

Analysis of the Performance of Public Enterprises

Bimal Wagle, Koshish Acharya & Sarita Sapkota



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Acknowledgement

This research paper “Analysis of the Performance of Public Enterprises” covers one of the six cross-cutting issues identified during the sectoral analysis conducted by Samriddhi Foundation in collaboration with Federation of Nepalese Chambers of Commerce and Industry (FNCCI) under the banner of ‘Nepal Economic Growth Agenda (NEGA)’ during 2011/2012. We would like to thank the authors Mr. Bimal Wagle, Ms. Sarita Sapkota and Mr. Koshish Acharya for putting together this paper. We are especially grateful for Mr. Wagle’s guidance and support during the course of this research.

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Preface

As part of its efforts to raise economic agendas in Nepal, Samriddhi Foundation is committed to an annual analysis of growth constraints of Nepal along with exploring policy options. This process, termed as the 'Nepal Economic Growth Agenda (NEGA)', is an annual effort to identify short term as well as long term policy bottlenecks that hinder Nepal's economic growth. This research paper 'Analysis of the Performance of Public Enterprises' prepared as a follow up to NEGA 2012 is one of the six cross-cutting issues covered under NEGA 2013.

NEGA 2012 identified and discussed policy constraints in five growth sectors of Nepal viz. Agriculture, Education, Hydropower, Transport Infrastructure, and Tourism. Building on this research, NEGA 2013 focuses on identifying and discussing cross-cutting issues that affect the growth of all five sectors and also makes recommendations to address these issues. The goal of these analyses and papers is to facilitate the creation of a competitive and conducive business environment in Nepal thereby leading to economic growth and prosperity.

The six different issues studied under NEGA 2013 are Industrial Relations, Contract Enforcement, Anti-Competitive Practices, Foreign Direct Investment, Public Enterprises, and Regulatory Environment for Businesses. Each research paper has been prepared in consultation with individuals and groups who are experts or are involved in the particular field.

The six issues studied under NEGA 2013 have been presented as individual research papers that will be combined and presented as NEGA 2013 towards the end of 2013. This research paper on Public Enterprises was prepared by the team of Mr. Bimal Wagle, Ms. Sarita Sapkota, and Mr. Koshish Acharya.

Using the classification of public enterprise as per the guidelines set by Ministry of Finance, this report attempts to analyze the performance of public

enterprises from various sectors. Public Enterprises are not simply commercial enterprises as they hold other welfare objectives as well. PEs are used as sustainable means to achieve welfare objectives. Therefore, it is inevitable that we use commercial sustainability as a measure of success especially in the absence of other performance measures specifying the welfare objectives. This paper also uses a couple of measures such as employment generation, dividends and subsidies directed towards these enterprises as well as the state of the market to assess the performance of the public enterprises of Nepal.

The overall analysis of public enterprises indicates that they have become a huge burden to the Ministry of Finance, have been weakening the government's fiscal position, have low return on investments and generally have poor quality of service, and limited range of delivery.

Public enterprises in Nepal, being a direct entity of the government, have the same bureaucratic process of functioning as any other government office. Due to this reason along with the absence of clear objectives and goals, and with no mechanism for monitoring and evaluating these enterprises have not been able to perform to the best of their capacity. The challenge for public enterprises in Nepal is centered around striking a balance between its commercial and non-commercial aspects which leads to problems with accountability and autonomy. Overall, one of the major challenges is tied to the incentive system that PEs as a whole face as well as the incentives that the staff of these enterprises face.

This paper streamlines these challenges faced by PEs from various sectors and finally outlines recommendations that can help overcome these challenges, which include revision of the incentive system, structural reforms for autonomous functioning, and a serious re-evaluation of the significance of some PEs.

Abbreviations and Acronyms

ADB	Asian Development Bank
AICL	Agriculture Inputs Company Limited
APO	Asian Productivity Organization
BFI	Bank and Financial Institution
CAAN	Civil Aviation Authority of Nepal
CBS	Central Bureau of Statistics
CCC	Corporation Coordination Council
DDC	Dairy Development Corporation
DFID	Department For International Development
GoN	Government of Nepal
IDM	Industrial District Management
ILO	International Labor Organizaiton
IPL	Indian Potash Limited
JVS	Jalsrot Vikas Sansthan
MoF	Ministry of Finance
NAC	Nepal Airlines Corporation
NEA	Nepal Electricity Authority
NOC	Nepal Oil Corporation
NPC	National Planning Commission
NTC	Nepal Telecommunication Company Limited
NT	Nepal Telecom
PEs	Public Enterprises
SoE	State Owned Enterprise

The Nepali year is based on the Bikram Sambat Calendar and is approximately 57 years ahead of the Gregogrian calendar (2062/1/1=2005/4/14)

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1. Background

The postwar orientation towards Public Enterprises was founded on the assumptions of the welfare state, planned development, and public sector led economic growth. Public Enterprises were viewed as vehicles of development and social welfare. Between the periods of 1950s and 70s, such an orientation towards Public Enterprises became entrenched in most of the developed and developing world (Haque 2000). Nepal adopted this orientation in its industrial policy of 1957 for the first time. As cited in Paudel (2006) “for the first time the industrial policy of 1957 formally recognized the responsibility of the government in “promoting, assisting and regulating” industrial development in the country....The First Plan intended to establish state monopolies in the fields of transportation, telecommunication, hydro-electric power generation, and irrigation, and to run some big industries, such as cement, sugar, cigarettes, textiles, iron, and steel”.

As government-owned firms, Public Enterprises are often used as policy tools of the government. Public Enterprises have been established in Nepal with the goal of achieving national, economic, social, and political goals (MoF, 2011). This is true for most public enterprises as they often have various non-economic objectives. Public enterprises in Nepal were new enterprises established in new areas; they were not ‘acquired’ enterprises. This was done largely with the support of external donors like China, the Netherlands, Japan, and USSR (Paudel, 2006).

Table 1 shows the number of Public Enterprises (PEs) during different periodic development plans.

Table 1: Public Enterprises during various planning periods in Nepal

Periodic Plan	Total Number
Prior to 1956	1
First Plan (1956-61)	8
No plan period (1961-62)	11
Second Plan (1962-65)	22
Third Plan (1965-70)	34
Fourth Plan (1970-75)	61
Fifth Plan (1975-80)	59
Sixth Plan (1980-1985)	54
Seventh Plan (1985-90)	63
No Plan period (1990-1992)	62
Eight Plan (1992-97)	46
Ninth Plan (1997-2002)	43
Tenth Plan (2002-2007)	36
Eleventh Plan (Three Year Interim Plan) (2007/8-2009/10)	36
Twelfth Plan (Three Year Plan) (2010/11-2012/2013)	37

Source: Paudel, 2006 (original data from NPC); MoF, 2011; MoF, 2012

2. Introduction

The debate on whether the government or market should lead the process of economic growth has gone through several phases in Nepal. Stated owned enterprises (or public enterprises) were justified in the seventies and eighties by citing ‘the infancy state of the private sector’ argument. However, a review of those enterprises carried out in the Fifth Five Year Plan period (1975-80) presented a bleak picture (CCC, 1977 as cited in Manandhar & Bajracharya, 1999). The review showed poor performance, poor service, and poor contribution of public enterprises. These issues, some of which continue to this day, have been elaborately discussed in the next section.

As of today, there are 37 PEs, not including enterprises where the government has minority shares. The majority of these PEs are struggling, to say the least. Nepal Telecom (NT) being the highest dividend provider to the government in the past year stands as a national champion among PEs. It has raised the expectations of state enterprises to reach the heights of PEs in China, Russia and Brazil. This particular case might raise hope for state capitalism in Nepal. However, growing competition in the telecom sector due to the increasing interest of the private sector may pose a threat to NTC’s present standing in the near future. Along with this, the staggeringly dismal performances of other PEs such as Nepal Oil Corporation (NOC), Nepal Electricity Authority (NEA) and Janakpur Cigarette Factory dash out any hope. The Annual Performance Review of Public Enterprises 2012 released by the Ministry of Finance reveals that most public enterprises in Nepal are failing largely due to inefficient management.

This study (based on literature review and key stakeholder consultation) will analyze the performance of PEs in Nepal and highlight

the challenges in ensuring satisfactory performance by the current 37 public enterprises. Based on the understanding of current performance and prevailing challenges, some recommendations have been made.

3. Analysis of Sectoral Performance

One of the often cited reasons for choosing Public Enterprises as a policy tool, rather than pure welfare project and program, is the sustainability of the service providing entity. In this regard, to analyze the success of these enterprises, one has to assess their ability to deliver respective goods and services and its ability to achieve financial soundness to ensure sustainability. In this section, these factors will be analyzed on a sectoral basis to understand the performance of PEs.

The Economic Survey of the Fiscal Year (2010/11) published by the Ministry of Finance (MoF) reiterates some of the general objectives of Public Enterprises as follows:

- deliver goods and services to the public easily at reasonable prices by making public services more efficient,
- enhance the national economy,
- mobilize public savings,
- create employment opportunities,
- help control private sector's monopoly,
- eliminate discriminatory practice in society, and
- utilize and safeguard national resources and heritages.

A general idea of how successful a public enterprise is can be drawn from its ability to meet these objectives. Financial indicators are best in

analyzing performance based on commercial goals. However, it is much more difficult to measure success in achieving non-commercial goals, especially when the non – commercial objectives have not been quantified into measurable indicators on a periodic basis. However, given the large costs that are incurred in delivering non-commercial goals, this analysis is rather important. Therefore, this paper has used some indicators that hint at non – commercial goals (e.g. employment generation) while helping us analyze the financial viability of the project.

The existing public enterprises in Nepal are classified under six sectors – Industrial, Trading, Service, Social, Public Utility, and Financial Sector. The performances of these sectors are analyzed in this section on the basis of objectives, service delivery, and financial indicators. All the data on public enterprises have been obtained from the annual publication of MoF titled ‘Annual Review of Public Enterprises’ (Nepali version) for the year 2069 B.S. referenced as MoF, 2012. A detailed calculation of the figures presented below for the purpose of this paper has been presented in Annex 1. All figures are expressed in Nepali Rupees.

3.1 Industrial Sector

The public enterprises for this sector were established between the years 2021 BS – 2044 BS¹. They were set up with the primary purpose of providing essential goods to the public at affordable prices. The seven enterprises under this sector (as categorized by MoF, 2012) are: Dairy Development Corporation (DDC), Herbs Production and Processing Company Ltd., Hetauda Cement Industry Ltd., Janakpur Cigarette Factory Ltd., Nepal Drug Ltd., Udayapur Cement Industry Ltd. and Nepal Orind Magnesite Pvt. Ltd. Each enterprise under the industrial sector operates with a specific objective and purpose.

¹ The Nepali year is based on the Bikram Sambat Calendar and is approximately 57 years ahead of the Gregorian calendar (2062/1/1=2005/4/14)

Service Delivery, Costs and Contribution of the sector

These seven enterprises received an additional investment of NRs. 119573.99 lakh² (share capital and loan) in the fiscal year 2010/11. The cumulative loss of these seven enterprises amounts to NRs. 77903.73 lakh. Only two of these enterprises were generating cumulative net profits of NRs. 1133.98 lakhs in the year 2010/11.

The enterprise with the highest amount of loans is Udayapur Cement with loans of NRs. 26,089.30 lakh followed by Nepal Orind Magnesite Pvt. Ltd. with loan of NRs. 20,002 lakh. And the only two organizations which produced net profits in the given year were DDC and Hetauda Cement Factory.

With the costs mentioned above, the possible contribution of PEs in the industrial sector can be analyzed on the basis of employment generation, return to investment (dividend), and the delivery of goods and services.

None of the seven enterprises in the Industrial sector have been able to provide any dividend to the government. These enterprises employ 3747 people in total. The employee contribution in terms of operating profit, which is calculated by dividing operating profit by total no. of employees, shows a negative 0.64. Similarly, the average investment (both equity and loan) per unit of employment creation in the industrial sector is NRs. 342.5 lakh. The figures above indicate that although the government has been able to provide significant employment opportunities, it comes at very high cost and very little labor efficiency³.

The products that are provided by these public enterprises such as milk, cement, medicine, cigarette, herbs are also provided by the private sector. The cement factories which have high cumulative loss have been seeking assistance from the government to buy raw materials and upgrade

2 1 lakh = 100,000 i.e. One hundred thousand

3 Data availed from Annual Review of PEs, MoF, 2012

its machineries (Republica, 2013). In addition to that, these factories have not been able to operate in optimal capacity. Janakpur Cigarette Factory Ltd. has not been able to produce a single cigarette since 2011 but has been taking NRs. 10 lakhs daily for staff salaries and other expenses (Shrestha, 2013).

The public enterprises in this sector have not been able to provide these goods at competitive prices and thus have had to continuously acquire loans from the government to operate. The private sector however, has been providing these goods adequately in the market. They have been able to deliver these products at affordable prices and required quantities indicated by the lack of shortage in the goods discussed in this sector.

3.2 Trading Sector

The public enterprises in the trading sector are Agricultural Inputs Company Ltd., National Seed Company Ltd., National Trading Corporation Ltd., Nepal Food Corporation, Nepal Oil Corporation Ltd., and The Timber Corporation of Nepal Ltd. Established between 2017 BS-2059 BS, these enterprises fall under the Company Act, 2063. The PEs in the trading sector are responsible for import, distribution and sales of fertilizers, seeds, food grains, oil, timber, and other essentials.

Service Delivery, Costs and Contributions of this sector

The total share capital (equity) of the six public enterprises in the trading sector amount to NRs. 18,173 lakhs. Nepal Food Corporation has the highest share capital amounting to NRs. 9,905 lakhs. The Timber Corporation has the least share capital amounting to NRs. 160 lakhs. The percentage of government's shareholding in these PEs ranges from 96.25% to 100%.

The total loans and interest payable to the GoN and other banks and financial institutions at the end of 2010/11 amounts to NRs. 3,62,425.22 lakhs. The enterprise with the highest loan is NOC with NRs. 3,40,361.84

lakh whereas the Agriculture Input Company Limited (AICL) has no loan at all but has received a subsidy of NRs. 26,800 lakhs along with Nepal Food Corporation which received a subsidy of NRs. 5844 lakhs in the year 2010/11. With the exception of the National Seed Company Ltd., all enterprises have been facing cumulative losses with Nepal Oil Corporation accumulating the largest portion at NRs. 1,29,989 lakhs.

With a total share capital of NRs. 18,173 lakhs in the sector, the total loan amounts to NRs. 3,62,425.22 lakhs (excluding a subsidy of NRs. 26,800 lakhs to AICL) (MoF, 2012) which is a clear indication that although the government has not spent much in establishing PEs in this sector, a huge amount of loan is still spent on sustaining these enterprises.

The six public enterprises so far have not distributed any dividend to the government of Nepal. In terms of employment generation this sector employs 2,243 people. The employee contribution in terms of operating profit is worst among all the sectors standing at negative 21.92. The average investment (equity and loan) per unit of employment creation in the trading sector stands at NRs. 91.94 lakhs with NOC having the highest investment per unit of employment at NRs. 449.7 lakhs. The investment per unit of employment is of the Timber Corporation stands at NRs. 2.42 lakhs. The trading sector, therefore, does not perform well in terms of employment generation when compared to the cost incurred in the process.

The Nepal Economic Growth Agenda (Samriddhi, 2012) outlines problems related to inputs, especially fertilizers, seeds, agro-chemicals and supplements as a key challenge in the agriculture sector. With the establishment of Agriculture Input Company Ltd. in 2059 BS, the problem has exacerbated. As the use of chemical fertilizers has increased tremendously in Nepal in the recent years, subsidized chemical fertilizer distributed by AICL has not been able to meet the increasing demand. The government, which had allocated NRs. 250 crore worth of subsidies for fertilizer for the year 2011-12, has only been able to subsidize 150,000 tons. The demand for fertilizer for the same year was 700,000 tons (Republica, 2012). With inadequate allocation of funds to AICL and very limited

involvement from the private sector, farmers have insufficient supply of fertilizers even while planting the main crop.

Additionally, AICL's performance has been under scrutiny for allegedly providing underweight sacks of chemical fertilizers produced by Indian Potash Limited (IPL). Therefore, given this dire supply scenario in the face of huge amount of demand going unmet, farmers have resorted to illegally bringing fertilizers from India. In doing so, farmers pay up to a three times premium on the fertilizers availed in the black market. This has become a big challenge for the small farmers of Nepal (Republica, 2012a). The formation of AICL as a policy tool to aid the agriculture sector has not been successful in producing real results for the farmers. And this is being done at great cost to taxpayers.

Similarly, the shortage of food grains is a common occurrence in the far-western region of Nepal. There have been several cases where the food supplied has been of a very bad quality or inedible. Several corruption cases in the purchase of sugar have also caused controversies over the role of National Trading and Salt Trading in Nepal. The selling of duty paid liquor by National Trading does not necessarily justify its objective in procuring necessary commodities for the nation.

The recent food grain (rice) deficit in several districts including Kathmandu and the yearly shortage of food in several parts of western Nepal is an indication of inefficiency of the National Food Corporation. The frequent shortage of petroleum and LPG in the market indicates that NOC has not been able to fulfill its objectives either.

Nepal Oil Corporation serves as a flagship example of political influence in the decision making process of public enterprises which manifests itself in the poor financial health of the enterprise. Our consultation with experts as well as references to a number of reports suggest that petroleum being a politically charged issue has resulted in the corporation failing to adjust domestic oil prices to the fluctuations in international market. This combined with rampant corruption, leakages

and increased cost of transportation explains the heavy losses and large loans of NOC.

The public enterprises in the trading sector are responsible for delivery of adequate and quality goods and services in a timely fashion. With cases such as shortage of fertilizers, food grains, petroleum, cases of rotten subsidized rice in Nepal Food Corporation storage facility (Singh, 2013) and also the cases of quantity theft in petrol pumps (Sharma & Shrestha, 2007) the effectiveness of the sector is compromised.

The monopoly of most of the PEs in the trading sector, frequent shortages of goods and service they provide, the huge losses incurred by them and the large loan amounts provided by the government clearly demonstrates an inefficient system in dire need of a systematic policy overhaul. These corporations have only added to the tax payers' burden without providing timely, affordable and efficient supply of goods and services as has been mentioned in the objectives of these corporations.

3.3 Service Sector

There are a total of 7 enterprises under the service sector namely Industrial District Management Ltd., National Construction Company Nepal Ltd., Nepal Transit and Warehouse Company Ltd., Nepal Engineering Consultancy Service Centre Ltd., Nepal Airlines Corporation, National Productivity and Economic Development Centre Ltd. and Civil Aviation Authority of Nepal.

The National Construction Company and Nepal Engineering Consultancy Service have not been in operation for a long time. Similarly, the National Productivity and Economic Development Center does exist but has not been carrying out its core function. They serve as Asian Productivity Organization (APO) secretariat.

The PEs in the service sector are governed by four different ministries and three different acts. The PEs under the service sector are supposed to

provide services like management of industrial district, feasibility study, construction, storage services, consultancy services, project study, seminar training, productivity strengthening, cargo, passenger travel and arrival fee services.

Service Delivery, Costs and Contributions of the sector

The objectives of Industrial District Management (IDM) as listed in the Annual Performance Review (MoF, 2012) are: a) conduct feasibility study of new Industrial Districts, b) provide infrastructural facilities, c) promote, manage and supervise industries in Industrial Districts, d) disseminate information on feasible projects and e) find opportunities for investment. The failure of IDM in fulfilling its objectives can be seen in the high level of corruption in allotting the plots and in creating non-functioning so-called Industrial Districts (Gopakumar, 2012). Nepal Engineering Consultancy Service Center had no transactions in the year 2010/11 and also reported a loss of NRs. 30 lakhs. With the exception of two aviation related enterprises, all other enterprises are in cumulative profit though three out of the four were in net loss in the year 2010/11.

The total share capital (equity) of PEs under the service sector is NRs. 1,14,679.27 lakhs. The financial health of the two public enterprises related to aviation, Nepal Airlines Corporation (NAC) and Civil Aviation Authority of Nepal (CAAN)'s are of major concern in this sector. NAC has a cumulative loss of NRs. 16,212.18 lakhs and CAAN has a cumulative loss of NRs. 7,493 lakhs. Both these organizations have loan amounts which surpass their cumulative losses.

Out of the 7 PEs in the sector, only Industrial District Management has provided a dividend of 57 lakhs to the government and the remaining PEs have produced no dividends.

In terms of creating employment, the government has been able to employ 2,663 people in the service sector. The employee contribution in

terms of operating profit at a positive 9.10 is the best in the sector compared to others. The average investment (loan and equity combined) per unit of employment creation amounts to NRs. 36.39 lakhs. The Civil Aviation Authority has the highest investment per unit of employment at NRs. 188.27 lakhs while Nepal Productivity and Economic Development center has the lowest investment per unit of employment at NRs. 4.4 lakhs. Although the employee contribution in terms of operating profit is better than rest of the sectors, service sector still has a very high investment requirement for employment creation and retirement benefit payable worth NRs. 12,193.92 lakhs.

The issue of irregularities, theft, misappropriation of funds, and the poor performance of the national flag carrier raises questions about the performance of both NAC and CAAN. Nepal Airline Corporation (previously Royal Nepal Airlines Corporation), has a total of 1600 staff members, but the airline's current fleet includes two Boeings and five Twin Otters. It operates 6 international destinations namely Delhi, Bangkok, Hong Kong, and Kuala Lumpur, Dubai and Doha. Recently, however, many of these flights have been suspended owing to the unavailability of planes. In the nineties and early 2000, the NAC faced a number of high profile corruption cases and its performance gradually fell. The poor performance can be contributed to high level of political interference in the organization (International Directory of Company Histories, 2001). In March 2013, the airlines shut down its regional office in Delhi following a huge loss where it had not been able to operate even a single flight over a period of 18 months (Acharya, 2013).

Currently there are a total of 11 Industrial Districts with 498 operating industries; 52 are closed. According to a study done by Prof. Dinesh P. Chapagain in 2002 on Industrial District out of 435 industries established in these industrial estates only 77% are in operation while 13% have closed down due to various reasons and are also unable to attract investors.

Investment in the industrial estate by IDM amounts to NRs. 2997 lakh compared to NRs. 185200 lakh by the private sector in 2011/12 (MoF, 2012a). This comparison clearly demonstrates that private investment is much higher than public investment in this sector. Nepal Engineering Consultancy has been closed since last year. These are some indications of poor performance of the PEs in service sector.

3.4 Social Sector

The 5 enterprises included in social sector are Cultural Corporation, Gorkhapatra Corporation, Janak Education Materials Centre Ltd., Nepal Television, Rural Housing Company Ltd. The enterprises in this sector are governed by four different Acts and ministries.

Service Delivery, Costs and Contributions of the sector

The objective of Cultural Corporation has been listed as promoting and preserving the culture and providing healthy entertainment to the public. The social sector's overall objective can be listed as preserving the culture, publishing books for schools, publishing newspapers, enhancing national consciousness with the help of visual media, and providing housing facilities to the needy.

The total share capital invested by GoN in the social sector amounts to NRs. 21,288 lakhs. The PE with the lowest share capital is Gorkhapatra at NRs. 115 lakhs while the highest investment of share capital is at Nepal Television with NRs. 16,489 lakhs. The government has 100% shareholding in all the public enterprises in this sector. Four out of the five enterprises in this sector received a total subsidy of NRs. 455 lakhs in the year 2010/11.

The PEs in the social sector have an outstanding loan and interest of NRs. 8,370.96 lakhs. Janak education Materials Center has the highest loan of NRs. 5,715.96 lakhs while Rural Housing has no loan at all. This sector has made a loss of NRs. 975.35 lakhs in the year 2010/11. Gorkhapatra Corporation and Rural Housing did make some amount of net profit in

the given year but this was overshadowed by the huge loss of NRs. 945 lakhs made by Janak Education. The cumulative loss of the PEs in the social sector amounts to NRs. 11,736.7 lakhs with Rural Housing being the only PE to make a cumulative profit. All other PEs have cumulative loss with highest being Nepal Television at NRs. 8,057.39 lakhs.

The contribution of the social sector in terms of dividend to the government is nil. In terms of employment, the PEs in this sector employs 2060 people. The employee contribution in terms of operating profit is negative 0.30. The average investment (equity and loan) per unit of employment generation in this sector is NRs. 14.94 lakhs. Nepal television has the highest investment per unit of employment creation at NRs. 41.1 lakhs.

Issues of providing essential items like books and newspapers have been a controversial one. Scarcity of books and various cases of corruption in these enterprises as mentioned above suggest poor service delivery. Similarly, the cost of preserving and promoting culture through Cultural Corporation and Nepal Television is turning out to be very expensive for the taxpayers. The state owned media Gorkhapatra Corporation has faced allegation of using low quality paper and of being the voice of the government only. On the other hand, the flourishing privately owned independent media and print are performing better than their public counterparts in providing these services.

The allegation of irregularities in Gorkhapatra Corporation (Ekantipur, 2011) and the issue of scarcity of books and corruption charges against the General Manager of Janakpur Education Materials Center (Karoobar, 2013) suggest that both of these corporations have not been functioning as per the objectives outlined in their incorporation documents.

3.5 Public Utility Sector

This sector covers supplying three main goods and services, namely electricity, drinking water and telecommunications through Nepal

Electricity Authority (which is the sole provider of electricity), Nepal Drinking Water Corporation and Nepal Telecommunication Company (NTC) respectively.

Service delivery, Costs, and Contributions of the sector

The PEs in this sector aims at providing the above mentioned goods and services to the public at an affordable price. While the first organization, Nepal Electricity Authority has a near monopoly in all four core function of electricity generation, transmission, distribution and supply, it is also one of the highest loss making enterprises among all the 37 public enterprises. Nepal Drinking Water Corporation is the only organization with central pipeline to directly supply drinking water to homes and yet it has failed to perform. NTC, on the other hand, has come a long way since deregulation of the sector in early 2000. It now competes with other national and international telecommunications service providers in the country and is the only organization which has paid huge dividend to the government in the year 2010/11 along with large amount of taxes.

The total share capital of the public utility sector amounts to NRs. 4,10,424.11 lakhs with NEA having the highest share capital of NRs. 2,56,948.11 lakhs. The government has 100% shareholding in Nepal Drinking Water and NEA and has 92% shareholding in NTC.

PEs in public utility have a total of NRs. 8,12,579 lakhs as outstanding loan. Although NTC has no loan or payable interest, the remaining two PEs have heavy loans payable to banks and financial institutions.

In terms of electricity and drinking water, the respective PEs are not able to provide the public with both quality and adequate supply of these essential services. Scarcity of electricity results in as high as 16 hours a day power cut during the dry season and acute scarcity of regular drinking water supply along with the supply of poor quality drinking water indicates

unsatisfactory performance by PEs in this sector. However, NTC has been quiet exceptional in terms of improving its services.

The contribution of NTC in this sector has been crucial for the overall financial health of the PEs in this sector. NTC alone has made a profit of NRs. 1,21,203 lakhs in the year 2010/11 but due to the loss of NEA and Nepal Drinking Water amounting to NRs. 60,892 lakhs and NRs. 430 lakhs respectively, the overall profit of PEs in this sector has declined to NRs. 59,881 lakhs. Similarly, the contribution of NRs. 3,88,939 lakhs as cumulative profit by NTC is not able to shine in the overall outlook of the sector due to cumulative loss of NEA amounting NRs. 2,71,882 lakhs and Nepal Water Supply Corporation cumulative loss amounting to NRs. 4,247 lakhs.

NTC is one of the most important telecom operators in the nation. NTCs market share of mobile users is 64% and its market penetration is increasing. On the other hand, an assessment report by Jalsrot Vikas Sansthan (JVS) on Nepal Drinking Water Corporation Biratnagar branch in 2012 indicates problems like irregularity of meter reading, delayed services, and corruption. The problem of political interference, increasing load shedding hours and increased corruption in NEA suggests NEA has not been able to meet its objectives.

The PEs in the public utility sector show mixed results in terms of contribution. Although NTC has been able to provide return to the government (dividend) of NRs. 54,896 lakhs, the other two have not been able to provide any dividend at all.

In terms of employment, the PEs in this sector employ 15,332 people. The employee contribution in terms of operating profit is positive 0.04. This is largely because of the performance of NTC. The average investment (equity and loan) per unit of employment creation is NRs. 57 lakhs per employee with NEA having the highest per employee investment of NRs. 115.2 lakhs.

3.6 Financial Sector

The 9 PEs under the financial sector are: Agricultural Development Bank Ltd., Rastriya Beema Sansthan (Life/Non-life), NIDC Development Bank, Rastriya Baniyya Bank Ltd., Deposit and Credit Guarantee Corporation Ltd., Nepal Housing Development Finance Company Ltd., Nepal Stock Exchange Ltd., Citizen Investment Trust, Hydroelectricity Investment & Development Company Ltd.

Service delivery, Costs and Contributions of the sector

The PEs in the financial sector are mainly concerned with providing banking, insurance and stock exchange services to the public. Of the nine PEs in this sector, Hydroelectricity Investment & Development Company Ltd. did not have any transactions during 2010/11.

The total share capital of the financial sector amounts to NRs. 2,050,77.15 lakhs with Agriculture Development Bank Ltd. having the highest share of NRs. 94,743 lakhs. The PEs in this sector have an outstanding loan of NRs. 75,090.39 lakhs with only three PEs having loan payable to GoN and other bank and financial institutions.

The total profit of the 9 enterprises under this sector amounts to NRs. 51,568.35 lakhs for 2010/11. The biggest profit maker was Agricultural Development Bank Ltd. with a profit of NRs. 23,654 lakhs. Surprisingly, even the financial sector has a cumulative loss totaling NRs. 1,97,321.13 lakhs with Rastriya Badiyya bank having the highest accumulated loss of NRs. 1,37,181.15 lakhs.

Out of the 9 PEs in the financial sector only Nepal Housing Development Financing Company Ltd. has provided the government with a dividend of NRs. 26 lakhs. In terms of employment the PEs in this sector are providing employment to 6,316 people with Rastriya Badiyya Bank employing the highest number of people. The employee contribution in terms of operating profit is positive 3.08. The average investment (equity

and loan) per unit of employment creation for the financial sector stands highest at NRs. 1,193.98 lakhs per employee. The loan and investment flow of the PEs in financial sector has reached 10,73,300 lakhs in the current year suggesting high loan flow. In addition to this, a large number of banks and branches have also increased the access to finance.

4. Analysis of Overall Performance

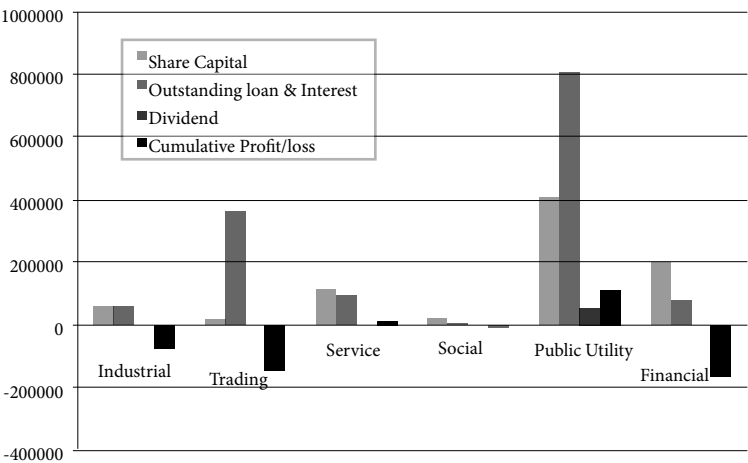
The sector wise analysis reveals that few PEs have produced net profits and are successful in fulfilling their objectives. However, from a sectoral perspective, all PEs face cumulative losses in the industrial sector, all but one enterprise face cumulative losses in the trading, social and public utility sectors. The service sector seems to have a relatively better financial health with only two PEs incurring cumulative losses. In terms of huge cumulative losses and loans, few PEs stand out: Nepal Oil Corporation, Udaypur Cement Industry, Janakpur Cigarette Factory, Nepal Orind Magnesite, Nepal Airlines Corporation and Nepal Electricity Authority. Even for the other public enterprises running on some marginal profit, it is important to note that they have done so at a substantial cost to the government. The Figure 1 makes it apparent that even with huge investments in share capital and loans in all PEs, out of five sectors, the only sector making net profit is the public utility sector. Even then, the profit can be solely attributed to NTC.

This paper uses employment generation as a non-commercial objective targeting welfare to assess the performance of PEs in welfare promotion to a certain extent. According to Nepal Labor Force Survey (CBS, 2011), 78.3 percentage of Nepal's economically active population is employed. PEs employ a total of 32,361 people. Therefore, PE's contribution to employment generation comprises 0.15 percentage of the total employed labor force of Nepal.⁴ At the same time, one measure used to assess the cost of employment generation was the investment requirement per unit

⁴ This method has a tendency to show higher costs in capital intensive industries. However, in the absence of other measures, this method does provide an estimate of costs incurred.

of employment created. Across all sectors, the investment requirement per unit of employment created is costing at least above one million Nepali rupees of tax payers' money. Therefore, the welfare objective in the case of Nepalese PEs in terms of this analysis demonstrates a rather dire situation. With opportunity cost consideration, the total cost of these enterprises seems even higher.

Figure 1: Investment and Returns of PEs (Figures expressed in Nepali Rupees in lakhs)



Considering the effects of crowding out the private sector, diverting state resources that could otherwise be invested in other important basic social sectors such as health, education, and so on, the true cost of these enterprises seem enormous especially in a developing economy like Nepal where the tax paying bracket is low and every penny can have a higher effect when used efficiently.

4.1 Challenges/Problems

According to Raut (2012), "Different studies (Manandhar, 1993; Manandhar and Bajracharya, 2000; Paudel, 2009; Economic Survey, 2009) univocally identified that PEs were dismal performer ascribed to the lack

of commercial orientation, inadequate autonomy, poor accounting and accountability, managerial inefficiency, low technological know-how, overstaffing with inappropriate skill mix, subsidy dependent, corruption, mis-utilization of resources, and negligence, which has led to additional vicious financial burden on the state. The poor performances of PEs have often been attributed to weak management practices of the heads of these institutions, as the heads were not appointed based on competencies but on political connections, which has seriously compromised commercial underpinning and bolstered managerial inefficiency.”

This list provides a summary of challenges and problems in the sector. Majority of these challenges imply underlying structural and institutional problems that have not been resolved in the PE sector.

Some of the key issues that have been cited as underlying challenges during our consultation with representatives of PEs and experts are presented below.

4.1.1 Balance between profit and non-profit motives

One of the fundamental issues facing Public Enterprises is striking a balance between the dual ends of profit making and also providing services out of the realm of profit. As state enterprises, PEs are expected to serve both commercial and non-commercial goals. However, as mentioned earlier in the paper, a primary reason behind choosing Public Enterprises as a policy tool compared to pure welfare projects and programs is the sustainability of these enterprises.

An important question is what if profitability is incompatible with public service delivery? If the answer is affirmative, having an enterprise is not the best policy tool to serve the function. A welfare program might be a better option. If the answer is no, then success lies in finding the balance. During our consultation with executives at PEs, one of the prime difficulties faced while running a PE was serving this dual function. In this context, it is important to determine the primary focus among the two components.

It is possible that due to lack of a clear commercial focus, the ability of the PEs to provide goods and services has been compromised. This is apparent by the fact that many PEs are dependent on their shareholder (i.e. the government) to frequently inject funds for their sustenance.

4.1.2 Balance between autonomy and accountability

Political intrusion in operations of PEs are regularly cited as a major challenge in the functioning of these enterprises. Intrusions are usually seen in the form of making investment decisions in projects with little or no financial returns to carry in votes, supply of products and services at prices that are bound to push these enterprises into unsound financial health, recruitments in the enterprises as political favors, etc. According to Asian Development Bank [ADB], UK aid from the Department for International Development [DFID] & International Labour Organization [ILO] (2009)'s publication on Nepal's Critical Development Constraints, "Public enterprises have been instruments of political patronage for rewarding political supporters and for providing employment. These practices have undermined the quality of management and accountability of public enterprises and saddled them with high labor costs and low productivity". However, autonomy will help enhance performance only when combined with accountability.

"Proponents of the property-rights literature have suggested that public ownership per se is inherently less efficient than private ownership (Furubotn and Pejovich, 1972) and that the diffused nature of public ownership makes it impossible for the public at large to control and monitor management's or policymakers' behavior" (Doamekpor, 1998). As an enterprise where the government is a majority shareholder, the ultimate formal authority remains with state. Therefore, the public are the real owners of these enterprises. In this relationship, the entity towards which accountability lies – government and people – both are very vague. When translated at an operational level, the organization is under the line ministry. However, since the 'government' is the owner, its power of influence goes beyond the line ministry to higher authorities. In this

situation, accountability is low at the bureaucratic and political level and instances of rent seeking behavior in the government and PEs support this observation.

Overall, it is largely ownership structure that creates ground for political interference and a complex relationship between autonomy and accountability.

4.1.3 Balance between commercial and bureaucratic orientation

Since public enterprises utilize government investments which are in fact tax payers' money, there are several cautions taken on the part of legislations and structures that guide the operations of these organizations. Haile-Mariam & Mengistu (1988) explain:

“These control mechanisms include the national legislature, the sectoral ministry responsible for state enterprises, the ministry of finance, and control agencies which are all charged by law to see to it that public enterprises do not run a consistent loss and fail to accomplish their objectives. However, the control and accountability mechanism can become a ‘bureaucratic bottleneck’ unless there is a political commitment on the part of the government to ensure efficiency.”

This applies to Nepal as well. In this regard, the South Korean and Pakistani experience with the ‘signaling system’, which consists of setting clear and reasonable objectives, measuring actual performance and incentive systems for successful managers may offer a workable alternative (Haile-Mariam & Mengistu, 1988).

Paudel (2006) highlights that, when PEs evolved in Nepal, in many cases, units already existing as government departments were converted into statutory corporations and other kinds of autonomous bodies. The residual effect of this is still visible in many PEs in Nepal when they run more like a government's department than as an enterprise. This bureaucratic

culture also hampers the enterprises from having a commercial orientation towards running an enterprise.

4.1.4 Overall incentive structure

All the above mentioned issues contribute in creating a distorted incentive system under which PEs function. Due to high degree of political interference in Public Enterprises, most decisions are made on the basis of political considerations rather than economic feasibility and profitability. “As a result, few choices and incentives are given to managers to maximize economic residue. For example, in the Indian context these socio-economic objectives include the promotion of income and wealth redistribution, creation of employment, promotion of regions, promotion of import substitution, and being ‘model employers’” (Marathe, 1989 as cited in Majumdar, 1998). This point of view resonated during our consultation with executives of PEs and experts. The primary incentive related challenge in the case of Nepal’s PEs is also that there are few consequences and few rewards for poor financial performance and increasing profitability respectively (Sharma, 2013). Similarly, continuous financing of poorly performing PEs does not restore their profitability, and often creates negative performance incentives. Explaining this kind of context, Alan Waters (as cited in Haile-Mariam & Mengistu, 1988) maintains that ‘economic theory is now quite explicit and clear that due to the nature of ownership, and hence incentive, a state entity cannot be as efficient as private entity in the production of the same output’.

4.1.5 Institutional Challenges

The public enterprises of Nepal are scattered under different ministries and are governed by several Acts. A total of 11 Acts govern the PEs in Nepal out of which Company Act governs most of the PEs in the country. The situation is similar for the governing ministry. The PEs fall under 10 different ministries out of which Ministry of Industry and Ministry of Finance control 14 of the enterprises. This makes proper management of the PEs difficult for the government to monitor. The

Ministry of Finance is the main government body responsible to monitor and evaluate the PEs. Public enterprises does not fall under the priority function of MoF and since MoF is already overloaded by other financial and economic issues it has been unable to pay due attention towards the monitoring and evaluating performance of PEs. The Annual Performance Review of Public Enterprises 2012 prepared by the MoF states the problem as “Clear policy and mechanism are found lacking for the monitoring and evaluation of Public Enterprises. Proper monitoring and evaluation of the business plan and programs conducted by the Public Enterprises have not been carried out by the line ministries effectively.”

Another major concern for the PEs is collective bargaining and trade union management. A lot of PEs are affected due the constant closure from labour related issues. The main concern of the trade union is increment in wages and salaries and increase in benefits to the workers. As mentioned in the Annual Performance Review of PEs 2012, out of 30 PEs studied nine mentioned issues relating to employees’ service and facilities. The election to identify the official trade union has not been conducted in any of the PEs for several years.

The line ministries and the concerned authorities have tried to address the issue. However the demand of the unions seems to continually increase and spread from one PE to another. Some of the demands have been so extravagant that the concerned management had forwarded the case to the line ministries and the government.

5. Recommendations

Asian Development Bank (ADB) produced a report on benchmarking the performance of PEs which points out that the following:

“...The key to successful SoE reform is to infuse SoEs with private sector discipline, competitive market pressures, and clear consequences for nonperformance. This forces SoEs to meet their costs of capital and divest any activities that are not commercially viable. When SoEs remain under public ownership, the process of “commercialization” is incremental and, where political commitment to ongoing reform is weak, can be reversed. Privatization, in contrast, is immediate; it relies on a transfer of ownership to accelerate, intensify, and lock in the benefits of commercialization. Full privatization, however, is not always politically feasible nor the most suitable reform mechanism. In these cases, partial privatization (such as joint ventures and public-private partnerships) can help improve SoE performance.”

5.1 On increasing autonomy: Ownership

The eleventh five year plan of the government, given the dismal performance of PEs, had stressed the fact that it was time to “to adopt a disinvestment policy to release resources locked in those Public Enterprises (PEs) where the government’s involvement is deemed no longer necessary and/or its presence renders them uncompetitive.” The analysis of the five out of six sectors namely, Industry, Service, Public Utility, Social and Trading, demonstrates that resources are indeed locked in Public Enterprises.

Especially in the Industrial, Social and Trading sector, the government run enterprises are not competitive in comparison to the private sector. Hence, the vision of the eleventh plan regarding disinvestment has to be implemented. This can be done initially in the three least competitive sectors (industrial, social and trading) as shown by the analysis through various mechanisms such as selling the shares to staff and public, bringing strategic partners and gradually decreasing government ownership. The autonomous PEs would need a proper monitoring and evaluation mechanism from the related ministry for its effective functioning. The PEs should also be capacitated to run autonomously which would include facilitation role from the government's side. The autonomy of PEs should be exercised judiciously. Similarly, there needs to be an incentive mechanism in place in order for the top notch officials to use their autonomous power judiciously.

5.2 On developing Commercial Orientation: Competition and hard budget constraints

Success of PEs largely depends on the ability to develop a commercial orientation in running the enterprise as well as setting up strong governance structures. This usually involves placing public enterprises on an equal playing field as private enterprises. This means refraining from providing budgetary supports and also discontinuing the provision of loan guarantees. The fact that government run offices are highly bureaucratic and involve a lot of hassles in the decision making process should be considered while developing a commercially oriented PE. The bureaucratic orientation of the existing PEs has made effective functioning of the PEs impossible due to the process involved in making decision for even a simple purchase. The government needs to address the need of the hour and cut back its involvement in producing products like cigarettes, cement, talcum powder and many other products which can easily be provided by the private sector.

5.3 On decreasing non-commercial goals: encouraging alternative policy tools for sustainable welfare

One of the reasons behind the poor performance of PEs is the difficulty to balance between commercial and non-commercial (welfare and service delivery) goals. For e.g. in the case of supply of chemical fertilizers through AICL, huge subsidies are poured in every year and despite this it results in inadequate, untimely and low quality fertilizer supply. In such cases policy alternatives have to be considered. For instance providing direct subsidies to farmers (rather than through AICL) through fertilizer coupons might be a more efficient method. This might also encourage private sector to provide services in this area. Currently, the private sector is unable to compete with the highly subsidized fertilizers. Since, subsidies are not sustainable, it is imperative to start working on developing private sector in fertilizer supply and this kind of alternative policy tool will be helpful in gradually opening up the sector. Similar example is presented in a 2012 ADB report which benchmarks performance of PEs in Papua New Guinea, “in Fiji, private companies already provide both subsidized shipping and air transport services under contract to the government; this process has allowed the subsidy to be reduced over time as the volume of users increase, making the services more commercially viable.” Therefore, the non-commercial goals of enterprises should be slowly transferred through alternative policy tools to ensure sustainable welfare.

5.4 Umbrella Organization

As already mentioned above the PEs fall under several ministries and are governed by several Acts. This creates a huge bureaucracy and adds red tape to enterprising solutions. Therefore, the time has come for the government to re-evaluate this approach to running PEs. An umbrella institution which could look over all the PEs and guide them according to their needs and demands is necessary. This institution needs to be

autonomous without political intervention and appointments. Since, MoF is already overloaded with other core functions like budget and other economic activities, this institution backed up by an Act could increase the efficiency of decision making in PEs. This institution could work similar to the holding company concept. Decisions on matters like identification of policy reform initiatives, hiring of human resource, resolving collective bargaining and trade union issues and monitoring and evaluation with adequate legal basis and other resources could be undertaken by this umbrella institution. The Public Enterprise Directive Board that has been given the responsibility of operating PEs with coordination and promoting competition and professionalism has been a positive initiation of the government that needs to be strengthened and could be developed as the potential umbrella institution for the PEs.

5.5 Classification of PEs

The government established PEs during the time when private sector was underdeveloped. The intention of the government was to provide affordable goods and services to the public at a reasonable price and also to generate employment. Another important objective was to help control private sector's monopoly. The objectives of the PEs were justified when private sector was not so comprehensive during the initial period. However, over the years, the private sector has grown and has the capacity to provide goods and services to the public. The private sector has also contributed immensely in generating employment in the country. Since, the products and services are being provided and employment also being generated by the private sector the government needs to rethink its strategy of doing business.

Although most of the products and services could be provided by the private sector, some essentials like electricity which has limited potential of private sector participation especially in transmission and distribution and is under the sole monopoly of NEA still could be delivered by the PEs. The government needs to classify the products and services according to its

importance and only be involved in providing those products and services that cannot be delivered by private sectors. Products like cement, cigarette and services like airlines that have been effectively provided by the private sector all around the world could be left to the private sector in Nepal as well.

5.6 Structural and Managerial Changes for increasing autonomy and accountability

As expressed in the former section of the paper, the issue of accountability, monitoring, political interference and developing corporate competence remain some of the key challenges in the performance of PEs. One of the reasons that allow fostering such practices is the fact that PEs are scattered over ministries and hence the scope of political influence is really high. Therefore, an umbrella body for the overseeing and management of PEs is necessary, which can decrease the avenue for political interference and create a shorter channel for ensuring accountability, swift decision making and timely monitoring.

One of the primary causes of inefficient performance in government structure is the incentive system in place in Nepal. Therefore, for PEs to perform better, the incentive structure and performance management requires a serious overhaul. If the staff performance is tied to meeting specific sales and if inefficient performance is discouraged through disincentives then we can expect better performing PEs. This practice has been one of the primary features of Vietnam after its economic reform process. While subsidies were removed, the incentive structure facing bureaucrats in PEs also was changed significantly in Vietnam.

This kind of management overhaul and structural changes is also required for the various boards that govern PEs. Therefore, a detailed study on the industrial organization of PEs in Nepal is the need of the hour. This study can then propose individualized reform for PEs structure and management based on the ground realities facing these enterprises.

6. Concluding Remarks

Public Enterprises as a government policy in Nepal requires strategic re-thinking. It has been mired in inefficiency arising from various management malpractices. While an overhaul is suggested, setting aside political economy considerations to do so would only lead to further chaos. Privatization may have been cited by many agencies as the only solution to the public enterprises in Nepal. However, there are many steps to take before we head to privatization and in some cases, retention of government ownership may be the need of the day.

PEs tend to suffer from the classic ‘tragedy of the commons’ phenomenon (Harden, 1968) worldwide. Albeit, limiting any analysis to simply touting the tragedy of the commons argument misses several complex nuances of the public enterprises in Nepal. Better incentives for PEs that are performing well along with the staffs of those enterprises may be the first step towards reform. Similarly, introducing reform towards increased autonomy and cutting down existing subsidies especially in sectors where the private sector adequately supplies the product may be another step in the direction of reform.

This paper is an attempt at analyzing existing status and defining the direction of reform. There are many marginal changes that can lead us towards the path of reform. As this paper emphasizes the reform agenda needs to take into consideration the various stakeholders involved in PEs. Attempts at major reform without the buy in of relevant stakeholders may be futile attempts as previous experience in Nepal clearly demonstrates. Above all, public enterprise reform is an agenda that requires further in depth research especially on policy options that are localized to Nepalese context.

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Annexes

Annex 1: List of People consulted for 'Analysis of the Performance of Public Enterprises'

Name	Organization
Mr. Bimal Wagle	Public Enterprise Directive Board
Mr. Sushil Bhattra	Nepal Oil Corporation
Mr. Padma Lal Maharjan	Sajha Yatayat
Mr. Mahendra Pandey	Sajha Yatayat
Mr. Surendra Thike	Nepal Telecom
Mr. Bashudev Sharma	Ministry of Finance
Mr. Shankar Man Singh	CNI
Mr. Nirajan Shrestha	Laxmi Group
Mr. Siyaram P. Singh	Dairy Development Corporation
Mr. Tej Bd. Budhathoki	Agricultural Development Bank
Mr. Indra Sitoula	Nepal Food Corporation
Mr. Krinshna Prasad Acharya	Employees Provident Fund
Mr. Shankar Lamichhane	NTC Trade Union
Mrs. Hima Chapagain	Herbs Production and Processing Co. Ltd.

Samriddhi, The Prosperity Foundation an introduction

Samriddhi, The Prosperity Foundation is an independent policy institute based in Kathmandu, Nepal. It works with a vision of creating a free and prosperous Nepal.

Initiated in 2007, it formally started its operations in 2008. The specific areas on which the organization works are:

- i. Entrepreneurship development
- ii. Improving business environment
- iii. Economic policy reform
- iv. Promoting discourse on democratic values

Centered on these four core areas, Samriddhi works with a three-pronged approach—Research and Publication, Education and Training, Advocacy and Public Outreach.

Samriddhi conducts several educational programs on public policy and entrepreneurship. It is dedicated to researching Nepal's economic realities and publishing alternative ideas to resolve Nepal's economic problems. Samriddhi is also known for creating a discourse on contemporary political economic issues through discussions, interaction programs, and several advocacy and outreach activities. With successful programs like “Last Thursdays with an entrepreneur” and “Policy Talkies”, it also holds regular interaction programs bringing together entrepreneurs, politicians, business people, bureaucrats, experts, journalists, and other groups and individuals making an impact in the policy discourse. It also hosts the secretariat of the ‘Campaign for a Livable Nepal’, popularly known as ‘Gari Khana Deu’.

One of Samriddhi's award winning programs is a five day residential workshop on economics and entrepreneurship named Arthalya, which intends to create a wave of entrepreneurship and greater participation among young people in the current policy regime.

Samriddhi is also committed towards developing a resource center on political economic issues in Nepal called Political Economic Resource Center (PERC) currently housed at Samriddhi office. It also undertakes localization of international publications to enrich the political economy discourse of Nepal. Samriddhi was the recipient of the Dorian & Antony Fisher Venture Grant Award in 2009, the Templeton Freedom Award in 2011 and the CIPE Global Leading Practice Award in 2012.

(For more information on the organization and its programs, please visit www.samriddhi.org)

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01. Towards Enterprise Building in Nepal
02. Towards Enterprise Building in Nepal (Vol. II)
03. उद्यमशीलता विकास: हाते पुस्तिका
04. Economic Growth: a pocketbook series
 - i. आर्थिक स्वतन्त्रता
 - ii. उद्यमशीलता विकासमा बजारको भूमिका
 - iii. बजारका गुणहरू
 - iv. Role of Rule of Law in Enterprise Building
 - v. Role of Government in Enterprise Building (Vol. I)
 - vi. Role of Government in Enterprise Building (Vol. II)
05. Economic Growth and The Private Sector of Nepal
06. दसत्वको बाटो (Nepali Translation of “The Road to Serfdom”)
07. Nepal Economic Growth Agenda (NEGA), Report 2012
08. Critical Constrains to Economic Growth of Nepal
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15. Foreign Direct Investment: Towards Second Generation of Reforms
16. Industrial Relations An Institutional Analysis
17. Doing Business in Nepal: Ground Realities
18. Competitive Watch in Key Growth Sectors of Nepalese Economy

All the publications are available in Samriddhi, The Prosperity Foundation and major bookstores in the country.

'Analysis of the Performance of Public Enterprises' is one amongst six research paper series prepared for the Nepal Economic Growth Agenda (NEGA), 2013. NEGA is an annual constraints analysis performed by Samriddhi Foundation to identify, deliberate and offer policy alternatives to existing policy bottlenecks that hinder Nepal's economic growth.

After NEGA 2012 identified five growth sectors of the Nepalese economy viz. agriculture, education, tourism, hydropower and infrastructure, NEGA 2013 focuses on researching cross-cutting issues that affect growth in all these sectors and hinders Nepal's economic growth process. The cross – cutting issues covered by NEGA 2013 are industrial relations, contract enforcement, anti-competitive practices, foreign direct investment, public enterprises and regulatory environment for businesses.

This study uses identified measures of performance and attempts to evaluate the performance of Public Enterprises in Nepal on both commercial and non-commercial grounds. This paper streamlines challenges faced by PEs from various sectors and finally outlines recommendations that can help overcome these challenges which include revision of the incentive system, structural reforms for autonomous functioning and a serious re-evaluation of the significance of some PEs. Overall, this analysis points to key reform agendas that are needed to meet the welfare objectives of the government. It also lists broader categories that require further policy research for a wider reform agenda.



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