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Privatization in Nepal

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1. Brief background of privatization

1.1 Introduction

Unlike in other countries where nationalization was primarily responsible for state ownership of business and industries, Nepal's experience presents a different story. The lack of development of the private sector, the prevailing economic dogma of state intervention and the availability of foreign aid in the form of turn-key projects have heavily contributed to state-ownership of business and industries in Nepal.

From the sixties to the early eighties, there was an upsurge in the establishment of public enterprises. During this period, the number, scope and size of investment in public enterprises expanded tremendously. They have expanded from a mere holding in a commercial bank in early 50's to a total number of 61 public enterprises by the end of mid 70's. Enterprises have permeated to almost all sectors of the economy, namely, manufacturing, public utilities, banking, trading and social services. However, the contribution of public enterprises in terms of GDP share is little over two per cent. Compared to an average of 11 per cent for developing economies, the share is substantially lower in Nepal (World Bank, 1995). This is due to the structure of the economy itself. Nepalese economy is still dominated by agriculture, carried on mostly in small-scale unorganised private farms.

However, compared to gross domestic investment, the share of investment in public enterprises is very large. This is about 43 per cent of GDP and is nearly double that of developing economies. Large-scale manufacturing establishments are still dominated by public enterprises. Public enterprises even today have remained an important source for employment. In 1996, public enterprises absorbed around eight per cent of the total employment in the organised sector of Nepal. The growth of employment in public enterprises is presented in Figure 4.1.

The expansionary drive for establishing public enterprises came to a halt only in the Sixth Five Year Plan Period (1980-85) when the series of review studies on public enterprise performance carried in the Fifth Five Year Plan period (1975-80) presented a bleak picture (CCC, 1977). Not only was the performance of public enterprises unsatisfactory, even the government was having difficulty in managing, supervising and controlling them. This led government to take a restraining policy on public enterprises which, basically, meant that it

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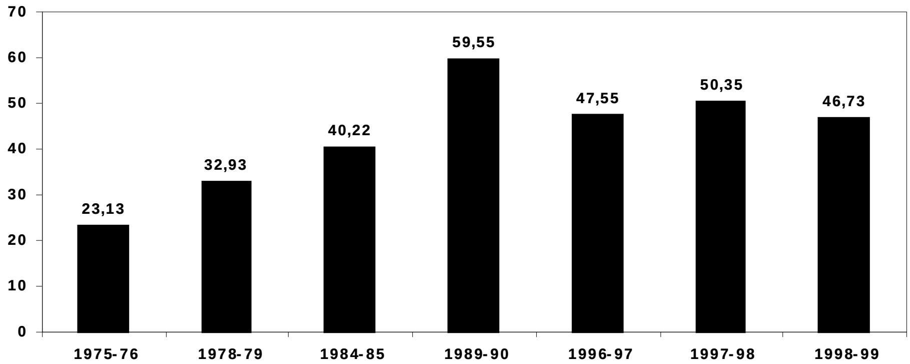
was going to exercise voluntary restraint in the establishment of public enterprises. The word "selling" of public enterprises also appeared, for the first time, in the Sixth Plan Document.

In 1985, attempts were also made, albeit unsuccessfully, to float shares of some public enterprises. However, the lack of public response plus the turning of privatization into a political issue led the government to doubt the privatization policy itself. The Seventh Five Year Plan Period (1985-90) was a period of homework and preparation for privatization.This was indicated by the series of seminars and workshops held on privatization. It was also a time when the government created a Privatization Cell within the Ministry of Finance. But no serious attempts were made to privatize public enterprises.

Figure 4.1

Growth of employment in public enterprises



Source: Various issues of annual report on Targets and Performance of Public Enterprises Published by MoF.

The People's Movement for Restoration of Democracy in 1990 and the subsequent ascent of Nepali Congress Government in 1992 saw a new beginning in the chapter of privatization in Nepal. The period also marked a beginning for a new economic thinking from a pro-public sector, government led development to a pro-private sector, and market oriented liberal thinking.

1.2 The genesis of privatization

As mentioned above, although attempts to privatize public enterprises can be traced back to the Sixth Five Year Plan Period (1980-85), concerted effort to privatize came only at the time of Nepali Congress (NC) government in 1992.The NC government came up with a five-phased privatization programme to privatize as many as 51 public enterprises. Privatization strategies were divided into four categories, namely, those requiring (1) immediate privatization, (2) privatization with preparation, (3) liquidation and (4) restructuring. By 1994, the government was able to privatize eight units and to liquidate two more. Similarly in 1994, to speed up the privatization programme, the government also enacted the Privatization Act. However, the policy was heavily criticised by the opposition and also by members within the Nepali Congress party itself. Basically, the criticisms were levelled as follows:

- selling the assets of the country to foreigners; primarily; meaning the growing role of foreigners in the Nepalese economy;
- concentrating economic power in the hands of a few rich business houses;

* lack of transparency in privatization deals;
* under-valuation of assets;
* short-term orientation of privatization policy; and
* undermining the diplomatic relationships of the country, meaning, foreign aided public enterprises, demonstrating friendly bilateral relationships, have been sold off.

The mid-term poll of 1994 and the subsequent formation of a series of coalition governments resulting from a hung parliament situation, put a brake on the privatization movement in the country. A major setback was felt during the nine-month period of United Marxist-Leninist (UML) Government in 1994/95. However, during the coalition government of Nepali Congress in 1996 and 1997, the privatization process gained some momentum. Five more public enterprises were privatized.

1.3 Reasons for privatization

Excepting smaller political parties primarily with leftist orientation, there is some sort of political consensus on privatization amongst the major political parties in Nepal. However, they differ considerably on the degree of emphasis given to and the mode of privatization. For example, Nepali Congress Party has taken privatization as a matter of "(internal) necessity" while the second largest party, UML has taken it as "(an external) compulsion". It is a matter of necessity because, for long, public enterprises have drained national resources. The economic liberalisation strategies pursued by the nation, supported and assisted by World Bank and IMF, made privatization a crucial component. Later on, the World Bank and ADB linked various loan components the conditionality of privatization. Opposite stands taken by two major political parties are mentioned in Table 4.1.

Table 4.1: Stands taken by Nepali congress and UML

Nepali Congress Party	*UML Party*
* Privatization is a means to increase foreign direct investment in the country. * Privatization is a national necessity. * Privatization will increase the role of the private sector and limit the role of the government. * The Privatization Act is adequate to address the needs of privatization programme. * Apart from those enterprises deemed necessary to be under public ownership and management, all other enterprises will be Privatized.	* Privatization should be done to promote national investment. * Privatization is not a priority issue. * It is a wrong notion to believe that private sector is the most efficient and effective mode of operation; the role of the statemust not be minimised in the name of privatization. * The Act is not adequate to address the needs of privatization programme. * Privatization should be done in a selective manner based on national interest, productivity enhancement, employment creation and the interests of workers nd workers.

Source: Information summarised from the party paper published in Privatization Policy and Process in Nepal, *SCOPE*, 1997

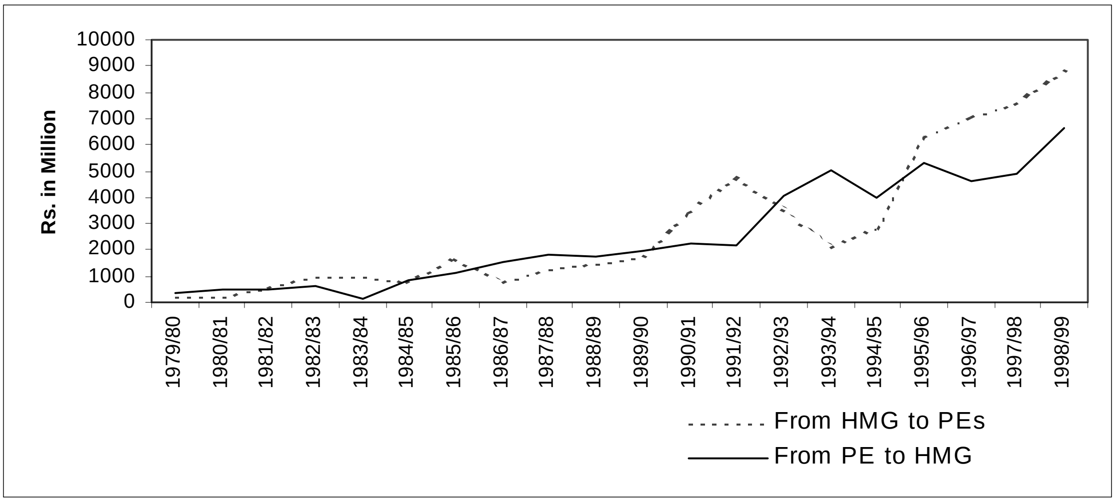
While pursuing the privatization policy, the government has broadly enunciated three major policy goals: they are (1) reducing financial and administrative burden (2) improving operational efficiency of the privatized enterprises and (3) involving public participation in the ownership and management of public enterprises.

1.4 Reduction of financial and administrative burden

Public enterprises have consistently drained rather than developed national resources. Their poor performance track record has been a drag on national treasury. Every year, the government is injecting a huge sum of money in the form of capital, loan and subsidy into public enterprises. On an average, the flow of funds to public enterprises accounts for 30 percent of the budget deficit. For the period 1979-1998, the total net flow of funds, between government and public enterprises, was found to be negative, meaning, there was more flow of funds from the government to the public enterprises than the other way round (Figure 4.2). For the same period, the flow of funds from government grew at a rate of 23 percent per annum. However, the flow of funds from public enterprise was 17 per cent per annum only. Clearly, there is increasing financial burden on the government.

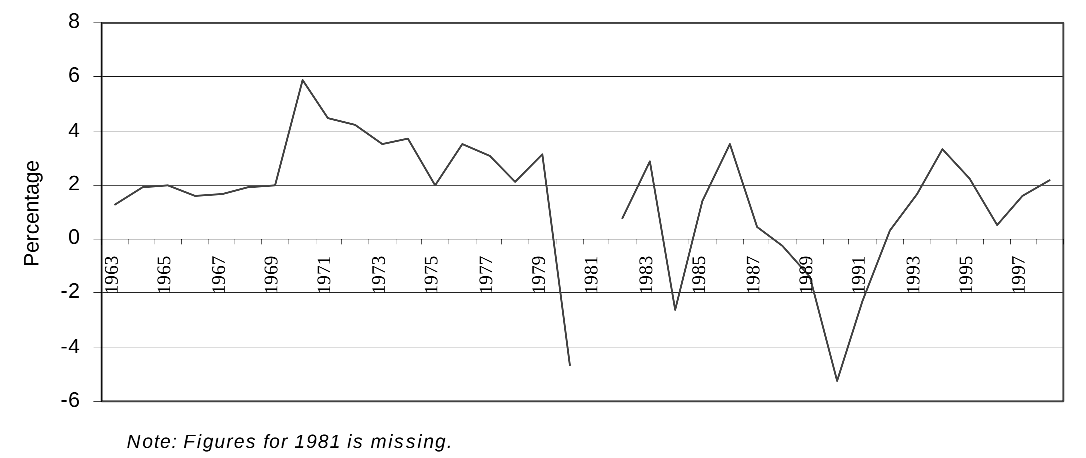
For the last four decades, the average rate of return from public enterprises was calculated to be around 1.46 per cent. In fiscal year 1997/98, the capital employed in public enterprises reached to the tune of Rs. 81 billion. However, the gross profit figure was reported to be 1.62 per cent only. Figure 4.3 depicts the rate of return from public enterprises for the period 1963-1998. There is a consistent fall in the performance of public enterprises compared to rising investment (Figure 4.4). Ironically, it is the trading and manufacturing public enterprises, which are contributing to the massive financial drain.

Figure 4.2
Flow of Funds



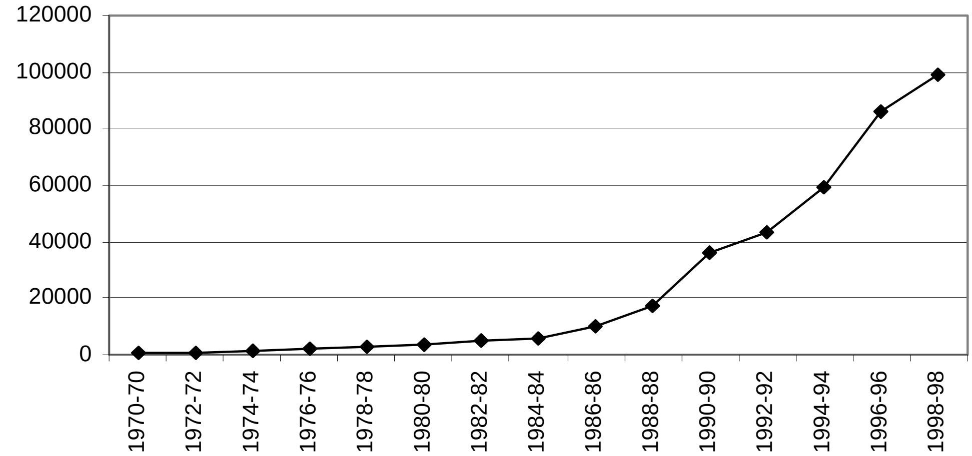
Source: The Economic Survey, MoF.

Figure 4.3
Average Rate of Return from Public Enterprises



Source: Data updated from *Improving Public Enterprise Performance: An Empirical Study of Behaviour and Performance of Public Enterprises in Nepal,* Ph.D. Dissertation by Narayan Manandhar, unpublished, University of Birmingham, UK, 1993.

Figure 4.4
Growth of capital employed in public enterprises



Source: The Economic Survey, MoF.

A large portion of the public enterprise capital structure is composed of loan capital, particularly, external loans. This accounts for 74 per cent of the total capital and is about 27 per cent of the total foreign debt of the country. Clearly, the poor financial health of public enterprises has posed a serious budgetary pressure.

Obviously, financial burden also entails administrative burden. Literally, public enterprises are self-governing autonomous units. Yet their supervision, monitoring and evaluation responsibilites rest with the government. At present, 42 assorted public enterprises are spread over eleven ministries with the Ministry of Industry holding more than a dozen enterprises. The Ministry of Finance, through its Corporation Coordination Division, supervises budgetary allocation and approval, performance monitoring and evaluation. The burden of administration also implies periodic recruitment of Chairman, Board of Directors and General Managers in public enterprises, which also invites public criticism of political patronage, appointments and interference in the management of public enterprises.

1.5. Improving operational efficiency

Public enterprises are renowned for their gross inefficiency in Nepal. Due to government protection, obsolete technology, over staffing and constant political interference, the efficiency of public enterprises is, probably, at the lowest level. This is very much evidenced by indicators like poor capacity utilisation, high prices, low quality and/or unreliability of goods and services. Due to bureaucratic structure of public enterprises, there is a dearth of entrepreneurial talent and spirit. The lack of hard budget constraint, managerial incentives and monopolistic behaviour has contributed to operational inefficiency and large-scale corruption in public enterprises. This is also one reason for their poor financial health. It is expected that privatization will increase the productivity of these enterprises and, this in turn, will help to create more employment opportunities, better wages and working conditions, lower prices, better quality products and services and increased government revenue from taxation. The government has placed high hopes on privatization.

1.6. Involving public participation

Privatization is also conceived as a mode of economic decentralisation. It is conceived particularly with a focus on private sector development in Nepal. In the privatization Act, privatization is defined in the broadest term, as “an act to infuse participation by any means, either wholly or partly, of private sector or of the workers or workers, or of all desirous groups.” Two ideas are conceived within this public participation rubric. First is the involvement of the private sector either in the form of share ownership or simply in the management of the enterprise. The second is to reduce or eliminate the “crowding out” effects of government investment in the economy. Mention is also made for privatization as a tool to invite foreign direct investment in the country (*Economic Survey,* 1998/99).

2. Preparations for privatization

2.1 Institutional arrangement

As per the provisions made in the Privatization Act, the Privatization Committee has been formed under the chairmanship of the Minister or the State Minister of Finance. The other members of the Committee are:

1. Chairman of the Finance Committee (House of Representatives)
2. Two members of the Parliament nominated by the government
3. A member from the National Planning Commission

4. Secretaries from the Ministry of Finance, Ministry of Law, Justice and Parliamentary Affairs, Ministry of Labour and the line ministry of the concerned enterprise to be privatized
5. President of the Federation of Nepalese Chambers of Commerce and Industry and
6. Division Chief of the Corporation Coordination Division/Ministry of Finance who is to act as the Member Secretary.

If deemed necessary, the Committee can invite the chief of the enterprise, the representative from labour and any other distinguished economists in its meetings.

The function of the Committee is to undertake necessary actions and decisions with regard to privatization of public enterprises. On the basis of its study, the Committee recommends to the Cabinet. However, the final authority to privatize rests with the Cabinet.

Previously, technical committees were conceived to assist the Privatization Committee in reviewing and prioritizing public enterprises for privatization. Now, the Privatization Cell performs the duty of the Secretariat of the Privatization Committee. The Cell also acts as a monitoring and regulatory agency. In August 1999, nearly after seven years of privatization, the Cell has initiated a monitoring study on the performance of privatized units.

Since 1998, Adam Smith Institute, a British consulting firm, is assisting the Privatization Cell with the support of Department for International Development (DFID), UK. In the past, there were also financial supports from UNDP/World Bank, USAID and DANIDA.

2.2 Privatization process

The Privatization Cell initiates the process of privatization. The idea of privatizing any public enterprise is forwarded to the Cell either by the concerned line ministry, or the Finance Ministry or the Privatization Committee. The Cell undertakes a detailed study on privatization and recommends the same to the Committee. Once the decision to privatize is taken by the Committee, tender calls are made through public notification explaining the mode and conditionality of privatization. Interested parties are supplied with the Information Memorandum containing necessary information about the units to be privatized. To have serious investors only, the memorandum is made available only against a deposit of Rs. 200,000, of which, 90 per cent is refundable. The deposit money is reduced to Rs. 10,000 if any workers wishes to participate in the bidding process. However, the money is not refundable. This provision has been made to invite workers buyouts.

Article 10 of the Privatization Act spells out six criteria for evaluating bid proposals. They are:

(1) Attractiveness of the price offered
(2) Management of the enterprise without changing its nature
(3) Retention of the service of existing workers and workers
(4) Enhancement of employment opportunities
(5) Managerial experience and expansion of the enterprise by preparing good business plans and making further investments.

In order to avoid controversy, attractiveness of the price offered has been the primary criteria for privatization. This is evidenced by two facts: the offer of enterprises to the highest bidder and the closure of a number of privatized units after privatization.

In the past, decisions were made on the basis of highest bidding. This process has led to the choice of wrong buyers. Therefore, in order to improve the bidding process, two-envelope system has been introduced. Under this system bidders are asked to submit two proposals - one technical and the other financial. In the first stage, screening is done on the basis of technical proposals and after that the financial bids of qualified bidders are considered.

The bids are opened in front of the representatives of bidders. At first, only technical details of the bidders are considered. The Secretary of the line ministry heads the negotiation team. If necessary, bidders are also asked to improve on their bids. At the second stage, financial proposals are considered and the team, comprising the ministers from the Finance Ministry and the concerned line ministry negotiates with bidders. This team submits its findings to the Privatization Committee, which in turn refers it to the Cabinet for final approval.

As per Article 11(A) of the Privatization Act, the government is bound to publish, within one month from the day of signing of the privatization agreement, the information on privatization deal for public knowledge. This is to ensure transparency in privatization deals.

2.3 Speed of privatization

The speed of privatization is very important in determining the outcome of privatization. The speed by which privatization decisions are made also reflect the determination and commitment of the government towards privatization. When the government launched the first phase of privatization; the decision was made within four months of the tender call. The speed was pretty fast.

However, frequent changes in coalition governments, particularly, during 1995-98 have put a drag on privatization deals. Not only were no programmes announced during these three years period; even the decisions made regarding the privatization of Nepal Tea Development Corporation and Butwal Power Company have been delayed considerably. This in turn has put privatization debate into much more controversy. The delayed decisions have cost not only in terms of amounts foregone and government's liability to inject more subsidies but also the psychological costs of deteriorating morale of workers and the management. It is said that after eighteen months of delay in the privatization decision of Tea Development, the government is incurring huge losses by way of deterioration in the condition of the tea estates. The company is running at an annual loss of Rs. 20 million. The government's uncertainties on the privatization decision have affected the performance of many public enterprises enlisted for privatization. There is a perceptive fall in the performance of public enterprises like Himal Cement Company, Rastriya Banijya Bank, Industrial District Management, Gorkhapatra Corporation and Tea Development Corporation after these enterprises was enlisted for privatization.

2.4 Valuation of enterprises

Three types of valuation methods have been used to evaluate the relative worth of privatized units. These methods were: liquidation values, net assets value and the cash flow value. During the first phase of the privatization programme with the support of UNDP and World Bank, Deloitte Ross Tohmatsu of New Zealand was involved in the valuation of enterprises. There is considerable controversy over the valuation of the privatized enterprises. The Annual Report of the Auditor General (1998) has accused that eleven enterprises have been sold off, on an average, with an undervaluation of 29.29 per cent. There are also cases where enterprises have been sold at less than their liquidation value. The valuation controversy seems to have occurred in almost all privatized units. This is because privatized units hold immensely unutilized assets in the form of real estate. The valuation of land has been a critical issue.

2.5 Social protection and safety nets

As provided in Article 14 of the Privatization Act, three policy measures have been undertaken to mitigate privatization related labour problems. They are:

1. *No redundancy clause.* The workers have been guaranteed continuity of their services in privatized enterprises. Where continuity of the services cannot be guaranteed, the government provides necessary retrenchment compensation.
2. *Guarantee of accrued salary and benefits.* The workers willing to continue their services will be guaranteed salaries and benefits "no less favourable" than what they earned under government ownership.
3. *Availability of shares at a discount price.* In all privatized units, the government has allocated five percent of the total shares to workers at a discount of 25 per cent payable on an installment basis. Apart from these three provisions, the government has reduced the deposit money to Rs. 10,000 if the workers wish to participate in the bidding process.

One distinct feature of privatization is that a large majority of the shares ranging from 51 per cent to 72 per cent of the total share ownership is being passed on to a single or a small group of entrepreneurs. Public share participation has been limited from 25 per cent to 30 per cent. Two factors seem to have underscored the block share transfer to a private party. The first is lack of capital market development in Nepal. The poor financial condition of public enterprises cannot attract a large number of public investors. Even in the case of share offering by privatized units, the public response is very poor. The second factor is the need to inject private entrepreneurs in the privatized enterprises. Obviously, giving substantial management control to a minority group entails the sacrifice of distributional goal. However, it is necessary to have commercial goals like rapid expansion through capital injection, productivity, growth and new technology and innovations. Increasing operational efficiency is also one of the avowed goals of the government.

Workers' participation in terms of share ownership is limited to the extent of five per cent in almost all privatized units. It is difficult to understand why five per cent across the broad was applied to all privatized units. The underlying reason may be that workers may not be able to afford to buy the shares.

3. Approaches to privatization

The Privatization Act provides six broad options to privatization, namely, selling of shares, formation of cooperatives, sale of assets, lease, management contracts and other modalities deemed appropriate by the government. The privatization experience to date shows that a number of privatization modalities ranging from outright sale of assets and business to liquidation to management contract and lease out have been tried. However, these modalities have evolved not out of planned thinking but out of a desire to experiment and, moreover, as criticisms mounted, to look for a softer and safer approach to privatization. If this had not been the case, the government would have never privatized a relatively large unit like Harisiddhi Bricks and leased out a smaller unit like Bhaktapur Bricks. Similar is the case with Raghupati Jute Mills and Biratnagar Jute Mills. The former was privatized while the latter was given on management contract.

3.1 Sale of assets and business

The "Sale of Assets and Business" method was used for the three enterprises disposed under Phase I, namely, Bhrikuti Paper, Harisiddhi Bricks and Bansbari Shoe Factory. Under this method, the companies were liquidated, the government took up their liabilities; and assets and business were sold to private parties. They were given a block share of 70 per cent while the public and workers were offered 25 per cent and five per cent of the total shares. There is some modification in the sale of Bansbari Shoe. Only machines and business of the company were sold off, the prime land and buildings were excluded from the sale. The factory was to be relocated outside Kathmandu valley within five years of privatization. The three companies that came into existence in the post privatization period were, legally, new entities. Even their names had been changed to Sri Bhrikuti Pulp and Paper Nepal Ltd., Letherage Bansbari Tannery and Shoe Factory and Harisiddhi Bricks and Tile Factory.

The sale of assets and business method gave way to problems of liquidating public enterprises and settling their old liabilities. Even after seven years of privatization, the liquidators of these first three companies have not been able to finish their tasks. Furthermore, some investors are claiming tax rebates and tax holidays, to be made available under the Industrial Enterprise Act, on the ground that these units are new industrial ventures. The problems associated with the sale of assets and business in these three units led government to draft the Privatization Act in 1994 and also to ease future privatization programme and look for newer modalities of privatization.

3.2 Sale of shares

The complications associated with the sale of assets led the government to go for selling of shares in subsequent rounds of privatization. This approach is being tried in nine out of 16 privatized units. Under this method, the companies continue to exist under their old legal identity but government ownership is passed on to new owners. Again, block shares ranging from 40 per cent (Nepal Lube) to 70 per cent (Balaju Textile) were transferred to a group of businessmen.

Some new options were tried even within the sale of share method. For example, in the case of Nepal Film Development Company, besides 51 per cent shares allocated to the private party, 24 per cent was allocated to persons related to the film industry. This was done to bring in the expertise of professionals involved in the film industry. Similarly, in the case of Raw Hide, shares were distributed to a consortium of ten tanneries with an upper limit of 17 per cent of the shares. In fact, this is a kind of cooperative method of privatization. However, due to dispute amongst partners, the company has been closed since the date of privatization.

In the case of Nepal Bank Ltd., the government sold off 10 per cent of its 51 per cent holdings thereby keeping itself as a minority shareholder. Out of this ten per cent, five per cent was sold to the workers and five per cent to a joint venture private bank.

The privatization of the Agriculture Tools Factory presents another variant within the sales of share method. Sixty-five per cent of its total shares were sold to an workers of the company. On the face of it, it does look like an workers buyout. However, the reality presents a different story. It is known that the real owners of the company were different. By bidding the company on behalf of an workers, they were taking the advantage of concessionaire bidding fee of Rs. 10,000 applicable to workerss. Dispute between investors led to the closure of the factory.

Mention should also be made here of the two recent cases of privatization debacle. The first is the privatization of Nepal Tea Development. It was offered for three options, namely, (1) sale of 65 per cent block shares to a private party (2) lease out the 5100 acre of land with 65 per cent block shares offer for other assets (3) establish each tea estate as an autonomous entity and offer 65 per cent block shares. The government opted for the second method and the company was offered to Mr. K. C. Palaniswami from south India. Mr. Palaniswami offered Rs. 226.5 million plus Rs. 27 million as annual royalties. He deposited five per cent of the bid money (Rs. 13.30 million) but failed to deposit remaining 95 per cent within a grace period of 28 days, giving the reason that money transfer could not be made due to administrative procedures of the Reserve Bank of India. As per the contract, the government forfeited the deposit money and cancelled the privatization agreement. On September 1999, the government asked the remaining bidders to make a fresh bid without retreating from their original offers.

The second debacle is the privatization of Butwal Power Company. Butwal Power is a public company having 97 per cent of government shares ownership. The government has offered 75 per cent of its shares. This is the largest offer made by the government running over Rs. 1 billion. The privatization of this single unit may overshadow all the privatization transactions made in the past. Although 12 parties took interest in the company, only two companies, one Norwegian Interkraft and the other, an Anglo-American Consortium company, called Independent Power Company (IPC) bid to take over the company. After much pushing and pulling from donor agencies. The government has decided to call for a fresh financial bid from parties. Earlier, the parties had submitted their proposals with some conditionality attached to their proposals, which ran counter to the government's tender call.

3.3 Liquidation

Two companies, namely, Tobacco Development Company and Jute Development Company were liquidated in 1993. These two companies were sick industries supplying inputs, namely, tobacco and jute respectively to another state-owned cigarette and jute industry. Market potentialities of these two companies had dried out because the companies were supporting farmers through government subsidy. The only possible option was to close down the companies.

On August 1999, the government decided to liquidate the ropeway and trucking business of Nepal Transport Corporation while it will continue trolley bus and railway services. This is the first time the government has opted for a partial closure after a prolonged strike by the workers. The government is also closing Timber Corporation of Nepal.

3.4 Lease out

Bhaktapur Bricks is the lone case of company lease-out. The government used to own two brick factories. Earlier, the government had privatized Harishiddhi Bricks. This second company was leased out to a private party for ten years with an annual rental charge of Rs. 14,50,000 subjected to an increment of 10 per cent per annum. Nearly after two years in operation, after the inability of the party to run the factory, the government cancelled the lease agreement and once again took over the control of the factory.

3.5 Management contract

Biratnagar Jute Mills presents another lone case of failed management contract. However, the story of the Mills is a somewhat different. It is the first industrial venture of Nepal. Established in 1936, it was a blend of government, foreign and private investment until 1995 when the UML government decided to buy all the shares of the Indian Party and increase the government's holdings from 12 per cent to 46 per cent. The private party is still the majority shareholder in the company. However, because of dispersion of shares amongst Rana families, the responsibility of managing the company has always been with the government. In December 1996, the government decided to give up the company under management contract for five years to a private party on a profit sharing ratio of 80:20 between the government and the private party. After managing the company for sixteen months the party gave up. The Board of the company gave another management contract for five years to a new private party, this time with a profit sharing ratio of 60:40. Again, after operating the company for ten months, the second party also gave up and the company has closed down since May 1999. The company presents two successive failure cases of management contracts. The government has made a fresh call to lease out the company. It is known that three parties have made their bids.

4. Economic and social effects of privatization

The government has envisaged privatization programme to build competitive edge of the economy by bringing in private capital and management and by reducing the "crowding out" effects of public sector investment. Private sector has been identified as the key player, and private sector participation in economic development is being encouraged and motivated. In the Ninth Five-Year Plan (1997-2002), the government has envisaged its role only as a facilitator. The government has planned to reinvest the money realized from privatization in social sectors like education, health and drinking water. In a way, privatization is an ambitious programme expected to have far and wide reaching economic and social effects. It may be true that the total size of the public sector may be small vis-a-vis the total national economy compared to many developing countries. However, due to predominance in a number of important areas, the public sector has come to play a crucial role both in the lives of people as well as the economy. From this perspective, privatization has attracted widespread concern and reactions.

However, the total impact of privatization on the economy is expected to be minimal. Compared to the total public enterprise sector, the scale of privatization is very much limited. Nearly out of five dozen public enterprises/institutions, the government has Privatized sixteen units and this includes two liquidations. In 1996, the total capital employed in public enterprises was Rs. 86 billion; however, the total amount effected by privatization was around Rs. 800 million only. This is less than one per cent of the total capital employed. Similarly, the employment effect is less than 10 per cent of total employment in public enterprises. Furthermore, out of fourteen Privatized units excluding two liquidations, four units have been closed due to operational difficulties. Some units like paper, textile, jute and brick factories are struggling to survive. The sale of shares in Nepal Bank Ltd. has not affected its performance or the style of management and operational strategies. Bhrikuti Paper, previously much quoted as a successful case of privatization, has already applied for a sick industry status. This has led to queries about the efficacy of the privatization programme.

In spite of these expected minimal effects, there is growing outcry and criticism against the privatization programme. This is primarily because public enterprises are the organized sectors of the economy where vested interest groups like trade unions, management, government bureaucracy and politicians are more vocal and strongly organized than anywhere else in the economy. The urban character of public enterprises also adds to their political clout. In the following sections, some possible economic and social effects of privatization are analyzed. Basically, employment effects are considered under social effects.

4.1 Economic effects

4.1.1 Deficit reduction

At macro economic level, the government has made claims that privatization programme has been able to help curtail budget deficits by way of "not having to support loss-making public enterprises". During the fiscal years 1992 to 1994, there has been a marginal reduction in budget deficits from Rs. 11.96 billion to Rs. 10.55 billion. This reduction was accompanied by an increase in the net flow of funds from public enterprises to the government during this period from Rs. 473 millions to Rs 1.19 billion. However, the reduction in budget deficits henceforth has not been found to be consistent. Rather there has been a continuous increase in budget deficits and negative fund flows from public enterprises to the government. Definitely, the privatized units were not the ones taking away the chunks of government subsidy and capital transfer. There are some other factors to blame.

Another interesting aspect of privatization is the utilization of privatization sales proceeds. By 1997-98, the government had raised Rs. 731 million from the privatization programme. Out of this Rs. 671 million, was spent on the payment of gratuity, discharging loans and other liabilities. The remaining balance of Rs. 60 million was deposited in the Privatization Fund. Interestingly, there are also cases where privatization liabilities are much more than the sales proceeds. The Auditor General also reports that an outstanding amount of Rs. 156 million still remains to be collected from private parties. Nearly, half of this amount is composed of interest and penalty charges and in some cases, these charges have exceeded the principal amount due (Auditor General Report, 2056).

4.1.2 Investment

One perceptible change brought about by the privatization programme is the increase in private sector investment. Either to augment the production capacity or to restructure or renovate the production process, private sector investment has been made as one of the main conditionalities of privatization. This has been incorporated in business plans and is also one of the criteria for evaluating privatization proposals. For example, in the privatization proposals, Bhrikuti Paper, Leatherage Bansbari and Harishidhi Bricks were to substantially increase their production capacity. In case of Leatherage Bansbari, the factory had to be relocated outside Kathmandu Valley. This implies further investment in land and building.

Table 4.2 provides a picture of post privatization investments in the privatized units.There has been an investment of Rs. 928 million, 80 per cent of which was made by Bhrikuti Paper alone. It has tremendously increased its capacity from 13 MT per day to 88 MT per day. Similarly, Harishidhi Bricks is also expected to double its capacity after privatization. Another interesting feature of investment is that a large portion of this investment is made out of loan capital. This is evidenced by a huge increase in the loan capital of privatized units. Privatization has increased financial risks for units. The recent crisis in Bhrikuti Paper and Harishidhi Bricks is related to loan financing.

Privatization programme has also brought some foreign direct investment (FDI). This has happened in Bhrikuti Paper and Leatherage Bansbari. However, the amount is not

Table 4.2 Provides a picture of post privatization investments in the privatized units.

significant. The proposed privatization of Butwal Power is expected to bring in substantial FDI to the country.

Table 4.2: Investment in Privatized units ***(Rs. in million)***

Privatized Units	*investment*
1. Bhrikuti Paper	728.0
2. Harishidhi Bricks	120.0
3. Leatherage Bansbari	43.8
4. Raghupati Jute Mills	36.0
5. Nepal Film	10.0
6. Balaju Textile	0.5
Total	938.3

Source: Information collected from company sources and field visit.

4.1.3 Outputs

With increased capacity in some privatized units, production has also gone up. As stated above, most perceptible changes were seen in Bhrikuti Paper where the capacity has increased more than seven times.

Saving a few enterprises, which are now closed, generally, the output of privatized units have increased. This increased output is closely related to capacity increment. There is also a perceptible change in the quality of outputs. Bhrikuti Paper has introduced 40 gm. newsprint, duplex board poster paper and pulp for export. It has also saved energy by introducing husk boilers. Similarly, Harishidhi Bricks has introduced floor tiles in its production line. Nepal Bitumen has introduced emulsion products, Lube Oil has applied for ISO besides changing its production items and packaging system.

There has also been reorientation in the products of some privatized units. Leatherage Bansbari has stopped production of shoes and has basically concentrated on export of wet blue hides. Similarly, Nepal Film has concentrated on the processing and sale of films. After production of two films in joint collaboration with other parties, it has literally stopped film production. Balaju Textile has given up textile production and is occupied with the shop towel production made available under US quota system. In future, it is planning to divest into a hospital business in collaboration with Apollo Hospital of India. The unutilised land of Balaju Textile is being invested as share capital of Apollo Hospital. This conversion of textile business into a hospital business may stir further controversy in the privatization programme.

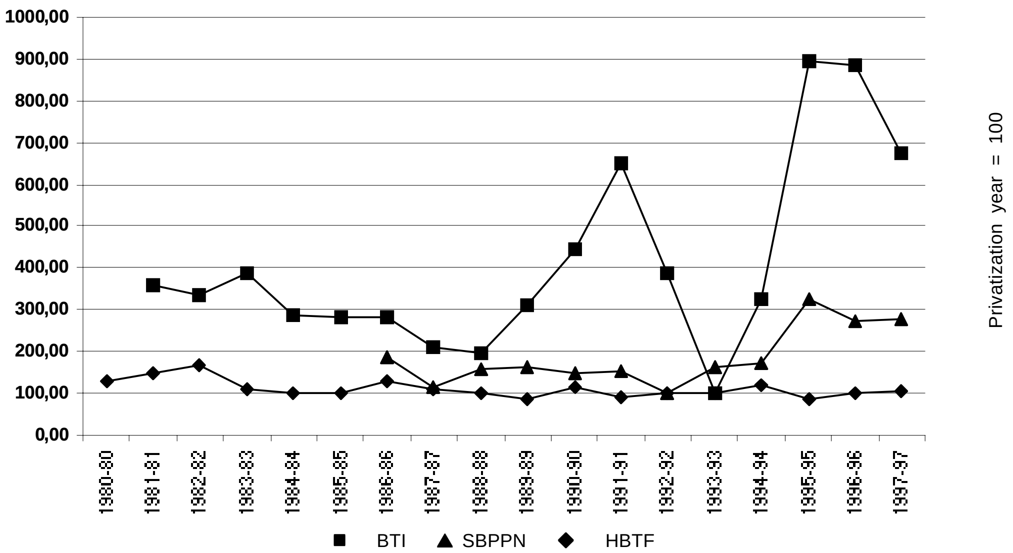
4.1.4 Productivity

It is difficult to measure productivity changes before and after privatization. This is because many privatized units have reoriented or diversified their production. It is particularly difficult to have a composite measure of productivity index when enterprises produce a wide variety of outputs with different measurement scales. In spite of these difficulties, a crude measure of productivity is used here to measure the before-after changes in productivity.

Productivity is simply defined here as the units of outputs divided by the total number of workers. This gives an approximate measure of labour productivity. Where the enterprises produce different groups of products like in the case of Harishiddhi Bricks, which produces bricks, roof tiles and floor tiles, only the major product line is used to compute the productivity index. This computed productivity measure is indexed using the year of privatization as a base year, (i.e., 100). The results are presented in Figure 4.5 and 4.6. In Figure 4.5 the largest productivity gain is seen in Balaju Textile. This result must be read with caution as the rise in productivity index is due to the production of shop towel from 1995/96. Before that, it was producing cloth. The production of shop towel is simpler and faster compared to the production of cloth. Therefore, production after 1995/6 is comparable to the production before that period.

Bhrikuti Paper shows a consistent increase in productivity after privatization. The productivity in Harishidhi Bricks is in fact on the decline. However, this is not taking into account the production of roof and floor tiles. In Figure 4.6, productivity has increased in all three units after privatization, namely, Nepal Bitumen, Nepal Lube and Nepal Foundry.

Figure 4.5
Productivity growth in Harishiddhi Bricks, Balaju Textile and Bhrikuti Paper



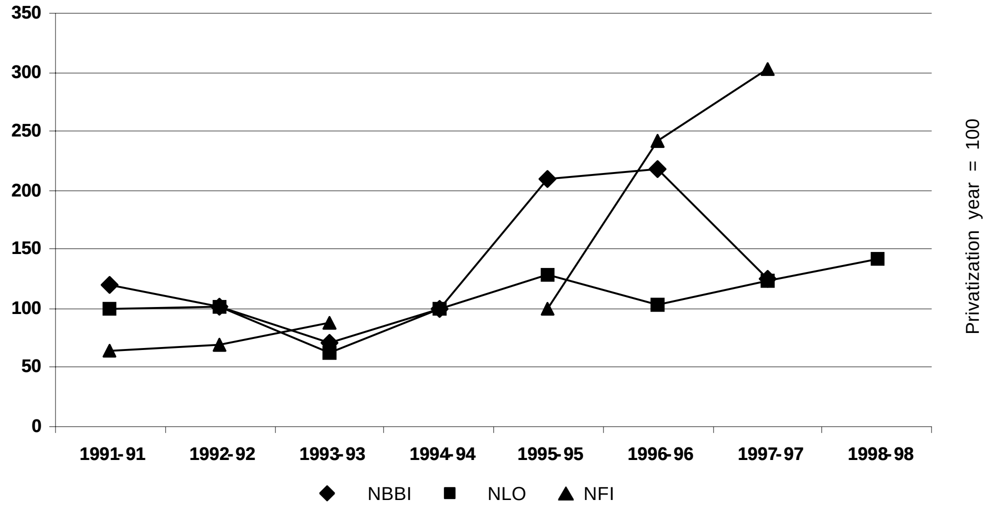
Source: The Economic Survey, MoF.

4.1.5 Price

Generally, the prices of products produced by the privatized units have sharply increased after privatization. In some cases like bricks and textiles, the price has increased by more than 50 per cent. The abrupt increase in price, subsequent to privatization, reflects the inherent inefficiency of public sector pricing policy. The price rise also reflects the operation of market forces hitherto suppressed under public sector regime. The consequence of the price rise on consumer welfare must be carefully interpreted. As far as input prices are concerned, they have benefited suppliers. The land compensation paid to farmers by Harishiddhi Bricks has increased considerably after privatization.

Figure 4.6

Productivity growth in Nepal Bitumen, Nepal Lube and NFL



Source: The Economy Survey, MoF.

Public enterprise operation in Nepal has an urban character, that is, they serve limited urban population. Therefore, the real benefits of price control and subsidization has gone to the well-to-do urban consumers. In case of high competition from imports, the chances of increasing price are quite limited as in textile and paper products, as both industries are, at present, severely under competition from imports.

4.1.6 Profit-loss situation

The increase in capacity and output of privatized units are not reflected in their profitability situation. Apart from smaller units like Nepal Bitumen, Lube Oil and Nepal Foundry, most other privatized units are under financial strain. As stated above; Bhrikuti Paper has already applied for a sick industry status. The closure of many privatized units is also an indication of the fact that the financial condition of these could not improve even in the hands of the private sector. The inefficiency of public enterprises must be related to market conditions, production technology, and source of financing and management factor rather than ownership per se. However, if the profit and loss situation of privatized units is to be compared with the profit-loss situation immediately before privatization, many enterprises have been able to reduce losses, if not increase their profits. However, three units privatized under the first phase have not been able to improve their financial condition. The available data on profit and loss situation in the privatized units are given in Table 4.3.

Table 4.3: Before after profit/Loss situation of Privatized units

(Rs. in million)

Privatized units	*Before privatization*	*After privatization*
1. Nepal Lube	+0.60 (1993/94)	+5.38 (1997/98)
2. Nepal Bitumen	+0.68 (1992/93)	+3.07 (1997/98)
3. Leatherage Bansbari	- 2.23 (1992/93)	+1.13 (1997/98)
4. Nepal Foundry	+3.88 (1995/96)	+0.83 (1998/99)
5. Nepal Film	-4.81 (1992/93)	+0.25 (1997/98)
6. Bhrikuti Paper	+8.7 (1991/92)	-228 (1997/98)
7. Harishiddhi Bricks	+0.04 (1991/92)	-20.28 (1995/96)
8. Bhaktapur Bricks	-12.25 (1995/96)	-7.5 (1997/98)
9. Raghupati Jute Mills	-75.30 (1991/92)	-3.18 (1997/98)
10. Balaju Textile	-1.2 (1991/92)	-0.21 (1997/98)

Source: Information collected from company sources and various issues of annual report on *Targets and Performance of Public Enterprises* (Yellow Book) published by MoF.

4.1.7 Export potentialities

Some privatized units have also been able to generate export potential. For example, Bhrikuti Paper exports pulp paper to India. Similarly, Leatherage Bansbari exports wet blue leather to India. Balaju Textile is surviving on US quota for shop towel. Probably, Raghupati Jute Mills is the only enterprise that exports 80 per cent of its jute to India, and export predominates its sales. The post privatization scenario of Raghupati Jute Mills has totally changed. During government ownership, the company used to have inputs supplied from local farmers and such input prices were subsidized by the government. Its outputs were sold to the two state-owned cement industries. Now, the privatized Raghupati Jute Mills is in a reverse order, it is importing jute inputs from Bangladesh and exporting its outputs to India. The Government of India's policy to have all food materials and 75 per cent of cement packed in jute bags has also helped Raghupati Jute Mills to survive, otherwise, jute market has been on the decline since a considerable period of time. In terms of export performance, therefore, there has been a notable positive improvement in privatized units.

4.1.8 Capital market deve1opment

Public participation in privatized units through share ownership has contributed to the development of the capital market in the country. The total number of shareholders in the privatized units is around 32,000. This is a significant figure in comparison to the total of 300,000 shareholders in the country. A large number of shareholders are in Nepal Bank, Harishiddhi Bricks, and Nepal Film. Although the absolute number of shareholders in privatized units has increased, public response to share holding is not that encouraging. The shares offered by Harishiddhi Bricks are being converted into debentures. The poor public response is reflected by the downward trend in share prices of privatized units. In the case of

Harishiddhi Bricks, its share price has plummeted from Rs 19 to Rs 2.90. The most taxing part is that the company has not been able to hold annual general meeting even after seven years of privatization. Some details on share markets of privatized units are given in Annex 1.

4.2 Social effects

4.2.1. Employment effects: quantity

It is very difficult to pin point the exact effect of privatization on total employment, because both positive and negative factors are simultaneously at work. First, there is "no reduction clause" which seeks to stabilize the employment level. Second, voluntary retirement scheme has been introduced in some privatized units before and after privatization. Third, there are also cases where existing workers have resigned after privatization and new replacements have been made. This gives a neutral effect on total employment figures.

Some of the privatized units have been closed after privatization. If one includes employment figures in these closed units, then the total effect is substantial. Jobs of about 3,200 people have been directly affected by the closure of four units, namely, Bhaktapur Bricks, Biratnagar Jute Mills, Agriculture Tools, and Raw Hide. Whether this closure is due to privatization or due to some other exogenous factor is a matter of debate. Even in the existing public enterprise sector there is a gradual decline in employment opportunities (Figure 4.1).

However, if one excludes the closed units and seeks to analyze the total employment figure, then the total effect is marginal. That is, there are not many changes in employment figures. The available figures on employment before and after privatization are given in Table 4.4.

Table 4.4: Total employment in Privatized units: before and after

		After privatization		
Privatized units	*before*	*1995**	*1998***	*1999****
1. Bhrikuti Paper	297	379	578	580
2. Harishidhi Bricks	595	600	454	526
3. Leatherage Bansbari	484	closed	70	97
4. Nepal Film	107	48	54	51
5. Balaju Textile	108	103	101	35
6. Nepal Bitumen	55	60	45	56
7. Nepal Lube	102	95	91	95
8. Nepal Foundry	61	-	20	52
9. Raghupati Jute Mills	1479	-	1446	1750
Total	3228	1285	2859	3242

Data Source:
* Study conducted by DEAN, 1995
** Study conducted by IRF, 1998
*** Field visits

The terminal data on post privatization employment in 1995, 1998 and 1999 is also presented in Table 4.4. Interestingly, the total employment declined sharply in 1995 and, there after, there has been a gradual rise. In 1995 there was about 60 per cent decline in total employment, in 1998 and 1999 the figure was reduced to 13 per cent and one per cent respectively. This confirms the fact that, in the short run, privatization may heavily shed jobs. But it need not be so in the long run. From the table it is also worth noting that large positive changes have taken place only in a couple of units, namely, Bhrikuti Paper and Raghupati Jute Mills. Large reduction in Letherage Bansbari is due to relocation of the factory and stoppage of shoe production. In 1999, the total employment in the privatized units increased, albeit marginally.

4.2.2 Employment effects: Quality

The total employment effect masks the qualitative changes in employment, namely, the nature and type of job losses, the level of job security, changes in terms and conditions of employment, trade union and collective bargaining situation. Observations on these matters are described below.

Redundancy clause and job security: The government has sought to guarantee the continuity of the services of workers including their seniority and privileges in privatized units. In case of their retirement, the government is to provide reasonable compensation and benefits. Apart from a few units, "no redundancy" clause was applied in almost all privatized units. In spite of this arrangement, feeling of job insecurity is high amongst workers. A number of factors have contributed to this job insecurity.

First, in spite of the "no redundancy" clause, a large majority of workers, previously working under public ownership, has voluntarily opted for retirement (Annex 2). In some cases this happened before privatization, as in the case of Nepal Foundry or after privatization as in the case of Leatherage Bansbari where almost all workers opted for voluntary retirement. The large-scale exodus of workers working under public ownership must have exerted a considerable strain on workers who decided to continue after privatization. In fact, the feeling of job insecurity is high in every sector of employment in Nepal.

Second, there is a negative effect of the voluntary retirement scheme. In privatized units where workers opted for voluntary retirement, they were mostly senior, experienced and qualified staff members who saw more job prospects outside the enterprise. The re-hiring of some retired staff members is an evidence of this fact.

Although, the validity of the argument is very questionable, Letherage Bansbari is now arguing that it cannot continue its shoe production simply because the company lacks qualified personnel to undertake shoe production. However, in the privatization programme, the company is the first one, which had opted for voluntary retirement before privatization. Almost 100 staff members were laid off before the company was handed over to new owners. The exodus of experienced and qualified manpower has further burdened privatized units with having to work with inefficient staff members who naturally are inclined to be more insecure about their jobs.

Third, in many privatized units, there is a tendency to bring new personnel, more often foreigners, with high salary and perks under contracts. Apart from feeling of job insecurity emanating from contractual arrangement, there is also a deep psychological conflict between the new hirees and existing workers. The recruitment of non-Nepali managers has been a contentious issue in privatized units. The prevalence of nepotism is another factor for the deteriorating morale of workers who had decided to continue services after privatization.

Fourth, during the course of the interview with some trade union leaders (details provided in the next chapter), new owners were also reported to harass workers, probably, as a way to get rid of them. This could also be the reason why workers opted for voluntary retirement after privatization. Existing workers may not have been fired, as it was not possible under "a redundancy clause" but unfavorable terms and conditions, like frequent transfers to the inconvenient places or to unsuitable jobs or strict control and monitoring of behavior may have led them to give up their jobs. Workers simply cannot tolerate new management methods.

The "no redundancy clause" is also found to be masking the real problem. In some cases, it appears that it is not a part of the "job security" arrangement, rather it comes as government's inability to pay separation benefits like gratuity, pensions and other facilities to retiring workers. During the course of interview with some of the staff members they responded that many workers are happy to quit the enterprise if only they are paid their gratuity money. In sick enterprises like Hetauda Textile Industry and Biratnagar Jute Mills, a large number of workers are ready to quit their jobs at any time if they are paid gratuity and other separation benefits.

The "no redundancy clause" has also come under heavy criticism from new owners. The new investors feel that having to carry on with existing workers, their hands are effectively tied in improving management of privatized units. In the privatization of Raghupati Jute Mills, the new management had taken up the company only after keeping all personnel costs at zero. Thus, all existing personnel obligations were nullified before privatization. Similar proposals have been forwarded for the privatization of Biratnagar Jute Mills. As the real purpose and effectiveness of "no redundancy clause" has been found to be self-defeating, the policy needs to be explored further before its application across the board.

Type of job losses: Irrespective of the "no redundancy clause" job losses have occurred in almost all privatized units. However, the categories of people whose jobs were affected are not the ones at the top level or at the bottom level. Basically, it is the people at the middle level like the administrators, accountants, supervisors and other personnel. As new managers sought to curtail personnel costs, these people were directly affected by the privatization process. However, it is difficult to single out privatization as a single factor behind this kind of middle level job squeeze. Generally, the pyramidic organizations are downsizing throughout all kinds of organizations. Since public enterprises have the hierarchic bureaucratic structure, obviously, the privatization process takes a great toll on them.

Contractualization of jobs: There is a growing tendency amongst the new managers to go for contractual, temporary, daily wage, piece rate wage hiring in the privatized units.

This is a way to avoid long-term risk and commitment of carrying a permanent labour force. This is also a way to avoid possible labour agitation and trade unionism. The rigidity of Nepali labour law is also partly responsible for this type of managerial behavior. This system is widely reported in the case of Balaju Textile, Leatherage Bansbari and Raghupati Jute Mills. In the case of Raghupati Jute Mills, the present labour discontent is with temporary appointment. After freezing all employment under public ownership, the new management has given permanent status to 100 workers only although it claims that the process of giving permanent status to all workers is under way. However, Lube Oil presents an exceptional case where nearly 50 per cent of the total workers were given permanent status immediately after privatization. This was done to diffuse job insecurity feelings. Under public sector regime, it could never have been possible. There are strict rules and cumbersome procedure to make workers permanent.

The contractual arrangement of jobs, particularly, at the top management level seems to have affected Bhrikuti Paper. There had been, at least, three changes in the top-level management. As new management takes time to learn the business, frequent changes in management have disturbed smooth operation. Changes in top management also affects the whole team as new people come in to take new positions and old members have to be repositioned somewhere else. Management changes, often taken as a chronic problem of public enterprise management, also seem to prevail in the private sector in Nepal.

Salaries and benefits: Apart from continuity of services, workers in the privatized units were also guaranteed "no reduction" in salaries and facilities received during public sector ownership. The available information of privatized units showed some increase in salaries and benefits of workers. However, the increase in salary and benefits is being compensated by increase in work hours or reduction in other facilities and leaves. The new managers have also introduced performance based incentive schemes. During the course of interviews with staff members from Film Development, it was stated that the new management has literally taken the meaning of "no reduction in salaries and benefits". Workers often compare their salaries and benefits with other public sector workers and claim that "no reduction" necessarily does not mean "increase". Some reported positive and negative changes in salaries and benefits received by the workers after privatization are presented in Table 4.5.

The story of new hirees is a bit different. As many of them are hired on contract or temporary basis, they seem to enjoy fairly good salaries and benefits. Their proximity or close relations with the new management may have helped them enjoy better facilities. This is a contentious issue in all privatized units. This is also a matter of conflict between the newcomers and existing staff members.

Trade unions and collective bargaining: Labour relations deteriorated sharply immediately before and after privatization. Union activities have subsided in the privatized units. Labour strife, agitation and protests are still going on in some enterprises listed for privatization. In cases like Bhrikuti Paper, the new owners could not take over the company even after months of privatization. In the case of Leatherage Bansbari, almost all workers took voluntary retirement after factory relocation dispute. This dispute cost substantial money

Table 4.5: Reported positive and negative changes in salaries and benefits

	Positive	*Negative*
1. Bhrikuti Paper	* 15% increase in house rent allowance * 12.5 percent increase in special allowance * 70% increase in DSA * 40% increase in life and insurance premium * One month's salary as bonus	* Reduction in leaves. * Salaries have been reviewed only after revisions in the minimum wage. * Workers are uncertain about their PF and insurance.
2. Harishiddhi Bricks	* 8% salary increment * Unification of annual leaves * Transport facility * Incentive system based on performance slabs	* Officer level salary has not been increased.
3. Leatherage Bansbari	* 8% increase in salary with some increase in overtime benefits	
4. Nepal Film		* No increase in salary and benefits
5. Balaju Textile		* Reduction in benefits * Workers are more worried about jobs than salary increments.
6. Raghupati Jute Mills	* Increase in daily wage rate of Rs 80 per day on average. * Medical benefits. * Gratuity paid to employees	* Workdays increased from 6 to 7 days a week. * Reduction facilities. * Freeze in employment.
7. Nepal Foundry	* 10-15 % increase in salary * Technical allowance, production allowance	
8. Nepal Lube	* Collective Bargaining * 26% Bonus distribution	

Source: Information collected from field visit interviews.

to the government in terms of gratuity payment to retiring workers. The workers of some closed units like Biratnagar Jute Mills, Agriculture Tools and Bhaktapur Bricks are still fighting for their lost jobs, salaries, provident fund and gratuity. The need for the government to undertake responsibility to pay gratuity or other termination benefits without any commensurate change in the price of the enterprise may have affected seriously the actual realization of privatization sales proceeds. There is a sincere need to value the price of enterprise on the basis of workers retention or retirement or other pertinent conditionalities. Otherwise, the agreement is expected to lose only from the transaction.

Primarily three factors influence the growing labour tensions in public enterprise. First is the poor financial condition of public enterprises themselves. A decade or two back, jobs in public enterprises were more secure and more rewarding than anywhere else. Their wage rate was far above the market wage rate. Now, with continued deterioration of performance, public enterprises can no longer afford to provide the same sort of facilities and privileges to its workers.

Thus, workers' morale and job satisfaction have declined. Second, overstaffing is a major phenomenon of public enterprise management in Nepal. Added to this overstaffing, political appointment and patronage of staff members have led to over politicization of the labour force in general and trade unions in particular. The managers are also lax in dealing with trade union activities. Therefore, trade unionism is more active in public enterprises than in the private sector. Given this state of affair, privatization acts as a fuel to the fire. The findings of a survey of trade unions and workers are presented in Annex 3.

It is interesting to note that although, labour strife was ripe immediately before and after privatization, it seems to have died down after privatization. The only reported strike, after privatization was in Lube Oil. This was solved through the collective bargaining process. In the case of Bhrikuti Paper, although two unions operate, no strike has been reported ever since the private sector took the enterprise under its control. The management reported that the union was very cooperative with new owners. Instead of strikes and agitation, trade unions and workers seem to be worried about the closure of the company and of losing their jobs. They are more worried about financial losses, corruption, inefficiency, and frequent management changes. Similar feelings were reported in the case of Balaju Textile and Nepal Film. Ironically, the industrial sickness seems to be contributing in containing labour strikes and disputes in Nepal.

In the case of Nepal Film and Balaju Textile, trade union activity totally disappeared after privatization. This has come after nullification of trade union activities. However, in regard to Balaju Textile, about one dozen labour dispute cases are being lodged at the Labour Court. In Leatherage Bansbari, the presence of trade union has been totally eliminated as all workers are under contractual terms. In the case of Raghupati Jute Mills, there are as many as four unions. With the recent reopening of the company, labour rivalry may have contributed to the multiplicity of unions. Four general conclusions can be deduced from the observation of trade unionism in privatized units:

(a) There is a large-scale exodus of workers due to management actions against trade union activists. Trade unions are suppressed in privatized units.

(b) The use of contract, temporary and daily wage earners are other methods of avoiding trade unionism

(c) Where trade unions are relatively strong, new investors manage them in a better way than in public enterprises

(d) The poor conditions of privatized units and the fear of losing the job have contributed to seal off collective labour disputes.

5. Privatization: Future programmes and strategies

It is true that within a relatively short period of time Nepal has made some progress in introducing a new concept like privatization. However, it is also true that the history of privatization in the country has been somewhat checkered with different governments giving different emphasis and priority to the programme. From the study of privatization programme, it appears that most of the programmes were implemented by or during the government of Nepali Congress. The other political parties have either ignored or given minimum importance to privatization. The increasing concern shown towards privatization from various quarters especially by the workers and the media reflects a dismal scenario of the whole privatization process. The various flaws and anomalies have also been pointed out in the Auditor General's Report. Two privatization debacles, namely, the privatization of Tea Development and Butwal Power Company, have recently slackened the process of privatization. However, they have not deterred the government from pursuing ambitious privatization targets. As far as the objectives, targets and strategies of privatization are concerned, they appeared to be adequate and clean. However, operational problems and implementation barriers have significantly slowed down the process.

The assessment of impacts and the experiences of the past privatization programme have not instilled proper confidence in the public. The evaluation of the privatization programme in the Eight Five-Year Plans showed some progress. Some positive signs were also noted in the case of Bhrikuti Paper though the initial euphoria did not last long enough. Bhrikuti Paper, the most lauded for its capacity expansion and production increase after privatization, has recently applied for 'a sick industry' status. This does not augur well for the entire privatization process.

Some subtle changes in the premises and approaches can be noted in the Ninth Plan. It specifies that privatization programme has been implemented as an alternative to improve effectiveness in the utilization of resources invested in the public sector and orienting them towards economic consolidation. Further, privatization has been defined as a long-term process. The reasons attributed for this are the prevailing state of natural monopoly, huge investment requirements, a bleak prospect for attracting adequate private sector investment and the problem associated with a large number of workerss in the public enterprise. The plan has clearly identified the existing problems of privatization as follows: lack of adequate resources and credible investors, unnecessary politicization, vast amount of unproductive assets in the public enterprises, heavy debt burden, determination of the price to be obtained from the sale, ignorance, dilemma and low level of awareness among concerned policy makers towards the realities, their control-oriented cultural extremity, financial and other concessions and incentives required to be provided to the privatized enterprises, overstaffing and changes to be initiated in staff attitude towards work etc.

5.1 Planned privatization

The privatization committee has either approved or planned 12 additional enterprises for privatization. However, no efforts seem to have been initiated. It shows that privatization programme appears to have lost direction after the initial thrust, and regrouping of activities and programmes is essential to give a new direction and purpose to the programme. These should clearly embrace strategies of adequate social dialogue and ensuring proper transparency.

5.2 Future programme

Despite considering the privatization as a long-term process, the Ninth Plan has laid down an ambitious privatization plan. The attainability of this plan is questionable. Out of 46 remaining public sector enterprises, the Plan has spelled out to initiate the privatization process in 30 units.

The list of units to be privatized is not only long but includes some of the largest public sector organizations. Further, there exist diverse emphasis and priorities in the programme. However, the multilateral donor agencies are pushing for the privatization of the two public sector-banking institutions, namely, Rastriya Banijya Bank and Nepal Bank Ltd., and two public utilities, namely, Nepal Telecommunication Corporation and Nepal Drinking Corporation.

The government is facing difficulty with the privatization of two enterprises, namely, Butwal Power Company and Nepal Tea Development Corporation. In Butwal Power, new financial proposals have been asked from the two bidders. In respect to Tea Development, recently, a proposal is reported to have been accepted by the Privatization Committee. Due to bickering and inability to take specific decisions, privatization process has significantly slowed down. Hence, it may not be out of place to conclude that it will take much longer time to carry out the proposed privatization programme. Lack of transparency in privatization process has been one of the complaints often aired. Therefore, significant improvements are required not only to smoothen the pace of privatization but also to win the confidence of workers and people.

The Ninth Plan has also defined the long-term strategy of the government in respect of future privatization programmes. It has emphasized to promote private sector participation in the production and distribution of goods and services and other economic and social sector investment and management being currently undertaken by the government. For ensuring efficiency and optimization of resource utilization the government has outlined following activities to be privatized in the Ninth Plan period: Postal service, civil aviation, highways, bridge, irrigation, canal, hospital, school, campus, university, media, drinking water sewerage, transportation system, tax collection at the local level, traffic control system, sanitation and security, forest management, river training and embankment, disaster management, fire control, distribution of medicine, supply of food, fertilizer, energy and petroleum products; study and research on mining and geology; control of school examinations, training management for human resources, management of physical resource and services of the government, management of printing press of the government, security, maintenance and regular management of temples and other religious sites, management of national parks, parks and livestock farm, places of archaeological importance, national library, reading room, conference-hall, museum, zoo, management of Hanumandhoka and other historical places, stadium and sports facilities, parade ground, management of expedition and trekking permits, management of transit facilities, management of national debt, and printing and publication of the government.

Adam Smith Institute (ASI), the advisers to the Privatization Cell within the Ministry of Finance, have attempted to categorize privatization targets. It has identified three enterprises as the big targets, namely, Royal Nepal Airlines, Nepal Telecommunication and Rastriya Banijya Bank. ASI has tried to categorize other significant targets into three groups, probably, to prioritize privatization in that order/category.

5.3 Policies and strategies

The policies and strategies defined in the plan appear to be clear. They have been defined taking into consideration the lacunae in previous efforts and experiences. The primary emphasis is to create a consensus by keeping people well informed. Other strategies include selection of appropriate modality, selection of corporations, selection of investor, effort to get fair price, encouragement of FDI, sound negotiation on privatization terms and conditions, policies to protect the interest of workers, monitoring of privatized units, enactment of appropriate laws and by-laws and amendment of the Privatization Act. A particular note of two policies may be made - protecting the interest of workers and generating transparency in the privatization process. The only issue is how these goals will be attained. The plan document is not very specific on this. To have effective implementation of the policies and strategies, obviously detailed operational policies are required.

6. Recommendations for minimizing social effects

Due to the limited scale of the privatization programme itself, so far, the social effects of privatization have also been limited in Nepal. However, given the ambitious nature of the privatization programme and the deteriorating scenario of labour relations in the public enterprise sector, there is a need to rethink the process of privatization for mitigating the social effects. This is more so in a country where social security provisions are minimal and the spectre of unemployment is high. Moreover, with the reinstitution of multi-party democracy, labour can no longer be treated as a residue element in the privatization programme. The clout of trade unions has increased tremendously in the public sector. Even when the government is able to suppress the labour movement in a particular privatized unit, its bullying can have a negative impact on other enterprises enlisted for privatization.

Already, labour relations in public enterprises in Nepal are at the lowest level. This is because (1) of deteriorating conditions of public enterprises in general, (2) overstaffing and under utilisation of capacity in public enterprises and (3) labour problems induced by the privatization programme. Labour relation’s problems are severe in public enterprises due to management laxity and a strong and equally politicised labour force. At present, labour unionisation is higher in government owned industries than in private sector industries. The problem has also been aggravated by the existence of multiple unions within a public enterprise making it difficult to have a concerted voice of labour.

Inadequate measures to inform, educate, consult and involve workers in the privatization programme have further aggravated the situation. Although redundancy studies were carried out during the first phase of the privatization programmes, no such studies were reported in other privatization programme. The closure of some units after privatization has killed workers trust and confidence in the privatization programme itself. This is one reason for labour relation's problems before, after and during privatization.

The government's policy to mitigate the problems of labour relations through no redundancy clause in privatization agreements, guarantee of working conditions after privatization and the allocation of five percent workers' shares at discount price have hardly helped to contain the problem. The present study reveals that trade union antagonism against privatization is running high. At the time of this study, labour strikes were underway in some privatized units like Agriculture Tools, Biratnagar Jute Mill and Bhaktapur Bricks. In the following sections we will consider some measures to mitigate the problems of labour relations in the privatization programme.

6.1 No redundancy clause

Experience has shown that privatization is particularly hard on workers and trade unions. Although in the long run, with increased efficiency, privatization may help to increase employment opportunities, in the short term it freezes or sheds jobs. The heart of the dilemma is as an ILO report states, "it is difficult for affected workers to agree to a logic that dictates the necessity of losing their jobs in the overall interest of the survival of an organization with which they have long been associated" (ILO, 1991).

Although "no redundancy clause" has been used as a helping tool in assuring workers and trade unions of their job security after privatization and containing labour strife at the time of privatization, the reluctance of new owners to carry on with old workers and a prevalence of widespread feeling of job insecurity among workers after privatization has given rise to doubts on the effectiveness of this clause. Instead of giving a choice to workers to stay on with their jobs or leave the organization, the new owners need to be given a free choice in recruitment of workers once privatization has taken place.

Clearly, the new owners who decide to carry on with the existing workers or who help to generate additional employment opportunities should be given some tax incentives, preferential treatment or other facilities. Only after deciding to take in the workers, can a "no redundancy clause" be revoked as privatization conditionality. To give further flexibility to new owners, such a clause can have a time bound stricture like "no workers can be fired for five years". This will also give workers an ample time to rethink on their career.

Those workers who cannot be adjusted in privatized units should be given an option either to have a generous voluntary retirement package or readjusted to some other units. The other units could be both public and private organizations. Here again, some incentives can be offered to the organizations helping to absorb privatization redundancies. The inability of government to pay separation benefits to the workers must not, in any way, be a factor behind the "no redundancy" scheme. The liabilities from separation of workers must be determined in advance.

6.2 Training and reintegration

Training and reintegration are required to deal with the labour surplus arising out of privatization. Although reintegration, meaning readjustment of workers to other state-owned units have been tried in the past, training measures have hardly been used. Surplus workers could be assisted with various skill-oriented training programmes that can be adjusted to new employment opportunities. They can also be assisted to find new job opportunities or supplied with credit facilities for self-employment.

6.3 Workers' education

There is a total absence of information, education and consultation in the privatization programme. In the absence of education on the possible consequence of privatization on workers' job security, working conditions, their rights and obligations in the enterprise, room for politicization of the privatization programme grows. Together with the slow process of privatization, lack of education programme has sharply deteriorated the performance of public enterprises enlisted for privatization. Moreover, trade unions are campaigning on their own to counter possible privatization. Workers seem to be quite aware of the fact that they can survive only to the extent that the organization survives. If liquidation is a better option, it is better to close the unit than pretend to save jobs through privatization measure. Creating confidence in the system is crucial for the success if the only option left is to carry on with the existing situation. It is equally important to deal with scepticism as with over and unfounded assurances like better wages and working conditions after privatization. Similarly, it is as necessary to inform workers and trade union representatives about the benefits of privatization as much as the costs of no privatization.

It is also necessary to promote social dialogue between workers and employers. At present, the privatization programme is totally driven by the government, that too, with an objective of lessening its administrative and financial burden. Ironically, privatization has been pre-dominantly a public sector affair with the government taking all the initiatives and responsibilities for privatization. Although, provision has been made to accommodate the President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) in the Privatization Committee, labour representation is discretionary. This is also one of the factors leading to employee discontent with the privatization programme.

6.4 Workers buyouts/ownership plans

The present mode of injecting five percent workers share ownership in the privatization programme is very much questionable, as workers have shown less interest in shares than in job security. First, the offer of five percent shares is more of a symbolic gesture than a mechanism to allow worker participation in ownership and management of the privatized unit. Second, workers have shown little interest in buying the shares of sick units.

The government's lack of interest to realize distributive goals of privatization is being reflected also by the block share transfer to a nucleus of private party. This is necessary in view of the poor financial condition of many privatized units and also to invite further investments and have a controlling interest in enterprise management to attain operational efficiency. However, save a couple of privatized units, operational efficiency goals largely remain to be achieved. The closure or sick industry status of privatized units provide evidences for this. Now, the government is reasoning that privatization per se may not be a factor behind the closure or problems of privatized units. If this is true, then it is also equally true that to achieve successful privatization programme it must be accompanied or supported by "other policies". These other policies are a matter to be further investigated. At this stage, it could be said that other policies are squarely lacking in Nepal's privatization drive.

However, again where workers' involvement in the programme is crucial or gaining the trust and confidence of the trade union is a precondition for a successful privatization programme, the workers themselves may be asked to run the enterprise. Sri Lanka has taken a good step by calling its privatization programme as "peoplisation". Given the poor financial condition of public enterprises and their bleak prospects, workers may not be interested in running the enterprise. Still the option could be tried in many enterprises where there is little physical asset base but more human resources as in the case of research, consultancy and training related enterprises.

6.5 Restructuring programmes

A number of restructuring programmes can be introduced before privatization is pursued. Restructuring may involve wholesale structural changes, management change, financial restructuring and operational restructuring. The basic aim of restructuring is to improve the status of the enterprise to get better price and improve the viability of the organization. This has been practised in many countries and has also been rewarding. But in Nepalese perspective, the chances of success appear to be poor due to the absence of performance evaluation and merit based rewarding system in practice. A few experiences have only proven even management contract is no guarantee to improve the organization. So, the scope for proper restructuring may be limited. However, various activities may be initiated which is quite feasible even in the Nepalese situation. This could start from undertaking redundancy study as was done in the first phase of the privatization programme. From the study one can conclude that necessary steps should be taken to deal with redundant work force, determination of skills that are really going to be made redundant, determining the actual financial liability of the government, possibility of internal transfers, training and retraining needs and finding out ways to deal with union antagonism. Freezing recruitment in public enterprises could be another approach to prepare the enterprise for privatization. Delinking public enterprise jobs from the civil service or amongst the public enterprises could also help to mitigate the problems of inter enterprise comparison of jobs or doing away with the ascribed social status in having public enterprise jobs. Curtailment of opportunities for moonlighting and corruption in public enterprise jobs can also help to mitigate the problems of giving undue status to public enterprise jobs. Alternatively, the government can also ask private sector jobs to provide comparable social security so that workers in public enterprise do not feel better off both financially and psychologically. Even the new private sector management may have to be trained or at least, given an orientation on the management of the enterprise. This does not mean to inculcate the same old habits. In a country where entrepreneurship skills are squarely lacking, such training programmes do help a lot in the government's determination to develop private sector through privatization process.

6.6 Regulation and monitoring

Privatization in no way diminishes the government's responsibility toward public enterprises, before, during or after privatization. Just having concluded a successful deal does not end the government's responsibility towards privatization. At present, the government seems to be driven more by the agenda of "shedding the load" of managing sick public units. This is a mere transfer of load from the public to the private sector. The government has failed to regulate and monitor privatized units. The low priority given to regulation, monitoring and evaluation of privatization is very much evidenced by the fact that (1) Rs. 156 million remains to be still collected from seven privatized units (2) the government has not taken over the privatized unit which has been closed for so many years and (3) the liquidator has not finalised its accounts even after eight years of privatization (Auditor General's Report 2056). Because of the lack of proper, timely and adequate regulation and monitoring system, even the government does not have proper access to the performance information of privatized units. A system must be enforced to make new owners comply with the conditionalities of privatization.

Annex 1: Information on capital market situation of privatized units

Privatized units	*Face value (Rs)*	*Market price (Rs)*	*No of Shareholders*	*Number of workers holding shares*
Nepal Bank	100	360	8104	6483
Harishiddhi Bricks	10	2.90	7094	
Nepal Film	100	62	7009	Almost all workers hold shares
Bhrikuti Paper	100	63	3986	some 200 to 300 workers own shares
Leatherage Bansbari	100	53	2198	
Balaju Textile	-	-	1663	14 workers
Raghupati Jute Mills	-	-	936	
Nepal Lube	100	340	462	82 workers, some had sold their shares.
Biratnagar Jute Mills	-	-	171	
Nepal Bitumen			110	Workers have not taken shares due to losses.
Total			31,733	

Source: Information collected from Security Exchange Centre.

Annex 2: Nature of job losses in privatized units

Privatized Unit	*Description of job losses*
1. Nepal Film	Out of 107 workers, 60 workers resigned after privatization
2. Balaju Textile	Nearly 50 percent of the total workers left the job
3. Raghupati Jute	The unit was Privatized after bringing the workers at zero level. Out of Mills 1750, 100 workers have been given permanentstatus.
4. Nepal Foundry	Nearly all people opted for voluntary retirement, workers were given 35 days salary for every year of service. Three people joined after privatization.
5. Leatherage Bansbari	100 workers were given voluntary retirement prior to privatization, another 154 opted for voluntary retirement after privatization and in 1995, after locational dispute all the workers left the job and opted for voluntary retirement.
6. Harishidhi Bricks	Out of 602 workers, 84 people get retirement- 20 workers under age limit and 64 workers opted for voluntary retirement. Management has reduced the years of service from 25 years to 20 years to get voluntary retirement.
7. Nepal Bitumen	Some voluntary retirement but not of significance.

Source: Information collected from field interviews.

Annex 3 - Privatization: Workers' perceptions and responses

During the course of the study, a sample of workers and trade union leaders, numbering a total of fifty, from privatized units were interviewed to solicit their opinion and suggestions on privatization. Only those workers who opted to continue their services after privatization have been selected for the interviews. These workers were expected to have a better perception of "before-after" privatization scenario than the new workers who joined the units after privatization. The workers were also handed a structured questionnaire to collect their opinions. The summary of responses are given below and the results of the survey is presented in the box.

1. Should public enterprises be privatized?

Trade union leaders and workers were generally found to be antagonistic to the privatization move. This feeling was observed in almost all the interviews. However, in the administered structured questionnaire, only 52 per cent of the total respondents were found to hold negative attitude towards privatization. Nearly 38 per cent viewed that public enterprises should be privatized. A similar number of respondents also expressed that privatization is appropriate for increasing the competitive capacity of enterprises. Privatization is referred as a solution to the growth of corruption, inefficiency and lethargy in government management. The main agenda of privatization should be to improve the work performance of public enterprises.

Those who held negative attitude towards privatization reported that they were against privatization because:

(1) of the problems faced by workers in some privatized units like Agriculture Tools and Bhaktapur Bricks

(2) poor results from the privatization programme and

(3) the benefits of privatization have gone into the hands of a few people.

Respondents also suggested that if there is to be privatization then it should be selective such as privatization of sick units or privatization with specific measures. They also concluded: where management improvement is possible, privatization measure should not be opted.

2. Were the goals of privatization achieved?

Nearly half of the total respondents opined that the results of privatization were poor or worse than what used to be at the time of government ownership. Another half responded, that the results were positive. Respondents also seemed to believe that none of the three goals of privatization programme have been achieved. Although some private gains may have accrued to a few people, by and large, privatization has been used to shed the burden of the government to the private sector. Respondents were also firm in their view that increasing operational efficiency should be the single goal of the privatization programme.

3. What is the appropriate modality of privatization?

Privatization should be carried out on the basis of national interest. The choice of a modality should be based on the nature and type of concerned enterprise. Privatization must be seen in the total perspective of the industrialization process in Nepal. These were some specific recommendations from workers and trade union activists. In the structured questionnaire, nearly 66 per cent reported that workers should be involved in the privatization process. However, 22 per cent also reported that selling of shares is the best option. Guaranteeing the security and condition of workers, transparency in financial deals and handling of labour management issues were regarded as the main issues to be considered in the privatization programme.

4. What is the effectiveness of workers' safety measures made in the privatization programme?

Respondents believe that the safety nets made in the Privatization Act are not only inadequate but a sort of hoax. If adequate safety nets had been made, the new management in Raghupati Jute Mills would never ask to fire all the workers before takeover. They strongly suggested that there should be a provision in the privatization agreement not only spelling out "what the new management is expected to do" but also "the consequences of not doing so". Concerns were also expressed by respondents over the exit of talented and skilled manpower from the company under the so-called "voluntary retirement scheme". Therefore, they recommended tying-up employee share ownership with their employment in the enterprise. That is, the issue of shares should be made conditional for employment in privatized units. Respondents opined that the guarantee of jobs is a more attractive proposal than an issue of workers share at discount price and on an installment basis.

The workers complained that the use of "golden handshakes" in the Nepal Drinking Water Corporation has been used as a substitute for the compulsory retirement scheme. In case of Nepal Film, previously agreed twelve-installment facility on workers' shares has been reduced to one installment payment. This, they say, is to harass the workers. Similarly, in Bhrikuti Paper workers were told that they could sell their shares only after five years. Trade union leaders questioned "what is the point in holding these useless shares?" In many units, either employee shares were not issued at all or where they have been issued, employee response has been poor. In totality, workers participation through share-ownership has not been an effective mechanism.

5. What are the benefits of privatization to workers?

Many workers felt that in a situation where workers do not even get their salaries, it is very difficult to see how privatization will increase their welfare.

They further stated that the salaries and benefits of higher-level staff members or of the workers close to the management have definitely increased. But the general workers feel ever greater job insecurity. Therefore, job security should be the primary concern in privatization.

If there exists the problem of over-staffing in public enterprises, it should be adjusted with capacity increment, better utilization of manpower and, if necessary, surplus workers should be readjusted or reintegrated into other stae-owned enterprises. Respondents held that in no way should privatization be a part of the retrenchment programme.

Some of the reported changes in salaries, benefits and other facilities provided to workers are given in Table 3.1. Basically, respondents viewed that the capacity, sales, profits and working conditions have improved but there has been a further deterioration in worker exploitation, working hours, leaves, job security and union activities.

Table 3.1 Workers' perception of post privatization changes

Dimensions of changes	*New Addition*	*Increased*	*Same*	*Reduced*	*Abolished*
Salary/allowances		9	13	10	
Leaves		1	20	12	
Other facilities			11	15	1
Working conditions	2	10	11	4	
Working time	1	7	16	2	
Number of Workers	2	1	7	17	
Job Security		11	17	16	
Union Activities	2	4	5	9	2
Worker Exploitation	1	17	8	2	
Industry Capacity	2	9	11	4	
Capacity Utilization	2	5	8	8	
Sales	1	8	10	3	
Profits	1	19	7	5	
Bonus			9	6	2
Social Security (Insurance, pension, gratuity)	2		8	8	3

Source: Field visits

6. What is the effect of privatization on trade unions?

Trade union leaders perceived that the nature of industrial relations has changed after privatization. Under public ownership, unions could place indiscriminate demands, this is not possible in privatized units. Due to closure of many privatized units and also due to the near collapse situation of some privatized units, trade unions have to think twice before they take industrial actions. Trade union activities are now more specific and concentrated in privatized units than in public enterprises. Compared to public enterprises, the problems of multiplicity of unions in privatized units is less severe. Workers believe that trade unions need not necessarily oppose privatization moves. They can also support privatization provided adequate job security measures are incorporated in the privatization programme.

7. Is there workers' involvement in the privatization programme?

By and large, workers and trade union leaders reported that worker's involvement, consultation and participation are totally missing in the privatization programme. If they ever exist, it is only in the form of "notification" to trade unions. Any inquiry by the union is treated as " a confidential matter" and there is a tendency amongst officials to hide or misinform the union on privatization. For example, the union came to know about the privatization of Tea Development only after getting information from the internet. Similarly, in the case of Nepal Film, Balaju Textile and Bhrikuti Paper, the government took no consultation and advice from workers.

8. What possible social security measures can be adopted in the privatization programme?

Respondents said that there is no social security measure for workers in the privatization programme. Security of the jobs was the major concern of respondents. Some suggested that life insurance policy equivalent to five years salary, as being provided in the Lumbini Sugar Mills, be adopted as a social security measure for workers.

9. What are the perceptions of the workers on foreign direct investment in privatization?

Respondents opined positively that privatization could increase the inflow of FDI in the country, however, such inflows must not accompany the inflow of foreign workers as well. FDI must be used to promote employment opportunities in the country rather than the inflow of capital per se. Respondents opined that enough caution be exercised regarding the type of capital to be invited. Inflow of debt capital may put the country at risk. They opined that the sharp reduction in equity capital in privatized units is not a sign of good financial health. The respondents were also critical of the lack of professionalism on the part of Nepali entrepreneurs. They opined that FDI may bring in professional management in the enterprises but priority should be given to national investors. Some respondents opined that the government should hold a policy of 51:49 ownership ratio in the case of FDI.

Annex 4 - List of Persons Visited for Interviews

A. Officials and Managers

1. Mr. Omkar Shrestha
   Hon'ble Ministry for Industry
2. Mr. Mahesh Acharya
   Hon'ble Minister for Finance
3. Mr. Pradeep Shrestha
   President, FNCCI
4. Mr. Rajendra Dahal
   Editor, Himal Magazine
5. Mr. Tanka Khanal
   Privatization Cell
6. Mr. Douglas Clarke
   Adam Smith Institute
7. Mr. Bishnu Rimal
   Secretary General, GEFONT
8. Mr. Keshav Shrestha
   Manager, Bhrikuti Paper & Pulp
9. Mr. Prakash Shrestha
   Marketing Manager, Harisiddhi Bricks
10. Mrs. Shanti Shrestha
    Personnel, Harisiddhi Bricks
11. Mohan Chandra Ghimire
    Manager, Raghupati Jute Mill
12. Manoj Upadhyay
    GM, Biratnagar Jute Mill
13. Ananda Nepal
    DGM, Biratnagar Jute Mill
14. Sundar M. Shrestha
    Adm. Officer, Balaju Textile
15. Ramesh Pokharel
    Chief Adm. Officer,
    Bhrikuti Paper & Pulp
16. Tara Nath Mainali
    Manager, Nepal Foundry Industry
17. Dinesh Rai
    Nepal Lube Oil

B. Workers and Trade Union Activists

Raghupati and Biratnagar Jute Mill

18. Dev Narayan
19. Kushum Mainali
20. Asha Kumar Chetri
21. Ramanda Yadav
22. Kul Bdr. Shrestha
23. Bhakta Bdr. Shrestha
24. Basu Dev Dulal
25. Tika Ram Poudel

Nepal Film Development Company

26. Mr. Ratna Kaji Tuladhar
27. Mr. Prakash Man Singh Pradhan
28. Mr. Shyam Nepali
29. Mr. Deepak Man Shrestha
30. Mr. Kiran Oshi
31. GEFONT
32. O. Koirala, Sunsari
33. Hem Raj Regmi, Nepalgunj
34. Madhusudan Katiwada, Makwanpur
35. Kamal Gautam, Bhairahawa
36. Keshav Dawadi, Hetauda
37. Rajiv Ghimeri, Jhapa
38. Umesh Upadhyay, Kathmandu
39. Manohari Sivakoti, Kathmandu
40. Maiya Pode, Kathmandu
41. Ramesh Badal, Kathmandu

DECONT

42. Suresh Kunwar, Kailali
43. Tej Bdr. Basnet, Kathmandu
44. Devendra Lamsal, Sunsari
45. Ghanashyam Subedi, Bhojpur
46. Usha Khadka, Makwanpur
47. Rishav Ghimire, Lalitpur
48. Raj Kumar Bhandaari, Solu
49. Ravi Lal Shrestha, Nawalpur
50. Raghu Nath Adhikari, Bara
51. Ramesh Sedai, Kavre

NTUC

52. Shyam Bdr. Malla, Udayapur
53. R. K. Pandey, Ilam
54. Chandra Thakur, Mahottari
55. G. R. Bhatta, Makwanpur
56. Lok Raj Subedi, Lumjung
57. Jagdish Pd. Sharma, Tanahu
58. Giri Raj Ojha, Banke
59. Youba Raj Lama, Kailali
60. G. Khadka, Chitwan

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