

Nepal Budget FY 2079/80

Right Orientation, Wrong Approach
A Story of Divergence



Himalayan Capital

A Wholly Owned Subsidiary of Himalayan Bank Limited

1. Macroeconomic Highlights

Nepal government's budget for the fiscal year 2079/80 comes against a worldwide backdrop of slower economic recovery, possible recession in developed markets, and rising prices as a result of Russia-Ukraine conflict as well as frequent and wider-ranging Chinese lockdowns that are exacerbating already significant bottlenecks in global supply chains following prolonged periods of inactivity during the COVID-19 pandemic. Higher, wider, and more persistent pricing pressures are causing several countries to tighten monetary policy and overall risks to economic prospects have grown considerably, making policy trade-offs more difficult.

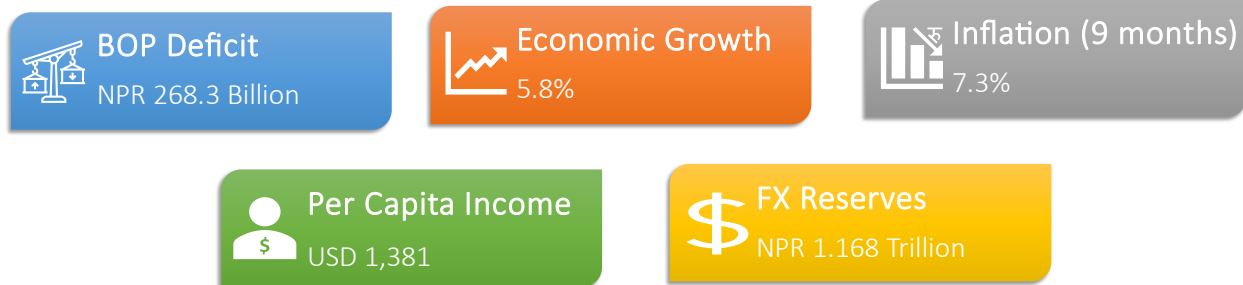
The situation in Nepal has been similar, with the opening up of the economy leading to a significant increase in imports (31.97%) at NPR 1,466.66 Billion as pent-up market demand for consumption could finally be satiated. Although exports increased significantly during this period as well (69.44%) at NPR 160.57 Billion, due to relatively small proportion of exports compared to imports, the current account position (-143.55%), and Foreign Exchange Reserves (-18.51%) both depleted during the period. The GDP growth for the FY is expected to be 5.8% as opposed to 7% as targeted by the previous budget; However, for a trade dependent import fueled economy, current issues on credit expansion might not allow for such a growth as imports would need to rise significantly once again, further stressing the nation's depleted foreign exchange reserves.

Similarly, Inflation Stood at 7.3% against a target of 6.5%. A rise in internal demand and an ever-weakening India Rupee to which the NPR is pegged at 100:160 led to a substantial increase in import numbers, especially petroleum products whose import numbers grew by 82.24%. Refined soyabean oil, the nation's key export also grew by 50.30% in the amount exported which helped maintain the import to export ratio at 9.14 times.

Access to financial system has improved with the population to branch ratio reaching 2,572 up to Falgun of the FY compared to 2,913 last FY. Insurance coverage has extended from 23.4% of the population to 29.0% of the population, this number jumps up to 35.4% if we include foreign employment term life insurance. NPR 106.11 Billion worth of Refinancing has been approved for businesses affected by the COVID-19 pandemic, while NPR 134.11 Billion worth of refinancing is currently outstanding as of Falgun 2078. Provision of compulsory PAN has further increased the scope of taxation as an additional 0.56 Million Taxpayers registered for a PAN in the FY. Total FDI has gone up from NPR 10.18 billion to NPR 16.30 billion (60.0%) this FY.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

Nonetheless, with the deposit creation cycle being affected severely due to lower remittance inflow (-0.61%) and increasing imports, deposit growth (12.25%) and consequently credit growth to the private sector (17.85%) both suffered in the second half of the fiscal year and will most probably suffer in the upcoming year as well, unless new sources for deposit growth emerge. This will surely affect the economic growth of the country and post a huge challenge to the government to meet its GDP growth targets.



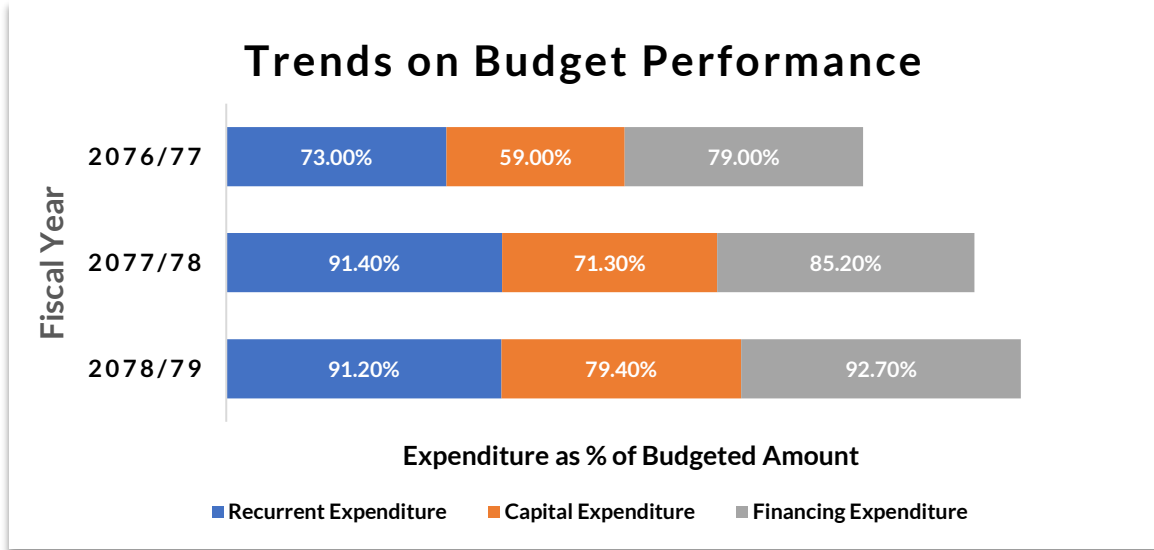
* All changes are based on the first nine months of the fiscal years.

2. Budget Performance (2078/79)

With regards to overall performance, the budget for FY 2078/79 continued the trend of ballooning recurrent expenditure vis-à-vis total expenditure observed since 2063 B.S. However, owing to some lingering effects of the pandemic and an inefficient expenditure mechanism, only 88.6% of the budgeted expenditure (~NPR 1.447 Trillion) is projected to be achieved in the FY.

Recurrent, Capital and Financing Expenditures are projected to be 91.2%, 79.4%, and 92.7% of their respective allocated budgets. Total Tax collection is expected to stand at ~NPR 1.152 Trillion an 18% increase on last year's actual numbers. Surely, the massive spike in consumption resulting in greater imports played a major role in assuring greater tax revenue despite which the government looks set to miss its revenue target. This FY will be more challenging unless the government and the central bank are ready to turn a blind eye to the country's depleting foreign exchange reserves to ensure a good volume of tax revenue is collected through imports. Despite these challenges, the budget performance has improved compared to the previous Fiscal Years but is still affected by inefficiencies on part of the government to spend as per planned.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.



3. Budget Overview

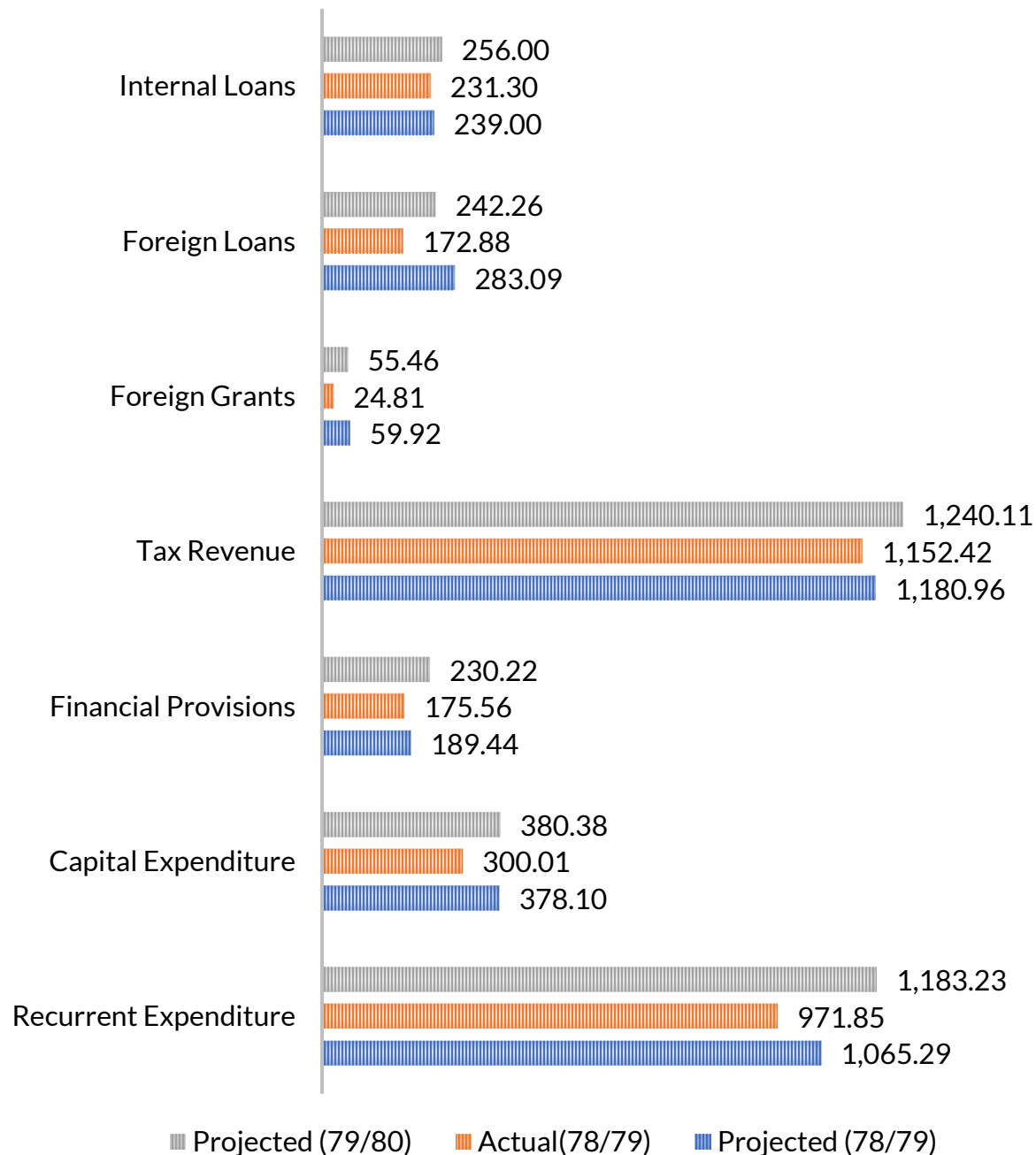
In continuation of the practice of presenting an Annual Budget for Nepal which Began In 2008 BS; Honorable finance minister Mr. Janardan Sharma “Prabhakar” on 15th Jestha, 2079 BS (29th May 2022 AD) presented to the house of representatives the budget for FY 2079/80. The Budget for the FY is projected at NPR 1.793 Trillion against a Tax Revenue of NPR 1.240 Trillion. As Tax Revenue alone is not sufficient to cover the total projected expenditure, Foreign Aid worth NPR 55.46 Billion, Foreign Loan of NPR 242.26 Billion and Internal Debt of NPR 256 Billion are to be sourced to fulfill all the financial obligations under the budget. The budget intends to achieve an economic (GDP) growth rate of 8% in the FY.

Headings	Amount (Billions NPR)	Percentage Composition
Expenditure		
Recurrent	1183.23	65.96%
Capital	380.38	21.20%
Financial Provisions	230.22	12.83%
Total	1,793.83	100.00%
Revenue/Receipts		

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

Headings	Amount (Billions NPR)	Percentage Composition
Tax Revenue	1,240.11	95.72%
Foreign Grants	55.46	4.28%
Total	1,295.57	100.00%
Projected Budget Surplus (+)/Deficit (-)	(498.26)	
Projected Deficit Financing		
Foreign Loans	242.26	48.62%
Internal Borrowing	256.00	51.38%
Total	498.26	100.00%

While the planned increase in foreign borrowing seems lower than projected in last year's budget on paper; It is actually 40% higher than the actual amount of foreign debt expected for the FY 78/79 at just NPR 172.88 Billion. Internal borrowing is also projected to be a bit higher than FY 78/79 as the sources crunch for the budget continues. With an already stressed credit market where liquidity issues are rampant; the increased internal borrowing from the government is sure to crowd out the private sector in the credit market. Further with already high interest rate and increased borrowing outlook from the government, this is sure to add additional pressure on interest rates whereby the allocation of budget towards servicing of debt might be larger than expected.



A. Objectives:

- a) Establish production-based economy to attain sustainable economic growth.
- b) Employment Creation and poverty alleviation through the proper mobilization of the nation's natural resources, human resources, capital, and technology in a unified manner.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- c) Maintain fiscal discipline and control inflation to promote financial stability.
- d) Proper allocation of resources to provincial and local governments to achieve prosperity through a federal setup.
- e) Lay the foundations for building a balanced, representative, self dependent and socialist economy through economic and social transformations.

B. Priorities:

- a) Transformation of Agricultural Sector.
- b) Increase in production/productivity, new employment generation, and poverty alleviation through cooperation between the government, private sector, and co-operatives.
- c) Development of Human Resources.
- d) Infrastructure Development, and Capital Formation.
- e) Hydropower Production, Extension of Transmission Lines, and Rural Electrification.
- f) Industrial Development, Investment Promotion, and revival of Tourism Sector.
- g) Environment Conservation, Disaster Management, and Mitigation of Risks related to Climate change.
- h) Effective public services, and good governance promotion, and periodic elections.
- i) Scientific Exploration, Research and Development.

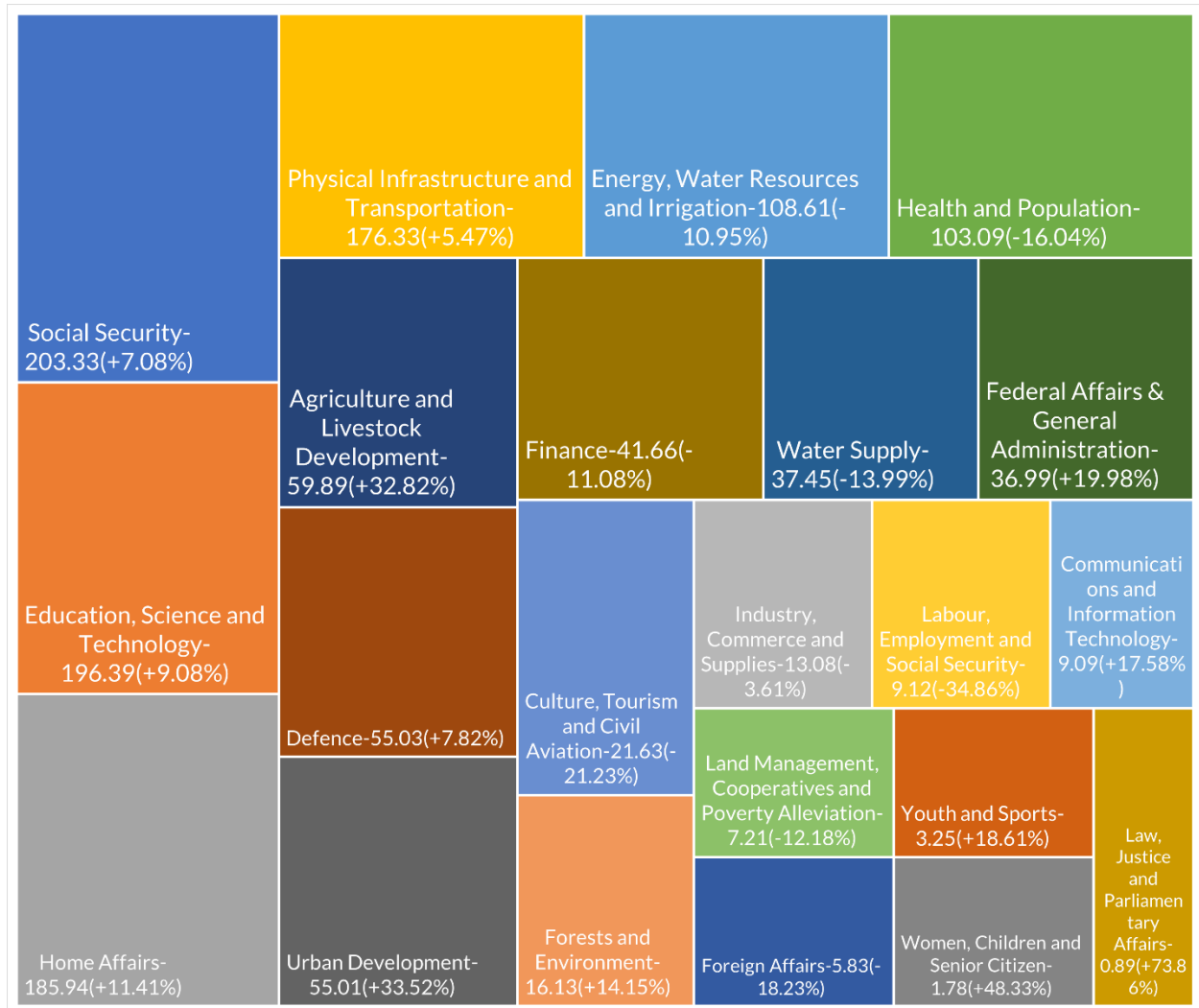
C. Expenditure Distribution



■ Recurrent Expenditure ■ Capital Expenditure ■ Financial Provisions

Recurrent Expenditure for the FY is budgeted at NPR 1,183.23 Billion, Capital Expenditure is Budgeted at NPR 380.38 Billion and Financial Management Expenditure is budgeted at NPR 230.22 Billion.

Sectoral Distribution of the Budget (NPR In Billion) for specific areas is as follows:



This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

D. Revenue Distribution

The Revenue Sources for the Budget are as follows:

Value Added Tax (VAT) (28.4%), 327.27 Billion	Excise (15.2%), 175.11 Billion	Tax Payed By Corporates and Institutions (9.71%), 111.91 Billion	Non Tax Revenue (7.81%), 89.97 Billion
Import Duties (16.59%), 191.18 Billion	Other Taxes (9.38%), 108.07 Billion	Tax Payed By Individuals (8.2%), 94.47 Billion	Other Income (4.72%), 54.36 Billion

■ Tax Revenue ■ Non Tax Revenue ■ Other Income

As can be seen, the total tax revenue of the nation can barely support even its recurrent expenditure (federal, provincial, and local) which is a very worrying sign. While additional protections and increase in facilities in social security and protection are good, they must coincide with an increase in revenue sources that can support their effective functioning in the long run. Care needs to be taken in this regard.

E. Implications

The major implications of the budget besides already existing programs and policies for various specific areas are as follows:

Sectoral Priorities

- a) Reduce Import of fundamental agricultural produce such as wheat, rice, corn, vegetable, and fruits by at least 30%.
- b) Double national exports while reducing imports by 20% and make balance of trade neutral within 5 years
- c) Grow dignified employment opportunities by 20% every year.
- d) Provide housing to landless Dalits within the next three years.
- e) Alleviate relative poverty for at least 0.8 Million Nepalis every year.
- f) Increase Nepal's Human Development Index (HDI) to 0.650 by improving the health and education sectors.

Agriculture

- a) Declaration of fiscal year as national campaign year of agricultural production for independence.
- b) Policy initiatives for setup of support framework for agriculture such as subsidized loans, agricultural ambulance, as well as easy access to agricultural inputs.
- c) Graduates of Agriculture and Animal Husbandry to be stationed at each local level to provide technical support. 300 unemployed youth from each local level to be employed in Prime minister employment program to assist in various tasks from setup of agricultural apparatus up to market identification and sale.
- d) Three Local levels from each province to be awarded NPR 50 Million Grant each, after selection as having made the best agriculture-based transformation.
- e) Grameen Bikash Laghubitta to be restructured with additional capital worth NPR 5 Million from rural municipalities and NPR 10 Million from Municipalities.
- f) Pension for farmers to be ensured through farmers welfare fund with starting capital of NPR 1 Billion, Government to add 10% to the monthly contribution by farmers to the fund.
- g) Grant for sugarcane farmers to be provided the same year as the sugarcane is crushed. Sugar beets to be introduced in Nepali farms.

- h) To improve yields, Artificial Insemination services to be provided through import of hybrid animals, and improved seeds to be provided across various government service points.
- i) Continuation of 80% coverage of agricultural insurance premium by government.

Industrial Development and Entrepreneurship Promotion

- a) This decade to be celebrated as Decade of Production Increase for the nation's development and prosperity. Prime Minister Nepali Production and Consumption improvement program introduced for increasing production, employment generation, and export promotion with a Budget of NPR 3.45 Billion.
- b) Make in Nepal and Made In Nepal campaigns by the private sector to be supported by Nepal government.
- c) Rebate and discounts on import of raw materials and machinery for production-based industries.
- d) Provision for providing project backed loans to be made easily available, challenge fund to be established to provide subsidized loans to foreign employment returnees to do business. Business incubation centers to be established in all 7 provinces to promote startup culture and entrepreneurship.
- e) Herbal Refineries and Processing centers to be established in provincial level to promote use of Nepali herbs. Insurance services to be provided for cultivation of herbs.
- f) Establishment of processing centers for various agricultural inputs and food in coordination with provincial government, Khadya byawastha and byapar company, and the private sector.
- g) Incentives and promotions programs for producing cash crops in coordination with local levels and provinces. Incentives for private sector to establish processing industries for establishing thread industries based on hemp, betelnut leaves, and banana.
- h) Establishment of industrial areas in shaktikhor in PPA model and, damak, motipur, dauji and nauwastha. Infrastructure work in 105 industrial villages declared by Nepal government to start.
- i) Bhairahawa and Simara SEZ's to become operational while SEZ's in Haraiya of Sudurpaschim province and Sunsari in Province 1 to be started.
- j) Preparations for Iron Ore Mine in Dhaubadi to produce iron to be made and phosphorite mine in bajhang and baitadi to be studied for feasibility of producing phosphorus-based fertilizers. Precious stones processing centers in various parts of the country to become operational.
- k) One Local level, one specialized product program to be implemented.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- l) Maximum limit for land acquisition for establishing industries to be revisited, foreign investment in industries to be promoted, and provision for industries to lease land for up to 50 years to be made.
- m) Minimum limit for FDI has been reduced to NPR 20 Million to encourage smaller investments into the country while automated approval to be initiated for FDI less than NPR 100 Million. Approval for carrying out preparatory work for large FDIs applied through digital channels within 7 days, and provision for completion of investment approval and industry establishment within the next 6 months to be made.
- n) Protection of intellectual property rights to be strengthened and crackdowns to be made in case of intellectual property rights infringement.

Import Reduction and Export Promotion.

- a) Promote agriculture, industries, and hydropower sector for export to improve national economy. Quality Framework to be applied for major imports to the country.
- b) Processing industries established in agriculture hubs producing ginger, cardamom, and herbs to be provided additional subsidies.
- c) Nepal unified trade policy, trade balance deficit reduction policy, and trade logistics policy to be formulated to promote exports internationally.
- d) Exports of clinker, cement, steel, footwear, bottled water, and IT based services, and BPO services to be facilitated with a cash grant up to 8% of the value exported.
- e) Industries using more than NPR 100 Million worth of electricity per month to be provided a subsidy of 2%-15% on the electricity charges incurred to promote greater use of electricity in industries.
- f) Nepali Construction companies to be facilitated to conduct construction activities in foreign countries for increasing export of services.
- g) Unified check post at Nepalgunj to become operational, check posts at Bhairahawa to begin construction, and feasibility study to establish dry ports at kanchanpur, dolpa, mustang, and mahottari districts.
- h) Nepali branded items to be promoted by running international trade fair and establishment of international trade promotion center.

Private Sector Promotion.

- a) Agreements to be done with different countries for promoting foreign investment and removing double taxation.

- b) Individuals, Industrialists facilitating larger foreign investments to be honored by Nepal government.
- c) Private Sector Developers can sell up to 20% of flats in apartment complexes with more than 100 residential units to foreign nationals in foreign currency.
- d) Allowance for use as collateral land of industries beyond the limits prescribed by government to attaining loans, and for debt repayment and fulfillment of tax obligation in case of bankruptcy of such industries through the sales of such land.

Supply Management

- a) Extension of Amlekhgunj pipeline upto Lothar in Chitwan and build new pipeline from Silguri in India upto Charaali in Jhapa for petroleum products.
- b) Khadya Byawastha and Byapar Company Limited to be restructured with share holdings of local levels and provinces and expansion to be done for buying and selling of agricultural goods at local and provincial levels through establishment of branches.

Tourism

- a) Planning to bring in an additional One Million tourists to Nepal in the next fiscal year.
- b) Discount on yearly license and registration fees for tourism and hotel sector industries affected by COVID-19.
- c) Reconstruction of remaining cultural heritages destroyed during earthquake to be completed in the fiscal year.
- d) Hill stations to be established in various parts of the country to promote adventure tourism in coordination with province and private sectors.
- e) Work to continues on the great Himalayan trail
- f) Various cultural museums to be established and old gumbas to be restored.
- g) Improvement of access to major tourist destination and ensure access to basic services such as water, sanitation, cleanliness, and free internet among others.
- h) Chatara Sagarmatha Fastrack to be started to provide easy access to Mount Everest area to tourists. Private sector to be facilitated in building cable car in Muktinath area.

Aviation Infrastructure

- a) Nijgadh Airport to begin construction after finalization of investment model by Investment Board. Gautam Buddha International Airport, and Pokhara International Airports to become fully operational,

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- b) Addition of another taxi way and another terminal at Tribhuvan International Airport for better traffic management. Feasibility of second terminal at Gautam Buddha International Airport to be ascertained.
- c) Dhangadhi airport to be upgraded to regional airport, provincial airport in ramghat of surkhet to begin construction.
- d) Civil Aviation Authority of Nepal to be restructured to form service providing organization and regulating body.
- e) Upgradation of smaller airports in Dadeldhura, baglung, dang, tarigaun, tikapur, and chaurjahari as well as begin construction of udayapur airport.

Land Management

- a) Landholding certificate to be provided to 0.5 Million Families across 300 local levels.
- b) Prepare digital archive of government, public, communal and guthi land with required maps and hand over to local levels for protection and management of such land area.
- c) Digitization of land records to be carried out and 126 Survey Offices to be equipped with GIS based online service delivery platforms.
- d) Establish a unified real-estate valuation system based on GIS data for consistent evaluation across the country.
- e) Only authorized personnel (person/organization) to be involved in the trading of real estate. Provision to be implemented in metropolitan and sub-metropolitan cities this year and then rolled out to all other local levels gradually.

Cooperative and Poverty Alleviation

- a) National Service Identification card to be provided to poor households to collect their information. Subsidized Apartment buildings to be made for the urban poor.
- b) Cooperatives to compulsorily make 50% of their investments in productive sector.
- c) Government to provide 5% capital grant for agricultural produce industries established by cooperatives with a minimum paid up capital of NPR 200 Million. 20 % subsidy during purchase of machinery by agricultural produce industries established by local levels by injecting their own capital and with participation of at least 300 farmers.
- d) Common Institution operational before 2049 BS's assets and liabilities to be evaluated and the institutions to be protected and management. Loans to farmers from such organization to be waived and the assets pledged to be set free.

- e) Loans for agricultural projects, and small industries operated by marginalized communities such as landless Dalits, squatters, raute, bankariya, musahar, and dom to be provided subsidized loans at just 5% interest.

Forest Management and Environment Protection

- a) Allow sales of trees planted in private property as agricultural produce through amendment of policy. Wood seasoning and treatment plant to be established in all provinces for improving quality of wood produced by private sector.
- b) In case of rivers flowing from forest areas, any sediments, aggregates, and rocks carried downstream will be used to build levees and dams, as well use in public infrastructure projects.
- c) Bioengineering to be used to build green corridors around rivers in Terai-Madhesh area. Mines identified in the Mahabharat range to be used for mining of various types of materials.

Labor and Employment

- a) Prime Minister Employment Program to be used to provide employment to 0.2 Million unemployed individuals by identifying uncultivated land in coordination within local level and utilizing the people to increase agricultural produce.
- b) Labor cooperatives to be established by enroll some 0.5 Million people. These cooperative then compete with each other to involved in development projects with a size of up to NPR 100 Million conducted to federal, provincial, and local governments.
- c) Skills Registry of nation's citizens to be established.
- d) National Labor Academy to be established to promote labor wellbeing.
- e) Food Safety Identification Card to be provided to low-income workers, and poor families to be used for buying food at subsidized rates within their local levels.
- f) Online access for labor migration services and setup of technological infrastructure to decentralize Kathmandu based migration services from all labor and employment offices across the country.
- g) Investment Fund to be established for migrant workers to invest in productive areas of the country.

Health and Population

- a) Primary Hospitals being established in 655 local levels to be completed within this fiscal year

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- b) Senior Citizen Wards established in further 20 national and provincial hospital for better service delivery. 98 types of medicines being provided free of cost to senior citizens.
- c) Pregnant women from marginalized and endangered communities in 25 districts to be provided NPR 5 Thousand as Nutrition Allowance.
- d) Super specialty hospital to be established in Lumbini and madhesh provinces in rajapur and saptari respectively.
- e) Trauma Centers to be established in Rupandehi, Nawalparasi purwa, kailalai, rakam in karnali corridor, and dhading districts. Concept of one doctor one hospital to be implemented.
- f) All Medical Institutes and Medical colleges to compulsorily carryout at least two free health checkup camps in primary hospital in local levels and rural areas.
- g) National Center for Disease Control to be established to monitor, prevent, and control the spread of diseases in the country
- h) Medical Insurance to be provided only through government healthcare institutions. Insurance companies to be used for propagation of health insurance program.
- i) Free annual non-communicable disease screening service to citizens above the age of 40 at government healthcare institutions. Free health checkup to all students of community schools before start of academic year.
- j) Government owned blood banks to be operated in all provinces, and all provincial hospital to have a cathlab and emergency cardiology services. Ambulance service to be imparted through a unified platform.

Education, Science and Technology

- a) Vocational trainings to be carried out an additional 100 schools to enhance skills of students and help them become industrious. Syllabus of secondary level to be revised to include vocational education as well.
- b) Students of technical subjects at Bachelors, and master's levels will have to work as volunteers for at least 90 days in their local level or assist in rural development.
- c) Twelve Hundred school buildings to be constructed next year for public schools with infrastructure for technical education. Day Launch program to be extended up to grade 6 with the aim of extending it for students up to grade 8 in the future.
- d) Digitization effort in 20 schools in each province to ensure better quality education.
- e) In case of good academic performance of students, and given approval from the school management committee, principal will be able to spend up to NPR 0.5 Million to operate a program of their choosing at their respective schools.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- f) Technical Schools to be gradually handed over to provinces.
- g) Promote foreign student intake for Nepali schools and universities and facilitate easy access for foreign teacher to Nepal.
- h) Medical colleges to be established in hospital under provincial governments, as such colleges to be established and operated in Butwal, surkhet, jumla, and Kailali districts. Medical college to be established in dadeldhura district.
- i) Admission for Medical program to be opened twice a year and medical colleges to be established outside Kathmandu valley to attract local and foreign students.
- j) Planetarium park to be established in coordination with Kathmandu Municipality by pooling of government and municipal land.

Water and Sanitation

- a) Begin the process of brining water from yangri and larke rivers to melamchi headworks. Pipeline for melamchi project to be extended beyond chakrapatha area.
- b) Melamchi Water Supply Development Board and Rural Water Supply and Sanitation Fund Development Board have been cancelled Department of Water Supply & Sewerage Management will carry out the tasks of these projects.
- c) Study to be done to ascertain feasibility of getting water from sisne and thosne rivers to Kathmandu' water supply.
- d) Detailed study for unified water and sanitation/sewerage management in 12 cities will be completed. Sanitation masterplan to be drafted for 100 local levels.
- e) Water Supply project facilitating up to thousand households that are constructed and operated in coordination with local levels to be provided up to 80% of the construction cost based on quality of work and longevity of the project.

Social Security and Protection

- a) Age for Eligibility for social security has been reduced from 70 years to 68 years.
- b) Expansion of contribution based social security system to incorporate self employed individuals and those in foreign employment.

Youth and Sports

- a) Under youth startup program, provision of subsidized loans to youth with project as collateral based on their training experience and education level.
- b) Business Incubation Center to be established in coordination with local level and BFIs to provide entrepreneurship training to Ten Thousand Youth.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- c) Entrepreneurship and self-employment training programs to be conducted for Youth involved as Myadi (Fixed Term) Police. Provision to use Myadi Police as reserve security force of the country.
- d) High altitude sports and training center to be established in topla patan of jumla district.
- e) Mulpani cricket ground to be completed this fiscal year, Kirtipur cricket stadium to be upgraded to enable night games, and Gautam buddha cricket stadium to be completed in Chitwan. Women's cricket academy and stadium to be established in Kohalpur and international standard cricket stadium to be established in fapla of dhangadhi district.
- f) Players receiving medals in Asian and Olympic games to get a permanent endowment for their services to the nation.

Woman, Children, and Senior Citizens

- a) Hostels for girl students having to travel long distances to attain education.
- b) Test tube Baby and Invitro Fertilization services to be extended to government hospitals outside Kathmandu valley.
- c) Provision of grant of induction cooktop for each household through their local levels for electricity use promotion.
- d) Free textbooks in braille and sign language.

Projects of National Importance

- a) Fastrack from Kathmandu to Chitwan via palung for travel within one hour. Chitwan-Rampur-Butwal and Chitwan-Rampur-Pokhara expressways to be built through investment of private sector via investment board. Mirchaiya-Lukla-Sagarmatha fast track to built by the private sector in partnership with government.
- b) Viability Gap Funding for Jumla-Rara-Chhayanath-Limi tourist way from the mid hills highway to be offered to private sector.
- c) Green Bonds to be issued for building large and transformative projects.

Roads

- a) Continuation of upgrade of east west highway to 4 lanes.
- b) Kathmandu-Nijgadh FastTrack to be completed in 3 years.
- c) Budget for blacktopping, and building bridges on Postal Highway, Mid-Hills Highway, and Madan Bhandari Highway.
- d) Expansion and upgradation of other important road projects around the country.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- e) Suryabinayak-dhulikhel road to be upgraded to 4 lanes, underpass to be built at Koteshwor and new Baneshwor and overpass to be built at gwarko, Satdobato, and ekantakuna.
- f) Nagdhunga tunnel to obtain breakthrough by the end of the fiscal year, other tunnel projects such a tokha-chahare, godawari-apanauti, and sanga-banepa to be studied for feasibility and tunnel at siddhababa to start construction. Studies on Tunnel projects at Bardaghat, bhimpheedi, chiyabari, shaktikhor, byaulidhunga, and ranighat to be completed.

Rail, Waterways, Ropeway

- a) Bardibas-Nijgadh section of east west railway to proceed with construction quickly.
- b) Janakpur-Jaynagar railway to be extended upto wijalapur. Other segments in the east such as bhittamod-jaleshor, Bijlapur-bardibasm, and Biratnagar under work or beginning work soon.
- c) Ferry Terminal to be built at chatara(koshi), narayanghat (narayani), and chisapani (karnali)

Transportation Management

- a) Use of digital payment while using public transport will be utilized and conversion of fossil fuel-based vehicle to electric will be encouraged.
- b) Provision to provide driver license just within one month of application from provincial transport offices.

Energy Sector Development

- a) 715 megawatts of hydroelectricity to be added to the national grid this fiscal year.
- b) Per person energy consumption to be increased to 400 Kilowatt Hours per year.
- c) In case of selection of hydropower projects to be commissioned, 50% will be full reservoir projects while 50% will be half-reservoir projects. For projects affected by COVID-19 pandemic, license period will be increased by a maximum of 2 years.
- d) Nepal Electricity Authority to establish 50 charging stations for electric vehicles across the country.
- e) Conversion of petroleum-based service to electric such as use of electric boiler, and electric brick furnace, Government agencies should buy electric vehicles for use wherever feasible.
- f) Work to continue on larger hydroelectric projects and transmission line projects.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- g) Gradual removal of subsidy in LPG gas to promote use of electricity for cooking. Upto 20 units of free electricity to be provided to households utilizing only up to the 20 unit limit per month. Subsidy on electricity used for irrigation purpose.
- h) Provision to use different companies to build dam and powerhouse of project to encourage private sector investment,
- i) In case a hydropower developer builds transmission line from project up to NEA substation, up to 75% of the investment amount to be refunded. With NEA's credit rating complete, public issue of the company to be done at a premium whose funds will be used to build even larger reservoir-based projects.
- j) Provision to encourage use of hydrogen as fuel for transportation and other industries.

Water Resources and Irrigation

- a) Continued construction of major irrigation projects across the country.
- b) Filling of Dhap Dam at shivapuri national park and nagmati river to improve environment of Kathmandu by maintaining a good water level of the river.
- c) Automated real time weather measurement centers at palpa , and udayapur to complete construction.
- d) Feasibility of east west irrigation project connecting major rivers from koshi to karnali to be conducted.

Information and Communication

- a) National cyber security center to be established to promote cyber security.
- b) Implementation of digital Nepal framework 2076 through initial digitation of federal ministries. Provide broadband access to local levels.
- c) Feasibility study to operate Nepal's own satellite.

Housing and Urban Development

- a) Provide safe accommodation to all citizens within three years by coordinating with private sector to build cost effective houses on government provided land.
- b) Establish utility corridor to unify point of service of various utilities.
- c) Build parks area with rescue zones in four key locations within Kathmandu valley.
- d) Develop new cities, in marine of sindhuli, nijgadh of bara, devghat of tanahun, and rampur of palpa districts. Study to develop mountainous cities at olangchungola, kimathanka, upper manang, lhomangthan, dolpo buddha, limi and hilsa.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- e) Building a unified government building complex in Nawalparasi purwa, and Rukum purwa districts

Local Economic Development Program.

- a) Comprehensive program run in coordination with provincial and local governments and the private sector intends to establish 1 Lakh new industries and businesses, open 1,500 new market centers, operate 2,500 weekly hatbazaars, organize 1,500 business festivals to create employment.

Local Infrastructure Development

- a) Centers of local levels to be connected to provincial capital or national road network within three years, Additional 500 kilometers of road network to be completed in this regard.
- b) Administrative Building of all local levels to be completed within next two years, 70 local levels, buildings to be completed this fiscal year.
- c) Unified Development plan for Sinja valley of jumla to be completed.
- d) Department for local infrastructure to be dissolved and employees to be reassigned

Climate change and Disaster Management

- a) Establish a national disaster per-information system and disaster risk assessment system for better disaster response and reduce risks associated with disasters.
- b) Manage water levels of several glaciers to reduce flood risk.

Financial Sector

- a) Continuation of subsidized loans at 5% to specified sectors such as SMEs, agricultural cooperatives and so on.
- b) BFIs are required to deposit 50% of their Corporate Social Responsibility Funds in the Marginalized and Dalit Upliftment Fund which will be used in productive sectors.
- c) Establishment of a secondary regulatory body to regulate institutions carrying out financial transaction such as cooperative and NGO's but not under supervision of Nepal Rastra Bank.
- d) Each branch of BFIs should provide at least 5 loans for aimed at fostering agricultural production and processing. Project backed loans to be available through microfinance institutions.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- e) Shift all government revenue collection, and funds disbursement process to occur through banking channels.
- f) Open Market Operations Stabilization Fund to be established to promote internal investment and manage liquidity in the market. Hedging Fund to be established to counteract foreign currency volatility for foreign investment promotion in Nepal.
- g) Study to understand feasibility of issuing Insurance Catastrophic Bond.
- h) Micro-insurance companies to be established to increase access of insurance to the poor, marginalized and agriculture sector. Insurance companies to invest a certain portion of their finds in infrastructure development projects.
- i) Provision to invest funds from Employees Provident Fund, Citizen Investment Trust and Social Security Funds in agriculture and productive sector.
- j) Reservation of 10% of a public issue of shares to Nepali citizens involved in foreign employment.
- k) Facilitate the operation of Private Equity and Venture funds to promote entrepreneurship.
- l) Companies with capital greater than NPR 1 Billion, Annual Revenue greater than NPR 5 Billion, Companies using natural resources and public companies receiving subsidy, allowance, or tax discounts should all be compulsorily listed in stock exchange after a public offering.
- m) Deposit Guarantee fund will now guarantee up to NPR 0.5 Million worth of deposits per BFI.
- n) Provision to allow Nepalis in India to open bank account in Nepal and send money there directly.

Water Resources and Irrigation

- a) Restructure dilapidated public enterprises and operate them in a suitable manner.
- b) Officials holding public office should wear clothes produced by Hetauda Cloth Industry.
- c) Restructuring of public enterprise involved in delivery of fundamental services such as food, milk, agricultural produce, medicine, and transportation to include ownership of provincial and local governments as well.
- d) Policy to facilitate effective handover of hydropower and telecom projects whose licensing periods have expired.

Security

- a) All Nepali citizens to be provided national identification card with relevant information within two years.
- b) Foreigners entering Nepal to have their information digitized along with biometric information.

Public Service Delivery and Public Servants

- a) An increase of 15% on the salary of all public servant for the fiscal year onwards.

Public Finance Management and Budget Implementation

- a) Budget Allocated for National Pride Projects can only be reallocated to other national pride projects.
- b) Different funds serving the same purpose to be merged or cancelled as required.
- c) Financial Risk Registry to be kept for measuring overall risk to financial system.

Capital Expenditure.

- a) Structural changes to be made to improve capital expenditure.
- b) Contractors being required to work in two shifts to complete development work quicker.

Administrative Expense Reduction

- a) Reduction in recurrent expense in government office by 15% and reduction in employee requirement by 10%
- b) Government offices to avoid buying new vehicle in the fiscal year and sales/disposal of non-repairable vehicles.

Tax Policy

- a) To restructure the import-oriented tax structure to a sustainable tax structure by gradually improving the contribution of internal taxes and by extending coverage area of taxes by:
 - ✓ Enduring and effective mobilization of taxes to build a prospering, self-dependent, and strong economy.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- ✓ Promotion of Local Industries.
 - ✓ Preservation of fundamental of tax coverage, extend tax coverage, and reduce tax revenue leakage.
 - ✓ Improve taxation system and make it progressive, simple, transparent, and estimable.
 - ✓ Promote taxation compliance, and ensure greater participation in taxation through professional, non-tainted, and taxpayer friendly tax administration.
 - ✓ Make the taxation system technology friendly.
- b) Provision for government institutions across all three levels of government to compulsorily require PAN for advance taxation which should be done through digital mediums.
- c) Provision to provide PAN while providing national ID card or citizenship certificates. Provision to provide PAN to minors involved in business transactions.
- d) To ensure tax coverage of foreign national's working in Nepal; PAN, and Tax Clearance Certificate to be made compulsory for renewal of VISA, or work permit. PAN compulsory during renewal of professional license, and while buying four-wheel vehicles.
- e) Increase in tax exclusion bracket for natural person to NPR 0.5 Million, and for married couples to NPR 0.6 Million. Increase in exemption for Insurance Premium in taxable income to NPR 40 Thousand.

Annual Income (Unmarried)	Annual Income (Married Couple)	Tax Rate
Up to NPR 0.5 Million	Up to NPR 0.6 Million	1%
NPR 0.5-0.7 Million	NPR 0.6-0.8 Million	10%
NPR 0.7-1 Million	NPR 0.8-1.1 Million	20%
NPR 1-2 Million	NPR 1.1-2 Million	30%
Above NPR 2 Million	Above NPR 2 Million	36%

- f) Tax discount of 40% for industries producing/assembling four wheelers in Nepal for 5 years from date of operation. Similarly, up to 50% discount on excise duty and 25% discount on import duties of raw materials for such industries based on recommendation from department of industries. Only 1% import duty on raw materials for industries assembling/producing e-rickshaw, motorcycle, or scooter.
- g) Tax Rate for Information technology-based businesses outsourcing their services abroad set at 1% for income made in foreign currency.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

- h) Tax Discount of 75% for SMEs with income up to NPR 0.3 Million and 50% for SMEs with income between NPR 0.3 Million and 1 Million as relief measure for impact of COVID-19 on their businesses. Tax Discount of 50% on taxable income for hospitality, tourism-based industries affected by COVID-19.
- i) Full tax rebate for 5 years for agricultural equipment manufacturing company established in Nepal. Full tax rebate for 15 years for any special industry established in hilly districts of susdurpaschim, and karnali provinces employing more than 100 people directly.
- j) Advance tax of only 1.5% on royalties received on use of literary intellectual property.
- k) Excise and import duties on raw materials for productive industries to be set at least one level below for those of finished products. Increase in such duties for luxury products.
- l) Reduction in import duties of sanitary pads by 90% and import duties set at 1% for raw materials for local industries producing sanitary pads. All government based sanitary pad schemes to use locally produced sanitary pads.
- m) Full Rebate on import duties for one vehicle bought by each local level for transportation and marketing of agricultural produce. 50% Rebate on import duties for one vehicle bought by agricultural co-operative for transportation of agricultural produce.
- n) Upto 75% rebate on import duties for up to 2 school buses being bought by government, community schools.
- o) Full rebate on import duties for urine bags and full tax rebate on import duty of raw materials used by industries producing specialized equipment for specially able people.
- p) Malt Maturation of whisky allowed within Nepal to improve quality of Nepali spirits.
- q) 50% discount on passport renewal, counselor services, and work permit renewal for Nepalis involved in foreign employment who are remitting money through formal channels.
- r) In case of an individual buying an additional house/apartment, the registration cost for the new building will be twice the normal registration amount.
- s) Real-Time electronic billing to be implemented in petrol stations.
- t) Flowmeters to be installed in wine and other spirit factories in addition to beer factories.
- u) Implementation of 7th edition of harmonized product/material classification for equivalence with global practices in import classification and symbolization.
- v) Strive to reduce double taxation under different levels government.

- w) Regulation supervision system to electronically supervise industries producing excisable products/materials.
- x) Provision to allow self-printing of tax clearance certificate for all types of taxpayers.

Key Takeaways

A Lack of proper planning and foresight from key stakeholders regarding the myriad of issues which could have arisen to impact the national economy after the complete reopening of the economy following various stop start reopening's during the COVID-19 pandemic has meant that Nepal is now faced with several macro and micro economic challenges. These are now threatening to affect Nepal's external sector and the country's internal growth metrics. The effects of a sudden release of pent-up demand on an import-based economy such as ours wherein supply chain issues arising as a result of prolonged periods of inactivity during the pandemic were prominent led to a tremendous increase in import numbers.

For an economy like ours, where the credit to GDP ratio is relatively high, the rapid increase in credit expansion by BFIs led to significantly higher import numbers. With increasing imports, coupled with flat to negative growth in remittance meant a rapid exodus of funds from the country impacting overall deposit growth metrics and depleting the foreign exchange reserves. With larger number of returnee migrant workers during the pandemic, and a sudden stop in the migrant workers going abroad, Remittance inflows which had remained steady even during pandemic times had also reduced.

The use of formal channels by migrant workers to send money home during the pandemic which aided the increased remittance during the period saw a sudden decoupling once economies started to open up. The economic issues thus created clearly highlight the effects of the nation's overreliance on remittance inflows and lays bare how a volatility in remittance inflows affect the economic stability of the country. Thus, a departure towards a more sustainable form of growth seems more urgent than ever.

With the nation's foreign exchange reserves have depleted rather quickly as unit import growth fueled by the release of pent-up demand, and a higher price per unit of imports due to an ever-weakening Indian Rupee led to import numbers increasing by 32%. Consequently, even though export numbers had also increased by around 68%, the ratio of imports to exports is skewed disproportionately towards imports meaning that the

number value of additional imports eclipsed that of additional exports leading to external sector metrics such as the balance of trade, and the current account deteriorating.

Looking closely at the nations export numbers, it is clearly visible that we are relying mostly on the export of nominal value addition products (soyabean oil, and palm oil) which are being exported on the back of import control and trade dispute of neighboring countries. This has meant that while the national account is being propped up by these exports in the short term, they are unlikely to instill stability to overall export numbers in the long run. In this scenario, a move towards sustainable exports that are founded on low production costs, and actual value addition would only add to the national economy in the long run.

Thus, the provision of cash allowance for export-oriented industries like cement, steel, footwear, processes water, IT services, and others adopted by this year's budget is a good start in helping establish a good export base. However, the incentive amount touted at a maximum of 8% still does not seem enough for Nepali products (mainly cement and steel) to compete with their Indian counterparts which have much better productions of scale and have a much cheaper cost of transportation (trains). A revision on the allowance numbers looking at specific sectoral needs would have been more fruitful in promoting exports more reliably. Nonetheless, the incentive is a welcome policy decision which can not only help improve export numbers but also improve productivity metrics for cement and steel industries whose production numbers have declined on the back of a slowdown of construction activities within the country.

At a time when the hospitality and travel industries are recovering from a pandemic the support provided to these sectors is key in ensuring their sustainability in the long run. Although the budget has specifically undertaken to promote tourism within the country going so far as to aiming to bring in an additional one million tourists in the upcoming fiscal year, the budget allocation to the sector paints a contradictory picture. A rebate of 50% on income tax for these industries through the budget will also definitely help in accelerating their recovery.

Unlike tourism, the financial sector managed to function relatively normally even during a broader economic slowdown caused by the COVID-19 pandemic owing to policy initiatives from the central bank to reduce the ballooning of their non-performing assets. However, once interest capitalization and other facilities which had helped BFIs manage nonperforming assets were gradually removed, BFIs were still able to maintain their financial stability. A slowdown in economic activity during the pandemic coupled with

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

lower credit growth and higher remittance inflows created a situation of surpluses in the financial system. Consequently, on the back of the reopening following the pandemic, the increased capacity of the financial system to create additional credit along with lower interest rates resulted in rapid credit expansion. The pent-up demand for consumption also aided the increase in credit of trading sector. The lower rates of interest were already creating asset bubbles in the economy which no longer could be sustained as rapid credit growth started to outweigh the deposit growth in the financial system disproportionately.

A rapid increase in imports and lower remittance inflow had meant that the liquidity position of the market changed rather quickly as credit growth remained high while deposits stagnated for some time. This resulted in a scenario of credit crisis and liquidity crunch as many BFIs were already near or above the regulatory lending ceiling prescribed by the central bank. In response the central bank had taken the policy of restricting the import of luxury items through credit blockages which has helped ease some import pressure and retain money within the country. The stock markets downward move has thus continued across the year due to this crisis as the central bank's contractionary position which it has been reinforcing through revisions of the monetary policy is affecting credit growth. The contractionary stance of the central bank seems to be aimed at managing Inflation numbers which have risen above 7% against an ever-weakening NPR, combined with global supply chains issues due to the pandemic and conflict in Russia-Ukraine.

However, despite this economic situation, the current budget looks to be an expansionary one, which is sure to increase the already high inflationary pressure within the economy and create a divergence as opposed to the monetary policy which seems to be moving in a contractionary direction. To achieve the budget's 8% growth targets, the government has outlined a plan to nearly double our exports while reducing imports, How this can be achieved during a period of severe credit crisis for an economy which is import dependent and credit fueled is questionable?

A reduction in the age limit for social security payments from 70 years to 68 years will surely put additional pressure on the nation's finances and a 15% increase in government wages and revisions in income tax slabs will create additional cash flow leading to even more inflationary pressures. At a time when the inflation seems to be going out of control, and massive increase in input costs (oil, fertilizer), the budget seems to not have considered the impact this will have on the overall food security of the nation. The lack of allocation of budget to safeguard against this backdrop is concerning.

Overall, the budget seems to be focusing on boosting internal industrial production and the development of the agriculture sector. However, even though the policies intended for industrial development seem sure to add value, how the government will be able to achieve a substantial growth in agriculture sector when it has not been able to provide adequate amount of fertilizer to improve current agricultural productivity remains a key question!

Thus, even though the budget is focusing on improvement of agricultural production, the challenge regarding food security is sure to become a topic of discussion in Nepal for years to come. At a time when inflationary pressures are high and food prices are rising regularly, a net-importer such as Nepal should be observant of the developments happening across the world. We can already see that with India restricting the export of wheat and sugar to satiate its own internal demand, the supply and consequently the pricing of these goods is going to suffer.

With agricultural input costs increasing, we have already observed cooking oil prices rising significantly over the last year while other foods are following suit. This means that there is still good demand pressure for these products which is sure to push their prices higher and make them more in-accessible. How these changes will affect the affordability and availability of food will decide our economic stability as well. In this regard, specific policies intended to tackle these issues and ensure food security would have made the budget effective but unfortunately the budget while pushing for self-dependency in agriculture has not been able to take into account the need for food security for the time being.

Considering the government's stated goal of import reduction and considering that tax collection via petroleum products had increased substantially this fiscal year due to a rise in oil prices and the weakening of the NPR vis-à-vis the dollar, the tax revenue expectations of the government also seem to be overoptimistic. Nonetheless, given that the expected revenue comes to fruition, there is still a sizeable deficit between the expenditure projected and its sources which means the already ballooning national debt will balloon further without adding significantly to the national economic output.

The expected start of commercial mining, continuation in empowerment of private sector through coverage of infrastructure building costs, various rebates (tax rebate, and electricity cost rebate) to promote internal industrial production and export subsidies all paint a picture of a government focusing on industrial production and productivity but how these measures will impact industrial growth and whether they can achieve their intended goals remains to be seen.

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

A continuation in the policy of utilization of modern technology for greater mobility through the use of tunnels in highways and use of river diversion projects for improved irrigation show a defined move towards a more modern and efficient Nepal. Surprisingly, commercial blending of finance in development projects intending to utilize commercial resources in development finance and the use of capital grants for viability gap funding for PPA projects remains conspicuous in its absence/ limited present in this iteration of the fiscal policy as it was featured in last year's policy as well.

Similarly, the completion of sovereign rating for Nepal as per last year's fiscal policy is still in the process of being completed and should help improve foreign investment in the country once completed while the process of introducing a public stake in the Nepal Electricity Authority (NEA) as its credit rating has been completed is expected to take shape this year. Looking at public issues, the budget's proclamation of providing a fixed reservation for immigrant workers during public offerings (IPO) of companies and rebates on service charges while availing services such as passport renewal, counselor services, and work permit renewal will facilitate immigrant workers and help improve their economic prospects.

However, though this is a good start, further concessions might need to be made to encourage remittance through formal channels still. The introduction of Green Bonds to facilitate investment in large and transformative infrastructure projects is also a welcome start but will be successful if it can also entail involvement from Nepali migrant workers plying their trades internationally. In terms of securing investment from outside the country, a reduction in the lower limit for FDIs at NPR (200 Million) through the budget will be helpful in allowing smaller foreign funds to enter the country for investment purposes. However, the declaration of processing FDI up to NPR 100 Million through an automated process though exciting will have challenges.

The budget also continues with the prioritization of the PPA model for project development which will be key for rapid infrastructure development in the country as it will ensure public stake and consequently good public participation in infrastructure projects. The budget sees the federal government offering several larger public infrastructure projects to the private sector as a business proposition and introduction of agriculture-based schemes intended to promote PPA based projects.

Thus, looking at the budget, we can see that many provisions seem to be put forth as a populist measure during an election season without focusing on the inflationary pressures

This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

they would create in an already stressed economy. The ballooning national debt already seems like a problem, thus creating a budget that adds to this debt will not be fruitful to the national economy in the long term as much of the money thus collected would be used for recurrent expenditure financing which does not add much value to the economy. The budget's stated economic growth target of 8% however is problematic as for such growth to occur the credit growth of the country would also need to increase proportionally which would add to the already high inflationary pressure in the market and further deplete the nation's foreign exchange reserves. Thus, the growth target seems a bit unrealistic in this regard.

Nonetheless, the budget does address the basics, strengthens the social security system, and has made substantial provisions for promoting industry. Most major projects are still extensions of running budgeted programs with exciting new additions in key electoral areas and certain projects have been cancelled to reduce financial burdens. Overall, the budget has most of its priorities straight but might have been a year too early as despite its strengths, the budget fails to consider the effect of inflation in the post COVID-19 economy.

A budget with the aforementioned priorities and similar size compared to last year's budget, non-inflationary in nature, and aligning with a contractionary monetary policy would have been specially beneficial to the national economy at this juncture.