INDU
STATUS RE

MANUFACTURING
INDUSTRY SPECIAL

THE SECOND EDITION

CONFEDERATION OF NEPA

ACKNOWLEDGMENTS

CNI Research Cell (CRC) expresses its gratit
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Past President of Plast Nepal Foundation M
Tibarewala, and Kiran Shoes Manufacturers fo
inputs on the footwear manufacturing industry

About Industry Statu

The Industry Status Report (ISR) provides a compre
industries, leveraging an in-house industry survey.
policy interventions aimed at private sector gro
available primary data on Nepali industries, either w
with the private sector associations, is one of the ke
is produced as an effort to promote evidence-base
Research Cell conducts an industrial survey and pu
across critical variables that either promote or stifle

ISR (The Second Editi

The Industry Status Report (the Second Edition) is ba
carried out from November 9, 2021 to December 24, 202
Fiscal Year 2078/79 i.e. Shrawan-Asoj of 2078. On the wh
Industry Insights on how industries performed in Q1 2
Q4 2077/78.

Apart from presenting the findings of the survey, each IS
The First Edition focused on the energy industry, wh
manufacturing industry for four primary reasons. Fir
offer unique opportunities that help attain technologica
industry has the greatest potential for generating well-p
offers special opportunities for capital accumulation wh
services; thus, an increasing share of manufacturing will
of industrialization in the 2030 Agenda for Sustainable D
Goal 9 (SDG 9) reaffirms its central role in the overall dev

What does the survey

5 Areas and 20 Key Industry Insights

1	2	3
Business Performance: industry capacity utilization, revenue trends, demand in domestic market and market competition, export share	**Finance:** interest rates, share of loan, access to finance, NRB COVID-recovery loans	**Skills and Employme** employmen hire and lay off, skills ga & training, employee retention, s of Nepali w

4 INDUSTRY STATUS REPORT

KEY STATISTICS (Q1 2

No of industries:

62 ↑ (Q4 47)

Total employees:

22343 ↑ (Q4

Share of Nepali workers:

94.8 ↑ (Q4 91.7%)

New employmen

992 ↑ (Q4 81

Average operational capacity utilization:

70.5% ↑ (Q4 64.8%)

Average share of credit for working capital:

39.9 ↓ (Q4 48.1

Average interest rate on loans:

8.4% ↑(Q4 7.8%)

Average revenue growth rate:

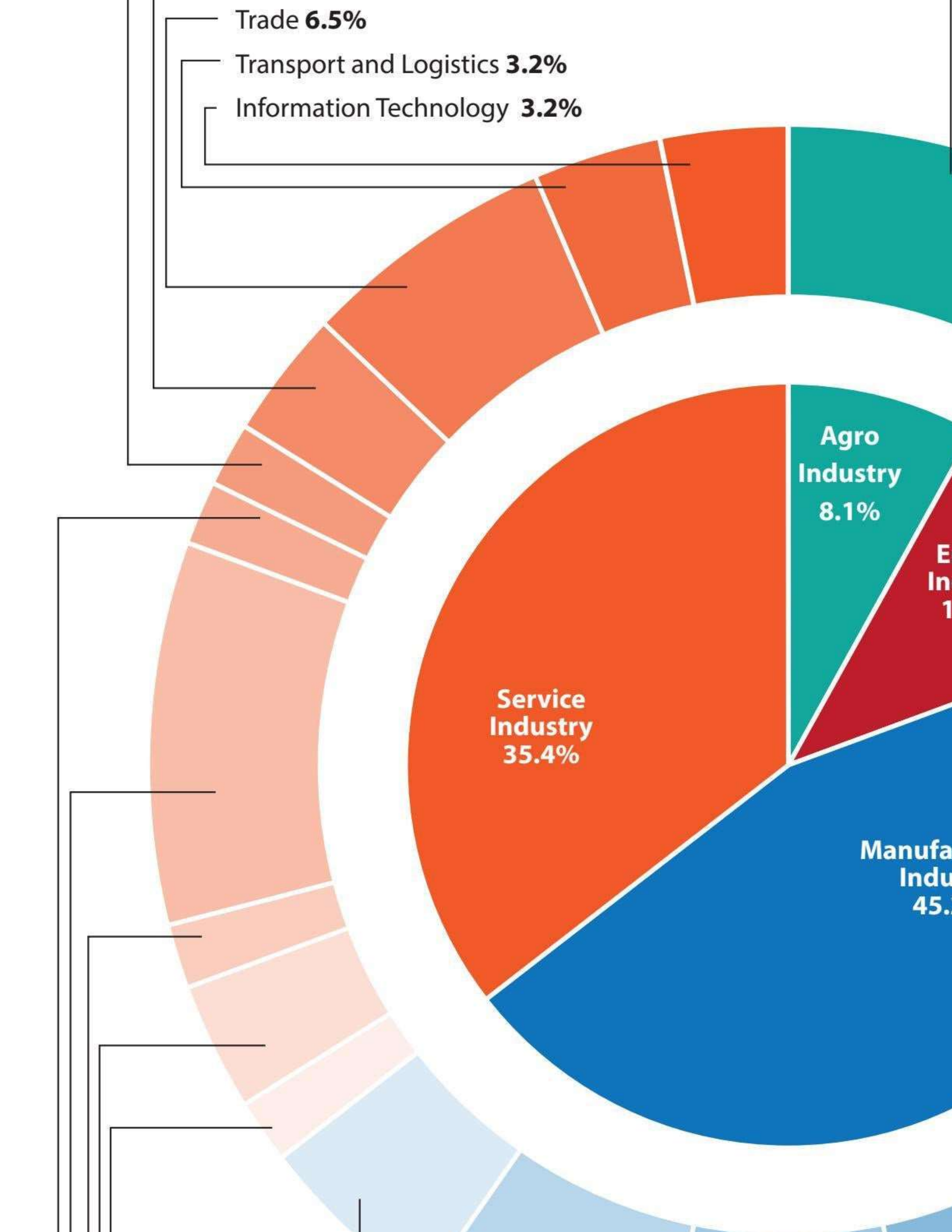
41.4% ↑ (Q4

Note: Q4 in the parenthesis denotes the fourth quarter of t

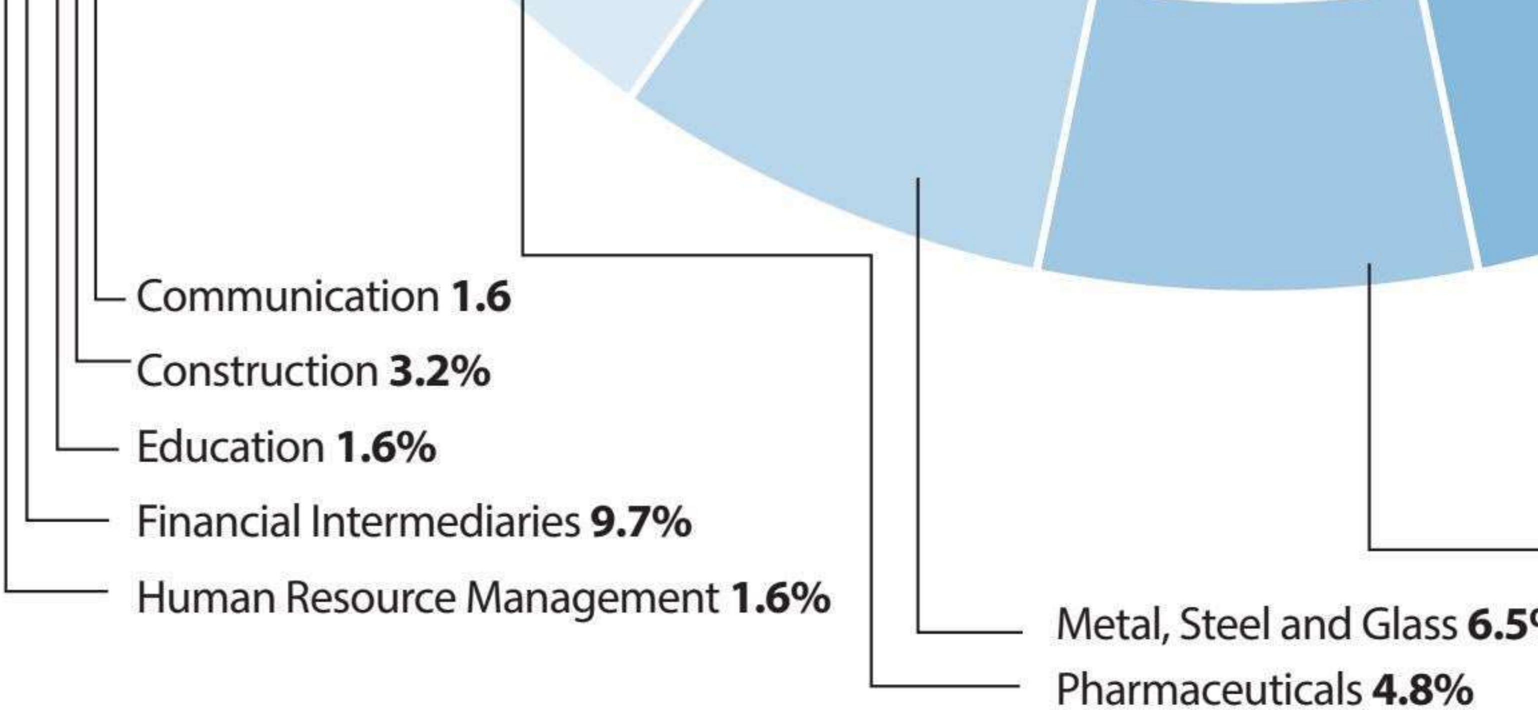
COMPOSITION OF THE INDU

Real State and Renting **1.6%**

Tourism and Hospitality **3.4%**



Trade 6.5%
Transport and Logistics 3.2%
Information Technology 3.2%
Agro Industry 8.1%
Service Industry 35.4%



6 INDUSTRY STATUS REPORT

METHODOLOG

The Industrial Status Report (Second Edition) is basec
industries from within CNI membership. A convenien
was deployed. The reported values provide a good in
the status of the broader Nepali industries every quar

68% of the sample comprises old respondents, while
new respondents. The respondents are categorized u
Standard Industrial Classification (NSIC) Code for the
and further aggregated into four distinct industrial se
energy industry, manufacturing industry, and service
industry-averages presented in the report are adjuste
actual sectoral composition of CNI membership.

10 key questions were mandatory, while the 30 remaining ones were optional. The report rests on the assumption that the respondents have provided accurate information. The survey was carried out using the survey platform, KoBoToolbox, and further analysis of the data was done on Stata. The survey questionnaire is availabl online via this QR code.

THE UNIT OF ANALYSIS

The unit of analysis is one industrial establishment

BUSINESS PERFORMA

Periodic performance measurement is a vit growth and progress of any business. This s performance of industries within key varial

INDUSTRY CAPACITY UTILIZATION: 70.5%

KEY INDUSTRY INSIGHT |

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KEY INDUSTRY INSIGHT I

On average, the industries were operating at 70.5% in Q1 78/79 whereas they were operating at 64.8% in Q4 77/78. The service industry was the most operational at 80.1% which increased from 71.8%. It performed considerably well in Q1 78/79 compared to the preceding quarter as the service sector experienced full-fledged operations almost after two years.

While the capacity utilization of the manufacturing industry and agro industry increased to 60.0% from 57.2% and to 54.0 from 39.0 respectively in Q1 78/79, the energy industry experienced a decrease to 73.4% from 81.5 compared to last quarter.

REVENUE TRENDS: 41.4% GROWTH

KEY INDUSTRY INSIGHT II

In Q1 78/79, the across-industry-average was a 41.4% growth whereas the revenue growth was 10.4% in Q1 77/78, which is a massive 31.0 percentage point growth. There has been a substantial increase in the growth rate of revenue in the manufacturing and service sectors, while agro and energy industries experienced lower growth in revenue during Q1 78/79 as compared to Q1 77/78.

While there has been a substantial increase in the growth rate of revenue in the manufacturing and service sectors, agro and energy industries and service sectors, agro and energy industries experienced lower growth in revenue during Q1 78/79 as compared to Q1 77/78. This reflects that the manufacturing and service sector have been recovering from the pandemic, while the scenario is yet to be optimal for the agro industry.

8 INDUSTRY STATUS REPORT

DOMESTIC MARKET DEMAND: 90.1% & MARKET COMPETITION: 95.9%

KEY INDUSTRY INSIGHT III AND IV

90.1% of the respondents stated there is enough demand for their goods and services in the Nepali market, while 9.9% of them answered otherwise. 80% of the surveyed agro industry responded that there was sufficient demand for their goods in the domestic markets, whereas 84.6% of the manufacturing industries reported so. The demand for goods and services produced by Nepali industries is encouraging.

95.9% of the surveyed industries perceived their goods to be competitive in the market in relation to imported goods, which gives optimism to the domestic industries. All agro industry respondents perceive their products as competitive, while 92% of the manufacturing industries also responded so.

SHARE OF RAW MATERIALS IMPORTED: 44.7%

KEY INDUSTRY INSIGHT V

The survey results show that Nepali agro and manufacturing industry heavily rely on foreign raw materials. On average, **44.7%** of the raw materials were imported across industries in Q1 78/79. While the agro industry imported 31.2% of the raw materials, the manufacturing industry imported 45.8% of it.

The survey shows that a huge proportion of raw materials are sourced from abroad. Such industries are vulnerable to external

Agro In

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shocks such as changes in the value of Nepali rupees against foreign currencies, as well as volatility in foreign trade.

SHARE OF EXPORT: 30.8% FOR MANUFACTURING INDUSTRY

KEY INDUSTRY INSIGHT VI

30.8% of the sampled manufacturing industries exported their goods in Q1 78/79, which mostly belonged to manufactured foods and textiles. The median share of export out of their total production was 20%. One of the textile-related industries exported 75% of its production which is the largest margin of export among the surveyed industries. Interestingly, its share of

Manufacturing Industry
Excess Competition Affecting Price Margins COVID Pandemic Consumer Bias for Foreign Goods/ Services

The other difficulties were establishing the credibili
of retailers to sell them.

BUSINESS PERFORMANCE AN

Industries were better off financially in Q1 78/79 compared to Q4 77/78. The domestic industries were operating at a considerable level, thereby producing more quantity of goods, leading to an increase in the revenue growth. Therefore, Q1 78/79 saw an increase in the share of imported raw materials as well. Similarly, the majority of the industrialists are confident that their product is competitive and there is enough market demand

FINANCE

This section provides insights into the a credit, the share of loans in working cap loans, and prevailing interest rates.

CREDIT LINE: 39.9 % OF WORKING CAPITAL FROM CREDIT LINES

KEY INDUSTRY INSIGHT VIII

On average, **39.9** percent of the working capital of the surveyed industries came from credit lines in Q1 78/79 as compared to 48.1% in Q4 77/78.[1] 54.1% of the working capital for the manufacturing industry was financed through credit lines, followed by 50.4%

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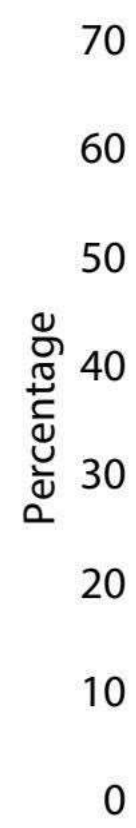

for the agro industry, 39.5% for the energy industry and 27.5% for the service industry. The share of working capital financed through credit lines is lower for all industrial sectors in Q1 78/79 as compared to Q4 77/78.

THE VULNERABILITY MEASURE:

KEY INDUSTRY INSIGHT IX

This measure helps assess the vulnerability of industries to fluctuation in interest rates. The higher share of loans for a given industry brings more financial burden when interest rates fluctuate. For illustration, with the largest share of loans among all industry sectors, the Vulnerability Measure shows that manufacturing industries are the

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1. A credit line is a flexible loan option offered by financial institutio

of return, while the risk and repayment time of the existing loan may increase. **Furthermore, industries are less likely to expand their business and increase their investment.**

AVERAGE INTEREST RATE ON LOANS

Interest rate	Q1 78/79	Q4 77/78
Agro Industry	8.7	8.3
Energy Industry	7.7	7.4
Manufacturing Industry	8.7	7.7
Service Industry	8.2	8.4

NEPAL RASTRA BANK COVID-RECOVERY LOANS

Nepal Rastra Bank set up the Business Continuity Loan Facility and Refinance Facility for businesses to mitigate the difficulties from the pandemic. Business continuity loans have been extended to the COVID-affected tourism, cottage to the COVID-affected tourism, cottage, small and medium industries for payment

PERCENTAGE OF INDUSTRIES THAT RECEIVED THE COV

	NRB Business Co Facility
Percentage of respondents who received the loan among the applied	90

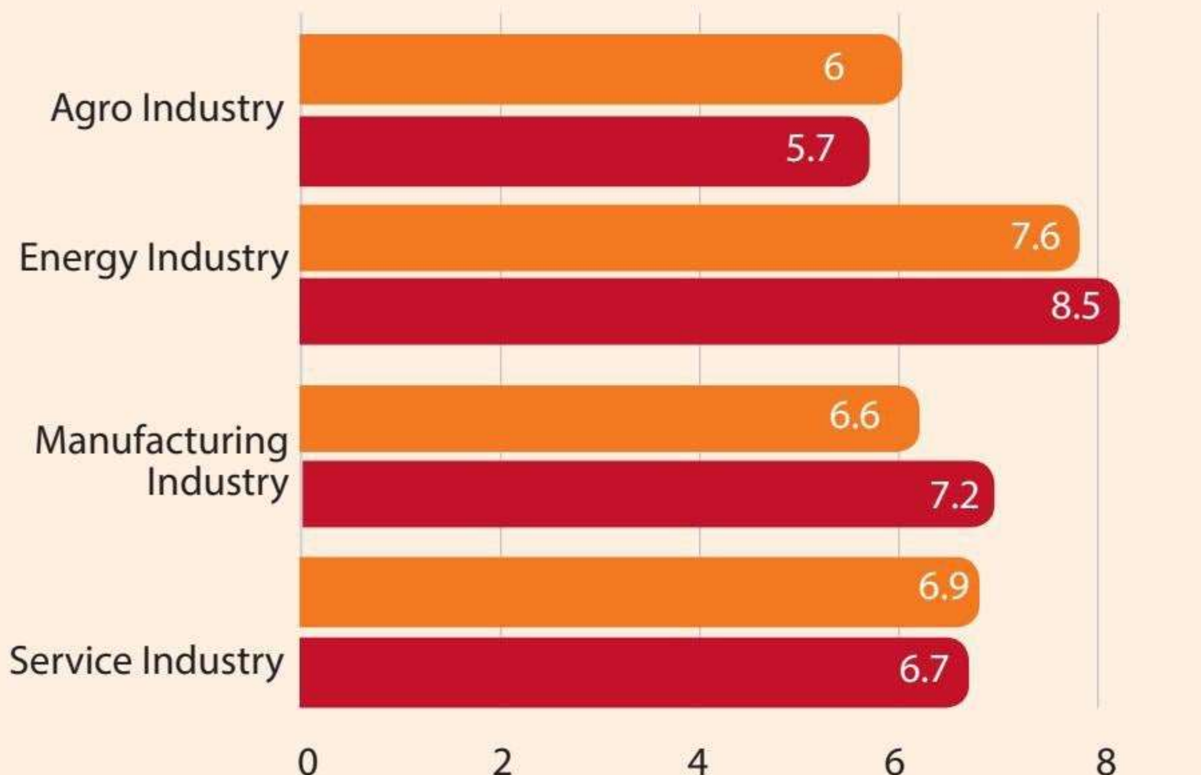
FINANCIAL ANALYSIS

Working capital from credit lines in Q1 78/79 decrea
compared to Q4 77/78, while the interest rates on lo
Given that the higher share of loans for a given indu
attributed to higher interest rates), this may explain
availed during Q1 78/79.

Manufacturing industries are the most vulnerable t
the highest share of loans as well as the interest rate

When asked to rate the access to finance on a scale
and 10 being the highest), **the across-industry-ave**
compared to a score of 6.9 in Q4 77/78. Uncertain
ongoing liquidity crunch and increase in interest rat
of the survey (refer to the graph).

SCORE ON EASE OF ACCESS TO FINANCE



Score

Q1 2078/079 Q4 2077/078

SKILLS AND EMPLOY

This section highlights the trends in
employee skills in the industries sur

TOTAL EMPLOYMENT:
22343

EM

KEY INDUSTRY INSIGHT XI

The surveyed industries employed 22343 staff in total. On average, an industry establishment employed 392 individuals (with a range of 9-4200).

With 11637 employees, the manufacturing sector was the largest employing sector, followed by the service industry with 9389 employees, energy industry with 789 employees and agriculture with 528.

Average employment among sectors. The service sector was at the top with 458 jobs while manufacturing industries were right behind with 449 jobs. The numbers were 63 jobs and 48 jobs in the agro and energy industry sector respectively.

Numbers

HIRING AND LAYOFF: ALL INDUSTRIAL SECTORS GENERATED JOBS

KEY INDUSTRY INSIGHT XII

In Q1 78/79, the survey respondents generated 992 jobs, for which 7648 individuals applied. The sharp asymmetry between the demand and supply of employment opportunities is reflected

in the survey results. The service industry generated 67.4% of the new employment opportunities while it only comprised 35.4% of the sample. The second highest employment generating sector was the manufacturing industry with 25.3% of the total new employment (sample percentage of 45.2).

During Q1 78/79, 830 employees from the respondent industries were laid off or left the job, leading to a net employment generation of 162 jobs.

All industry sectors were net employment generators in Q1 78/79. Whereas in Q4 77/78, only the service and manufacturing sector were net employment generators. This shows all sectors are in the phase of recovery.

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EMPLOYEE RETENTION

In response to the questions relating to the difficulty in the retention of employees, 32.8% of respondents across sectors stated this was a minor problem whereas 18.0% stated it as a major hassle. While 27.9% considered this to be a moderate hassle, 19.7% of the respondents stated that retention was not an issue at all. Only 1.6 % stated retention was a very severe problem for their business.

For the agro industry and energy industry, retaining employees is not a major problem. For the manufacturing industry, 70.3% of the respondents responded that they have minor to moderate obstacles in retaining employees. Similarly for the service industry, 51.9% of the respondents say that they have moderate to major obstacles in retaining employees.

SHARE OF NEPALI WORKERS: 94.8%

KEY INDUSTRY INSIGHT XIII

Of the industries surveyed, a reported average of 94.8% in the labor market are Nepali citizens. The service sector had the highest share of Nepali workers at 98.6%,

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followed by the agro industry 97.2%. The manufacturing sector has the lowest share of the national workforce at 90.1%.

SKILL GAP AND TRAINING: 29.6% RECEIVED TRAINING

KEY INDUSTRY INSIGHT XIV

The survey result shows that across sectors, **29.6%** of the total employees received training during Q1 78/79. The service sector provided training to 31.4% of the total workforce in Q1 78/79 (same in Q4 77/78), followed by the manufacturing sector with 31.1% of the employees receiving training.

63% of the respondents stated the "technical skill gap" as a challenge. Technical Skills were followed by professional skills and interpersonal skills in the case of agro industries and manufacturing industries. In the case of service industries, the employees show a skill gap in the interpersonal area followed by technical and professional skills. **Closing these skills gaps is**

essential to realize the optimum potential of all industries.

WHAT ARE THE SKILLS GAPS YOU EXPERIENCE AMONG

Skills Gap		
	Agro Industry	Ener Indu
Technical Skills	100	60
Professional Skills	80	60
Interpersonal Skills	60	40

LABOUR MARKET ANALYSIS

The highest job creating sector in the last two subsec

The survey result showed a sharp asymmetry betwe
labour force in the industries, as the number of peo
overwhelming. Therefore, so many people are activ
of the "market-relevant" skilled human resources, th
easily replaceable jobs. Such labour market situatio
individuals who are on high demand. Therefore, bo
sector need to train and produce workforce that are
market.

A reported average of 94.8% in the labor market are
underreported figure because of the contentiou

INDUSTRIAL ECOSYS

This section focuses on the various a environment, state-provided utilitie and infrastructure that have a direct competitiveness of industries.

QUALITY OF ELECTRICITY

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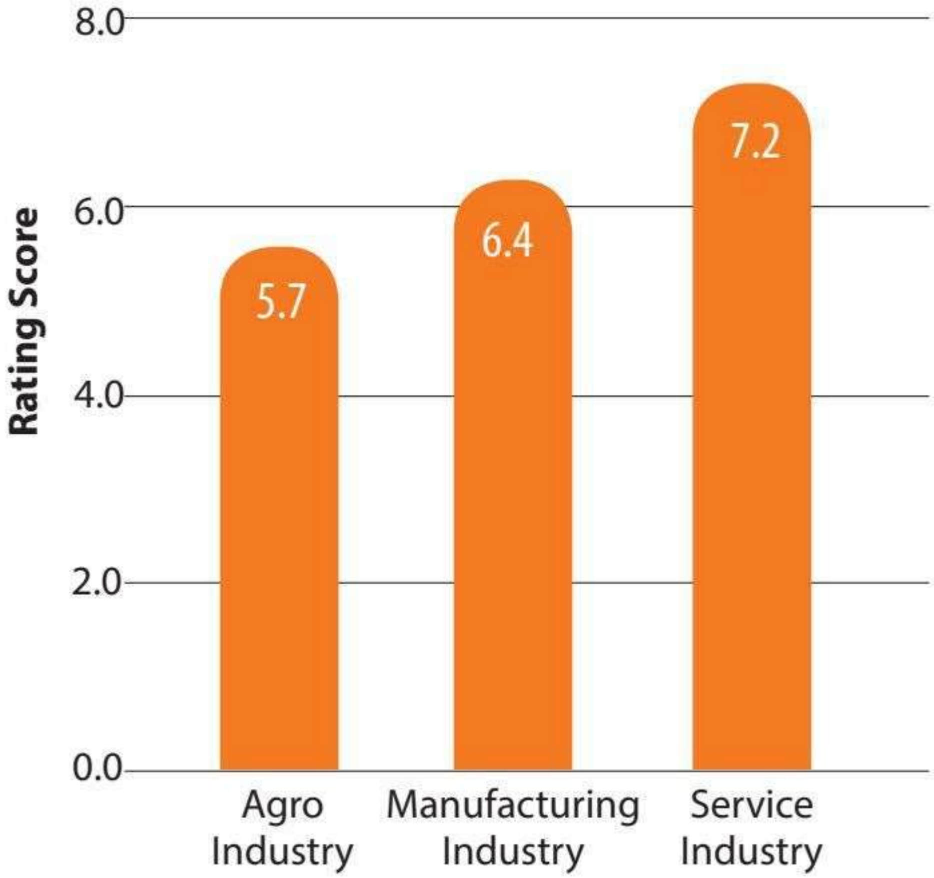

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When asked to rank the quality of online services on a scale of 1 to 10 (with 1 being the lowest and 10 being the highest), the average score of the respondents was 4.6. Agro and manufacturing responded with the lowest score of 3.3 and 4.3 respectively, while the service industry with an average score of 5.0 (which is the highest).

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Percentage

ENVIRONMENTAL COMPLIANCE: moderate obstacle

KEY INDUSTRY INSIGHT XVII

When asked if environmental compliance

is an obstacle to their industry, moderate obstacle was the most recorded answer across sectors. Environment-related compliance for agro industry stands as a minor obstacle (75%) in the operation of business. 66.7% of the energy industry stated environmental compliance as a major obstacle. For the manufacturing industry, environmental compliance is a moderate obstacle (opted by 52.4%), whereas it is a minor obstacle for the service industry (opted by 56.3%).

3. TRANSPORTATION, TRADE, AND LOGISTICS

GOODS LOST DURING TRANSPORT AND STORAGE: 1.8 PERCENTAGE

KEY INDUSTRY INSIGHT XVIII

1.8% of the goods were lost during transport and storage. Transport and storage of goods is still an obstacle for the producers. This highlights the need of better transportation and logistic infrastructures for realizing the industrial-led economic growth in Nepal.

Major Challenges

Among the specific challenges reported, "quality of roads" was unanimously the biggest concern across all industrial sectors. For the agro industry, occasional road blockage is another big concern given the perishable nature of their

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INDUSTRIAL ECOSYSTEM AN

It goes without saying industrial competitiveness industrial ecosystem in place. Across the board, inc the industrial ecosystem within which they operate the industrial ecosystem within which they operate.

It is not surprising that all industries mention "quality
smooth functioning of business. It is also ironic that t
potential to supply clean energy across South Asia st
its industries.

Although the government has been prioritizing digit
results reveal that respondents on average were not
services provided by various public entities.

BUSINESS OUTLOOK

This section presents the confidence industries regarding their own busin sectors as a whole for Q2 2078. Comp sections, this is the only forward-lool

THE CONFIDENCE MEASURE: MODERATE CONFIDENCE

KEY INDUSTRY INSIGHT XIX

For Q2 78/79, industries reported a moderate outlook towards their own business as well as their industry sectors. When asked to rank the favorability for their own business on a scale of 1 to 10 (with 1 being the least favorable and 10 being the most favorable) in terms of revenue and investment opportunities, regulatory environment, access to finance, labor and better utility

facilities, the average score across sectors is **5.6** which is the same as Q1 78/79. The energy industry is most optimistic with a score of 7.6 as it was the least affected sector by the pandemic.

Furthermore, when asked about the favorability for their respective industry sectors, the score was 5.1.

Service Ind

NEW INVESTMENT PLANS: 61.7% HAVE NEW INVESTMENT PLANS

KEY INDUSTRY INSIGHT XX

New investment plans provide an insight on how optimistic a business is for the future. 61.7% of the respondents across sectors plan to expand their business during Q2 78/79. In comparison, 83% of the respondents were looking forward to expanding their business in Q1 78/79 (when they were surveyed in Q4 77/78).

The service industry was the most enthusiastic at 68% to make new investments in Q2 78/79, closely followed by the energy industry at 66.7%, the manufacturing industry at 56% and the agro industry at 25%

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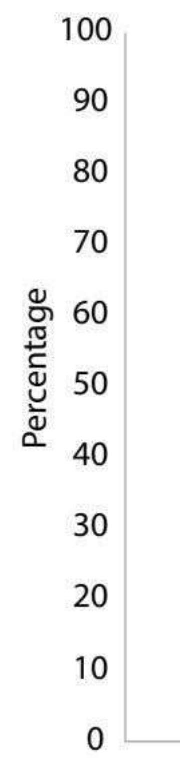

at 30% and the agro industry at 25%.

BUSINESS OUTLOOK ANALYS

While the business outlook has not changed signific
the decrease in the share of new investment plans fo
be a result of the increase in interest rates, fears abou
macroeconomic situation of the country which does
investments at the moment.

MANUFACT
INDUSTRY

The International Standard Industrial Classification (Rev 4) **defines manufacturing** as, "the physical or chemical transformation of materials, substances, or components into new products, although this cannot be used as the single universal criterion for defining manufacturing. The materials, substances, or components transformed are raw materials that are products of agriculture, forestry, fishing, mining or quarrying as well as products of other manufacturing activities. Substantial alteration, renovation or reconstruction of goods is generally considered to be manufacturing."

There is ample theoretical and empirical evidence that demonstrate how manufacturing sector can be a significant driver of economic development, as summarized in the following points:

1. **Capital accumulation is considered one of the aggregate sources of growth.** The manufacturing sector offers special opportunities for capital accumulation which is higher than that of agriculture and services; thus, an increasing share of manufacturing will lead to economic growth.

5.

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THE FIVE SE

INDUSTRIES

While the manufacturing industry is
industries are featured in the Secon
based on:

Footwear Industry

Garment/Textile Industry

Pharmaceutical Industry

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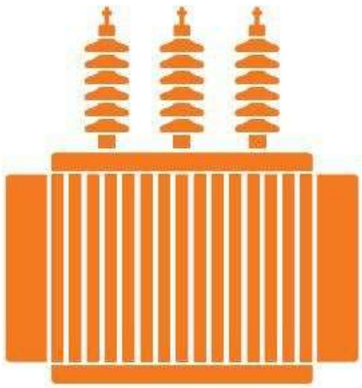
Plastic Industry



Power Transformer Industry

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INDUSTRY STATUS REPORT 24

MANUFACTURING AT A GLANCE: NEP

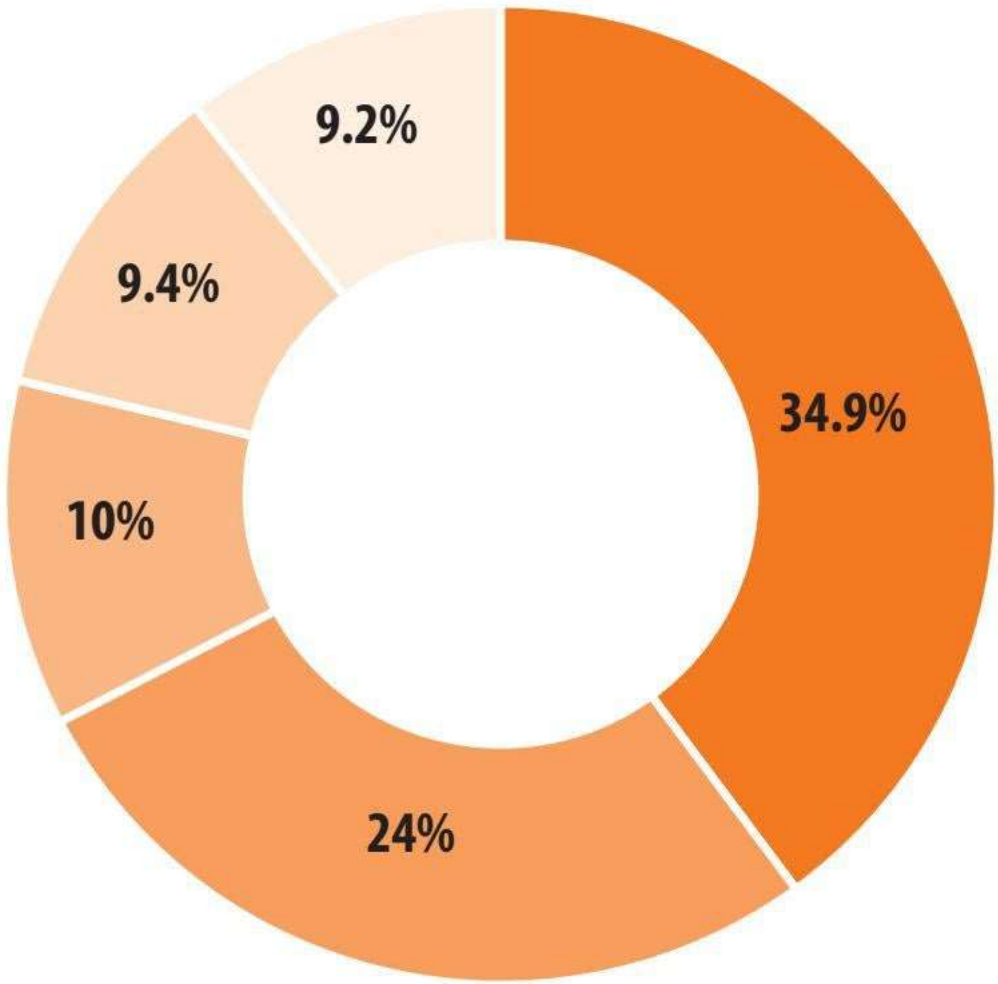
The information provided below is based on the Anal Economic Census 2018.

Number of registered manufacturing industries: **104,**

Manufacturing is the third largest industry in terms of Wholesale and Retail Trade (**498,069** establishments, Service Activities (**130,540** establishments, **14.1%**).

TOP 5 SUB-SECTORS OF MANU

According to the Number of Registered Establishment



1. Manufacturing of Wearing Apparel: **36,268** establishments (34.9%)
2. Manufacture of Food Products: **24,939** establishments (24%)
3. Other Manufacturing: **10,385** establishments (10%)
4. Manufacture of Fabricated Metal Products Except Machinery and Equipment: **9,806** establishments (9.4%)
5. Manufacture of Furniture: **9,578** establishments (9.2%)

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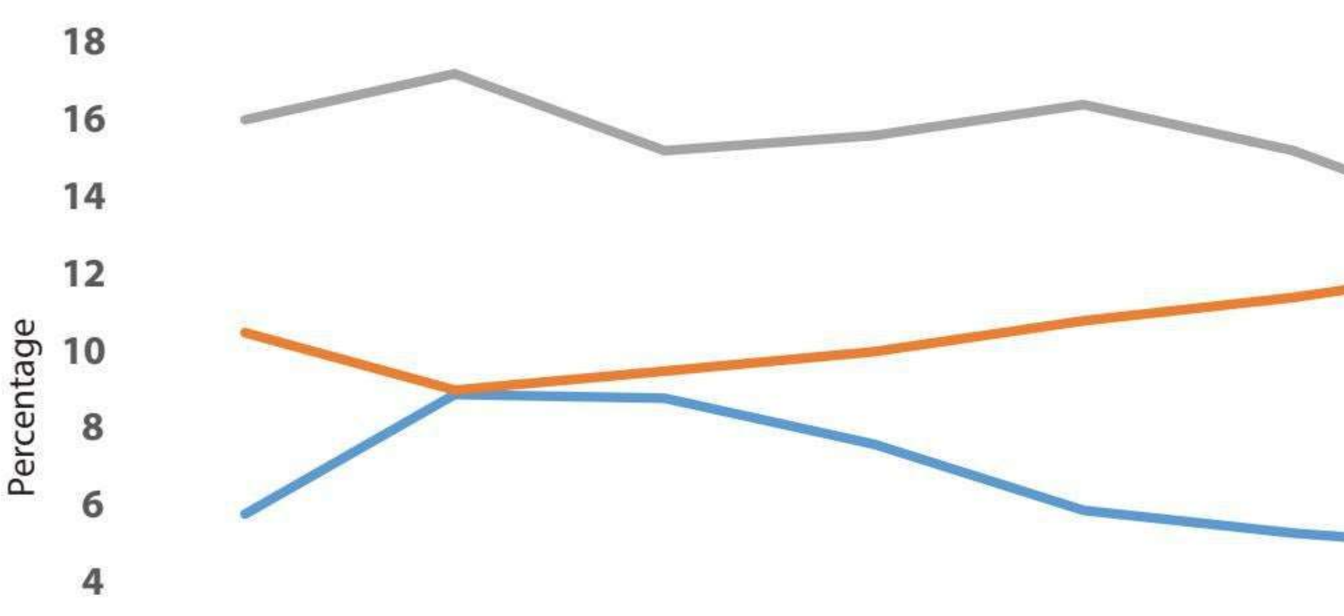
INDUSTRY TRENDS

The proportion of 104,058 establishments in the manufacturin
and 2074-75 are 36.9% and 20.0% respectively. This means tha
manufacturing industry started business between 2070 and 20
The proportion of establishments established in between 2

1. Manufacture of Wearing Apparel: **66.3%**
2. Manufacture of Leather and Related Products: **59.6%**
3. Manufacture of Coke and Refined Petroleum Products: **6**
4. Manufacture of Motor Vehicles, Trailers and Semi-trailer
5. Manufacture of Furniture: **63.4%**

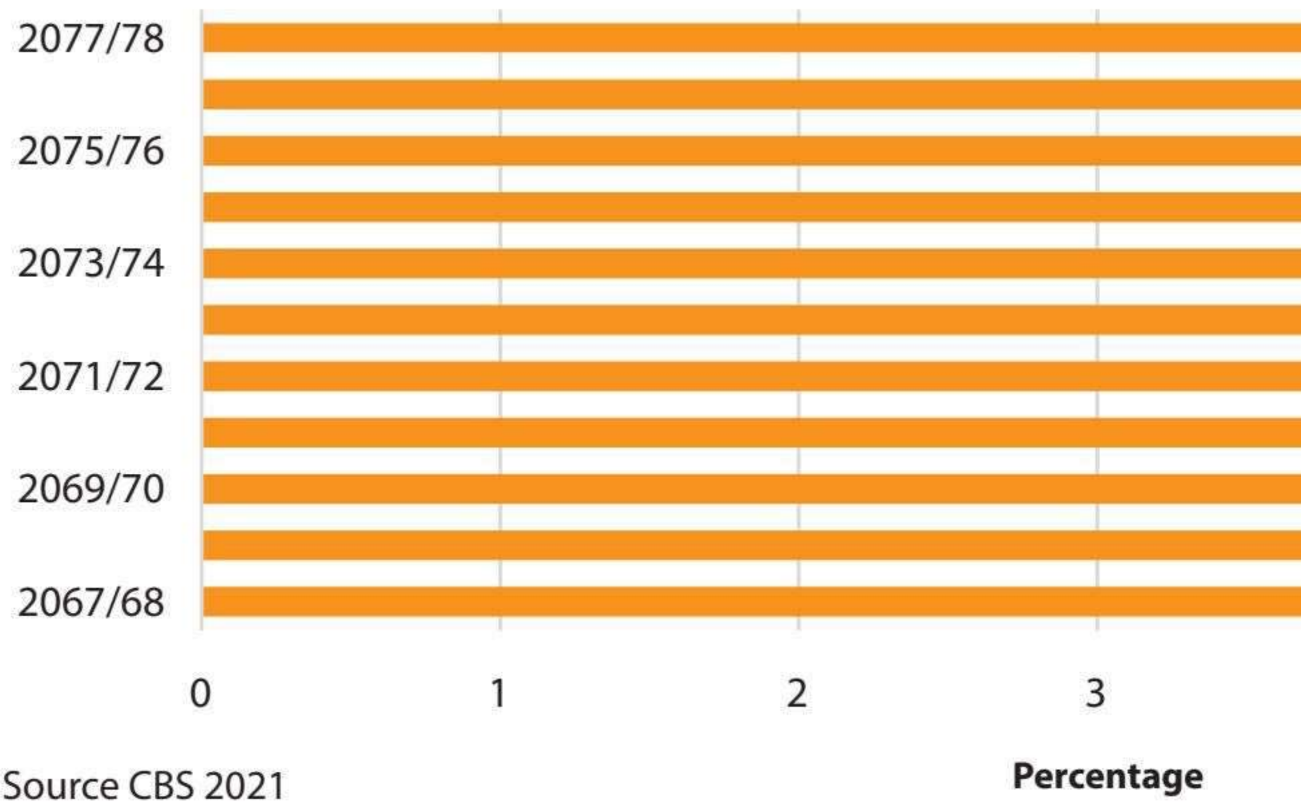
MANUFACTURING VALUE ADDITION (% SHARE OF GDP



Source: World Bank

In comparison to other South Asian countries and L
addition in GDP has remained staggeringly low.

Contribution of manufacturing sector to N



Source CBS 2021

In the last 10 years, the manufacturing industry has
economic growth. The low manufacturing value ad
share of contribution of the manufacturing sector t

How does the Industry Enterprise Act 2076 sup

A. "A manufacturing industry is entitled to twenty
leviable on the income earned by it."

B. "A manufacturing industry established with the

B. "A manufacturing industry established with the
rupees and providing direct employment to mo
throughout the year is entitled to hundred perc
five years from the date of commencement of tr
on the income tax for next three years."

FOOTWEAR IN

**Nepal can comfortably be self-sufficient in footw
already established themselves among Nepali c
annually produce 56.5 million pairs of footwear,
Footwear Manufacturer's Association of Nepal (**

OVERVIEW

- **Number of industries:** 6 large scale,
15 medium scale, 300 small scale

industries and 1200 micro-scale, 200 felt and handmade industries (DoI Study 2021)

- **Employment:** 60,000 people
- **Domestic demand:** 90-100 million pairs annually
- **Imports:** 3.19 million pair (FY 2075/76)
- **Export:** 3.59 million pair (FY 2075/76)

CHALLENGES

According to Mr. Krishna Fuyal, Past President of FMAN, some of the challenges the footwear industries are facing are as follows:

What should be done?	
Import duty in footwear manufacturing machinery to be 0%.	This w footw
Implement proper controls, checks & regular audits at customs.	This w good mark
Introduce safeguards, anti-dumping and countervailing measures.	This s of un
As the high quality leather from goats and sheep is being wasted, introducing leather collection facilities is much needed.	It wil footw impo
Incentivize higher value addition in processed	Expo

leather production.

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Suggestions from Kiran Shoes Manufacturers, who produce Goldstar, Vida & G10 brand shoes. Goldstar is a robust brand made, and is now sold in all over Nepal & India. Gradually, it is gaining popularity in western countries too. **The following suggestions have been made on behalf of the entire footwear industry:**

- Set minimum valuation of imported slippers NRs.500/- pair, for sports & party shoes NRs. 2000/- pair. Import revenue will increase up to 50% as goods will be rightly

Picture: Kiran Shoes Manufacturers

GARMENT/TEX

Textiles and garments were one of the first industrial sectors to experience massive export growth, which lasted until the early 2000s. Garments alone constituted on average 27% of exports in the 1990s. While textiles and clothing constituted 43.8% of value added in manufacturing in 1994, the share decreased to 5.5% in 2011, and remained stagnant even until 2020 (World Bank).

However, the industry still has great domestic demand, potential for exports and can generate a good number of jobs in Nepal. Recent export data shows the industry is slowly growing after a decade and half long decline with an export of NPR 6 billion of exports in 2019. Research conducted by a Bangladesh firm also shows that Nepal's readymade garment exports could exceed USD 1 billion, resulting in the direct employment of 100,000 people. Furthermore, with top garment exporting countries like China, India, Bangladesh and Vietnam located in the proximity of Nepal, the country could use this to its advantage and integrate in the regional supply chains. However, this can only be achieved if the existing structural impediments are addressed, and the private sector also takes a proactive role in identifying such opportunities abroad.

What should be done?	
Introduce integrated textile-garments policy that addresses issues such as which fabrics Nepal should aim to produce domestically and the kind that should be imported	Will demo the prom local and
Provide interest subsidies on investments in upgrading technology to increase the productivity of the industry	Will enha quality of garment i
Facilitate integration in regional supply chains	Will help economie

PHARMACEUTICA

Until 2017, the number of registered drug manufacturers in Nepal was approximately 50. Three years later, the number rose to 109, according to the Department of Drug Administration, the national regulatory authority. This shows there has been a promising rise in the number of drug manufacturers in the last three years. It should be noted that the National Drug Policy 2074 was introduced around this time too.

If the installed capacity of 66 actively running industry is aggregated, the pharmaceutical industries can reach a combined production capacity of 2.06 billions tablets annually . At present, industries have only been operating at 55% of the installed capacity. But if they were to operate at the full capacity, the Nepali producers alone can cater 73% of domestic demand. Association of the Pharmaceutical Producers of Nepal (APPON) states that 55 molecules/products are oriented towards self-reliant status.

Active Pharmaceutical Ingredients (API), raw materials for the pharmaceutical industry, production plant is economically not feasible in Nepal at present due to Nepal's market size. Even though API is imported, the value addition of this sector is more than 30%

OVERVIEW

- **Number of industries:** 109 drug registered manufactures; 66 running
- **Employment:** 20000 direct employment

MR. PRAJWAL JUNG PANDEY

President, Association of Pharmaceutical Pr

Mr. Pandey states there is an urgent need of introducing barriers on import of molecules which are produced by the Nepali manufacturers if the country is serious about achieving self-reliance in a number of pharma-related products, as mentioned in the National Medicine Policy 2074. Government should introduce a policy measure to restrict the import of the molecules if it is produced by more than five domestic producers. Similar approach has been adopted by Bangladesh, which has achieved self-reliance and also exports pharmaceutical products.

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What should be done?
Streamlined license approval system for the manufacturers: including manufacturing, sales and marketing licenses
Periodically regulate the border area markets and punish sellers/ traders selling unauthorized drugs

Introduce Tariff Barriers for Import of Drugs

If 5 domestic industries manufacture a specific molecule in Nepal itself, or a medicine has been produced in Nepal for more than 10-plus years, restrictions on import of such molecules should be made

PLASTIC INDUS

Plastic is widely used across multiple industries, from construction to textiles, consumer products, transportation, electrical and electronics and industrial machinery and so on. **The industry has seen double digit growth in the last few years, and has a potential to meet Nepal's growing demand for plastic-based products.** Although, this is only possible with adequate support from the state, as per Mr. Sharad Tibarewala, Founder and Immediate Past President of Plast Nepal Foundation (PNF).

Nepali industries are already self-sufficient in a growing number of plastic-based products, but cheaper alternatives are being imported at a low price, which makes it hard for Nepali industries to

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MR. SHARAD KUMAR TIBARE

Founder and IPP of Plast Nepal Foundation

Founder and IPP of Plast Nepal Foundation

Nepal can potentially be self-reliant in processed raw materials and finished products of plastic (apart from the ones relying on petroleum-based raw materials). The value addition within Nepal in plastic-based products starts from 20% and progressively increases with added-innovation in the production processes.

Presently, Nepal imports a nominal amount of finished products as majority of its demand is catered by domestic production. Considerable imports are happening in flexible packaging. However, if the import tariff is adjusted in favour of domestic manufacturers, this can be reversed as products can be offered at a more competitive price and quality.

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CHALLENGES

- Import duty in the SAARC region is

- Import duty in the SAARC region is 5-7.5% on plastic raw materials (known as plastic granules), whereas in Nepal, the import duty is 10%. Bringing this down to 5 percent will help Nepali plastic manufacturing become more cost-competitive vis-à-vis SAARC countries.

What should be done?
Effective implementation of two-tiers duty difference on raw material and finished goods.
Nepal Standard should also be granted to industries that use recycled plastic as raw material.
Effective policy to encourage industry producing flexible packaging as it is the major import for Nepal.
Address the issue of unauthorized imports which is adversely affecting local manufacturers.

POWER TRANSF

There are numerous factors that drive

demand for electrical power transformers in Nepal and in the global market. Apart from the growing consumption of electricity, the increasing focus on renewable electric power generation, deployment of smart grids and smart transformers, replacement of existing aged power transformers are some other factors responsible.

Nepal foresees a generation of approximately 10-15 GW of hydroelectricity in the next ten years. This translates into a need for dramatic transformation of electricity infrastructure, including the construction of substations, transmission lines, and distribution systems, to provide households and industries access to better quality electricity at higher amounts. While the government has begun encouraging households to use electricity for more applications, the current infrastructure (including higher capacity transformers) can not support the increased demand.

MR. KUSH K. JOSHI

Managing Director, NEEK and Former President

NEEK is one of the major domestic manufacturers of power transformers. It initially inherited its technology from a Thailand-based company. Mr. Joshi states that NEEK currently produces robust and low-loss-

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NEEK currently produces robust and low-loss leakage transformers, which are also exported abroad.

MR. AMUL SHRESTHA

Managing Director, Transweld Nepal Pvt. Ltd.

Nepali manufacturers are capable of catering to an increasing market share of power transformers. The national demand for transformers is an aggregate of public and private consumption. While the private demand constitutes hotels and other pirate entities likewise public demand is the bulk procurement by the Nepal Electricity Authority. Transweld currently has an annual capacity of producing 1500-1600 units and is expanding in the near future which then will be able to produce 4000 units per year.

About CNI

The Confederation of Nepalese Industries
established by the captains of Nepal's indu
corporate sector on April 17, 2002. Its core
is to help enhance the business environme
private sector.

It has a membership base consisting of ne
the big corporate houses of Nepal, Nepali
companies, joint venture companies, et
across a wide and diversified spectrum of i

About CRC

CNI Research Cell was established due to
of evidence-based research on Nepali i
especially based on primary data. CNI aspi
a trusted development partner of the Go
of Nepal. The data and research generated
transparent, unbiased and will be kept co
The team comprises Research Director M
Bhatta and Research Officers Mr. Pratap Adh
Ms. Astha Wagle.

CONFEDERATION OF NEPALE