

BUDGET SPEECH
OF
THE FISCAL YEAR
1967-68

The text of the Budget Speech Delivered by the honourable Finance Minister Surya Bahadur Thapa to the Rastriya

Panchayat on 9th July' 1967

Honourable Chairman,

I feel it honoured to present His Majesty's Government's budget of the fiscal year 1967-68 before the Rastriya Panchayat for the fifth time consecutively in accordance with the procedure laid down in the constitution of Nepal. A few days back, I had presented the Economic Survey to this House to acquaint with our current economic situation. I am fully confident that the Rastriya Panchayat shall discuss this budget against the background of the Economic Survey and help to implement the policies and programmes contained in the budget. While presenting the Economic Survey I had an occasion to remark that in an economy like ours, which is neither fully monetized nor institutionalised, the fiscal policies and programmes have direct bearing on the economy.

Sir, against this background I stand to explain briefly the economic transactions of the Government sector in the fiscal year 1966-67. According to the revised estimate the revenue will be Rs. 30 crores, 55 lakhs and 43 thousands as against the original estimate of Rs. 34 crores, 53 lakhs and 92 thousands for the current fiscal year. Thus the actual revenue will be 12 per cent less than the original estimate. The original estimate of revenue from customs was Rs. 18 crores and 60 lakhs but now according to revised estimate the revenue from customs will be Rs. 14 crores, 77 lakhs and 50 thousands only. Thus there will be a shortfall of Rs. 3 crores, 82 lakhs and 50 thousands in the customs revenue. One of the reasons for this shortfall is due to the custom concessions granted to the industries for the import of raw materials and machineries from time to time taking into consideration the role that the industries have to play in our economy. The House is aware that after the devaluation of Indian Currency the tariff rates were raised with a view to control unnecessary imports as the prices of Indian goods were likely to be cheaper in Nepal and could affect our financial and monetary system adversely. This has led to the reduction in the volume of imports than what was originally estimated. These factors are responsible for the low revised estimate of custom revenue. According to the revised estimate the revenue from excise will be Rs. 2 crores, 51 lakhs and 15 thousands as against the original estimate of Rs. 3 crores and 17 lakhs. The main reasons for the shortfall in the excise revenue was a reduction in excise rates with a view to protect the industries from foreign competition. It was natural that as a result of new monetary policy the foreign goods would have been cheaper in our market and the home industries would find hard to compete with them. Similarly, the revised estimate of the other taxes will be Rs. 2 crores, 95 lakhs and 88 thousands as against the original estimate of Rs. 3 crores, 25 lakhs and 68 thousands. Regarding sales tax as it was introduced recently, both buyers and sellers are not fully acquainted with it and at the same time there was also the lack of knowledge on the part of tax administration to take the timely measures in the beginning, this has resulted in a slight shortfall in the revenue from sales tax. Otherwise, the revised estimate of revenue from other sources will be a little higher than what were originally estimated.

The original estimate of the expenditure in the regular part was Rs. 18 crores, 94 lakhs and 84 thousands and according to the revised estimate it will be Rs. 18 crores, 32 lakhs and 77 thousands. The revised figures for expenditure in the development part of the budget is Rs. 30 crores, 95 lakhs and 43 thousands as against the original estimate of Rs. 38 crores, 41 lakhs, and 64 thousands. According to the revised estimate the expenditure to be borne by His Majesty's Government will be Rs. 14 crores, 29 lakhs and 43 thousands and aid received from friendly countries and international organizations, will be Rs. 16 crores and 66 lakhs. As against the original estimate of the total expenditures of Rs. 57 crores, 36 lakhs and 48 thousands in both regular and development budget, the revised estimate of the expenditure in both parts of the budget will be Rs. 49 crores, 28 lakhs and 20 thousands. But this year His Majesty's Government has already issued private bonds worth Rs. 25 lakhs, which when taken into consideration the net deficit will be Rs. 1 crore, 81 lakhs and 77 thousands only. Thus there will be an excess of Rs. 2 crores, 6 lakhs, and 77 thousands in expenditure over revenue.

Honourable Chairman, Now I present the estimates of revenue and expenditure of the fiscal year 1967-68. In the fiscal year 1967-68 the revenue is estimated to be Rs. 31 crores and 10 lakhs. On the expenditure side, the regular part of the expenditure is estimated to be Rs. 19 crores, 16 lakhs and 95 thousands and the development expenditure will be Rs. 34 crores, 84 lakhs and 23 thousands. Thus the total expenditure in both regular and development part of the budget for the forthcoming fiscal year is estimated to be Rs. 54 crores, 1 lakh and 18 thousands. On the basis of past experiences it is expected that the revenue will rise by 1.5 per cent, even at the existing rate, as a result of the improvements in tax administration. With a view to avoid the adverse effects on the foreign exchange earnings, still more facilities are granted for exports from Nepal, which will in effect lower the revenue from customs duties. The revenue of His Majesty's Government from excise duties is estimated to be a little higher in the forthcoming fiscal year as the production of the recently established industries is expected to rise.

In spite of the shortfall in the revenue from sales tax in the current year it is estimated that in the forthcoming fiscal year the revenue from sales tax will increase by Rs. 18 lakhs and 52 thousands as a result of improvements in the tax administration. The revenue from dividends and interests is

estimated to increase by Rs. 9 lakhs and 56 thousand over the current fiscal year as the various public companies and corporations have already started giving profits.

In the forthcoming fiscal year expenditure in the regular part of the budget is estimated to be Rs. 19 crores, 161 lakhs and 95 thousand which is Rs. 841 lakhs and 18 thousands higher than the revised estimates of the current year. The main reason for this increase in the regular expenditure is the transformation of the already completed development projects to the regular side. In the current year arrangements have been made to provide twenty-four hour service in the three main customs offices to facilitate the passengers. In the forthcoming fiscal year as these facilities will be extended still further in all custom offices the expenditure is estimated to rise. Likewise, as a few industries have already started production, the excise administration has to be expanded and this also has caused a rise in the expenditure. In addition, provisions had to be made to provide additional expenditure in some important services.

Sir, the current fiscal year is the third year of the Third Plan. On the basis of the experiences gained so far in plan implementation, His Majesty's Government has started to revise the development programmes for the remaining three years of the Plan. With the increase in income of the people in the process of economic development, the pattern of consumption has changed along with the increase on the demand for consumer goods. Similarly, the rise in the demand for food grains are also the natural out-come of population growth. Besides, with the development of transport facilities it will be easier to transport the country's products from surplus to deficit areas, and in a country like ours with increasing desire for consumption, there is the possibility of a rise in domestic consumption and decrease in exports. There cannot be two opinions regarding the necessity to raise agricultural production, in order to meet the country's growing demand for food as well as to raise the agriculture-based export. His Majesty's Government has therefore, given top priority to agriculture development. To make the loan readily available in the agriculture sector as well as to make its proper utilisation, Land Reform Compulsory Savings Corporation has been established in the current fiscal year. The provision of irrigation facilities, fertiliser and improved seeds is most essential in order to raise agriculture production. The Agriculture Supply Corporation has, distributed, 10,000 tons of chemical fertiliser among the farmers, as compared to 2,000 tons last year. The use of chemical fertiliser has greatly helped in raising agricultural production and there has been increasing demand for it. It is planned to distribute at least 20,000 tons of chemical fertiliser in the coming year. In addition, emphasis will also be laid on the utilisation of local manures through Agriculture extension programme. The Agriculture Supply Corporation is also distributing improved varieties of seeds. It is planned to distribute them in a more organised way. In the current fiscal year the minor irrigation programme has been started as a nation wide campaign and His Majesty's Government has, so far, spent Rs. 50 lakhs on it. It is planned to spend about Rs. 1 crore in the coming year. The productivity of the land inside the Kathmandu Valley has directly increased on account of the various activities initiated with a view to raise agricultural production. Its benefits are being felt in other districts as well. These activities will be more actively launched in other parts of the country in the remaining three years of the Plan.

In this year's production, except a slight decline in the production of sugar due to the shortage in sugarcane production and some decrease in the jute production resulting from adverse market conditions; the production of other commodities has reasonably gone up. His Majesty's Government has been following the policy of establishing certain industries in the private sector, which could meet the domestic Requirements by making the maximum use of local resources and which would start bearing fruit in a short period through the provision of special facilities and incentive devices. In pursuance of this policy, facilities in the form of concessional custom duties for importing necessary materials and equipments have been provided and the terms and conditions relating to the provision of loans to these industries have been made easily accessible and convenient. In this way, a favourable atmosphere for investment has been created. In view of the gap existing in the expected flow of private investment, Government has been covering this gap by the establishment of import substituting industries so as to maintain the total volume of required investment. The construction of Agricultural Implement, Factory is progressing as schedule and the Cement Factory is going to be established in the private sector.

The progress in the development of roads, aviation and electricity has been satisfactory. The construction of Kathmandu-Kodari Highway has been completed. The progress in the construction of Sunauli-Pokhara and East-West Highways is quite remarkable. Regarding power, 9,000 K. W. of electricity has started generating in the Trishuli Project. The preliminary work relating to Sunkoshi power project has been completed and the construction works will be started in the coming year.

Though the progress in different sectors has been impressive this year in comparison to previous years, His Majesty's Government has not been completely satisfied with this. In order to achieve the economic goal of the panchayat system much has yet to be done. His Majesty's Government has decided to revise the national plan on the basis of experience gained so far by removing such projects and programmes as would require huge investment but yield little fruit and such projects, which are non-productive or less productive.

The development programmes for the fiscal year 1967/68 have been prepared on the basis of basic principles already mentioned above. In the development part of the budget, the expenditure is estimated at Rs. 34 crores, 84 lakhs and 23 thousands. Out of this Rs. 8 crores 45 lakhs and 20 thousands have been allocated for production oriented activities like Agriculture, Forest, Irrigation and Industry, Rs. 13 crores, 75 lakhs and 16 thousands for the development of infrastructure like Transport and Power; and Rs. 12 crores, 63 lakhs and 87 thousands for social services and others.

In this way the estimate of the expenditure in the development part of the budget for the coming fiscal year has been decreased by Rs. 3 crores 57 lakhs and 41 thousands as compared to that of the current fiscal year. On careful examination it becomes evident that development expenditure to be incurred by the government will not decrease. Last year the actual expenditure amounted to Rs. 28 crores and 7 lakhs only as against Rs. 33 crores and 27 lakhs. In the current fiscal year, according to the revised estimate Rs. 30 crores and 95 lakhs will be spent as against an original estimate of Rs. 38 crores and 41 lakhs. The budget estimate for the coming fiscal year is 12.5 percent higher than the revised estimate of the current fiscal year. It is already known to this House that during the last few years His Majesty's Government has been paying special attention to remove the gap between the budget estimate and the actual expenditure. On the basis of the past years' experiences allocation has not been made for such items of expenditure, which is likely to remain unspent. Minimum allocation has been made both in the regular and development parts of the budget for such unproductive expenditures as petrol, furniture, pay and allowances. In addition, it is envisaged to spend less in such activities, which do not affect the living standard of the common people such as building construction. This will help in controlling to some extent the monetary inflation along with reducing the imports. All that social services such as education and health have been expanded sufficiently during the last few years. Now His Majesty's Government has felt the need for consolidating such services with a view to bring maximum benefit to the common people. That is why no programme for the expansion of such services has been included in the next budget. So it is proposed to consolidate the existing facilities. But such programmes, which help to increase production, will be expanded further. Allocation in Agriculture, Irrigation and Industry has been increased by 30 % as compared to the previous year. From non-budgetary

80rCe'i) Rs. 12 lakhs was made available to the Agricultural' Supply Corporation last year whereas Rs. 1 crore will be made available in the coming fiscal year;

As regards the sources of financing development expenditure His Majesty's Government will contribute Rs. 15 crores, 9 lakhs and 71 thousands and Rs. 19 crores, 74 lakh and 52 thousands will be received from the friendly countries and international agencies. On this occasion, I wish to extend our thanks to these friendly countries and' international agencies which have provided financial and technical assistance for the development of our country

Honourable Chairman, it is apparent from the economic objectives laid down in our constitution, that besides other things, we should gradually proceed towards self-sufficiency. In this context, it may be pointed out that the government have, in the past years, mobilized domestic resources through taxation for the planned economic development of the country; and the taxation policy of the government was based on the ability to pay. It is, important, however, that the effectiveness of the development expenditures should be considered in relation to the trends in the economic development. If a large percentage of the development expenditure is directed towards non-investment items, -such as salaries and allowances, national income cannot increase, and so will be the case with the standard of living of the people. That is why, I have mentioned that in the current plan, priority would be given, to those expenditures, which are production-oriented, and have short time lags in production. This will have a direct beneficial effect on the living standard of the common mass.

In spite of the fact that we have received assistance from the friendly countries and international agencies, it is, important, that the country should be self-sufficient, and should be able to follow an independent economic policy, and this requires that the contribution of domestic resources should 'play an important part. No doubt, there is no direct co-relation between an increase in taxes and production and in this context it may be further stated that unless measures are taken to increase production, and provide benefits to the tax payers, any steps taken to raise the tax rates and make the tax system progressive will not be a way solution. There is an intimate relation between taxpaying capacities, the benefits conferred on them, and the planned development of the country. That is why; the tax proposals, which, I have presented, take all these factors into account.

In our economic system there are various problems, which hinder the collection of taxes to the full amount estimated, and this is so specially in the case of direct taxes. The government is quite alert about such problems, and in the last few years many reform measures were taken in these directions. Then too, improvements in these directions are continuing and there is plenty of scope in improving the tax collection in the coming years, and I believe that gradually we can be successful. Now in this context, Sir, I would like to present some proposals for the increase in the tax revenue, which involves certain changes in the existing tax rates and the introduction of new taxes. From today, the radio licence fees have been given to the District and the Nagar Panchayats, so that the proceeds would enhance the sources of revenue for the Panchayats and enable them to meet the development needs. His Majesty's Government has decided to increase production in the coming fiscal year in all fronts. That is why; the tariff policy of His Majesty's Government is framed with the following considerations; (1) to increase agricultural production, (2) to encourage industries (3) to protect cottage industries of all types, (4) to promote export trade and (5) to strengthen the monetary policies.

With the objective of increasing the agricultural production, which has an important role to play in the economic development of the country the imports of essential agricultural inputs have been exempted from the additional surcharge. From today, additional surcharge is exempted also in all types of agricultural implements. Customs duties have been exempted on the import of all types of fertilizers. Some reduction has also been proposed on the surcharge levied on medicines.

The newly established medium and small industries should receive necessary help from the government. That is why, the custom facilities provided to these industries under the industrial policy of His Majesty's Government in the imports of raw materials and machineries still continue. Besides, custom facilities have been provided in the imports of yarns, for encouraging domestic cottage industries. Protective tariff has been levied, for the protection of domestic industries from foreign competitions.

As regards the imports from India there is a separate arrangement, which provides for imports through A. R. I form. Under this system the excise duty collected by India on its products exported to Nepal is refunded to His Majesty's Government. But on the imports through the purchases in the local Indian markets the importers have to pay sales tax also. Thus to avoid imports from local purchases, surcharge on the imports from A.R. I. form have been slightly lowered in comparison to the imports form the local. But surcharge in patrols have been increased in order to restrict the imports of petrol beyond the necessary limit.

Duties on our exports have been lowered with the view to increase our exports. New one from today has replaced the existing appendices on customs duty. From the proposed changes in the custom duties it is estimated that additional revenue of Rs. 40 lakhs would be received.

With the view to encourage those woollen industries which use the raw materials produced within the country, the existing excise duty on these have been abolished and on those factories which use imported wools the existing rates have been replaced by Rs. 2.50 per pound. But if synthetic pro- ducts are used in place of wool the excise duty shall be Rs. 3.0 per kilogram.

In view of the changing conditions, His Majesty's Government has adopted a policy to discourage the production of agricultural narcotics. Hence, the duties on the production of such goods has been raised from Rs. 2,560 t~ Rs. 4,500 per bigha. This change in excise rate will yield additional revenue of Rs.20 lakhs.

The land reform programme has been already extended to cover all the districts and the cadastral survey is also expected to be completed in more districts this year. Besides, there are many lands in various places, which are cultivated without the payment of the land revenue. Most o f these lands, are not registered, although they are cultivated. Therefore, His Majesty's Government will make arrangements for the registration of such lands. This arrangement is expected to yield an additional revenue of Rs. 80 lakhs.

It is very necessary to make the income tax rate more practical. Keeping in view our administrative capacity. I propose to make the following changes in the rates of income tax.

- (a) Tax exemption limit for unmarried individual up to Rs. 3000/-
- (b) " " " " for married individual 4500/-
- (c) Tax exemption limit for the married with dependents

up to			
Rs.			6000/-
Next-	Rs.	5000	5 per cent
" .'	Rs.	5000	6
" "	"	5000	8
" "	"	5000	10
" "		5000	12
" "	"	5000	15
" "		5000	18
" "	"	5000	25
" " "	"	5000	32
" " "	"	5000	40
" "	"	5000	50
" " "		above	50

But no changes have been made on the income tax rates to be levied on Company and Corporations. These changes in income tax rate will yield additional revenue of Rs. 10 lakhs.

The rebate of 40 per cent, 25 per cent and 10 per cent were being granted to auditing, engineering and other professions respectively, but as no justification is found in granting such rebate, all types of professionals will have to submit their accounts and the taxes will be assessed on the basis of income after deducting their expenditure.

With a view to make the sales tax more practicable the taxable goods are classified according to the present classification and the rate of 5 percent ad valorem has been levied on goods contained in appendix "A" excluding tractors and spare parts specified in the 14 items of same appendix and 7 per cent ad valorem on goods contained in appendix "B". This will come in to effect from to-day. As regards the goods contained in appendix "C" the sales tax will be levied at the sources at the rate of 7 per cent ad valorem. The effect of these changes will yield additional revenue of Rs. 65 lakhs.

The water charges if levied on the basis of consumption will ensure greater justice, But, as it is not possible to fix the water meter in all "taps due to high cost, a few meters have already been fixed in some of the taps on the experimental basis, where the the water consumption is very high. However, efforts will be made to fix the meter on those taps where more than 1/2" inch diameter pipes are laid. It seems quite practicable to charge fixed monthly rates on those having no meter and charge on the basis of meter readings on those having meters, There fore, the following water charge rates have been levied on the water supplied from the -Kathmandu Drinking Water Supplies except at Lalitpur and Bhaktapur:

Customer, having no meter:- (in Rupees)

The diameter of the pipe Monthly Charge Main Monthly charge Branch laid" line line

1/2" 5/ 1/50 3/4" 20/50 4/

1" 40/- 8/~ 1.1/2" 120/- 201- 2" 240/- 35/- 3'~ 652/50 70/- 4" 1350/- 200/-

Each month water charges would be collected at the rate of Rs.0.01 per gallon, but if the amount payable at the end of the month will be below the above rates the minimum charges payable will be at the above rates. But those taps, which are being used, for government purposes and other community taps as usual, are exempted from this charge.

From the above charges it is estimated that additional revenue of Rs. 5 lakhs will be available. From today the existing registration rates have been replaced by the following:

(In Rupees)

Amount in Rs. Sales and Partition Gift Mortgage Gift deeds surrender deeds deeds deeds effective after deeds donar's death

Up to R-s. 100 4.0 5.50 6.0 3.0 6.0 From Rs. 101-250 12.0 14.0 18.0 9.0 13.0 From Rs. 251-500 18.0 20.0 30.00 13.0 19.0 From Rs. 501-1,000 28.0 30.0 50.0 18.0 36.0 From Rs. 1,001-10,000 per thousand 12.0 14.0 30.0 7.0 15.0 From 10,000 -50,000 per thousand 14.0 16.0 32.0 8.0 17.0 Above 50,001 per thousand 16.0 18.0 36.0 11.0 20.0 Amount not specified 400.0 500.0 600.0 100.0 520.0 Fees for calling officials for executing 9-eds at home 100.0 100.0 100,0 100.0 100.0

From the above rates additional revenue of Rs. 30 lakhs is expected.

With the exception of the above changes, no change has been made. From the above tax proposals it is estimated to yield an additional revenue of Rs. 2 crores, and 50 lakhs. In this way, including the receipts from new tax proposals the total revenue in the forthcoming fiscal year will be Rs. 33 crores, and 60 lakhs. The surplus in the regular budget which would be available for development, is estimated to be Rs. 14 crores, 43 lakhs, and 5 thousands *i.e.* 43 per cent of the total revenue. In the fiscal year 1966-67, according to the revised estimates there was a surplus of Rs. 12 crores, 22 lakhs and 66 thousands *i.e.* 40 per cent of the total revenue. In the fiscal year 1967-68 the contribution of His Majesty's Government in the regular budget is estimated to be Rs. 14 crores, 43 lakhs and 5 thousands, besides Rs. 66 lakhs and 66 thousands would be raised, to meet the deficit, from long-term internal development loans,

Honourable Chairman, now I present the estimates of foreign exchange earnings and expenditures for the fiscal year 1967/68. Following the revaluation of the rupee various fiscal and monetary measures were taken during the current fiscal year. Besides, the dual currency system has been put to an end, and as a result now the Nepalese currency is the only medium of transaction in the country. In support of this programme, measures were taken to provide banking facilities even in the remote hilly regions of the country. The Rastriya Banijya Bank has opened new branches in Chainpur, Dailekh, Gorkha, Jumla Gulmi and Surkhet and in the forthcoming fiscal year new branches would be opened in Bharatpur, Malangwa, Siraha, Jaleswar, Gularia, Taulihawa, Doti, Parasi, Ramechhap, Panchthar, Udaya pur, Sindhuli, Darchula, Achham, Dadeldhura and Rolpa. The opening of these branches would help not only in the monetization of the economy but would also help in the industrial development of the area.

In the current year the convertible foreign exchange earnings was estimated to be Rs. 7 crores, and 50 lakhs, whereas according to the revised estimates it is expected to be Rs. 11 crores, 73 lakhs and 23 thousands. In the expenditure side, against the original estimates of Rs. 8 crores, 13 lakhs and 33 thousands the revised estimate is Rs. 7 crores 12 lakh and 44 thousands. Thus against the estimated deficit of Rs. 63 lakhs and 33 thousands, the revised estimate now shows a surplus of Rs. 4 crores 60 lakhs and 79 thousands. In the original estimate the earnings from export of goods was estimated to be Rs. 2 crores, but according to the revised estimates now it will be Rs. 5 crores and 40 lakhs. Likewise, foreign exchange receipts from tourism have also been increasing. As against the traditional sources of foreign exchange earnings there has been an increase in the receipts from exports and tourism, and this can be viewed as an indicator of economic development. Receipts from foreign aid sources were estimated to be Rs. 50 lakhs whereas according to the revised estimates, it will be Rs. 79 lakhs and 5 thousands. Under the miscellaneous head the earnings are now estimated to be Rs. 2 crores, 49 lakhs and 90 thousands as against the original estimates of Rs. 2 crores and 40 lakhs. This year Rs. 54 lakhs and 15 thousands have been received from Nepal-China clearing account. Our exports of food grains in the foreign exchange in the item due to shortages of food grains in the hilly region. However, the revised estimates of foreign exchange earnings is higher than the original estimates. In the expenditure side, the foreign exchange earmarked for development projects have shown a shortfall of 25 percent.

For the fiscal year 1967/68 the estimates of earnings and expenditures of convertible foreign exchange will be Rs. 10 crores 39 lakhs and 28 thousands respectively. In the development expenditure less amount has been earmarked because of the shortfall during the last few years in its expenditures. An amount of Rs. 1 crore has been earmarked for reserve fund, and actually this amount will not be spent. Thus the estimated expenditure would be Rs. 9 crores, 39 lakhs and 28 thousands giving a surplus of Rs. 60 lakhs and 22 thousands.

With a view to limit the unnecessary accumulation of foreign exchange and also for the diversification of imports, Rs. 1 crore, 97 lakhs and 14 thousands have been earmarked for the imports of essential consumer goods. This would help in the stabilization of prices by the smooth functioning of the market mechanism.

The credit facilities, provided by the commercial banks to the private sector so far, will now be utilized for export trade as well as for industrial developments and arrangements to this effect will be made.

Today, there is a single currency in circulation all over the country and banking facilities have been extended even to the hilly regions. It gives me satisfaction to be able to say that the change in the exchange rate with the Indian currency has not adversely affected the balance of payments position of the country. This statement is substantiated by the fact that the foreign exchange reserve of the Rastra Bank has increased from Rs. 33 crores to Rs. 36 crores during the current fiscal year.

In my last year's budget speech I had referred to the need for making a basic change in the policies relating to development of agriculture, industry and commerce and monetary and fiscal measures on the basis of the major economic events of the past years, and in keeping with the need for the development of the country. It is the firm belief of His Majesty's Government that ultimately increased production will alone strengthen the economic condition of the country. Production cannot be increased successfully without the adoption of the policies relating to the strengthening of monetary measures and the expansion of international trade. That is why, I think it is necessary to maximise production in a short period with minimum investment. Keeping in view not only the short-term but also the long-term perspective of development. His Majesty's Government has adopted a policy of developing

different sectors of the economy by bringing about a harmony between needs and resources. In the coming fiscal year a twenty year Perspective Plan will be framed, on the basis of which the outline of the fourth Plan will be prepared.

It is the firm policy of His Majesty's Government that the overall development of the country should be channelised by the joint efforts of His Majesty's Government and the Panchayats. According to the directive principles of the Panchayat system, it has been the policy of His Majesty's Government that local development should be carried out by the local Panchayats to the best of their local means and according to their local needs. The initiative shown by the Panchayats in the development works during the last few years has been encouraging. His Majesty's Government has started to prepare the basic plans after surveying the economic and physical developmental potentialities of districts. It is hoped that it will help the district panchayats in preparing their manifold development plans according to national priorities. During the current fiscal year His Majesty's Government had sent technical groups to survey the basic possibilities of development in the nine districts *e.g.* Rasuwa, Solokhumbu, Kapilbastu, Surkhet, Dang, Panchthar, Bhojpur, Dhankuta and Terhathum and they have completed the surveys of these regions. The reports are being prepared on the basis of studies carried out by different teams. This work will be continued in the ensuing fiscal years and basic plans will be prepared for all the 75 districts.

It has been the policy of His Majesty's Government to provide benefit of the economic development to all the countrymen by the proper development of all the districts. In the ensuing fiscal year special programme will be adopted for the development of the remote districts, for which necessary budget arrangements have already been made.

Last year, due to the devaluation of Indian currency, our currency was devalued in terms of Indian currency. This has also to be viewed from the standpoint of long-term economic development. In this connection, I am happy to mention here the abolition of the dual currency system and the introduction of Nepalese currency as the only medium of transaction throughout the country. This has helped us to adopt an independent monetary policy consistent with the prevailing economic situation of the country. Due to the close economic relations with India it is but natural that devaluation of Indian rupee will have some effects on the Nepalese economy. However, it has favourable effects in our economy. As a result, the prices of domestic products have been stable and that of imported goods have gone down to some extent. At the end of the fiscal years 1964/65 and 1965/66 the foreign exchange reserves stood at Rs. 270 million and Rs. 330 million respectively at the existing rate of exchange. In this fiscal year also we have the foreign exchange reserves to the extent of Rs. 360 million by mid June. This shows that we do not have any problem of foreign exchange and that there is no remarkable change in the balance of payments position. Besides, I have already referred to the satisfactory execution of the policy of diversifying export trade. Along with this, necessary steps will be taken to diversify the import from the coming fiscal year

Since the economic stability can be secured only by bringing relevant improvements in the financial administration of the country, His Majesty's Government will continue its efforts in this direction. The successful implementation of the taxation policy of the government depends on its efficiency. In view of the necessity of making maximum efforts in the development works we have to labour hard at present for the prosperity in future His Majesty's Government has adopted the policy of investing in suitable proportion out of the increasing national income resulting from the joint effort of the government and the people. His Majesty's Government has been contributing to the investment in the development works out of the savings, made from the regular expenditure.

A few days back His Majesty had addressed in delivering the Royal Address to this House that His Majesty's Government is going to adopt, in the coming fiscal year, certain austerity measure in order to make available necessary resources for development out of the savings made in the regular budget. Such measures will be firmly undertaken in the coming year. No representatives will be sent to the conferences and seminars at the expense of His Majesty's Government unless it is very necessary for economic benefits and national prestige. Further, other measures include the curtailing of Government facilities such as providing economy class only in foreign travels, reduction in the salaries of ministers including their private office expenses, and abolition of customs facilities to the ministers and other officials.

The pace of development cannot be accelerated without the maximum mobilization of internal resources through various measures. For this, a habit of saving has to be developed both in public and private sectors. Only by the proper utilization of these savings can the self-sufficiency and the development of various sectors can be achieved. Of course, in a developing country like ours have limited resources, the need of foreign aid will remain for a few years to come. Therefore, in order to strengthen the management of the existing financial institutions His Majesty's Government will make greater efforts in the coming year. His Majesty's Government has already taken necessary steps to establish a General Insurance Company.

Necessary actions will be taken to operate industrial and commercial enterprises owned by His Majesty's Government profitably within the shortest possible time. In accordance with the policy of His Majesty's Government, efforts will be made to persuade the private entrepreneurs to establish such enterprises and necessary incentives and facilities will be provided. Even the enterprises owned by the Government will have to be operated on a competitive basis and no monopolistic right will be granted to such enterprises.

Honourable Chairman, the achievements made by His Majesty's Government in this year compared with that of the past years are highlighted in the Economic Survey. We will have to exert more efforts and face many difficulties in order to achieve the economic objectives of the Panchayat system. In a country, with limited resources, economic and other problems have to be encountered while making efforts for development, no matter how best are its means and objectives. But with the cooperation of all the Nepalese and the Panchas I am fully confident that any problem encountered in the process of economic development will be overcome smoothly as in the previous years.

Thank you.