

## **'Budget has dampened expectations of people'**

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The fiscal budget for 2018-19 unveiled last week by the government has received mixed response from stakeholders. While some are saying the budget is realistic, visionary and has set tangible targets, others say that it is only a continuation of the budgets of previous years and has not introduced any new substantial programme. In this context, **Sujan Dhungana** and **Umesh Poudel** of *The Himalayan Times* spoke to **Kushum Shakya**, head of Central Department of Economics, Tribhuvan University, to know about the budget, its strengths and weaknesses. Excerpts:

**The government last week unveiled the country's first federal budget worth Rs 1.31 trillion. How far has the budget addressed the country's necessities?**

We should be thankful to the government for unveiling the fiscal budget on schedule. However, I do not think that this budget has addressed the expectations of the country's politics and the new Nepal that we have been talking about. As a result, the budget faced criticism immediately after it was endorsed, especially in Province 3 and Karnali region. The budget is subject to criticism especially because it seems to have not addressed federal, provincial and local issues properly. Though the implementation of federalism was expected to take Singhadurbar to the local level, the government has maintained autonomy in resource allocation and other powers at the central level through the budget. Similarly, this budget has not been able to allocate enough resources to the development sector while it has allocated more resources for recurrent expenditure. As the country has always faced a problem in spending the development budget every year with a majority of such funds being spent towards the end of the fiscal year, the government should have introduced a mechanism through the budget to assure that the development budget is spent properly and on time. However, this issue was not addressed in the budget. Federalism is all about prioritising development agendas targeting the progress of every nook and corner of the country equally. The budget has failed on this front as well. Similarly, I believe that the government should have brought a bit bigger-sized budget as the local and provincial governments are going to need huge support to manage logistics. In the pre-budget discussions, all of us were expecting that the budget would be around Rs 1.5 trillion. I am not aware what encouraged the government to make the budget size smaller.

**However, bringing a large-sized budget amid limitations of resources is a challenge to the government. How do you think can the government address the fiscal resources deficit?**

I believe that the finance minister brought a small-sized budget in an attempt to match the supply-demand chain of resources. However, it is also undeniable that development processes and effective implementation of federalism requires more budget and more resources. It is up to the government on how it plans to manage necessary resources. The government should bring more people and businesses under the tax net, seek ways to increase internal borrowing and foreign grants, and boost foreign direct investment in the country that will assure availability of necessary resources for the government. It has to be noted that it was the ruling

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party that formulated mega populist agendas prior to the elections and raised the expectations of the people. Among others, the ruling party had vowed to increase the old-age allowance for senior citizens to Rs 5,000 in its election manifesto. The budget has dampened such expectations of the general people. In this sense, the budget has deviated from the ‘dreams’ circulated by the ruling parties in their election manifestos. It is challenging for this government not only to manage adequate resources for the implementation of federalism but also to preserve the country’s political reforms and achievements made so far.

### **How far has the budget addressed issues related to women?**

It is another negative aspect of the budget that it is not inclusive. The budget has merely addressed Nepali women, their empowerment and entrepreneurship growth. Allocation of a small amount of resources for the President Women Empowerment Programme and increment in the Safe Motherhood Allowance for pregnant women are the only two women-related issues that were placed in the budget though there are hundreds of issues that the government should have addressed in a bid to empower women in the real sense. Nepal is an agricultural nation with almost 70 per cent of the population directly or indirectly involved in this sector. And it is to note that almost 80 per cent of the population engaged in agriculture is women. However, the budget failed to introduce programmes that encourage women who are involved in the agriculture business. Today, women are working more hours than men. Thus, there has to be economic valuation of even household works performed by women. Though the ruling party highlighted the concept of social inclusiveness prior to the election and formation of the government, the budget has failed to address it.

### **Despite these pessimistic notes, the government has set a few targets in the budget related to revenue, per capita income, tourism and economic growth, among others. How tangible are they?**

It is easy to numerically set growth targets but difficult to turn such targets into reality. I believe that a majority of targets of the budget irrespective of any sector are quite ambitious. The government lacks clear vision to achieve all the development targets set in the budget. With the current deficit of infrastructure in the country, it is not possible to draw two million tourists annually by 2020. Similarly, the eight per cent economic growth target is also unlikely to be met as a majority of resources the country has today will be used in the logistics of provincial and local governments. We cannot presume growth in any sector unless development activities pick up pace. Similarly, I am doubtful that provincial and local governments will be able to provide a notable development output at the end of this year due to lack of enough development budget. Most importantly, the central government has concentrated most of the power to itself, which will affect development activities at the local and provincial levels. As adequate authority has still not been delegated to the local government, they will definitely not be able to function properly in their day to day activities. Meanwhile, it is good that the budget has announced the issuance of loans of up to Rs 700,000 for youths against collateral of their academic certificates. However, the budget has not clarified on which academic certificate will a person be eligible to

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avail the loan and what other criteria should be fulfilled. Meanwhile, this programme is not new and had been addressed in the previous years' budget too. But it has not been implemented so far. It is to see how this government will prioritise implementation aspects of the budget and other policies and programmes. The government's target to double agriculture production within the next five years is also ambitious as Nepal's agriculture production heavily depends on the monsoon and irrigation facilities are not available everywhere. Similarly, availability of fertilisers and its distribution mechanism are very poor in Nepal. The revenue target set by the government in the budget is also high. But it can be met if the government focuses on widening tax net, improving tax administration and enforcing tax-related policies effectively. In such a context, government will face a tough time achieving the aforementioned ambitious targets.

**The private sector has reservations on the budget citing that it has failed to address key issues related to the growth of the private sector. What is your take on this?**

The government should acknowledge that the private sector is the real driving force of the economy and the entire development process. Development goals can be achieved only through collaborative efforts of the private and public sector. The budget should have eased the doing business process and cost in Nepal, which is the only way to boost the morale of the private sector. Their key suggestions have to be addressed in the budget and other policies and programmes of the government.

Source: The Himalayan Times, 4<sup>th</sup> June 2018