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The Government of Nepal, having exercised the power conferred by Section 2 of the Administrative Procedure (Regulating) Act, 2013 (1956), has enacted the following Rules.

Chapter-1

Preliminary

1. **Short Title and Commencement:** (1) These Rules may be called "Industrial Reformation Fund (Operation Procedure) Rules, 2064 (2007)".
   
   (2) These Rules shall come into force immediately.

2. **Definition:** Unless the subject or context means otherwise, in these Rules,-
   
   (a) "Fund" means the Industrial Reformation Fund established under rule 3.

   (b) "Frail Industry" means the industry fallen within the criteria prescribed by the Board as per the recommendation of the Technical Committee.

   (c) "Board" means the Board of Directors of the Industrial Reformation Fund under rule 6.

   (d) "Member" means the member of Board and the term also denotes the Chairperson of the Board.
(e) "Chief Administrative Officer" means the Chief Administrative Officer under sub-rule (2) of rule 16.

(f) "Technical Committee" means the Committee under rule 9.

Chapter 2

Arrangement Regarding the Establishment and Use of Fund

3. **Establishment of Fund:** (1) A Fund named Industrial Reformation Fund shall be established with an objective of identification of the industries being frail due to domestic conflict and having the entrepreneurial potentiality and to reform such industries.

   (2) The following amount shall be deposited in the Fund:

   (a) Amount obtained from the Government of Nepal.

   (b) Amount obtained from the Nepal Rastra Bank.

   (c) Amount obtained from Bank and financial institution and participation of the entrepreneurs intending to have reformation, and

   (d) Amount obtained from other source.

   (3) After coming into force of these Rules, fifty percent of total amount necessary for operation of Fund in the beginning shall be obtained from the Government of Nepal and the remaining fifty percent amount shall be obtained from the Nepal Rastra Bank and commercial banks.

4. **Use of Fund:** The amount deposited in the Fund shall be used for the following function:-

   (a) To make necessary study and research for the identification of frail industries,
(b) To make reformation of the frail industries identified from the study and research under clause (a),

(c) To accomplish other function prescribed by the Board in regard to the reformation of the frail industries.

5. **Restriction in Use of the Amount of Fund:** Notwithstanding anything contained in rule 4, the amount cannot be invested for the purpose of any kind of financial cooperation to anyone including donation, prize, gift, grant other than the subject relating to reformation of the frail industry.

Chapter 3

**Constitution and Functions, Duty and Rights of the Board**

6. **Constitution of the Board:** There shall be a following Board of Directors of the Industrial Reformation Fund for the purpose of operation and management of Fund:-

(a) Expert appointed by the Government of Nepal - Chairperson

(b) Representative, Federation of Nepal Chamber of Commerce - Member

(c) Representative, Nepal Chamber of Industry - Member

(d) Representative, Nepal Bankers Association - Member

(e) Representative, Small and Cottage Industries Association - Member

(f) Representative, Nepal Rastra Bank - Member

(g) Representative, Ministry of Finance - Member

(h) Representative, Ministry of Industries, Commerce and Supplies - Member

(i) Chief Administrative Officer - Member Secretary
7. **Functions, Duty and Rights of the Board:** In addition to the functions, duty and rights mentioned elsewhere in these Rules, the functions, duty and rights of the Board shall be as follows:

(a) To prescribe the amount necessary to be kept in the Fund from time to time from the Government of Nepal, Nepal *Rastra* Bank, banks and financial organizations,

(b) To identify the frail industries,

(c) To identify the reason of frailty of industry,

(d) To make feasibility study in regard to reformation of the frail industries,

(e) To prescribe the standard of the functions to be done while reforming the frail industries (financial and non-financial assistance),

(f) To make coordination with the bank and financial organization as per necessity in course of reformation of frail industries,

(g) To implement and get implemented the function of reformation of frail industries,

(h) To monitor and evaluate and get monitored and evaluated the situation of operation of frail industries that are within the scope of reformation,

(i) To submit report by reviewing the progress of reformation function,

(j) To take and cause to be taken necessary action by making coordination with the agencies like industry, creditor bank in regard to dissolution of the frail industry that cannot be reformed,

(k) To carry on other necessary function in regard to reformation of the frail industry.
8. **Meeting and Decision of Board:** (1) The Meeting of Board shall be held as per necessity.

(2) The Meeting of Board shall be held in the date, time and place prescribed by the Chairperson.

(3) Presence of more than 50 percent members of total number of members of the Board shall be deemed as sufficiency of quorum for the meeting of Board.

(4) The meeting of Board shall be chaired by the Chairperson and in his absence; the person selected by the members among themselves shall chair the Board.

(5) Opinion of majority shall be valid in the meeting of Board; and in case of a tie, the person chairing the meeting shall give his decisive vote.

(6) The Board, if it deems necessary, may invite a representative of any agency of Government of Nepal or any native or foreign expert in the Meeting of Board.

(7) The Member Secretary shall certify the minute of Board.

(8) Other procedure regarding the meeting of Board shall be as prescribed by the Board itself.

Chapter 4

**Constitution and Function, Duty and Rights of the Technical Committee**

9. **Constitution of Technical Committee:** (1) There shall be a Technical Committee as follows for the purpose of assisting the Board in the function of identification and reformation of the frail industry.
(a) A person nominated by the Board among the experts relating to banking enterprise - Coordinator

(b) An Expert appointed by the Bankers Association - Member

(c) Chief Administrative Officer - Member Secretary

(2) The Technical Committee, if it deems necessary, may invite an expert of the concerned subject as an observer in the Meeting of Committee.

(3) The procedure of meeting of the Technical Committee shall be as prescribed by the Committee itself.

10. Functions, Duty and Rights of the Technical Committee: (1) The functions, duty and rights of the Technical Committee shall be as follows:-

(a) To prepare the criteria of frailty

(b) To find out the frailty by making analysis of the actual situation of frail industry.

(c) To prepare the type of financial and nonfinancial cooperation for reformation of the frail industry.

(d) To find out the financial and nonfinancial cooperation to be provided to the frail industry.

(e) To accomplish other necessary function as prescribed by the Board.
Chapter 5

Arrangement Relating to Operation and Management of Fund

11. **Management and Operation of Fund:** (1) The amount of Fund shall be deposited by opening account with the Nepal Rastra Bank or any other commercial bank within Nepal by the Board.

   (2) The account under sub-rule (1) shall be operated with the joint signatures of the Chief Administrative Officer and Account Officer or Accountant deputed for the Secretariat of the Fund.

12. **Proposal relating to Reformation of Frail Industry to be Submitted:** (1) A frail industry intending to be reformed shall tender a proposal in the format prescribed by the Board to the Secretariat of the Frail Industries Fund.

   (2) The Technical Committee shall make necessary study, investigation, analysis and evaluation of the proposal received under sub-rule (1).

   (3) The Technical Committee shall submit a report along with the actual fact found from the study, investigation, analysis and evaluation under sub-rule (2) and its recommendation to the Board.

13. **Administrative Expenditure of the Fund:** Amount as prescribed by the Board out of the balance amount of the Fund shall be invested for administrative and other functions for the purpose of the Fund.

14. **Sanction of Amount:** The Board shall sanction for the expenditure to be made from the Fund.
15. **Account and Audit**: (1) Account of income and expenditure of the Fund shall be maintained in the account system as adopted by the Government of Nepal.

(2) Audit of the Fund shall be made by the Auditor General.

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**Chapter 6**

**Miscellaneous**

16. **Secretariat of the Fund**: (1) The Secretariat of the Fund shall be located in Kathmandu Valley.

(2) There shall be a Chief Administrative Officer to work as the administrative chief of the Fund. The Board shall appoint the Chief Administrative Officer. The Government of Nepal may prescribe a person who is working or has already worked as officer level of Bank or financial organization to work as the Chief Administrative Officer until such appointment. The Government of Nepal may depute any officer level staff of Government of Nepal to work as the administrative officer.

(3) There shall remain staff in necessary number in the Secretariat of the Fund.

(4) The terms and conditions of service, remuneration and other facilities of the Chief Administrative Officer and staff shall be as prescribed by the Board.


18. **To Maintain Records**: (1) The Fund shall maintain an up to date records of the accomplished functions.
(2) The Fund shall deliver the records maintained under sub-rule (1) to the Ministry of Finance after termination of the Fund.

19. **The Government of Nepal may Direct:** The Government of Nepal may give necessary direction to the Board in regard to the operation and management of Fund under these Rules and the Board shall have duty to abide by such directions.

20. **Tenure of Fund:** (1) The Fund shall exist until the Government of Nepal dissolves it by publishing a notice in the Nepal Gazette.

   (2) The amount remained in the Fund in the time of dissolution under sub-rule (1) shall be deposited in the agency which is prescribed by the Government of Nepal in the time of dissolution.

21. **Directory may be Enacted:** The Board may enact directory to implement the reformation program for the frail industry and to make arrangement of necessary procedure in this regard.