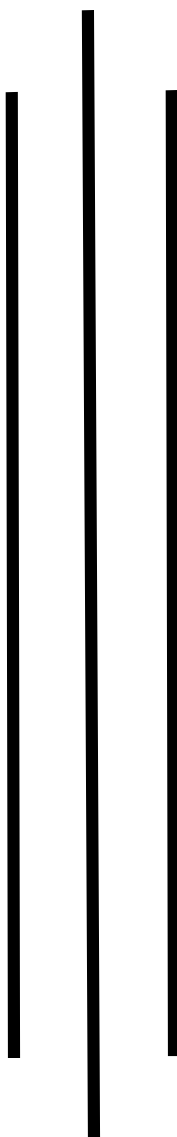


Principles and Priorities of Appropriation Bill, 2016



Government of Nepal

Ministry of Finance

May, 2016

(Unofficial Translation)

**In accordance with Clause 89 (2) of Operational Regulations, 2013 of
Legislature-Parliament**



**Principles and Priorities of Appropriation Bill, 2016 Delivered in the Legislature
Parliament by Finance Minister Mr. Bishnu Prasad Paudel**



Government of Nepal
Ministry of Finance
May, 2016

Right Honorable Speaker,

1. I present the principles and priorities of Appropriation Bill, 2016 in this august Legislature Parliament in accordance with clause 89 (2) of Operational Regulations of Legislature Parliament, 2013.
2. We are in the process of formulating the first budget after the promulgation of the Constitution of Federal Democratic Republic Nepal. Socialism-oriented independent, self-reliant and prosperous economy will be the major principle of upcoming Budget. The constitutional provisions of economic rights and resource mobilization of federal, provincial and local level in the federal context will be taken into account while formulating the budget of next Fiscal Year.
3. Economic development and prosperity is common and prime agenda of the country. All resources, strengths and attempts will be focused to attain this goal.
4. We do not have comfort to delay in fulfilling responsibilities of principle directives of the Constitution and addressing peoples' aspirations by showing the causes of resource inadequacy and legal and procedural complexity. There is no any alternative other than implementing the roadmap for ensuring immediate and long-term benefits. In this context, the government is committed to prioritize the programs to be implemented phase wise within a decade from next Fiscal Year. Appropriation Bill, 2016 will give special focus on this roadmap. While implementing this roadmap, the fundamental principle of "Private sector friendly, participative, socialism-oriented economic development" will be adopted.

Right Honorable Speaker,

I present the principles of Appropriation Bill, 2016.

5. Strategic Project-Centric Investment to Kick Start High Economic Growth

Investment in mega projects of hydropower generation and transmission lines, highways, airports and irrigation canals will be increased. Special provisions will be made for efficient utilization of allocated investment. The coming decade will be announced as "**Decade of Economic Growth**". The programs of economic growth will be implemented by classifying the Fiscal Year 2016/17 to 2018/19 as courageous kick start of economic growth phase, 2019/20 to 2021/22 as encouraging transformation phase, 2022/23 to 2024/25 as double digit economic growth phase and 2025/26 onward as sustainable economic growth phase. By this, I believe that the spiral upward economic growth will be attained rather than that of cyclical type.

6. Modernization and Commercialization of Agriculture, Industry, Tourism and Service Sector

Agriculture, industry and service sector including tourism are the drivers of economic growth of Nepalese Economy. Utilization of modern knowledge, technology, machineries and professionalism will be encouraged to increase production and productivity in these sectors. Contract farming will be promoted. The programs that revitalize and promote small and medium enterprises will be developed. The modernization and professionalization campaign will be initiated to utilize the available natural and human resources, comparative advantages and competitive efficiencies. No any resources will be left unutilized. For the structural changes in economy, sequential policies and plans will be implemented.

7. Catalytic Business Environment: Encouraged Investment

The large industries will specially be provided with necessary energy and other infrastructure services. Simple, clear and transparent mechanism will be adopted for industrial registration, liquidation and liability clearance. Transaction cost will be reduced through policy clearance and governance reform. Merit-based selection and performance-based career development, appropriate pay and labor welfare will be the basics of labor development. The policy of “Disciplined Labor, Disciplined Manager, Disciplined Production System and Promoter, Regulator and Guardian Government” will be adopted.

8. Rapid Economic Development through Coordinated Mobilization of Government, Private and Cooperative Sectors

- (a) On the basis of potentiality and effectiveness, opportunity will be created for maximum mobilization of public, private and cooperative sector in the production.
- (b) Government’s role will be of regulator and for peoples’ welfare management. Private sector will be encouraged to operate their business with social responsibility. Cooperative sector will be given the role of inclusive production and distribution with social enterprise. The catalytic environment will be created for mass population to directly invest in the development process.

9. Quality Improvement in Education, Health and Drinking Water Services

- (a) Basic education, health, sanitation and drinking water services will be made available for all in a time bound manner.
- (b) A clear action plan with demand, resources, quality indicators, service providers and timeline of service delivery will be implemented to provide the services of social sector. A transparent system will be established to monitor the service providers’ and beneficiaries’ responsibilities and accountabilities.

10. Social Protection: State Responsibility

- (a) Social transformation and contribution to economic development will be the basis for implementing programs related to social security, relief and rehabilitation to targeted section, social insurance, employment and labor welfare.

- (b) Government will give importance to investment in social justice and human development by analyzing the resource mobilization capacity and program sustainability.
- (c) Income generation and social sector programs will be implemented in coordinated manner to alleviate poverty and backwardness by identifying targeted groups.

11. Development for All

All socio-economic development activities will be implemented by guaranteeing equal rights, equal opportunities, same level of security and same level of respects to all Nepalese. Focus will be on establishing equitable society by eliminating all discrimination including class, gender, ethnicity and region.

12. Balanced Development

- (a) The development projects and programs will be implemented on the basis of development potentials and expected outputs as well as focusing on balanced development of different provinces, classes, businesses and communities.
- (b) Agriculture, industry and service sector and physical infrastructure will be developed and expanded as complements to each other. Fiscal equalization will be maintained among federal, provincial and local levels. Development and environment will be used as each other's promoter. Sustainable development will be the basis of development management.

13. Scientific Land Use

- (a) Efficient use of land and land resources will be ensured.
- (b) Land will be categorized based on scientific use. Utilization of land under specified category will be prohibited to use for other purposes.

14. Trade Diversification and Credible Supply System

- (a) International trade will be diversified. Trade agreement with additional countries will be done to increase the potential trade destinations. Production of tradable goods and services will be increased.
- (b) Bilateral and multilateral provisions will be made for smooth supply of goods and services. Infrastructure will be developed to increase the storage capacity of food, medicines and fuel.

15. Budgetary Systems Reform

- (a) Necessary legal and institutional infrastructures for fiscal federalism will be developed.
- (b) Budget will be allocated based on policies, programs and results.
- (c) By curtailing unproductive expenses and exploring new sources, fiscal space will be expanded for capital formation.
- (d) A transparent system that confirms responsibility and accountability of budget allocation, expenditure and physical outputs will be established.

16. Resource Management

- (a) Federal fiscal structure will be prepared to strengthen the federal financial system. Investment friendly internal resource mobilization will be made sustainable by reforming tax systems, increasing voluntary tax compliance, protecting and expanding tax base.
- (b) Fiscal incentives will be provided for revival of enterprises and economic activities affected by devastating earthquake and supply constraints.
- (c) International economic cooperation will be mobilized through national system in the sectors of national priorities and federal requirements.
- (d) Economic diplomacy will be activated to garner development cooperation from friendly neighbor countries, bilateral and multilateral development partners.

17. Reform in Project Implementation

- (a) All project activities will be clearly defined.
- (b) Resources and time needed for completion of activities will be confirmed.
- (c) Required resources will be guaranteed. All activities of the projects must be completed within given time and estimated costs.
- (d) Clear provisions will be made for project managers' appointment, performance contract, authority, responsibility and accountability.
- (e) Complexity and delay in project implementation will be avoided through policy and legal reforms.
- (f) With provision of **Special Monitoring Desk**, the monitoring of projects of strategic importance will be made effective. The existing monitoring and evaluation systems will be improved.
- (g) The project managers achieving the targeted results will be rewarded. The project managers not achieving results will be punished.

18. Economic and Financial Sector Reforms

- (a) Economic reforms will be directed towards self-reliant and competitive economy, utilizing the potentials of economic growth and development.
- (b) Necessary reforms will be carried out with a view to transforming the national economy to an interdependent economy capable enough to get benefit from neighboring, regional and global economy.
- (c) Banking and financial sector will be motivated to be mobilized in national development priorities. Financial sectors' investment will be encouraged in increasing production and productivity.

19. Macroeconomic Stability

- (a) Budget deficit will be kept in the desirable level to maintain the federal fiscal discipline. Domestic and external loans will be utilized in the infrastructure projects of strategic importance and productive sectors. Monetary instruments and administrative measures will be adopted for maintaining the price stability.

- (b) Attempts will be made to reduce the import and increase the export by increasing the production. Balance of Payment will be maintained by controlling the trade deficit.

20. Developing Resilient Economy

- (a) Special provisions will be made for food security, health security, energy security, fuel security, transportation and communication during the disasters like earthquake, floods, landslides, fire and drought.
- (b) Despite economic and noneconomic shocks, coordinated efforts will be made to make economy dynamic and vibrant by enhancing internal capacity and exploring alternative measures.

21. Strong, Effective and Responsive State Mechanism

Periodic action plan will be prepared for capacity development of all state organizations. Reform action plan will be prepared, to secure timely and quality service delivery, through continuous research, use of best practices and use of information and communication technology.

Right Honorable Speaker,

Now, I present the priorities of Appropriation Bill, 2016.

22. Implementation of Constitution

Federalism will be implemented by developing the necessary structures. Progressive implementation of constitutional provisions of fundamental rights, directive principles, policies and responsibilities will be ensured. Necessary preparation and budget allocation will be ensured for conduction of election at various levels. The bills of new laws as per the constitution will be presented in the legislature parliament.

23. Reconstruction, Rehabilitation and Revival

Private houses destroyed by the devastating earthquake will be reconstructed within the next Fiscal Year. Integrated, modern and safe settlements will be developed. Reconstruction of health posts, school buildings, government buildings, local infrastructure and cultural heritages will be given the high importance. Targeted programs will be implemented to revive the economy shocked by earthquake and supply constraints.

24. Construction of Strategic Physical Infrastructure

Special emphasis will be given to construction, upgradation and modernization of basic means of connectivity such as highways, airports, power generation and transmission lines and information and communication systems. National Energy Crisis Reduction and Electricity Development Decade will be implemented. Roads and Transports Strategic Plan will be implemented for prosperous Nepal. Infrastructure will be developed to facilitate employment creation, expansion in economic activities, economic growth and balanced

development. Construction of physical infrastructure, that facilitate the connectivity between federal and province and among provinces, will be initiated.

25. Transforming Growth Channels

Special programs will be implemented for increasing agricultural production and productivity. The policies, laws and procedures related to establishment and operation of industries and factories will be reformed. New tourist destinations will be identified, developed and marketed. Aviation service industry will be developed.

26. Social Sector

Special programs of vocational education and skills development will be launched. To ensure the quality education, teachers' capacity will be enhanced and curriculum and educational administration will be reformed. Comprehensive plan will be prepared and implemented to ensure the skilled health personnel and quality medicines in all villages. Construction of necessary infrastructure will be initiated in order to provide modern and specialty health services within the country. Special programs will be implemented for quality drinking water supply.

27. Labor Market Improvement

Vocational education and skills development programs will be launched for fulfilling the skilled labor demand in physical infrastructure projects and in the programs of agriculture, industry, tourism and service sector. The demand and supply of labor will be managed by balancing the marginal productivity and labors' benefit. Foreign employment will be made decent and managed.

28. Private Sector Development

Special programs will be implemented to provide physical infrastructure, land, dedicated electricity, construction materials and security for operation of large manufacturing industries. Public private partnership will be strengthened in research and innovation for enterprise development.

29. Construction of Modern Cities and Large Administrative Buildings

Preparatory works will be initiated to develop the attractive, information technology friendly, beautiful and green 'smart cities' with modern infrastructure, higher education and ultra-modern health facilities. Construction of multipurpose and large government buildings will be started.

30. Consolidated Approach in Social Protection

The consolidated system oriented towards smart system will be developed to ensure right amount of social protection schemes to right people in right time.

31. Achievement of Sustainable Development Goals

Economic and Social sector programs will be implemented with due importance for graduating from Least Developed Country by improving Gross National Income, Human Assets Index and Economic Vulnerability Index by 2022 and achieving Sustainable Development Goals by 2030. Adaptation programs will be formulated for maintaining the environmental balance and reducing the climate change risk.

32. Peace Process

The remaining works of peace process will be completed.

33. Continuous Reforms

Strategic sectoral reforms and basic paradigm shifting reform programs will be executed in a planned way for effective performance of government agencies. Best performing agencies and human resources will highly be regarded. New provisions of reward and punishment will be developed.

Right Honorable Speaker,

34. I believe that the principles and priorities and the roadmap of high economic growth that I have presented in this august Legislature Parliament will make next Fiscal Year a departure year to fulfill the constitutional responsibilities, to develop self-reliant, competitive, dynamic economy and to build prosperous Nepal with social justice.

Right Honorable Speaker,

35. I am confident that honorable members, involving into rigorous discussions, will provide the constructive suggestions on the principles and priorities of Appropriation Bill, 2016. I am fully committed to incorporate the suggestions provided in the next Fiscal Year's budget.

Thank You !