

# Unfolding the narrative behind Privatization in Nepal

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## List of Abbreviations

AD - Anno Domini

BBF - Bhaktapur Brick Factory

BS - Bikram Sambat

CIAA- Commission for the Investigation of Abuse of Authority

CPN (UML) - Communist Party of Nepal (Unified Marxist–Leninist)

FDI - Foreign Direct Investment

FNCCI - Federation of Nepalese Chamber of Commerce & Industries

IMF - International Monetary Fund

KII - Key Informant Interview

MoF - Ministry of Finance

MP - Member of the Parliament

NC - Nepali Congress

NPC - National Planning Commission

NRB - Nepal Rastra Bank

OAG - Office of the Auditor General

PE - Public Enterprise

RPP - Rastriya Prajatantra Party

SAP - Structural Adjustment Program

SJN - Sanyukta Janamorcha Nepal

SOE - State-owned Enterprises

USD - United States Dollar

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## Introduction

Nepal's economic liberalization history is closely tied to the country's political evolution and can be broadly divided into three phases. The first phase (1960 to 1980) was characterized by an economy dominated by the public sector as a result of controlled development planning under an autocratic monarchy. The second phase (1981 to 1990) saw a more liberal political (Panchayat) system introduce outward-oriented economic policies to gradually phase out the public sector involvement, starting with liberalization of the financial and social sectors (education). The third phase (1990 to 2000), central to this paper, began with a constitutional monarch and the adoption of economic liberalization, privatization, and globalization (Osmani and Bajracharya 2007, 2, and Annex I).

The roots of Nepal's economic transformation, however, can be traced to the Rana regime, when the Biratnagar Jute Mills was established in 1936 marking the inception of state-led industrialization. From this point until the onset of the first phase, a subtle contrast can be observed between the industrialization approaches of the pre and post Rana periods. Following the end of the regime in 1951, the country entered a phase of modernization with a continuous reliance on state intervention. Osmani and Bajracharya (2007, 1-3) account that as Shahs came into power after this, the people of Nepal experienced multi-party democracy for the first time, alongside the first attempts at planned socio-economic development.

The industrial policy of 1957 formalized the government's responsibility in "promoting, assisting, and regulating" industrial development. Public monopolies were established in sectors such as transportation, telecommunications, hydroelectric power, and large industries, seemingly to promote entrepreneurship. The First Five-Year Plan aimed to create state monopolies in these sectors to drive industrial growth (Bahadur 2003, 206).

However, the creation of monopolistic state-owned enterprises (SOEs) to foster entrepreneurship was contradictory, as such dominance inherently limited private sector growth and competition. Osmani and Bajracharya (2007, 1-3) report that the political regime of this time (1960s) assumed an interventionist role because the government controlled prices with their monopoly of production activities carried out through SOEs, thereby precluding the growth of the private sector.

While SOEs dominated Nepal's economy through the 1960s and 1970s, signs of inefficiency became apparent by the late 1970s. Despite significant state investments, these enterprises failed to foster economic self-reliance or even efficiency. Instead, they became financial liabilities, contributing to

rising fiscal deficits<sup>1</sup>. Political and institutional clarity around reforming or incentivizing these enterprises was lacking, resulting in a growing economic burden on the state.

By the mid-1980s, Nepal faced mounting economic pressures, including declining agricultural exports, rising unemployment, and external debt surpassing \$500 million (Shah 1988, 948). The state’s attempts to manage SOEs increasingly strained the national budget. So, the government began to recognize the potential of private sector-led growth to address Nepal’s mounting economic challenges. However, political will and institutional readiness for comprehensive reform remained limited.<sup>2</sup>

In the 1980s, many countries, particularly developing nations, began adopting market-oriented policies following the success of neoliberal reforms in countries like the United Kingdom under Prime Minister Margaret Thatcher and the United States under President Ronald Reagan. These reforms emphasized reduced state control, deregulation, and assumed the government’s role to be limited only to creating the preconditions for sustainable growth. In emerging markets like China and South Korea, these policies fostered entrepreneurship outside of state control, and deregulation served a strong private sector (Boughton 2002). Yet, as Rose and Fisher (1970, 121-143) note, Nepal’s institutional and economic constraints made it difficult to replicate such models effectively in a context where the private sector lacked capital and the state lacked regulatory capacity. Unlike industrialized nations where deregulation supported a strong private sector, Nepal lacked the institutional capacity and capital markets to replicate such successes.

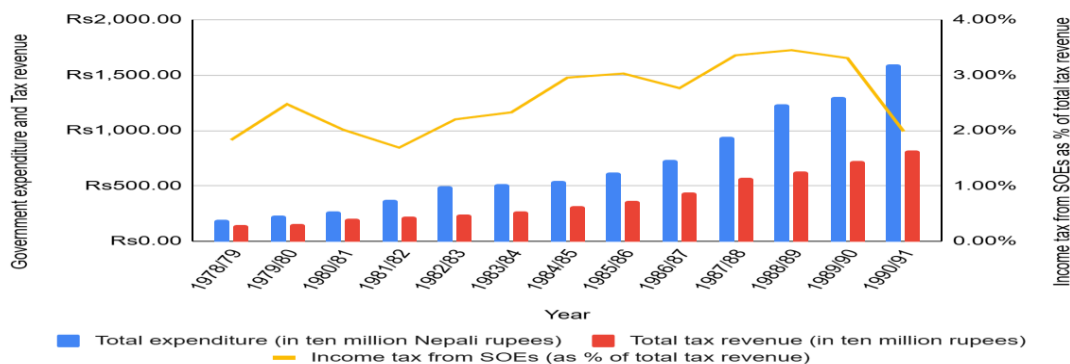


Figure 1: Government (capital) expenditure and Tax revenue (in ten million rupees), along with revenue from SOEs as a percentage of total tax revenue

Source: NRB

<sup>1</sup> In the mid-70s the fiscal deficit was Rs. 125.1 million which jumped to Rs. 3.68 billion in 1989/90—a dramatic increase of almost 30 folds. Based on authors’ calculation with data retrieved from Nepal Rastra Bank (NRB).

<sup>2</sup> As per a Key Informant Interview (KII).

In the 1990s, privatization finally became a priority point as the Nepali Congress (NC) party came into power. The newly elected government pursued reforms that reduced the state's control and promoted liberalization, with privatization emerging as a key strategy. This shift was supported by different international organizations such as the World Bank, the International Monetary Fund (IMF), and the Adam Smith International.<sup>3</sup>

In 1991, a privatization policy was introduced that highlighted three main objectives of reducing the state's managerial and financial duties, developing the functional expertise to enhance productivity, and promoting private sector participation in different industries.

In 1994, the Privatization Act was introduced to serve as the legal foundation for the selling assets of the Public Enterprises (PEs). The Foreign Direct Investment (FDI) Policy of 1992 helped encourage foreign investment into the country<sup>4</sup>. In the same year the Trade policy was implemented to deregulate trade to encourage domestic competition. The Industrial Enterprises Act, 1992, also helped reduce barriers to promote private sector participation.

In spite of these well-thought out plans, the political health of the country was increasingly deteriorating as there were frequent changes in leadership—the Communist Party of Nepal (Unified Marxist–Leninist) and other parties taking turns in power.<sup>5</sup> As the amalgamation of such instances, in the present day liberalization of the 20th-century-Nepal is not remembered fondly. The trajectory since then has been full of challenges and unmet expectations. Rose and Fisher (1970, 143) perfectly frame this - Nepali leaders consistently prioritize political objectives over economic goals, resulting in an overweighted imbalance between the two.

The main goal of this paper is to analyze the narrative built in the 1990s that led to the present perspective on privatization. This paper focuses on the reform process, and the role of incentive design mechanisms of all agents and institutions involved in the process. In doing so, this paper explores the political dynamics, institutional weaknesses, and the lack of a strategic framework that all contributed to the shortcomings of privatization. The basis of the arguments presented in this note are anecdotal evidence accumulated through interviews with involved bureaucrats, parliamentarians, and media personnel. Readers get a sense of the parliamentary discussions that took place in the 90s through this paper as well.

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<sup>3</sup> A common account from all KIIs.

<sup>4</sup> Liberalization of the country's exchange rate and trade policies brought an acceleration of FDI inflows: averaging USD \$8.3 million annually during 1990-2000. Specifically, from 1989-1994 it was \$4.3 million which increased to \$11 million between 1995-2000 (United Nations 2003,1-2).

<sup>5</sup> The UML government came into power in 1994 (see Annex I)

## **Privatization Actors**

Following the restoration of democracy, the two-third majority of the Congress provided them the legitimacy to push privatization agenda aligned with the global trends, and these efforts were solidified by the formulation of the Privatization Act. As stated in the Section 2 of Privatization Act 1994, the sole objective of the act is to privatize PEs in order to enhance the capacity of such enterprises, to ease the financial and administrative burden of the government, and to achieve desired economic development through active participation of the private sectors in the operation of such enterprises. To achieve the outcome along these lines, a privatization committee was formed under the Ministry of Finance (MoF) and the process of privatization entails carrying out studies, deciding on the instruments of privatization, calling for tenders and moving ahead with the agreement with the eligible private actors.

The role of the privatization committee, as mentioned in the Section 4 (a), is to make recommendations related to privatization process and programs to the government, incorporating the suggestions put forward by the finance committee's reports on privatization. While formulating such plans and programs, the committee is also responsible for undertaking the necessary research and studies, evaluation of the enterprises and monitoring the decisions and agreements made regarding the privatization process. As mandated in the law, the committee can form sub-committees to carry out the necessary research and investigations on the earmarked enterprises.

In this context, actors refer to the members of the committee and its composition includes a mixture of ruling party members, opposition party members and bureaucrats from various ministries. Sub-section 2 of Section 3 in the act lists the composition of the committee as:

- Finance Minister or State Minister,
- Chairman of the Finance Committee of the Parliament along with other two parliamentarians,
- Member of National Planning Commission (NPC),
- Secretary of three ministries - Ministry of Finance; Ministry of Law, Justice and Parliamentary Affairs; and Ministry of Labour, Employment and Social Security.
- The secretary of the Ministry related to the enterprise to be privatized,
- Chairman of the Federation of Nepalese Chamber of Commerce & Industries (FNCCI),
- Joint Secretary of the Financial Sector Management and Corporation Coordination Division under MoF, along with other invitees like chairman of related enterprises, representatives of labor unions and economists.

The formation of the committee without a properly designed incentive mechanism, coupled with the structure of the bureaucracy and nature of the political ideologies shaped the behaviours of its members. While privatization efforts after the restoration of democracy was not an entirely new reform, initiating the reform through formulation of the Privatization Act was. However, the functions of the privatization committee largely mirrored those of the already existing Privatization Cell under the Ministry of Finance (MoF), and both entities' roles were limited to conducting studies and making recommendations to the government. This leads to the assumption that creation of the privatization committee was merely a duplication of the Privatization Cell. Moreover, a government document titled, 'A report on the performance of privatized enterprises' (MoF 1999, 13) notes that the Privatization Cell was supposed to make recommendations to the Privatization Committee; however, the act does not specify Privatization Cell's role. Such ambiguity creates a confusion in the task delegation and ownership of responsibilities. Furthermore, the privatization committee, established under the legal framework of the Privatization Act, and placed under the MoF lacked its independent rules and regulations. Its roles and responsibilities, as defined in the Act and drafted by parliamentarians failed to design incentive for effective implementation.

The bureaucracy of Nepal has always functioned with a centralized tendency. Historically, it revolved around impressing kings and those in authority. The efforts of reform have yielded little progress, and still bureaucracy relies on the working mechanism of the Panchayat era that prioritizes strict adherence to rules, regulations, and procedure over outcomes (Acharya 2019, 384). The composition of the members in the privatization committee reflects ex-officio members. As a consequence, their incentive was tied to the individual interest of the institution they represented instead of the collective responsibility of the committee. This created an ample space for conflict of interest within the committee. For instance, it is in the benefit of the Ministry of Labor, Employment, and Social Security, along with ministries related to state-owned enterprises, to protect the jobs and lobby for the employees.

The rivalry between political parties also played an important role in shaping the behaviours of the committee members. Nepali Congress, the proponent of privatization, faced opposition from CPN-UML, which rejected the idea of privatization from the beginning. This divergence is evident in the arguments made by political actors during parliamentary discussions following the presentation of the government's annual policies and programs.

Rajendra Prasad Pandey, CPN-UML (now CPN-Maoist Centre) (July 10, 1992) remarked:

“What do you mean by the new industrial policy? Citing that privatization is the new global system and applying it to a nation like ours, which struggles with poverty and illiteracy, how applicable is it? What is the role of the government if it avoids its responsibility to promote and preserve industries? Are there plans to make use of the country's industries for the betterment of the country?”

Pradeep Nepal, CPN-UML (July 1994) argued:

“Privatisation and liberalization invites competition, but are our industries capable of handling it? Are the domestic industrialists and capitalists getting the benefits of it being taken abroad? Is the competition limited to the nation or our industries are having to compete with resource rich countries and industries? So, privatisation has invited this problem in the context of having to compete with multinational companies. We are not competitive so this policy will only make us dependent on India as we would not be supporting our own industries. This is an anti national move from NC as it is only turning the economy to a dependent one.”

These statements suggest that, apart from Nepali Congress, other political actors held a rather skeptical view of privatization, often questioning its relevance in Nepal’s context and advocating for national industries and investors. Such skepticism was reflected even in committee deliberations, where the note of dissent signed by an opposition party member usually made bureaucrats reluctant to recommend the privatization of many SOEs back in the day<sup>6</sup>.

Huber and McCarty (2008, 490) point out that policy implementation is often influenced by bureaucrats' fear of punishment for taking actions that law forbids. The note of dissent from the opposition party provided bureaucrats a safety net to avoid initiating reforms. Additionally, the office tenure of these ex-officio members is often too short to initiate any reforms and achieve substantial results within their term. Usually in Nepal the tenure of government officials lasts for two years; bureaucrats are reshuffled into different offices, reflecting some sort of instability within the committee. This altogether supported the risk-averse culture among bureaucrats and did not give them any personal incentive to go ahead with the agenda of privatization and bring any substantive results.

The agenda of privatization, originally pushed by the Nepali Congress, witnessed its first major setback when then Prime Minister Girija Prasad Koirala dissolved the parliament a few months after the promulgation of Privatization Act<sup>7</sup>. The CPN-UML formed the minority government after the mid-term elections. Upon assuming power, they proposed provisions through the budget to protect national industries that included protectionist measures for national industries with priority to revive sick and stagnant industries.

While privatization did continue under the CPN-UML government, they opted for partial privatization. Against the backdrop of such an unstable political affair and shifting power dynamics between the two major political actors, bureaucrats found themselves torn between opposing agendas which further pushed them to avoid the privatization agenda.

Other policies that support the privatization initiatives include the periodic plans and budget. On one hand, we find periodic plans emphasizing the importance of privatization. Even during the Panchayat era, the sixth and seventh periodic plans had provisions, giving the private sector a significant role to

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<sup>6</sup> Based on Key Informant Interview

<sup>7</sup> Privatization Act was promulgated in January 1994 followed by resignation of Girija Prasad Koirala in July 1994

play in the country's economic landscape. By the time the eighth plan was devised in 1992, following the restoration of democracy, the emphasis on the private sector's role, along with plans to privatize SOEs reached an all time high, all aimed at alleviating government's burden. However, the same cannot be said for the budgets. One of the Deputy Prime Minister and Finance Minister at the time stated that privatization could not be and should not be the top priority from the budgetary perspective.<sup>8</sup> This divergence highlights a fundamental institutional mismatch between the NPC and the MoF. Moreover, while the Vice-Chairperson of the NPC is a member of the committee, a single representative from the entire institution may not be enough to push the agenda of the institution. The role of the vice chairperson also gets limited to the position itself, with actions largely depending on the broader incentive of the individual holding the position. The dynamics between the heads of the NPC and MoF determine the outcome, with factors such as internal party protocol in case of the same party and rivalry in case of opposing parties play a role in the negotiation process.

These factors altogether weakened the institutional framework of the committee, reducing its relevance and ultimately undermining the privation process.

Text Box 1: A case of Sri Lanka

In the context of Sri Lanka, Kelegama (1993, 12) and Balasooriya et. al (2007, 617) have mentioned the importance of institutional framework and have pointed out how lack of attention to institutional framework slowed the privatization process in the country. The country adopted liberal policy in 1977 but it was 1987, a decade later that initiated the privatization with establishment of a number of entities like - the Presidential Commission of Privatization, the Commercialization Division of the Public Enterprise Department of Treasury, the Public Investment Management Board, and special units under line ministries. Lack of coordination among such entities later gave birth to a separate independent entity, Public Enterprise Reform Commission in 1996 AD that took ahead the process of privatization in the country.

### Shifting Commitments

Privatization had its share of ups and downs before it came to an absolute halt. The initial reforms in the 90s aimed to improve public enterprise management, the establishment of new SOEs alongside sporadic privatizations (see Annex II), and reverse privatization, were contradictory to the privatisation measures. The frequent changes in government brought fluctuating commitment to privatization, often halting or reversing initiatives depending on the ruling party's stance. It was largely shaped by

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<sup>8</sup> Interview excerpt from 2004 with the then Finance Minister Bharat Mohan Adhikari

shifting political ideologies, economic challenges, and the need to address persistent inefficiencies within its PEs.

One of the ways privatisation initiatives were reflected as a priority of the concurrent government was through the annual policy and program document. Examining the policies that align with these initiatives mirrors the changing narrative of privatisation. The table below summarizes the key priorities related to privatisation and economic liberalization as outlined in the document throughout the years.

Table 1: Summary of key points related to privatisation and liberalization in annual policy and programs document

Date	Privatization and Economic Liberalization Priorities
1991, July	Policy steps to transfer some industrial and commercial establishments that are not functioning well in the government sector to the private sector or to make private parties participate in their management.
1992 July	<p>Continuation of attempts to liberalize economic and monetary policies to advance the private sector by creating a competitive environment within the mixed economy. Privatization of public institutions to proceed. Bills introduced for commercial, industrial, and foreign investment policies.</p> <p>The process of privatization of public institutions would be carried forward.</p> <p>Encouragement of private sector involvement in the airline, energy, and media sectors.</p>
1993, July	Continuation of privatization programs in the next fiscal year.
1994, July	<p>Encouragement of private sector participation in the supply system of essential commodities, entrepreneurs who promote export, import substitution, and use of indigenous resources and tools, and increase employment and production of traditional goods.</p> <p>Strengthen the open and liberal trade policy and encourage the expansion of the export base by producing quality goods from labour-intensive industries. Emphasis will be placed on business diversification by searching for markets for exportable goods.</p>

1994, December	Operate the government institutions in such a way that they can give a return in proportion to the investment. The participation of domestic investors and the employees and workers of the institutes would be prioritized when the institutions that are unnecessary to remain in the government sector from the economic and social point of view are transferred to the private sector.
1995, September	Adopt an open, liberal, and transparent industrial policy, encourage the private sector in the industrialization effort in the country, and attract foreign investment.  Encourage competition, efficiency, and excellence during industrial development.  Carry forward programs related to privatization in an open and transparent manner based on national needs and social justice.
1996, June	Continuation of the liberal, open, and market-oriented economic policy.
1997, June	Clarify the sustainable high economic growth rate, liberal and market-oriented economic policy, financial and monetary policy, and the role and participation of the private sector.

Source: Annual Policy and Program Document (1991-1997)

As highlighted in the annual plans and policies, NC used privatization as a means for radical changes they envisioned for the economy. They actively promoted economic liberalization and private sector involvement in the economy. It was rather a bold and courageous move for a party that identified as democratic socialist. Their approach, leaning towards “capitalist principles” (as often quoted in criticism by the opposition as well as some leaders from their own party), drew significant criticism for challenging their ideological roots. In an instance, Jhalanath Khanal—an opposition leader from UML—says, “The small and cottage industries in Nepal must have been encouraged. Such matters are not mentioned here, instead only the agenda for privatisation is presented in different ways. This ideal is against the democratic socialism practiced by the Nepali Congress itself and is a product of capitalism. Capitalism has existed in the world for four to five hundred years and has shown deformities all around the world. Not only that, it might also lead to facism. Are we trying to go there?”<sup>9</sup>

Convincing the general population and the leaders that the process was not inherently detrimental was one of the biggest hurdles for the pioneers. An MP from NC—Dundiraj Sharma—explains this shift: “Our party is a socialist party. We believed in economic nationalization and a socialist economic

<sup>9</sup> 1993, Parliamentary discussion on annual policy and programs

system. However, the system has failed. Now, we are looking for a new system. We need an alternative, as moving from one system to another—Marxism to capitalism and vice versa—would not work, as they too have been experimented with globally. Moving to privatisation and liberalization is the only alternative that fits.” He argued that privatisation need not be a capitalist concept. The ideals of socialism could still be intact if coupled with fostering ownership, reducing management-worker conflicts, and equitable distribution of wealth. He suggested a 50-50 share distribution among industrialists and the general public and employees to stay aligned with the rooted ideology.<sup>10</sup>

The critics raised concerns over job security, fair valuation of assets, and potential favouritism in the process. Chirinjibi Wagle, an MP from NC, emphasized the need for a targeted approach for privatisation. He argued, “The government should prioritize privatising stagnant, loss-making industries like Biratnagar Jute Mill, rather than profit-making ones (referring to Bhrikuti Paper Factory). Mixing both types in the privatization process is ineffective, as buyers prefer profitable enterprises, and the loss-making ones would remain unsold.” This coming from the leader of the ruling party itself proved that the parliamentary debate regarding the process was democratic.

On a similar note, opposition leader Bharatmohan Adhikari suggested key points to be amended in the annual policy and program document. One of the proposed amendments was that the privatisation program would undergo review, and necessary adjustments would be implemented. His concerns grew from the first 3 privatisations in Nepal, which, according to him, had failed. He added, “There have been issues regarding the privatization of three enterprises. The loans taken remained unpaid, and many of them were shutting down. Instead of increasing employment, the workers were being fired. He then goes on to question, “What happened to the privatisation of the airline sector? Has it reduced costs for the citizens?” He believed that privatisation ignored local economic conditions. The open economy had further harmed domestic and small industries. He suggested shifting the focus towards protecting local industries for economic growth.

For Nepal, a community-driven country, privatization was a foreign concept, not really grasped easily by the leaders, let alone the public. The failure to deliver what it means actually invited more criticism. Most of the inkling was regarding the fact that, as it was a foreign concept and coupled with liberalization attempts, it would bring about foreign investments that would push out domestic industries.

This is particularly highlighted by the fact that the speaker of the house clarified what it means to the parliamentarians after consistent criticism and questions regarding the same subject. He clarifies, “There has been a misunderstanding. Privatization doesn't mean we are handing over everything to the foreigners. Its major objective is to utilize internal capital and skill for the economy. The foreign

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<sup>10</sup> 1993, Parliamentary discussion on annual policy and programs

capital and technology will only be imported when it is in favour of the nation, or else it won't be imported. If you read the document<sup>11</sup> carefully again, there need not be any questions.”<sup>12</sup>

The efforts of privatisation decreased when the prime minister resigned and called for midterm elections in 1994. Internal divisions within the party ensured that the annual program lacked the needed parliamentary support (Los Angeles Times, 1994). The midterm elections swung against their favour, placing UML in power. Their proposed document had failed, and UML drafted the second annual policy and program document for 1994. It emphasized running public enterprises profitably under government management while still agreeing to hand over some industries that were not profitable to the private sector. The momentum that the process was beginning to gain had shifted.

UML, now the ruling party, decided to increase its stake in Nepal Bank Limited from 40% to 51%, making it the majority stakeholder to control the financial market. It also took over three struggling industries like jute, cement, and tea. Two electrical companies were also nationalized. (Manandhar (1993, 46), quoted in KC (2008, 25)).

The later parliamentary debates following the initial experiences with privatization highlighted the growing skepticism around the outcome of privatization and unfulfilled promises of increased employment and economic growth. Below are a few statements of the members of CPN-UML during the parliamentary discussion following the presentation of annual plans and policies in the year 1996:

Madhav Kumar Nepal:

“How has the experience with privatization been? What is the point of privatization if it does not increase the revenue of the government; improve the quality of the product; lower the price of the product; or create employment opportunities for the people? The only assets that the government holds are these land, factories, gold, and silver. These assets contribute to the government’s income and serve as collateral for loans from international financial institutions. But if the government begins selling these off, it will gradually become economically weaker compared to other institutes. Stronger institutions will rise, and the government will become a helpless entity against these stronger institutions.”

Prem Bahadur Sigh:

“There are enterprises bearing extreme losses and the management process is ineffective. The country is not in the condition to bear the loss and these need to be privatized. However, there are well-functioning enterprises and factories that pay huge amounts of tax to the country. These enterprises and factories should operate the way they are operating currently. But, Nepali Congress has specifically

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<sup>11</sup> The document refers to the annual policy and program presented by the government.

<sup>12</sup> 1992, as the discussion for the annual policy and program comes to an end, the speaker clarifies this, as most of the questions to the prime minister were directed to this subject.

chosen profitable enterprises and decided to sell them at dirt cheap prices, leading the country towards bankruptcy. The way Nepali Congress has pushed forward this agenda of privatization without any consideration of the country's state of economy and the capacity of the private sector, it is evident how such blindly led policy is negatively affecting the country and the country is bearing its consequences now. Today, we have lost well-maintained economic infrastructures. The per capita income is declining instead of rising and the country's internal revenue collection is critically low. Today, the country is in a critical state of economic crisis and what is the cause of this crisis? Can privatization be the solution to this problem? Obviously not. That is why we cannot support the government's agenda to privatize institutions like Janakpur Cigarette Factory and Telecom. Such agendas are in fact policy-less privatization policies.

Today countries like India and China are in support of a mixed economy. Keeping the private sector's capacity and state of economy in consideration, these countries carefully implement privatization in each sector. When these countries are cautiously implementing privatization, why are we blindly supporting it? Why don't we consider our private sector's capacity? Why don't we assess the capacity of our economy? Privatization has been set as the only alternative path leading to economic prosperity. We believe that until the ruling party breaks from this economic dilemma, it cannot provide better economic leadership to the country. The drastic decline in the revenue collection is the biggest example of that today.”

Keshav Lal Shrestha:

“Privatization, liberalization and open economy have been widely expressed as key commitments of Nepali Congress. But in practice, its implementation has shown that these policies tend to promote monopoly, global capitalism and increased foreign influence. In a previous discussion about foreign investment and technology transfer, I had raised the question of whether we need to stand up for national capitalism and the national economy or not. A friend from the ruling party then had questioned the difference between national capitalism and anti-national capitalism. We have a clear stance on this; there is a fine line between two concepts. Those capitalists who operate industries and business here, and reinvest profit in new industries within the national boundary are national capitalists. However, someone who takes the profit from country to foreign land is anti-national/broker capitalist. When talking about privatization and liberalization, we should ask ourselves - shouldn't we prioritize the best interest of the national economy and national capitalist?”

When Nepali Congress held an absolute majority, it had defended privatization with promises of increased productivity and employment opportunities, price reduction, and industrial growth. Eight public enterprises have been privatized and what has been the result so far? Similar arguments like benefits of technology transfer and fulfilling consumers' demands are now being made to justify telecom sector privatization. Based on the assumptions like – government should not take a leading role in production highlighting the supposed superior management capabilities of the private sector; it is anticipated to ultimately benefit the consumers. The reality is that telecom is the institution

earning the most profit out of all enterprises, earning a profit of 67 crore this year, and it has been successfully paying off external debt as well. In such a situation, it is necessary to critically analyze the impact of providing international services (ISD) to private sectors. Telecom is a matter of national privacy and welfare. Currently, the charge of 110-160 per minute on ISD services is subsidized to Rs. 1.5 for local calls, and there are plans to extend this to rural areas. If the plan to privatize international services moves ahead, then the price will increase to Rs. 6-7. How can this benefit consumers? Looking at the current situation, even now, telecom services could be extended to around 3 lakh consumers within 2 years, and the agenda of privatization comes from nothing but an ill intention of earning commission. It is nothing but a malicious intention of putting the state's privacy at risk by transferring the control to brokers.”

These arguments against privatization were primarily based on the concerns of rising unemployment and closing down of already existing industries, coupled with the fear of foreign dominance and loss of national sovereignty. Public opinion was also deeply influenced by such concerns. This eventually led Nepali Congress to discontinue the policy, even after assuming power in coalition with Rastriya Prajatantra Party fearing it would reduce their relevance and public support. The Nepali Congress defended its stance on privatization, citing that it was merely giving continuity to the CPN-UML's agenda, rather than owing to its years old exercise. The whole parliamentary discussion revolves around blaming one another instead of taking ownership of the policy and its outcomes.

Then Prime Minister Sher Bahadur Deuba's remarks (1996): “Concerns have been raised about telecommunication being sold to foreigners. Even though the effort of involving the private sector for competition was initiated by Congress, CPN-UML took this initiative further. We are simply continuing the efforts left by UML. There is a rising demand for telephones in the country. Teachers, doctors, lawyers and businessmen currently do not have access to telephone. We are not able to meet this growing demand. It's not a bad thing if people get access to telephones while revenue also increases. You all should be pleased about this. In fact this benefits everyone. This will also make phones accessible in rural parts of the country.”

### **Parliamentary Involvement and transparency**

Privatisation was one of the most discussed topics in the parliament in the 90s. First was the discussion related to the privatization act itself; second was when the annual plans and programs were presented; and the third was the occasional presentation of reports and reviews by commissions and committees formed to monitor and evaluate the privatisation process and the PEs.

The parliamentary discussions reveal the following things to be noted:

1. Ideological Divide

Referencing a parliamentary discussion from 1994, an opposition leader highlighted the government's deliberate avoidance of the term 'privatization' in its proposals.<sup>13</sup> The government, formed by CPN (UML), aimed to reform and revitalize PEs but avoided the term, likely due to its negative connotations in the public eye. The word 'privatization' was perceived as carrying an unfavourable implication, potentially causing public disapproval. However, this perception need not persist; the political stigma surrounding privatization overlooked the potential benefits it could bring. The public had yet to fully grasp that privatization, in this context, was not inherently detrimental.

This showed hesitation in continuing the process already started by the opposition party when they were the ruling party instead.

## 2. Transparency Measures

Allegations of corruption and favouritism were a recurring theme in parliamentary discussions when talking about privatisation. Prakash Chandra Lohani, MP from RPP, illustrates with examples. He points out, "I can say this with confidence, during the tender process of privatisation, one corporation bid in 25 crores, another in 22 crores. One who bid 25 crores said they would not take it. Now the one who bid on 22 was the winner. But the one signing the contract was again the same person who bid for 25 but is now buying for 22. Was this a corruption or not?" He adds, "Now the one who bought it had to establish an industry here with a license from the government. There was a writ filed in the supreme court. The industrialist was then given the licence citing, "Licence given under the condition that the agreement from the industry facilitation board would be taken later," this was against the law as a secretary does not have the authority to issue a licence? Is this not corruption?" He shows concerns if privatisation is becoming a tool to accumulate money. He demands answers from the government if that is not the case.

Amik Serchan, MP from Sanyukta Janamorcha Nepal (SJN), reinforces the concerns with an interesting case of Bhrikuti Paper Industries. In this particular instance, the buyer was using the company's existing bank balance to pay the first installment of the purchase price. Moreover, the running capital too was being sustained by the same bank balance. Meaning, the buyer had no need to invest a single penny as of now, so had no incentive to keep it well too." Such examples raised doubts about whether privatisation served the public interest or merely enriched a select few.

## 3. Accountability efforts

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<sup>13</sup> **1994** December Mahesh Acharya on governments Annual Plans and Policies. It's important to note that the June 1994 annual plans and programs did not explicitly mention privatization either even when the ruling party was NC. Instead, they placed a strong emphasis on increasing private sector involvement.

Parliamentarians demanded explanations from the government regarding irregularities and sought assurances that privatisation would align with national development goals. They mostly advocated for the labourers working in the existing PEs. Serchan's question, "Does the government have any answers to questions of corruption and commission?"

Even though questions like these were frequently asked, a satisfactory answer was never received. The defendants of privatisation often based their arguments on the need to move along with the changes in the world and the benefit to the government in regards to reduced subsidies and revenue collection. The direct questions to the prime minister were often met with vague interpretations of similar kind or with the reluctance to enter the subject matter in its totality.<sup>14</sup>

#### 4. Reforms

Some parliamentarians proposed specific reforms to improve the privatisation process for transparency, accountability and effectiveness. Ramchandra Adhikari's suggestion to distribute shares among workers and laborers was widely supported as a means to promote equity and reduce conflicts between management and employees. Some positive developments, such as increased industrial production in certain sectors, advocated for continued reforms.

Rakam Chemjong (MP from UML), suggested extending privatisation to sectors such as electricity as the existing policy limited private sector involvement in the sector. A fact to be noted is that these members are from opposing parties and supporting the process despite their party leaders outright calling for abandonment. This instance, along with the fact that some ruling party members criticized the process, establishes the fact that individual integrity was maintained, arguably limited to parliamentary speeches.

Similarly, the parliament had committees that were to review the PEs and the privatised enterprises. The Public Accounting Committee too reviewed the PEs and flagged issues whenever necessary. In one such instance, their findings dated 24<sup>th</sup> May, 1996, highlighted the following issues:

- The PEs were found creating positions solely to hire employees.
- The services being provided were not effective and profitable.
- There were unnecessary expenses incurred from exceeding the legal requirement for the number of operating committee members and experts.
- There were audit irregularities as it was not done yearly and had no legal provision to penalize those who were negligent in their accounting.
- The committee members were being provided services on chairman's discretion, which violated legal arrangements. The services include accommodation, telephone, and vehicles.

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<sup>14</sup> In 1993, after the discussion on annual policy and program was over, two (or more) MPs directed their questions to the prime minister regarding privatisation. However, no clarification was received.

- A single secretary of the government was working in three-four operating committees. They were enjoying benefits from the enterprise as well as the ministries.
- The organizations lacked clarity and consistency in the legal framework.
- The ministry failed to monitor and evaluate the organizations under its purview.

Reviews as such highlighted the need to privatise the inefficient enterprise. The parliament was thoroughly involved in the process too. However, parliamentarians acknowledge that, at the time, the parliament had limited involvement and was unable to make a significant impact.<sup>15</sup> In the absence of alternate measures, this was the go-to solution.

While the parliament gave the impression of active involvement, despite the acknowledgement of some parliamentarians, the process itself was riddled with obstacles and inconsistencies. The selection process for enterprises to be privatized in Nepal lacked transparency, as did the handover procedures (Acharya 2019, 131). The initiation of the process could be on the basis of the study carried out by the privatization cell, on the recommendation of the line ministry, or on the request of the management of the concerned PEs. The privatization cell recommended its proposals to the Privatization Committee, which then decides on it. The privatization cell hires evaluators to evaluate the value of the PE.

The selection criteria for the industries to be privatised was vague. The committees assigned valued the assets and the information was provided to the public through information kits for a nominal fee. There was limited independent oversight, again allowing critics to doubt the underpricing of assets and a lack of transparency. The selection is believed to be based on financial performance, with priority to enterprises that recorded consistent losses. However, there was no standard approach, leaving enough room for critics to question the integrity of the process.

The whole process largely revolved around the bureaucracy. Under the chairmanship of the secretary of the line ministry, a negotiation team was formed. With adequate back and forth with the bidder, this primary team submits a report to the senior team consisting of both the finance minister and the line minister. This team submits a final report to the committee, which then recommends it to the cabinet. Finally, it's the cabinet that decides which bidder won (MoF 1999, 13). With the parliament being unable to play a key role in overseeing and balancing the actions of the committee, the process lacked ownership among the leaders.

The rationale behind the decision to privatize a particular enterprise was highlighted in the white paper distributed to the potential bidders. The reluctance of the ministry to hand over records such as the contract and meeting minutes makes it strenuous to deduce why those particular enterprises were

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<sup>15</sup> As mentioned by an MP

chosen.<sup>16</sup> The white paper of Bhaktapur Brick Factory (BBF), however, mentions the following reasons:<sup>17</sup>

- To promote private sector participation in the industrial and commercial activities by shrinking direct involvement of government in such activities,
- To smoothen the production and supply of machine- and hand-made bricks of BBF by improving the management and by running the Company on purely commercial basis,
- To improve quality and quantity of products of BBF by injecting more capital and advanced technology (including foreign capital and technological investment),
- To generate real employment opportunities in the long run by promoting production and sales.

From what can be inferred from this one instance, privatisation often follows a familiar narrative—the inefficiencies associated with state-run industries and the perceived benefits of private sector involvement. The timeline also suggests that the motivation was centred around a broader government commitment and political devotion. However, the lack of transparency around certain records—such as contract details and meeting minutes—leaves many questions unanswered. This makes it challenging to fully understand the motivations and long-term intentions behind the policy.

### **The aftermath**

Privatisation lacked legal framework, regulatory oversight and political stability that was required to support radical changes. By the time the Tenth Plan was introduced—in alignment with the World Bank’s Poverty Reduction Strategy—the privatization effort had lost momentum, due to the lack of a cohesive, long-term strategy.

A significant portion of the privatized enterprises eventually ceased operations after privatization. Different methods—such as asset sales, share sales, lease, and management contracts—were used in privatization, but outcomes varied significantly (See Annex II). Some enterprises transitioned smoothly into profitable private operations, while others struggled to remain operational. Enterprises like the Bhrikuti Paper Factory and Harsiddhi Brick Factory ultimately closed down. Biratnagar Jute Mills has been closed time and again and yet the hopes to revive it remains a priority for the government every once in a while (The Rising Nepal 2022). However, Nepal Telecom Company operates profitably and has even expanded its services.<sup>18</sup>

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<sup>16</sup> The authors could not retrieve the required information due to a lack of cooperation from the concerned authority

<sup>17</sup> As retrieved from the web archives of the privatization cell. Note that the factory was privatised in the year 2004.

<sup>18</sup> The accumulated profit of Nepal Telecom is Rs. 426464 lakhs as of the fiscal year 2022/23.

Mahesh Chaudhary, MP from UML, points out, “Privatization was carried out with the belief that it would benefit the government, offering consumers high-quality products at reasonable prices. It was also expected to create more jobs. But have these expectations been met? Certainly not. The Center for States Reform and Informal Centre, Marigold University, has published a report suggesting that privatization is likely to fail in countries like the Soviet Union, Mongolia, and Nepal due to the weak capacity of private sectors in these countries. Additionally, the Council of Retired Public Servants and Development Associates, Nepal, conducted a study on these eight enterprises. Among them, two enterprises—Harisiddhi Brick Factory and Bhrikuti Paper Factory—were performing well in terms of production and productivity. These factories were in profits, but the rising prices of their products were the primary cause of this profit. Two enterprises have shut down, and the remaining four are operating at marginal profits. Privatization has also negatively impacted employment. Instead of creating more opportunities, privatized companies reduced 2,500 jobs. There was also a significant increase in product prices. This study highlights that the outcomes of privatization have not been beneficial for the country.”<sup>19</sup>

The inefficiencies in PEs needed massive treatment to actually give substantial results. On the consumers side, changes were seen in pricing and service quality too. Some privatised sectors saw price adjustments that impacted affordability.

Table 2: Price of products before and after privatization

Enterprises	Price Before Privatization	Price After Privatization	Remarks
Harisiddhi Brick & Tile Factory (Rs. Per '000')	1,600	2,400	50% increase
<ul style="list-style-type: none"> <li>● Roof Tiles</li> <li>● Floor Tiles</li> </ul>	<ul style="list-style-type: none"> <li>● 4,140</li> <li>● 1,600</li> </ul>	<ul style="list-style-type: none"> <li>● 10,000</li> <li>● 3,500</li> </ul>	<ul style="list-style-type: none"> <li>● 142% increase</li> <li>● 119% increase</li> </ul>
Balaju Textile Industry (Rs. Per metre)	27.6	41.9	34% increase
Raw Hide Collection and Development Corporation (Hide Rs. Per piece)	250	650	160% increase

Source: (Bahadur 1999, 25)

<sup>19</sup> 1996, parliamentary discussion on annual policy and program

These changes in prices suggest that privatisation allowed companies to adjust prices to reflect market conditions. There are two ways to explain this change. First, the inefficiency of PEs led to mispricing of the product and this was in fact the correct pricing. Second, as the industrialist got hold of the enterprise, they had a monopoly until the time any new industry was established and they only seized the opportunity to maximize their profit. The first scenario is not a problem at all as if they reflected true market condition, the private sector would be able to bring prices down in time with better management and innovation. The second scenario could be a problem if there were no mechanisms to ensure this would not happen. Privatisation alone could not solve everything, and if not coupled with competition, it could show disastrous results (Acharya 2019, 131). The broader impact of privatization on pricing and the trade off between efficiency gains against consumer costs was utterly neglected. This left the consumers feeling that the company was privatized, but their cost was socialized.

Thus, no one was able to propose a rightful role and space for the private sector to foster under this new arrangement.

As a tool to streamline operations to address inefficiencies, companies brought down the number of employees. Industries that were once a pride to work for because of the job security under public ownership were now laying off.

Table 3: Labor Productivity of different PEs

Enterprises	Before Privatization	After Privatization	Remarks
Bhrikuti Pulp and Paper Factory (Mt. Ton)	9.43	11.66	Increased
Harisiddhi Brick and Tile Factory (Bricks)	29,000	32,000	Increased
Bitumen and Barrel Industry (ML Ton) <ul style="list-style-type: none"> <li>● Bitumen</li> <li>● Barrel</li> </ul>	<ul style="list-style-type: none"> <li>● 52</li> <li>● 248</li> </ul>	<ul style="list-style-type: none"> <li>● 37</li> <li>● 251</li> </ul>	<ul style="list-style-type: none"> <li>● Decreased</li> <li>● Increased</li> </ul>
Balaju Textile Industry (Metres)	1,150	2,200	Decreased

Source: (Bahadur 1999, 26)

The variation in productivity suggests that some industries may be better suited for private management. One side of the story suggests that layoffs, cost-cutting measures, or a lack of effective reinvestment in certain departments lead to reduced employee output in some companies. The labor unions of that time went on strikes time and again as an expression of disagreement with the privatized management. On the flip side, some industries reinvested and added to their employee numbers, and the ones who had to lay off were overemployed to begin with.

The benefits of privatization were never guaranteed across all sectors and depended on how well the new management aligned its operational changes with the specific needs of each industry and workforce. This was in fact a major oversight by the policymakers, as monitoring was never on the agenda; it was only limited to yearly surveys and reports without materializing any suggestions that came before.

The only alternative proposed was CPN (UML)'s promises of restructuring PEs rather than privatization. However, with the lack of the know-how or even a plan to restructure these industries, the idea could never transpire.

Prithvi Raj Lugal states that the government of that era with its strong majority felt empowered to act decisively and take bold steps.<sup>20</sup> The climate shifted when the fear of scrutiny from the Commission for the Investigation of Abuse of Authority (CIAA) shadowed each and every action of the politicians and bureaucrats. It became safer to do nothing as the concerns about being accused of corruption or becoming a public scapegoat loomed large.

The popularized phrase "*Kaudi ko bhau ma bechyō*" translating to "Sold in price of scraps" further impacted public perception and trust. Civil society and media had limited roles. The process overall was highly securitized for corruptions and mismanagement. The citizens had limited visibility into transaction details and the weak accountability measures complimented the already eroded public confidence.

The office of auditor general also flagged the practice of managing the funds received from privatized entities. According to law, any revenue received by the government should go into the regular government account. However, proceeds from the sale of PEs are instead deposited into a separate deposit account. This arrangement was justified with the need for quick access to funds for various expenses arising during the privatization process, which can't always be readily available from the government's regular account (MoF 1999, 68).

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<sup>20</sup> Prithvi Raj Lugal is a former vice chair of NPC, he was one of the KIIs for this paper.

After decades of struggle, Nepal has only managed to shut down one PE legally under the office of company registration.<sup>21</sup> The cumbersome shutting down process has affected government-owned industries equally. As of mid-2022, a total loan investment of NPR 5.51 billion, including salaries and allowances, has been made in 15 PEs that are either non-operational or under liquidation (OAG 2024, 120).

If we isolate all other things and just look at whether this whole process cut the spending in PEs or even made them competitive, this program failed miserably. However, the efforts tied with the introduction of new private enterprises, formerly monopolized by the government, seem to have worked out in favour. An instance is the shoe industry that has emerged and evolved with the privatisation of Bansbari Shoe Factory.

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<sup>21</sup> Agricultural Lime Industry is the only public enterprise to have legally shut down according to the OAG's annual report, 2024 (2081), page no 120.

## Conclusion

Nepal's privatization history is much more of an experience in systemic dysfunction than an anecdote for economic reforms; rather, it is a lesson on how not to do economic reforms. Privatization in the 90s was ambitious on paper but inconsistent in practice. It showed the massive gap between governance, policy coherence, and political will.

NC's introduction of privatization seemed void of the conviction needed to see it through till the end. Eventually, privatization just became a political game—villainized by some and supported by some—but possessed by none. It became nobody's project but everybody's excuse.

The lack of transparency and political sportsmanship, and the glaring absence of institutional pillars turned what could have been an engine for development into a cynical exercise in systemic and incentive imbalance. Even as the plans were introduced (and re-introduced) there was the need for strong foundational structures of strong regulatory mechanism, incentive alignment of all agents, and a robust monitoring system. But till the end, all these structural inefficiencies and governance failures remained largely unaddressed.

As a result, instead of the goal of reviving industries through private participation, many privatized SOEs collapsed. This indicates that merely transferring ownership did not remedy years of state neglect. If the current government is planning to revisit privatization, the authority needs to abandon its ad hoc approach and commit to structural reform formulated with concrete facts rather than the decades-old nationalist sentiment.

Without much historical local experience to learn from, the 90s privatization and liberalization initiatives fell short at multiple points. However, if these lessons are not seriously taken into consideration, repeating these mistakes would simply be outrageous. With this in mind, this paper provides the following suggestions.

- Contracts for privatizing the existing public enterprises must be tailored to the specific needs and circumstances of each industry (of the PE). A one-size-fits-all approach should be avoided to ensure effective and context-sensitive reforms.
- Future privatization efforts should include robust post-privatization monitoring mechanisms. This could involve establishing an independent oversight committee or expanding the responsibilities of the existing privatization committee to ensure accountability and adherence to reform objectives.



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## Annex I: Brief Timeline

Year	Milestone	Details
1980	Referendum and Initial Reforms	<p>The Sixth Five Year Plan began with an emphasis on allowing government-owned corporations to function on commercial principles with more autonomy. Efforts were made to improve corporate management by reforming boards of directors and accounting practices, reducing inefficiencies.</p> <p>Nepal's referendum favored the Panchayat system but sparked cautious economic reforms. Two PEs - Chandeshwori Textile and Cheuri Ghee Enterprise were sold to private sectors between 1980 and 1985. Several rice companies, including National Rice Company, underwent liquidation during this period.</p>
1985	Introduction of Privatization Discussion	<p>The Seventh Plan emphasized privatization but, paradoxically, saw more state-run PEs established—a balancing act between reform and growth.</p> <p>In the fiscal year 1984/85, the government introduced an ambitious privatization plan, aiming to privatize 12 Public Enterprises; one enterprise per month. Shares of Banaijya Bank, NIDC Capital Market, and Beema Shastha were also offered to the public.</p>
1986	Economic Stabilization Program	<p>An economic stabilization program was introduced under IMF support to address economic challenges.</p>

1987	<b>Structural Adjustment Program</b>	The Structural Adjustment Program aimed to further economic reforms.
1989	<b>Establishment of Privatization Cell</b>	A privatization cell was established to oversee the privatization efforts of the state owned enterprises.
1990	<b>Return to Multiparty Democracy</b>	The People's Movement led to the restoration of democracy, marking a shift towards more liberal economic policies. With Nepali Congress in power, privatization gained momentum, resulting in eight PEs privatized or liquidated by 1993—marking a reform shift.
1991	<b>Liberalization Policy</b>	The Nepal Congress (NC) came into power and announced liberalization through the budget, signaling a move towards a market-oriented economy.
1992	<b>Deregulation and Privatization Initiatives</b>	Licensing for new industries was abolished (except in defense, health, and environment), and a "one-window" system was introduced to support industries. Three public enterprises—Harisiddhi Bricks, Bansbari Leather, and Bhrikuti Paper—were selected for privatization. Private sector involvement in domestic flights was allowed, and the government shifted focus to infrastructure, limiting its role in the economy to a facilitator, not a controller. Assessments found that public enterprises faced heavy losses, and privatization was deemed essential to reduce financial burden and increase efficiency.
1993	<b>Second Phase of Privatization</b>	Fourteen additional SOEs were earmarked for privatization, with five successfully privatized. Key economic policies

		included full convertibility in current accounts, establishment of NEPSE, and VAT introduction.
1994	<b>Halt in Privatization Efforts</b>	Privatization Act was passed by Nepali Congress followed by resignation of then Prime Minister Girija Prasad Koirala. The UML government came into power and slowed privatization, even re-nationalizing some PEs, creating uncertainty and mixed signals for investors and stakeholders.
1995	<b>UML government dissolved, NC came in power along with Rastriya Prajantra Party (RPP)</b>	An additional five PEs were privatized under Nepali Congress, though debates over fairness and integrity of the process persisted.
1996	<b>Political Divide on Privatization</b>	Maoist Insurgency begins and political instability along with security issues intensified, impacting economic development and privatization efforts.
1997	<b>Ambitious Targets and Global Partnerships</b>	The Ninth Plan set a goal to privatize 30 PEs, with support from the Adam Smith Institute—a key step in Nepal's restructuring efforts.
2000	<b>Privatization Peaks under New Leadership</b>	Prime Minister Girija Prasad Koirala led efforts to privatize four more PEs, marking the high point of Nepal's privatization momentum.
2002	<b>Tenth Plan under PRSP (Poverty Reduction</b>	The Tenth Periodic Plan, under the World Bank's PRSP, focused on financial sector reforms, a new Central Bank Act, and further privatization to reduce government burdens.

	<b>Strategy Framework Paper)</b>	Aimed to privatize 15 SOEs, but issues like political instability and weak legal frameworks hindered progress.
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## Annex II: Industries that were privatized and closed

S.N.	Name of the Public Enterprise	Year of Privatization (BS and AD)	Method of Privatization
1	Nepal Jude Development and Trade Company	2050 BS (1993 AD)	Closed
2	Agriculture Planning Service Centre	2058 BS (2001 AD)	Closed
3	Tobacco Development Company	2050 BS (1993 AD)	Closed
4	Himal Cement Industry Limited	2063 BS (2006 AD)	Closed
5	Gharelu Silpakala Bikri Bhandar	2059 BS (2002 AD)	Closed
6	Nepal Coal Limited	2059 BS (2002 AD)	Closed
7	Hetauda Textile Industry	2060 BS (2003 AD)	Closed
8	Birgunj Sugar Factory Limited	2059 BS (2002 AD)	Closed
9	Nepal Yatayat	2059 BS (2002 AD)	Closed
10	Agricultural Lime Industry Limited	2064 BS (2007 AD)	Closed
11	Nepal Drilling Company	2063 BS (2006 AD)	Closed
12	Agricultural Tools Factory Limited	2059 BS (2002 AD)	Management Contract

Source : Yellow Book, 2024 (2081)

### Current Status of Privatized Enterprise

S.N.	Name of the public Enterprise	Date of Privatization (BS and AD)	Method	Current Status
1	Bhrikuti Paper Factory	2049/07/05 BS (1992/10/21 AD)	Sale of Assets and Business	Closed
2	Harsiddhi Brick Factory	2049/07/14 BS (1992/10/30 AD)	Sale of Assets and Business	Closed
3	Bansbari Leather Shoe	2049/07/24 BS	Sale of Assets and	Closed

	Factory	(1992/11/09 AD)	Business	
4	Film Development Company Limited	2050/07/26 BS (1993/11/11 AD)	Sale of Shares	Closed
5	Balaju Textile Industry	2050/08/17 BS (1993/12/02 AD)	Sale of Shares	Closed
6	Raw Leather Collection and Sales Centre	2050/08/28 BS (1993/12/13 AD)	Sale of Shares	Closed
7	Nepal Bittumen and Barrel Industry	2051/03/07 BS (1994/06/21 AD)	Sale of Shares	Operating in Profit
8	Nepal Lube Oil	2051/02/22 BS (1994/06/05 AD)	Sale of Shares	Operating in Profit
9	Nepal Brass Industry Limited	2052/12/12 BS (1996/03/25 AD)	Sale of Shares	Operating in Profit
10	Raghupati Jute Mills	2053/04/30 BS (1996/08/14 AD)	Sale of Shares	Operating in Profit
11	Nepal Bank Limited	2063/06/21 BS (2006/10/07 AD)	Sale of Shares	Operating in Profit
12	Nepal Tea Development Corporation	2057/03/14 BS (2000/06/28 AD)	Sale of Shares	Operating in Profit
13	Butwal Power Company	2059/09/19 BS (2003/01/03 AD)	Sale of Shares	Operating in Profit
14	Nepal Telecom Company Limited	2064/09/19 BS (2008/01/03 AD)	Sale of Shares	Operating in Profit
15	Bhaktapur Brick Tile Factory Limited	2060/09/22 BS (2004/01/06 AD)	Sale of Assets and Lease	Operating in Profit
16	Biratnagar Jute Mills	2053/09/04 BS (1996/12/19 AD)	Management Contract	Operating in Loss
17	Lumbini Sugar Factory	2062/09/24 BS (2006/01/08 AD)	Sale of Assets and Lease	Operating in Loss
18	Nepal Resin and Turpentine	2063/01/29 BS	Sale of Assets and	Operating in

	Limited	(2006/05/12 AD)	Lease	Profit
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Source : *Yellow Book, 2024 (2081)*