some changes have been made in the existing rate structure. This measure will generate additional revenue of Rs. 4.7 million. The proposed change is shown in Schedule A.

44. Changes will be made also in the existing rate structure of the postal services from July 16, 1980. The additional revenue to be accrued to the government from this measure will amount to Rs. 6 million. The proposed change is shown in Schedule B.

45. It is estimated to collect Rs. 1.1 million from changes proposed on road permit system in transport sector to be introduced from July 16, 1980. The proposed change is shown in Schedule C.

46. The management of International airport and its maintenance are very expensive. But the present rate of different charges in the Tribhuvan Airport is not sufficient to cover the cost of maintenance and services provided. It is, therefore, proposed to increase the existing rate of charges for aircraft landing, air navigation and hangar facilities, office rentals, cargo and fuelling. Fee will be levied for the visitors entering the terminal building and vehicles parked in the terminal area. This will yield additional revenue of Rs. 7.4 million. The details are given in Schedule D.

47. Additional revenue of Rs. 15.29 million will be generated from the proposed, increase in the rate of charges made for issuing passport, visas and its renewal. The proposed; change as given in Schedule E will be effective from July 16, 1980.

48. Mining royalty on the basis of production to be introduced in the coming fiscal year will yield an additional amount of Rs. 0.5 million while change of rates for the advertisement services of Radio Nepal will bring additional Rs. 0.8 million to the exchequer.

49. If forest products are protected and used in a planned way, it can contribute much in increasing the revenue. In this context, an additional amount of Rs. 56.5 million is expected to generate from the improvements to be made in the availability, sale and export of timbers and firewood.

50. All other direct and indirect taxes will remain unchanged.

The revenue to be raised from the existing sources and new proposals for tax and non-tax revenue is estimated to be Rs. 2177.89 million and Rs. 236.4 million respectively. Thus, the total revenue estimate for the coming fiscal year will be Rs. 2414.29 million.

51. Of the total budgetary gap I had shown earlier, the net deficit will be Rs. 405.46 million only. In order to meet this gap I have proposed Rs. 250 million to be met by mobilising internal loans and the remaining net deficit of Rs. 155.46 million to be borne out of the cash balance, in case it cannot be met by the revenue.

52. Honourable Members are aware that it has become very difficult for the civil servants, who fall within the fixed income group, to make livelihood in view of the rise in prices in recent years. Even if the pay and allowances of the civil servants are increased one cannot say that their conditions will be improved because the hike in pay will be followed by price rise after sometime. Besides this, common people will also be hard hit from

the inflation caused by rise in pay. Keeping this in view, it will be more helpful to provide them continuously with goods of daily consumption at fair and stable price. This will decrease demands of those goods from the market, which will release, to a certain extent, pressures from the market price and thereby prove beneficial to the common people too. Necessary arrangements, therefore, will be made from the coming fiscal year to provide rice, dal, oil and sugar at a reasonably subsidized price to the civil, military and police personnel. While making this arrangement, provisions will be made only for two members of the families of police and military personnel who are getting ration or ration allowances at present. In case of those " who do not get the ration or allowances, provision will be made for 3 members of the family. Though this arrangement may not look adequate in view of the rising world-wide inflation, I think that this measure which has been adopted within the resources available will help mitigating their pressing conditions to some extent. Since all government officials shall receive the above facilities the rice allowance of Rs. 18/- per month which is 'aid to all non-gazetted staff with henceforth be discontinued.

53. Amount equal to one month's salary of each civil servant will be paid as Dasain expenses to all the government servants in the coming fiscal years so that they may not face hardship in Celebrating Dasain festival because of the inflation and limited possibility of saving from their salaries.

54 Repayment of advance pay taken by the government servants during the Dasain festival in the current fiscal year will also be exempted.

55. The interest the government servants have to pay to the Employee's Provident Fund on the amount they borrow will be squared up, if they want so with the interest they get for their deposits. If interest amount remains in the balance even after this, arrangements will be made to deduct from the principal amount borrowed.

56. Revenue administration in our country has to play an important and very responsible role in the process of our development. Besides this, new and more scientific techniques are also being developed. Since revenue personnel have to be oriented to this development, necessary administrative measures will also be undertaken. A training centre called Revenue Administration Training Centre will be established in order to develop the skill, knowledge and capabilities of the revenue personnel of the Finance Ministry and Departments under it. This will also create an atmosphere of mutual understanding between the tax- payers and revenue personnel.

V

1. Honourable Chairman, I have already explained the underlying strategy in 'framing the budget for the next fiscal year. In fact, the main objective of the economic and social development of the country is to help attain the minimum needs of the people. The budget and the programmes are effective means to achieve these objectives. The budget, which I have just presented, is based on these considerations. I have indicated the fiscal and monetary policy for the coming year, keeping in view the current economic condition of the country. But we must keep in mind that however sound the underlying principle of the budget may be, it will have no significance unless the proposed programmes are implemented effectively for the benefit of the common people. The experience of the past has led us to be cautious in our approach.

2. Honourable Chairman, I have formulated the next year's fiscal policy and development programmes keeping in mind our problems, aspirations and the current economic condition of the country. I have already explained next year's fiscal policy and programmes which aim at providing employment to the people, increasing their purchasing power and making available the basic facilities for improving the general standard of living of the common mass. I have already explained about the investment of Rs. 290 million for the rural development projects to be implemented by His Majesty's Government with local development fund as well as grants-in-aid during next year. This amount is definitely inadequate to our requirements. Adequate amount of fund for projects related to improving the general standard of living of the people could not be allocated due to the large amount of fund needed for the ongoing projects. However the allocated amount is higher in comparison to last year's allocation.

3. Although adequate amount of fund could not be allocated for these programmes during next year, the pattern of development expenditure has been changed in favour of the common people. I am confident that greater share of development resources can be channelised for the people-oriented programmes within the next few years. Efforts have been made to achieve these goals through the change in investment pattern, on the one hand, and the change in the fiscal and other policies on the other. All these policies have their own sanctity. In the context of His Majesty's Government's increasing commitment for the development of the country, the pattern of development expenditure in particular needs - a basic change. Emphasis would, therefore, be given to create congenial atmosphere for making development expenditure more people-oriented through appropriate fiscal and other policies.

4. It is but natural to give priority to the agriculture sector while formulating the development policy. I have explained about the new programmes to be implemented to increase production in agriculture sector in line with our Sixth Plan objective. I am confident we will be able to achieve the target in the coming year. Local panchayat will be involved in the development process through decentralization of development activities so that it will help to make the plan realistic and improve implementation of the programme. If such policies were effectively implemented in the industrial and foreign trade sector, it will help to improve the economic condition of the country.

5. Favourable environment is very important for an all-round development of the country. Fiscal, monetary, industrial and commercial policies have, therefore, been formulated in order to create favourable environment necessary for the development of different sectors. Keeping in view the important role of the private sector in the development of industry and commerce, policies have been formulated to seek the cooperation of the private sector along with the public sector. Improvements in the existing "system will also-be made in the coming year.

6. Fiscal policy of His Majesty's Government will have its impact in all sectors of the economy. It has an important role in attaining objectives of the distribution of national income and development of industry and commerce as well as development programmes. Fiscal policies for the next year have

been formulated keeping in view of these considerations. The fiscal policy for the next year has been formulated with the objectives of providing facilities to the common people, controlling the rate of inflation, improving the condition of the small farmers, developing the cottage and village industries and sound trade. Similarly, other policies have been formulated keeping in view the basic objectives laid down for the next fiscal year.

7. Lack of resources and geographical limitations have posed a challenge to keep up momentum in the pace of development with the maximum use of the existing infrastructures of the country. I want to assure this House that despite the constraint of resources we shall be able to face any economic challenge if we take firm steps in a planned and disciplined way.

8. Honourable Chairman, the budget I have presented just now for the next fiscal year has attempted to move the economy in the right direction by creating environment conducive to further development.

9. Honourable Chairman, in the present context of the changing environment the economic programmes and activities are greatly influenced by external factors. It is therefore necessary to take these limitations into account. Since development is a continuous process, it has to be changed according to the need of time. Our whole activities are determined in the context of the greater national interest. There can be no controversy about this. His Majesty the King has provided us great inspiration and encouragement in our efforts for development. We have to make greater efforts and show the feeling of self-sacrifice as well for the realisation of His Majesty's desire for a balanced development of our country so that all can share the fruits of development. Our path is long and difficult. But, given the atmosphere' of mutual understanding and confidence, we are sure to succeed. We have high morale after the referendum.