

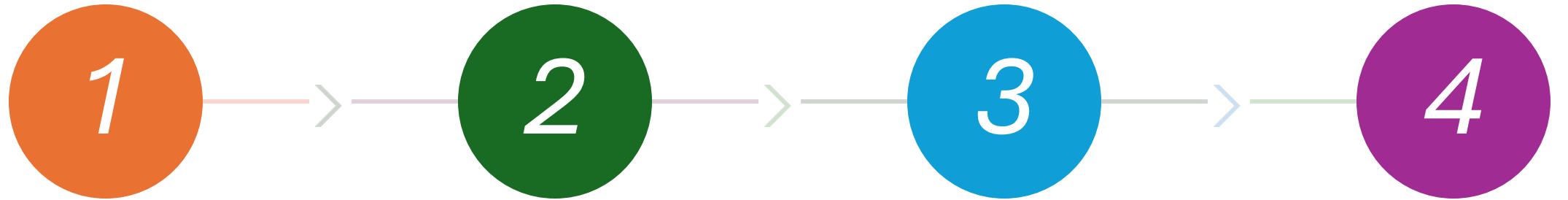
Budget Review

Key Index for 2025-2026

Particulars	Amount
Growth Rate	6%
Inflation	5.5%

Economic policy must be driven by pragmatism, not populism. Nepal needs clarity, consistency, and conviction in its financial governance.

2025-2026



Key Indicators

- The Government of Nepal has unveiled a budget of USD 14,879.62 million for the fiscal year 2025/26, representing a 5.58% increase over the previous year. Anchored by a GDP growth target of 6.0% and an inflation ceiling of 5.5%, the budget presents an ambitious yet measured economic outlook in the context of evolving domestic and global challenges.

Allocation

- Of the total allocation, USD 5,781.48 million (38%) has been earmarked for current expenditure, USD 3,090.06 million (20.77%) for capital expenditure, USD 2,842.74 million (19.10%) for financial provisioning, and USD 3,165.34 million (21.27%) for intergovernmental fiscal transfers—reflecting a 2.19% increase in transfers to subnational governments.

Revenue

- On the revenue front, the government anticipates USD 9,962.12 million from tax revenue, a 4.34% rise from the prior year, with foreign grants projected at USD 404.90 million. To address the fiscal deficit, which is estimated at USD 4,512.60 million (an 8.76% increase), the government plans to mobilize USD 1,770.18 million through external loans and USD 2,742.42 million from domestic sources.

Observation

- Overall, the budget underscores the government's commitment to economic recovery, strategic infrastructure investments, and structural reforms in the financial sector. Framed within a fiscally responsible approach, the budget seeks to navigate current macroeconomic pressures while fostering growth, resilience, and renewed confidence across the public and private sectors.

The objectives of the budget:

Growth

Achieve high, inclusive, and sustainable economic growth to reduce poverty,

Investment

Promote entrepreneurship and attract both public and private investment to create employment opportunities,

Technology

Enhance economic efficiency and growth by increasing the use of technology,

Ensure

Ensure social justice through social protection and development,

Promote

Promote quality public services and good governance.

The priorities of the budget

Promotion

- Promotion of entrepreneurship, employment, production, and productivity,*

Infrastructure

- Investment expansion in result-oriented quality physical infrastructure,*

Social sector

- Quality improvement in the social sector*

Balance

- Balanced development and effective delivery of social protection,*

Services

- Citizen-centric services, control of corruption, and improvement in governance.*

Budget Allocation and Source 2025/26

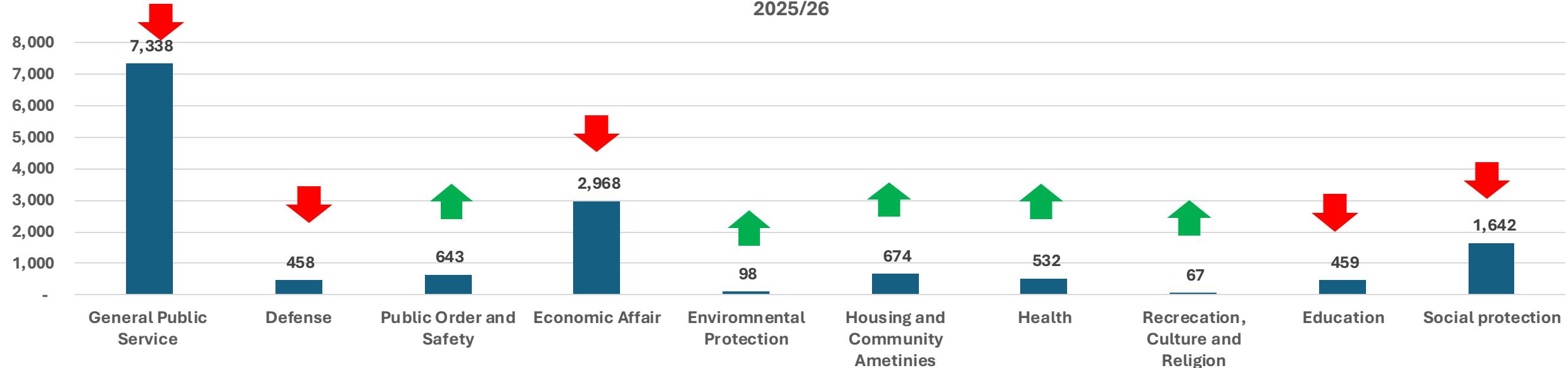
	Exchange Factor 1 USD = NPR 120				1 USD= NRP 132				1 USD= NRP 132																
	Budget Amount (\$ Million) 2022/23		Revised Amount (\$ Million) 2022/23		Budget (\$ Million) 2023/24		Revised Amount 7		Budget Amount (\$ Million) 2024/25		Budget (\$ Million) 2024/25 (Half-Yearly Review 9		Change. (9/8)		Estimated at the end of FY2024/25 10		Variance (10/9)		Revised 2024/25 10		Change as compared with Budget 2024/25. (10-8)/8		Budget 2025/26 11		Change as compared with FY 2024/25 (11-8)/8
Allocated Budget	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26		
Current Expenditure	6,278.36	5,336.60	5,618.92	5,194.73	5,543.85	5,007.41	90.32%	4,911.82	88.60%	4,911.82	-11.40%	5,781.48	4.29%												
Capital Expenditure	3,169.87	2,152.88	2,288.44	1,631.11	2,669.35	2,268.95	85.00%	2,226.54	83.41%	2,226.54	-16.59%	3,090.06	15.76%												
Financial Provisioning	1,918.48	1,693.83	2,329.19	1,875.40	2,782.46	2,757.07	99.09%	2,716.11	97.62%	2,716.11	-2.38%	2,842.74	2.17%												
Intergovernmental Fiscal Transfer	3,581.94	3,358.33	3,030.96	2,892.37	3,097.55	2,790.32	90.08%	2,739.20	88.43%	2,739.20	-11.57%	3,165.34	2.19%												
Total	14,948.65	12,541.65	13,267.52	11,593.60	14,093.20	12,823.74	90.99%	12,593.68	89.36%	12,593.68	-10.64%	14,879.62	5.58%												

	Exchange Factor 1 USD = NPR 120					1 USD= NRP 132				1 USD= NRP 132												
	Budget Amount (\$ Million) 2021/22	Revised Amount (\$ Million) 2021/22	Budget Amount (\$ Million) 2022/23	Revised Amount (\$ Million) 2022/23.	Budget Amount (\$ Million) 2023/24	Revised Amount (\$ Million) 2023/24	Budget Amount (\$ Million) 2024/25	Revised Amount (\$ Million) 2024/25	Budget (\$ Million) 2024/25 (Half-Yearly Review 6	Change (6/5)	Estimated at the end of FY2024/25 7	Variance (7/5)	Revised Amount (\$ Million) 2024/25 8	Change as compared with Budget 2024/25 (8-5)/5	Budget 2025/26. 9	Change as compared with FY 2024/25 (9-5)/5						
Revenue Sources	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Tax Revenue	8,540.89	8,487.72	10,334.32	8,666.67	9,459.24	8,449.20	9,547.75	8,676.27	90.87%	8,299.07	86.92%	8,544.48	-10.51%	9,962.12	4.34%							
Foreign Grant	528.14	206.74	462.15	320.49	378.36	224.38	396.41	277.49	70.00%	111.00	28.00%	264.35	-33.31%	404.90	2.14%							
Deficit	4,660.78	3,368.19	4,152.18	3,554.50	3,429.92	2,920.03	4,149.04	3,869.98	93.27%	2,746.60	66.20%	3,784.85	-8.78%	4,512.60	8.76%							
Foreign Debt	2,577.44	1,440.65	2,018.84	1,421.16	1,611.74	1,101.85	1,649.04	1,369.98	83.08%	246.60	14.95%	1,284.85	-22.09%	1,770.18	7.35%							
Domestic Debt	2,083.33	1,927.53	2,133.33	2,133.33	1,818.18	1,818.18	2,500.00	2,500.00	100.00%	2,500.00	100.00%	2,500.00	0.00%	2,742.42	9.70%							
Total Budget	13,729.80	12,062.64	14,948.64	12,541.65	13,267.52	11,593.60	14,093.20	12,823.74	90.99%	12,593.68	89.36%	12,593.68	-10.64%	14,879.62	5.58%							

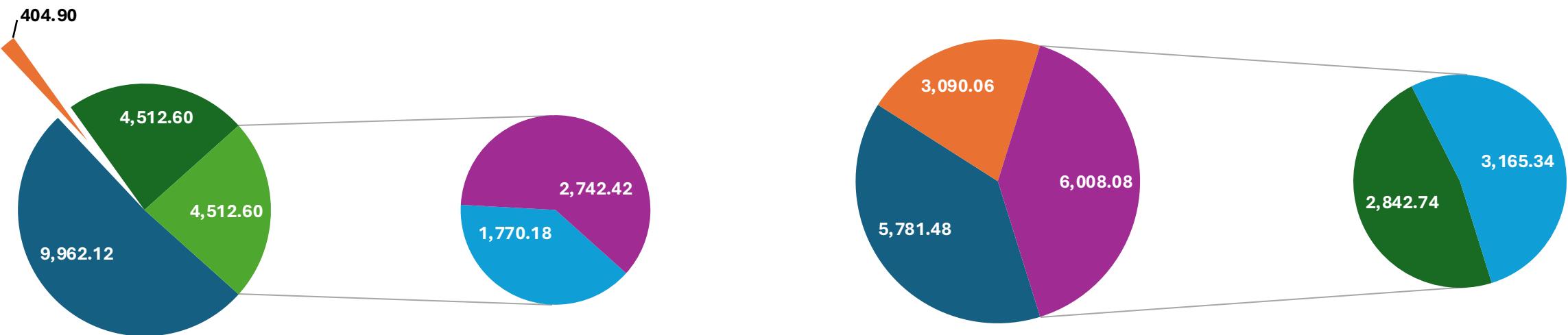
Sectoral Distribution (in \$ million)

	General Public Service	Defense	Public Order and Safety	Economic Affair	Environmental Protection	Housing and Community Amenities	Health	Recreation, Culture and Religion	Education	Social Protection	Exchange Factor
2021/22	4,034	414	484	3,684	105	671	1,180	56	1,500	1,582	1 USD = nPR 120
%age	29.38%	3.01%	3.53%	26.83%	0.76%	4.88%	8.59%	0.41%	10.93%	11.53%	
2022/23	4,779	462	545	3,890	92	738	1,027	80	1,641	1,694	
%age	31.97%	3.09%	3.65%	26.02%	0.61%	4.94%	6.87%	0.54%	10.98%	11.34%	100.00%
Allocation	Down	Down	Down	Down	Down	Down	Down	Down	Down	Down	
2023/24	4,777	434	539	2,962	65	500	779	50	1,498	1,663	1 USD = nPR 132
%age	36.00%	3.27%	4.07%	22.32%	0.49%	3.77%	5.87%	0.38%	11.29%	12.53%	100.00%
Allocation	Up	Up	Up	Down	Down	Down	Down	Down	Up	Up	
2024/25	7,067	442	569	2,903	64	508	434	45	440	1,621	1 USD = nPR 132
%age	50.15%	3.13%	4.04%	20.60%	0.46%	3.60%	3.08%	0.32%	3.12%	11.50%	100.00%
Allocation	Up	Down	Down	Down	Down	Down	Down	Down	Down	Down	
2025/26	7,338	458	643	2,968	98	674	532	67	459	1,642	1 USD = nPR 132
%age	49.32%	3.08%	4.32%	19.95%	0.66%	4.53%	3.57%	0.45%	3.09%	11.04%	100.00%
Allocation	Down	Down	Up	Down	Up	Up	Up	Up	Down	Down	

2025/26



Budget 2025/26



■ Tax Revenue ■ Foreign Grant ■ Deficit ■ Foreign Debt ■ Domestic Debt

■ Current Expenditure
■ Financial Provisioning

■ Capital Expenditure
■ Intergovernmental Fiscal Transfer

Fiscal Equalization Grants:

- Based on the recommendation of the National Natural Resources and Fiscal Commission:
- Provinces will receive **USD 459.55 million**
- Local governments will receive **USD 674.02 million**

Conditional Grants:

- For provincial governments: **USD 229.92 million**
- For local governments: **USD 1,601.97 million**
- Total conditional grants amount to **USD 1831.89 million**.

Complementary Grants for Infrastructure Projects:

- Provinces: **USD 24.28 million**.
- Local governments: **USD 76.21 million**.

Special Grants:

- Provinces: **USD 24.77 million**.
- Local governments: **USD 74.09 million**.

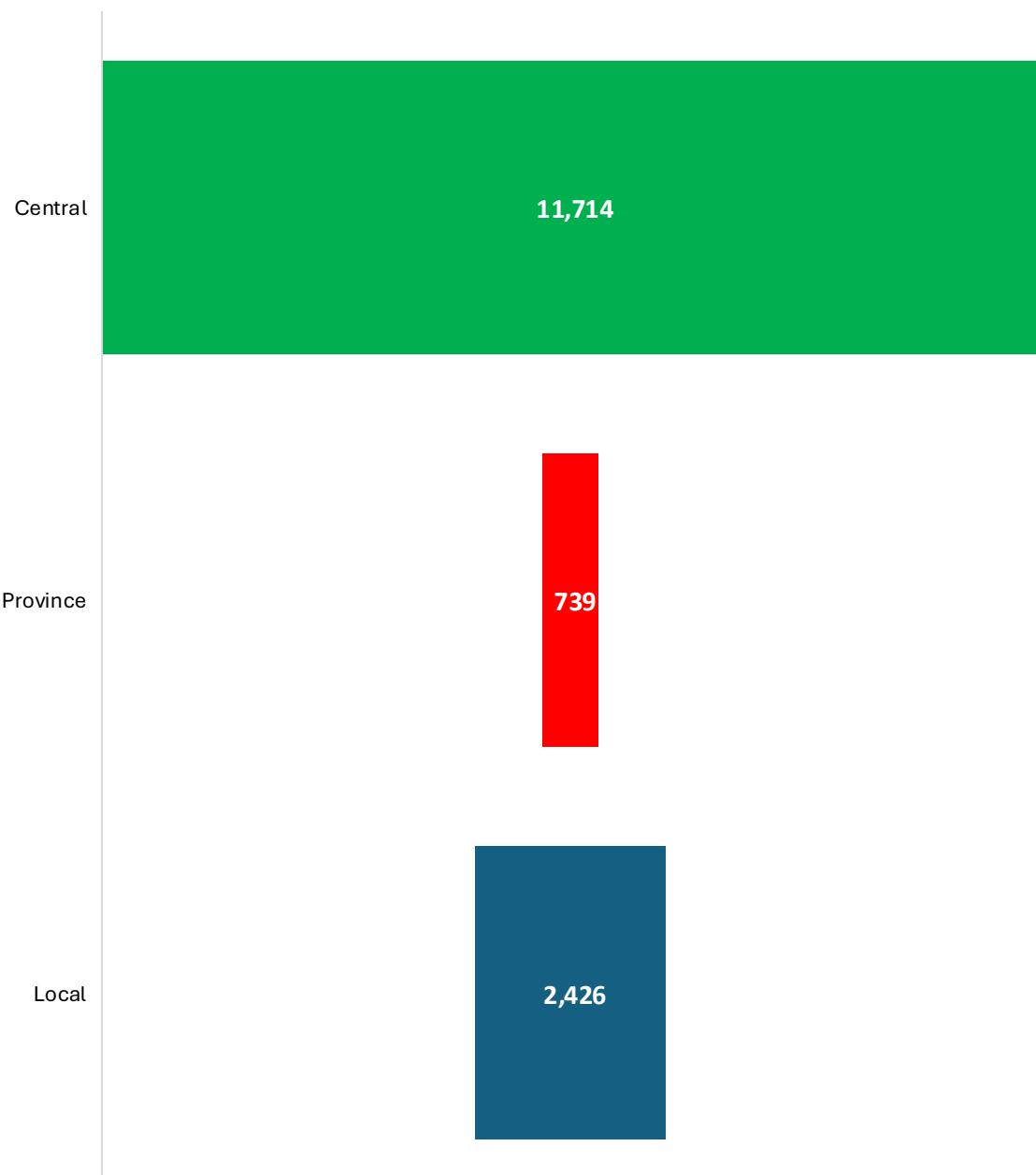
Transfers will be made based on performance in implementing conditional, complementary, and special grants.

Revenue Sharing:

- A total of **USD 1,250 million** will be transferred to provinces and local levels from revenue sharing mechanisms.

Overall Transfer Estimate:

- Combining revenue sharing and grants, the total transfer to provinces and local governments in the upcoming fiscal year is estimated at **USD 4,415.38 million**.



Financial Sector Reform and Development

Strengthening Institutions:	Capacity of financial regulatory bodies will be enhanced. Institutional good governance will be ensured through stronger risk management.	Insurance Sector Expansion: <ul style="list-style-type: none">Insurance coverage will include natural disasters, accidents, and cyber risks.Reinsurance mechanisms will be introduced for savings and loan protection.Insurance access in rural areas will be promoted.
Improving Capital Access:	Reforms will be made to ease access to capital and credit. New tools for risk mitigation in the financial sector will be introduced with legal and policy frameworks.	Green Financing: <ul style="list-style-type: none">Green Taxonomy will be adopted to support green and sustainable development.Private capital will be mobilized through Green Development Funds.Local currency-linked bonds will be issued to raise funds internationally.
Legal and Institutional Reforms:	Laws related to Nepal Rastra Bank and Nepal Insurance Authority will be reformed. Securities Board of Nepal's capacity will be strengthened to protect investors. Infrastructure and institutional capacity of the Nepal Stock Exchange will be improved.	Capital Market Reforms: <ul style="list-style-type: none">Investments in listed companies and priority industries will be facilitated through equity, debt, and hybrid instruments.Institutional investors (e.g., EPF, CIT, SSF) will be allowed to invest in private equity and venture capital.
Strategic Implementation:	The Second Financial Sector Reform Strategy will be implemented. An Asset Management Company will be established to manage NPLs and non-banking assets.	Secondary Market Operations: <ul style="list-style-type: none">A secondary market for government bonds will be introduced.Non-Resident Nepalis (NRNs) will be allowed to participate in secondary market trading.
Business Recovery Support:	Support for distressed businesses through: <ul style="list-style-type: none">Loan rescheduling,Additional working capital, andInterest subsidies.	Employment and SME Support: <ul style="list-style-type: none">A unified interest subsidy program will be implemented to boost production, employment, and self-employment.Microfinance institutions' governance and internal controls will be improved.Distressed microfinance borrowers will be supported with concessional loans.
KYC and Digital Integration:	A centralized KYC system will be implemented. KYC data will be integrated with the national ID and shared digitally with relevant agencies.	Foreign Investment Facilitation: <ul style="list-style-type: none">Foreign exchange risk management will be strengthened.Hedging services will be introduced with necessary regulatory approval.
Credit Expansion:	Private sector credit flow will be expanded. Working capital loans will be facilitated by managing sector-specific risks.	Legal Reforms: <ul style="list-style-type: none">Legal framework for collateral transactions will be improved.The Bankruptcy Act will be amended.Incentives will be provided to channel remittances into the formal banking sector and productive uses.
New Neo Bank:	A Neo Bank will be established in FY 2082/83 (2025/26). Financial access in rural areas will be expanded through physical, mobile, and branchless banking.	Digital Inclusion: <ul style="list-style-type: none">All government beneficiaries will be integrated into a digital system for financial services.
		Illicit Asset Control: <ul style="list-style-type: none">Illegal digital currencies (e.g., crypto) and foreign currencies will be confiscated and deposited into the national treasury.Strong enforcement against possession and use of illicit assets will be implemented.

Strategic Removal from Watchlist:

- A national strategy and action plan on anti-money laundering (AML) and counter-financing of terrorism (CFT) will be implemented.
- Goal: Ensure Nepal's timely removal from the FATF grey list and prevent future re-inclusion.

National Risk Assessment:

- Rapid completion of the national risk assessment related to AML/CFT.
- Focus on accelerating investigation and prosecution of serious financial crimes.

Institutional Strengthening:

- Enhance the capacity and coordination of key regulatory and enforcement bodies including:
 - Nepal Rastra Bank (NRB),
 - Securities Board of Nepal (SEBON),
 - Nepal Insurance Authority,
 - Cooperative Regulatory Authority.
- Strengthen mechanisms for investigation and enforcement actions.

Integrated Planning and Coordination:

- An integrated national project bank and project management information system will be implemented.
 - This aims to eliminate duplication of projects across federal, provincial, and local governments in accordance with Nepal's constitutional authority structure, project screening report, and project standards.
- Coordination and collaboration will be enhanced among all levels of government for the conservation and sustainable use of natural resources.
- Interoperability will be established among the project bank, medium-term expenditure framework, and ministry-level budgeting systems.

Statistical and Data Reforms:

- The National Economic Census 2082 (2025/26) will be conducted.
- The national accounting framework will be updated.
- Statistical profiles of the federal, provincial, and local governments will be prepared.
- Capacity for big data processing will be enhanced.
- The implementation of open data standards will be accelerated.

Budget has Prioritize

Budget aim to balance available resources with impactful spending, while prioritizing measures to mitigate the effects of weak demand and low economic confidence. Emphasis should also be placed on economic recovery, sustainable growth, and empowering the general public.

01

Economic Recovery

- Revitalize key sectors impacted by the ongoing crisis, including agriculture, tourism, industry, and construction.
- Reform the tax system and increase revenue through asset monetization.
- Formulate strategic plans to exit the FATF grey list and prepare for smooth graduation from Least Developed Country (LDC) status.
- Formulation of a strategic plan to resolve challenges and restore stability in the financial system

02

Health

- Build and upgrade health infrastructure across the country.
- Enhance the capacity and skills of healthcare workers.
- Strengthen public health systems to reduce risks from future disease outbreaks.

03

Employment Creation and Social Security

- Expand employment opportunities, ensure food and housing security, and enhance social protection systems. Review Social security payment framework
- Provide skills training and upskilling programs for migrant workers.
- Establish a comprehensive labor database to support job creation and labor market planning.

04

Qualitative and Practical education

- Develop a modern, practical, and high-quality education system with strong integration of information technology.
- Introduce problem-based learning approaches to foster critical thinking.
- Focus on producing a skilled and job-ready workforce.

05

Infrastructure Development

- Expedite the completion of ongoing and high-impact infrastructure projects.
- Upgrade power transmission networks and improve road infrastructure.
- Mobilize investment and participation from the Nepali diaspora in infrastructure development.

06

Implementation of federalism

- Strengthen the implementation of federal governance with a focus on inclusive, accessible, and high-quality public services.
- Promote accountability, transparency, and efficiency across all levels of government.

Macroeconomic and Fiscal Outlook

- **Realistic Growth and Revenue Targets**

- GDP growth target of **6.0%** is ambitious given global and domestic uncertainties.
- Weak aggregate demand may limit revenue generation; thus, a **4.34% revenue growth** target is appropriate.

External Financing Considerations

- Target to mobilize **USD 1,770 million in foreign loans** appears ambitious.
- Disbursement depends on project progress—**capital budget absorption capacity must be enhanced**.
- **USD 404 million in foreign grants** may be difficult to realize under current conditions.

Fiscal Risks and Liquidity Concerns

- **Liquidity and Credit Market Pressures**

- **Domestic borrowing**, if not managed carefully, may stress the financial system.
- Combined with a **widening trade deficit** and **rising non-performing loans**, liquidity shortages and **higher interest rates** are likely.

Call for Strategic Focus

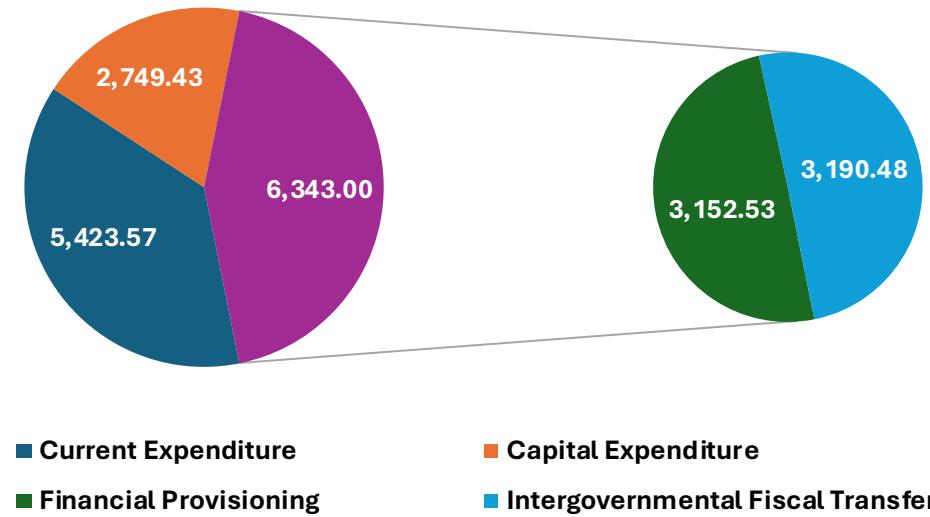
- Budget has tried to **balance resources with impactful spending**.
- Focus on **economic recovery, confidence building, and public empowerment** is essential to drive sustainable growth.

The estimated and actual budget allocations and sources for the fiscal year 2025/26 remain closely aligned, with only minor variations observed.

Expected Budget Allocation for 2025- 2026

Budget Allocation	Expected Budget 2025/26	Change as compared with FY 2024/25
Current Expenditure	5,423.57	-2.17%
Capital Expenditure	2,749.43	3.00%
Financial Provisioning	3,152.53	13.30%
Intergovernmental Fiscal Transfer	3,190.48	3.00%
Total	14,516.00	3.00%

Budget Allocation



Expected Index for 2025-2026

Particulars	Amount
Growth Rate	5.3%
Inflation	4.0%

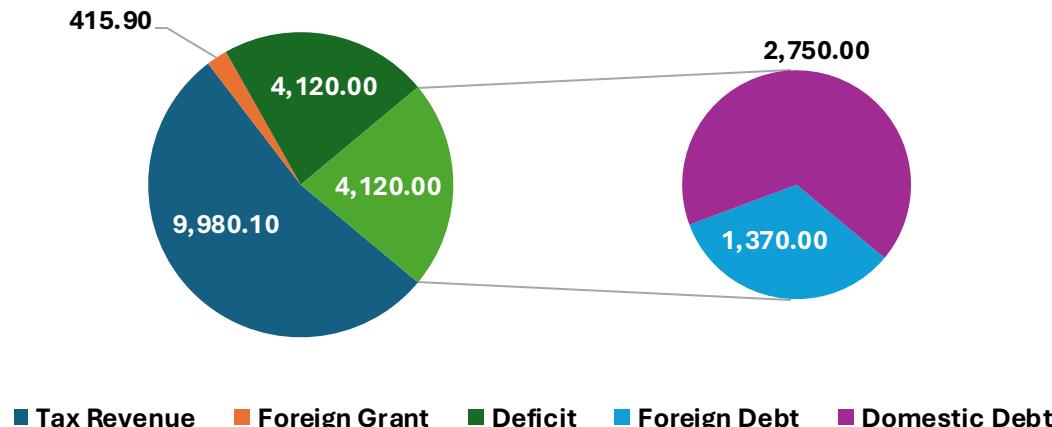
Budget should focus on:

- Prioritizes public expenditure for creation of socio-economic infrastructure in health care and primary education
- Prepare a plan to reduce trade deficit and improve governance and reduce corruption
- Creation of jobs through various government schemes and modernisation of agriculture and monetizing government assets
- Reduction of administrative cost
- Ensure proper sharing of revenue between provinces and local levels
- Initiate legal reform to improve business confidence and support backward and forward linkage of business

Expected Sources of Funds

Revenue Sources	Expected Budget 2025/26	Change as compared with FY 2024/25
Tax Revenue	9,980.10	4.53%
Foreign Grant	415.90	4.92%
Deficit	4,120.00	-0.70%
Foreign Debt	1,370.00	-16.92%
Domestic Debt	2,750.00	10.00%
Total Budget	14,516.00	3.00%

Sources of Funds





Thank you

A.R Bhattarai
CEO
N.R.N Nepal Development Fund