This Fiscal Year's Budget: Piled Loans into a Leaky Bucket

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In a democracy, sovereignty ultimately resides with the people. Yet in practice, this sovereignty is exercised through representatives, entrusted by citizens to govern on their behalf. This arrangement creates a fiduciary relationship at the heart of statecraft: the government manages collective resources as a trustee, obligated to act in the public interest.

The assets under this trust are vast, national revenues, natural resources, and public institutions. and they belong equally to every citizen. In principle, this should guarantee their careful and equitable use. In reality, political systems everywhere face the same perennial challenge: the gap between fiduciary duty and political practice. Concentrated decision-making power, coupled with limited public oversight, creates fertile ground for inefficiency, short-termism, and at times outright misuse. Our society has long understood this dynamic. Proverbs like "My uncle's horse is mine to ride" or "A feast for the dead paid for by others" capture, in plain words, the temptations and distortions that can arise when stewardship is poorly guarded.

The budget is the first and most decisive act in determining how collective resources will be used. It is not merely an accounting exercise. It is a statement of intent, a reflection of political priorities, economic vision, and the moral choices of a government. A budget can lay the foundations for sustained growth and social equity, or it can dissipate resources in ways that leave structural problems untouched. The difference lies in both the quality of the planning and the integrity of its execution.

With the start of the fiscal year 2082/83 (2025/26), the Ministry of Finance has outlined how it proposes to mobilize and allocate national resources. For citizens, understanding this is more than a matter of curiosity. Informed scrutiny is one of the strongest safeguards against misallocation. Without it, the budget risks becoming a procedural formality—debated in parliament, applauded in party meetings, but disconnected from the lived realities of citizens.

In the years ahead, as Nepal navigates its development ambitions, fiscal constraints, and political transitions, the discipline of transparent, accountable budgeting will determine whether public finance serves as an engine of inclusive growth or becomes a recurring cycle of unrealized promises. The responsibility to ensure the former does not rest solely on those in office. It also depends on a citizenry willing to engage critically with how its collective wealth is managed, and to insist that those holding the trust of the nation honor it in both letter and spirit.

Overall Budget Increase

This year's budget arrives in a context where both fiscal pressures and public expectations are high. The total allocation for FY 2082/83 has risen by NPR 104 billion compared to last year's budget presented by the previous finance minister. Of this increase, NPR 40.3 billion is directed towards recurrent expenditure, reflecting the ongoing demands of salaries, subsidies, and operational costs. Capital expenditure sees an additional NPR 55.6 billion, signaling an intention to accelerate infrastructure and development projects. A further NPR 8 billion is allocated to financial management, covering debt servicing and related obligations.

These shifts in allocation will need to be examined not only for their immediate economic impact but also for their alignment with long-term national priorities. An expanded budget can be a powerful tool for growth if it is paired with efficiency, transparency, and clear delivery mechanisms. Without these, higher spending risks becoming a political gesture rather than a development driver.

Changes in Recurrent Expenditure

Within the recurrent expenditure, certain headings such as administrative costs, capital grants, and conditional grants to other institutions have been reduced. However, of the NPR 40.3 billion increase, NPR 8 billion comes from higher grants to provincial and local governments, and NPR 10 billion from increased inflation allowances for employees, raising this item to NPR 17 billion. In total, around NPR 16 billion more than before has been allocated to salaries and benefits for civil servants and service providers. This includes NPR 6.2 billion more for civil servant benefits, bringing the total to NPR 113.8 billion, and NPR 3.7 billion more for social security, now totaling NPR 147.3 billion. Within social security, an additional NPR 3.4 billion has been directed towards measures such as medical expenses for national personalities and selected people, and financial assistance in the event of death, taking this category to NPR 27.1 billion.

Changes in Capital Expenditure

Of the NPR 55.6 billion rise in capital expenditure, the largest share, NPR 27.8 billion, has been allocated under the heading "Other Public Construction," raising its total to NPR 67.8 billion. Unlike other capital expenditure items, which are tied to defined sectors or programs, this category is vague and lacks a clear public explanation. While some headings have seen moderate adjustments, whether in government building construction and purchase, procurement of vehicles, machinery, tools and furniture, or in key infrastructure such as roads, bridges, electricity, irrigation, drinking water systems, and embankments, the scale of increase in "Other Public Construction" without precise definition is the most pressing concern.

The Priority Shift

One of the most striking shifts in this year's capital expenditure lies within the Ministry of Urban Development's Settlement Development Program. Out of the total NPR 55.6 billion rise in capital spending, an increase of NPR 21.2 billion is for this program alone with total allocation of NPR 36.83 billion. Within that, an extraordinary NPR 34.25 billion has been placed under the vague label of "Other Public Construction."

On paper, this category covers 3,026 projects and activities nationwide. Yet a closer look reveals an unusual pattern. Roughly 1,100 of these projects are assigned exactly NPR 30 million each, across vastly different geographies from the far east to the far west, spanning mountain, hill, and Terai regions, as well as Kathmandu Valley. Another more than 1,800 projects receive between NPR 1 million and NPR 7 million each. This cookie-cutter approach to allocation raises serious questions about planning logic and transparency.

Many of these projects fall within the scope of what local governments could and should execute. By channeling them through a central program, the budget risks diluting accountability and blurring oversight. In a year when fiscal discipline is already under strain, such patterns invite public suspicion that the Settlement Development Program is serving as a convenient umbrella for politically motivated or poorly justified spending.

Funding Sources for the Settlement Development Program

The Settlement Development Program's budget is to be financed through a mix of domestic and external sources: NPR 9.91 billion from Nepal's internal revenue, NPR 2.75 billion in grants from the Chinese government, NPR 9.6 billion in loans from the Asian Development Bank, and NPR 13.51 billion in loans from the World Bank Group. This financing structure leans heavily on debt, with nearly two-thirds of the program's resources coming from loans. When such borrowing is tied to projects whose necessity and execution logic are questionable, it not only strains future fiscal space but also undermines the government's fiduciary responsibility to use borrowed funds for high-impact, well-justified investments.

Conclusion

When a budget diverts its largest increases toward salary hikes, discretionary allowances, and vaguely defined construction programs, 77 percent of which sits inside a single ministry's settlement program, while financed heavily through foreign loans, it ceases to be a strategic development instrument and begins to resemble opportunistic resource capture. The Finance Minister's own commitments to channel debt into high-priority areas, remove unsuitable projects, and avoid token allocations to federal programs stand in stark contrast to these choices.

In forestry, "tree suckers" are shoots that grow rapidly but drain nutrients from the main trunk, weakening the whole tree. This budget's largest growth area bears that same risk: a rapid, opaque expansion that draws strength from the nation's collective resources yet offers little clarity on the fruit it will bear. What makes this particularly concerning is the complicity, whether through neglect or tacit acceptance, of external lenders and grant providers who are funding it.

In a democracy where every citizen is a shareholder of public wealth, vigilance is not optional. It is the only antidote to fiscal drift. The question is no longer whether funds are being allocated; it is whether they are being allocated to nourish the nation's roots or to feed branches that will one day hollow the tree from within.

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