Strategic Plans in NRB: Past, Present and Future - the Fifth Plan

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Background

The word "Strategy" is originated from the Greek word "Strategos". Stratos means Army while Agos means leader, meaning general or army leader. In ancient Greece, strategos was responsible for planning and directing military campaigns, and therefore, 'strategy' refers to the art of generalship—the planning and execution of war to achieve victory.

In ancient China, Sun Tzu author of The Art of War, expanded the concept of strategy beyond battlefield tactics to include intelligence, deception, flexibility and psychological warfare. Later, European military leaders emphasized long-term planning, coordination of resources, positioning and used strategy as a large-scale planning to win wars.

During the Industrial Revolution in 18th–19th Century, the concept of strategy moved from military contexts to political governance and economic planning for achieving national goals through overall direction and deployment of resources. Then after, in the mid-20th century, the concept of strategy has shifted from war to business competition as a long-term direction and scope of an organization to achieve competitive advantage.

While strategy is the overall direction, a strategic plan is the documented roadmap to implement that direction. In the early stage, the planning was just focused mainly on annual budgets and short-term operational plans having little emphasis on long-term structured planning. After World War II, the expansion of economic activities has encouraged companies and organizations to develop long term plans, and thus strategic planning became formalized structured document prepared based on SWOT (Strength, Weakness, Opportunities, Threat) analysis as well as situational and scenario analysis with organizational long term vision and mission for achieving goals and objectives with key performance indicators (KPIs)

In the present modern organizations, strategic planning is more adaptive and dynamic driven by technology, flexible and scenario-oriented, integrated with digital transformation incorporating Environmental, Social, and Governance (ESG) considerations, climate risk, digital governance, cybersecurity, Artificial Intelligence and more. In this complex and rapidly changing environments, strategic plan is not static document but the living framework which is regularly monitored and updated.

Evolution of Strategic Planning in Banking Sector

The evolution of strategic planning in banking sector reflects broader transformations in the global economy, financial markets, technology, regulation and supervision. From traditional administrative planning to dynamic technology-driven strategic management, banking strategy has undergone significant shifts over the last century.

In the early phase, banks primarily focused on operational planning rather than strategic planning. Banking sector was highly regulated, competition was limited, and financial markets were relatively stable. During the period, strategic planning was short-term and administrative, mainly focusing on liquidity, lending and operational efficiency.

With financial liberalization, globalization, and increased competition, banks have begun adopting formal strategic planning frameworks influenced by corporate strategy models (i.e. SWOT, portfolio, scenario analysis). They started preparing medium and long-term strategic plans focusing on

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market positioning, product diversification, risk management systems, organizational restructuring indicating the transition from operational planning to structured and policy-driven strategic planning.

Then after, the banks and financial institutions began to adopt multi-year strategic plans aligned with globalization, competition and technology based friendly environment. However, the globalization of financial markets and major financial crises reshaped strategic planning in banking sector. Influential frameworks such as Basel Committee on Banking Supervision introduced capital adequacy standards (Basel I, II, III), forcing banks and financial institutions to embed risk management into strategy focusing on the areas of capital adequacy and prudential regulation, credit risk, market risk and operational risk frameworks, corporate governance reforms, internal control systems. After the 2008 Global Financial Crisis, strategic planning shifted strongly toward resilience, transparency, and systemic stability.

Having rapid technological innovation and transformations in banking sector, the present emerging trends in financial landscape like Fintech, Big data analytics, Digital banking ecosystems, financial inclusion strategies, cybersecurity strategies, crisis preparedness & business continuity planning, climate risk integration into financial system, sustainable green finance, artificial intelligence, have forced the Strategic plans to integrate IT modernization roadmaps. Thus, the evolution of strategic planning in the banking sector demonstrates a shift from administrative management to dynamic, risk-sensitive and technology-driven strategic governance.

Strategic Plans in NRB

Nepal Rastra Bank (NRB), the central bank of Nepal was established on April 26, 1956 focusing on maintaining price stability, managing foreign exchange reserves, regulating and supervising banks and financial institutions, and developing a sound and effective payments infrastructure.

Since 2006, NRB has adopted a medium-term strategic planning framework to enhance organizational performance, strengthening HR capacities, responsiveness to internal and external changes, and alignment with the Bank's mandate and economic development goals. The adoption of strategic plans has strengthened central banking functions in evolving financial landscape.

NRB has formulated and implemented the four five-year strategic plans to date, with the Fifth Strategic Plan need to formulate in near future.

1. **First Strategic Plan (2006–2010)** – Initiated strategic planning focusing on core central banking functional strategies and management strategies.
2. **Second Strategic Plan (2012–2016)** – Built on the first plan with detailed strategic pillars covering macroeconomic stability, financial sector stability, foreign exchange management, payment systems and mechanisms, HR management and capacity development, infrastructure development and corporate governance and, lastly Information and Communications Technology (ICT).
3. **Third Strategic Plan (2017–2021)** – Expanded pillars into core and supporting categories addressing macroeconomic, financial and external sector stability, payment system, HR and Organizational Development, ICT, internal and external relations, governance, and social responsibility.
4. **Fourth Strategic Plan (2022–2026)** – The current plan having seven strategic pillars with 184 actions aimed at reinforcing macroeconomic stability, resilient and inclusive financial system, digitalized financial ecosystem, recovery and crisis management and organizational effectiveness and harmonized relation as the five strategic directions.

Need for Strategic Plan in NRB

Strategic plan in NRB is essential as it helps the organization to set long-term priorities, respond to economic changes, and ensure effective implementation of its policy mandate. Since a central bank operates in a complex financial environment involving monetary policy, financial stability, digital innovation and regulatory responsibilities, the strategic planning provides a structured framework for managing and fulfilling these responsibilities efficiently and effectively.

The key reasons for the need of strategic plan in NRB are :

- **Clarify vision, mission and long-term direction**

  Defines the vision, mission, and core objectives of NRB and align all policies toward common goals of maintaining price stability, strengthening financial system resilience, promoting financial inclusion, enhancing payment systems and digital finance.

- **Translate mandate into long-term actions**

  Provides a roadmap to align organizational goals and objectives with five-year priorities to manage monetary, financial, and external sector stability with the support of effective Monetary Policy implementation.

- **Coordinate complex operations**

  Ensures systemic coherence across policy areas such as regulations, payments, digital finance, human capital, cybersecurity, data governance and many more.

- **Adapt to dynamic environments**

  Responds to globalization, technological change, financial innovation, and financial integration pressures. Helps to proactively prepare readiness for evolving digital finance, fintech, artificial intelligence, digital currencies etc.

- **Strengthen organizational governance and accountability**

  Enhance transparency and accountability for strengthening organizational governance by establishing the measurable targets, timelines, performance indicators, monitoring mechanisms, and annual work plans linked to strategic objectives.

Highlights of Strategic Plans of NRB : Past and Present

A. First Strategic Plan

NRB has introduced the First Strategic Plan in 2006 for a five-year period 2006-2010 to cope with the emerging and new changes strategically occurring from rapid economic globalization, financial liberalization and integration, and advancement in information and communication technology and use its human, materials and financial resources optimally and in cost-effective ways.

- **Vision :** *A Modern, Dynamic, Credible and Effective Central Bank.*
- **Mission :** *Maintaining macro-economic stability through sound and effective monetary, foreign exchange, and financial sector policies.*
- **Core Values :** ***CREATE***

  (Credibility; Responsibility; Efficiency; Accountability; Transparency; Effectiveness)
- **Focus:** *Functional Strategies covering 5 Strategic Objectives and Management strategies covering 7 Strategic Objectives.*

Functional Strategies	Management Strategies
Monetary Management	Human Resource Management
Domestic Debt Management	Research and Statistics Management
Financial Sector Management	Financial Management
Foreign Exchange Management	Information and Communication Technology Management
Currency Management	Legal Affairs Management
	General Service Management
	Public Affairs Management

- **Implementation Status:** *Among the 204 total tasks assigned for the plan period, the majority tasks have been completed achieving most the objectives of the plan. The progress has been reported to 85% completion with only 2 tasks that have been dropped.*

B. Second Strategic Plan

The Second Strategic Plan was initiated in 2012 and completed in 2016. The plan has assessed different issues and challenges emanating from the internal and external environment so as to enable the bank to retain performance excellence by adopting appropriate strategies and programs for the plan period.

- **Vision :** *A Modern, Dynamic, Credible and Effective Central Bank.*
- **Mission :** *Maintaining macro-economic stability through sound and effective monetary, foreign exchange, and financial sector policies.*
- **Core Values :** ***CREATE***

  (Commitment to institutional goals; Responsibility; Efficiency and Effectiveness; Accountability and Transparency; Teamwork; Equity and Fairness)
- **Focus :** *Seven strategic pillars and specified them in 22 priorities.*

Strategic Pillars
Macroeconomic Stability
Financial Sector Stability
Foreign Exchange Management
Payment Systems and Mechanisms
Human Resources Management and Capacity Development
Infrastructure Development, Corporate Governance and Customer Services
Information and Communication Technology (ICT)

- **Implementation Status:** *The 201 total tasks have been assigned for the plan period. Around 78% of the tasks have been completed with key reforms in payment systems and enhancing regulatory capacity.*

C. Third Strategic Plan

The Third Strategic Plan covered the period 2017-2021. With the promulgation of Constitution of Nepal 2015, the significant changes in the political environment occurred thereby the federal structure was gradually being institutionalized which demanded the requirement of restructuring organizational set up and functioning of NRB. Besides, the massive earthquake in 2015 and repeated aftershocks destroyed major buildings of the Bank, thereby, severely affecting the internal working environment. This had urgently necessitated the reconstruction of two major buildings in Kathmandu as well as other physical infrastructures. On this background, the third strategic plan was formulated taking the following factors into consideration :

- ➢ Emerging Economic and Financial Challenges
- ➢ Restructuring of NRB
- ➢ Reconstruction of Buildings
- ➢ Environmental Challenges and Opportunities
- ➢ Ensuring Good Governance
  - **Vision :** *A Modern, Dynamic, Credible and Effective Central Bank.*
  - **Mission :** *Maintaining Macroeconomic and Financial Stability for Sustainable and Inclusive Economic Growth through Proactive and Effective Monetary and Financial Policies.*
  - **Core Values :** ***CREATIVE***
    (Committed; Responsible; Efficient; Accountable; Team-Spirit; Inclusive; Visionary; Equitable)
  - **Focus :** *Pillars as four core strategic pillars and seven supporting pillars.*

Core Pillars	Supporting Pillars
Macroeconomic Stability	Human Resource Development and Management
Financial Stability and Financial Sector Development	Organizational Management and Development
External Sector Stability	Infrastructure Development
Sound and Effective Payment System	Information and Communication Technology (ICT) Management
	Strengthen National and International Relations
	Legal Compliance and Good Governance
	Social Responsibility

- **Implementation Status:** *Implementation of the plan was moderately successful. Among the total 194 tasks that have been assigned for the plan period, 71% of them have been completed.*

D. Fourth Strategic Plan

The Fourth Strategic Plan for the period 2022-2026 came into action from the 1st January, 2022 and has been in the final stage of its implementation. This strategic plan has emphasized on resiliency of the financial system in respect to the changed context of the Covid-19 Pandemic outbreak in 2020 with due focus on the overall macroeconomic stability. The plan is also coherent with the Financial Sector Development Strategy (2073-2078) issued by Government of Nepal, regarding the actions assigned to the bank.

- **Vision :** *A Modern, Dynamic, Credible and Effective Central Bank.*
- **Mission :** *Maintaining Macroeconomic and Financial Stability for Sustainable and Inclusive Economic Development through Effective Monetary, Foreign Exchange, Financial Sector and Payment System Policies.*
- **Core Values :** ***CREATIVE***

(Committed; Responsible; Excellence; Accountable; Team-Spirit; Inclusive; Visionary; Equitable)

- **Focus :** *Five strategic directions and seven strategic pillars.*

Strategic Directions	Strategic Pillars
Macroeconomic Stability Resilient and Inclusive Financial System Digitalized Financial Ecosystem Recovery and Crisis management Organizational Effectiveness and Harmonized Relation	Economic Research and Monetary Management Regulation and Supervision External Sector Management Payment System and Currency Management Governance, Organizational Development and Talent Management Infrastructure and Business Continuity Cooperation and Coordination

- **Implementation Status:** *At present the plan is ongoing and it is in the final stage of implementation by December 2026. As of mid-January 2026, among the total 184 tasks that have been assigned for the plan period, 10 tasks have been removed and out of remaining 174 tasks, the 98 tasks have been completed, 39 tasks are under progress, 35 tasks are ongoing nature and 2 tasks have not started yet. This indicates that till date, the progress is about 71% that have been completed, 28% are under progress and 1% is yet to be started.*

Comparision between the Plans

Strategic Plan	Duration	Focus Areas	Strategies/Strategic Pillars	Execution Status
First	2006–2010	Foundational Planning having core central banking functions and organizational setup	Functional Strategies and Management Strategies	High implementation rate (~85%)
Second	2012–2016	Expanded priorities with focus on macroeconomic stability, payment systems, corporate governance	Seven strategic pillars having 22 priorities	Substantial progress (~78%)
Third	2017–2021	Organizational restructuring, post-earthquake recovery, infrastructure development, external relations, good governance, social responsibility	Four core strategic pillars and Seven supporting pillars	Moderate progress (~71%)
Fourth	2022–2026	Post COVID-19 recovery, digitalized financial ecosystem, resilient inclusive financial systems	Five strategic directions and Seven strategic pillars	Ongoing, progress as of mid-January 2026 (~71%)

Need of the next - Fifth Strategic Plan

Since the Fourth Strategic Plan of NRB is in the final stage of its implementation by December 2026, there is a need of next Strategic Plan i.e the Fifth Strategic Plan. The next plan is needed to guide NRB for addressing the emerging and new economic challenges, global financial market challenges, domestic financial sector changes, national development goals, IT innovation, Artificial Intelligence, cybersecurity and more.

The formulation and execution of new plan needs to undertake the following steps as strategic planning process.

- Understand the global environment and emerging trends
- Assess the SWOT analysis
- Validate or modify the Organization's vision and mission
- Develop goals, strategies and actions

- Execute and manage the strategies and actions
- Assess and adjust the plan as an ongoing process

The Fifth Strategic Plan is needed for NRB to address

- Modernizing the Financial System through rapid digital transformation including fintech innovation, cybersecurity, digital finance, governance.
- International financial integration, strategies for effective cross-border payments and mitigating financial risks, compliance with international banking standards such as Basel III and AML/ CFT frameworks.
- Strengthen stress testing and risk analysis in a changing global financial environment.
- Climate finance and sustainable finance considerations in central banking operations.
- Green banking and climate risk frameworks align with the climate and environmental objectives.
- Enhance financial inclusion & literacy for underserved populations through targeted policies.
- Develop organizational resilience for Business Continuity Planning (BCP), cybersecurity strategies, innovative payment systems.
- Align policies with Nepal's broader development strategies, economic plans and the second Financial Sector Development Strategy of the government.

Conclusion

Strategic planning has become an important management tool for any central bank. It provides a clear roadmap and long-term direction, strengthens governance, enhances policy effectiveness, and prepares organization and its human resources for future challenges. In this complex and dynamic global environment, characterized by financial globalization, technological innovation, and economic uncertainty, strategic plans enable central banks to operate proactively, efficiently, effectively and transparently.

Nepal Rastra Bank has successfully implemented three consecutive strategic plans and the Fourth Strategic Plan (2022-2026) has been in the final stage of its implementation. Each successive plan has been built on previous experiences and achievements together with responding to the issues and challenges emanating from the internal and external environment, domestic changes and international challenges. The strategic planning of NRB has progressively strengthened its organizational capacity towards responsiveness to the economic, technological, and systemic challenges leading to achieve a long-term vision "A Modern, Dynamic, Credible and Effective Central Bank".

Each Strategic Plan has guided NRB's priorities and catalyzed reforms in monetary management, effective payment systems, digital finance, financial inclusion, and good governance. Therefore, the next Fifth Strategic Plan will be crucial for navigating contemporary financial landscapes, ensuring stability, technology-driven innovation and inclusive financial system. Last but not least, for the successful implementation and achievement of the Plan within the stipulated timeline, there is a need to establish monitoring dashboard with real-time indicators so as to make more transparent and accountable.

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