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Engaging The Private Sector

Next Nepal Under the New Normal

EVENT REPORT

Date: October 7, 2026
Venue: Institute for Integrated Development Studies (IIDS)
Roundtable with Mr. Siddhartha Rana and senior executives of his group of companies

Executive Summary

As part of its flagship Niti Daudaha initiative, IIDS convened a roundtable with Mr. Siddhartha Rana and senior executives from his group of companies to discuss Nepal's economic outlook and what it will take to unlock the country's next phase of growth. The session brought IIDS's macroeconomic diagnosis into conversation with the experience of business leaders, moving from national indicators to the practical questions that shape investment and enterprise.

Dr. Biswash Gauchan, Executive Chair of IIDS, framed Nepal's situation as secular stagnation, a prolonged period of weak growth in which reassuring external indicators, such as remittances, foreign-exchange reserves and a current-account surplus, can hide a lack of dynamism at home. Average growth has moved from around 4.3 to 4.5% since the early 1990s to closer to 3%. Credit growth has fallen from above 20% to about 6.3%, revenue growth from above 16% to 2.8%, and Nepal has lost roughly NPR 2.4 trillion in potential GDP since COVID-19. He linked this to premature welfarism, financialization, deindustrialization and depopulation, and described the departure of young people as both a symptom of limited opportunity and a threat to future productive capacity.

The central question was where the next round of investment will come from. With demand weak and confidence subdued, private investment may not recover soon. One argument was that well-targeted public spending could create demand, improve infrastructure and lower business risk, helping to crowd in private investment over time, with public-public partnerships as one way to coordinate resources around strategic projects. The quality of spending, meaning clear purpose, credible plans and accountability for delivery, mattered as much as the amount. Mr. Rana observed that Nepal's private sector is heavily concentrated in real estate rather than spread across productive enterprise, and asked how capital can be steered toward industry, services, exports, innovation and jobs. Participants raised corruption and weak delivery of major infrastructure, the effect of currency depreciation on growth ambitions, and the systemic risk of a real estate boom, since a sharp reversal could reach the banking sector. They also stressed the state's role in choosing sound projects, executing them well and giving businesses the confidence to invest for the long term.

Dr. Gauchan argued for a pragmatic approach grounded in Nepal's own circumstances rather than imported formulas or a narrow bet on tourism and hydropower. It points to a shift from exporting labour to exporting services, with openings in medical education and health, knowledge and innovation, and Nepal's cultural and geographic assets. At the current pace of dollar growth, a US$100 billion economy is more than a decade away, though a stronger, sustained rate could shorten that. Resources alone will not produce prosperity, and a recurring theme was that ambition must be matched by implementation.

Mr. Rana also reflected on his longstanding relationship with IIDS and offered to stay engaged and extend support where useful. The roundtable let IIDS hear how its diagnosis resonated with business leaders and engage with their concerns on investment, governance and the structure of the economy, which is the purpose of Niti Daudaha: bringing research into conversation with people whose experience can challenge and refine policy thinking. The meeting closed with an invitation to the IIDS Annual Policy Conclave 2026, which will focus on Nepalbaad.

Event Overview

IIDS convened a Niti Daudaha session on 7 October 2026 with Mr. Siddhartha S.J.B Rana and senior executives from his group of companies, under the theme “Next Nepal Under the New Normal.” Niti Daudaha takes IIDS research beyond policy circles and into direct conversation with the people and institutions that policy affects. It began with provincial and local governments, and this session extends the discussion to the private sector, one of the most prominent and foundational sectors of Nepal. The session opened with introductions, followed by Dr. Gauchan’s presentation, and an open discussion. Participants joined from Tara Management, Sipradi Trading, Amravati, BKPC and TEPL. The full list of attendees appears at the end of this report.



The session was set against a moment of political and economic change. A new generation entering politics has raised expectations of accountability, reform and economic opportunity, and has opened space to think differently about Nepal’s future. At the same time, the economy has entered what IIDS calls the New Normal: strong external stability alongside weak domestic activity, with subdued aggregate demand and private investment. This brings several structural paradoxes into focus. Nepal has financial resources but insufficient productive investment, a young population but continued outmigration, and considerable natural and human potential that is not translating into productivity, competitiveness and employment. The challenge, therefore, is not only to restore demand or accelerate growth, but to change the underlying pattern of economic activity so that capital, labour and enterprise move toward higher productivity and new sources of value.

Dr. Gauchan began by explaining where Niti Daudaha comes from. It grew out of the White Paper and the Development Strategy that IIDS published last year. The White Paper examines where Nepal’s economy stands today, while the Development Strategy sets out where it should go from here. Both were presented to the Ministry of Finance and the National Planning Commission ahead of the budget, and several of their recommendations have since made it into the budget for the present fiscal year.

The session was framed as the start of a conversation rather than a presentation of findings, built around one question: what kind of economy should Nepal build next, and what will it take to get there? IIDS also plans to take the conversation forward with other private sector bodies.

Stability without momentum

The presentation opened with the argument that Nepal is in secular stagnation. Growth has drifted from an average of 4.3 to 4.5% since the early 1990s to about 3%. Credit and revenue growth have slowed sharply, bad loans have risen, and Nepal has lost roughly NPR 2.4 trillion worth of potential GDP since COVID. Dr. Gauchan said weak private investment sits at the center of this, because demand has softened while investors wait. Remittances, reserves above $23 billion and a positive current account give the economy a steady face, but they have not translated into stronger domestic demand or new jobs.

He described a country that has kept both its external and internal accounts calm by sending its young people abroad. About 2,400 leave every day, and he argued that this outflow has hidden a good deal of frustration at home until the political awakening of September 2025. Many of the participants recognised the picture. The discussion kept returning to one question: if stability is not producing growth, where will the next round of investment come from?

What sits underneath

Dr. Gauchan traced the stagnation to four premature trends:

- Welfarism
- Financialization
- Deindustrialization
- Depopulation

Nepal spends heavily on welfare relative to its fiscal capacity, its private credit has climbed above 90% of GDP without matching growth, its industry has shrunk, and its population is now declining.



Dr. Gauchan added what he called the paradoxes. Remittances hold up the forex position while hollowing out the workforce. Land and housing have become far too expensive relative to incomes, and wages and land prices, once Nepal’s advantages, now work against its competitiveness. Together they trap the country in a pattern of

complacency, where political loyalty passes down families regardless of performance, remittance stability removes the pressure to change, and the belief persists that tourism and hydropower will make Nepal rich someday.

The young person's budget made the point concrete. A young Nepali earning the income of a high-income country, around $14,000 a year, would still save only about NPR 33,000 a month after rent, schooling for one child and household costs. That leaves a car and a home in Kathmandu out of reach, and Dr. Gauchan said Gen Z is worse off than earlier generations. A participant added that this squeeze exists everywhere. Dr. Gauchan agreed it is global but said it is harder to answer in Nepal, because the gap between asset prices and incomes is so wide. A participant's remark that the gap was artificial led to an interesting discussion.

A private sector built around real estate

Mr. Rana observed that Nepal's private sector, as it is usually described, is concentrated heavily in real estate rather than spread across productive enterprise. The remark gave the discussion a direction. If capital keeps flowing into land, how can it be pulled toward industry, services, exports and innovation that create jobs?

Participants linked this to risk. A sharp fall in property prices would hurt more than owners and developers, because banks hold a large share of their lending against real estate. This is the real reason prices are hard to bring down. Land and financialization have moved together and now reinforce each other. The discussion also touched on corruption in major infrastructure projects, and how it is one of the main reasons such projects fail to deliver. Dr. Gauchan added how major projects that are built without proper groundwork and geopolitical research tend to fail.

How far can Nepal aim?

On ambition, Dr. Gauchan was blunt. A $100 billion economy is not realistic in five years or even seven. At today's pace of dollar growth, about 7.5%, Nepal would get there in just over a decade, and an extra two to two and a half points of growth could bring that closer to nine years. He suggested that Nepal look to Sri Lanka as a first reference point rather than Singapore or Switzerland, which he said are out of reach in his lifetime.



A participant argued that currency depreciation is the deciding factor in any such target, since it erodes dollar growth even when the rupee economy expands. Dr. Gauchan used Sri Lanka and China to show how much exchange rates and inflation can change the picture.

He also challenged the habit of treating tourism and hydropower as the answer. Even in a strong case, the two sectors together would lift per capita income from about $1,450 to $1,900. A participant added that much of the spillover from these sectors is imported, through vehicles and construction materials, which feeds imported inflation. Dr. Gauchan agreed, and said Nepal needs to think beyond India and China and beyond tourism and hydropower. He did not dismiss the neighbours or the two sectors. His point was that they are not enough. Nepal has seen little spillover from the growth of India and China, and the aid pledged after the earthquake has largely stayed on paper, with less than 2% of the Indian pledge and under 4% of the Chinese one delivered. Foreign direct investment, at about 0.22% of GDP, trails far behind what India and China attract. In his words, aid sustains but investment transforms.

Nepalbaad and the services economy

The thread running through Dr. Gauchan's proposals was Nepalbaad, a pragmatic way of thinking built on Nepal's own circumstances rather than imported formulas. He stressed that it is not nationalism. Nepal's geography, social structure and fiscal and monetary conditions are unusual, he said, and policies need to start from that fact. Nepalbaad is also the theme of the Annual Policy Conclave 2026.

In practice, he argued for a shift from exporting labour to exporting services. Services already account for most of the economy, but education, health, information technology and professional services remain small. IIDS's own vision is a structure with agriculture and industry at 15% each and services at 70%. He sketched four flagship ideas to get there:

- An integrated medical education and health sector that could draw 10,000 foreign students
- A Global Knowledge and Innovation Hub in Kathmandu
- Kathmandu as the Heritage Capital of South Asia
- Mustang as the Himalayan Capital of the World

He added agriculture to the list, with a push for FDI and trade balance rather than self-sufficiency.

Paying for it: loans, public money and delivery

Participants pressed on how any of this would be financed. One of whom argued that Nepal should not shy away from loans and assistance if they can pay for development, noting that a single year of remittances could repay the country's entire external debt. The room largely agreed that debt is not bad in itself. Dr. Gauchan said Nepal's public debt, at about 45% of GDP, is moderate compared with similar countries, and that the binding constraint is the ability to deliver projects and spend well. Capital spending has fallen well below its earlier peak, and money pledged by India and China has often stalled in the bureaucracy.

On where the money should come from, he mentioned how the public sector should initiate the investments, acting as a catalyst for the private sector to follow through. Public funds for this purpose could be channeled through forex reserves and retirement funds. The Sovereign Investment Fund, which appears for the first time in this year's

budget, could start with $1 billion for areas such as medical education, digital infrastructure, clean energy and fertilizer plants. Public-public partnerships, he said, could help coordinate this around projects with a clear purpose. The participants' concern fitted the same theme: public investment should crowd in private capital over time, and only if projects are credible and accountable. He closed this part by showing how little NPR 1 billion a year could do when well placed, such as funding 830 professionals including judges, IT specialists and agricultural scientists.

Questions from the floor

The open round turned to three topics that guests felt were close to business and national policy.

The first was the new government. Participant noted that Nepal now has a young Prime Minister, educated ministers and a party with close to a two-thirds majority, and asked how effective it has been and when change should be expected if not now. Dr. Gauchan said the government is only six months in and moving in the right direction. Although the government is new, the system it works within is not, and that cannot change overnight. He suggested giving it a bit more time before judging how effective it has been.

The second was electric vehicles, and whether adoption is premature in Nepal. Guests asked if they should be prioritised over conventional vehicles. Dr. Gauchan said adoption has run ahead of the groundwork. A large charging network is still missing, and he suggested starting with public transport and expanding from there.

The third was the old-age allowance. Guests asked who benefits, whether it is sustainable in the Nepali context, and whether it is needed in its present form. Dr. Gauchan said the eligibility age should rise gradually so the money, now about NPR 84 billion a year, can go to more productive uses such as health. He said political parties tend to avoid the topic because of the votes involved.



Closing Remarks



Mr. Rana closed the session by reflecting on his long relationship with IIDS and offering to stay engaged and support its work where useful. Dr. Gauchan thanked the guests and invited everyone to the Annual Policy Conclave 2026, which will take up Nepalbaad.

List of Attendees

S.N	Name	Organization
1	Siddhartha SJB Rana	Tara Management Pvt. Ltd.
2	Babin Pradhan	BKPC
3	Babu Ram Kunwar	Amravati
4	Bikesh Shrestha	Tara Management Pvt. Ltd.
5	Bikram Sthapit	TEPL
6	Bishwo Karmacharya	Tara Management Pvt. Ltd.
7	Chiran Thapa	Sipradi Trading Pvt. Ltd.
8	Dipesh Shrestha	Sipradi Trading Pvt. Ltd.
9	Jiban Dallakoti	Tara Management Pvt. Ltd.
10	Jugesh Shrestha	Amravati
11	Laju Pradhan	Tara Management Pvt. Ltd.
12	Manish Agrawal	Tara Management Pvt. Ltd.
13	Rajan Babu Shrestha	Sipradi Trading Pvt. Ltd.
14	Rajan Pradhan	Tara Management Pvt. Ltd.
15	Rajesh Prasad Giri	Sipradi Trading Pvt. Ltd.
16	Raziya Shrestha	Sipradi Trading Pvt. Ltd.
17	Saurav Raj Thapaliya	Sipradi Trading Pvt. Ltd.