Public Statement delivered by Honorable Finance Minister Mr. Barshaman Pun regarding "Empowering the Government to withdraw, appropriate and spend money for service and activities from Consolidated Fund Ordinance, 2012"
Respected Brothers, Sisters and Friends,

1. The present Government was formed in the aftermath of the presentation of annual budget of Fiscal Year 2011-12 to the Legislative Parliament. The Government at that time demonstrated the spirit of sacrifice by withholding its prerogative of formulating and implementing the budget on the basis of its policies and programs so as not to invite any negative impact on the political understanding. The Government with its liberal attitude implemented the budget along with policies and programs of the previous Government. Although there was an opportunity to bring supplementary budget during implementation, the Government gave continuity to the same budget for the sake of peace, constitution and economic development.

2. Meanwhile, the annual budget for Fiscal Year 2012-13 could not be presented due to dissolution of the Constituent Assembly on May 27, 2012. As per the Interim Constitution of Nepal, the Government attempted to bring the annual budget through an ordinance with priorities such as conducting election for Constituent Assembly/Parliament, bringing peace into its logical conclusion, addressing common economic agenda, accelerating economic growth, creating employment opportunities, distributing the fruits of economic development equally and making development inclusive. To this end, the Government continued requesting all political parties, former finance ministers, private sector organizations and entrepreneurs and economists for evolving common policies and programs and prepare the budget accordingly.

3. Although, we have had a precedence that the caretaker government in the past had already brought budget through an ordinance without consulting opposition political parties, the present Government continued giving emphasis on consensus in the formulation of budget giving utmost importance to political consensus, constitution making and economic prosperity. Despite the efforts by the Government for consensus, major opposition political parties continued demonstrating indifference. The budget was being used as a tool for power grabbing. Despite all these, keeping the political consensus at the centre, the Government had issued the one third budget on 15 July 2012 based on the expenses of the previous fiscal year following "Empowering the Government to withdraw money for services and activities from Consolidated Fund Ordinance, 2012" to address the immediate needs with a desire that a full-fledged budget will be brought as soon as possible through consensus.
4. Despite several attempts, consensus among the political parties could not be achieved even after the end of first trimester of the current Fiscal Year. Due to lack of annual budget, uncertainties grew in the area of economic policy and implementation of development programs and projects. There was no significant progress in the capital expenditure allocated for the development projects because of this uncertainty. Day to day administration and public service delivery became difficult. A shortfall of budget was apparent for the payment of compulsory liabilities like procuring medicine to be distributed free of cost from government hospitals, ration for prisoners and detainees, allowances and facilities for social security, ration for army and police, and salary and pension for civil servants. Private sector started becoming inactive instead of being encouraged for increasing investment. The likelihood of declining trust of donor community and development partners towards Nepal became high due to the emerging constraints in the utilization of foreign aid.

5. Realising these incidents as the obstacles for economic dynamism and prosperity, the government again requested all the political parties for their support to bring full-fledged budget through ordinance in accordance with constitutional provision. There had been a series of discussions at various levels including high level leaders of major political parties and former Finance Ministers, led by Chairman Comrade Prachanda on behalf of the coalition parties, Right Honorable Prime Minister on behalf of the government, and by myself. There was no representation despite official request to the major political parties to send their representatives for budget preparation. Support from major political parties could not be achieved despite the flexibility of the government to the maximum possible extent for budget preparation giving priority to constitution making, economic prosperity and employment creation based on common policy and programs acceptable to all. History will evaluate the irresponsiveness shown by the opposition political parties toward the nation, people and the economy. The subject is crystal clear regarding which political party is dedicated to economic prosperity and public welfare, and which is irresponsible.

Respected Sisters and Brothers

6. Even in such an adverse situation, the government, being accountable towards the nation and the people, remained effortful to bring full-fledged budget based on political consensus. However, there was no favorable situation so that the Right
Honorable President could promulgate an Appropriation Ordinance 2012, Debt and Guarantee Ordinance 2012, and Ordinance to Recover Public Debt 2012, in accordance with the Interim Constitution of Nepal 2007, Article 88(1). Despite the continued attempts, the Government has promulgated the "Empowering the Government to withdraw, appropriate and spend money for services and activities from Consolidated Fund Ordinance, 2012" in accordance with the Interim Constitution of Nepal, 2007, Article 88 (1) instead of a full-fledged budget.

I would like to present brief review of country’s economic situation before talking about major provisions of this ordinance.

7. In the Fiscal Year 2011-12, GDP growth rate reached 4.6 percent in both basic and producer’s price, which is the highest rate in the past three years. In the previous year, the growth rate was 3.8 percent at basic price and 3.9 percent at producer’s price. In the current Fiscal Year, it is estimated that GDP growth rate will be 5.1 percent at basic price and 5.3 percent at producer’s price.

8. In the Fiscal Year 2011-12, annual average consumer price inflation remained at 8.3 percent which is lower than the previous Fiscal Year’s rate of 9.6 percent. On the third months of current Fiscal Year 2012-13, consumer inflation reached at 10.8 percent on annual point basis. The disturbances in supplies management since the fourth quarter of the previous Fiscal Year caused price increases in both food and drinking products and non-food and services categories, ultimately leading to higher inflation. However, it is estimated that the situation will be improved and annual average inflation will remain at 8 percent in the current fiscal year.

9. There is a regular improvement in the NEPSE index, which is above 500 point. Improvement is also recorded in the real estate business.

10. Upto the first three months of Fiscal Year 2012-13, exports and imports have increased by 14.9 and 36.1 percent respectively. During the same period of previous Fiscal Year, export and import increased by 17.8 and 14.5 percent respectively. Because of higher growth rate in imports than exports, the export-import ratio decreased from 18.5 percent to 15.2 percent.

11. The Balance of Payment Surplus for the first two months of the current Fiscal Year 2012-13 is Rs. 3.82 billion.
12. As of mid-October 2012, the total Foreign Exchange Reserve has remained equivalent to Rs. 428 billion. On the basis of imports of the first two months of the current Fiscal Year 2012-13, the current situation of the foreign exchange reserve is enough to cover imports of goods for 9.5 months, and import of goods and services for 8 months.

13. As of mid-October 2012, in comparison to the corresponding period of the last Fiscal Year, the total Government expenditure has increased by 23.4 percent and reached Rs.52.58 billion.

14. In Fiscal Year 2011-12, revenue collection increased by 22.2 percent and reached Rs. 244.36 billion. The significant growth in the revenue was due to the growth in imports and service sectors. As of mid-October 2012, the revenue has increased by 31 percent and reached Rs.57.42 billion.

15. A higher revenue growth rate and austerity measures adopted in public expenditures enabled to maintain fiscal balance even in the transition period.

16. A desired momentum could not be brought in the economy due to the shortfall of expected investment in industrial and productive sectors, and weak construction sector despite enough liquidity in commercial banks. However, the positive trends like robust external sector, economic growth rate close to the target and satisfactory fiscal balance were seen in Fiscal Year 2011-12.

17. These statistics reveal that the aggregate macro-economic indicators have been positive. These positive indicators have provided strong basis to expand economic activities, carry out big project of physical infrastructures and attract investment in the field of industry and service sector.

18. Respected Sisters and Brothers,

Taking advantage of this situation, full-fledged budget was expected from Government, private sector, civil society, media, donor communities and general Nepalese people to make the economy more dynamic; orient the economy towards double digit growth, create employment opportunity; reduce poverty; ensure judicious distribution of development returns and achieve aggregate macro-economic stability. Unfortunately, once again, the desire of Nepalese people for a full-fledged budget could not be fulfilled.
Some major provisions made by the Ordinance

19. This ordinance which empowers the Government to withdraw money for services and activities from Consolidated Fund and to spend by appropriation has authorized the Government to make public expenditure of Rs.351.93 billion. Of this amount, Rs. 51.29 billion is to be charged over the Consolidated Fund and Rs. 300.64 billion is to be charged from this Fund.

20. From the approved amount of expenditure, Rs.246.87 billion is allocated for current expenditure and Rs.51.34 billion has been allocated for capital expenditure. Likewise, Rs.53.71 billion has been appropriated for financial management.

21. Necessary budget has been provisioned for election, which is the main priority of the Government. Necessary amount is allocated for army integration and for the establishment of National Development and Security Directorate.

22. There will be no scarcity of fund for regular operation of peace, security and day to day administrative functions.

23. Budget provision for various allowances and facilities being provided under social security scheme will be continued.

24. Necessary fund has been provisioned for free medicine for general public, food for patients in the hospitals, food for prisoners and detainees including salary, allowances and pensions for civil servants.

25. Necessary counterpart fund has been arranged for donor funded projects.

26. Fund has been arranged for ongoing national pride projects and national priority projects.

27. Government has made its best attempt to continue the ongoing incomplete projects within the limitations of the ordinance.

28. Revenue policies that are under implementation since last year will be continued. The tax rates as per the Finance Act, 2011 will remain unchanged.

Respected Brothers and Sisters,

29. I am confident that this ordinance will help to lessen the present static situation due to lack of full-fledged budget to some extent. In this transitional period of
state transformation process, I would like to appeal humbly to all general public, private sector and business communities to remain active with a great patience.

30. I am confident that the private sector, which is vehicle of national economic prosperity, will expand its investment for economic growth as in the past. The Government will always collaborate with the private sector to address their problems and difficulties. I would like to assure that the Government will always keep on creating conducive investment environment by reducing business transaction cost.

31. I would like to express my gratitude to all the development partners for their continued support in the development endeavors of Nepal and assure that there will not be lack of resources for the development projects being implemented under donor support. In this regard, I expect continued cooperation from development partners.

32. We are in the phase of political transition in course of building the foundation of a new, prosperous and righteous Nepal. While entering into the new era through common commitment, it is necessary to break some delays and difficulties. There is no alternative to move forward by learning lessons from such incidences. In this critical and delicate moment of the country, I heartily appeal to all the opposition parties to come up and walk together for overall welfare and prosperity of the country with positive thinking in line with broader national consensus and collaborations, rising above political selfishness, lust for the chair, and short-term benefit.

Thank You!