



TOWARDS A RETURN OF INDUSTRIAL POLICY?
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Industrial Policy at Cross- road: A Nepalese Perspective

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Outlines of Presentation



- History of industries in Nepal.
- Evolution of industrial policies
- Salient features of Industrial Policy-2010.
- Critical review of policy.
- The way forward.

History of industries in Nepal.



- Traditional industries mainly consisted of weaving of coarse clothes, pottery, household utensils, carving of Thangka, casting of god's statue etc.
- Modern industries started in 1930s with saw mills, match factories, cotton and sugar mills and jute industries.
- Formation of Industrial Promotion Board in 1936, Company Act and Nepal Patent Design and Trade Mark Act brought out in 1936.

Evolution of Industrial policies



- The first industrial policy brought out in 1957 and subsequently replaced in 1960, 1974, 1981, 1987, 1992 and lately in 2010.
- Till 1992, focus was on IS, supported by high tariff wall and quota restrictions.
- Licenses required to establish and expand the industries. Foreign investment allowed up to 50 percent in equity.

Evolution of Industrial policies...



The Industrial Policy-1992 was based on the principle of bringing the private sector in the forefront of play for industrialization of the country through; privatization of the Public Enterprises (PEs), ensuring prevention from nationalization of the private industries, and promoting competitiveness and competition among the private industries for reducing the production cost.

Government was supposed to make joint investment with the private sector in the areas where the private sector shy away and such ventures are essential for the country.

Industrial Policy-2010



Broad objective:

Contribute to poverty eradication program through promotion of public and private sector partnership and broad based industrial growth.

Industrial Policy-2010



Specific Objectives:

- Increasing national income and employment by enhancing export of qualitative and competitive industrial products.
- Enhancing the contribution of industrial sector in national and regional development by increasing the use of local resources, raw materials and skills.
- Sustaining industrialization through the application of new technology and environment friendly production process.
- Creating an enabling condition for Nepal to be an attractive destination in South Asia for investment with a focus on development of productive human resources and managerial competence.
- Protecting the intellectual property rights of the industries.

Industrial Policy-2010



Facilitation Measures:

- Entry and Registration.
- Classification of Industries.
- Prioritization of Industries.
- Incentives and Facilities.
- Special Provisions for Micro, Cottage and Small Industries and Special Economic Zones (SEZ).
- Gender and Industries
- Institutional Arrangements

Critical review of policies



The industrial policies of Nepal since 1957 have focused on certain amount of incentives and concessions for running up the industries, like tax holiday, extra incentives to the industries established in the remote areas, concessions on customs duty and allowing accelerated depreciation of the assets, as the common denominators. However, there has been a shift in the policy since 1992 as it has seen a transformation from the import substitution to export orientation with the pursuit of liberal economic policies.

Critical review of policies



- there should be a thorough study on the efficiency and efficacies of the tax holiday
- Enhancing productivity of the industries
- Reducing the cost of transportation
- developing industrial zones in the production centers of hill and mountains.

Critical review of policies



- development of quality infrastructure (SPS and TBT issues)
- Competitiveness of labor
- the industrial policy should consider creating not more than three to four institutions to deal with investment approval, concessions and facilitation
- Improvement in the business climate

The way forward



- create a climate of collaboration between government and the private sector than merely provide financial incentives.
- The policy instruments for triggering the growth of industries may be looked from two strategic policies.
 - choose and pick industries that possess high potential of export and contribute to productivity enhancement, employment and government revenue
 - focusing on enabling environment

The way forward



The industrial policy of 2010 has redefined its objectives towards making contribution to the goal of poverty reduction through a broad based industrial growth facilitating the interplay of public, private and cooperative sectors. This is certainly a departure from the objectives laid in the policy of 1992 which focused on enhancement of production, productivity, export promotion and employment generation.

The way forward



- harmonize with the prioritized export potential products identified by the Nepal Trade Integration Strategy 2010.
- development of quality infrastructures
- Enhancing enforcement capacity of the government
- promotion of rules of law and good governance
- coherence between industrial policy and the trade and transit policy
- development of agriculture and forest sector



**Thank you
for
your attention!!!**