

# Nepal's Policies and Programs for Fiscal Year 2082/83 (2025/26)



A large, semi-transparent network graph is overlaid on the background of the slide. The graph consists of numerous small, dark grey dots representing nodes, connected by a dense web of thin, dark grey lines representing edges. Some nodes are larger and colored in various shades of blue, orange, green, and purple, suggesting they are central or key components within the network. The overall effect is one of complexity and interconnectedness.

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# Nepal's Annual Policies and Programs (2081/82) : A Strategic Push Toward Reform and Growth

The Government of Nepal has unveiled its Annual Policies and Programs for FY 2081/82 (2024/25), setting a clear roadmap for economic revitalization, governance reform, and inclusive development.

*The Plan will focus on IT, tourism, agriculture, energy, and green industry to drive job-rich economic growth and structural transformation. It also aims to achieve the SDGs by 2030 and support Nepal's smooth graduation from LDC status by 2026..*

## **Economic Recovery:**

*The government will implement high-level economic reform recommendations to boost economic dynamism. Public-private-cooperative collaboration will be promoted for job creation, poverty reduction, and sustainable growth.*

## **Agriculture Transformation:**

*The Prime Minister Agriculture Modernization Project will be restructured and upgraded into a National Integrated Agricultural Modernization Program.*

## **Energy & Infrastructure:**

*The “Energy Development Roadmap, 2081” will be implemented, covering necessary legal, policy, institutional, and procedural reforms.*

## **Healthcare Expansion:**

*Broadened health insurance, telemedicine, and hospital upgrades. Nepal will expand health insurance to cover serious illnesses and restructure the Insurance Board to improve service quality and financial sustainability.*

## **Global Engagement:**

*With the guiding principle of “friendship with all, enmity with none,” Nepal aims to strengthen its relationships with all nations, focusing on mutually beneficial and respectful ties. Enhanced economic diplomacy and sustainable development positioning*

## **Human Capital:**

*The “Entrepreneurship-Oriented Education Policy” will address the mismatch in the labor market by tackling the shortage of skilled workers and surplus of unskilled labor.*

## Energy

- **Hydropower Development:** Universal access to clean and renewable energy will be ensured. The “Energy Development Roadmap, 2081” will be implemented, covering necessary legal, policy, institutional, and procedural reforms. Renewable energy sources such as solar, wind, and hydrogen will be promoted as alternative energy options.
- **Infrastructure Enhancement:** Nepal is focusing on multi-purpose, reservoir-based hydropower projects to ensure energy security and promote sustainable growth. These projects, along with the development of renewable energy sources like wind and solar, aim to reduce reliance on imported energy and enhance local power generation. Cooperation with governments and improvements to national grid systems are central to this strategy.

## Employment

- **Partnership for Production and Employment:** A collaborative initiative involving federal, provincial, and local governments, the private sector, cooperatives, and communities to boost domestic production, substitute imports, enhance exports, and generate large-scale employment.
- **Youth Empowerment:** The development of labor culture has been progressing, and labor is being honored and recognized. The system of paid labor will be integrated into formal work practices.
- **Social Security Expansion:** Extension of the contribution-based social security system to include temporary, contractual, and salaried employees in both government and organized sectors, as well as workers in the informal sector.

## Diplomacy

- **Independent Foreign Policy:** Nepal will adopt an independent foreign policy based on the UN Charter, non-alignment, Panchsheel, international law, and global peace.
- **International Engagement:** Strengthening Nepal's role in multilateral forums, including the United Nations, and advocating for the interests of Nepal and Nepalis on international issues.
- **Economic Diplomacy:** Guided by the principle of “friendship with all, enmity with none,” Nepal will strengthen relations with all countries, emphasizing mutually beneficial and respectful ties—especially deepening friendly relations with neighboring countries.

## Agriculture

- **Agricultural Advancement:** The Prime Minister Agriculture Modernization Project will be restructured and upgraded into a National Integrated Agricultural Modernization Program.
- **Food Self-Sufficiency:** Restructuring agricultural programs to achieve self-sufficiency in major food grains and vegetables, and promoting the use of modern technology in agricultural production.
- **Market Development:** Establishment of agricultural market structures, including multistoried agricultural and wholesale vegetable markets with cold storage facilities in metropolitan and sub-metropolitan cities

## Governance

- **Federal Governance Strengthening:** The National Planning Commission will be reformed as an efficient institution to coordinate and manage the annual plans and programs of the three levels of government, ensuring their effective implementation and evaluation and will play a crucial role in the formulation and assessment of development plans.
- **Legal Framework Uniformity:** Expedited enactment of remaining laws related to federalism implementation and maintaining uniformity in the legal frameworks of federal, provincial, and local levels.
- **Corruption Control:** Implementation of government policies on corruption control, good governance, and austerity on public expenditure, leading to positive impacts on governance and service delivery.

## Health

- **Healthcare Infrastructure:** The management of health and public health services and their regulatory framework will be implemented in alignment with national health policies, ensuring proper coordination and certification
- **Healthcare Professionals:** Strengthen the training programs for healthcare professionals to ensure they possess the necessary skills and knowledge to meet the demands of modern healthcare.
- **Health Insurance:** Nepal will expand health insurance to cover serious illnesses and restructure the Insurance Board to improve service quality and financial sustainability.

## Education & Tourism

- **Technical and Vocational Education:** Revision of the curriculum development procedure for technical and vocational education, development of national skill standards based on labor market demand, and encouragement of local levels to conduct technical stream programs in schools.
- **Teacher Capacity Building:** Upgrading the capacity of teachers and educational quality by enhancing the capacity of educational institutions.
- **Tourism:** A sustainable, income- and employment-oriented, inclusive, and environmentally friendly tourism policy will be adopted. Public-private partnerships in tourism will ensure that direct benefits reach local communities. Strategic planning will promote tourism diversification and innovation..

These commitments reflect the Government of Nepal's strategic focus on inclusive growth, sustainable development, and improved service delivery across various sectors.

# *Economic and institutional reform*



## **Economic Revitalization & Fiscal Reform**

### **Assets Management Company & Financial Sector Restructuring**

The government will implement high-level economic reform recommendations to boost economic dynamism. Public-private-cooperative collaboration will be promoted for job creation, poverty reduction, and sustainable growth.

Emphasis on reducing trade deficits through productivity-driven import substitution.

A national **Assets Management Company** will be established to manage non-performing assets and improve financial sector health.

Reforms to address distressed banks and ensure sectoral stability are prioritized.

### **Digital Banking & Fintech Ecosystem**

A **Digital Bank** will be promoted to expand financial inclusion and increase digital payment access across Nepal. Policy direction favors fintech integration, cybersecurity, and regulatory innovation.

### **Agricultural Modernization**

The Prime Minister Agriculture Modernization Project will be restructured and upgraded into a **National Integrated Agricultural Modernization Program**.

### **Infrastructure, Energy, and Trade**

Universal access to clean and renewable energy will be ensured. The **“Energy Development Roadmap, 2081”** will be implemented, covering necessary legal, policy, institutional, and procedural reforms.

### **Health, Human Capital & Governance**

Strengthen the training programs for healthcare professionals.

Education reform aligned with labor market needs, including national skill standards.

Governance reforms include local-level judicial strengthening and harmonized federal laws.



*Nepal's 2081/82 annual policies—including the Employment Decade, Digital Bank, Asset Management Company, and agriculture investment drive—signal an ambitious development shift.*

*But can the country afford these goals given its current fiscal and economic landscape?*

## ***Estimated Resource Requirements***

*While the government hasn't published an exact cost estimate for all programs in its annual policy, the **NPC's updated SDG investment report (April 2025)** gives a strong proxy:*

**USD 16.28 billion needed between 2024-2030 (approx. NPR 2.1 trillion/year)**

**Equivalent to 45.4% of Nepal's GDP annually**

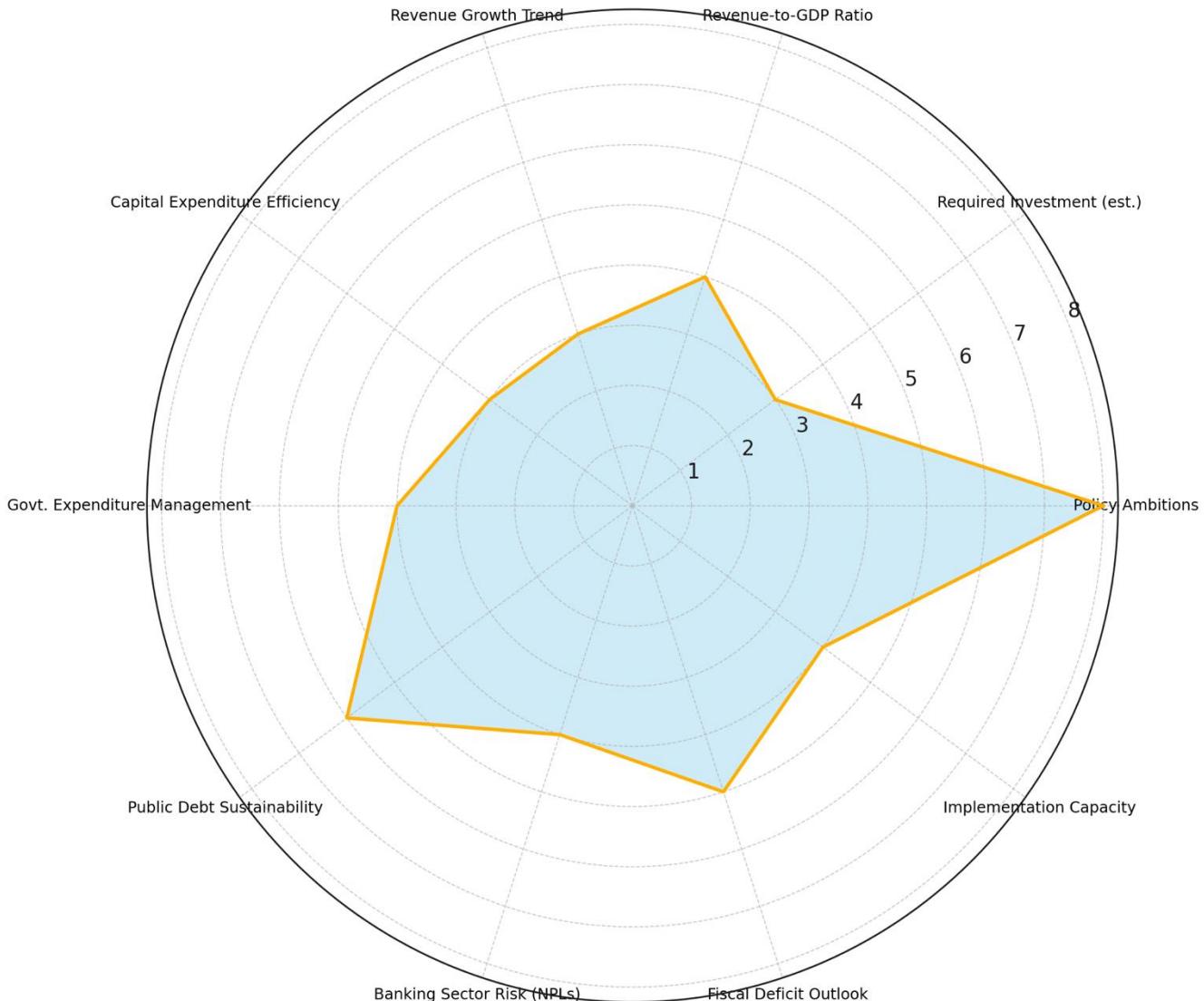
**Estimated financing gap of USD 5.8 billion (11.1% of annual GDP)**

*This excludes additional costs related to post-disaster recovery, financial sector bailouts (e.g., SACCO crisis), or unforeseen liabilities.*

## Fiscal and Economic Outlook (April 2025)

- **GDP growth (FY2024/25):** Projected between **4.2% and 4.9%** (IMF, ADB, World Bank and NSO)
- **Revenue-to-GDP:** 20.3% - highest by regional standards.
- **Capital expenditure:** At a historic low, only ~16-25% executed at provincial/local levels.
- **Public debt:** Rising to 60.8% of GDP by FY27 but still considered **sustainable**.
- **Fiscal deficit:** Projected at ~ 5% of GDP for FY25, increasing to ~ 6% by FY27.
- **NPLs in banks:** 4.9% — the highest on record, threatening financial sector stability.

## Nepal 2081/82 Policy Agenda vs Fiscal Reality (March 2025)



## *Road to Recovery*

*Nepal's fiscal performance as of April 2025 shows encouraging signs of recovery and growth.*

- ***Total receipts:***

- *Total receipts have risen to \$6.58 billion—111% of March 2024's level—driven by consistent increases in customs, import duties, VAT, excise duties, and income tax.*

- ***Import duties:***

- *Notably, import duties surged 141%, and excise duties grew 120%, indicating rising trade volumes and stronger domestic consumption. Non-tax revenue also increased 113%, while total tax revenue reached \$5.72 billion, reflecting a robust trend upward.*

- ***Interest tax:***

- *However, some revenue heads like interest tax (84%), export duties, and infrastructure-related duties showed stagnation or decline, hinting at structural challenges in broadening the tax base.*

*These trends highlight improved compliance and economic activity, but they also suggest that sustaining this growth will require policy focus on underperforming areas and prudent macro-fiscal management to balance expanding expenditure plans.*

**Conclusion:**  
**Strategic,**  
**Not Expansionary**

*While the agenda is transformative, **Nepal does not have the fiscal room** to implement all its programs at full scale. Key risks:*

**Revenue performance is weak**, while **expenditure pressures** (employment, subsidies, reconstruction) are rising.

**Implementation capacity** is poor, especially at local levels.

Many programs risk being **underfunded or delayed** unless:

Private sector and foreign investment are mobilized effectively

Spending is reprioritized toward high-return, job-creating sectors

Public financial management is reformed to improve capital spending efficiency

# **Estimated Budget Utilization for Fiscal Year 2024/25**

**and**

# **Anticipated Budget Allocation for Fiscal Year 2025/26**

	1 USD= NRP 132							
	Budget Amount (\$ Million) 2024/25	Change (5-4)/4	Budget (\$ Million) 2024/25 (Half-Yearly Review	Change (6/5)	Estimated at the end of FY 2024/25	Variance (7/5)	Expected Budget 2025/26	Change. (8/5)
Revenue Sources	5		6		7		8	
Tax Revenue	9,547.75	13.00%	8,676.27	90.87%	8,299.07	86.92%	9,980.10	104.53%
Foreign Grant	396.41	76.67%	277.49	70.00%	111.00	28.00%	415.90	104.92%
Deficit	4,149.04	42.09%	3,869.98	93.27%	2,746.60	66.20%	4,120.00	99.30%
Foreign Debt	1,649.04	49.66%	1,369.98	83.08%	246.60	14.95%	1,370.00	83.08%
Domestic Debt	2,500.00	37.50%	2,500.00	100.00%	2,500.00	100.00%	2,750.00	110.00%
Total	14,093.20	21.56%	12,823.74	90.99%	11,156.65	79.16%	14,516.00	103.00%

	1 USD= NRP 132							
	Budget Amount (\$ Million) 2024/25	Change (8-7)/7	Budget (\$ Million) 2024/25 (Half-Yearly Review	Change (9/8)	Estimated at the end of FY2024/25	Variance (10/9)	Expected Budget 2025/26	Change (11/8)
Allocated Budget	8		9		10		11	
Current Expenditure	5,543.85	6.72%	5,007.41	90.32%	4,356.45	78.58%	5,423.57	97.83%
Capital Expenditure	2,669.35	63.65%	2,268.95	85.00%	1,701.71	63.75%	2,749.43	103.00%
Financial Provisioning	2,782.46	48.37%	2,757.07	99.09%	2,481.36	89.18%	3,152.53	113.30%
Intergovernmental Transfer	3,097.55	7.09%	2,790.32	90.08%	2,371.77	76.57%	3,190.48	103.00%
Total	14,093.20	21.56%	12,823.74	90.99%	11,156.65	79.16%	14,516.00	103.00%

# ***Key Indicators and Forecast***

Particulars	Budget 2024/25	Expected Budget 2025/26
Budget Size (\$ Million)	14,093	14,516
Growth Rate	6.0%	5.3%
Inflation	5.5%	4.0%
Particulars	Expected Year End at FY 2024/25	Expected at Year End at FY 2025/26
Growth Rate	4.3-4.8%	4.5-5.0%
Inflation	4.2-4.7%	3.1-3.5%
Budget Implementation	79%	82%

# Thank You!

Best regards,  
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