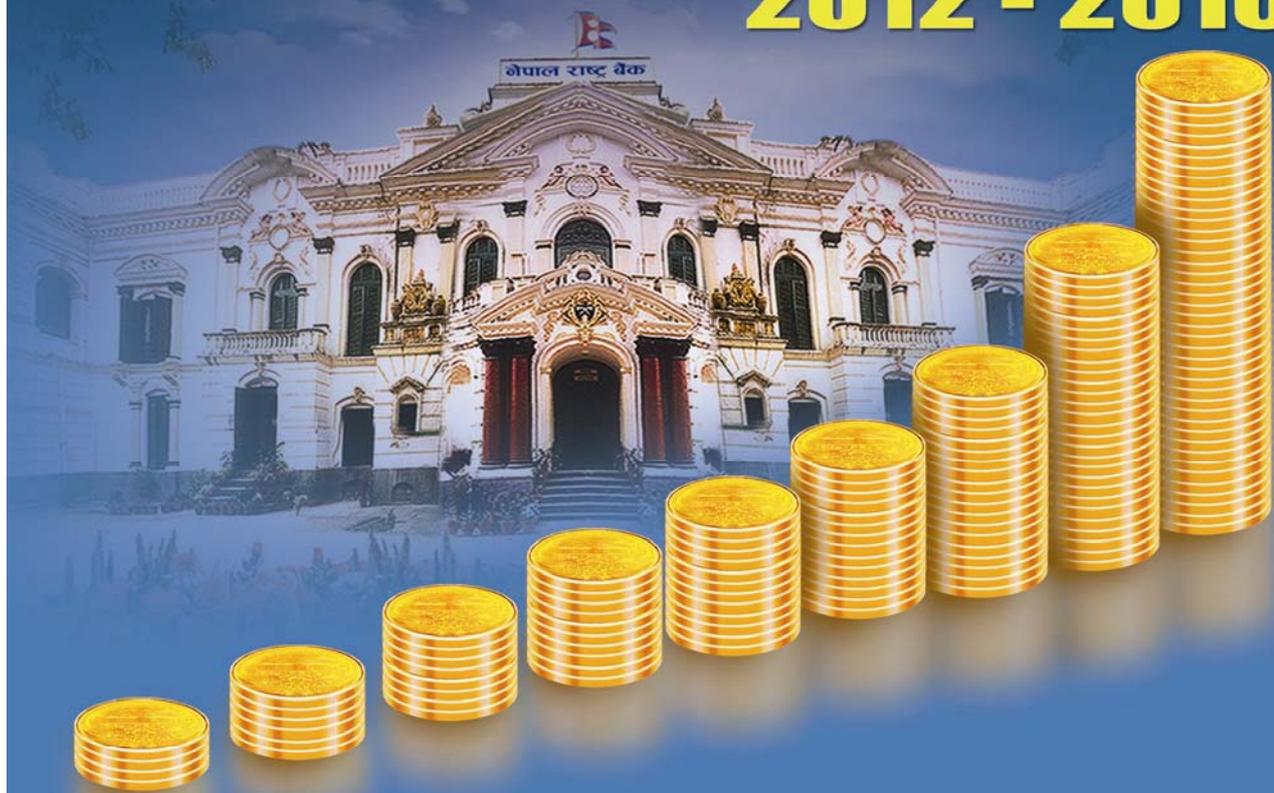


# Nepal Rastra Bank

## STRATEGIC PLAN

### 2012 - 2016





**Nepal Rastra Bank**  
**STRATEGIC PLAN**  
**(2012-2016)**

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**Corporate Planning Department**

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# Message from the Governor



I am delighted to share with all the stakeholders the second Strategic Plan of Nepal Rastra Bank (NRB) for the period 2011/12 to 2015/16 AD. This plan sets NRB's vision, direction and key performance indicators for the next five years.

With greater global integration in trade, finance and investment, financial transaction has crossed the national boundaries adding volatility in the financial markets. The banking environment has thus become fragile and complex due to technology transfer, innovation in products and services, and integration of banking business across the globe.

Nepal has adopted financial sector liberalization policy since the mid 1980s. Since then a proliferation of financial institutions has taken place. This along with the opening up of banking sector to the international community since 2010 as per the WTO commitment has created more competition and challenges in the stability of the financial system. All these evidence call for NRB to adopt forward looking and proactive approach to address the challenges emanating from the greater complexity and diversity in the banking business environment.

Economic transformation is necessary to complement and complete the current political transition leading to lasting peace and sustainable development in Nepal. NRB, therefore, should not only focus on its traditional functions but must also play a key role in its developmental functions by adopting policy measures to enhance inclusive banking and access to finance to the rural people. NRB needs to strengthen the regulatory and supervisory capacity anticipating the future demand and challenges of the financial sector. Strengthening the corporate governance, improving service delivery system and modernizing the operative systems and procedures are important elements for NRB for the years ahead.

This Strategic Plan describes how NRB would move ahead in the task of achieving its mission of maintaining macroeconomic stability through sound and effective monetary, foreign exchange and financial sector policies in the next five years. The strategic priorities of the bank are being clustered into seven important pillars, namely, (a) Macroeconomic Stability, (b) Financial Sector Stability, (c) Foreign Exchange Management, (d) Payment System and Mechanisms, (e) Human Resources Management and Capacity Development, (f) Infrastructure Development, Corporate Governance and Customer Services, and (g) Information & Communications Technology.

Issues and challenges emanating from the internal and external environment are being assessed to enable the bank to retain performance excellence by adopting appropriate strategies and programs for the next five years. Objectives and action plans with time bound indicators are being prepared to monitor the progress of the Plan.

The implementation of the Strategic Plan will be done through successive annual work plans. Successive Annual Work Plans will be prepared based on the strategic plan and monitored by the Strategic Planning Monitoring Committee (SPMC) periodically. Resources will be made available to all departments for the implementation of the strategic plan.

This plan is the product of a wider consultative process adopted by the bank. Consultation with key stakeholders, SWOT Analysis of NRB and a workshop on Strategic Planning attended by Board members and top executives of the Bank provided valuable suggestions in setting the strategic directions and priorities for the next five years. The Strategic Planning Committee (SPC) reviewed and assessed the inputs to ensure that the vision and direction adopted by the Bank achieves its objectives enshrined in NRB Act 2002.

NRB is committed to implement this Strategic Plan with staff of high spirit, motivation, experience, and demonstrated ability in managing the challenges in recent years. Each department will be made clear in their roles and responsibilities. Collective efforts from all concerned will pave the way for success and effective implementation of this Strategic Plan.

Let me extend my sincere thanks to the Board Members for their active participation and deliberations in sharpening the focus and priorities of this Strategic Plan. I would like to acknowledge Prof. Dr. Bishwambher Pyakuryal, Coordinator of Strategic Planning Committee for his commendable support and guidance rendered in the entire drafting process. Credit also goes to Mr. Krishna Hari Baskota, Prof. Dr. Parthibeshwar Prasad Timilsina and Mr. Shambhu Sharan Prasad Kayastha for their contribution in finalizing the Plan. Deputy Governors Mr. Gopal Prasad Kaphle and Mr. Maha Prasad Adhikari, both member of SPC deserve appreciations for their valuable inputs in the finalization process of this Plan. Mr. Ramjee Regmi, ex-Executive Director of Corporate Planning Department, and Dr. Binod Atreya, Director and Member-Secretary of SPC, have contributed in building the blocs of this Strategic Plan. Mr. Manmohan Kumar Shrestha, Executive Director of Corporate Planning Department and a member of SPC contributed in the process of finalization of this plan. Along with them, I would like to thank all Executive Directors, Directors, Chief Managers, our valued stakeholders and staffs in Corporate Planning Department for their hard work and contributions in bringing this Plan to this shape.

I am confident that with this strategic orientation in our tasks and activities and working together with motivated staff, NRB will be able to better serve the valued customers and the general public more efficiently and effectively and attain the objectives laid out in the NRB Act 2002.

**Dr. Yuba Raj Khatiwada**  
**Governor**

# ACKNOWLEDGEMENT

Nepal Rastra Bank initiated long term planning process with the publication of first five-year Strategic Plan (2006/07-2010/11). This second Strategic Plan (2011/12-2015/16) sets the direction for overall operations of NRB for the next five years.

This plan is an outcome of broad consultative and participative process involving Governor, Deputy Governors, Board members, Executive Directors, Directors, other senior officials from NRB and the related stakeholders.

To begin with the planning process, all the departments and regional offices were asked to provide the list of tasks that are imperative for the achievement of mission and vision of NRB in the next five years.

A Seminar with stakeholders, chaired by the Deputy Governor Mr. Maha Prasad Adhikari, was organized on April 29, 2011 with a view to generate suggestions as to the tasks that are pertinent for NRB to address in the years to come. This process helped to understand the expectations of the stakeholders and the emerging challenges for NRB in its service delivery.

The Corporate Planning Department led the discussions in small groups with senior officials of related department (s) in a process of developing the strategic pillars and priorities. Accumulated information served as inputs for formulating strategic pillars and priorities.

A Strategic Planning Seminar was organized on August 5, 2011, which was attended by the Governor, Deputy Governors, Board members, Executive Directors, Directors and other officials. Seven teams, under the guidance of the board members, worked to refine the draft Strategic Plan. Addresses by the Governor, Deputy Governors and Board members sharpened the focus of Strategic Plan.

A SWOT Analysis Workshop was conducted on May 16, 2011 in the presence of the Governor, Deputy Governors, Executive Directors and Directors. The Governor's address to the participants provided invaluable guidance and support to the strategic planning process. This workshop assessed the internal environment—strengths and weaknesses and the external environment - opportunities and threats.

We would like to express our sincere gratitude to Governor Dr. Yuba Raj Khatiwada for entrusting us this responsibility of drafting the Strategic Plan and for his continuous guidance, encouragement and insights during the entire planning process. We are thankful to the Board Members Mr. Krishna Hari Baskota, Prof. Dr. Parthibeshwar Prasad Timilsina and Mr. Shambhu

Sharan Prasad Kayastha for their cooperation and guidance throughout the process of developing this Strategic Plan.

Our sincere appreciation goes to all representatives from the commercial banks, development banks, finance companies and Ministry of Finance, FNCCI, Nepal Chamber of Commerce, RMDC, SEBON, for their active participation and contributions in Stakeholders Seminar.

We owe thanks to all the Executive Directors and Directors for their enthusiastic involvement and valuable contribution in the planning process. We recognize the tiring efforts done by the officials of Corporate Planning Department notably Deputy Director Mr. Mahendra Raj Ranjit and Assistant Director Mr. Biggyan Raj Subedi during the whole planning process. We would like to offer our thanks to Mr. Gopal Sharma, Mr. Krishna Gopal Shrestha and Mr. Sundar Shrestha for their contribution in bringing this Strategic Plan to this shape. We are also thankful to many other individuals who have directly or indirectly contributed in bringing out this Strategic Plan.

### **Strategic Planning Committee**

# BOARD OF DIRECTORS



Chairman: Dr. Yuba Raj Khatiwada  
Governor



Mr. Krishna Hari Baskota  
Secretary, Ministry of Finance  
Member



Mr. Gopal Prasad Kaphle  
Deputy Governor  
Member



Mr. Maha Prasad Adhikari  
Deputy Governor  
Member



Prof. Dr. Bishwambher  
Pyakuryal  
Member



Prof. Dr. Parthibeshwar Prasad  
Timilsina  
Member



Mr. Shambhu Sharan Prasad  
Kayastha  
Member



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# Abbreviations

<b>ACU</b>	Asian Clearing Union
<b>ADB</b>	Asian Development Bank
<b>AMC</b>	Asset Management Company
<b>AML</b>	Anti-Money Laundering
<b>APG</b>	Asia-Pacific Group
<b>APRACA</b>	Asia-Pacific Rural and Agricultural Credit Association
<b>BAFIA</b>	Bank and Financial Institutions Act
<b>BFI</b>	Bank and Financial Institution
<b>BFIRD</b>	Banks and Financial Institutions Regulation Department
<b>BIMSTEC</b>	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
<b>BIS</b>	Bank for International Settlements
<b>BOK</b>	NRB, Banking Office, Kathmandu
<b>BSD</b>	Bank Supervision Department
<b>BTC</b>	Bankers Training Center
<b>CAC</b>	Capital Account Convertibility
<b>CDIS</b>	Coordinated Direct Investment Survey
<b>CDS</b>	Central Depository System
<b>CFT</b>	Combating the Financing of Terrorism
<b>CIC</b>	Credit Information Centre
<b>CICTAB</b>	Center for International Cooperation in Agricultural Banking
<b>CMD</b>	Currency Management Department
<b>CPD</b>	Corporate Planning Department
<b>CPI</b>	Consumer Price Index
<b>CVPS</b>	Currency Verification and Processing System
<b>DBSD</b>	Development Bank Supervision Department
<b>DRS</b>	Disaster Recovery Site
<b>DSGE</b>	Dynamic Stochastic General Equilibrium
<b>EPF</b>	Employees' Provident Fund
<b>FCSD</b>	Finance Company Supervision Department
<b>FDI</b>	Foreign Direct Investment
<b>FI</b>	Financial Institution
<b>FISD</b>	Financial Institution Supervision Department
<b>FIU</b>	Financial Intelligence Unit
<b>FIUISS</b>	Financial Information Unit Intelligence System Software
<b>FMD</b>	Financial Management Department
<b>FNCCI</b>	Federation of Nepalese Chamber of Commerce and Industries
<b>FXMD</b>	Foreign Exchange Management Department
<b>GDP</b>	Gross Domestic Product
<b>GL</b>	General Ledger

<b>GoN</b>	Government of Nepal
<b>GSD</b>	General Services Department
<b>HR</b>	Human Resource
<b>HRMD</b>	Human Resources Management Department
<b>HRM</b>	Human Resources Management
<b>HRMISS</b>	Human Resources Management Information System Software
<b>IAD</b>	Internal Audit Department
<b>IAS</b>	International Accounting Standard
<b>ICT</b>	Information and Communications Technology
<b>IFRS</b>	International Financial Reporting Standards
<b>IIP</b>	International Investment Position
<b>IMF</b>	International Monetary Fund
<b>IRMF</b>	Integrated Risks Management Framework
<b>ISO</b>	International Organization for Standardization
<b>IT</b>	Information Technology
<b>ITD</b>	Information Technology Department
<b>LD</b>	Legal Division
<b>MFI</b>	Microfinance Institution
<b>MFPSD</b>	Microfinance Promotion and Supervision Department
<b>MIS</b>	Management Information System
<b>MOF</b>	Ministry of Finance
<b>MOU</b>	Memorandum of Understanding
<b>NBL</b>	Nepal Bank Limited
<b>NCC</b>	National Coordination Committee
<b>NMEM</b>	Nepal Macroeconomic Model
<b>NRB</b>	Nepal Rastra Bank
<b>ODCDSS</b>	Online Data Collection and Dissemination System Software
<b>OFG</b>	Office of the Governor
<b>OMO</b>	Open Market Operation
<b>PCA</b>	Prompt Corrective Action
<b>PDMD</b>	Public Debt Management Department
<b>RBB</b>	Rastriya Banijya Bank
<b>RBS</b>	Risk Based Supervision
<b>RD</b>	Research Department
<b>RDB</b>	Rural Development Bank
<b>RMDC</b>	Rural Microfinance Development Center
<b>RTGS</b>	Real Time Gross Settlement System
<b>SAARC</b>	South East Association for Regional Cooperation
<b>SBS</b>	Shredding and Briquetting System
<b>SEACEN</b>	South East Asian Central Banks
<b>SEANZA</b>	South East Asia, New Zealand, Australia
<b>SEBON</b>	Securities Board of Nepal
<b>SPC</b>	Strategic Planning Committee
<b>SPMC</b>	Strategic Planning Monitoring Committee
<b>SSSS</b>	Scripless Securities Settlement System
<b>STI</b>	Second Tier Institution
<b>STR</b>	Suspicious Transactions Reporting
<b>SWIFT</b>	Society for Worldwide Inter-bank Financial Telecommunication
<b>WPI</b>	Wholesale Price Index
<b>WTO</b>	World Trade Organization

# CHAPTER 1

## Background, Environment and Key Challenges

### 1.1 Background

**N**epal Rastra Bank (NRB), the central bank of Nepal, was established in 1956 AD under the Nepal Rastra Bank Act 1955. With the pace of development in the financial systems and to cope with the emerging challenges, the NRB Act was re-enacted in 2002. The new Act established the objectives of NRB as follows:

- (a) To formulate necessary monetary and foreign exchange policies in order to maintain the stability of price and balance of payment for sustainable development of economy, and manage it;
- (b) To promote stability and liquidity required in banking and financial sector;
- (c) To develop a secure, healthy and efficient system of payment;
- (d) To regulate, inspect, supervise and monitor the banking and financial system; and
- (e) To promote entire banking and financial system of the country and to enhance its public credibility.

In order to achieve the stated objectives, the bank's functions and responsibilities include, among others, use of monetary policy instruments, foreign exchange management, regulating and supervising the banks and financial institutions, establishing and promoting the payment system, issuing bank notes and coins, and also act as an advisor to the Government of Nepal (GoN).

Nepal has adopted the policy of financial sector liberalization since the mid 1980s. This has paved the way for the rapid growth of financial system in Nepal. Subsequently, the increase in the number of banks and financial institutions has created a competitive environment in the financial system. With greater global integration in trade, finance and investment, financial transaction has crossed the national boundaries adding volatility in the financial markets. In this context, the role of the central bank to maintain macroeconomic stability and the financial sector stability has become a growing challenge.

All these issues call for NRB to be strategic in its operations and adopt proactive approach to address the opportunities and challenges emanating from the greater complexity and diversity in the banking business environment.

Nepal Rastra Bank (NRB) initiated long term planning process in 2006. The first five-year Strategic Plan (2006/07-2010/11) generated enormous learning lessons and an opportunity to strengthen planning process as well as the implementation mechanisms in order to achieve the desired outcomes. The second five year Strategic Plan (2011/12-2015/16) is also based on the experience gained during the implementation of the First Strategic Plan. The Strategic Plan (2011/12-2015/16) is the result of wider participation and consultations with relevant stakeholders, senior management including the board, sets the desired direction and vision of NRB to move ahead in the next five year. It incorporates the vision, mission, renewed values, strategic priorities, and the implementation activities during the plan period.

## 1.2 Environment and Key Challenges

This section elaborates the environment in which NRB operates and the key challenges faced by the bank. Analysis is presented in terms of (a) Internal Environment, and (b) External Environment. Analysis of environment is done with a view to understand the roles and responsibilities of NRB and draw strategic guidelines and commitments to address the emerging needs and priorities.

### (a) Internal Environment

As internal environment the Plan considers the issues related to *system development, organizational development and staff development*. The challenge is to ensure that strong and cohesive organization with highly motivated staffs, which are committed to unleash their best potentials and abilities to provide prompt services to the valued stakeholders. The key challenges, therefore, include:

- Adopting a participatory and in-depth review mechanism in developing systems and procedures including employees' rules and regulations;
- Creating an organizational structure that best defines the roles and responsibilities and effective mechanism for service delivery;
- Re-structuring of NRB and its service delivery networks in line with the proposed federal structure of the government;
- Creation of enabling environment that facilitates innovativeness and performance excellence of the employees.

### (b) External Environment

The external environment is linked with *the general public interest, the banking and financial institutions, the government, and international organizations*.

Creating awareness towards proper handling of currency notes, ensuring longer life of the notes in circulation, preventing and mitigating counterfeiting, etc. are areas of priority. The general public is concerned with the safety of their deposits and investments, and transparent information to help them make economic decisions. Ensuring macroeconomic stability and maintaining the appropriate value of public money by keeping inflation to a

desired level is one of the crucial challenges towards fulfilling our roles to the general public. Our key challenges include:

- Making available the clean bank notes and coins at required denominations throughout the country;
- Improvement in financial safety net to strengthen public confidence in the financial system;
- Contain inflation to protect the purchasing power of domestic currency and ensure economic stability;
- Timely dissemination of economic and financial information; and
- Grievances handling and strengthening the service delivery.

Maintaining financial sector stability through prudent regulatory framework and effective supervision is expected to be one of the key challenges for NRB. A total of 220 banks and financial institutions are licensed under the Bank and Financial Institutions Act (BAFIA), 2006 and 53 institutions are permitted to function as financial intermediaries as of mid-July 2011. Ensuring the soundness and credibility of the financial system through the creation of an enabling environment includes the following challenges:

- Improving the legal and regulatory framework for ensuring stability, credibility and efficiency of BFIs;
- Formulating policies and programs for increasing access to finance for the general public;
- Strengthening supervisory framework by updating its framework as per the international best practices for effective banking supervision; and
- Encouraging BFIs for merger and acquisition in order to create a sound, strong, reputed, and profitable institution. Such consolidation is expected to provide synergy to the soundness of the financial system.

Implementation of the monetary and other related government policies by complementing the national priorities and fiscal policies are NRB's major responsibility. NRB offers an overview of the state of financial sector regime to the government on a regular basis for making necessary policy decisions. Major challenges include:

- Ensuring the effectiveness of monetary policy through developing appropriate frameworks for monetary targets, reserve, liquidity forecasting and other relevant issues of macroeconomic stability;
- Improving the quality of research by creating sector-specific data bank, processing the results of the studies and their timely publication; and
- Ensuring a proper coordination between monetary and fiscal policies.

NRB maintains sound and professional relations with bilateral, regional and global organizations, such as IMF, the World Bank, BIS, Asian Development Bank, ACU, SEACEN,

APRACA, CICTAB, SEANZA, SAARCFINANCE, BIMSTEC, WTO, APG, etc. Maintaining a strong relation and exploring opportunities for learning and improving our performance from their support and cooperation would be a priority for NRB in the next five years.

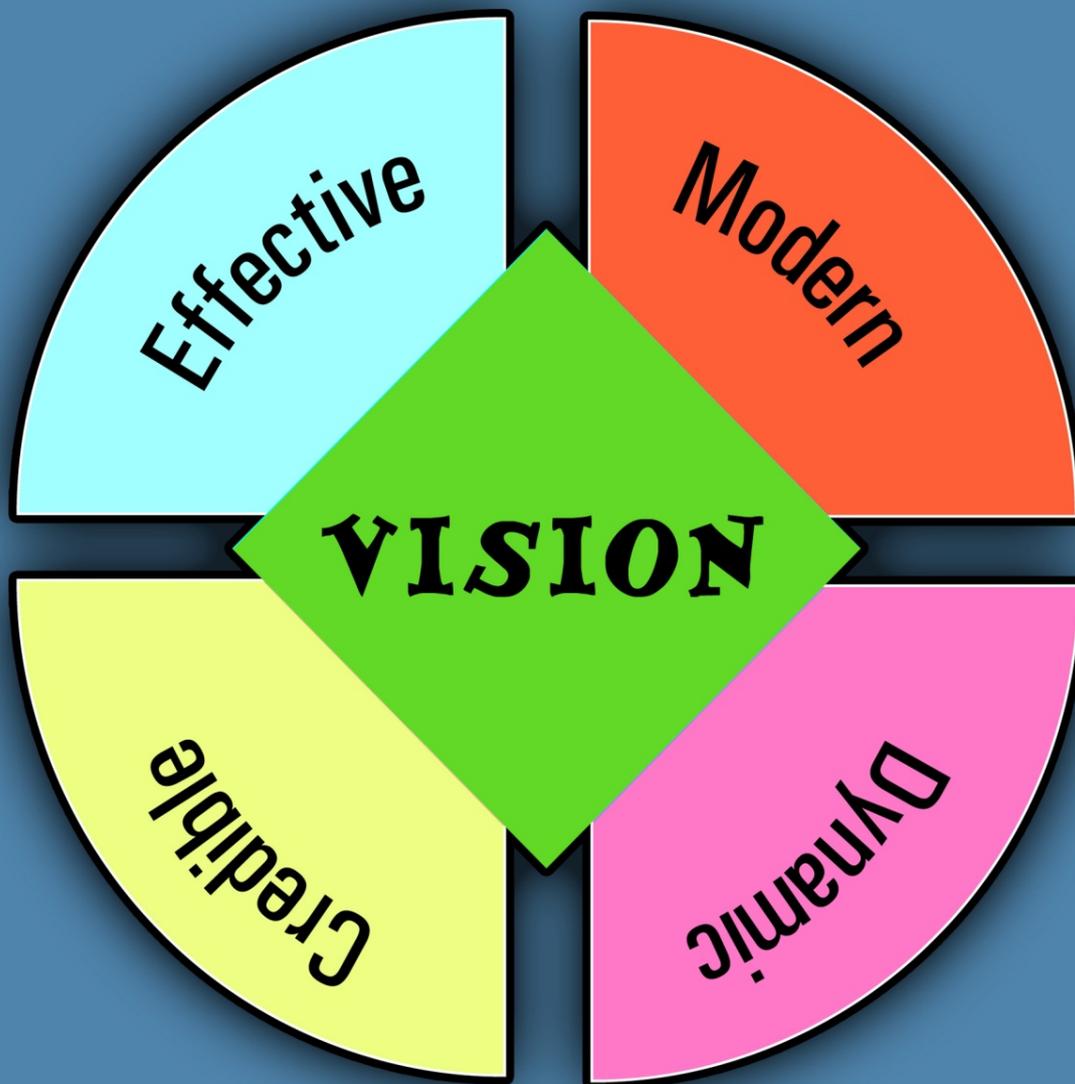
The institutions that affect the overall stability of the financial system include Employees' Provident Fund (EPF), Citizen Investment Trust, Nepal Stock Exchange Limited, Deposit and Credit Guarantee Corporation, Credit Information Bureau, insurance companies, etc. Securities Board of Nepal and Beema Samiti (Insurance Board) are other related regulatory authorities existing in the financial system. NRB has maintained relations and cooperation with these regulatory bodies to streamline the financial system.

## 1.3 Guiding Principles and Targets

The guiding principle of the design and implementation of the Strategic Plan is based on the following targets.

- ➔ Average inflation rate in the last five years remained 9.2 percent against the estimated average target of 6.6 percent. The effectiveness of monetary policy shall be improved with due coordination between the fiscal and monetary policies so as to keep inflation rate on an average, below 7 percent during the plan period.
- ➔ Adequate level of foreign exchange reserves is necessary for operational requirement as well as to maintain exchange rate stability and hence, to support the investment and growth process. The foreign exchange reserves would be maintained at level sufficient enough to cover imports (of goods and services) for at least six months.
- ➔ Self-assessment of BASEL core principles will be conducted to identify the gaps. The core principles for effective supervision will be fully complied within the plan period.
- ➔ Supervisory capacity of NRB would be enhanced enabling more frequent risk-based supervision of commercial banks. At the same time the onsite inspection of other financial institutions shall be done at least once in a year.
- ➔ Proliferation in the number of banks and financial institutions may give rise to unhealthy competition. This can pose supervisory challenges to the central bank. Therefore, consolidation and strengthening of financial system is essential. In order to build resilient and robust financial system, NRB will review licensing policy including capital requirements and facilitate the merger of financial institutions. Such policy is expected to enhance the healthy competition in FIs, strengthen them, and restore public confidence.
- ➔ Despite rapid growth in the number of banks and financial institutions, a large proportion of rural population does not still have access to formal financing. During the plan period, policies will be designed to promote inclusive banking and increase the financial outreach to two-third of the total population.
- ➔ Necessary policy actions shall be taken to support inclusive, broad-based growth by facilitating finance to the areas of national priority.

- In order to protect the small depositors, the existing coverage of deposit guarantee will be gradually increased.
- The currency demand-forecasting methodology will be improved and the stock of currency notes would be maintained at an optimum level to meet the currency demand.
- Support services will be outsourced to the extent possible. The toppers of the universities will be encouraged to join NRB job. Fresh and professional manpower will be recruited as per HR plan.
- Employees are key assets of NRB. Hence, skill and career development opportunities will be provided at a reasonable time interval. To achieve this, value addition through skill development will be made to about 20 to 25 percent of the staff each year.
- With improved IT infrastructure within the bank, most of the business processes will be automated. Attempts will be made to ensure up to 75 percent of the work to be conducted in paperless environment at the end of next five years.



**"A Modern, Dynamic, Credible  
and Effective Central Bank"**

# CHAPTER 2

## Vision, Mission and Values

### 2.1 Introduction

With a view to address the emerging challenges posed by the forces of globalization, financial liberalization and integration, and advancement in information and communications technology in the financial markets, NRB has initiated the implementation of five-year strategic plan since July 2006. The results have been encouraging. NRB strives towards excellence through clear vision, explicit mission, strategic priorities and action plans. These inspire employees and provide direction towards our objective. The vision, mission and core values of NRB are thus, as follows:

### 2.2 Vision

#### **"A modern, dynamic, credible and effective central bank"**

NRB strives continuously towards the attainment of its established vision. Modern, dynamism, credible and effective workings of NRB is briefly discussed in the following paragraphs.

NRB is committed to speed up the decision making process through delegation of authority, ensuring clarity and simplification of work procedures, improving and updating the Information and Technology system, focusing on automation in relevant areas, generating creative ideas, and establishing an ongoing system of information to the employees on recent events of the global economy.

NRB is committed to maintain dynamism through implementing value added policies and programs. NRB considers regular improvements and timely changes in its working environment and also encourage developing energetic and action-oriented employees by fostering trust, ownership and harmony in the organization.

NRB will ensure credibility through adopting consistent policies and programs in conjunction with the policies of the government of Nepal. The genuine needs of the stakeholders will be responded with appropriate communication and consultative process.

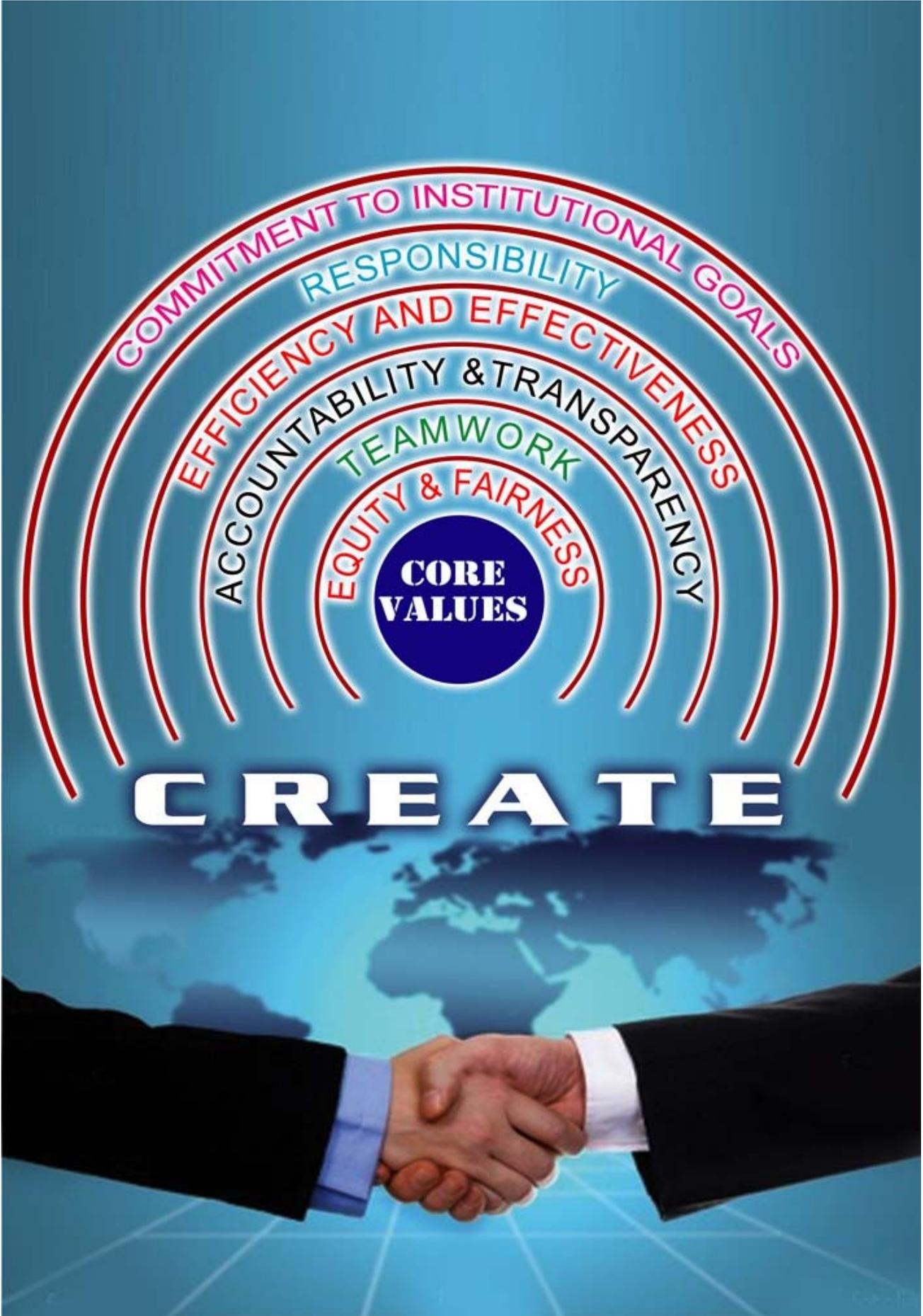
NRB will strive toward becoming an effective central bank by making employees responsible and accountable for their work, adhering to a highest ethical standard particularly the integrity in making decisions and actions, and leveraging the talent of employees by involving in teamwork. Such system is expected to yield desired outputs in the organization.



## 2.3 Mission

**"Maintaining macroeconomic stability through sound and effective monetary, foreign exchange, and financial sector policies"**

NRB is committed to maintaining the macroeconomic stability by exercising the authority given by NRB Act, 2002. Effectiveness in the formulation and implementation of the monetary policy, enforcement of policies on foreign exchange reserve management, and ensuring financial sector stability through effective regulatory and supervisory framework are the hallmark in attaining the mission of NRB.



## 2.4 Core Values

Values are the guiding principles for institutional action and direction. Each and every staff in NRB is expected to exhibit the essence of core values in delivering services to stakeholders. The core values (identified in the first five-year plan and modified as per the needs of the time) are as follows:

### **C : Commitment to institutional goals**

NRB is committed to achieve the institutional goals by delivering quality services to its stakeholders.

### **R : Responsibility**

NRB is committed to discharge its roles and responsibilities with best efforts and capabilities through continually upgrading skills and knowledge, maintaining effective system of communication and consultations, with a system of reward and recognition for those achieving excellence in the given tasks.

### **E : Efficiency and Effectiveness**

NRB strives for efficiency and effectiveness in achieving the objectives and goals of the organization through embracing changes observed in the financial markets. The bank is receptive to new ideas and suggestions and maintains integrity in its actions and decision-making procedure. The review of the progress will be made on a regular basis. It also commits to adopt the best international practices for achieving excellence.

### **A : Accountability and Transparency**

NRB is committed to ensure accountability and transparency in discharging its responsibilities by disseminating decisions of public interest to the public at large.

### **T : Teamwork**

NRB encourages teamwork through the participative and collaborative approach in decision-making and service delivery functions. This is expected to enhance interdepartmental trust and coordination.

### **E : Equity and Fairness**

NRB is committed to provide equal and fair treatment to all the valued stakeholders. It adheres to gender equity and fairness in every treatment, policies and services.

# CHAPTER

## Strategic Planning Framework

# 3

### 3.1 Introduction

The strategic planning framework provides the direction for the next five years. It also provides a road map for NRB to achieve the established strategic priorities and objectives. It explains the process involved in the strategic planning, its vision, mission, core values, key strategic priorities, and objectives, action plans including performance indicators, timeframe and the responsible department (s) that lead the tasks.

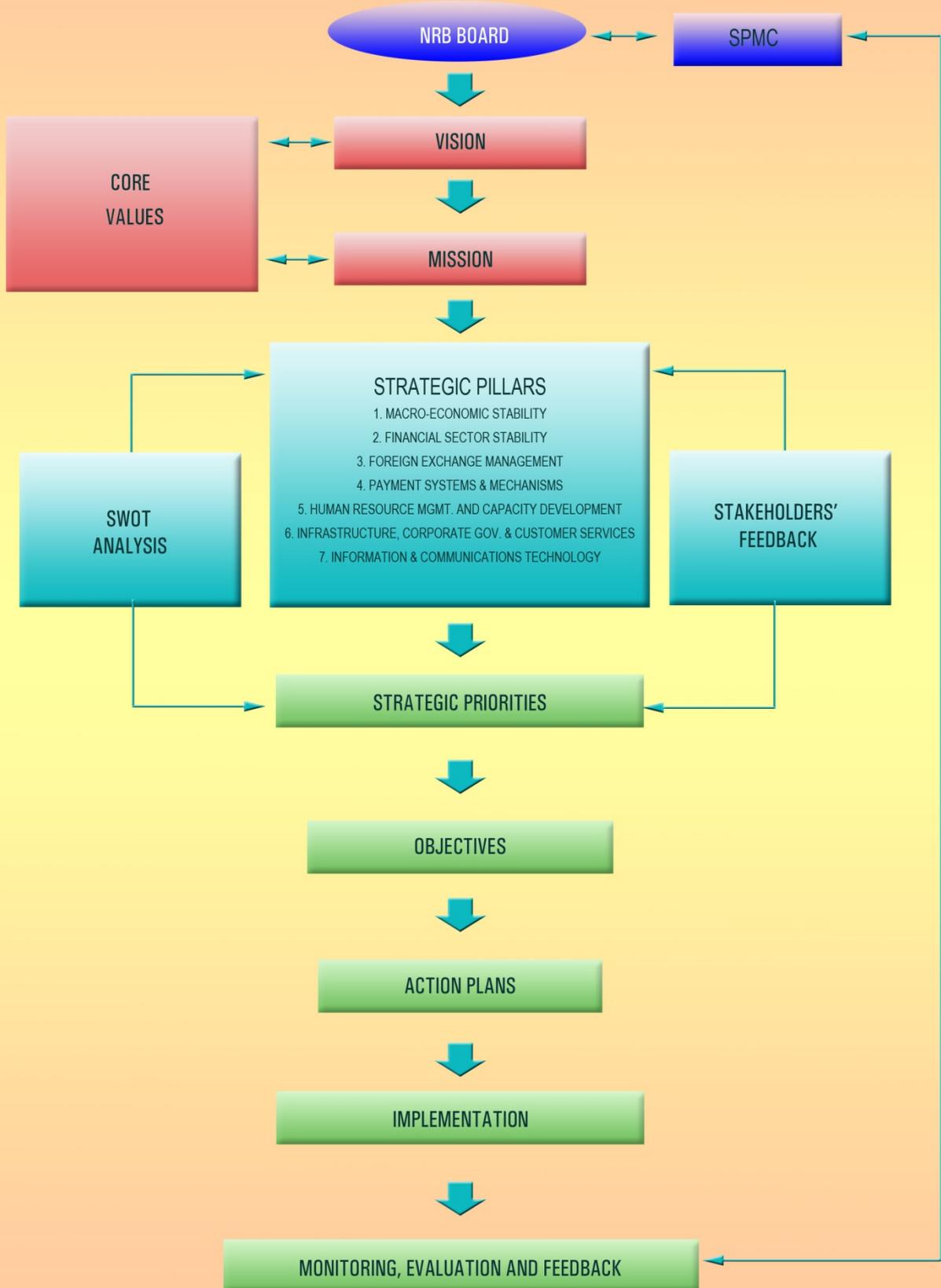
After the review of NRB first five-year strategic plan, the ongoing activities based on their strengths and weaknesses are carefully provisioned in the second plan in the sense that these activities will be made more meaningful through appropriate policy instruments. Feedback from the stakeholders, inputs from SWOT analysis and contributions from the top management are the building blocs of this strategic framework.

Strategic framework is built on seven key pillars, which are important to revitalize the institutional performances. These pillars are as follows:

#### 3.1.1 Strategic Pillar One: Macroeconomic Stability

Macroeconomic stability is essential for achieving sustainable long-term economic growth and preventing the economy from potential crises. It is generally reflected in various indicators like GDP growth, inflation, employment, government budgetary operation, interest rates, credit growth, exchange rates, balance of payments and other financial soundness indicators.

# STRATEGIC PLANNING FRAMEWORK



### **3.1.2. Strategic Pillar Two: Financial Sector Stability**

Financial sector stability implies resilience of the financial system to internal and external shocks, be it economic, financial, political or otherwise. Such stability is important to create confidence and enabling environment favorable to savers and investors. It also helps for the effective transmission of monetary policy, thereby, assisting the attainment of price stability objective. A stable financial system, therefore, encourages efficient financial intermediation, which eventually promotes investment and also encourages effective and efficient operation of markets and improves distribution of resources in the economy.

Financial sector stability is evidenced by and reflected through (i) strong legal framework to help the financial sector grow and flourish, (ii) an effective regulatory infrastructure, (iii) effective and well developed financial markets, and (iv) sound and stable financial institutions.

### **3.1.3. Strategic Pillar Three: Foreign Exchange Management**

Foreign exchange reserve is an important component of national assets that has to be managed effectively and productively taking in view of key elements such as safety, liquidity, and return. NRB plans to update investment guidelines, explore possible alternate investment opportunities, strengthen supervisory and monitoring role and reform existing foreign exchange system. Effective foreign exchange management will include (i) maintaining adequate level of reserves, (ii) investing reserves to optimize risks and returns, (iii) revisiting exchange rate regime, and (iv) ensuring financial stability.

### **3.1.4. Strategic Pillar Four: Payment Systems & Mechanisms**

Payment and settlement system is a mechanism through which financial transactions are smoothly cleared and timely settled. Safe and efficient payment systems are fundamental to enhance the efficiency and effectiveness of the financial system. Major tasks to improve the payment system will include (i) implementation of core central banking software (General Ledger), (ii) operationalization of automated clearing system, and (iii) moving towards RTGS.

### **3.1.5. Strategic Pillar Five: Human Resource Management and Capacity Development**

Central bank's effectiveness crucially depends on its credibility and capacity, and this in turn, depends on the quality and competency of the existing human resources. Therefore, managing human resources effectively is a critical element for effective and credible central bank. Recruitment of qualified manpower and consistent value addition so as to minimize the risks associated with the people are important elements of this pillar. Major tasks in this pillar will include (i) study on restructuring the operational system of NRB based on the proposed federal structure of the state, (ii) formulation of HR Plan, (iii) implementation of Human Resource Management Information System Software (HRMISS), and (iv) capacity building of human resources.

### **3.1.6 Strategic Pillar Six: Infrastructure Development, Corporate Governance and Customer Services**

Adequate physical infrastructure and logistic support are pre-requisite to the smooth functioning of the bank. This includes procurement and distribution of the quality goods and services, maintenance and management of the assets, particularly machineries, equipments, vehicles and bank buildings.

It is imperative that bank should move with vision, mission and core values so that all employees understand the future direction of NRB and their associated responsibilities. Transparency, accountability and effective internal control systems are important to ensure that rules and procedures are followed in the bank.

Likewise an appropriate mechanism for disseminating the public information as well as arrangement for grievance handling to ensure quality customer services shall be continued to enhance bank's image.

### **3.1.7 Strategic Pillar Seven: Information and Communications Technology**

The dependency on information and communications technology (ICT) in the financial system has posed a challenge for NRB to deliver the services as per the changing demand of the society. Innovation in products and instruments, call for quick response to the needs of customers, and cross-border transactions in the financial system have demanded up-gradation in existing systems. NRB will upgrade its ledger and accounting, automated central data management and other related record management systems such as HRMISS, GL, FIUSS, etc. NRB's IT policy include outsourcing the non-core IT services and promoting automation in bank and safeguarding the information management system.

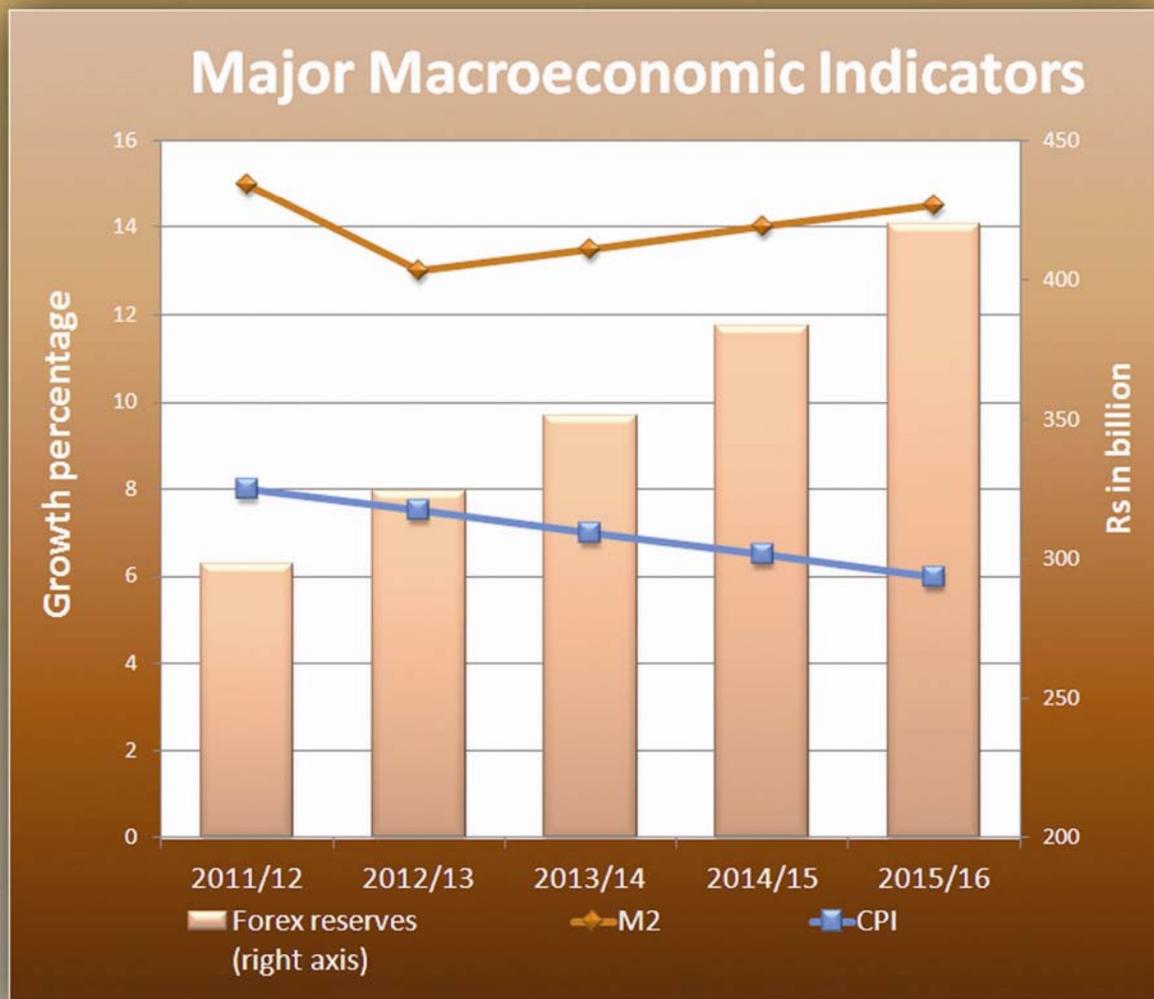
## **3.2. Implementation**

Strategic Plan without strong implementation mechanisms does not give results. Assigning responsibility and making departments accountable for demonstrable results are important pre-requisites for the success of the Plan. Other important elements include the estimation of resource requirements and their planning, regular trainings for capacity building and the development of reporting modality.

## **3.3. Monitoring, Evaluation & Feedback**

Strategic planning has to be a continuous process with flexibility for refinement, addition or deletion of objectives or actions in order to cope with the changing economic and financial environment. Each action/activity will be measured against their performance indicator(s). Time framework has been established to monitor the performance of the Plan. The Corporate Planning Department will play a key role in monitoring and evaluation of the Strategic Plan. The system would include periodic review by the Strategic Planning Monitoring Committee (SPMC), submission of progress/evaluation reports and the decisions by the Board of Directors of NRB to this effect.

# MACROECONOMIC STABILITY





NRB Board of Directors at Strategic Planning Seminar.



Dy Governor Mr. M.P. Adhikari and Board Member Prof. Dr. P.P. Timilsina discussing at Strategic Planning Seminar.

# CHAPTER 4

## Strategic Action Plans

### Strategic Pillar 1: Macroeconomic Stability

#### Strategic Priority 1.1: Improve the effectiveness of monetary policy

Maintaining macroeconomic stability largely hinges on the effectiveness of the monetary policy. Against the backdrop of different factors affecting the policy targets, it is always necessary to review and update different targets and instruments of the monetary policy and enhance the effectiveness of its operation. Expanding the coverage of monetary survey as well as timely construction of different measures of price indices will reflect a more realistic linkage between monetary aggregates and price measures. Enhancement of the operational efficiency of liquidity and domestic debt management can facilitate the smooth conduct of the monetary policy.

#### Objective 1.1.1: Review the use of different targets for the effective conduct of monetary policy and liquidity forecasting

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Review targets of the current monetary policy in the context of linkages between monetary, output, price and external sector variables	Improved monetary policy framework, inflation contained below 7 percent, forex reserves maintained to cover at least 6 months' import	Jul 2012	Ongoing	RD
2. Develop improved liquidity management framework	Improved liquidity forecasting and management framework at place, interest rates moving at the desired band	Jul 2012	Ongoing	RD

**Objective 1.1.2: Expand the coverage of monetary survey**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
Prepare broad money survey by including sectoral balance sheet of development banks and finance companies	Broad money survey published on monthly basis, monetary policy designed based on broad money aggregates	Jan 2012	Ongoing	RD

**Objective 1.1.3: Revise and construct different price indices**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct fifth household budget survey to revise CPI	Revised basket and weight for CPI index at place	Ongoing	Jul 2013	RD (L), HRMD, GSD
2. Conduct second wholesale price survey to revise WPI	Revised basket and weight for WPI index at place	Jul 2012	Jul 2013	RD (L), HRMD, GSD
3. Conduct survey of imported and exported goods to construct export/import price index	Export and import price indices compiled on monthly basis	Jul 2014	Jul 2015	RD (L), HRMD, GSD
4. Conduct house price index survey	Housing price index developed	Jul 2014	Jul 2015	RD (L), HRMD, GSD

**Objective 1.1.4: Enhance the operational efficiency of liquidity management and domestic debt management to facilitate the smooth conduct of monetary policy**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Review the current open market operations (OMO) system	OMOS improved, monetary aggregates/ interest rates move on desired (expected) path, liquidity in the financial system at optimum level to serve the economy	Jul 2012	Jul 2013	RD (L), PDMD

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
2. Use scripless securities settlement system (SSSS) and central depository system (CDS) in government securities	Operationalization of SSSS and CDS, reduced volume of mechanized operations, growth of online operations	Jan 2012	Jul 2014	PDMD (L), ITD
3. Develop effective statistical and informational network creating an easy access to information on financial markets and macroeconomic variables to facilitate decision making	Network connection established to provide easy and reliable access to relevant statistical database	Jan 2012	Jul 2013	PDMD (L), ITD, RD
4. Create awareness about ongoing public debt instruments by publishing leaflets, availing online information and advertising through public media	Leaflets produced and distributed, website regularly updated	Jan 2012	Ongoing	PDMD (L), ITD

### **Strategic Priority 1.2: Strengthen macroeconomic surveillance and enhance the quality of research studies and policy analysis**

Policies can be more effective if they are based on reliable data with appropriate analytical and forecasting techniques. Upgrading of macroeconomic model and construction of sector specific models will help in policy formulation. The development of integrated database system will remove the duplication of work in data collection and dissemination. Restructuring of the Research Department will bring greater efficiency and enhance the quality of research and policy analysis.

#### **Objective 1.2.1: Improve data collection, compilation and timeliness in data dissemination**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Develop automated data reporting and compilation system	Time lag in publishing data reduced to 3 weeks through integrated database system	Jan 2012	Jul 2014	RD (L), ITD

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
2. Compile trade data on the basis of harmonized code system	Presentation of trade data in harmonized code system	Jul 2011	Jul 2012	RD (L), ITD
3. Conduct Co-ordinated Direct Investment Survey (CDIS) in consultation with different stakeholders	Increased coverage of FDI data	Jul 2012	Jul 2013	RD (L), FXMD
4. Improve freight and insurance estimation methodology	Survey conducted for calculation of freight and insurance data and appropriate methodology developed	Jul 2011	Jul 2012	RD (L), FXMD
5. Improve methodology for estimating remittance inflows from India	Survey conducted for revising estimation of remittance from India	Jul 2011	Jul 2012	RD
6. Prepare international investment position (IIP) data	Publication of IIP data	Jul 2012	Ongoing	RD (L), FXMD
7. BFIs Investors Survey	Conduct survey on capabilities /strengths of financial entrepreneurs	Jul 2012	Jul 2013	RD (L), BFIRD

#### Objective 1.2.2: Upgrade and develop macroeconomic models

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Update Nepal Macroeconomic Model (NMEM) by revising equations and variables	Revised model developed and applied for forecasting	Jan 2012	Ongoing	RD
2. Upgrade Dynamic Stochastic General Equilibrium (DSGE) model	Model upgraded and applied for policy simulation	Jan 2012	Ongoing	RD
3. Formulate sector specific models for impact analysis	Models developed and applied	Jan 2012	Jul 2015	RD

**Objective 1.2.3: Strengthening international cooperation**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Enhance bilateral, regional and multinational cooperation with central banks and international agencies	Focal unit for international relations established; Exchange of visits, knowledge sharing, technical assistance, secondment increased	Jul 2012	Jul 2015	OFG(L), HRMD, CPD
2. Conduct joint research projects with IMF, World Bank, ADB and other national and international institutions	Research studies conducted and disseminated	Jul 2012	Ongoing	RD(L), MFPSD

**Objective 1.2.4: Enhance the efficiency for economic research and policy analysis**

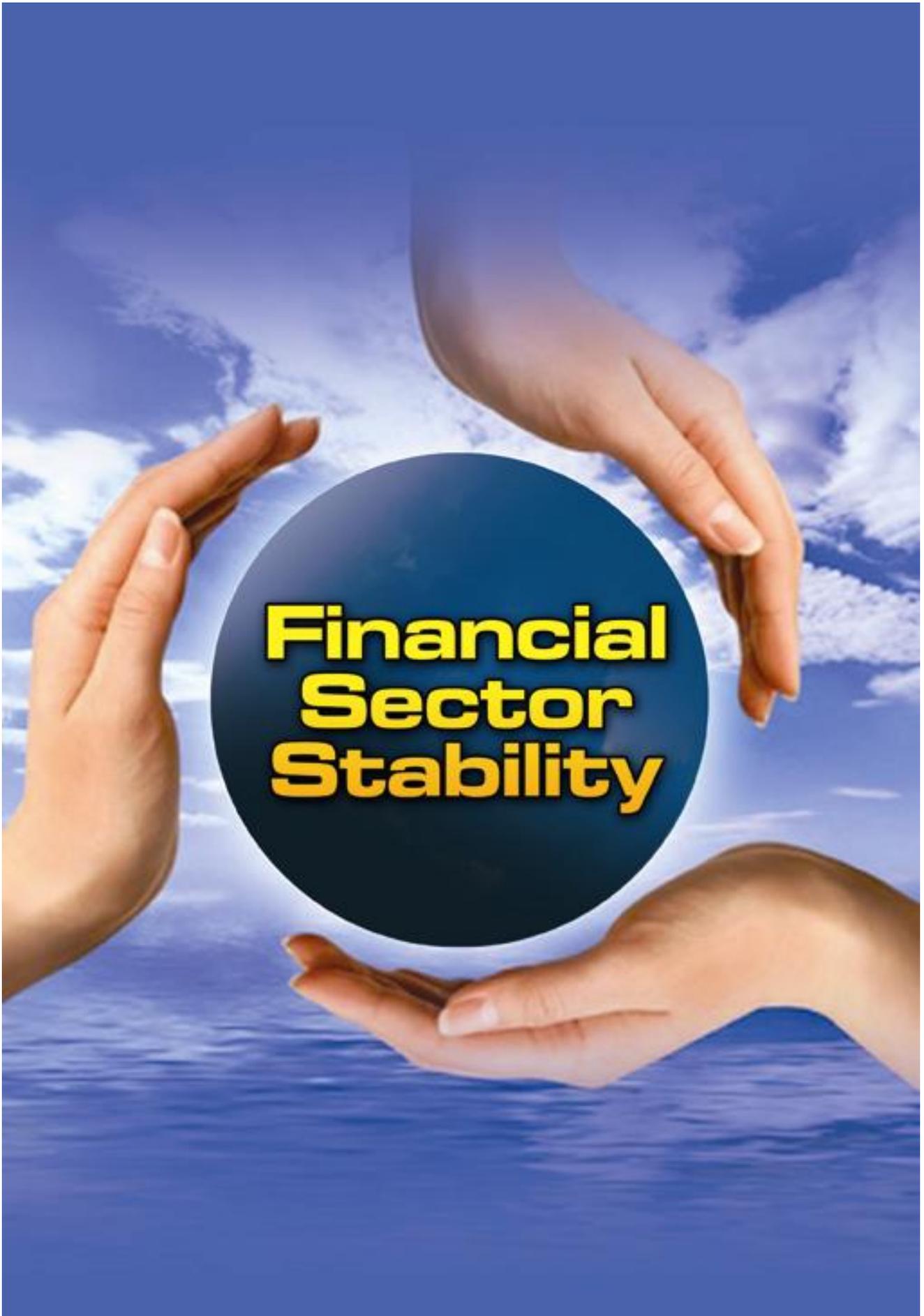
Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct study to restructure the Research Department	Detail study conducted, functional roles defined.	Jan 2012	Dec 2012	CPD (L), HRMD, RD, GSD
2. Implement the restructure proposal of Research Department	Necessary restructuring completed	Jul 2012	Dec 2013	CPD (L), HRMD, GSD, RD
3. Consolidate publications and streamline distribution	Reduced lag in publication, quality of publication improved, one window distribution established	Jul 2011	Ongoing	OFG (L), RD, BFIRD, GSD

**Strategic Priority 1.3: Establish resource center of an international standard**

Establishing resource center and making it accessible to the BFIs and the general public would improve the research ability and learning environment. It will enhance the corporate image of NRB and would add value in meeting corporate social responsibility. The center will be equipped with new books and journals with international database in economics, banking and management. Modern computerized library software solution will be used in managing the center in order to provide conducive learning environment to the staff, students, researchers, policy makers and the general public.

**Objective 1.3.1: Modernize and bring automation in library facilities**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Procure and install library management software	Software procured , installed and operationalized	Jul 2011	Jul 2012	GSD (L), RD
2. Relocate the library	New location developed and library shifted	Jul 2012	Jul 2013	GSD
3. Modernize the infrastructural facilities of the library	Modern equipments and logistics provided	Jul 2012	Jul 2013	GSD (L), RD
4. Make subscription to relevant database for online access	Online database subscribed	Jul 2011	Ongoing	RD



## Strategic Pillar 2: Financial Sector Stability

### Strategic Priority 2.1: Strengthen the legal framework for financial sector stability and operations

A strong and sound legal base is one of the pre-conditions for the stability and efficient operations of the financial sector. Creation of a conducive legal framework helps in strengthening the financial health and smooth functioning of BFIs. NRB will move towards formulating and amending the required laws and regulations to facilitate prudential financial practices and to enhance financial deepening in the country.

#### Objective 2.1.1: Develop proper mechanism for amendment of laws, and drafting of new laws relating to banking and financial sector

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Develop an integrated and permanent mechanism for amending laws, drafting new laws and regulation	Standing committee formed and appropriate mechanism developed	Jan 2012	Dec 2012	BFIRD (L), LD, BSD, FXMD, DBSD, FCSD, MFPSD
2. Coordinate with the GoN and relevant stakeholders for amending existing laws and formulating new laws	New legal framework created and implemented	Jan 2012	Dec 2012	BFIRD

#### Objective 2.1.2: Enact/ amend Acts related to banks and financial institutions

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Amendment of Nepal Rastra Bank Act, 2002	Draft submitted to GoN	Jul 2012	Dec 2012	BFIRD (L), LD
	Amended NRB Act in place	Jan 2013	Dec 2014	
2. Amendment of Banks and Financial Institutions Act, 2006	Draft submitted to GoN	Jul 2012	Jul 2013	BFIRD (L), LD
	Amended BAFIA in place	Jul 2013	Dec 2013	

## Strategic Priority 2.2: Enhance regulatory and supervisory framework against money laundering

Nepal has joined the global efforts against money laundering and related crimes by making commitment in implementing international standards of AML/CFT. Accordingly, Financial Intelligence Unit has been established in the NRB. It is entrusted with tasks of receiving, processing, analyzing and disseminating information relating to suspicious financial transactions to enforcement agencies and foreign FIUs. NRB will strengthen FIU by establishing IT network, enhancing analytical skill of FIU's staff and building mechanisms for extending domestic and international cooperation against money laundering. AML/CFT legal and compliance framework will be prepared and implemented in accordance with the national strategy.

### Objective 2.2.1: Strengthen Financial Intelligence Unit and its mechanism for cooperation with other agencies

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Establish IT network for online collection, processing and analysis of data	IT network established	Ongoing	Dec 2012	FIU (L), ITD, GSD
2. Strengthen the analytical capabilities of FIU on STR (Suspicious Transactions Reporting)	Trainings on STR conducted, all staff of the unit trained in the plan period	Ongoing	Jul 2016	FIU
3. Develop a mechanism for getting prompt cooperation from law enforcement agencies, regulators and other related agencies	Coordination and cooperation mechanism developed	Ongoing	Dec 2012	FIU
4. Develop international cooperation mechanism on anti-money laundering	Membership of EGMONT group acquired by FIU, MOUs with fifteen FIUs concluded during the plan period	Ongoing Ongoing	Jul 2013 Jul 2016	FIU
5. FIU to work as Secretariat to the NCC	Reports of the decisions of the NCC prepared, Technical assistance provided	Ongoing	Jul 2015	FIU

**Objective 2.2.2: Comply with the international standards for AML/CFT**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct study on AML/CFT risk assessment	Areas of higher risk identified and addressed	Ongoing	Jul 2012	FIU
2. Review AML/CFT legal framework	AML/CFT related legal framework reviewed and changed	Ongoing	Jul 2015	FIU
3. Develop AML/CFT compliance framework	Integrated AML/CFT Supervision Manual prepared	Ongoing	Jul 2015	FIU (L), BFIRD, BSD, DBSD, FCSD, MFPSD
4. Develop Strategic Implementation Plan to comply with the recommendations of APG Mutual Evaluation Report	Strategic Implementation Plan prepared and implemented	Ongoing	Jul 2016	FIU
5. Implement AML/CFT National Strategy	National Strategy implemented	Ongoing	Jul 2016	FIU

**Strategic Priority 2.3: Strengthen regulatory framework**

Strengthening the resilience of the banking system and promoting public confidence are major concerns of the central bank. Global financial crises in recent years have offered important lessons to formulate prudent regulatory framework for the stability and sustainability of financial system. NRB will focus on maintaining banking standards, implementing capital and liquidity requirements and other regulatory measures in line with international standards.

**Objective 2.3.1: Improve regulatory coordination**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
Establish coordination with regulators (MOF, SEBON, Company Registrar's Office and Insurance Board)	Institutional framework created, Regulatory gaps and inconsistencies addressed	Jan 2012 Jul 2012	Jul 2012 Ongoing	BFIRD

**Objective 2.3.2: Establish strong financial safety net**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Enact deposit guarantee legislation	Draft submitted to GoN	Jan 2012	Jul 2012	BFIRD

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
2. Establish/ enhance institutional framework for deposit guarantee system	Framework finalized	Ongoing	Jul 2012	BFIRD
3. Increase the coverage and limit of deposit and credit guarantee	Coverage and limit increased	Ongoing	Jul 2016	BFIRD

### Objective 2.3.3: Strengthen regulatory framework to absorb external shocks

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Review sectoral lending limits of BFIs	Sectoral limits reviewed	Ongoing	Jul 2016	BFIRD
2. Issue regulation for financial derivatives	Regulations issued	Jul 2012	Dec 2012	BFIRD (L), FXMD
3. Develop cross-border supervision guidelines	Guidelines developed	Jan 2012	Jul 2013	BSD
4. Issue regulations for trading book activities	Regulations issued	Ongoing	Jul 2016	BFIRD

### Strategic Priority 2.4: Strengthen supervisory framework to ensure the safety and soundness of the BFIs

Recent global financial crisis has necessitated the central bank to reform and execute macro-prudential supervisory framework aimed at monitoring the exposure to systemic risks and identifying potential threats to financial stability. NRB thus, aims at strengthening the supervisory framework through focusing on risks based supervision, adopting BASEL II, amending supervisory manuals and guidelines, and adopting international supervisory standards to safeguard from anticipated threats for maintaining financial sector stability.

#### Objective 2.4.1: Move towards Risk Based Supervision (RBS)

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Develop RBS framework	RBS framework developed	Ongoing	Jul 2012	BSD (L), DBSD, FCSD, BFIRD
2. Develop RBS guidelines	RBS guideline developed	Ongoing	Jul 2013	BSD (L), DBSD, FCSD, BFIRD
3. Strengthen data management system to support the implementation of RBS guidelines	Online data reporting system developed	Ongoing	Jul 2013	BSD (L), ITD, GSD, CPD, BFIRD

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
4. Revise supervision bylaws and manuals	Bylaws and manuals revised	Ongoing	Jul 2013	BSD (L), LD, BFIRD, DBSD, FCSD
5. Implement RBS guidelines in phases a. Commercial banks b. National level development banks c. Finance companies	RBS guidelines implemented in phases	Ongoing	Jul 2015	BSD (L), DBSD, FCSD

#### Objective 2.4.2: Implement BASEL core principles

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Self-assessment of BASEL core principles and identify the gap	Gap identified	Jul 2012	Jul 2013	BSD (L), DBSD, FCSD
2. Implementation of BASEL core principles	BASEL core principles implemented	Jul 2014	Ongoing	BSD (L), DBSD, FCSD

#### Objective 2.4.3: Adopt advanced approaches of BASEL II supervisory mechanism

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Prepare action plan for implementation of advanced approach of BASEL II	Feasibility study conducted and Action Plan prepared	Jul 2013	Jul 2014	BSD (L), DBSD, FCSD
2. Implement advanced approach of BASEL II	Standardized approach selected and implemented	Jul 2014	Ongoing	BSD (L), DBSD, FCSD
3. Prepare for BASEL III	Study report prepared and reviewed	Jan 2014	Jul 2015	BSD (L), DBSD, FCSD

#### Objective 2.4.4: Update supervision bylaws and manuals

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Update existing supervision bylaws	Bylaws updated	Jul 2011	Jul 2012	BSD (L), DBSD, FCSD
2. Update existing supervision manuals	Manuals updated	Jan 2012	Dec 2012	BSD (L), DBSD, FCSD

### Objective 2.4.5: Strengthen the capacity of Supervision Departments

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct risk-based supervision of commercial banks	Risk-based supervision conducted and recommendations implemented	Jul 2012	Ongoing	BSD (L), HRMD
2. Restructuring of Financial Institutions Supervision Department	Restructuring completed	Jul 2011	Dec 2011	CPD (L), FISC, HRMD
3. Coordinate with HRMD to establish policy for recruiting/ placement of specialized staff for supervision departments	Policy established	Jan 2012	Jul 2012	CPD (L), BSD, DBSD, FCSD, HRMD

### Strategic Priority 2.5: Introduce forward-looking approaches in supervision

Vulnerability arising out of liquidity risk in one organization can have system wide repercussions. Designing and implementing liquidity-monitoring framework, early warning system, stress testing and contingency plan are some of the important measures to safeguard the BFIs from risks arising in turbulent financial market structures. NRB will take necessary measures in these areas to strengthen the financial system in the country.

#### Objective 2.5.1: Introduce forward looking approach by strengthening contingency management in supervisory system

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Assess systemic risks and enforce early warning system	Contingency Management Unit established	Jan 2012	Ongoing	BSD (L), DBSD, FCSD
2. Formulate and implement Liquidity Monitoring Framework	Liquidity monitoring framework formulated	Jan 2012	Ongoing	BSD (L), DBSD, FCSD
3. Amend PCA bylaws accommodating liquidity triggers	PCA by-laws amended	Jan 2012	Jul 2012	BSD (L), DBSD, FCSD, BFIRD, LD
4. Design and implement stress testing framework	Stress testing framework implemented	Ongoing	Ongoing	BSD (L), DBSD, FCSD, BFIRD
5. Formulate stress testing guidelines	Guidelines formulated	Ongoing	Jul 2012	BSD (L), BFIRD, DBSD, FCSD

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
6. Implement stress testing in commercial banks	Micro stress testing implemented	Jan 2012	Jul 2012	BSD (L), BFIRD
7. Develop problem bank/FIs resolution framework	Framework developed and implemented	Jan 2012	Jul 2012	BSD (L), DBSD, FCSD
8. Publish financial stability report	Report published	Jul 2012	Jul 2013	BSD (L), DBSD, FCSD, BFIRD

## Strategic Priority 2.6: Establish and strengthen supporting institutions for the financial stability

NRB will take initiatives to strengthen supervisory framework through the establishment of Credit Rating Agency (CRA) to ensure the soundness of the BFIs. Deposits and Credit Guarantee Corporation will be strengthened to provide safety net to the depositors. In order to provide accurate credit information of the borrower and to facilitate the recovery process, Credit Information Center (CIC) will be strengthened. The reform process of the public sector banks will also be strengthened.

### Objective 2.6.1: Facilitate the establishment of Credit Rating Agency and AMC

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Facilitate the establishment of Credit Rating Agency	Credit Rating Agency established	Ongoing	Dec 2013	BFIRD
2. Facilitate the establishment of AMC	Legal drafting completed and AMC established	Jan 2012	Dec 2013	BFIRD

### Objective 2.6.2: Restructure public sector banks

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Restructure and re-capitalize RBB	Restructured and re-capitalized	Ongoing	Dec 2013	BFIRD
2. Restructure and re-capitalize NBL	Restructured and re-capitalized	Ongoing	Dec 2012	BFIRD

## Strategic Priority 2.7: Increase financial deepening

The growth of banks and financial institutions in the last two decades has been primarily urban centered. Thus a large segment of rural households does not have access to formal financing. Existing licensing policy will be reviewed and revised to encourage BFIs to open branches to serve

rural areas. Lending to deprived sector will be encouraged and up-scaled through policies and programs. It is anticipated that by mid-July 2016, about two-third population will have access to formal financing.

#### **Objective 2.7.1: Review the licensing policy for banks and financial institutions**

<b>Actions</b>	<b>Key Performance Indicators</b>	<b>Start Date</b>	<b>End Date</b>	<b>Responsible Department</b>
1. Review and update licensing policy	Licensing policy reviewed and updated	Ongoing	Dec 2013	BFIRD
2. Update fit and proper test framework consistent with international best practices	Framework updated	Jan 2012	Dec 2012	BFIRD
3. Review the branch expansion policy	Policy revised and more branches opened in un-served areas	Jan 2012	Jul 2016	BFIRD
4. Formulate policy for domestic banks to open branches abroad	Policy formulated	Jul 2012	Jul 2013	BFIRD
5. Issue guidelines for opening foreign bank branches in the country	Guidelines issued	Jan 2012	Dec 2012	BFIRD

#### **Strategic Priority 2.8: Enhance financial inclusion**

A large segment of population does not still have access to formal financial services. Poor infrastructure, difficult geographical location, scattered household settlement and least developed markets are major hurdles to the delivery of financial services at affordable costs to the disadvantaged and low-income segments of society. NRB will conduct surveys to assess the gap in financial outreach and to formulate necessary strategy for inclusive finance. Institutional arrangements will be made to regulate and supervise MFIs and channelize fund to resource-deficient MFIs working in the remote and rural areas. Existing licensing policy for MFIs will be revisited in order to enhance entry and expansion of microfinancial services in least/non accessible areas. Financial literacy will be enhanced focusing specially on women, victims of conflict, ethnic minorities, deprived and marginalized section of population.

### Objective 2.8.1: Assessing access to finance

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct Rural Credit Survey	Report prepared and suggestions implemented	Jan 2012	Jul 2014	MFPSD
2. Conduct market research to find out the access to financial services in mid-western and far-western hilly regions	Report prepared and suggestions implemented	Jul 2012	Jul 2013	MFPSD
3. Conduct mid-term evaluation of Enhancing Access to Financial Services Project	Findings of the report implemented	Jan 2012	Dec 2012	MFPSD

### Objective 2.8.2: Create and strengthen institutional framework for the operations of MFIs

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Facilitate setting up of second tier institution (STI) for regulation and supervision of MFIs	STI established and operationalized	Ongoing	Dec 2013	MFPSD (L) BFIRD
2. Establish a National Microfinance Development Fund	Fund established and operationalized	Ongoing	Dec 2013	MFPSD
3. Divest NRB equity investment of Far-Western Region Rural Development Bank	Divestment completed	Ongoing	Jul 2012	FMD (L), BFIRD, MFPSD
4. Restructure Central Region Rural Development Bank	Restructuring completed	Ongoing	Jul 2012	BFIRD (L), MFPSD
5. Restructure other RDBs	Restructuring completed	Jan 2012	Dec 2012	BFIRD (L), MFPSD

### Objective 2.8.3: Increase inclusive financial services

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Revisit licensing policy for MFIs	New licensing policy issued	Jul 2012	Jul 2013	BFIRD (L), MFPSD

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
2. Revisit existing regulatory directives pertaining to MFIs	Regulation revised and issued	Jul 2012	Jul 2013	BFIRD (L), MFPSD
3. Expand MFIs services in least/non accessible areas	Regulation issued	Jul 2012	Jul 2013	BFIRD (L), MFPSD
4. Revisit branch expansion policy of MFIs	New branch expansion policy issued	Jul 2012	Jul 2013	BFIRD (I), MFPSD
5. Develop national strategy for financial literacy	Strategy prepared and implemented	Jul 2012	Jul 2013	MFPSD
6. Develop financial literacy materials and organize awareness programs for MFIs and poor & marginalized section of population	Leaflets produced and distributed, website regularly updated, audio visual prepared and awareness programs conducted	Jul 2012	Jul 2016	MFPSD
7. Encourage MFIs to adopt different modes of agent banking services such as branchless banking, mobile banking, satellite banking etc.	Regulation issued	Jul 2012	Jul 2016	BFIRD (L), MFPSD
8. Help channelize locally mobilized resources within the same area	Regulation issued	Jul 2012	Jul 2016	BFIRD (L), MFPSD
9. Establish a proper linkage between locally operated informal saving & credit groups with formal financial institutions	Regulation issued	Jul 2012	Jul 2016	BFIRD (L), MFPSD
10. Enhance financial & social inclusion in mid and far western development region by supporting production, post-harvest & value chain development of high value commodities (HVC)	Support action plan developed, Technology transferred, market secured for HVC	Jul 2012	Jul 2016	MFPSD



## **FOREX**

- U.S. Dollar**
- Euro**
- Pound Sterling**
- Swiss Franc**
- Australian Dollar**
- Canadian Dollar**
- Singapore Dollar**
- Japanese Yen**
- Chinese Yuan**
- Saudi Arab Riyal**
- Qatari Riyal**
- Thai Bhat**
- UAE Dirham**
- Malaysian Ringgit**
- South Korean Won**

# **Foreign Exchange Management**

## Strategic Pillar 3: Foreign Exchange Management

### Strategic Priority 3.1 Make foreign exchange reserve management more efficient and effective

NRB will maintain prudent mechanisms to manage its foreign exchange reserves effectively and productively. The bank will maintain adequate liquidity taking into account the inherent potential risks in foreign exchange market. For this purpose, current investment guidelines will be updated, reserve management practices of other central banks will be examined and the possible alternate investment opportunities will be explored.

#### Objective 3.1.1: Optimize return from foreign exchange reserve investment

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Maintain adequate foreign exchange reserves	Sufficient reserve to cover the imports (of goods and services) of at least six months	Ongoing	Jul 2016	FXMD
2. Review & diversify current portfolio management to explore opportunities for optimum returns	Investment portfolio diversified by currency and instruments	Jan 2012	Jul 2016	FXMD
3. Review and update investment guidelines	Investment guidelines updated at necessary intervals	Jul 2012	Jul 2016	FXMD
4. Review and update risks management system	Reviewed and updated regularly	Jan 2012	Jul 2016	FXMD
5. Amend the existing Foreign Exchange Act	Act amended	Jul 2012	Jul 2013	FXMD (L), LD
6. Review systems and processes adopted by other central banks for optimum returns	Instruments and strategies for optimum returns identified, assessed and implemented	Jul 2012	Jul 2013	FXMD
7. Study the relevancy and uses of online treasury dealing and possible alternate investment opportunities	Possibility of online treasury dealings identified, discussed and acted accordingly	Jul 2013	Jul 2014	FXMD

## Strategic Priority 3.2: Reform foreign exchange regime to maintain external sector stability

Reform in foreign exchange regime has increased the number of authorized foreign exchange players in the market. It has strained the supervisory and monitoring role of the NRB. It is expected that NRB's initiative to establish online data reporting system based on standard international practices will minimize foreign exchange market risks. Considering the expected gain through efficient allocation of capital in a liberalized foreign exchange regime, NRB shall conduct a study for gradual move towards capital account convertibility.

### Objective 3.2.1: Strengthen supervisory and monitoring mechanism of foreign exchange market

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Establish online data reporting system	Online data reporting system established	Jul 2012	Jul 2013	IT (L), FXMD
2. Strengthen controls over reserve management by limiting physical access to operational areas and enforcing SWIFT system	Independent SWIFT protocols achieved	Jul 2012	Dec 2013	FXMD
3. Update inspection manual	Manual updated	Jul 2012	Jul 2013	FXMD
4. Institutionalize and enforce compliances to regulate foreign exchange market	Compliance enforced	Jul 2013	Dec 2013	FXMD

### Objective 3.2.2: Open up capital and financial account in phases

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Study the feasibility of capital and financial account convertibility	Study conducted and policy measures taken	Jan 2012	Jan 2013	RD (L), FXMD
2. Review and amend the existing FDI policies to attract investment	FDI Policies amended and implemented	Jul 2012	Dec 2013	RD (L), FXMD
3. Gradually open up Nepalese investment abroad	Study conducted and necessary policy and guidelines formulated and implemented	Jul 2012	Jul 2014	FXMD
4. Review the existing system of exchange rate determination with Indian currency	Study conducted	Jul 2012	Jan 2013	RD (L), FXMD

# PAYMENT SYSTEMS & MECHANISMS



## Strategic Pillar 4: Payment Systems & Mechanisms

### Strategic Priority 4.1: Promote efficient and effective payment system

Quick and secure fund transfer among the financial institutions creates credibility of the financial system and helps in accelerating trade and commerce in the country. Payment and settlement systems will be strengthened through introducing Real Time Gross Settlement System (RTGS) and validating e-payment. NRB will establish institutional mechanisms for efficient and effective payment system.

#### Objective 4.1.1: Promote the efficient and effective payment system

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Study and establish a payment and settlement policy division	Division established	Jul 2012	Jul 2013	CPD (L), BFIRD, FXMD, BOK
2. Establish payment and settlement unit	Unit established	Ongoing	Jul 2012	BOK
3. Implement electronic cheque clearing system	System implemented	Ongoing	Jul 2012	BOK
4. Study for the implementation of RTGS	Study completed	Jul 2012	Jul 2013	BOK (L), BFIRD, CPD, ITD, FXMD
5. Implement the RTGS system in payments and settlements	RTGS system in place	Jul 2013	Jul 2015	BOK (L), FXMD, ITD, CPD
6. Formulate Electronic Payment and Fund Transfer Act	Draft submitted to GoN	Jan 2012	Dec 2012	BFIRD (L), LD
7. Formulate regulations for e-payment, electronic funds transfer, internet banking, and credit cards operations	Regulations issued	Jan 2012	Jul 2012	BFIRD (L), LD, BOK, FXMD
8. Automate SWIFT transaction by linking swift and ledger accounts	Interface created	Ongoing	Jul 2013	FXMD (L), BOK, ITD

### Strategic Priority 4.2: Ensure timely supply of bank notes and coins

NRB will make bank notes and coins accessible in required denominations to the general public and financial institutions. The bank will maintain clean notes in circulation. Modernization in the notes counting and shredding will be done through the implementation of Currency Verification and Processing System (CVPS) and Shredding and Briquetting System (SBS). Modernization of Mint Division will be done.

#### Objective 4.2.1: Ensure smooth supply of clean notes

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Enforce compliance to withdraw soiled and mutilated notes from the market	Clean notes circulated in market	Ongoing	Jul 2016	CMD
2. Maintain currency inventory and currency chest at an optimum level	Adequate stock and currency chest maintained	Ongoing	Jul 2016	CMD
3. Create awareness on clean note policy and identification of counterfeit notes	Awareness programs conducted	Ongoing	Jul 2016	CMD

#### Objective 4.2.2: Mechanize the currency management system

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Study the cost effectiveness of procuring Currency Verification & Processing System (CVPS)	Study conducted and detail plan of action developed	Jan 2012	Jul 2012	CMD (L), CPD
2. Study for procuring Shredding & Briquetting System (SBS)	Study conducted and detail plan for implementation developed	Jan 2012	Jul 2012	CMD (L), CPD
3. Implement Currency Verification & Processing System (CVPS) and Shredding & Briquetting System (SBS)	Systems implemented	Jul 2012	Jul 2013	CMD (L), CPD, BOK
4. Complete mechanization of note sorting and counting process	Process of mechanization established	Ongoing	Jul 2014	CMD (L), BOK, other offices
5. Conduct comprehensive study to restructure Mint Division	Restructuring of Mint Division completed	Jan 2012	Jul 2012	CPD (L), CMD, GSD



## Strategic Pillar 5: Human Resource Management and Capacity Development

### Strategic Priority 5.1: Strengthen the Organizational Structure of NRB

Organizational structure provides the framework for NRB's operation. The existing structure will be reviewed to balance the roles and responsibilities and maintain congruence among the departments. NRB proposes redesigning the structural mechanisms and ongoing process of service delivery based on the design of proposed federal structure.

#### Objective 5.1.1: Study the structural requirements in the context of proposed federal structure of the State

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Review existing organizational structure of NRB in relation to the proposed federal structure	Detail study conducted and plan of action developed	Jul 2012	Jul 2013	CPD (L), HRMD
2. Review the operational structure of the central banks in SAARC region and explore the possibility to harmonizing relevant functions	Restructuring proposal prepared, discussed and implemented	Jul 2012	Jul 2013	CPD (L), HRMD
3. Define the roles and responsibilities of the departments	Roles and responsibilities defined and clarified	Jan 2012	Dec 2012	CPD (L), All departments

### Strategic Priority 5.2: Strengthen the human resource management system of NRB

Managing human resources is one of the crucial and challenging tasks as their level of satisfaction determines the performance and productivity in the organization. Priority will be accorded to the fundamental HR processes and, planning and development. NRB will focus on strengthening the database system, developing a human resource plan (talent hunting, recruitment, placement, transfer, career growth and succession plan); introducing performance based evaluation, improving the work culture and developing the capacity through the investment in human capital.

NRB plans to implement an industry standard integrated Human Resource Management Information System Software (HRMISS). It will help NRB to manage all aspects of human resource management processes leading to benefits, such as, improved human resource service delivery, better achievement of the NRB's mission and improved organizational efficiency. HRMISS shall replace a number of standalone in-house built dBase-based systems currently being used by NRB.

### Objective 5.2.1: Develop Human Resource Plan for next 10 years

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Prepare the disaggregated database on key elements in human resources	Database prepared	Jan 2012	Jul 2012	HRMD (L), CPD
2. Prepare report on HR Plan and development	HR Plan developed and implemented	Jul 2012	Dec 2012	CPD (L), HRMD

### Objective 5.2.2: Strengthen the HR data management system

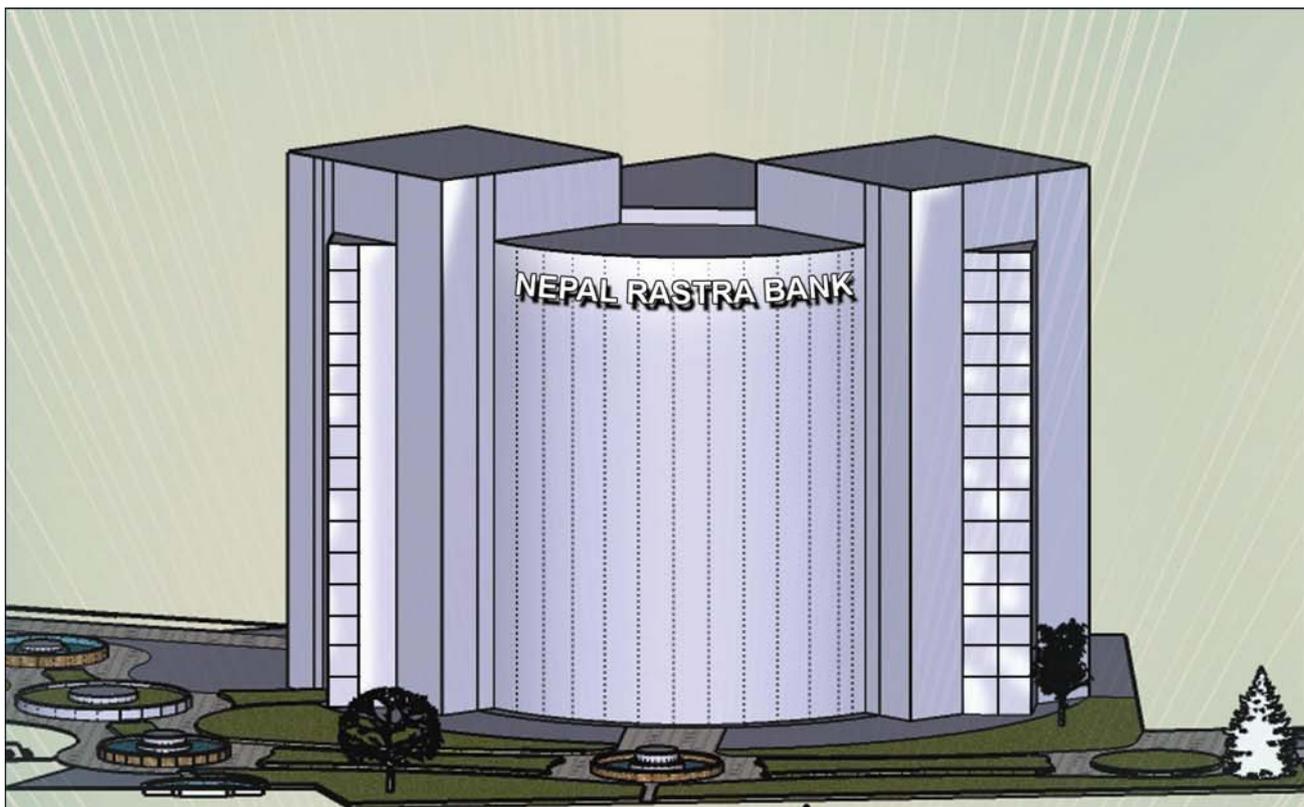
Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Procure and implement Human Resource Management Information System Software (HRMISS)	HRMISS implemented	Ongoing	Dec 2012	HRMD (L), ITD, GSD

### Objective 5.2.3: Improve/strengthen work culture in NRB

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Update and implement job description of employees	Updated job description issued to employees	Jan 2012	Jul 2016	HRMD (L) and all departments
2. Establish procedures for performance-based evaluation	Procedures developed and implemented	Jan 2012	Jul 2012	HRMD (L), CPD
3. Review the existing delegation of authority and responsibilities	Existing authority reviewed and changed	Jan 2012	Dec 2012	CPD (L) and all departments
4. Review reward and punishment system to strengthen accountability and ownership	Reward and punishment system reviewed, and changed	Jul 2012	Dec 2012	CPD (L), HRMD
5. Ensure transparency in information dissemination	Guidelines prepared	Jul 2012	Jul 2013	CPD (L) and all departments

#### Objective 5.2.4: Develop human resource ability and capacity in bank

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Liaise with NBTI to strengthen the capacity of employees	At least 500 employees trained in the plan period	Ongoing	Jul 2016	HRMD (L), CPD
2. Develop international relations to strengthen mutual cooperation and capacity building	Technical Cooperation Unit established	Jul 2012	Jul 2013	CPD (L), OFG
3. Strengthen the infrastructure and capacity of Bankers Training Center	Plan prepared and implemented	Jan 2012	Jul 2012	GSD (L), HRMD



## **Infrastructure Development, Corporate Governance & Customer Services**



## Strategic Pillar 6: Infrastructure Development, Corporate Governance and Customer Services

### Strategy Priority 6.1: Create conducive work environment for the delivery of quality services

Creating conducive office environment with adequate infrastructural facilities at the central and regional level is a key element to enhance the overall performance of the bank. The policy of constructing well-facilitated central bank building will be materialized. Especial care will be taken to design infrastructure and operational modality based on country's future federal structure. The delivery of quality customer services will be ensured.

#### Objective 6.1.1: Modernize the office premises

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Establish a separate unit to execute major infrastructural development works	Unit established	Jan 2012	Jul 2012	CPD (L), GSD, HRMD
2. Design and construct a new office building in Kathmandu	Design completed Construction completed	Jan 2012 Jan 2013	Dec 2012 Jul 2016	GSD (L), CPD, ITD
3. Design and construct office building in Pokhara (district office)	Design completed Construction completed	Jan 2012 Jan 2013	Dec 2012 Jul 2016	GSD (L), CPD,
4. Establish Note & Coin Management Center at centrally located place	Location selected Design completed Building Constructed	Jan 2012 Jul 2012 Jan 2013	Jul 2012 Dec 2012 Jul 2014	GSD (L), CPD, CMD
5. Purchase land and construct office building phase-wise for other regional offices once the federal structure is finalized	Land purchased; Office design completed and construction of building completed	Jan 2013	Jul 2015	GSD (L) CPD
6. Upgrade physical facilities (generator, air conditions, furnishing, etc.) to make work environment conducive	Physical facilities accomplished	Jan 2012	Jul 2013	GSD

### Objective 6.1.2: Enhance functional operations

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Implement the best practices of the central banks' procurement by-laws and regulations	By-laws and regulations reviewed, upgraded and executed	Jan 2012	Dec 2012	GSD (L), CPD, LD
2. Collect and maintain legal documents of all physical properties of the bank	Blueprints, land certificates and other documents maintained up-to-date	Jan 2012	Dec 2013	GSD
3. Prepare short-term, medium-term and long-term infrastructure development plan for NRB	Plan developed and implemented	Jan 2012	Dec 2012	GSD (L), CPD
4. Strengthen assets and inventory management	Records updated	Ongoing	Jul 2014	GSD (L), FMD ITD

### Objective 6.1.3: Provide quality services to the stakeholders

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Create a separate Customer Services Unit to improve service delivery	Unit created and services provided	Jan 2012	Jul 2012	CPD (L), HRMD
2. Provide educational and public awareness programs	Awareness created	Jul 2012	Jul 2016	Customer Services Unit
3. Strengthen communications mechanisms	Communications strengthened	Ongoing	Ongoing	Customer Services Unit
4. Provide services (enabling services to the visitors, ombudsmen services, complaint re-dressal) to the stakeholders	Services provided	Ongoing	Ongoing	Customer Services Unit
5. Manage recreational services and facilitate extra-curricular activities to the employees	Services provided	Jan 2013	Ongoing	Customer Services Unit
6. Create and ensure high-class safety systems (disaster management, fire hazards, natural calamities, greening the environment, etc.)	Safety standards established	Jul 2012	Ongoing	Customer Services Unit

### Objective 6.1.4: Establish Visitors Center

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Establish Visitors Center	Center established	Jul 2012	Jul 2013	CPD (L), GSD
2. Prepare documentary on the history and functions of NRB	Documentary prepared	Jul 2013	Jul 2014	Customer Services Unit
3. Prepare documentary on security features of notes	Documentary prepared	Jul 2013	Jul 2014	Customer Services Unit
4. Display notes, coins, commemorative coins, souvenirs, medals, etc.	Activities accomplished	Jul 2013	Jul 2014	Customer Services Unit

### Strategic Priority 6.2: Create sound corporate governance through the strengthening of the policies and programs, internal control system, and ensuring transparency and accountability

Continuation of strategic and work plan, strengthening the internal control system, assessing the risks and taking corrective measures and ensuring transparency and accountability are important measures for sound corporate governance.

#### Objective 6.2.1: Strengthen the implementation of Strategic Plan

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Prepare clear roles and responsibilities, resources requirement and time bound action plans	Roles and responsibilities defined	Ongoing	Jul 2012	CPD
2. Explore internal and external resources to facilitate the implementation of Strategic Plan	Resources (trainings, consultancies, technical assistance) generated	Jan 2012	Ongoing	CPD
3. Periodically review, revise and update the Strategic Plan	Periodically reviewed and updated	Half-yearly	Half-yearly	CPD
4. Align Annual Work Plan in line with Strategic Plan	Link established with the annual work plan	Annually	Annually	CPD
5. Review reporting mechanisms	Reporting mechanism developed	Jan 2012	Jul 2012	CPD

**Objective 6.2.2: Strengthen internal control systems**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Implement risk-based internal auditing system	Implemented	Jan 2012	Ongoing	IAD (L), CPD
2. Link Internal Audit with Central Data system	Link established	Jul 2012	Jul 2015	IAD (L), ITD
3. Standardize the reporting format based on international standards	Reporting system standardized	Jan 2012	Jul 2012	IAD

**Objective 6.2.3: Strengthen risks management system**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Review ELRIC framework and establish an Integrated Risks Management Framework (IRMF)	Framework reviewed	Jul 2012	Jul 2013	CPD
2. Institutionalize risks management system	System institutionalized	Jul 2012	Jul 2013	CPD
3. Establish risk reporting mechanism through strengthened MIS	Reporting mechanism established	Jul 2012	Jul 2013	CPD (L), ITD
4. Capacity Enhancement of Risks Officers	Capacity enhanced	Jan 2012	Ongoing	CPD

**Objective 6.2.4: Strengthen corporate governance principles and practices**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Prepare corporate governance manual in central banking activities	Manual prepared	Jan 2012	Dec 2012	CPD (L), IAD
2. Institutionalize the corporate governance principles in bank's activities	Awareness created and reporting mechanisms established	Jul 2012	Jul 2013	CPD

**Objective 6.2.5: Strengthen the budgeting, accounting and reporting mechanisms**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Adopt Integrated Accounting General Ledger software	Software installed and put into use	Jul 2012	Ongoing	FMD (L), ITD
2. Ensure compliance with the international best-practices financial reporting system	IFRS & IAS adopted	Jul 2012	Jul 2014	FMD

# Information & Communications Technology



## Strategic Pillar 7: Information and Communications Technology (ICT)

### Strategic Priority 7.1: Promote business process automation to improve the efficiency on bank's operations

The development of ICT has transformed the ways an institution does its business. Business functions could be automated with the use of an appropriate system for increasing efficiency and effectiveness in service delivery. NRB intends to speed up automation of its core and other important business functions by procuring and implementing modern, integrated, centralized and state-of-the-art software. An effective mechanism of electronic communication shall be implemented for the gradual transformation of workflow towards paperless environment.

#### Objective 7.1.1: Implement modern software

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Implement modern integrated GL system	GL system implemented	Ongoing	Jul 2012	FMD (L), ITD, BOK, FXMD, CMD, PDMD, Offices outside Kathmandu
2. Procure and implement Online Data Collection and Dissemination System Software (ODCDSS)	ODCDSS implemented	Ongoing	Dec 2012	GSD (L), ITD, BFIRD, BSD, DBSD, FCSD, MFPSD, RD, FXD, PDMD, CMD, BO, FMD
3. Procure and implement Financial Information Unit Intelligence System Software (FIUISS)	FIUISS implemented	Ongoing	Dec 2012	GSD (L), LD, ITD
4. Maintenance of existing ICT system	Maintenance of all software, hardware, networking and other equipments	Ongoing	Ongoing	ITD

### Objective 7.1.2: Conduct feasibility study on the use of new ICT infrastructure

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct feasibility study for the use of Real Time Gross Settlement System (RTGS)	Study conducted and implementation of the system initiated	Jan 2013	Dec 2013	ITD (L), BOK, FXMD, CPD
2. Conduct feasibility study for the use of Scripless Securities Settlement System (SSSS)	Study conducted and implementation of the system initiated	Jan 2014	Dec 2014	PDMD (L), ITD, CPD
3. Conduct feasibility study for the use of Payment Gateway	Study conducted and implementation of the system initiated	Jan 2015	Dec 2015	ITD (L), CPD

### Objective 7.1.3: Transform work-flow towards paperless environment

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Formulate a policy for paperless environment	Digital document management policy prepared	Jan 2012	Dec 2012	ITD
2. Maintain secured official digital documents	Transformation of all relevant documents in digital form	Jan 2013	Dec 2013	ITD (L), LD, GSD
3. Establish digital document and automated work flow system within the departments	Paperless work flow system in place	Jan 2014	Ongoing	ITD (L), GSD, CPD

### Strategic Priority 7.2: Improve data management capacity and IT security framework

ICT helps facilitate data storage, security and database back-ups. To ensure secured data storage, NRB will develop an automated data center with secured data warehousing and data mining system. A Disaster Recovery Site will be established so as to protect data from unforeseen eventualities. A secured network for online reporting, which links the departments, banking offices outside Kathmandu and other related stakeholders will be developed.

**Objective 7.2.1: Design and develop data warehouse**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct study for the establishment of data warehouse	Study completed and plan of action developed	Jan 2013	Jul 2013	ITD
2. Install and commission data warehousing and data mining	Operational data center in place	Jul 2013	Jul 2014	ITD (L) and all departments

**Objective 7.2.2: Design, develop and implement Disaster Recovery Site (DRS)**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Conduct study and design DRS	Study completed and plan of action developed	Jan 2012	Jul 2012	ITD (L) CPD, GSD
2. Procurement of required license and other infrastructure for DRS	DRS developed and implemented	Jan 2013	Jul 2013	ITD (L) CPD, GSD

**Objective 7.2.3: Establish secure and reliable communication mechanism within bank and with stakeholders**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Study and design secure and reliable communication mechanism	Report along with design document prepared	Jan 2012	Jul 2012	ITD (L) CPD, GSD
2. Develop and implement secure and reliable communication mechanism	Secure and reliable communication mechanism established	Jan 2013	Jul 2013	ITD (L) CPD, GSD

**Strategic Priority 7.3: Implement and Upgrade IT related policies and enhance ICT capacity building.**

A standard internal ICT policy and IT guidelines are necessary to mitigate the risks and to promote the optimal use of ICT infrastructure. To enhance ICT capability, an ICT Research and Development Unit, IT Help Desk and ICT Training lab will be established.

**Objective 7.3.1: Upgrade ICT related policy and guidelines and enhance ICT capacity building**

Actions	Key Performance Indicators	Start Date	End Date	Responsible Department
1. Upgrade Policies and Guidelines	Policies and Guidelines Upgraded	Jul 2011	Ongoing	ITD
2. Establish ICT Research and Development Unit	Unit established	Jan 2012	Dec 2013	ITD (L), HRMD, CPD, GSD
3. Upgrade IT Training Lab	Unit established	Jan 2012	Dec 2013	ITD (L), HRMD, CPD, GSD
4. Establish IT Help Desk	Unit established	Jan 2012	Dec 2013	ITD (L), HRMD, CPD, GSD
5. Enhance IT Skills of Employees	At least two-third employees trained	Jan 2012	Jul 2016	HRMD (L), ITD, BTC



NRB Officials presenting the Strategic Plan 2012 – 2016 at the Board Meeting.

# CHAPTER 5

## Implementation Framework

This chapter explains the framework established for the implementation of the Strategic Plan. For effective implementation and necessary corrective measures, the following strategies are being adopted.

### **(a) Establishment of Strategic Planning Monitoring Committee**

The Strategic Planning Monitoring Committee (SPMC) formed with the coordinatorship of a Board Member to oversee the formulation, implementation, monitoring and evaluation of Strategic Plan and the Annual Work Plan will have indispensable roles in the execution of the Plan. The Committee shall address the following:

- Review and recommend the Strategic Plan to the Board for their approval;
- Periodically review the progress made in the implementation and make necessary adjustments;
- Provide guidance to the Corporate Planning Department in the implementation of the Plan;
- Review the state of allocated resources for implementing the plan;
- If needed, make necessary changes in the Strategic Plan based on the Monetary Policy, the government's annual budget and programs, and the market dynamics;
- Establish proper linkages between the Strategic Plan and annual work plan;
- Submit implementation status of the Strategic Plan to NRB Board annually.

### **(b) Strengthening the Corporate Planning Department**

The Corporate Planning Department responsible for overseeing the implementation, monitoring and evaluation of Strategic Plan will be strengthened. Experience sharing from the SAARC countries, on-the-job training and skill development program will be arranged for capacity development of related departments. The Department will maintain close coordination with departments and divisions to monitor the progress made in the implementation of Plan. A progress report will be submitted on half yearly basis to the SPMC for review and necessary actions.

### **(c) Integration of Annual Work Plan with the Strategic Plan**

The Annual Work Plan of the bank will be formulated taking into consideration of the Strategic Plan. The Annual Work Plan will be monitored on quarterly basis and a report will be submitted to SPMC for review and necessary actions.

### **(d) Preparation of the Resources Plan**

Each and every activity will have adequate resources earmarked in bank's annual budget. The resources also include human, money and material. Each lead department should include resource requirement in their Annual Work Plan.

New breed of employees will be recruited as laid out in the Strategic Plan. Efforts will be made to recruit specialized skilled employees. Technical support from bi-lateral and multi-lateral donor institutions will be expedited to build the human resource capacity and in areas of institutional development.

Materials requirements will also be worked out every year and procurement will be done as per the procurement provisions.

### **(e) Transparency, Accountability and Reporting Requirements**

The Corporate Planning Department will coordinate and communicate with all departments for implementation. Each Department/Division will incorporate the tasks endorsed in the Strategic Plan as their work plan for the year identified in the Plan. The Lead Department must take responsibility to coordinate with other departments in case of joint activities. Department (s) must be accountable for the completion of stated tasks in the Strategic Plan.

The Lead Department will submit progress report to the Corporate Planning Department. Performance indicators are being established to monitor the progress of each action plan.

Any problem encountered during the implementation phase need to be communicated to the Corporate Planning Department immediately for necessary adjustments.

### **(f) Integration and Publicity**

Execution of the Strategic Plan is a continuous process for attaining NRB's goals and objectives. A write up on each specific areas of importance will be communicated to the staff through Newsletter published periodically from the bank. Statements of the vision, mission and core values will be displayed in office premises and will be integrated in official documents wherever possible.

# Appendices

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## A. Strategic Planning Committee



Prof. Dr. Bishwambher Pyakuryal  
Co-ordinator



Dy. Governor Mr. Gopal Prasad Kaphe  
Member



Dy. Governor Mr. Maha Prasad Adhikari  
Member



Executive Director Mr. Manmohan Kr. Shrestha  
Member



Director Dr. Binod Atreya  
Member Secretary

## B. Photo Gallery

### Strategic Planning Seminar







## SWOT Analysis of Nepal Rastra Bank





## Meeting with Stakeholders of NRB



## C. Suggestions and Feedback from Stakeholders\*

### 1. Macroeconomic Stability

- Ensure price stability.
- Strengthen foreign exchange management system
- Stabilize the interest rates (deposits and credits) in the financial market to sustain the industry.
- Formulate policies and programs for increasing access to finance to the general public. Policies and programs should include the district to be covered, population to be served and the facilities/incentives to be offered for bank to reach there.
- Establish a clear policy direction as to "controlled economy" or "mixed economy" or "free market economy". We recommend for free market economy and suggest policies and programs to follow accordingly.
- Ensure a proper linkage between the monetary policy, the fiscal policy of the government and the strategic plan.
- Encourage banks and financial institutions (BFIs) to make investment in value added sectors of the economy, such as tourism, education, and health and agricultural products, etc.

### 2. Financial Sector Stability

- Prepare a long-term financial sector strategy plan to enable investors to foresee the policies, programs and direction of the economy in order them to encourage invest funds in the economy. A long-term strategy as to capital fund, merger, provision and liquidity requirements would be very helpful. Short-term policy and programs discourage the investors to take decisions on investment.
- Ensure a healthy environment to encourage and motivate investors to invest money in the economy. Establish a mechanism to allow investors share their views and ideas in the policy formulation process.
- Strengthen corporate governance in banks and financial institutions. Board of Directors should be given education in areas of corporate governance.
- Encourage for the investment in hydro projects. Equity financing by financial players could add value to it.
- Encourage BFIs for self-regulation and self-disciplined, offering facilities.
- Develop public awareness and education programs for the poor people.

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\* Outcomes from the discussion held with stakeholders on April 29, 2011 at Hotel Radisson, Kathmandu

- Establish regulatory directives to regulate and strengthen the commodity market operations.
- Establish procedures to allow foreign investors to operate transaction in secondary market.
- Establish second tier institution to provide regulatory and supervisory functions to micro credit institutions.
- Establish policies to control the multiple financing by micro credit institutions
- Conduct a study to determine the required number of banks and financial institutions for the next five-year. Offer facilities to encourage merger of BFIs.
- Institutionalize and simplify procedures for sick industry rehabilitation.
- Strengthen credit Guarantee Corporation to ensure its soundness of operations.
- Establish policy and procedures to enhance long-term investment in the productive sectors of the economy through EPF, CIT and others.
- Review the policy of micro credit institutions to make them "strong and large" rather than being "scattered and small".
- Adopt policies to encourage public deposit to grow. Review the provision of mandatory declaration requirement of the sources of income for deposit more than 10 lacs.
- Establish credit rating agency
- Encourage capital market to grow through policy and programs.
- Encourage off-shore banking through policies and programs
- Educate the bankers through observation and training programs to improve the corporate governance in the financial system.

### **3. Effective Foreign Exchange Management**

- Establish policies and programs to permanently resolve the crisis of Indian currency required for the economy.
- Study the interest rate structure of India and take appropriate measures to control capital flight.
- Review and study to institutionalize the Hundi practices to encourage remittance flow through banking channels

### **4. Effective and modernized payment systems and mechanisms**

- Strengthen the payment system by allowing banks and financial institutions to operate note chest in areas where NBL and RBB is not operating.
- Arrange security measures (vault, cash transfer, etc) in the remote areas to enable banks to provide services.

## 5. Good governance and human resource management and development

- Develop competent staff by strengthening the banking training center in order to provide qualitative training programs to BFIs.

## 6. Structural Mechanisms

- Ensure autonomy of the NRB for better service delivery to the BFIs.
- Review the banking structure, systems and procedures including the structure of NRB under the federal government systems.
- Improve the managerial structure of NRB to enable produce quality and timely services to the stakeholders.
- Strengthen HR management by recruiting expert at higher levels in NRB, setting individual objectives, target and performance management.
- Establish mechanisms to ensure that the NRB plays the role of facilitator/guardian to support the banking industry.
- Strengthen the inspection and supervision capability of NRB.
- Improve and upgrade IT system in NRB.
- Establish mechanisms to ensure adequate coordination between regulation Department and Supervision department.

## 7. Customers Relations and Services

- Establish a single window system to provide information and services promptly and efficiently to the general public.
- Establish a permanent mechanism to redress the grievances of the public with banks and financial institutions, including central bank.

## 8. Information and publications

- Ensure data are accurate, reliable and disseminated in time.
- Establish a central data system, and make available to the various users.

## 9. Other Issues

- Frequent changes in the circulars and directives create problems to the banks and financial institutions. It adds confusion as well to the bankers.
- It is an important transformation on the part of NRB to take into account the views of stakeholders in the formulation process of Strategic Plan of NRB.
- Action-oriented strategic should be formulated and implementation mechanisms must be strong to enable any Plan to achieve results.
- Encourage E-commerce, E-cash, E-governance and develop rules and regulations for the smooth operation of E-business.
- Suggest eliminating capital gain tax for the time being to revive the capital market.
- Recommend to the Government of Nepal to revise the existing 30 percent tax levied to the financial institutions to 25 percent.

## D. SWOT Analysis of NRB\*

### (1) STRENGTHS

- Autonomous institution with strong legal framework
- International exposures
- Adequate physical assets for operation
- Competent staff
- Strong organizational culture

### (2) WEAKNESSES

- Lack of proper online data collection and dissemination system causing problems in consistency and timeliness in reporting and publication
- Poor library facilities
- Frequent change in regulations, cumbersome regulation
- Internal best practices not followed
- Traditional liquidity management practices
- Weak supervision: methodology, technology and physical facilities
- Large number of BFIs compared to number and quality of staff
- Poor financial deepening in rural areas
- Inadequate regulatory and supervisory policies to control forex operations
- Improper departmental workload (some departments are overloaded while others are under loaded) and office layout
- Inadequate HR Plan and policies for career development, reward and punishment and performance evaluation
- Poor corporate governance and departmental coordination
- Weak institutional mechanisms for payment and settlement
- Poor IT Infrastructure (Disaster Recovery, Back up, Server Room)
- Lack of risk based auditing system
- Delay in preparation and presentation of financial statements due to lack of modern accounting system

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\* Outcomes from the workshop on SWOT Analysis of NRB attended by senior officials of NRB on May 16, 2011.

### **(3) OPPORTUNITIES**

- Access to international bilateral and multilateral institutions for learning and knowledge sharing
- Import of modern technology to enhance the efficiency (in areas of accounting, human resources management, anti money laundering)
- Expanded financial market increasing the scope and use of monetary policy instruments

### **(4) THREATS**

- Undue effect on policy implementation due to political instability
- Misreporting from public and private media
- Fluctuation of interest and exchange rates in the international market affecting returns on foreign investment
- Co-operatives and development of informal financial market affecting the task of macroeconomic management
- Rapid development of technology in the international market

## E. List of Principal Officers of Nepal Rastra Bank

Executive Directors		
1	Mr. Lila Prakash Sitaula	Foreign Exchange Management Department
2	Mr. Ashwini Kumar Thakur	Currency Management Department
3	Mr. Bishnu Nepal	Development Bank Supervision Department
4	Mr. Gokul Ram Thapa	Internal Audit Department
5	Mr. Ramjee Regmi	Finance Company Supervision Department
6	Mr. Bhaskar Mani Gnawali	Banks and Financial Institutions Regulation Dept.
7	Mr. Manmohan Kumar Shrestha	Corporate Planning Department
8	Mr. Lok Bahadur Khadka	Bank Supervision Department
9	Mr. Pradip Raj Panday	Microfinance Promotion & Supervision Department
10	Mr. Hari Prasad Kaphle	Banking Office, Thapathali
11	Mr. Siddhi Krishna Joshi	Financial Management Department
12	Mr. Trilochan Pangeni	Office of the Governor
13	Dr. Min Bahadur Shrestha	Research Department
14	Mr. Shambhu Thapa	Human Resources Management Department
15	Mr. Mahesh Bhattarai	Public Debt Management Department
16	Mrs. Rameshwori Panta	Bankers Training Center

Directors		
1	Mr. Shiba Raj Shrestha	Information Technology Department
2	Mr. Naresh Dhakal	General Services Department
3	Mr. Narayan Prasad Poudyal	Research Department
4	Mr. Nara Bahadur Thapa	Nepal Rastra Bank, Biratnagar
5	Dr. Binod Atreya	Corporate Planning Department
6	Mr. Janak Bahadur Adhikari	Nepal Rastra Bank, Nepalgunj
7	Mr. Purna Bahadur Khatri	Banks and Financial Inst. Regulation Dept.
8	Mr. Bhisma Raj Dhungana	Foreign Exchange Management Department
9	Mr. Chintamani Siwakoti	Microfinance Promotion & Supervision Department

10	Mr. Laxmi Prapanna Niraula	Development Bank Supervision Department
11	Mr. Shankar Prashad Acharya	Research Department
12	Mr. Dharma Raj Sapkota	Legal Division
13	Mr. Rajan Bikram Shah	Banking Office, Thapathali
14	Mr. Jagdishwor Prasad Adhikari	Bankers Training Center
15	Mr. Parbat Kumar Karki	Nepal Rastra Bank, Janakpur
16	Mr. Shiva Nath Pandey	Bank Supervision Department
17	Mr. Khyam Narayan Dhakal	Microfinance Promotion & Supervision Department
18	Mr. Bhuban Kadel	Nepal Rastra Bank, Siddharthanagar
19	Mr. Ramesh Kumar Pokharel	On Deputation to IMF
20	Dr. Nephil Matangi Maskay	Research Department
21	Mr. Deepak Bahadur Thapa	Currency Management Department
22	Mr. Upendra Kumar Poudyal	Nepal Rastra Bank, Birgunj
23	Dr. Bhubanesh Prasad Pant	Research Department
24	Dr. Bamdev Sigdel	Human Resources Management Department
25	Mr. Basudev Adhikari	Banks and Financial Institutions Regulation Dept.
26	Mr. Pradhumna Kumar Bhattarai	Financial Management Department
27	Dr. Gopal Prasad Bhatta	Public Debt Management Department
28	Mrs. Nilam Dhungana	Bank Supervision Department
29	Mr. Jhalak Sharma Acharya	Human Resources Management Department
30	Mr. Bholanath Baral	Nepal Rastra Bank, Pokhara
31	Mr. Arjun Bahadur Adhikari	Bank Supervision Department
32	Mr. Sherjung Rana	Finance Company Supervision Department
33	Mr. Dev Kumar Dhakal	Financial Management Department
34	Mr. Basanta Bahadur Shakya	Currency Management Department
35	Mr. Mukunda Kumar Chhetri	Development Bank Supervision Department
36	Mr. Kiran Bista	Banks and Financial Institutions Regulation Dept.
37	Mr. Balram Parajuli	Finance Company Supervision Department
38	Mr. Ramesh Dahal (ka)	Office of the Governor
39	Mrs. Radhika Sharma (Shakya)	Public Debt Management Department
40	Mr. Hari Sharan KC	Financial Management Department