

Budget Speech Delivered by
Dr. Y. P. Pant
Minister of Finance
For the Fiscal year 1982-83
On 9th July '1982

Honourable Chairman,

1.1 In pursuance of the objectives of the planned development, I stand here, today, before this august House to present the budget for the fiscal year 1982/83.

1.2 It is evident that, today we are in the right course as a result of the existence of a progressive and people oriented political system under the able and dynamic leadership of His Majesty the King. In the recent years, important and far-reaching political exercises have taken place such as the referendum, Panchayat election at various levels, elections of class organizations and the central Pancha Convention, which have further strengthened and consolidated the country's political system. The mass participation in these political processes has demonstrated Nepal's commitments towards the Party less Democratic Panchayat system.

1.3 In view of the conducive environment in the political field, we should ensure the optimum use of resources in order to meet the aspirations of the people. There is no doubt that all our activities, and aspirations must be directed, through the medium of the Party less Democratic Panchayat system, towards the creation of a society free from exploitation. Local leadership can play a crucial role in effectively mobilising mass-participation for this work and infusing a new spirit to the different units of the Panchayat and class organisations.

1.4 In fact that the international economic environment will always influence the pace of our development. Since Nepal is an active member of the group of developing countries, we have always stressed that, within the broad framework of the group of developing countries, there should be an increase in the transfer of resources and technology from developed and developing countries to the Least Developed Countries. We have also emphasized the need for necessary support to the priority sectors of the government as well as liberalisation of the conditions of external assistance.

1.5 North-South Dialogue, at different levels, have been held regularly in order to discuss the concessions to be given to the developing countries by the developed countries; however, no concrete results have yet been achieved. In spite of the Buenos-Aires Plan of Action, Caracas Plan of Action, Havana Declaration, Cancun Summit meetings and the recently held New Delhi Consultations there has been no noticeable change in the approach of the developed countries. Even in the recently concluded Versailles Meeting of the seven industrialized countries consensus among them was lacking. Consequently, an uncertain environment has been created in the field of international co-operation. As a result, multi-lateral financial agencies and organizations involved in international co-operation are facing financial difficulties. However, even though in this way there is a slackening of commitments of developed countries to developing countries in the field of economic development, for least developed countries like Nepal there is still sympathy and commitment for international co-operation-

1.6 The address of His Majesty the King on behalf of the Least Developed Countries of the Asia and the Pacific Region, at the Paris Conference of the Least Developed Countries organized last year under the auspices of the United Nations has been very effective in the field of international co-operation. This meeting helped in obtaining the understanding of the world community towards the aspirations and problems of development of the Least Developed Countries. The Conference has ratified a new economic programme for the decade of 1980's in favour of the Least Developed Countries. It is believed that this will be helpful to further promote the development efforts of the least developed countries.

1.7 The meetings organized in Nepal by UNCTAD and ESCAP, after the Paris Conference, have also helped in enhancing the mutual understanding between the developing and the Least Developed Countries of this region. In the near future a meeting of the least developed countries of this region will be held in Nepal under the sponsorship of UNCTAD. Moreover, Nepal as Chairman of the Board of Governors of the Asian Development Bank for this year can play an effective role in the development efforts of the Least Developed Countries of this region. In the international field, Nepal has thus been able to make such important contributions towards the common benefit of the Least Developed Countries. In this context His Majesty the King's wide-ranging perception and commitment towards development have played an important role. Besides, the international community has appreciated the policy of non-alignment of His Majesty's Government and Nepal's deep conviction in peace.

2.1 Against these national and international background, I would now like to highlight in brief the policy and programmes adopted by His Majesty's Government.

2.2 While presenting the budget for 1981/82, I had pointed out the necessity of speeding up the process of economic development at a faster rate and reducing the economic disparities that prevail in the country. Accordingly His Majesty's Government has adopted strong administrative measures to remove the distortion of our economy and thereby develop industry, trade and other sectors.

2.3 His Majesty's Government has been quite conscious to reduce the imbalance in the foreign trade front. As a result, though the amount of trade deficit has not declined, there has been a sharp decline in the rate of increase in imports leading to an improvement in the balance of trade, and consequently there has been a significant increase in the foreign exchange reserves.

2.4 While presenting the budget for the current fiscal year, I had referred to formulate a new foreign trade policy for the country. Accordingly a new policy has been adopted but it may take some time to have its impact in the economy. It can be expected that, this will create a favourable environment for the establishment of the import substituting and export oriented industries.

2.5 In the context of delays in implementation of development projects, I had referred to make some improvements on administrative procedure. Accordingly District Treasury and Financial Comptroller's Offices were established in all the 75 districts in order to release funds in time and carry out audit at the district level. Similarly training programmes were undertaken to improve the financial administration. It has been realised that the new procedure of budget releases by every four months has made the fund available in time for the development projects. Arrangement has been made at the central level to look after the problems in the disbursement procedure as well as the use of fund at the district level. At present even small payment to Government offices have to be made through banks and this is causing great hardship to the people. Therefore, from the next fiscal year I have made arrangement for offices to accept direct payment of up to five thousands rupees.

2.6 While presenting the budget for the current fiscal year, I had highlighted that the various government corporations with the similar objectives and activities will be merged in order to reduce the overhead costs as well as to improve the management and performances of the corporations. I had also stated that those corporations, which are not necessary in the public sector, would be transferred to the private sector. Under this policy, His Majesty's Government has already decided to merge Nepal Timber Corporation, the Fuel Corporation and the Forest Production Development Board into One Corporation and similarly Nepal Electricity Corporation and the Eastern Electricity Corporation have also been amalgamated. The process of merging the various corporations will be continued in the next year also.

2.7 The main problems that exist in the public enterprises for the smooth running of their operational works are lack of working capital, faulty capital structure, lack of subsidies for the public enterprises which have to sustain losses for the fulfilment of social and economic objectives set by His Majesty's Government and lack of a sound management policy. Due to these reasons the public enterprises are, at present, facing a great difficulty in paying in time the government guaranteed loans to the commercial banks. In order to overcome such problems, necessary provisions of working capital have been made for the public enterprises on the basis of their activities and programmes. Similarly the Government has made necessary subsidy provisions to repay the government guaranteed loans from the commercial banks. Improvements in the capital structure of some public enterprises have also been made. In order to improve the management of the public enterprises a system of appointing the chief executives will be soon implemented on the basis of their qualifications, experience and leadership qualities. As a result of these measures, improvement in some of the public enterprises has been noticed this year and it is expected to improve further in the next fiscal year. Such improvement will certainly help increase national production as well as the contribution to the government revenue.

2.8 Commercial banks' branches have been extended for the mobilization of savings in the rural sector with a view to invest in the productive sectors. In some districts intensive banking services including technical advice to disbursement of loans have been made available to the local entrepreneurs. Viability of project rather than collateral security has been the determining criteria for loans and advances and accordingly the loan procedures have been made more simple and clear.

2.9 The interest rate structure of the commercial banks plays an important role for mobilisation of savings. In the context of the rising inflation, interest rate structure should be revised from time to time. Despite the fact that time deposits had increased to a great extent in the previous years this rate of growth was not sufficient enough to keep pace with the need of loan disbursement in the productive sectors. Therefore the interest rate has been revised upward on both the deposits and loans with a view to encourage the depositors as well as to increase the flow of resources towards the productive sector.

2.10 In order to increase the present level of agricultural production, His Majesty's Government has made the various agricultural development programmes more effective by assigning senior officers to supervise in a particular district for the timely supply of improved seeds and fertilisers and disbursement of agricultural loans and arrange them in a coordinated manner. As I mentioned in the House last year that due to various financial difficulties of the farmers~ repayment date of the agricultural loans was extended up to mid May 1982 with an exemption of fine for the same period. Such loans for production purpose amounted to Rs. .65.5 million.

2.11 In view of the importance of the cottage and small industries for the utilisation of the raw materials available within the country and the development of traditional skill, I had mentioned to provide special facilities for the establishment and promotion of these industries. Accordingly under the New Industrial Policy, the procedure of setting up small scale and cottage industries has been sampled. The Department of Cottage and Village Industries, the Sajhas (Cooperatives) and the Banks have been made responsible for the timely availability of raw materials, loan facilities, training programmes and institutional marketing facilities. In addition, development of cottage industries has been included as an integral part of the Integrated Rural Development Programmes and Small Farmers Development Programmes. A Cottage Industries Development project mainly designed for export promotion has been launched in 9 districts of Bagmati and Gandaki Zones.

2.12 His Majesty's Government in the current year has endeavoured to ensure regular supply of essential commodities such as food items, clothing materials, edible oil, and sugar and kerosene oil. In the context of rising trend of price since the last few months, the government has already undertaken various measures like increasing stock of rice to control price rise.

2.13 I had mentioned last year that we should concentrate on strengthening tax administration rather than on increasing the tax rates. Accordingly, the procedure of collection of land revenue has been made more simple and effective. Accordingly different groups of officials have been sent to various Panchayats for collection of land revenue.

2.14 Valuable suggestions made by the Honourable Members of the House, during discussions on the budget for 1981/82, have already been implemented by His Majesty's Government. Taking into consideration the long run effects of the suggestions, His Majesty's Government has made necessary arrangements for revising the existing rules and regulations, which I want to refer here in brief.

2.15 Most of the Honourable Members of the House had expressed their view to control the unauthorised trade by unifying the exchange rate and to restrain the flow of fund of the banking sector towards unauthorised trade. Accordingly since the beginning of the current fiscal year, His Majesty's Government has unified the exchange rate. In addition, the Honourable Members are aware that necessary actions have been taken against the business- man and the concerned employees involved in the unauthorised trade and His Majesty's Government has already made various measures to control such unauthorised trade practices.

2.16 Some Honourable Members had emphasised that social justice would not be attained in the absence of the effective collection of direct taxes like income tax. Accordingly the Income Tax regulation has been revised this year. Due to improvement in tax administration collection of income tax has increased this year.

2.17 As you are aware that His Majesty's Government has endeavoured to make the development process more production oriented with the view to render direct benefits to the general public through maximum utilization of already created infrastructures such as transport & communications, power and irrigation etc? In addition, as guided by the desire of the people His Majesty's Government has undertaken policy measures, which have been successful to a great extent in removing the economic distortions as well as in controlling the undesirable economic activities. This indicates our approach for the development policy adopted by the government.

2.18 Now I would like to highlight the current state of the country's economy. I have already presented Economic Survey 1981/82 analysing economic activities and trend in the various sectors of the present economy, which I would like to explain here in brief.

2.19 The Economic Survey which I presented yesterday shows that there has been a satisfactory progress in the economy in the current fiscal year. The rate of growth of GDP has reached very close to the Sixth Plan target due to increase in agricultural and industrial production and expansion of activities in other sectors of the economy. I feel that the main achievement of the current year is increase in agricultural and industrial production, expansion of activities in construction, power and service sectors, control in the rate of growth of imports, substantial increase in foreign assets and control of undesirable activities. However there is no room for complacency on our part. We are still confronted with such major problems as lack of increase in the purchasing power of the people, lack of control in the high growth rate of population, rising price of rice, implementation of development projects not keeping up to expectations and the export trade not attaining a desired growth rate.

2.20 The GDP is estimated to increase by 4.1 per cent in the current fiscal year. The production index of major agricultural products is estimated to increase by 3.5 per cent. Of these, food grain production and cash crops production have been estimated to increase by 3.4 per cent and 4.3 per cent respectively. As compared to the last year, the agriculture credit disbursement in the current year has increased by 69 per cent and the distribution of improved seeds and chemical fertilisers has increased by 39 per cent and 5 per cent respectively. Due to availability of raw materials and improvement in the supply of electricity since the last mid March the index of industrial production for the current year is expected to increase by 24 per cent. The expansion of the activities in economic arid social infrastructure is quite encouraging since the construction of roads and suspension bridges, the extension of health and drinking water facilities and expansion of communication system are quite satisfactory during the nine months of the current fiscal year.

2.21 Money supply has increased by 17 per cent in the nine months period of the current fiscal year. The rates of growth of imports and exports have increased by 7.5 per cent and 7.2 per cent respectively. Despite the fact that increase in imports could be controlled to some extent the trade deficit has not been improved because the increase in - exports has not been able to exceed the increase in imports. However the rate of increase in trade deficits has declined to 7 per cent during the nine months period of this current, year as compared to 53 per cent during the corresponding period of the last year. The balance of payments position has been favourable due to increased receipts from net services and transfers. Thus the net foreign assets have increased by Rs. 770.0 million. The total foreign exchange reserves (minus gold) of the country could covet the imports for 9 months.

2.22 I firmly believe that the present achievements are satisfactory in the context of the various problems and complexities inherent in the economy as well as limitation of our resources and capabilities. However, we should not be content with these achievements alone. The high rate of growth of population has exerted an adverse influence on our physical resources, and has not only created ecological imbalances but also made an adverse impact on the production of the country. Apart from increase in production, conservation of resource base is equally important in the present context. However the country is confronted with various difficulties due to its landlocked position and other economic constraints. At the same time our development effort has adversely been affected by economic recession and inflation in the world economy. In addition to this, the available resources have not been fully utilised due to the lack of improvement in our capabilities for project execution.

2.23 Similarly various complex problems still exist in the process of development. Besides, the development process has not yet covered all the parts of the country. We are confronted with the vast problems of unemployment and underemployment. Today the section of the society who is already privileged with benefits of development is exerting pressures for additional benefits, whereas the large numbers of people in the rural areas are still devoid of even minimum facilities.

2.24 Now I would like to submit the actual revenue and expenditures of the fiscal year 1980/81 and the revised estimates of the fiscal year 1981/82.

2.25 The actual regular expenditure for the fiscal year 1980/81 was Rs. 1361.2 million against the revised estimates of Rs. 1426.4 million. Thus the actual expenditure accounted for 95.4 per cent of the revised estimates. In the current year regular expenditure has been estimated at Rs. 1779.5 million; however, it has been revised to Rs. 1709.4 million, which is 96.1 per cent of the original estimates.

2.26 During the fiscal year 1980/81, the actual development expenditure was Rs. 2731.1 million against the revised estimates of Rs. 2759.9 million. Thus the actual expenditures were 99 percent of the revised estimates. For the current fiscal year, the total development expenditure has been estimated at Rs. 5333.7 million and has been revised to Rs. 4073.8 million, which is 76.4 per cent of the original estimates.

2.27 The revenue receipts for the fiscal year 1980/81 according to the revised estimates was Rs. 2426.1 million whereas the actual revenue collection was Rs. 2419.2, thus indicating 99.7 per cent of the revised estimates. In the current fiscal year, the revenue receipt has been estimated at Rs. 3100.0 million and has been revised to Rs. 2920.9 million, which is 94.2 per cent of the original estimates. In the current year the revenue from import and export has declined to some extent due to the restriction imposed on the imports of certain commodities that do not contribute to the economic and industrial development and also on imports of certain undesirable consumption goods. Similarly, the total government revenue has been adversely affected by a low collection of land revenue due to flood and draught in some parts of the country.

2.28 In the fiscal year '1980/81, out of the total development expenditure Rs. 1168.9 million was met from internal sources and Rs. 1562.2 million from external sources. Out of the internal resources, Rs. 1058.0 million was met from regular budget savings. Since Rs. 250 million was raised from internal loan, there was a budgetary surplus of Rs. 139.1 million. According to the revised budget estimates for the current year, Rs. 2059.0 million of the development expenditure is expected to be met from foreign aid and Rs. 1211.5 million is to be met from revenue surplus and Rs. 500 million from internal borrowing and thus the net deficits of Rs. 303.2 million will be financed from drawing cash balances.

Chairman.

3. 1 The economic policies embodied in the next year's budget are designed to help execute Special Economic Programme introduced recently with a view to achieve the growth rates as envisaged in the Sixth Plan. Please allow me, therefore, to highlight the Special Economic Programme.

3.2 I have already made a reference to important achievements like political maturity, which is a prerequisite for attaining a rapid rate of development. The affection of His Majesty the King towards the countrymen, the untiring efforts of the workers who have been dedicated to the party less democratic Panchayat system and the people's faith in the system have created a favourable environment and also necessary conditions for development. Therefore, our greatest challenge is to mobilise all resources for attaining the goal of development.

3.3 In view of the prevailing political and economic condition and keeping in mind the Royal address by His Majesty the King to the thirty-second session of the Rastriya Panchayat, the Royal messages on the occasion of Vijaya Dasami 2038 (1981) and the new year's day 2039, (April 14th 1982) and also taking into consideration the various suggestions made by the Central Pancha Convention, His Majesty's Government has launched the Special Economic Programme in order to develop and strengthen the national economy. The Special Economic Programme aims at increasing production and enabling a larger section of the society to share the benefit of development. This will be brought about through regional balance, active participation of the people and by canalising the flow of resources towards the productive sector. In addition to this, an appropriate strategy has been formulated in order to correct the prevailing distortions in the economy and also to overcome various problems encountered during implementation of development works.

3.4 We are towards the end of the second year of the Sixth Plan. The main objective of the Plan is to accelerate the pace of development by mobilising internal and external resources to a maximum extent. The priority of our development is to increase the level of production keeping in view the need and condition of the country. Accordingly, various programmes will be launched in the agricultural sector with a view to achieve the target of production one year ahead of the end of the Sixth Plan. In order to provide direct benefit to the farmers, arrangements be made for timely delivery of agriculture inputs. Small Farmers Development Programme, Co-operatives (Sajha) Development Programme and land reform measures would be intensified for this purpose.

3.5 The role of the agricultural sector is crucial for increasing the national income. However, in view of the rapid growth of population, agriculture alone cannot sustain the economy and so industrialisation has become equally important. Honourable Members are aware that keeping in view this objective the new Industrial Policy has been promulgated. In order to promote the industries based on locally available resources, emphasis has been given for the establishment and expansion of those industries, which are based on agriculture and forest products and also import substituting industries. Special efforts will be made for re-opening the industries, which are closed due to various difficulties. Similarly, attention will be given in achieving full capacity utilisation of the existing industries.

3.6 Under the Special Economic Programme a new trade policy has been adopted with a view to promote export trade, to remove distortions which have appeared in this sector and to encourage the private sector to invest in the industrial field. I hope this policy; will discourage such trade that are detrimental to the national interest. With the implementation of this policy the trade sector is expected to make positive and important contribution for industrial development.

3.7 We have, thus, launched the programme of economic development in the form of a campaign. We have to move forward with determination along this process. The challenge of development is formidable. Although our task is complex, there is no reason to despair. Because of the strong desire of the Nepalese people for development I am confident that we will achieve our development goals. With this confidence, I have tried to give a new outlook to the economic policies in the budget of the coming fiscal year.

3.8 The underlying policies of the budget have been guided by the Royal address of His Majesty the King to the thirty-third session of this House. I have also taken into consideration views expressed by Members in this session as well as during formal and informal discussion and also the suggestions made by the Central Pancha Convention.

3.9 Please allow development policies, and me to mention the economic which have been adopted in the next year's budget.

3.10 It is our foremost duty to achieve the objectives as laid down in the underlying principles of the party less democratic Panchayat system and all our long-term economic policy and programmes should be tuned towards these objectives. This calls for our persistent efforts and determination. The impact of the long-term policy and programme is long lasting. It is not only unjust, but, now, even

difficult for people to wait for a long time in order to enjoy the benefit of development. Therefore, while formulating development programme it has become absolutely necessary for us to strike an appropriate balance between the projects, which help attain the long-term objective and meet the immediate needs of the people.

3.11 The main problems confronting us are hunger, disease and poverty faced by the weaker section of the society, rapid rate of population growth, which has brought about ecological imbalances and environmental degradation, which need an immediate attention. Priority has, therefore, been given to projects in productive sectors such as agriculture and industry, which meet the requirement of the people in the short run, preserve natural resources and maintain ecological balance. Emphasis has also been given to various programmes in the education and health sectors.

3.12 The greatest asset for development is our vast manpower resource. It is not possible to achieve all-round development by implementing a few projects in the public sector alone nor will it arouse consciousness for development. With the inception of the party less democratic Panchayat system local leadership right from the village level has been made dynamic and enthusiasm has been created for mobilisation of manpower for development. If we could provide necessary direction and tempo to this movement then it would be possible to implement various projects to fulfil local needs. We will also be able to involve actively everybody in the mainstream of national development. It is my understanding that this was the feeling of the Central Pancha Convention as well.

3.13 Necessary leadership and permanent institution required for the mobilisation of manpower and execution of small projects do exist at the local level. Under the party less Panchayat system we have been able to create permanent, competent and responsible institutions at the village and district levels. As, the role of the political institution at the local level is vital for development, I am confident that the newly elected local level Panchayats will be able to fulfil their responsibility.

3.14 In a rural economy like ours the role of Sajha (co-operatives) are very important. Keeping in view the fact that Sajha (co'-operatives) can contribute significantly to the collective development of the small farmers of the rural areas it is regarded as an integral part of the economic aspect of the party less Panchayat system. These institutions have been involved in providing agricultural inputs, credit and other consumer goods and also help in the marketing of the agricultural products. In the process of the expansion of these institutions, several Sajha organisations were established in the previous years. However, it has been found that many of the institutions were not financially viable. Management capability has yet to be developed at the village level. Thus the main problems of Sajha are related with finance and management. From the coming fiscal year, therefore, arrangement would be made to provide financial assistance under guided co- operatives. Terms and conditions of services of those who are engaged in Sajha would be made attractive. These institutions will be strengthened to distribute agricultural inputs to provide credit and to market agricultural products.

3.15 In line with the principle of decentralisation of the party less democratic Panchayat system. The local leadership will be encouraged to play leading role in all aspects of development works including selection and implementation of projects and mobilisation of people at the district level. The role of central organisations will be confined to activities of policy making, supervision and execution of large projects at the national level. Thus the activities at the district and national level will be clarified. This will help develop local leadership and promote active participation of the people. A grant of 50 per cent of land revenue collection will be given to each district Panchayat in order to finance the various development projects in the district. In the district, where land revenue collected up to Rs. 100 thousand, the whole amount of land revenue would be given to the district Panchayat. If any district Panchayat at the recommendation of village Panchayat would like to reintroduce the Panchayat Development and Land Tax for the sake of local development, His Majesty's Government has intended to give necessary clearance. Thus 35 percent of the Panchayat Development and Land Tax have to be deposited to the Government fund. Of the remaining 65 per cent, 10 per cent can be spent on administrative proposes where as the remaining amount has to be spent on development projects. Necessary arrangement has been made to audit these expenditures and also the revenue from Panchayat Development and Land Tax. It is my firm belief that development activities can be further extended if we can mobilise the resources at the local level.

3.16 As our economy is mainly dependent on the private sector, it is essential to enlist its active participation for the social and economic development of the country. So it has become evident that, in the coming years, the role of the private sector has to be further developed and diversified. The public sector would confine itself in the establishment of industries related with defence and other activities, which are not possible to be handled by the private sector. The public and private sectors, therefore, would develop together and complement each other. Following this approach, only those projects would be taken up in the public sector which would give immediate benefit to the people, and which could be implemented by Government alone and ultimately help the private sector. Necessary incentives would be given for the establishment of all other industries in the private sector. His Majesty's Government will encourage the private sector not to confine itself in industry and trade alone but, also to be actively involved in various development activities related with transport, irrigation, construction, afforestation and drinking water. Necessary legislative measures would be introduced for the growth of the capital market, which is necessary for the development of the private sector.

3.17 Honourable Members are aware that in the process of accelerating the pace of economic and social development various corporations have been set up in the last two decades. Although His Majesty's Government has adopted a policy to expand the role of the private sector by involving it in economic and social development programme yet it would take some time for its development. The role of public sector would remain vital for some time. It is therefore, imperative that the public corporations should be developed as a vehicle of development. Keeping this fact in mind, arrangement has been made to re-define the objective, scope and activities of the public corporations.

3.18 In the process of bringing down the public expenditure the policy of giving subsidy through public corporations has been re-considered. Contrary to the principle inherent in the policy of providing subsidy, it has been our experience that the weaker section of the population has not been able to reap the benefit to the desired extent. It has been realised that the ever-increasing amount of subsidy will burden the economy and thereby affect the process of development adversely. Therefore, except the services, which have been made, available through various corporations to the inaccessible areas and to the weaker section of the population, policy has been adopted to reduce other kinds of subsidy.

3.19 His Majesty's Government is aware of the need for reducing the regional imbalance. Honourable Members are aware that efforts have been made to execute more projects in the backward region with a view to ensure balanced development of all the regions of the Kingdom.

3.20 It is imperative that we should give special attention to the difficulty and hardship of the Far Western Development Region. His Majesty the King during the course of the unofficial visit of the area, some time back, has given important directives for the execution of development projects. In this connection a high level committee has been instituted to select projects and review their progress. The committee has already started its operation. The directives of His Majesty the King have been regarded as guidelines and His Majesty's Government has accordingly made arrangement for selection and execution of projects. In the budget of the coming fiscal year provision has been made for the implementation of these projects.

3.21 High rate of growth of population has adversely affected our efforts of accelerating the pace of development. As a result of the high rate of growth of population in the previous years the standard of living of the people could not improve. This has led to the problems of deforestation, shifting cultivation, soil erosion and flood. Since a sizeable amount has to be allocated for primary education, drinking water, health post, road, bridge etc. allocation of fund for big and productive projects could not be increased to the desired extent. It is therefore, necessary to adopt a policy designed to check the growth of the population and maintain a balance between man and the ecology.

3.22 Economic and social factors determine the number of children in a family. There is a need for creating awareness among the people in general that a large family is unproductive. It is also equally important that various birth control devices are easily made available to the people. Keeping this in view His Majesty's Government will implement various programmes related to family planning such as integrated rural development, food production, forest development, health, education, information, broadcasting etc in a co-ordinated manner. Family planning programme will be implemented with more vigour in those areas where the density of the population is high. In order to make people realise the benefit of having a small family wide publicity programme designed to attract various population groups will be launched. The role of local Panchayat, class organisation and social organisation is important in programmes related with the family planning. These organisations would be mobilised for expanding the family planning programme for which His Majesty's Government would provide necessary financial and other facilities. In this connection, His Majesty's Government has re-organised the National Population Commission to give a wider representation.

3.23 The ever-increasing demand for energy cannot be met from forest products alone. Therefore, it is essential that the alternative sources of energy should be developed immediately. For this purpose our vast water resources should be harnessed soon. It would, also help develop other sectors such as agriculture, industry and transport. Keeping this in mind, it has become imperative to form a long-term plan for the development of water resources.

3.24 For the utilisation of water resources, in the previous years, priority has been given for the execution of hydropower and irrigation projects. Kulekhani hydropower project has been completed and its second phase work has also been taken-up. Foreign assistance would be available for Marsyangdi hydropower project and the study of the Sapta Gandaki project has been undertaken.

3.25 In view of the importance of the water resources and the need for its development we have adopted a policy of increasing utilisation of internal resources for the execution of various projects. Since these projects are capital intensive and require a high level of technical know-how it is not possible to implement them with internal resources only. Necessary efforts would, therefore, be made to mobilise external resources as well.

3.26 The ever-increasing level of trade deficit has become a matter of concern to His Majesty's Government. In order to control the trade deficit it is necessary to create exportable surplus and establish import substitution industries. Taking into consideration the natural endowment of the country it is not possible to produce every item inside the country itself. But for sometime to come we have to depend on import for development goods. Therefore, it is necessary for us to give priority for export development. Based on these considerations "National Export Development Council" has already been established.

3.27 Policies necessary to ensure the regular supply of development and construction materials and essential consumer goods will be implemented.

3.28 There is a food deficit in almost all the hilly and the inaccessible regions of the country. The production has gone down due to unfavourable weather condition and the natural calamity, leading to a problem of food shortage in some part of the country. His Majesty's Government has been distributing food in the deficit areas at subsidised price. The Food Security Reserves will be created from the coming year, as the regular food supply programme alone cannot solve the unforeseen problem of food shortage.

3.29 Though the rise in the price level up to the first nine months of the current year was modest excessive increase in the price level of certain food items at the end of the fiscal year has been a cause of concern. As the sudden increase in the price of food items would affect adversely to fixed income group, His Majesty's Government is determined to control such a price rise. In order to control the price rise in the Kathmandu Valley during the last two months the supply of coarse rice has been increased and the price rise in the future, will be controlled through the timely supply of these commodities. His Majesty's Government would take strong action against those who indulge in creating artificial scarcity.

3.30 It has been realised that common man will suffer from the excessive rise in prices of essential commodities. However, the administrative measures to control price not only lead to disappearance of the commodities from the market but will also acts as disincentives to the producers. In order to protect the interest of both producers and consumers efforts would be made to fix a reasonable price. Measures will be undertaken to ensure the regular supply of goods. In order to provide reasonable profit to the producers, Sajha (co-operatives) will be encouraged to make on the farm gate purchase. Export of food grains will not be restricted except in extraordinary situation.

3.31 An unrestrained growth of money supply will adversely affect the economy. So with a view to keep money supply within the desirable limit the flow of credit chanelized to unproductive sector will be controlled and the foreign asset will be used in the productive sector. In order to streamline the credit operations and divert the flow of fund towards the productive sector a credit plan will be formulated in the coming year.

3.32 Desired growth rate cannot be achieved by the efforts of the public sector alone. Similarly, development expenditure of the public sector alone will not reflect total investments. So His Majesty's Government has been giving top priority to the development of the private sector. Even to achieve the goals set by the Sixth Plan there should be a significant increase in the level of investment in the private sector. Banks and financial institutions can play a very important role in the development of the private sector. Therefore, in order to increase investments in the private sector a new outlook will be given to the work procedures of banks and financial institutions.

3.33 Resources of the banks and financial institutions will be utilised to help the educated unemployed and to uplift the condition of the weaker section of the society. In order to divert the investment of the banking sector to the productive sector and to the socially weaker section of the population the process of monetization will be accelerated to collect scattered savings and priority will also be given for the expansion of the banking system in the

rural areas. Credit from bank would be made available in a simplified manner to those who want to use their skill for productive purposes and also to the weaker section of the population for the purchase of equipment required to produce cottage industry product, raw material, push-cart, buffalo-cart, auto rickshaw etc. The procedure of loan advancement will be simplified. In order to attract the commercial banks to open their branches in the inaccessible region compensation would be given for the loss incurred in their operations for a period of 10 years.

3.34 From the current fiscal year intensive banking development programme has been launched with a view to increase the level of investment in the productive sector and also help the programme formulated for the benefit of the weaker section of the population in an effective manner. From the next fiscal year commercial banks will have to provide at least 10 per cent of the total deposit as loans to the priority sector. In order to ensure regular flow of agricultural credit to the rural areas, the procedure of the agricultural credit has been simplified.

3.35 In spite of our policy of increasing internal resources for development investments we still have to depend on foreign aid. Even though foreign aid has been easily available till now, it is necessary to mobilise our own internal resource for the development of the country. Therefore, special efforts have been made to raise more internal resources and control expenditure.

3.36 Our revenue is very low in comparison with the national income. So there is scope for increasing revenue. The various measures which have been introduced in the current year for strengthening the tax administration has had a favourable impact. By continuing this process revenues can be increased significantly even without altering the tax rate. The Sixth Plan has envisaged that, out of the total public sector outlay of Rs. 21754.0 million, Rs. 8700 million or 40 per cent would be met from the internal resources. During the first two years of the Plan out of the total development investment of Rs. 6800 million, Rs. 3180 million or 47 per cent has been met from the internal resources.

3.37 The Sixth Plan has envisaged that the 60 per cent of the total public sector outlay will be met from foreign aid. During the first two years of the current plan period Rs. 3,600 million or 53 per cent of the development expenditure has been met through foreign aid. We are confident that the foreign aid will continue to flow in the coming years as well. Since the level of foreign assistance is linked with our absorptive capacity it has become necessary to improve our performance. In this context, measures have been taken to monitor performance of project on a continuous basis. In the coming years this process will be made more effective.

3.38 In view of growing complexities, which have arisen in the process of economic development in administration, it has become necessary to motivate the civil servants to improve their performance. The Pay Commission, which has been formed to review the salary structure and allowances of the government employees, has submitted its interim report. His Majesty's Government would undertake necessary step after duly considering the commission's recommendations.

Chairman,

4.1 The development budget and the programmes the next fiscal year have been formulated in should be consistent with the main objectives and policies of the Sixth Plan. Besides this I have also kept in mind the recently launched Special Economic Programme of His Majesty's Government. Accordingly, I have given priority to programmes that will increase production that will fulfil the daily necessities, of the common man, and to plan that will strengthen and make the economy self-supporting. Also, in deference to the expressed sentiments of the Members regarding the needs of their respective districts, I have included as many useful projects as possible.

4.2 The problems that have appeared in the process of economic development are very complex serious and challenging. I am confident that with concerted efforts coupled with courage and enthusiasm we will successfully meet this challenge. As a result of last years general elections based on adult franchise and this years local level elections the Panchayat System has attained maturity and consequently the system has been further strengthened. The budget that I have presented in this House today has been guided by the achievements in the political field and the growing aspiration of the people for development. Since development has already been created, I am confident that there will be a smooth implementation of projects in the coming year.

4.3 Now I will present the budget estimates for the fiscal year 1982/83. I have proposed regular expenditure of Rs. 2,228.4 million and development expenditure of Rs. 6,958.8 million. As against the revised estimates of the current year, regular expenditure for the next year is estimated to increase by 30.4 per cent and development expenditure by 70.8 per cent. But as against the original estimates for the current year the regular and development expenditures are estimated to increase by 25.2 per cent and 30.5 per cent respectively.

4.4 On the regular expenditure side, Rs.60.2 million has been allocated for constitutional bodies, Rs. 332.6 million for general administration, Rs. 59.2 million for revenue administration, Rs. 36.8 million for financial administration and planning, Rs. 39.9 million for judicial administration, Rs. 68.5 million for foreign services, Rs. 402 million for defence, Rs. 353.2 million for social services, Rs. 185.5 million for economic services, Rs. 324.8 million for loans investments, principal and interest payments and Rs. 365.8 for miscellaneous purposes.

4.5 Out of the total development expenditure, Rs. 4910.2 million has been set aside for economic services, Rs. 1,786.2 million for social services and Rs. 262.4 million for general administration, financial administration, planning and miscellaneous items. Out of the total expenditure allocated for economic services, Rs. 1638.2 million has been set aside for agriculture, land reforms and irrigation, Rs 264.2 million for forest and soil conservation, Rs., 1,190.3 million for transportation, Rs. 943.6 million for power, Rs. 622.8 million for mining and industry and Rs. 251.1 million for other economic services. Out of the total expenditure allocated for social services, Rs. 689.4 million has been set aside for education, Rs. 426.4 million for Panchayat and local development, Rs. 285.5 million for health services, Rs. 236.2 million for drinking water and Rs. 148.7 million for other social services.

4.6 Agriculture plays a dominant role in our economy Priority has been accorded for the development of this sector in the current Sixth Plan. The agricultural programmes for the next year have been formulated with a view to achieving the production goals set for the last year of the Sixth Plan one year ahead of schedule. Out of the total expenditure on agriculture set aside for the next year Rs. 206 million has been set aside for agricultural extension and research, Rs. 24.4 million for crop development and protection, Rs. 15.4 million for horticulture development and Rs. 157.1 million for livestock development and fisheries development programmes. In order to make fertilisers, seeds and insecticides easily available to the farmers Rs. 203.4 million has been set-aside for the Agricultural Inputs Corporation. Similarly, Rs. 115.1 million has been provided to the Agriculture Development Bank for

extending agricultural loans to farmers. Thus Rs. 957.0 million has been allocated for agriculture, which is 84.7 per cent as compared to the revised estimate of the current year.

4.7 With a view to help the agricultural sector, Rs. 494.8 million has been set aside for large irrigation projects" Rs. 21.4 million for ground water survey and irrigation projects and Rs. 20 million for river control projects. Thus Rs. 659.0 million has been allocated for irrigation, which is 64.3 per cent higher than the revised estimate of the current year. 4.8 Rs. 198 million has been set aside for next year's forest development programmes, Rs. 35.8 million for soil conservation and Rs. 30.4 million for national parks and wildlife preservation. The total allocation of Rs. 264.3 million for forest and soil conservation is 59.2 per cent higher than the revised estimate of the current year.

4.9 Out of the amount allocated to expand the transport infrastructure Rs. 238.8 million has been set aside for the construction of the remaining portion of Mahendra Raj Marg and Rs. 102 million for feeder roads of Manehdra Raj Marg. Rs. 85.9 million for construction of north-south highways and Rs. 161.2 million for repair and maintenance of existing roads, Rs. 65 million has been set aside for the construction of Trisuli-Somdan road. In this way a total Rs. 851.6 million has been set aside for transport sector, which is 87 per cent higher than the revised estimate of the current year.

4.10 Out of the total Rs. 266.4 million set aside for the development of air transportation Rs. 107 million has been set aside for the construction of the terminal complex buildings of Tribhuvan Airport, Rs. 47.1 million for the improvement of the runway of Tribhuvan Airport and Rs. 18.4 million for the installation [of solar energy based equipments and other electrical equipments at various airports. Out of Rs. 72.3 million set aside for bridges, Rs. 50.2 million has been set aside for suspension bridges.

4.11 Out of Rs. 443.5 million set aside for industrial development Rs. 293.6 million has been set aside for industries like Hetauda Cement Factory, Bhrikuti Paper Factory and Ganesh-Himal Lead and Zinc Industry. Rs. 80.3 million has been set aside for cottage and village industries development during the next year. Intensive cottage and village industries development programmes will be conducted in various districts out of this allocated amount than the revised estimates of the current year.

4.12 Rs. 99million has been set aside for geology and mining. This includes the sum of Rs. 69.4 million set aside for petroleum exploration in possible oil bearing areas indicated by aeromagnetic survey. Thus Rs. 622.8 million has been allocated for industry and mines, which is higher by 155.3 percent, a compared to the revised estimate of the current year.

4.13 In the power out of the total of Rs.943.6 million, Rs. 622.6 million has been set aside for large hydro-electricity projects like Marsyangdi Hydro electric Project, Devighat Hydro-electric Project and Kulekhani (II Phase) Projects, Rs. 170.7 million has been set aside for expansion of power distribution lines at different places in the country and Rs. 53.6 million for small hydro power plants. A total of Rs .943.6 million has been allocated for power which is 53.5 per cent higher than the revised estimate of the current year.

4.14 Rs. 42.2 million has been set aside for expansion and improvements in the sub- post office services and telecommunication programmes.

4.15 Out of Rs. 148.7 set aside for other social services Rs. 71.2 million has been set aside for medium wave radio transmission programmes and Rs. 57.4 million has been set aside for new town development at Dipayal and for development programmes of other towns which is 533 percent higher than the revised estimate of the current year.

4.16 Out of the total expenditure allocated for education Rs. 224 million has been set aside for programmes relating to primary education, and Rs. 370.9 million for higher education. Out of the amount allocated for health services Rs. 52.9 million has been set aside for family planning programmes, Rs. 55.8 million for construction of hospitals, Rs. 54.5 million for community health services and Rs. 14.4 million for provision for extra medicines and equipments. Out of the sum set aside for drinking water, Rs. 236.2 million has been set aside for programmes conducted by the Drinking Water and Sewerage Department and Rs. 49.0 million for village drinking water projects of the Panchayat and local development programmes.

4.17 Rs. 404.7 million has been set aside for integrated rural development projects which include programmes in agricultural, forest, cottage industries, education, health and local development.

4.18 Out of the total development expenditure for the next year the region wise allocation basis is as follows: Rs. 853.5 million for the Eastern Development Region, Rs. 714.5 million is for the Central Development Region, 819.3 million for the Western Development Region, Rs. 712.5 million for the mid-Western Development Region and Rs. 511 million for the Far Western Development Region. Of the total development expenditure Rs. 2348.4 has been set aside for projects which cannot be decided in development and for major national level projects in the field of power, irrigation and industry.

4.19 On the revenue side the estimated revenue for next year is expected to be around Rs. 3,592.5 million from the existing revenue sources. This revenue is 23 per cent higher than the revised estimate of the current year. The increased estimate includes general increases as well as increases brought about by streamlining the administration. Out of the total revenue, Rs. 2,888.5 million or 80.40per cent is expected to be from tax revenues. Out of the total tax revenues, Rs.1,126 million will acquire from customs duty, Rs.390 million from excise Rs. 740 million from sales tax and Rs. 632.5 million from other sources. Out of Rs. 704 million non-tax revenue, which is 19.60 per cent of total revenue, Rs. 325.5 million will be realised from services, interest repayment and repayment of dividends, Rs. 75 million from forests and Rs. 303.5 million from other sources.

4.20 Thus from the total expenditure (including regular as well as development expenditure of Rs. 9,187.2 million, after subtracting Rs. 3,592.5 million tax revenue from existing revenue sources, Rs. 1,608.3 million from grants and Rs. 2,019.7 million as loans there, will be a deficit of Rs. 1,966.7 million.

Chairman,

5.1 Necessary steps have been taken to mobilize internal resources in order to meet the budgetary deficit of the coming fiscal year. Nepalese people have always been contributing resources for meeting the growing development expenditure. The significant increase in the mobilization of resources in the past, I feel, is the indication of aspiration and sacrifice of the present generations for development. I have paid attention to raise additional resources by continuing the process of improving the tax administration and increasing their efficiency and effectiveness by realising taxes from all potential tax payers rather than by introducing new taxes. This I had mentioned while presenting the budget for current fiscal year and it has become evident that this policy has had a positive effect on the collection of revenues. Therefore it is necessary to, continue the process of improving the tax administration. Thus, I have estimated a total of Rs. 3592.5 million to be collected from the existing sources of revenue. While proposing new taxes for the

coming fiscal year, I have adopted the principles of social justice by providing possible relief to the common people and by raising the incidence of tax on affluent group.

5.2 In this context, I would like to make it clear that tax proposals have not been made only with a view to collecting more revenue. A well designed tax system should channel the investment into the priority areas, both public and private sectors, induce the skill and initiative of the private sectors, eliminate the anomalies of the economy, discourage unnecessary and wasteful expenses and raise the national savings. In this whole process social justice should be reflected. I have prepared the tax proposal on the basis of the formal and informal suggestions of the members of this august House as well as on the report of the central tariff board and on the suggestions of the individuals in industries and commerce and other experts. .

5.3 Now, I would like to submit indirect Tax proposals.

5.4 Customs policies of His Majesty's Government are not only to collect maximum revenue, but also to strengthen the national economic base, to channelise the foreign trade in, the right direction, to provide necessary protection and support to domestic industries, to assist productive sectors and to manage efficient supply of development and construction materials and basic consumer goods for the common people at reasonable prices Accordingly I have formulated the customs tariff proposals.

5.5 Import duties have been raised on highly luxurious commodities such as motorcars, videos, refrigerators, cosmetics, etc.

5.6 While existing import duties on finished products are low, duties on raw materials or semi-finished products used in the production process of the same finished product are high. In order to correct these situation duties on import of raw materials and semi-processed goods have been lowered and that on the finished products have been raised.

5.7 While export duties on some of the unprocessed goods and natural resources have been raised the duties on export of finished industrial products have been reduced so as to increase their competitiveness in the foreign market.

5.8 To provide protection to domestic industries from foreign competition, besides import restriction import, duties on some of the commodities have been raised. But while providing protection to these industries due consideration will be given to the production capacity of the industries and their distribution, sales and supply situation in the different p3Xts of the country. Restriction on import will be introduced on local, district, zonal or territorial basis only after the consideration of the above situations.

5.9 Import duties on industrial raw materials required by domestic industries have been reduced.

5.10 New tariff rates have been introduced in some items to bring uniformity and to overcome anomalies arising due to application of different custom tariffs on development and construction materials, industrial capital goods and consumer goods imported from various foreign countries.

5. 11 In order to help the border market flourish while levying the export and import duties on goods traded in these markets due consideration will be given to the capacity of the consumer and the commercial activity to bear the duties. Besides this, import of goods ~ from India on A. R. I Form will be encouraged. This will increase the availability of II goods at fair prices because of the absence of import duty and payment of nominal surcharge only.

5.12 Except the changes mentioned above all other customs duties will be retained as before.

5. 13 The changes on customs duties are given in Schedule Nos. 1, 2, 3 and 4.

5. 14 Estimated additional revenue of Rs. 180 million will accrue from the proposed changes in custom duties.

5 .15 In excise, with a view to help the process of industrialisation and to increase the industrial production I have introduced an incentive system for, some industries. Under this scheme 50 per cent of the installed capacity or the highest production figure of the last three years, whichever is higher, will be taken as a base and the percentage exemption of excise on the additional production above the base figure will be the same as the percentage increase of production.

5. 16 As crude-oil based rice and oil mills are especially set up in rural and difficult areas, an excise exemption of 30 per cent has been granted to those mills which are not above 30 B.H.P.

5. 17 To improve the competitiveness of synthetic hosiery and steel furniture industries, excise on their production has been reduced to five percent.

5. 18 Excise duty will be levied at Rs. 2/- per litre on rectified spirit produced locally if used as medicine, or as an input for medicinal products or for production of excisable goods. .

5.19 Keeping in view the prevailing market price and the demand for Khandsari sugar, the excise duty per quintal on this product has been raised to Rs. 30.

5.20 Since local cement factory produces a small fraction of the total domestic need there is large quantity of import and since the price of local cement is low there is pressure on it. Keeping in view the market situation of imported and local cement, it is desirable to rationalise the supply of the same. Hence the excise on per metric ton of cement has been raised to Rs. 320.

5.21 Excise duties on cigarettes and liquor have been raised and new rates have been introduced.

5.22 To make excise tariff more scientific, advolerem excise duties have been adopted for some items. Substitution of specific excise duty by advolerem will not increase the price.

5.23 Excise rate changes are given in Schedule 5. Other excise duties have not been changed.

5 .24 The proposed changes in excise duties will bring an estimated additional revenue of Rs. 40 million.

5.25 The present classification of goods for the sales tax has been changed and re-classified into five categories. The revised sales tax rate is 1, 5, 10, 15 and 20 per cent. As per this classification materials to be used by the printing press and materials such as bitumin are subject to sales tax at the rate of one percent whereas the luxurious goods like car, video, refrigerator are subject to tax at the rate of twenty percent. In the meantime sales tax rates for unprocessed, semi-processed, necessary and consumer goods have been lowered.

5.26 All the domestic industries except specified by the Industrial Enterprises Act will enjoy a rebate of twenty five percent on the amount of total sales tax payable.

5.27 Journalism plays a great role towards economic and social development of the country. Keeping this view in mind ink, newsprint paper and block are subject to only one percent of sales tax besides the existing facilities granted to the press.

5.28 Changes in the rate of sale tax are given in Schedule 6 and the remaining rates are kept unchanged:

5.29 An additional revenue of 100 million is expected from the proposed changes.

5.30 Quite a huge amount of money have been invested for the construction of highways in the country as per the priority accorded by the previous plans to develop infrastructure. Also a significant amount of money is spent every year for the purpose of maintenance of completed highways and bridges. On the other hand we have increased the expenditure on the construction of roads in different parts of country especially in the rural areas.

Taking this factor into consideration I have proposed to impose road/bridge maintenance tax on the users of such roads & bridges such as motor, motorcycle, scooter, tempo, tractor, truck, bus and such other vehicles, along with, the following exemptions. However, the government vehicles are exempted from such tax,

Place of fax collection	Exempted vehicles
1. Mahendra Highway, Kankai bridge-	Vehicles registered in Mechi and Kosi Zones.
2. Mahendra Highway, Kamala bridge-	Vehicles registered in Sagarmatha and Janakpur zones.
3. Mahendra Highway, Bagmati bridge-	Vehicles registered in Janakpur and Narayani Zones.
4. Mahendra Highway, Rapti bridge (Hetauda)-	Vehicles registered in Narayani Zone.
5. Mahendra Highway, Narayani bridge (after completion)	Vehicles registered in Narayani and Lumbini Zones.
6.Prithvi Highway, Trisulibridge (Mugling)-	Vehicles registered in Gandaki Zone.

Tax rate (for each movement): -

1. Motorcycle, Scooter, Tempo	Rs. 1.50
2. Car, Jeep, Pick-.up van, Tractor	Rs. 7.00
3. Minibus	Rs. 10.00
4. Bus, Truck	Rs. 15.00

This tax could be paid at the beginning point for all passage.

5.31 An amount of additional Rs. 15 million is estimated to be collected from this source of revenue

Chairman,

Now I put forward the proposals for direct taxes.

5.32 The present rate of income tax has been increased from 50 to 55 percent on the income exceeding Rupees-five hundred thousand while the rate for tll income below this amount has been kept, as it is.

5.33 In order to base the income tax assessment on facts the present rebate of two percent given as incentives to the taxpayers who maintain the books of accounts of their transactions has been increased to three percent.

5.34 I have proposed to assess the net income of distilleries run under the minimum guarantee system at the rate of twenty five percent of total guaranteed amount or the actual amount of excise paid whichever is higher.

5.35 In order to relieve small depositors from difficult ties of getting of the interest on fixed deposit, I have made a provision for not deducting advance on receipt of interest amount up to Rs. 5000. Other provisions of interest tax will remains it is.

5.36 The changes proposed as above on the rate of income tax and interest tax is estimated to contribute revenue amounting to Rs. 60 million.

5.37 The present rate of 10 percent hotel tax on ordinary hotel bills and 12 percent hotel tax on hotel bills of star hotels have been changed as follows :-

1. Ordinary hotel	10 percent of the hotel bills.
2. Up to two star hotels	12 percent of the hotel bill.
3. Up to three star hotels	13 percent of the hotel bill.
4. Up to four-star hotels	14 percent of the hotel bill.

5. Up to five star hotels 15 percent of the hotel bill.

The above-mentioned changes will contribute additional revenue of rupees five million.

5.38 I have proposed embarkation tax at the rate of Rs. 25 per passenger flying to and from the following places but the present rate of Rs. 15 per person in other places as facilities provided to the remote areas are kept as it is.

(1) Bhadrapur (2) Biratnagar (3) Rajbiraj (4) Janakpur (5). Simara (6) Bharatpur (7) Pokhara (8) Siddharthanagar (9) Kathmandu.

5.39 The changes proposed above will generate additional revenue of Rs. fiye million. 5.40 .I have proposed new rate of vehicle tax with the classification of vehicles into two categories, private and rented. After the introduction of this tax no vehicle of any trade is subject to income tax: The rate of vehicle tax is specified in Schedule 7.

This tax is estimated to generate revenue of rupees five million.

5.41 The proposed rate of sales tax and hotel tax w ill be introduced from today and the rates of income tax, embarkation tax, vehicle tax, roads & bridge maintenance tax and interest tax will be introduced from the next fiscal year.

5.42 The rate of land revenue and land tax has not been changed. The rebate for small farmers and all the provisions of land revenue for hill districts are unchanged for the coming fiscal year.

5.43 Presently, registration fee is charged only to the buyer and ~he seller does not pay anything. The value of land especially in the urban areas of the Town Panchayats is increasing unexpectedly due to the basic services such as roads, electricity, water, drainage facilities etc. through implementation of development projects, which has benefited the seller of landed property without his effort or investment Hence it is justifiable to charge some fee to the seller while transferring the title of such property. I have proposed a system of registration fee payable both by the buyer and the seller of landed property while registering the transfer deeds as per schedule 8.

5.44 This provision will be effective in the urban areas of the following town panchayats from the coming fiscal year;

(1) Bhadrapur (2) Biratnagar (3) Rajbiraj (4) Lahan (5) Janakpur (6) Kalaiya (7) Birgunj (8) Kathmartdu (9) Bhaktapur (10) Lalitpur (II) Hetauda (12) Bharatpur (13) Pokhara (14) Siddharthnagar (15) Butwal (16) Taulihawa (17) Nepalgunj (18) Dhangadhi (19) Mahendranagar.

5.45 .For specifying the urban area of Town Panchayat a committee will be formed under the chairmanship of concerned Pradhan Pancha with the Chief District Officer, representatives of tax office and Survey Department as members and chief of land revenue office as member secretary.

5.46 Regarding registration fee of the transfer, deeds up to the amount of Rs. 5 thousand of landed property of urban areas, I have proposed a minimum fill rate as per schedule. All other registration fees remain unchanged.

5.47 The above changes in registration fee are estimated to yield additional revenue of Rs. 40 million.

5.48 Local development fee will be collected and handed over to concerned District Panchayat as usual.

5.49 The above mentioned tax propos?ls are expected to yield Rs. 450 million. Since, out of the estimated deficit of Rs. 3536.4 million, Rs. 2019.7 million is expected to be covered by foreign assistance in the form of loans and Rs. 1000 million will be raised as internal loans, there will be only a net deficit of Rs. 510 million.

5.50 The public sector enterprises incurred heavy losses as a result of providing goods & services at fixed price as per the policy of His Majesty's Government and thus they were unable to repay bank loans. Therefore, provisions have been made in the budget for repayment of the principal and interest of such loans. Since these liabilities have also been included in the government expenditure the deficit has been increased. So this will not increase the money supply, still I would like to assure you that His Majesty's Government would be very vigilant in these regards.

Chairman

6.1 Allow me to highlight some of the basic features of this budget, which are as follows:

(a) Priority has been given to directly productive sectors such as agriculture, industry etc. Even within the priority sectors adequate funds have been made available to those activities, which are directly related with production. In addition, with a view to increase production in the short run, emphasis has been given for full utilisation of the already created infrastructure.

(b) Investment programme in the productive sector such as industrial sectors will be launched in an integrated manner with simultaneous development of other related sector.

(c) Tax policy has been formulated to divert t4e country's limited resources until now flowing exclusively to the import of luxury goods to the industry and other productive investment.

(d) Keeping in view the fact that if all the development projects are executed from the centre it would not reflect people's felt need and requirements, arrangement has been made to entrust the local leadership and authority to implement the district and local level projects. Accordingly more resources have been made available for the local development.

6.2 I am confident that the measures, which I have proposed today, would give required impetus to the process of development and help nation to forge ahead. We have to create self-confidence among the people on their feeling and gain their trust by providing them the basic needs and alleviating their misery. There is no choice for us but to correct the economic and social imbalances and move ahead. The Panchas, administrators and the entrepreneurs have to be aware of the need of their roles in order to strengthen the national economy. This is the call of the nation.

6.3 In order to boost the morale of the people and create confidence in them, our efforts should be directed to understand their felt needs and enlist their participation. Accordingly I have tried my best to make this budget people-oriented. Arrangements have been made to implement development works on the initiative of local leadership and people's participation. The centre will provide only technical assistance whereas all other administrative decisions will be taken at the local level during the formulation and execution of the project.

Chairman,

6.4 I have already said that increase in the production is the only way to raise the standard of living of the people, I have, therefore, given emphasis to increase the production in agricultural and industrial sectors to derive full benefit by utilisation of already created infrastructure. I have made necessary provision for the same. I am confident that these measures will certainly help to boost up the production.

Chairman,

6.5 It is my view that development should encompass the inaccessible and difficult part of the country increasingly. I have given special consideration to the Far Western Development Region. Accordingly, I have made a provision for more projects and additional funds. Similarly priority has been given for the execution of rural development projects, which are implemented in the inaccessible parts of the country.

6.6 In formulating the budget, along with government investment, I have taken into consideration the private sector investment as well. So I have tried to create environment conducive for the increased investment by private sector. Both the new Industrial Policy and newly promulgated trade policy also seek to attain this very objective. Accordingly, I have adopted new measures to increase the capabilities of the financial institutions so that they could help the private sector effectively and more credit would flow to the productive sectors in the coming fiscal year. In the meantime, I have already made arrangements to enhance the technical capability and strengthen effective supervision system to control the possible miss-utilisation of the credit advanced to the priority sector. Arrangements have also been made to activate cooperatives, which have remained as a backbone of the rural economy to meet the credit need of the farmers and to provide marketing facilities for agricultural production. I hope these measures will definitely help to give new direction to our economy as demanded by the national need.

6.7 His Majesty the King, while addressing the thirty-third session of the Rastriya Panchayat had stated, "our greatest problem is the challenge of development." Taking advantage of the changed conditions, let us dedicate ourselves to the noble task of nation building in keeping with the objective of the Party less Democratic Panchayat system. This is the bounden duty of all. Necessary resources have been provided for the successful implementation of the Special Economic Programme, which has been launched, with an objective of creating a prosperous society based on the growing enthusiasm of the people after the historic referendum. I am fully confident that with the successful implementation of this Programme we "ill be able to make a breakthrough in the development process and also to create a positive impact on the general well being. I am greatly inspired and encouraged by the full support and confidence of the Honourable Members. I conclude this speech with the hope that this support will continue in the future as well.

Jay Nepal