

Neoliberalism: The Ideological Dilemma of Nepali Congress

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Abstract

This comprehensive analysis examines the Nepali Congress (NC) party's complex relationship with neoliberal economic policies over three decades of democratic transition. As Nepal's dominant centrist force, NC has championed market liberalization, privatization, and international integration since the 1990s, positioning these reforms as essential for development. However, these policies have generated profound contradictions: entrenched inequality, agricultural decline, remittance dependency, and geopolitical vulnerability amid Sino-Indian rivalry. Drawing on political economy frameworks and empirical data, this study argues that NC's embrace of neoliberalism has undermined its social democratic foundations while failing to deliver structural transformation. The party now faces an existential dilemma-maintaining elite alliances forged through neoliberal patronage or reclaiming its redistributive legacy to address widespread disillusionment with Nepal's fragile democracy strained by chronic instability. Therefore, NC's navigation of this dilemma will determine both the party's survival and developmental trajectory of Nepal.

Keywords: *Neoliberalism, political economy, social democracy, agrarian crisis, remittance economy, geopolitical balancing, ideological reorientation, political trilemma, rentier economy, truncated modernity, perverse incentives.*

1. INTRODUCTION: THE CROSSROAD OF IDEOLOGY AND PRACTICE

Neoliberalism the ideology and policy model that emphasizes the value of free market competition. Although there is considerable debate as to the defining features of neoliberal thought and practice, it is most commonly associated with laissez-faire economics. In particular, neoliberalism is often characterized in terms of its belief in sustained economic growth as the means to achieve human progress, its confidence in free markets as the most efficient allocation of resources, its emphasis on minimal state intervention in economic and social affairs, and its commitment to the freedom of trade and capital, profound by Friedrich Von Hayek and Milton Friedman (Chicago School) during the 1980s as the theoretical level and different international financial/trade institutions; 4,IMF,WTO, introduced at operational level (Steger & Roy,2010). US President Ronald Reagan (1979-90), British Prime Minister Margaret Thatcher (1981-89) practiced at operational level as the remedy capsule of economic stagnation increasing public debt facing by western economies at that time, which strongly advocate; market **supremacy** (free and competitive market) as the major tool for efficient management of resources to achieve prosperity by new innovation and efficiency. **Reduction on state role** deregulation, and minimization on subsidies for

fair competition of market. **Privatization** of public enterprises and service corporations to reduce government burdens. **Individualism and entrepreneurship** to make responsible for success or failure to individual. **Free trade and flow of capital** for fair competition of market by omitting the barriers of international trade and financial market accepting the globalization process. **Financial discipline** by reducing government expenditures, taxes and controlling the monetary inflation for stable economy (Harvey, 2005; 2007). Whereas, “**Democratic Socialism**” which is the “**Foundational Ideology**” of Nepali Congress (NC) profound by B.P. Koirala as the fundamental ideology, based on specific socio-economic structure of Nepal strongly advocate; **Ultimate goal Socialism** to establish equitable and exploitation less society with the provision of social ownership or controlling on means of production. **Democratic path** to achieve goal by the guarantee of democracy, pluralism, constitutional means, civil freedom, protection of human right with the strong rejection of violent revolution as well as authoritarianism. **Mixed economy** coexistence and cooperation between public and private sectors with the economic supervisory and developmental directory role of state. **Welfare State** by the lead role of state to provide education, universal health care, social security and basic services to people prioritizing to poverty alleviation, employment generation and social justices. **Cooperative revolution** as the primary means for economic development and social justice through efficient mobilization of grass root resources and skills with direct participation of stakeholders (Koirala, 2055). At the same time B.P. was convinced that, socialism can't be established only by formulation of policies and programs but we should have commitment for renunciation and selfless spirit. For further clearance B.P. opinioned, “ The attributes like; religion, true voices, reality, love, sacrifice and selflessness deserve different existence in human life, socialism aims to inputs these attributes on the practical life, it is not rational to take them meaningless as if these ideal attributes couldn't be acceptable on practical life, the main objective of socialism is to provide meaning to these attributes (Karki, 2025)”. Therefore, socialism is not only a ideology but the practical series of meaningful life.

Nepal's transition from absolute monarchy to federal democratic republic represents one of the South Asia's most complex political transformations. The restoration of multiparty democracy in 1990 marked not merely a political shift but an **ideological reorientation** towards economic liberalism under the stewardship of the Nepali Congress (NC). This founding party of Nepalese democracy, with its social democratic roots, paradoxically became the primary vehicle for implementing neoliberal reforms advocated by international financial institutions. As Nepal's political landscape fractured through civil conflict (1996-2006), royal massacre (2001), and constitutional upheavals, NC maintained consistent commitment to market liberalization as the engine of development. Yet nearly three decades later, the **promised prosperity** remains elusive for most citizens. Instead, Nepal exhibits the classic contradictions of **peripheral neoliberalism**: impressive macroeconomic indicators masking profound structural weaknesses, with GDP growth primarily driven by remittance accounting for 25% of GDP rather than productive investment (Kusum, 2025).

This article argues that NC's neoliberal turn has generated a **political trilemma**-simultaneously undermining the party's legitimacy, exacerbating socioeconomic inequality,

and weakening state capacity (Dhungel, 2025). We analyze this through three interconnected dimensions: Firstly, the **historical compromise** whereby NC traded its redistributive agenda for elite alliances and international finance. Secondly, the **governance paradox** where democratic institutions facilitate extractive rent seeking rather than developmental outcomes. Thirdly, the **geopolitical trap** of leveraging foreign aid and investment amid intensifying Sino-Indian rivalry. The study draws on policy documents, economic data, and political economy literatures to trace how NC's embrace of Washington Consensus principles created self-reinforcing dependencies that now constrain its policy options. With the party leading yet another fragile coalition government in 2025, its capacity to resolve this trilemma will determine not only NC's political future but the democratic stability of Nepal (Karki, 2025). Therefore, NC has the immediate responsibility to control chronic ejection of economic discipline on executive sectors in the name of neoliberalism in Nepal to incorporate neoliberal policies with the concerns of marginalized section of society as the new pragmatic version of neoliberalism of 21 century.

2. THEORETICAL FRAMEWORK: NEOLIBERALISM AS IDEOLOGY AND PRACTICE

Neoliberalism transcends its common reduction to **economic policies**, functioning as what David Harvey terms a “theory of political economic practices” that posits human well being is best advanced by liberating entrepreneurial freedoms within a institutional framework of private property rights, free markets, and free trade. The **ideological core** of neoliberalism rests on neoclassical economic assumptions about rational actors, efficient markets, and the distorting effects of state intervention (Harvey, 2007). In Nepal's context, this ideology arrived prepackaged within structural adjustment programs (SAP) during the 1980s as the tool of reducing fiscal deficit that prescribed **uniform policy prescriptions** regardless of local economic structure—a phenomenon critiqued as “one-size-fits-all” development.

The theoretical tension at the heart of Nepal's experiences emerges from the **contradiction between ideology and ground realities**. As Sugden's research on Nepal's eastern lowlands demonstrates, neo-classical assumptions about “rational profit-maximizing farmers” fundamentally misread the **non-capitalist economic relations** dominating rural Nepal: “The depoliticizing essence of these neo-classical assumptions is often functional to imperialist capital accumulation through diverting attention from and 'naturalizing' capitalist class exploitation. However, a case study from Nepal's lowlands demonstrates how such ideologies also gloss over the non-capitalist forms of surplus appropriation present in rural Nepal”. This theoretical misalignment between market fundamentalism and **Nepal's socioeconomic structures created** implementation challenges that would haunt the neoliberal project.

From a Marxian political economy perspective, Nepal presents a fascinating case of **arrested agrarian transition**. Unlike classical Marxist predictions of capitalist transformation in agriculture, Nepal's countryside exhibited **persistent pre-capitalist relations that mediated** market integration. Sharecropping arrangement, interlocked factor markets, and production relations created what Althusser termed an “overdetermined” social formation

where multiple modes of production coexisted and interacted. This theoretical understanding helps explain why the Agriculture Perspective Plan's vision of creating entrepreneurial smallholder failed to materialize as planned-the **social relations of production** proved resistant to neoliberal assumptions.

3.HISTORICAL CONTEXT: FROM WELFARE STATE TO MARKET FUNDAMENTALISM

3.1. The socialist Origins of Nepali Congress

Founded in 1947, NC emerged from anti-Rana resistance with a **Socialist Orientation** inspired by India's Congress Movement. Its foundational manifesto emphasized land reforms and abolition of Birta, Rajya-Rajuta system, provision of tenancy rights, policies for land ceiling, nationalization of natural resources, village centric planning, pension and social security, policies to protect workers' wages and conditions, mixed economy model, universal healthcare(starting of 5 hospitals), mandatory primary education within five year (establishment of 2200 primary schools) and establishment of Tribhuvan University for higher education, state-led industrialization(Janakpur Cigarette Factory, Birganj Sugar Mill)-principles institutionalized during(1959-1960) the B.P. Koirala's premiership (Acharya,2025)). During the Panchayat Autocracy (1960-1990), NC maintained underground networks through **rural cooperatives** and peasant organizations. This legacy positioned NC as the natural ruling party following the 1990's Jana Andolan(People's Movement) that restored multiparty democracy. However, the global ideological context had shifted decisively toward neoliberalism following the debt crisis of the 1980s. When NC formed Nepal's first democratic government in three decades, it confronted **simultaneous transitions**: political democratization required economic stabilization under international Monetary Fund (IMF) conditionalities (Thompson,2025). Hence, the cumulative stagnation on economy at that moment left no option except to be flexible for the implementation of neoliberal policy with the objective of structural transformation on economy for sustainability as the accordance of national priority, which had laready indorsed since 1980s as Structural Adjustment Program (SAP) in Nepal.

3.2. The Neoliberal Turn:1990s Reforms

The 1991 Administrative Reform Commission, established with World Bank guidance, became the **architectural blueprint** for Nepal's neoliberal transition. Its recommendations centered on three pillars: (1) **deregulation** of private sector activity,(2) **privatization** of state-owned enterprises, and(3) **liberalization** of foreign trade and investment(Kusum,2025).

NC implemented these through landmark policies:

- **Industrial Enterprises Act(1992)**: Abolished license-permit, offered tax holidays for exports.
- **Foreign Investment and Technology Transfer Act(1992)**: Allowed 100% foreign ownership across sectors.
- **Financial Sector Reform Program(1989-1995)**: Liberalized banking, and dissolved credit controls.

These reforms initially generated optimism. Private investment in banking, telecommunications, and hydropower surged, with foreign direct investment(FDI) reaching \$163 million by 1995-triple the pre-reform average. However, this masked underlying **structural flaws**. As Sugden argued (2009), “ the Agricultural Perspective Plan(APP) typified the technocratic naiveté of NC’s approach. Designed by the Agricultural Projects Service Centre(APROSC) with New Zealand consultants, APP assumed that removing” distortions” would automatically transform subsistence farmers into commercial entrepreneurs. Instead, pre-capitalist class structures in Nepal’s eastern Terai region prevented market integration, as landlords and merchant intermediaries captured input subsidies while smallholders remained credit-constrained and risk-averse”. Like this, APP institutionalized the broker ladder on agriculture.

Table 1: Neoliberal Policy Shifts Under Nepali Congress Governments(1990-2025)

Policy Domain	Pre-1990 System	Post-Reform Model	Key Legislation
Agriculture	Subsidized inputs, state procurement	Market-determined prices, input deregulation	Agriculture Perspective plan(1995)
Industry	License-permit system, public sector dominance	Automatic registration, privatization	Industrial Enterprises Act(1992)
Finance	Nationalized banks, credit allocation	Private banks, liberalized interest rates	Financial Sector Reform Program(1989-95)
Trade	Import substitution, high tariffs	Export promotion, tariff reduction	Foreign Investment Act(1992)
Public Services	State provision	Public-private partnerships	Local Government operation Act(2017)

(Literature Review,2025)

3.3.The Post-War Consolidation

The Maoist insurgency(1996-2006) inadvertently **deepened neoliberalization** as conflict and bankrupted the state. By 2005, Nepal had received nine IMF bailouts since 1976, each demanding stricter austerity (Bhatta,2022).

The Comprehensive Peace Agreement (2006) traded Maoist demobilization for NC’s acceptance of ethnic federalism-a compromise that expanded political inclusion but ignored economic justice. Post –conflict reconstruction became dominated by **donor-driven frameworks** like the 2010 Nepal Peace Trust Fund, which prioritized private infrastructures over welfare programs. When NC returned to power in the 2013 Constituent Assembly, it enshrined market fundamentalism within the 2015 Constitution. While the preamble promised a “socialism-oriented state”, Article 51(d) mandated and “economic liberalization” Article 51(j) prioritized “private sector investment” as engine of growth

(Nepal's Constitution, 2072). The regulation free constitutionalizing of neoliberalism occurred as remittances displaced production: agriculture's GDP share collapsed from 50%(1990) to 23%(2025), while service ballooned to 57%-mostly informal trade and finance(Bhatta,2022; Dhungel,2025).

Table 2: Chronology of Neoliberal Policy Implementation in Nepal

Period	Key Policies	Driving Actors	International Context
1990-1995	Economic liberalization, Industrial Policy;1992; Privatization of SOEs	Nepali Congress government; World Bank/IMF	Washington Consensus; post-Cold War democratization
1996-2006	Agriculture Perspective Plan(APP);WTO accession; Private education expansion	Coalition governments; Donor consortium	Millennium Development Goals; Maoist insurgency
2007-2015	Social security expansion; Remittance led growth; Infrastructure PPPs	Post-conflict coalition government	Post-conflict reconstruction; SDG framework
2016 - present	Populist welfare schemes; Selective protectionism; Federalism implementation	All major parties including Congress governments	Rising inequality critiques Climate crisis

(Literature Review, 2025)

As to the table no. 2 since 1990 onwards, when major neoliberal policies and provisions implemented for operation usually all major political parties were coalition partner for governments in different periods except first government, none of them discarded the neoliberal policies formally because of the undeniable reality, but all of them accuse to NC for the negative outcomes of neoliberal implementation in Nepal as the sole responsible actor for the their chief popularity. In spite of such irresponsible politics it would be better to search collectively, the solution that how can make neoliberal practices responsible toward social justice.

4. NEPALI CONGRESS AND THE NEOLIBERAL PROJECT: CONTRADICTION OF SOCIAL DEMOCRATIC PARTY

3.1. Ideological Swinging and need of Safe-navigation

NC's internal documents reveal persistent **ideological tension**. The 2012 party manifesto declared NC "committed to social democracy and democratic socialism", yet its economic agenda echoed World Bank diagnostics: " facilitate private investment", "promote public-private partnerships", and " reform labor laws"(Dhungel,2025). On the socialist program of first elected government of NC, was indorsed the policy to encourage the foreign investment with attractive concession on tax. In this context, during the visit of India as

Prime Minister, B.P.Koirala offered to Indian capitalist tax free for 10 years and provision of full security, if they invest on Nepalese industrial development. Likewise, during the US visit of Deputy Prime Minister and Finance Minister Subarnashamsher JBR requested to American Foreign Minister and entrepreneur to invest in Nepal and had a agreement also (Gautam,2066). Likewise, NC's current ideological positioning-market-friendly rhetoric combined with welfare populism-reflects an unresolved dilemma rather than coherent synthesis. NC's recent embrace of populist welfare policies signals a profound ideological reckoning with neoliberalism's limitations. In its 2022 local election manifesto, the party promised unprecedented social protections under the slogan "Kokh dekhi shok samma"(from womb to tomb), including: free sanitary pads for all women, elderly allowances from age of 65yrs. reduced from existing 70 yrs., free electricity for agriculture, 50% power tariff exemption for agro-processing, free health insurance for vulnerable groups(Shrestha,2022). This welfare expansionism represents a remarkable pivot for the party that championed state retrenchment in the 1990s. political observers not the NC's strategic adaptation to electoral realities. As Professor Achyut Wagle observes: "The NC appears to be trying to prove that it is more socialist than others and has adopted the socialist redistributive model of the economy, deviating from its policy of free market economy...After seeing the communist forces making electoral gains by promising freebies, the Congress also appears to be in a bid to woo voters with giveaways" (Shrestha,2022).

NC party attempted rhetorical balancing-invoking "inclusive growth" and "pro-poor policies"-but material outcomes favored capitalists. Corporate tax rates fell from 50%(1990) to 25%(2020), while regressive VAT became the largest revenue source 28% of collections (Kusum,2025).

Land reform vanished from agendas despite 65% of farmers remaining landless or nearer-landless. As this context former Finance Minister Ram Sharan Mahat admitted this neglect: "Land reform became politically inconvenient once business groups funded election. We focused on growth, assuming trickle-down would suffice"(Dhungel,2025). NC's **dual constituency**: urban business elites financing campaigns and rural poor providing votes. Urban industrialists organized through bodies like the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) gained unprecedented access under NC, drafting policies through high-level commissions. Meanwhile, NC's peasant base suffered from input subsidy cuts and the dismantling of the Agricultural Inputs Corporation (1993), which had provided affordable seeds and fertilizer s(Sugden,2009). Nepalese socio-economy is sailing over tornado of two waves-extreme pro-neoliberals who advocate theoretical implementation of neoliberalism as it is, and the extreme pro-socialists who are biased or ignorant about the contribution of private investment and only treat to private sectors as thieves ignoring the ground reality of country-on the one hand we need more investment for development and growth, without wealth we can't bear our social obligations, and on the other hand mass section of the people is on the vulnerable poverty yet. So, we don't have the leverage to ignore them. Therefore, NC should navigate the proper destination making neoliberal policies responsible toward welfare obligation too by tactful coordination between public and private sectors.

4.2. Political Economy of Rent Extraction

Neoliberalism in Nepal evolved into a **kleptocratic system** where political power enabled private accumulation. Political leaders and their business allies established vertically integrated cartels controlling key sectors:

- **Hydropower:** Licenses awarded to Private companies without competitive bidding.
- **Banking:** 80% of new bank licenses (2007-2015) went to politicians across parties.
- **Education/Health:** Private institutions owned by leaders received tax exemptions and land concessions.

This fusion generated what Bhatta terms “**plutocratic democracy**”—elections became investment opportunities where campaign spending(up to NPR 50 Million/seat) was recouped through kickbacks and contracts(Bhatta,2022). The 2015 constitution institutionalized this through federalism, creating three governance tiers (federal, provincial, local) that multiplied rent-seeking opportunities without enhancing services. Local governments received only 15% of budgets but 85% of responsibilities, ensuring service collapse (Dhungel,2025)

Table 3: Nepali Congress’s Dilemma: Social Democratic Promises vs. Neoliberal Realities

Social Democratic Pledge	Neoliberal Outcomes	Contradiction
Equitable Growth	Top 10% captured 56% of wealth(2023)	Rising inequality(Gini:0.49)
Land Reform	3.2% landlords control 41% Terai land	Agricultural stagnation
Public Services	70% health/education privatized	Elite capture: leaders own hospitals/schools
Labor Rights	Flexible labor laws(2017)	80% informal employment without benefits
Accountability	13 governments since 2008	Chronic instability enables corruption

(Literature Review,2025)

5. SOCIOECONOMIC CONSEQUENCIES: THE UNRAVELING OF DEVELOPMENT

5.1. Agrarian Crisis and Forced Migration

Agricultural sector of Nepal epitomizes **neoliberal contradictions**. Despite APP’s promise of commercialization, productivity growth stagnated at 1.3% annually (1995-2025), below population growth (Sugden,2025). Trade liberalization proved catastrophic: tariffs on Indian cereals averaged 5% versus India’s 30-80% on Nepalese product. This asymmetry flooded Nepal with subsidized Indian rice and wheat, collapsing farm gate prices. Between

2000-2020, rice production fell 24% while imports surged 400% (Kusum, 2025). The resulting deagrarianization saw 1.2 million households (34%) leasing land to neighbors or leaving it fallow. Sugden's fieldwork in Morang district revealed how "non-capitalist modes of surplus appropriation" persisted, with sharecroppers paying 50-70% of harvests to landlords while bearing all production costs. Without state support, these farmers couldn't transition to commercial production (Sugden, 2009).

This crisis fueled unprecedented **labor exodus**. By 2025, over 4.2 million Nepali (14% of population) worked abroad—mostly in Gulf states and Malaysia. Remittances hit \$11 billion (25% of GDP), masking agrarian collapse (Kusum, 2025). NC governments facilitated this through labor export agreements rather than domestic job creation. The consequences are stark: 92% of migrants are under 45 years of age, creating rural "gerontocracies" where elderly and children manage farms. Brain drain devastates public services; 65% of health posts in western Nepal lack doctors, partly because 28,000 Nepali medics work overseas (Dhungel, 2025).

5.2. The Remittance Trap

Remittance sustains Nepal's macroeconomy but generates **perverse incentives**. Finance accounts for 64% of imports, creating Dutch Disease effects that suppress manufacturing (now 5.4% of GDP). Consumption-driven inflation (averaging 7.8% since 2010) erodes competitiveness, while real estate speculation diverts capital from productive investment. NC's policy responses worsened this: real estate lending grew at 25% annually (2015-2025), exceeding industrial credit growth (7.2%). The result is a **rentier economy** where elites profit from trade, finance, and property rather than production (Kusum, 2025).

Politically, remittances enable NC's avoidance of structural reforms. As Finance Minister Yuba Raj Khatriwada conceded: "Remittances are our fiscal buffer. When revenues fall, we rely on remittance-fed consumption taxes" (Dhungel, 2025). This allows perpetual deficit: tax-to-GDP remains 18% (below the 25% developing country average), constraining infrastructure spending. Public investment averages 5.1% of GDP—half the South Asian mean—explaining Nepal's pathetic infrastructure ranking 112th in quality (Bhatta, 2022).

6. THE GeO{POLITICAL DILEMMA: AMONG CHINA, INDIA, AND AMERICA

6.1. The Indian Factor

NC's foreign policy historically balanced non-alignment with **economic pragmatism** toward India, which dominates Nepal's trade (64% share) and supplies all petroleum products (Haqqani, 2025). However, neoliberal integration deepened dependence: Nepal's exports to India stagnated at \$850 million (2023) while imports hit \$8 billion, creating chronic deficits (Dhungel, 2025). NC governments signed unequal treaties like the 2014 power trade Agreement allowing Indian companies to develop hydropower for export rather than domestic needs. When NC attempted rebalancing—as during Prime Minister Deuba's 2017 visit to China—India imposed informal blockades, remaining Nepal of its leverage (Bhatta, 2022).

6.2. China’s Neoliberal Authoritarianism

China offered NC an alternative development model: **authoritarian neoliberalism** combining state-led infrastructure with market discipline. Through the Belt and Road Initiative(BRI), China pledged \$10 billion for 35 projects, including highways and hydropower(Haqqani,2025). However, BRI exacerbated NC’s dilemma: projects like the Nechung dry port prioritized Chinese strategic interests over Nepalese needs, while financing terms risked debt distress. After Sri Lanka’s 2022 crisis, NC delayed BRI implementation, angering pro-China factions(Bhatta,2022).

6.3. The American Gambit

The Millennium Challenge Corporation(MCC) compact exemplified NC’s **geO{political tightrope**. Signed in 2017, this \$500 million US grant for transmission lines and roads became mired in accusations of sovereignty violence. NC’s pro-MCC stance alienated communist allies, causing coalition collapses in 2021-22(Bhatta,2022). With President Trump slashing aid, Nepal lost crucial budgetary support, forcing greater reliance on Sino-Indian finance. This dependency constrains policy space: when Nepal sought to regulate Chinese digital payment system in 2024, Beijing threatened BRI suspension(Haqqani,2025).

Table 4: Foreign Economic Engagement Under Nepali Congress Governments

Partner	Key Initiatives	Economic Impact	Political Dilemma
India	Power Trade Agreement(2014), Oil pipeline	Dominates trade(64%), controls energy	Sovereignty concerns, unequal treaties
China	BRI(2017), 10 projects signed(2024)	\$2 billion committed, infrastructure	Debt risks, communist faction pressure
United States	MCC Compact(\$500 million grant)	Energy/road projects	Sovereignty debates, aid volatility
Multilateral	9 IMF programs since 1976	Stabilization funds, technical aid	Austerity conditionalities, policy constrains

(Literature Review, 2025)

7. THE POSITIVE OUTCOMES OF POST-LIBERLIZATION

Though often criticized for deepening inequalities, agricultural decline, remittance dependency, and geO{political vulnerability, in the context of a developing nation like Nepal, some aspects of neoliberalism have produced positive outcomes. This article offers a critical yet optimistic assessment of neoliberalism’s role in shaping Nepal’s economic and social progress.

7.1. Economic liberalization and market growth

Nepal began embracing neoliberal economic reforms in the 1990s, particularly after the implementation of the Structural Adjustment Programs (SAPs) in coordination with the

World Bank and International Monetary Fund (IMF). These reforms aimed at reducing fiscal deficit, liberalizing trade, encouraging private investment, and minimizing state control over key industries. As the result:

- Foreign Direct Investment(FDI) began to flow into sectors such as tourism, hydropower, telecommunications and banking.
- The private sector grew more competitive, contributing to employment opportunities and service diversification.
- Microfinance institutions and cooperatives flourished, providing financial access to previously unbanked rural populations.

7.2. Promotion of private sector and entrepreneurship

One of the hallmarks of neoliberalism is the empowerment of the private sector.

- The rise of private educational institutions, hospitals, media houses, and business has increased access and quality of services for many citizens.
- Entrepreneurship has expanded, particularly among the youth, though a growing startup ecosystem supported by deregulation and open markets.
- The government's move to encourage Public-Private Partnerships(PPPs) in infrastructure development(e.g., hydropower and road construction) reflects a neoliberal influence and has accelerated development.

7.3. Enhanced global integration

Neoliberalism facilitated Nepal's greater integration into the global economy. This has;

- Increased labor mobility, enabling millions of Nepalis to work abroad and send remittance, which now contribute over 25% to the national GDP.
- Encouraged global trade, with Nepal gaining membership in the World Trade Organization(WTO) in 2004, boosting exports of textiles, handicrafts, and agricultural products.
- Promoted the digital economy, as liberalized telecommunication and internet services have enhanced access to global knowledge, e-commerce, and online education.

7.4. Strengthening civil society and democratic institutions

Though neoliberalism is primarily economic in focus, its emphasis on individual rights, transparency, and accountability has indirectly benefited Nepal's democratic process;

- NGOs and INGOs, often functioning under neoliberal framework, have contributed to development, education, women's empowerment, and disaster relief.
- The decentralization of authority, especially after the federalization of Nepal in 2015, aligns with the neoliberal principle of localized governance and citizen participation.

7.5. Innovation in service delivery

Market-driven competition has led to significant improvements in service delivery;

- Private healthcare and education institutions have introduced better quality service, advanced technologies, and modern infrastructure.
- Financial inclusion has improved through private banks and digital finance platforms, helping rural populations access saving, loans, and insurance.

8. CHALLENGES AND CAUTIONS

While neoliberalism has had notable positive outcomes, it must be acknowledged that:

- Income inequality and regional disparities persists.
- Privatization has sometimes marginalized the poor who can't afford basic services.
- Market dependency can make Nepal vulnerable to global economic shocks.

Thus, a balanced approach-embracing the benefits of neoliberalism while ensuring social protections-is necessary.

9. PATH FORWARD: RESOLVING THE DILEMMA

In essence within the modern integrated world none of the country, society and economy can be sustained being alienated with global phenomena like; globalization and neoliberalism but question is important that; in what extent a country accept or indorse these phenomena on behalf of own benefit or surrender ignoring domestic priorities to address others grievances(Clein,2007). In the context of Nepal in 1980s almost all Public Enterprises(PEs) were on loss due to price control, political interference, lack of autonomy and corruption being burden for government to subsidize the huge amount 5%-10% of annual budget for salary, debt and other operational expenditures. Likewise, trade and business was limited within handful oligarchs contributing very nominal part on GDP (World Bank,1989). Therefore, managerial lapses on public enterprises (PEs) and non-diversified trading and business couldn't generate the revenue for government budget. Due to this, during the decade of 1980s or in 1985 then Finance Minister Prakash Chandra Lohani indorsed the Structural Adjustment Program(SAP), one of the major initiative for neoliberalism prescribed by IMF&4 (the major catalysts for neoliberal policies) to address their concerns of restructuring their loans which Nepal had laready received as well to get new loans again to reduce fiscal deficit, liberalize trade, encourage private investment and minimize state control over key industries (Bajracharya,1989; Rimal,2009).

Therefore, management of neoliberal policies in Nepal was not only the ignorance or grievances of NC but was the ground necessity of country to rescue from the sinking economy incorporating with unavoidable global phenomena taking the challenges of statesmanship for good faith.

After the restoration of multiparty democracy in 1990, Nepali Congress Party got majority in parliament and formed government under the premiership of then party president Girija Prasad Koirala. The expectations of people were very high but the financial status of country was very poor; in the financial year 1990/91 out of total 64 governments institutions, 27 were in loss and the total loss for that year was 79 crore 69 lakh rupees (Hriti Foundation, 2024). The globalised trade and business sectors(institutions) were searching virgin(closed) places to expand their trade through multinational corporations as well as their native governments if needed more pressure.

During this integrated world currents, State-Minister of Finance Mahesh Acharya and Vice-President of National Planning Commission(NPC) Ram Sharan Mahat (later Finance Minister) crafted and launched policies and programs to implement the neoliberal policy

(which had already endorsed by previous government of Panchayat Ruling Regime) with the good faith to liberate closed trade and business into the open global arena for enhancing innovation, skill and competitive strength to achieve benefit from global market with the expectation of strengthen the national economy through the structural transformation of subsistence agriculture, trade, business into commercial and mass productive scale generating mass employment, opportunities and national revenue for sustainable economy.

In spite of the targeted goals expected by government, NCP leaders and whole Nepalese society, neoliberal policies launched by NC governments couldn't attain expected objectives due to unstable governments, 10 years armed conflict, lack of entrepreneurship and honesty among Nepalese private sectors, irresponsibility among Nepalese bureaucracy, rent seeking intuition among Nepalese politicians, irrational civil societies and less curious citizen(Hriti Foundation,2024).

Now, NC can't retaliate from the commitment but should be responsible towards the executive weaknesses during the implementation of neoliberal programs which made defensive to NC party and committed to aware lead the policies according to national priorities with the strong provision of regulatory mechanism to safe from the deviations against the main ethics of neoliberalism(theoretically neoliberalism beliefs on fair, free competitive market exercises but not cartel, cronyism and rent seeking) and should take ownership of the multiple achievements in the sectors like; telecommunication, tourism, banking, microfinance, hydropower, IT, education, healthcare, cooperative, macroeconomic resilience and productivity with the commitment to incorporate following welfare concerns within the ongoing neoliberal frameworks in Nepal:

9.1. Reclaiming Social Democracy

NC faces a **historic choice**: deepen neoliberalism without correction and risk popular revolt or reinvent social democracy(Pragmatic post-neoliberal approach) for 21st century. The latter requires bold shifts as following:

- **Progressive Fiscal Reform:** Raise corporate taxes to 35%, introduce wealth taxes, and boost social spending from 7% to 15% of GDP specially focusing to effective Public health, education, and safety-nets.
- **Agrarian Revival:** Price supports for staple crops, investment in processing infrastructures, land reform targeting absentee landlords, large and middle range agro-farms with transparent state regulation with PPPs model for commercialization of agro sectors, provision of competitive(rational) market with state regulation to control cartel, logical application of WTO's provisions to promote domestic production, youth-friendly agro-policies, compulsory cooperative agro-farming for jobless youths with the guarantee of monthly salary up to first harvesting or production(paid salary amount should be refunded from their parts of income by farming).
- **Industrial Policy:** Strategic protection for agro-production and processing, hydropower equipment manufacturing, herbs and mines processing and pilgrimage tourism with subsidies until their competitive strength to international markets.

- **Skill Upgrading:** Vocational training tied to domestic industrial(production, financial, agro, herbs, mine, tourism, pilgrimage, sports, service etc.) needs rather than Gulf labor markets with prior detailed study of domestic market and immediate need or future projection of country.
- **Ideological Clarity for Reliability:** Constitutionally, NC must enforce Article 51's "socialism-oriented" provisions rather than treating them as decorative collaborating neoliberal stakeholders convincing them NC's democratic socialism is not the classical socialism but the **neo-socialism**(socialism of 21st century) or **pragmatic post-neoliberalism**(hybrid of socialism and neoliberalism).

9.2. Federalism with Accountability

Federalism could decentralize development if reformed. NC should champion:

- **Fiscal Devolution:** Guarantee local governments 40% of revenues with flexible spending authority.
- **Participatory planning:** Mandate community assemblies to prioritize projects, reducing contractor-political collusion.
- **Anti-Corruption Institutions:** Empower provincial auditors general to investigate procurement.

9.3. Balanced Geo-economics

Navigating the Sino-Indian rivalry requires **principled pragmatism:**

- **Diversified Trade:** Fast-track agreements with Bangladesh and ASEAN to reduce dependence on India.
- **Renegotiate BRI:** Limit projects to economically viable infrastructure without sovereign guarantees.
- **Domestic Resource Mobilization:** Expand tax base to reduce aid dependency from 26% of national budget.

10. CONCLUSION: THE FUTURE OF DEMOCRACY IN NEPAL

In the context of Nepal, neoliberalism has served as a catalyst for economic modernization, global integration, and institutional reform. Its emphasis on free market and individual initiative has empowered the private sector, opened new opportunities for youth and entrepreneurs, and supported Nepal's transition into a more dynamic economy. However, the true success of neoliberalism in Nepal lies in how equitably its benefits are distributed. With cautious and inclusive implementation, neoliberal policies can contribute to positively shape Nepal's development trajectory. Whereas, Nepali Congress stands at a crossroads familiar across the Global South: how to reconcile global market integration with domestic welfare imperatives. Its three-decade embrace of neoliberalism delivered neither structural transformation nor poverty eradication. Instead, it created a **truncated modernity** where shopping malls rise alongside collapsing schools, and youth dream of Dubai rather than Dharan. Party's original social democratic vision-articulated by B.P.Koirala as "equity with growth"-remains unrealized(Adhikari,2075).

NC's dilemma reflects broader tension in late neoliberalism. As capital mobility increases, parties representing popular classes face brutal tradeoffs: satisfy international markets or domestic constitutions. NC choose the former, becoming what political economists call a “**comprador party**”-facilitating external interests rather than national priorities. The costs are evident: Nepal ranks 129th in human development index despite 4% GDP growth, with life expectancy(71 years) trailing Bangladesh(74) and (77) of Sri Lanka(Dhungel,2025).

Breaking this impasse requires courage to confront the oligarchic networks NC helped create which is not practicing the real neoliberal ethics but as the anarchist chronic capitalism. The recent coalition government offers a final opportunity to lead the deviated economy into the right track making accountable to all stakeholders for public-private harmony. NC should take leadership to maintain mutual trust among the domestic stakeholders as well as international agencies concerned to neoliberal programs in Nepal. Otherwise, it risks extinction-outflanked by communist parties offering populist alternatives and ethnic parties demanding identity-based redistribution. But should NC reclaim its social democratic roots, building cross-class alliances around production rather than extraction, it could yet fulfill its founding promises: democracy that empowers not just politically but economically(Koirala, 2055). Therefore, countries and societies of the modern world can't be sustained being alienated from the global phenomena and global economy but the developing countries like Nepal should accommodate neoliberalism integrating with ground necessity incorporating best policies of both socialism and liberalism as “**pragmatic post-neoliberal approach.**” The constitutional commitment to “socialism-oriented” development need not mean rejecting market entirely but rather embedding them within democratic governance and social justices framework. As Nepal navigates federalism implementation, climate challenges, and post-pandemic recovery, transcending the neoliberalism debate toward contextually grounded solutions remains the imperative task for the Nepali Congress Party and all political forces shaping the nation's future.

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