

Key Index for 2025-2026

<i>Particulars</i>	<i>Amount</i>
<i>Growth Rate</i>	3.5%
<i>Inflation</i>	2.42%

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

Mid-Term Budget Review 2025/26

Budget 2025-2026

Mid Term Budget Review review 2025/26

February 2026



	Exchange Factor 1 USD = NPR 120					1 USD= NRP 132										
Allocated Budget	Actual Budget Amount (\$ Million). 2020/21 1	Budget Amount (\$ Million) 2021/22 2	Actual Amount (\$ Million) 2021/22. 3	Budget Amount (\$ Million) 2022/23 4	Revised Amount (\$ Million) 2022/23 5	Budget (\$ Million) 2023/24 6	Revised Amount 7	Budget Amount (\$ Million) 2024/25 8	Budget (\$ Million) 2024/25 (Half-Yearly Review 9	Estimated at the end of FY2024/25 10	Revised 2024/25 11	Budget 2025/26 12	Revised 2025/26 13	Variance (13/12)	Actual Mid-Term 205/26 14	Mid-Term Achievement % of Budget. 14/12
Current Expenditure	3,764.18	5,655.11	4,535.35	6,278.36	5,336.60	5,618.92	5,194.73	5,543.85	5,007.41	4,536.45	4,911.82	5,781.48	5,364.81	92.79%	2,246.18	38.85%
Capital Expenditure	1,906.97	3,118.91	1,801.78	3,169.87	2,152.88	2,288.44	1,631.11	2,669.35	2,268.95	1,701.71	2,226.54	3,090.06	1,843.21	59.65%	374.45	12.12%
Financial Provisioning	1,864.53	1,733.15	1,752.41	1,918.48	1,693.83	2,329.19	1,875.40	2,782.46	2,757.07	2,551.36	2,716.11	2,842.74	2,417.00	85.02%	1,163.99	40.95%
Intergovernmental Fiscal Transfer	3,287.63	3,222.64	3,383.96	3,581.94	3,358.33	3,030.96	2,892.37	3,097.55	2,790.32	2,367.14	2,739.20	3,165.34	3,165.34	100.00%	1,444.30	45.63%
Total	10,823.31	13,729.81	11,473.50	14,948.65	12,541.65	13,267.52	11,593.60	14,093.20	12,823.74	11,156.66	12,593.68	14,879.62	12,790.35	85.96%	5,228.92	35.14%
Deficit															-233.83	

	Exchange Factor 1 USD = NPR 120						1 USD= NRP 132										
	Actual Budget Amount (\$ Million) 2020/21. 1	Budget Amount (\$ Million) 2021/22 2	Revised Amount (\$ Million) 2021/22 3	Actual Amount (\$ Million) 2021/22. 4	Budget Amount (\$ Million) 2022/23 5	Revised Amount (\$ Million) 2022/23. 6	Budget Amount (\$ Million) 2023/24 7	Revised Amount (\$ Million) 2023/24 8	Budget Amount (\$ Million) 2024/25 9	Budget (\$ Million) 2024/25 (Half-Yearly Review 10	Estimated at the end of FY2024/25 11	Revised Amount (\$ Million) 2024/25 12	Change as compared with Budget 2024/25 (12-9)/9	Revised Amount (\$ Million) 2025/26 14	Variance (14/13)	Actual Mid-Term 205/26 15	Mid-Term Achievement % of Budget 15/13
Revenue Sources																	
Tax Revenue	7,211.40	8,540.89	8,487.72	8,216.69	10,334.32	8,666.67	9,459.24	8,449.20	9,547.75	8,676.27	8,299.07	8,544.48	-10.51%	8,737.66	87.71%	3,880.70	38.95%
Foreign Grant	304.01	528.14	206.74	229.07	462.15	320.49	378.36	224.38	396.41	277.49	111.00	264.35	-33.31%	234.85	58.00%	54.75	13.52%
Deficit	3,307.90	4,660.78	3,368.19	3,027.74	4,152.18	3,554.50	3,429.92	2,920.03	4,149.04	3,869.98	2,746.60	3,784.85	-8.78%	3,817.84	84.60%	1,527.30	33.85%
Foreign Debt	1,441.24	2,577.44	1,440.65	1,089.11	2,018.84	1,421.16	1,611.74	1,101.85	1,649.04	1,369.98	246.60	1,284.85	-22.09%	1,075.42	60.75%	179.81	10.16%
Domestic Debt	1,866.67	2,083.33	1,927.53	1,938.63	2,133.33	2,133.33	1,818.18	1,818.18	2,500.00	2,500.00	2,500.00	2,500.00	0.00%	2,742.42	100.00%	1,347.49	49.13%
Total Budget	10,823.32	13,729.80	12,062.64	11,473.50	14,948.64	12,541.65	13,267.52	11,593.60	14,093.20	12,823.74	11,156.66	12,593.68	-10.64%	12,790.35	85.96%	5,462.75	36.71%
Deficit																-233.83	

Between FY2020/21 and FY2025/26, Nepal's fiscal envelope expanded substantially, rising from approximately USD 10.8 billion to USD 14.9 billion—a 37 percent increase (average annual growth of about 7 percent). This expansion reflects post-pandemic recovery measures, federal fiscal decentralization, and continued infrastructure ambitions.

- Despite this growth, fiscal performance has been characterized by:
 1. Persistent capital expenditure under-execution (17–32% variance)
 2. Structural fiscal deficits averaging USD 3.3–4.5 billion annually
 3. Increasing reliance on domestic borrowing (up to 72% of total financing in FY2025/26)
 4. Declining external grants (below 3% of total resources)
 5. Rising recurrent rigidity (38–40% of total expenditure)
- The central fiscal challenge is not revenue size alone, but execution capacity, expenditure composition, and fiscal credibility.

Absent structural reforms, fiscal multipliers remain subdued (estimated at 0.8 overall), limiting potential medium-term growth to approximately 2.75–3.75 percent. Strengthening capital absorption and revenue administration could create fiscal space equivalent to 2 percent of GDP by FY2028.

- Fiscal Aggregates and Trends
- Budget Expansion and Revisions

Revenue growth assumptions typically range between 10–15 percent, yet actual collections underperform by 10–16 percent. Nepal’s budget framework shows a consistent pattern of optimistic initial allocations followed by mid-year rationalization

Mid-year expenditure compression—primarily in capital spending—undermines fiscal credibility and disrupts development planning.

Fiscal Year	Initial Budget (USD m)	Revised/Est. (USD m)	Revision (%)
2020/21	10,823	—	—
2021/22	13,730	12,063	–12%
2022/23	14,949	12,542	–16%
2023/24	13,268	11,594	–13%
2024/25	14,093	12,594	–11%
2025/26	14,880	12,790 (proj.)	–14%

Expenditure Composition and Structural Constraints

Rigid Expenditure Structure

Recurrent spending increased from USD 3,764m in FY2020/21 to USD 5,781m in FY2025/26 due to:

- Wage bill expansion
- Social protection commitments
- Federal administrative costs

This structural rigidity reduces fiscal flexibility during revenue shortfalls.

FY2025/26 expenditure composition:

Category	Amount (USD m)	Share (%)
Current Expenditure	5,781	38.8
Capital Expenditure	3,090	20.8
Financial Provisioning	2,843	19.1
Intergovernmental Transfers	3,165	21.3
Total	14,880	100

Capital spending remains chronically under-executed:

Capital Expenditure Underperformance

Key bottlenecks include:

- Procurement delays (60% of projects delayed >6 months)
- Weak project readiness (pipeline maturity below 30%)
- Federal coordination gaps (subnational execution <50%)

Given that infrastructure multipliers (1.5–2.5) exceed recurrent multipliers (0.5–1.0), persistent capital underperformance likely reduces annual GDP growth by approximately 0.5–0.7 percentage points.

FISCAL YEAR	CAPITAL VARIANCE
2022/23	-32%
2023/24	-29%
2024/25	-17%
2025/26 (Mid-Year)	12% execution

- Revenue Performance and Financing
- Revenue Trends
 - Tax revenue grew from USD 7,211m (FY2020/21) to USD 9,962m (FY2025/26 budget).
 - However:
 - Collections consistently underperform targets
 - Tax effort remains around 18% of GDP
 - Compliance gap estimated at approximately 30%
- Foreign grants have declined by roughly 50% from post-COVID peaks, reducing external fiscal buffers.
- Financing Structure (FY2025/26 Budget)

Domestic borrowing now finances approximately 60–72 percent of the fiscal deficit, up from 56 percent in FY2020/21.

Risks include:

- Shortened average maturity (~3 years)
- Higher rollover risk
- Crowding out of private investment (estimated up to 1% of GDP)
- Rising interest burden

Source	Amount (USD m)	Share (%)
Tax Revenue	9,962	67
Foreign Grants	405	2.7
Foreign Debt	1,770	11.9
Domestic Debt	2,742	18.4
Total	14,880	100

Fiscal Deficit and Debt Dynamics

FY2025/26 fiscal deficit is projected at approximately USD 4.5 billion, or about 5 percent of GDP.

Public debt stands near USD 30 billion ($\approx 42\%$ of GDP).

Debt servicing currently absorbs approximately 8 percent of total revenues.

Under a 20 percent negative revenue shock:

Debt servicing could rise to 15 percent of revenues by FY2028/29

Debt-to-GDP ratio could exceed 55 percent under adverse conditions

Debt sustainability remains manageable under baseline assumptions (growth 5%, interest 6%), but vulnerabilities are increasing.

Macroeconomic Implications

Growth
Capital underexecution constrains infrastructure-led growth acceleration.

Liquidity and Interest Rates
Expanded domestic borrowing tightens liquidity, potentially increasing lending rates by up to 2 percentage points.

Investor Confidence
Repeated budget revisions correlate with wider spreads (~ 50 basis points).

Fiscal Multipliers
High recurrent share reduces overall multiplier impact, limiting medium-term potential growth.

Risk Assessment Matrix

Risk	Likelihood	Impact	Mitigation
Capital underperformance	High	High	Project pipeline reform, PPP acceleration
Revenue shortfall	Medium-High	High	Contingency buffer (2% GDP)
Borrowing cost spike	Medium	Medium-High	Active debt operations strategy
Grant volatility	High	Medium	Domestic revenue roadmap
Federal rigidity	High	Medium	Expenditure rationalization

Medium-Term Scenarios (FY2026–FY2029)

Baseline Scenario

- Deficit: 4.8% of GDP
- Debt: 48% of GDP
- Adverse Scenario
- Deficit: 6.5%
- Debt: 55%

Reform Scenario

- Deficit: 3%
- Debt: 40%
- Growth acceleration through improved capital absorption

Policy Priorities

Short-Term (FY2026)

- Introduce real-time budget execution dashboards
- Allocate 0.5% of budget to revenue IT modernization
- Strengthen procurement oversight and project screening
- Establish contingency reserve buffer

Medium-Term Structural Reforms

- Medium-Term Fiscal Framework (MTFF) with credible deficit and debt anchors
- Support industrial growth
- Support diaspora investment
- Develop domestic bond market and lengthen maturity profile
- Strengthen VAT digital compliance and customs modernization
- Conduct civil service and expenditure rationalization audit

Estimated Reform Gains

- Raising capital execution to 80%: +1 percentage point to GDP growth
- Implementing MTFF anchors: –1 percentage point borrowing cost
- Combined effect: fiscal space equivalent to 2% of GDP by FY2028

Authorities' Position

Authorities acknowledge execution weaknesses as a primary constraint and report ongoing reforms in:

Digital tax administration

Procurement modernization

Monitoring systems

Federal coordination mechanisms

Conclusion

Nepal's fiscal framework is at a structural inflection point.

While macroeconomic stability remains intact and debt levels are manageable, medium-term sustainability requires:

Improved execution capacity

Realistic revenue forecasting

Stronger fiscal discipline

Balanced debt management

Reprioritization toward growth-enhancing capital investment

The challenge is institutional and structural rather than purely financial. Without reform, fiscal multipliers will remain weak and growth potential constrained. With credible structural adjustments, however, Nepal can stabilize debt dynamics, strengthen investor confidence, and unlock higher medium-term growth.

The Budget 2025/26

May 2025

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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

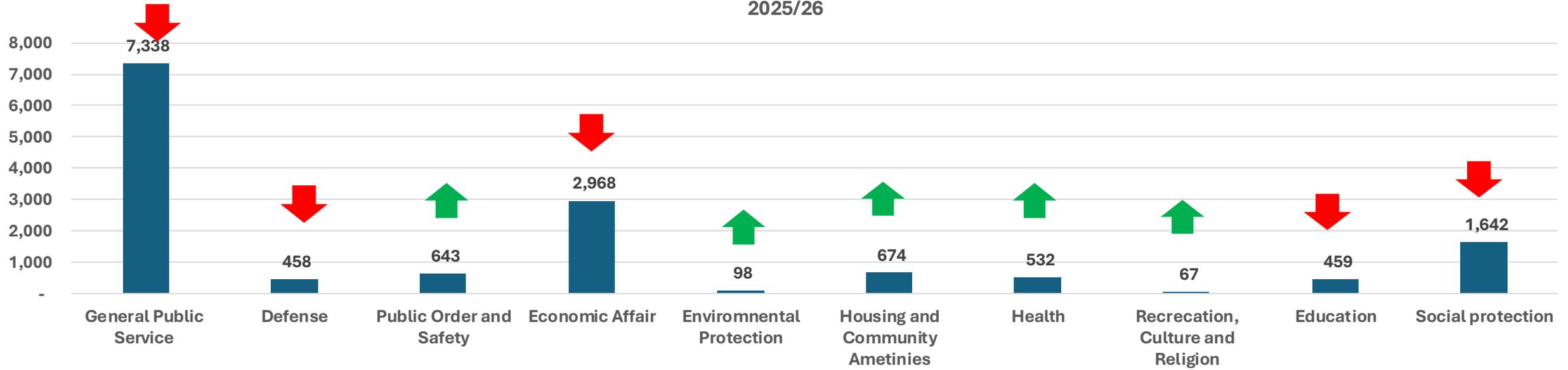
	Exchange Factor 1 USD = NPR 120		1 USD= NRP 132		1 USD= NRP 132						
	Budget Amount (\$ Million) 2022/23 4	Revised Amount (\$ Million) 2022/23 5	Budget (\$ Million) 2023/24 6	Revised Amount 7	Budget Amount (\$ Million) 2024/25 8	Budget (\$ Million) 2024/25 (Half-Yearly Review 9	Change. (9/8)	Estimated at the end of FY2024/25 10	Variance (10/9)	Budget 2025/26 11	Change as compared with FY 2024/25 (11-8)/8
Allocated Budget											
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%	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%	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%	2,842.74	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%	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%	14,879.62	5.58%

	Exchange Factor 1 USD = NPR 120				1 USD= NRP 132		1 USD= NRP 132									
Revenue Sources	Budget Amount (\$ Million) 2021/22	Revised Amount (\$ Million) 2021/22	Budget Amount (\$ Million) 2022/23 1	Revised Amount (\$ Million) 2022/23. 2	Budget Amount (\$ Million) 2023/24 3	Revised Amount (\$ Million) 2023/24 4	Budget Amount (\$ Million) 2024/25 5	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	
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%	

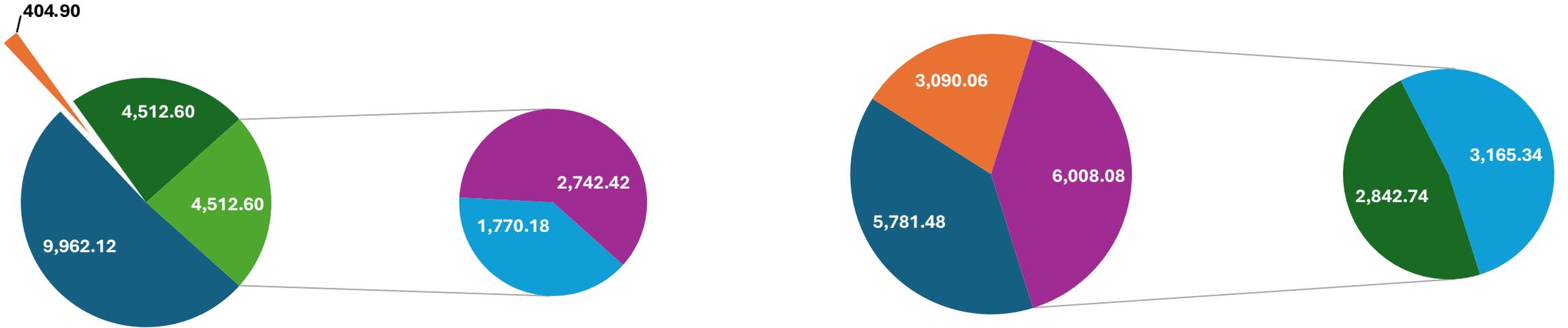
Sectoral Distribution (in \$ million)

	General Public Service	Defense	Public Order and Safety	Economic Affair	Enviromental Protection	Housing and Community Ametinies	Health	Recreation, Culture and Religion	Education	Social protection	Exchnage 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	100.00%
%age	31.97%	3.09%	3.65%	26.02%	0.61%	4.94%	6.87%	0.54%	10.98%	11.34%	
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 ■ Capital Expenditure
 ■ Financial Provisioning ■ Intergovernmental Fiscal Transfer

Fiscal Transfers for Fiscal Equalization and Infrastructure Support

2025/26 Aallocation

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.**

Central

11,714

Province

739

Local

2,426

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.

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.

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.

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.

Business Recovery Support:

Support for distressed businesses through:

- Loan rescheduling,
- Additional working capital, and
- Interest subsidies.

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.

Credit Expansion:

Private sector credit flow will be expanded.
Working capital loans will be facilitated by managing sector-specific risks.

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.

Insurance Sector Expansion:

- 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.

Green Financing:

- 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.

Capital Market Reforms:

- 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.

Secondary Market Operations:

- A secondary market for government bonds will be introduced.
- Non-Resident Nepalis (NRNs) will be allowed to participate in secondary market trading.

Employment and SME Support:

- 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.

Foreign Investment Facilitation:

- Foreign exchange risk management will be strengthened.
- Hedging services will be introduced with necessary regulatory approval.

Legal Reforms:

- 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.

Digital Inclusion:

- All government beneficiaries will be integrated into a digital system for financial services.

Illicit Asset Control:

- 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.

Money Laundering Prevention (AML/CFT)

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.

Economic Planning and Statistics

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

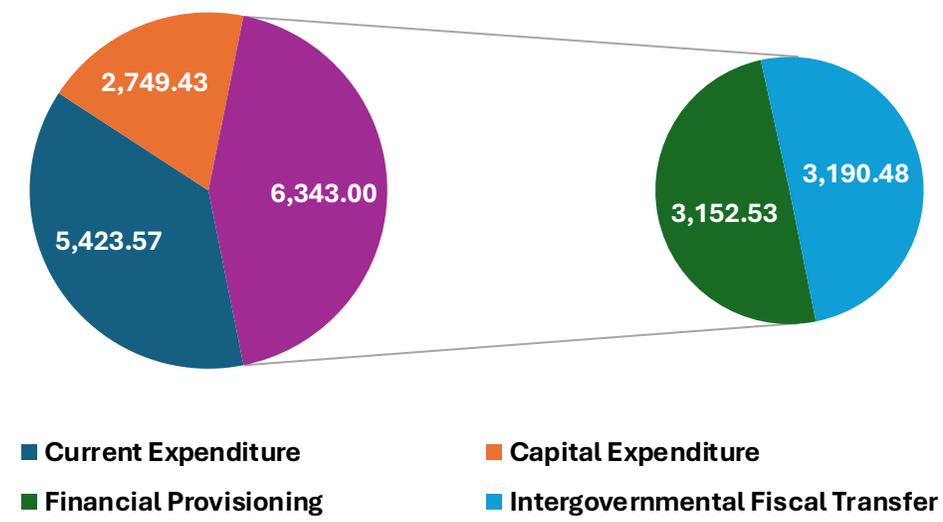
- Budget has tried to **balance resources with impactful spending.**
- Focus on **economic recovery, confidence building, and public empowerment** is essential to drive sustainable growth.

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%

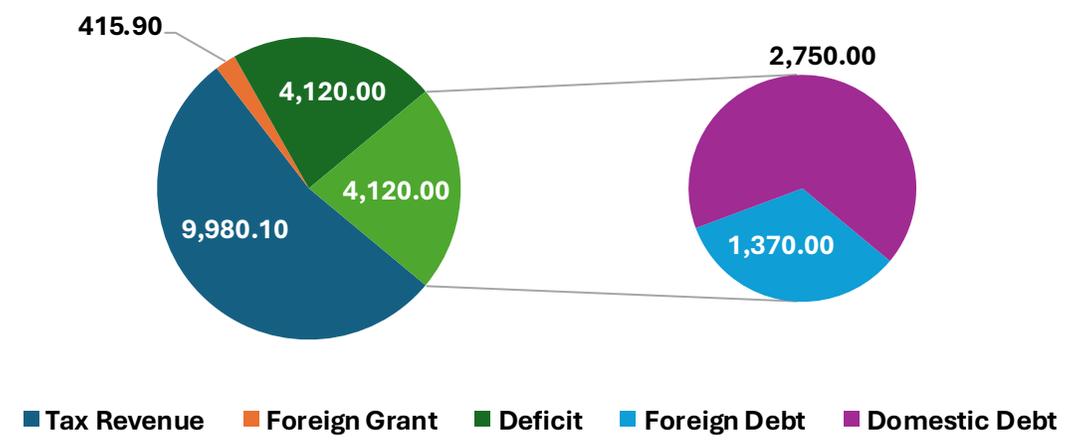
Budget should focus on:

- 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



Conversion Rate: 1 USD= NRs 132



Thank you

A.R Bhattarai

CEO

N.R.N Nepal Development Fund