FOREIGN INVESTMENT OPPORTUNITIES
NEPAL

Foreign Investment Opportunities

Government of Nepal
Ministry of Industry
and
Ministry of Commerce and Supplies
with the support of
Enhancing Nepal’s Trade Related Capacity Programme
NEPAL: Foreign Investment Opportunities
Prepared with the support of Enhancing Nepal’s Trade-Related Capacity (ENTRec) project, UNDP-Nepal.

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Nepal has entered a new era of development with its open and liberal economic policies. The historic political changes brought about by the People’s Movement 2006 has ushered in a new era paradigm of political, social and economic settings in the country, upholding the People’s sovereignty, adhering to the principles of human rights and assuring a better quality of life of the Nepali people at large.

The present government is pursuing pragmatic and outward-looking policies to set our efforts to the progressive path of development in all spheres of national life. In this challenging task we cannot go alone. We have to join hands with our global friends for mobilizing the available resources to the extent possible in order to sustain our development endeavours, as well as for mutual benefit of the partners committed to this end.

As an important strategy for resource mobilization, we are attaching high priority to foreign direct investment. In order to encourage foreign investment, we have adopted a very liberal and transparent industrial policy. Provisions are being made to provide all the incentives, facilities and information to the investors through the One Window System. The Government of Nepal is currently working to create an empowered Board of Investment through legislation. We are also undertaking a series of fundamental reforms in fiscal, monetary, industrial, trade and labour policies, which are in line with our commitment to the World Trade Organization and other multilateral, regional and bilateral cooperation agencies. Such steps ensure an attractive environment for business in Nepal. Very generous incentives and facilities shall be offered to the local as well as foreign investors. This will encourage foreign investors to undertake business as well as industrial ventures.

Nepal, with an ancient cultural heritage, rich natural resources and a variety of agro-climatic conditions, offers unique opportunities for profitable investment. Foreign capital, technology and know-how are welcome to contribute to the modernization and industrialization of our country.

We look forward to having foreign direct investments in Nepal and aspire for their success and growth.

(Pushpa Kamal Dahal ‘Prachanda’)

January 2009
Foreword

The Government of Nepal (GoN) is committed to bringing positive changes in all spheres of national life through pragmatic, open and liberal economic policies. Our development endeavours also need support of our global friends, especially in mobilizing resources, both capital and technology, to the extent possible for their sustainability. Towards this end, the GoN is attaching high importance and according foremost priority to Foreign Direct Investment (FDI) and Technology Transfer as important strategies for resource mobilization. The GoN is also committed to introducing policies and programmes that encourage foreign investment in the country.

Nepal, a picturesque Himalayan country with ever-smiling and friendly people, presents ample and unique opportunities for profitable investment. The aim of this publication is to provide necessary information to potential investors, both national and foreign, who are interested to invest in Nepal and are exploring investment opportunities in this country. We hope this publication will enable them to better understand the Nepalese economy, business environment and investment procedures and provide them with necessary information on the key areas and sectors where investment opportunities exist in Nepal.

We would like to thank all the officials of the GoN who were involved in the preparation of this book. Mr. Bharat Mani Gyawali, Consultant, Mr. Shiv Raj Bhatt, National Programme Manager (a.i.), and other team members of the Enhancing Nepal's Trade Related Capacity (ENTReC) Programme, and Mr. Anil Shrestha, editor, who were involved in the preparation and production of this book, deserve appreciation.

This book is produced and published by the GoN with the support of ENTReC Programme of the United Nations Development Programme (UNDP) under the Ministry of Commerce and Supplies. We would like to thank UNDP for its valuable support for the production of this book.

We hope this book will help investors identify the prospective investment avenues that benefit both themselves and Nepalese people at large.

Tana Gautam
Secretary
Ministry of Industry

Purushottam Ojha
Secretary
Ministry of Commerce and Supplies
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<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>APP</td>
<td>Agriculture Perspective Plan</td>
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<td>BIMST-EC</td>
<td>Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation</td>
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<td>BoP</td>
<td>Balance of Payments</td>
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<td>CBS</td>
<td>Central Bureau of Statistics</td>
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<td>CDMA</td>
<td>Code Division Multiple Access</td>
</tr>
<tr>
<td>cif</td>
<td>cost, insurance, freight</td>
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<tr>
<td>CRO</td>
<td>Company Registrar’s Office</td>
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<tr>
<td>CTD</td>
<td>Customs Transit Declaration</td>
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<tr>
<td>DMG</td>
<td>Department of Mines and Geology</td>
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<td>DoI</td>
<td>Department of Industries</td>
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<tr>
<td>DoSCI</td>
<td>Department of Cottage and Small Industries</td>
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<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<tr>
<td>EPZ</td>
<td>Export Processing Zone</td>
</tr>
<tr>
<td>FCC</td>
<td>Financial Credibility Certificate</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FISIM</td>
<td>Financial Intermediations Services Indirectly Measured</td>
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<tr>
<td>fob</td>
<td>free on board</td>
</tr>
<tr>
<td>ft</td>
<td>feet</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GMPCS</td>
<td>Global Mobile Personal Communication System</td>
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<tr>
<td>GNP</td>
<td>Gross National Production</td>
</tr>
<tr>
<td>GoN</td>
<td>Government of Nepal</td>
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<tr>
<td>GPO</td>
<td>General Post Office</td>
</tr>
<tr>
<td>GWH</td>
<td>Giga Watt Hours</td>
</tr>
<tr>
<td>ha</td>
<td>hectare(s)</td>
</tr>
<tr>
<td>HRD</td>
<td>human resource development</td>
</tr>
<tr>
<td>ICD</td>
<td>Inland Container Depot</td>
</tr>
<tr>
<td>IEE</td>
<td>Initial Environmental Examination</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPB</td>
<td>Investment Promotion Board</td>
</tr>
<tr>
<td>IRD</td>
<td>Inland Revenue Department</td>
</tr>
<tr>
<td>ISIC</td>
<td>International Standards Industrial Classification</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<td>--------------</td>
<td>-------------</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>km</td>
<td>kilometre(s)</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developing Country</td>
</tr>
<tr>
<td>m</td>
<td>metre(s)</td>
</tr>
<tr>
<td>masl</td>
<td>metres above sea level</td>
</tr>
<tr>
<td>MoCS</td>
<td>Ministry of Commerce and Supplies</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MoI</td>
<td>Ministry of Industry</td>
</tr>
<tr>
<td>MT</td>
<td>metric tonne(s)</td>
</tr>
<tr>
<td>MW</td>
<td>Mega Watt(s)</td>
</tr>
<tr>
<td>NRB</td>
<td>Nepal Rastra Bank</td>
</tr>
<tr>
<td>NRN</td>
<td>Non-Resident Nepalese</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of the Petroleum Exporting Countries</td>
</tr>
<tr>
<td>PAN</td>
<td>Permanent Account Number</td>
</tr>
<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
</tr>
<tr>
<td>SAEU</td>
<td>South Asian Economic Union</td>
</tr>
<tr>
<td>SAFTA</td>
<td>South Asian Free Trade Area</td>
</tr>
<tr>
<td>SAGQ</td>
<td>South Asian Growth Quadrangle</td>
</tr>
<tr>
<td>SAPTA</td>
<td>SAARC Preferential Trading Arrangement</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>sq km</td>
<td>square kilometre(s)</td>
</tr>
<tr>
<td>tpd</td>
<td>tonne per day</td>
</tr>
<tr>
<td>TRIPS</td>
<td>Trade-Related Aspects of Intellectual Property Rights</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>WLL</td>
<td>Wireless Loop</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
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</table>
COUNTRY BACKGROUND

Topography

Situated in South Asia, Nepal is bordered by Tibet Autonomous Region of China in the north and India in the east, west and south. The country is roughly rectangular in shape, with a total land area of 147,181 square kilometres (sq km), stretching 885 km from east to west and between 145 km and 241 km from north to south, with a mean width of 193 km.

Topographically, the country can be divided into three distinct regions from north to south: the mountainous region, the hilly region and the flat plains, known as the Terai. Lying at an altitude ranging from 4,877 to 8,848 metres above sea level (masl), the mountainous region includes the Himalayas, the world’s highest mountain chain. Nepal Himalayas comprises nine of the world’s highest peaks, including the highest, Mount Everest (in Nepali, Sagarmatha). The hilly region lies in the middle of the country, with altitude varying between 610 and 4,877 masl. Kathmandu Valley, where the country’s capital, Kathmandu, is situated, and many other scenic valleys, basins and pockets are located in this region. The Terai, which is an extension of the Gangetic plains of India, forms a low flatland along the southern border. It comprises most of the fertile land and forest areas of the country, and rich and big river basins.

Climate

Due to its diverse topography, almost all the climatic zones of the earth—tropical, subtropical, temperate, alpine and sub-arctic—are found in Nepal. The mean annual temperature is about 15 degrees Celsius; however, in some places in the Terai the summer temperature can rise above 40 degrees Celsius. Nepal experiences four seasons: spring (March-May), summer (June-August), autumn (September-November) and winter (December-February). Kathmandu Valley has a pleasant climate, with average summer temperature of 19 to 27 degrees Celsius and winter temperature of 2 to 12 degrees Celsius. Rainfall varies greatly from place to place, from 300 millimetres (mm) to 250 mm, about 80 per cent of the precipitation occurring during the monsoon season, which typically lasts from June to September.

The period from October to May is generally dry in most parts of the country. In the winter, the western part receives the larger share of rainfall, and during the monsoon, which is from June to August, the eastern part receives more rainfall. Kathmandu Valley receives around 1,300 mm of annual rainfall, with the heaviest concentration from June to August (see Table 1).

Natural Resources

Water

Water is the most important natural resource in the country. There are about 6,000 rivers and rivulets, which add up to 45,000 km in length. The total drainage area of all the rivers consists of about 191,000 km, of which 74 per cent lies in Nepal. The total average run-off is estimated at about 170 billion cubic metres (m³), and theoretical hydroelectric power potential is estimated to be 83,000 megawatts
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This is one of the largest potential in the world, and about 50 per cent of this could be economically harnessed. However, less than 0.5 per cent of this economically viable potential has so far been exploited.

Forests

Forests occupy 42.4 per cent (62,405 sq km) of the landmass, and account for 79 per cent of the country’s total energy consumption and more than 90 per cent of rural household energy consumption. Almost every known forest type, with the exception of the equatorial tropical rain forest, is found in Nepal. There are four major forest zones: tropical and subtropical (up to 300 masl); sub-tropical and riverine (301-800 masl); subtropical and sub-temperate hill (801-2,000 masl); temperate and alpine (above 2,000 masl). This diversity supports more than 100 mammal, 850 bird and almost 10 thousand plant species.

Minerals

There are some deposits of mineral resources that can be economically exploited; some of these are of marginal tonnage and grade, while some others require further investigations. The country has large deposits of limestone. Other mineral deposits include magnesite, lead, zinc, talc, marble, iron ore, natural gas, silica, dolomite and semiprecious stones. Copper, cobalt, placer gold, etc of low grade and tonnage reportedly occur in many parts of the country. Preliminary surveys have also indicated occurrence of petroleum reserves in the Terai.

Table 1: Monthly Average Temperature and Rainfall in Kathmandu

<table>
<thead>
<tr>
<th>Month</th>
<th>Bikram Sambat Months</th>
<th>Minimum Temperature (°Celsius)</th>
<th>Maximum Temperature (°Celsius)</th>
<th>Rainfall (mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>Poush/Magh</td>
<td>2.7</td>
<td>17.5</td>
<td>47</td>
</tr>
<tr>
<td>February</td>
<td>Magh/Falgun</td>
<td>2.2</td>
<td>21.6</td>
<td>11</td>
</tr>
<tr>
<td>March</td>
<td>Falgun/Chaitra</td>
<td>6.9</td>
<td>25.5</td>
<td>15</td>
</tr>
<tr>
<td>April</td>
<td>Chaitra/Baisakh</td>
<td>8.6</td>
<td>30.0</td>
<td>5</td>
</tr>
<tr>
<td>May</td>
<td>Baisakh/Jestha</td>
<td>15.6</td>
<td>29.7</td>
<td>146</td>
</tr>
<tr>
<td>June</td>
<td>Jestha/Asadh</td>
<td>18.9</td>
<td>29.4</td>
<td>135</td>
</tr>
<tr>
<td>July</td>
<td>Asadsh/Shrawan</td>
<td>19.5</td>
<td>28.1</td>
<td>327</td>
</tr>
<tr>
<td>August</td>
<td>Shrawan/Bhadra</td>
<td>19.2</td>
<td>29.5</td>
<td>206</td>
</tr>
<tr>
<td>September</td>
<td>Bhadra/Ashwin</td>
<td>18.6</td>
<td>28.6</td>
<td>199</td>
</tr>
<tr>
<td>October</td>
<td>Ashwin/Kartik</td>
<td>13.3</td>
<td>28.6</td>
<td>42</td>
</tr>
<tr>
<td>November</td>
<td>Kartik/Mangsir</td>
<td>6.0</td>
<td>23.7</td>
<td>0</td>
</tr>
<tr>
<td>December</td>
<td>Mangsir/Poush</td>
<td>1.9</td>
<td>20.7</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: Nepal officially follows Bikram Sambat (also spell Vikram Samvat) calendar, which is based on the lunar calendar; hence, the month begins in the middle of the Gregorian month.

Political System

Ancient Nepal consisted of many small autonomous principalities. Late King Prithvi Narayan Shah unified Nepal by conquering these principalities and merging them into one single nation in 1769. After the Anglo-Nepal War of 1814-1816, Prime Minister Jung Bahadur Rana greatly augmented his power and established the Rana line of hereditary prime ministers, which ruled Nepal until 1951, when a popular revolution overthrew the family autocracy. In 1959, the country held its first general election and installed a parliamentary government. After about 18
months, Late King Mahendra abolished the popular government and replaced it by a party-less form of political system, called Panchayat, which lasted for three decades. Following a mass discontent with the Panchayat system and people’s aspiration for modern democracy, a popular movement ushered in a new era of democracy in 1990. A new constitution, enshrining the sovereignty of the people, was adopted that year. A multiparty political system with constitutional monarchy and a bicameral parliamentary system of government with two houses, namely the House of Representatives and National Council, was established. Between 1990 and 2004, the country had a series of unstable coalition governments, with as many as ten prime ministers, witnessing two mid-term elections and a hung parliament. Added to this situation, a climate of unstable and uncertain politics and government prevailed on account of the Maoist insurgency, which sought further political reforms and a republican state. In such a situation of political disarray, in January 2005, King Gyanendra suddenly dissolved Parliament and declared a state of emergency, usurping the executive and legislative powers. He promised socioeconomic reforms, a general election and handover of sovereignty to the people. However, before he could do so, the sidelined political parties united to uphold democratic values and people’s sovereignty. The Maoists joined hands with them, forging a mass movement, which culminated in Popular Movement 2 in April 2006. Following the success of the Movement, Parliament was reinstated and negotiations with the Maoist insurgents resulted in a political agreement. An Interim Constitution was promulgated in January 2007 with the provision of an Interim Parliament, represented by the Maoist and other major political parties. An Interim Government of the seven-party alliance was formed. The election to a Constituent Assembly was held in April 2008, and the first session of the Constituent Assembly, held in June that year abolished the monarchy and declared the country a republic.

Social and Cultural Settings

Nepal is ethnically as diverse as it is geographically. It is home to several races and tribes, languages and religions. The majority of the Nepali people are Hindu (80%), followed by Buddhist (10%). There is a unique blend of Hinduism and Buddhism. The two religions have overlapped and harmonized to such an extent that Hindus and Buddhists worship the same gods and goddesses. The people are religious and have strong bonds with their cultures, which are as unique and as diverse as their backgrounds. There are also many tribal groups in Nepal. The coexistence of these ethnic groups and their cultures has been marked by tolerance and openness for centuries. Nepali, written in Devanagari script, is the official language and lingua franca of slightly over 50 per cent of the population, while a number of other languages and dialects are spoken by specific ethnic and tribal groups. Some of these languages are Maithali, Bhojpuri, Newari, Gurung, Tamang, Tharu, Magar, Limbu, Rai, Urdu, Hindi, Sherpa and Awadhi and a host of other minor languages. English is spoken and understood by a large number of people in urban areas.

Nepal has maintained one of the world’s oldest and richest continuous cultures. Her culture finds exquisite expression in the religions, art, music, dance, social, cultural and religious festivals. Festivals are a prominent aspect of Nepalese life, in which all people take part enthusiastically. Dashain (or Durga Puja), Tihar (Festival of Light), Shiva Ratri (Lord Shiva’s Night), Indra Jatra (Festival of Indra,
the Rain God), Baisakh Purnima (Lord Buddha’s Birthday), Gai Jatra (Cow Festival) Chhath (Worship of the Sun), Ram Nawami, Krishna Asthami, Fagu (Festival of Colours) and a host of other festivals are celebrated every year.

**International Relations**

Nepal’s foreign policy is guided by the principles enshrined in the Charter of the United Nations (UN) and the Non-Aligned Movement. As such, Nepal enjoys cordial relations with all countries of the world. This is manifested by her diplomatic relations with 128 countries, maintained through twenty-six residential embassies, three consulates and numerous honorary consul generals or consulates abroad (for their names and addresses, see Appendix 21). Similarly, twenty-two embassies, consulates, cooperation offices, country representatives of various international organizations, including the UN, World Bank, International Monetary Fund (IMF) and Asian Development Bank (ADB), based in Kathmandu, have made significant contributions to help Nepal achieve its foreign policy and economic development goals.

Economic diplomacy has been adopted as another significant dimension of Nepal’s foreign policy priorities in recent years. Its main objectives are to promote Nepal’s export trade, attract greater number of tourists to Nepal and enhance the flow of foreign direct investments (FDIs) into the county.

Nepal attaches considerable importance to the promotion of close economic cooperation in South Asia. Towards this end, it is actively working with other members of the South Asian Association for Regional Cooperation (SAARC) for the realization of the South Asian Free Trade Area (SAFTA), and is also engaged in sub-regional cooperation in the form of the...
South Asian Growth Quadrangle (SAGQ), comprising, among others, Bangladesh, Bhutan and India. Nepal has also been a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Nepal acceded to the World Trade Organization (WTO) in 2004.

Nepal has been member of the UN and its specialized agencies since 1955, ADB since 1966 and the World Bank and IMF. The different organizations with which Nepal is actively associated are briefly elaborated below.

**South Asian Association for Regional Cooperation**

The South Asian Association for Regional Cooperation (SAARC) was established on December 8, 1985 when its Charter was formally adopted by the heads of state or government of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The regional body provides a platform for the peoples of South Asia to work together in a spirit of friendship, trust and understanding, aiming at accelerating the process of economic and social development in member states. As a manifestation of Nepal’s interest, it hosts the secretariat of SAARC in Kathmandu.

**South Asian Free Trade Area**

The South Asian Free Trade Area (SAFTA) is a replacement for the South Asian Preferential Trading Arrangement (SAPTA), which was signed on April 11, 1993 and which came into force on December 7, 1995 to promote and sustain mutual trade and economic cooperation within the SAARC region through exchange of concessions. SAFTA was envisaged primarily as the first step towards a customs union, common market and economic union in South Asia. The 10th SAARC Summit, held in Colombo in 1998, had decided to draft a comprehensive treaty framework for creating a free trade area within the region, taking into consideration the asymmetries in development within the region, as well as the need to fix realistic and achievable targets.

SAFTA was signed at the 12th SAARC Summit, held in Islamabad, in January 2004. The agreement came into force on January 1, 2006. Currently, the major provisions under this arrangement, ie the sensitive lists of products, rules of origin, technical assistance as well as a mechanism for compensation for revenue loss for least developed member states, are being negotiated.

Under the Trade Liberalization Programme, scheduled for completion in ten years, ie by 2016, the customs duties on products from the region will be progressively reduced. However, under an early harvest programme for the least developed member states, India, Pakistan and Sri Lanka are expected to bring down their customs duties on the products of such members states to 0.5 per cent by January 1, 2009. The least developed member states are expected to benefit from additional measures under the special and differential treatment accorded to them under the agreement.

**South Asian Economic Union**

The 11th SAARC Summit, held in Kathmandu in January 2002, gave further impetus to the regional economic cooperation to give effect to the shared aspiration for a more prosperous South Asia. At the summit, the leaders agreed to accelerate cooperation in the core areas of trade, finance and investment to realize the goal of an integrated South Asian economy in a step-by-step manner. They also agreed on the vision of a phased and planned process, eventually leading to a South Asian Economic Union (SAEU). At the 12th SAARC Summit,
held in Islamabad in January 2004, SAARC FINANCE was given the responsibility of studying and making recommendation on the early and eventual realization of SAEU. It has been entrusted with the responsibility of examining the concept of a South Asian Development Bank.

World Trade Organization
In September 2004, the World Trade Organization (WTO) unanimously approved the text of the Protocol for Nepal’s entry into this global trade body. Nepal became the second least developed country (LDC), after Cambodia, to join the WTO through full working party process.

Following its entry into the WTO, Nepal can now fully enjoy the rights that all members have under the WTO agreement. The benefits are embedded in the past global trade reforms, improving the domestic trade policymaking process, helping exporters contest in the global market and supplementing the preferential market access to foreign markets. The membership gives Nepal a seat at the negotiating table, allowing it to take part in the debates on the future shape of the world trading system. These benefits will help Nepal better integrate itself into the world economy. In turn, Nepal has accepted some obligations under the WTO agreement. It must make significant investments in implementing trade-related regulatory reforms, such as in customs administration, intellectual property rights protection, food and plant sanitary measures, and technical standards.

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMST-EC) evolved from its original formation ‘Bangladesh, India, Sri Lanka, Thailand Economic Cooperation’ (BIST-EC), established in Bangkok on June 6, 1997. Its objective was to foster socioeconomic cooperation among the founder members. Myanmar was admitted as a full member in December 1997, followed by Bhutan and Nepal in 2004. The seven-country forum aims to achieve its own free trade area by 2017.

BIMST-EC is based on mutual interests and common concerns of the member states and complementarities of their economies. Its basic objectives are: to create an enabling environment for rapid economic development through identification and implementation of specific cooperation projects in the trade, investment and industry, technology, human resources development, tourism, agriculture, energy, infrastructure and transportation sectors; to accelerate the economic growth and social progress in the sub-region through joint endeavours in a spirit of equality and partnership; to promote active collaboration and mutual assistance on matters of common interest in the economic, social, technical and scientific fields; to provide assistance to each other in the form of training and research in educational, professional and technical spheres; to cooperate more effectively in joint efforts that are supportive of, and complementary to, national development plans of member states, which will result in tangible benefits to the people in raising their living standards, including by generating employment and improving transportation and communication infrastructure; to maintain close and beneficial cooperation with existing international and regional organizations having similar aims and purposes; and to cooperate in projects that can be dealt with most productively on sub-regional basis among the BIMST-EC members and that make best use of available synergies.
Economy

**Macro Economic Policies**
Nepal initiated planned economic development with its First Five-Year Plan in 1956, with mixed economic policy as the guiding principle of the state. With the reinstatement of democratic system of governance, Nepal liberalized its economy with a wide range of economic reforms in early 1990s. Those reforms induced remarkable growth in the key areas of the economy such as industry, trade, foreign investment, finance and international transactions. Reform and restructuring process in the micro-economic and sectoral areas, undertaken since the 1990s, has been instrumental in making the economy more investment-friendly, transparent, market-oriented and efficient. Implementation of structural reforms has created a sound base for economic development. It has encouraged the establishment of joint venture banks and private financial institutions, privatization of state-owned companies and increased role of the private sector in the economy. Market-oriented economic policies have encouraged private sector participation in economic activities, limiting the government’s role to that of a facilitator and developer of prerequisites, which would support the private sector to become more efficient and competitive. Similarly, doing away with the licensing requirements and qualitative restrictions in industry and trade, simplification of regulatory processes, provision of current account convertibility, flexibility in cut-off rates, broadening the areas of the FDI and a host of other reform measures have created an environment for enhancing efficiency and competition in various economic activities.

Following the ongoing political transition, the Government of Nepal (GoN) has recently announced the Three-Year Interim Plan (2007/08–2009/10). However, the long-term policies pursued since the Tenth Plan are to be continued, and the economic policies of the Three-Year Plan have focused on poverty alleviation, broad-based, high and sustained economic growth, achieving the Millennium Development Goals (MDGs), sustainable peace and stability, investment promotion, human development, reconstruction, improvement and development of infrastructure, financial and fiscal restructuring for reshaping the role of the state and rapid delivery of public services.

**Gross Domestic Product**
Nepal, a small landlocked country, is one of the forty-eight least developed countries (LDCs) on the global map. Agriculture is the mainstay of the Nepalese economy, providing livelihood for about 80 per cent of the population, and accounting for 35 per cent of the GDP during fiscal year (FY) 2001/02–FY2005/06 and 32.57 per cent (provisional) in FY2006/07.

While looking at the GDP performance by three major groups of economic activities, viz (1) Primary (Agriculture and forest, Fisheries, and Mining and Quarrying), (2) Secondary (Industry, Electricity, Gas, Water and Construction), and (3) Tertiary (rest of the services sectors), the growth estimates for FY2006/07 are 0.72 per cent, 2.06 per cent and 4.09 per cent respectively. The contributions of these sectors to GDP are estimated at 36.6 per cent, 16.3 per cent and 47.1 per cent respectively for FY2006/07. Hence, the contribution of the tertiary sector is estimated to rise in FY2007/08 by 0.7 percentage point.

According to the Central Bureau of Statistics (CBS), the per capita GDP at current price is estimated to increase by 8.85 per cent to Rs 27,209 in FY2006/07. Such rise in the preceding year was 7.28 per cent to Rs 24,996. At constant price, per capita GDP is estimated to increase by 0.53 per cent as compared to the rise of 0.76
### Table 2: Major Macroeconomic Indicators

<table>
<thead>
<tr>
<th>Indicators (Unit)</th>
<th>Fiscal Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001/02</td>
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<tr>
<td>Real GDP (at producer price) (Annual % change)</td>
<td>0.1</td>
</tr>
<tr>
<td>Real GDP (at base price) (*)</td>
<td>0.2</td>
</tr>
<tr>
<td>GDPc (*)</td>
<td>0.5</td>
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<tr>
<td>Agriculture (*)</td>
<td>3.1</td>
</tr>
<tr>
<td>Non-agriculture (*)</td>
<td>-1.1</td>
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<tr>
<td>GDP (at current producer price) (*)</td>
<td>4.1</td>
</tr>
<tr>
<td>GDPd (*)</td>
<td>4.4</td>
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<tr>
<td>Agriculture (*)</td>
<td>6.7</td>
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<tr>
<td>Non-agriculture (*)</td>
<td>3.0</td>
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<tr>
<td>GNP (at current price) (*)</td>
<td>3.5</td>
</tr>
<tr>
<td>Overall agriculture index (*)</td>
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<tr>
<td>Food and other crops (*)</td>
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<tr>
<td>Animal production (*)</td>
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<tr>
<td>Vegetable and horticulture (*)</td>
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</tr>
<tr>
<td>Forestry production (*)</td>
<td>1.9</td>
</tr>
<tr>
<td>Major industrial production index (*)</td>
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</tr>
<tr>
<td>GDP price index* (*)</td>
<td>3.9</td>
</tr>
<tr>
<td>-Agriculture (*)</td>
<td>3.5</td>
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<tr>
<td>-Non-agriculture (*)</td>
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<tr>
<td>National urban consumer price index, annual average change (1995/96=100)</td>
<td>2.9</td>
</tr>
<tr>
<td>Gross National Savings/GNP ratio (%)</td>
<td>24.2</td>
</tr>
<tr>
<td>Ratio with GDP (at current producer price) (*)</td>
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</tr>
<tr>
<td>-Gross Domestic Savings (*)</td>
<td>9.5</td>
</tr>
<tr>
<td>-Gross Investment (*)</td>
<td>20.2</td>
</tr>
<tr>
<td>-Difference between Domestic savings and investment (*)</td>
<td>-10.7</td>
</tr>
<tr>
<td>-Total consumption (*)</td>
<td>90.5</td>
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<tr>
<td>-Total Government Expenditure (*)</td>
<td>17.4</td>
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<tr>
<td>-Current Expenditure (*)</td>
<td>10.6</td>
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<tr>
<td>-Capital expenditure (*)</td>
<td>5.4</td>
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<tr>
<td>-Principal (debt) repayment</td>
<td>1.4</td>
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<tr>
<td>Debt service (principal and interest payment) (*)</td>
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<tr>
<td>-Total revenue (*)</td>
<td>11.0</td>
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<tr>
<td>-Tax revenue (*)</td>
<td>8.6</td>
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<tr>
<td>-Non-tax revenue (*)</td>
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</tr>
<tr>
<td></td>
<td>2001/02</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>-Budget deficit (*)</td>
<td>5.0</td>
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<tr>
<td>-Foreign debt received (*)</td>
<td>1.7</td>
</tr>
<tr>
<td>-Foreign loans and grants (*)</td>
<td>3.1</td>
</tr>
<tr>
<td>-Total outstanding domestic debt (*)</td>
<td>15.1</td>
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<tr>
<td>-Total outstanding foreign debt (*)</td>
<td>47.9</td>
</tr>
<tr>
<td>-Total outstanding debt (*)</td>
<td>63.0</td>
</tr>
<tr>
<td>-Total exports (goods) (*)</td>
<td>10.2</td>
</tr>
<tr>
<td>-Total imports (goods) (*)</td>
<td>23.4</td>
</tr>
<tr>
<td>-Trade deficit (*)</td>
<td>13.2</td>
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<tr>
<td>-Current account surplus (*)</td>
<td>4.0</td>
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<tr>
<td>Total outstanding foreign debt/total government revenue (*)</td>
<td>436.4</td>
</tr>
<tr>
<td>Total government revenue (% Change)</td>
<td>3.2</td>
</tr>
<tr>
<td>Current expenditure (*)</td>
<td>6.6</td>
</tr>
<tr>
<td>Capital expenditure (*)</td>
<td>-12.5</td>
</tr>
<tr>
<td>Principal repayment (*)</td>
<td>13.1</td>
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<tr>
<td>Total government expenditure (*)</td>
<td>0.3</td>
</tr>
<tr>
<td>Debt service (principal and interest payment) (*)</td>
<td>17.5</td>
</tr>
<tr>
<td>Debt service (principal and interest payment/current expenditure) (*)</td>
<td>25.0</td>
</tr>
<tr>
<td>Narrow money supply (M1) (% Change)</td>
<td>9.3</td>
</tr>
<tr>
<td>Broad money supply (M2) (*)</td>
<td>4.4</td>
</tr>
<tr>
<td>Private sector share in the total loan outstanding of the banking sector (*)</td>
<td>64.3</td>
</tr>
<tr>
<td>Total imports (% Change)</td>
<td>-15.6</td>
</tr>
<tr>
<td>Total exports (*)</td>
<td>-7.2</td>
</tr>
<tr>
<td>Export-import ratio (%)</td>
<td>43.7</td>
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<tr>
<td>Current account surplus (Rs. m)</td>
<td>18160.0</td>
</tr>
<tr>
<td>Balance of payments(a) (Rs. m)</td>
<td>-3343.0</td>
</tr>
<tr>
<td>Foreign exchange reserve (Rs. Billion)</td>
<td>105.90</td>
</tr>
<tr>
<td>Foreign exchange rate(b) (US$ 1=Rs)</td>
<td>78.3</td>
</tr>
<tr>
<td>Population (m)</td>
<td>23.7</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2006/07.

Notes:
\(a\) Some of the data included in the table have been uploaded as per information received from the sources concerned, which, therefore, may differ from the data presented in the previous issues of The Economic Survey. Beginning FY2000/01, GDP new series has been prepared as per SNA 1993 and are presented accordingly.
\(b\) Annual preliminary estimates (first eight months).
\(c\) At constant price, total value added, including financial intermediation indirectly measured.
\(d\) At current price, total value added, including financial intermediation indirectly measured.
\(e\) Base year changed.
\(f\) Since FY2000/01, estimates of remittance income have been presented in the new format of Balance of Payments (BoP).
\(g\) Average of mid-July buying and selling rates; for the current fiscal year, the rates are as of mid-March 2007.
per cent in the preceding year. In US dollar terms, per capita GDP at current price is estimated to be 383 this year, a rise of US$33 from the preceding year’s level.

A recent economic survey shows that, in terms of GDP structure at constant price, the contribution of major sectors like agriculture is estimated at 36.1 per cent, wholesale and retail trade at 13.1 per cent, transport, communications and storage at 8.7 per cent, real estate and professional services at 7.5 per cent, industry at 7.8 per cent, construction at 6.1 per cent and education at 5.9 per cent. (For the economic performance of Nepal in recent years, see Tables 2 to 5).

**Industry**

Since the country is still at an early stage of industrial development, the share of the industrial sector in the economy is low. The contribution of the manufacturing sector to GDP is around 9 per cent. The number of industries (large, medium and small scale) registered with the Department of Industries (DoI) reached 3,302 as of mid-April 2006. Similarly, the number of cottage industries registered with the Department of Cottage and Small Industries (DoCSI) reached 13,000 as of mid-January 2007. However, less than 40 per cent of the registered small and cottage scale units are estimated to be functioning. (For the industrial registration figures, see Tables 6 and 7.)

In FY2006/07, the industrial sector GDP is estimated to have increased by 2.16 per cent over the previous fiscal year. The production of processed items, milk products, textiles and paper products increased in FY2006/07. However, the industrial sector is expected to

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**Table 3: Composition of Gross Domestic Product by ISIC Division (at current prices)**

<table>
<thead>
<tr>
<th>Industries</th>
<th>Fiscal Years</th>
<th>2000/01</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06*</th>
<th>2006/07*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and forestry</td>
<td>36.15</td>
<td>36.92</td>
<td>36.03</td>
<td>35.45</td>
<td>34.71</td>
<td>33.37</td>
<td>32.57</td>
<td></td>
</tr>
<tr>
<td>Fishing</td>
<td>0.43</td>
<td>0.49</td>
<td>0.46</td>
<td>0.48</td>
<td>0.47</td>
<td>0.50</td>
<td>0.50</td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>0.43</td>
<td>0.48</td>
<td>0.49</td>
<td>0.48</td>
<td>0.49</td>
<td>0.49</td>
<td>0.48</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.03</td>
<td>8.50</td>
<td>8.20</td>
<td>8.05</td>
<td>7.92</td>
<td>7.68</td>
<td>7.50</td>
<td></td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>1.82</td>
<td>2.06</td>
<td>2.42</td>
<td>2.31</td>
<td>2.26</td>
<td>2.11</td>
<td>1.96</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>6.01</td>
<td>6.49</td>
<td>6.54</td>
<td>6.42</td>
<td>6.47</td>
<td>6.55</td>
<td>6.39</td>
<td></td>
</tr>
<tr>
<td>Hotel and restaurant</td>
<td>1.99</td>
<td>1.61</td>
<td>1.59</td>
<td>1.73</td>
<td>1.57</td>
<td>1.49</td>
<td>1.42</td>
<td></td>
</tr>
<tr>
<td>Transportation, storage and communications</td>
<td>7.39</td>
<td>7.87</td>
<td>8.31</td>
<td>8.94</td>
<td>9.06</td>
<td>10.39</td>
<td>11.76</td>
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<tr>
<td>Financial intermediation</td>
<td>2.69</td>
<td>2.75</td>
<td>2.72</td>
<td>2.65</td>
<td>3.06</td>
<td>3.31</td>
<td>3.28</td>
<td></td>
</tr>
<tr>
<td>Real estate, renting and business activities</td>
<td>8.29</td>
<td>8.23</td>
<td>8.08</td>
<td>7.72</td>
<td>8.69</td>
<td>8.25</td>
<td>8.47</td>
<td></td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>1.24</td>
<td>1.63</td>
<td>1.70</td>
<td>1.55</td>
<td>1.69</td>
<td>1.76</td>
<td>1.81</td>
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<tr>
<td>Education</td>
<td>4.08</td>
<td>4.69</td>
<td>5.19</td>
<td>5.08</td>
<td>5.59</td>
<td>5.56</td>
<td>5.74</td>
<td></td>
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<tr>
<td>Health and social work</td>
<td>0.98</td>
<td>1.04</td>
<td>1.14</td>
<td>1.12</td>
<td>1.24</td>
<td>1.27</td>
<td>1.29</td>
<td></td>
</tr>
<tr>
<td>Other community, social and personal service activities</td>
<td>3.03</td>
<td>2.66</td>
<td>2.63</td>
<td>2.73</td>
<td>2.69</td>
<td>2.81</td>
<td>2.93</td>
<td></td>
</tr>
</tbody>
</table>

*Note: R: Revised; P: Preliminary.*
record only nominal growth due to decline in readymade garments and carpet production (Economic Survey FY2006/07). The products of manufacturing industries include vegetable oils and fats, dairy products, grain mill products, animal feeds, tea, sugar, processed food items, beverages, cigarettes, textiles and apparel, leather footwear, saw milling, paper and paper products, pharmaceuticals, soap, plastic products, cement, bricks, iron rod and billets, electrical goods and so on. A number of consumer items and export quality handicrafts are produced, mainly by small and cottage industries. (For a glimpse of industrial production, see Table 8).

Contrary to the previous policy regimes, the Industrial Policy 1992 is quite liberal and transparent. The Industrial Enterprises Act 1992 has relaxed the licensing requirement for a number of industries. Accordingly, licence is required only for the establishment, expansion and modernization of industries concerning security, public health and environment. Industries involved in the production of conventional and modern weapons, ammunition, gunpowder and explosives, radioactive material, security printing, and currency and minting of coins fall under the category of security industries. Industries that affect public health and

<table>
<thead>
<tr>
<th>Description</th>
<th>2000/01</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06*</th>
<th>2006/07*</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at base prices (current)</td>
<td>413429</td>
<td>430397</td>
<td>460325</td>
<td>500699</td>
<td>548485</td>
<td>603673</td>
<td>670589</td>
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<td>Primary sector</td>
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<td>168239</td>
<td>175113</td>
<td>188632</td>
<td>202116</td>
<td>214071</td>
<td>231983</td>
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<td>Secondary sector</td>
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<td>75712</td>
<td>81228</td>
<td>86902</td>
<td>94311</td>
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<tr>
<td>Tertiary sector</td>
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<td>200101</td>
<td>217205</td>
<td>242460</td>
<td>270152</td>
<td>307233</td>
<td>349973</td>
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<tr>
<td>FISIM</td>
<td>12026</td>
<td>13655</td>
<td>13221</td>
<td>17294</td>
<td>18094</td>
<td>19412</td>
<td>20971</td>
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<td>GDP at base price (constant)</td>
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<td>414091</td>
<td>429699</td>
<td>448654</td>
<td>461452</td>
<td>475953</td>
<td>486842</td>
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<tr>
<td>Primary sector</td>
<td>157442</td>
<td>162398</td>
<td>167801</td>
<td>175765</td>
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<td>184145</td>
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<tr>
<td>Secondary sector</td>
<td>71744</td>
<td>72220</td>
<td>74452</td>
<td>75557</td>
<td>77756</td>
<td>81003</td>
<td>82671</td>
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<tr>
<td>Tertiary sector</td>
<td>196269</td>
<td>192782</td>
<td>199874</td>
<td>213504</td>
<td>218896</td>
<td>229236</td>
<td>238608</td>
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<tr>
<td>FISIM</td>
<td>12026</td>
<td>13309</td>
<td>12428</td>
<td>16173</td>
<td>17180</td>
<td>18431</td>
<td>19912</td>
</tr>
<tr>
<td>Annual Growth Rates of GDP (in percentage)</td>
<td>0.16</td>
<td>3.77</td>
<td>4.41</td>
<td>2.85</td>
<td>3.14</td>
<td>2.29</td>
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<tr>
<td>Primary sector</td>
<td>3.15</td>
<td>3.33</td>
<td>4.75</td>
<td>3.54</td>
<td>1.19</td>
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<td>2.91</td>
<td>4.18</td>
<td>2.06</td>
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<td>Tertiary sector</td>
<td>-1.78</td>
<td>3.68</td>
<td>6.82</td>
<td>2.53</td>
<td>4.72</td>
<td>4.09</td>
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<tr>
<td>Implicit GDP Deflator</td>
<td>100.0</td>
<td>103.94</td>
<td>107.13</td>
<td>111.60</td>
<td>118.86</td>
<td>126.83</td>
<td>137.74</td>
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<tr>
<td>Primary sector</td>
<td>100.0</td>
<td>103.60</td>
<td>104.36</td>
<td>107.32</td>
<td>111.07</td>
<td>116.25</td>
<td>125.08</td>
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<tr>
<td>Secondary sector</td>
<td>100.0</td>
<td>104.83</td>
<td>109.10</td>
<td>115.02</td>
<td>121.29</td>
<td>125.65</td>
<td>132.58</td>
</tr>
<tr>
<td>Tertiary sector</td>
<td>100.00</td>
<td>103.80</td>
<td>198.67</td>
<td>113.56</td>
<td>123.42</td>
<td>146.02</td>
<td>146.67</td>
</tr>
<tr>
<td>Composition of GDP (in percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary sector</td>
<td>37.01</td>
<td>37.89</td>
<td>36.98</td>
<td>36.42</td>
<td>35.67</td>
<td>34.35</td>
<td>32.19</td>
</tr>
<tr>
<td>Secondary sector</td>
<td>16.86</td>
<td>17.05</td>
<td>17.15</td>
<td>16.78</td>
<td>16.65</td>
<td>16.36</td>
<td>16.09</td>
</tr>
<tr>
<td>Tertiary sector</td>
<td>46.13</td>
<td>45.06</td>
<td>45.87</td>
<td>46.81</td>
<td>47.68</td>
<td>49.30</td>
<td>51.71</td>
</tr>
<tr>
<td>FISIM</td>
<td>-2.91</td>
<td>-3.17</td>
<td>-2.87</td>
<td>-3.45</td>
<td>-3.30</td>
<td>-3.22</td>
<td>-3.13</td>
</tr>
</tbody>
</table>

Note: * Revised; ** Preliminary

Source: CBS.
environment include cigarette, bidi, cigar, tobacco, khaini (chewing tobacco) and other industries that utilize tobacco as the main raw material for their production, and alcohol and beer. A decision on an application for establishing these industries is given by the departments concerned within thirty days. For all other industries licence is not required. However, approval of the DoI is required for establishing industries with

Table 5: GDP Growth Rate by Industrial Classification (at constant prices)

<table>
<thead>
<tr>
<th>Industrial Classification</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06*</th>
<th>2006/07**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and forest</td>
<td>3.01</td>
<td>3.32</td>
<td>4.72</td>
<td>3.45</td>
<td>0.99</td>
<td>0.62</td>
</tr>
<tr>
<td>Fisheries</td>
<td>8.71</td>
<td>4.00</td>
<td>12.23</td>
<td>7.13</td>
<td>9.91</td>
<td>3.00</td>
</tr>
<tr>
<td>Mining and excavation</td>
<td>8.79</td>
<td>3.20</td>
<td>-0.43</td>
<td>6.80</td>
<td>7.58</td>
<td>6.00</td>
</tr>
<tr>
<td>Industry</td>
<td>-5.32</td>
<td>0.04</td>
<td>2.15</td>
<td>2.62</td>
<td>2.00</td>
<td>2.16</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>11.37</td>
<td>19.04</td>
<td>4.07</td>
<td>3.07</td>
<td>3.64</td>
<td>3.32</td>
</tr>
<tr>
<td>Construction</td>
<td>6.41</td>
<td>2.10</td>
<td>-0.35</td>
<td>2.90</td>
<td>7.30</td>
<td>1.50</td>
</tr>
<tr>
<td>Hotel and restaurant</td>
<td>-18.23</td>
<td>2.01</td>
<td>12.74</td>
<td>-5.41</td>
<td>6.00</td>
<td>2.81</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>-11.57</td>
<td>2.26</td>
<td>10.81</td>
<td>-6.24</td>
<td>3.66</td>
<td>-2.60</td>
</tr>
<tr>
<td>Transportation, communication and storage</td>
<td>8.37</td>
<td>5.20</td>
<td>7.49</td>
<td>1.98</td>
<td>4.35</td>
<td>8.11</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>3.82</td>
<td>1.66</td>
<td>6.19</td>
<td>24.30</td>
<td>16.53</td>
<td>8.56</td>
</tr>
<tr>
<td>Real estate, rent and professional services</td>
<td>-4.89</td>
<td>-3.97</td>
<td>-2.09</td>
<td>10.03</td>
<td>1.07</td>
<td>8.65</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>36.85</td>
<td>22.52</td>
<td>-0.64</td>
<td>6.64</td>
<td>6.89</td>
<td>3.60</td>
</tr>
<tr>
<td>Education</td>
<td>21.05</td>
<td>13.71</td>
<td>5.12</td>
<td>9.82</td>
<td>2.68</td>
<td>5.59</td>
</tr>
<tr>
<td>Health and social work</td>
<td>7.38</td>
<td>15.26</td>
<td>6.11</td>
<td>11.33</td>
<td>7.04</td>
<td>5.15</td>
</tr>
<tr>
<td>Other community, social and personal services</td>
<td>-8.62</td>
<td>4.40</td>
<td>13.43</td>
<td>-3.38</td>
<td>7.47</td>
<td>4.99</td>
</tr>
<tr>
<td>Gross value addition (including financial</td>
<td>0.46</td>
<td>3.45</td>
<td>5.13</td>
<td>2.97</td>
<td>3.29</td>
<td>2.50</td>
</tr>
<tr>
<td>intermediation services valued indirectly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial intermediation services indirectly</td>
<td>10.67</td>
<td>-6.62</td>
<td>30.13</td>
<td>6.23</td>
<td>7.28</td>
<td>8.04</td>
</tr>
<tr>
<td>measured</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (at base prices)</td>
<td>0.16</td>
<td>3.77</td>
<td>4.41</td>
<td>2.85</td>
<td>3.14</td>
<td>3.29</td>
</tr>
<tr>
<td>Goods and services net tax</td>
<td>-0.47</td>
<td>6.55</td>
<td>8.60</td>
<td>6.88</td>
<td>-1.78</td>
<td>5.49</td>
</tr>
<tr>
<td>GDP (at producer prices)</td>
<td>0.12</td>
<td>3.95</td>
<td>4.68</td>
<td>3.12</td>
<td>2.80</td>
<td>2.50</td>
</tr>
</tbody>
</table>

Note: *: Revised; **: Preliminary
Source: CBS.

Table 6: Number of Industries Registered by Industrial Activities (FY2006/07) (in Million Rs)

<table>
<thead>
<tr>
<th>Industrial Activities</th>
<th>No. of Industries</th>
<th>Total Project Cost</th>
<th>Total Fixed Cost</th>
<th>Total No. of Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro-based</td>
<td>1</td>
<td>2.84</td>
<td>2.59</td>
<td>17</td>
</tr>
<tr>
<td>Energy-based</td>
<td>2</td>
<td>466.00</td>
<td>436.30</td>
<td>66</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>32</td>
<td>2841.52</td>
<td>1679.82</td>
<td>3099</td>
</tr>
<tr>
<td>Mineral</td>
<td>1</td>
<td>5.00</td>
<td>3.50</td>
<td>100</td>
</tr>
<tr>
<td>Service</td>
<td>53</td>
<td>687.29</td>
<td>513.22</td>
<td>1738</td>
</tr>
<tr>
<td>Tourism</td>
<td>20</td>
<td>277.85</td>
<td>202.62</td>
<td>638</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>4230.50</td>
<td>2838.06</td>
<td>5658</td>
</tr>
</tbody>
</table>

NePAL: Foreign Investment Opportunities

Table 7: Number of Industries Registered by Industrial Activities (As of Mid-July 2007) (In Million Rs)

<table>
<thead>
<tr>
<th>Industrial Activities</th>
<th>No. of Industries</th>
<th>Total Project Cost</th>
<th>Total Fixed Cost</th>
<th>Total No. of Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agro-based</td>
<td>161</td>
<td>10006.83</td>
<td>8480.04</td>
<td>24836</td>
</tr>
<tr>
<td>Construction</td>
<td>26</td>
<td>684.76</td>
<td>472.87</td>
<td>1707</td>
</tr>
<tr>
<td>Energy-based</td>
<td>33</td>
<td>28545.86</td>
<td>26536.65</td>
<td>6433</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1795</td>
<td>107897.70</td>
<td>73457.01</td>
<td>220738</td>
</tr>
<tr>
<td>Mineral</td>
<td>4</td>
<td>297.66</td>
<td>233.54</td>
<td>297</td>
</tr>
<tr>
<td>Service</td>
<td>886</td>
<td>53747.20</td>
<td>43501.57</td>
<td>67017</td>
</tr>
<tr>
<td>Tourism</td>
<td>537</td>
<td>29616.41</td>
<td>25049</td>
<td>25049</td>
</tr>
<tr>
<td>Total</td>
<td>3442</td>
<td>230491.17</td>
<td>178511.98</td>
<td>345975</td>
</tr>
</tbody>
</table>

Source: DoI, Industrial Statistics 2006/07.

Box 1: Key Policies of the GoN on the Industrial Sector

- Necessary amendments will be made in the policies related to industry, foreign investment and trade.
- Procedures will be simplified to attract foreign investment and to establish new businesses.
- The Government will extend support for the promotion, identification and development of products having comparative advantage in areas such as hydroelectricity, herbal production and processing, organic farming, information technology and medicines.
- An Industrial Security Force will be constituted incorporating the private sector for better industrial security.
- Multinational companies will be invited for the exploration and extraction as well as production of petroleum products.
- A law relating to Special Economic Zones (SEZs) will be enacted.
- SEZs will also be developed in Jhapa, Dhanusha, Birgunj, Panchkhal, Jumla and Dhangadi to accelerate the establishment of infrastructural industries to enhance Nepal’s export capacity as well as increasing industrial processing of local resources.
- The Government will reform Nepal Industrial Development Corporation (NIDC) as it is in a state of inaction due to inadequate capital and weak management.
- The Government will take initiative to establish infrastructure banks with the involvement of the private sector.
- Load-shedding will be ended in industrial corridors.
- The Government will make available public and barren land on long-term lease to the private sector to establish dairy industries, amusement parks, tourist rest houses and resorts, hotels, universities and technical institutes with their investments.
- To reduce dependence on petroleum products, industries locally producing biodiesel and using widely available plant Sajivan (Zatropha) and mixing ethanol in petrol by up to 10 per cent will be encouraged.


Agriculture

Nepal is an agricultural country. Agriculture provides employment for over 80 per cent of the economically active population and contributes about 35 per cent of GDP.
<table>
<thead>
<tr>
<th>Description</th>
<th>Weight</th>
<th>2000/01</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacture of vegetable oils and fats</td>
<td>15.78</td>
<td>100.00</td>
<td>122.5</td>
<td>112.28</td>
<td>113.56</td>
<td>121.51</td>
<td>124.77</td>
<td>127.89</td>
</tr>
<tr>
<td>Manufacture of dairy products</td>
<td>2.77</td>
<td>100.00</td>
<td>109.43</td>
<td>114.90</td>
<td>121.80</td>
<td>125.98</td>
<td>127.98</td>
<td>133.23</td>
</tr>
<tr>
<td>Manufacture of grain mill products and animal feeds</td>
<td>8.16</td>
<td>100.00</td>
<td>100.40</td>
<td>97.19</td>
<td>103.90</td>
<td>109.32</td>
<td>110.57</td>
<td>117.18</td>
</tr>
<tr>
<td>Manufacture of other food products</td>
<td>7.93</td>
<td>100.00</td>
<td>89.59</td>
<td>104.50</td>
<td>103.94</td>
<td>109.53</td>
<td>114.74</td>
<td>121.73</td>
</tr>
<tr>
<td>Manufacture of beverages</td>
<td>6.59</td>
<td>100.00</td>
<td>84.07</td>
<td>92.12</td>
<td>92.49</td>
<td>94.80</td>
<td>98.56</td>
<td>103.33</td>
</tr>
<tr>
<td>Manufacture of tobacco products</td>
<td>6.53</td>
<td>100.00</td>
<td>98.44</td>
<td>94.50</td>
<td>99.23</td>
<td>9.9.68</td>
<td>98.15</td>
<td>100.86</td>
</tr>
<tr>
<td>Manufacture of textiles</td>
<td>5.2</td>
<td>100.00</td>
<td>72.17</td>
<td>68.67</td>
<td>71.83</td>
<td>76.06</td>
<td>80.46</td>
<td>88.78</td>
</tr>
<tr>
<td>Manufacture of other textiles</td>
<td>6.59</td>
<td>100.00</td>
<td>80.48</td>
<td>74.27</td>
<td>76.02</td>
<td>80.84</td>
<td>79.41</td>
<td>73.21</td>
</tr>
<tr>
<td>Manufacture of knitted crocheted fabrics</td>
<td>1.18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of wearing apparel</td>
<td>7.14</td>
<td>100.00</td>
<td>72.69</td>
<td>97.41</td>
<td>94.49</td>
<td>75.98</td>
<td>64.36</td>
<td>56.31</td>
</tr>
<tr>
<td>Manufacture of tanning and dressing of leather</td>
<td>0.92</td>
<td>100.00</td>
<td>90.51</td>
<td>89.60</td>
<td>87.81</td>
<td>93.12</td>
<td>96.31</td>
<td>104.87</td>
</tr>
<tr>
<td>Manufacture of saw milling and planing of wood</td>
<td>0.95</td>
<td>100.00</td>
<td>108.35</td>
<td>124.48</td>
<td>125.73</td>
<td>128.86</td>
<td>124.48</td>
<td>130.20</td>
</tr>
<tr>
<td>Manufacture of paper and paper products</td>
<td>1.42</td>
<td>100.00</td>
<td>98.47</td>
<td>103.39</td>
<td>100.29</td>
<td>105.75</td>
<td>106.68</td>
<td>113.27</td>
</tr>
<tr>
<td>Publishing, printing and reproducing of recorded media</td>
<td>1.58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of other chemical products</td>
<td>10.34</td>
<td>100.00</td>
<td>113.74</td>
<td>111.46</td>
<td>110.35</td>
<td>115.90</td>
<td>124.34</td>
<td>136.61</td>
</tr>
<tr>
<td>Manufacture of plastic products</td>
<td>4.75</td>
<td>100.00</td>
<td>120.20</td>
<td>103.37</td>
<td>101.31</td>
<td>102.55</td>
<td>102.57</td>
<td>9.49</td>
</tr>
<tr>
<td>Manufacture of non-metallic mineral products</td>
<td>5.34</td>
<td>100.00</td>
<td>105.66</td>
<td>109.89</td>
<td>115.05</td>
<td>118.02</td>
<td>124.03</td>
<td>122.75</td>
</tr>
<tr>
<td>Manufacture of other fabricated metal products</td>
<td>3.7</td>
<td>100.00</td>
<td>104.13</td>
<td>105.84</td>
<td>111.16</td>
<td>113.04</td>
<td>122.78</td>
<td>129.10</td>
</tr>
<tr>
<td>Manufacture of casting of metal</td>
<td>1.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of electric wire and cable</td>
<td>1.68</td>
<td>100.00</td>
<td>103.49</td>
<td>107.63</td>
<td>105.48</td>
<td>109.29</td>
<td>114.40</td>
<td>110.93</td>
</tr>
<tr>
<td>Overall manufacturing production</td>
<td>100.00</td>
<td>100.00</td>
<td>93.39</td>
<td>95.66</td>
<td>97.66</td>
<td>100.25</td>
<td>102.17</td>
<td>104.32</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2006/07.
Agricultural operations lack the use of modern technology, and the production system is mostly at subsistence level. About 18 per cent of the land is cultivated, and irrigation facilities are limited to about 25 per cent of the cultivated land. Considering the importance of this sector to the national economy, the GoN is implementing the twenty-year Agriculture Perspective Plan (APP) for the development of this sector.

The major crops grown in Nepal are paddy, maize, wheat, pulses, oilseeds, potato, vegetables and fruits. Food grain production is estimated to have reached about 7.65 million metric tonnes (MT) in 2005/06. Vegetable and fruit production is expanding very fast, particularly in hill areas. The major export items of agricultural origin are pulses, seeds, cardamom, tea, medicinal herbs and hides and skin. (For the area, production and yield rate of major crops in FY2005/06, see Table 9.)

Animal husbandry is an integral part of the Nepalese farming system. Cattle, buffalo and goat are the major livestock raised by the Nepalese farmers. Sheep rearing is popular in the mountain areas of the country. Poultry farming is emerging as a major farm enterprise, particularly in urban fringes.

In the paucity of large-scale dairy farms, the farmers of accessible areas engage in milk production as a supplementary business. The major portion of meat products comes from buffalo. Beef production, however, is not permitted by the country’s law. (For livestock population and production, see Tables 10 and 11.)
Trade

Until the 1970s, more than 90 per cent of the foreign trade was with India. The policy of trade diversification pursued by the GoN during the 1970s led to a significant shift in Nepal's trade direction. As a result, India's share in Nepal's foreign trade declined from 82.2 per cent in 1974/75 to 28 per cent in 1994/95. It is currently 68 per cent of the total foreign trade.

Tibet Autonomous Region of the People's Republic of China is another of Nepal's traditional trading partners. Small business transactions and petty trade, including barter trade between the local inhabitants along the Himalayan frontier, characterize the trade between Nepal and Tibet, which is about 2.8 per cent of the total trade. The Trade and Payment Agreement, concluded in 1974, emphasizes the importance of the traditional trade between Nepal and Tibet, and designates an area of 30 km on either side of the border for unrestricted barter trade. Nepal's trade with overseas countries is also on the rise. Full convertibility of the Nepalese currency in the current account, provision for maintaining the foreign exchange account for earnings from exports, time-bound duty refund scheme on exports and de-licensing of imports are the key factors contributing to the diversification of Nepal's foreign trade. Regarding the balance of trade, it is negative on Nepal’s part. In FY2005/06, trade deficit amounted to Rs 102,766 million, while it was Rs 61,248 million in FY2001/02. The average growth rate of trade deficit has been hovering around 10 per cent for the past five years. Trade dependence on India has risen to 67.4 per cent in FY2005/06 from 48.2 per cent in FY2001/02. (For the trend of Nepal’s international trade for the period 2001/02 to 2005/06, see Table 12.)

Table 12: Direction of International Trade, 2001/02-2005/06

<table>
<thead>
<tr>
<th>Description</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export f.o.b</td>
<td>46944.8</td>
<td>49930.6</td>
<td>53910.7</td>
<td>58705.7</td>
<td>60234.10</td>
</tr>
<tr>
<td>India</td>
<td>27956.2</td>
<td>26430.0</td>
<td>30777.1</td>
<td>38916.9</td>
<td>40714.70</td>
</tr>
<tr>
<td>Other countries</td>
<td>18988.6</td>
<td>23500.6</td>
<td>23133.6</td>
<td>19788.8</td>
<td>19519.40</td>
</tr>
<tr>
<td>Import c.i.f.</td>
<td>107389.0</td>
<td>124352.1</td>
<td>136277.1</td>
<td>149473.6</td>
<td>173780.30</td>
</tr>
<tr>
<td>India**</td>
<td>56622.1</td>
<td>70924.2</td>
<td>78739.5</td>
<td>88675.5</td>
<td>107143.10</td>
</tr>
<tr>
<td>Other countries</td>
<td>50766.9</td>
<td>53427.9</td>
<td>57537.6</td>
<td>60798.1</td>
<td>6637.20</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>-6044.2</td>
<td>-74421.5</td>
<td>-82366.4</td>
<td>-90767.9</td>
<td>-113546.20</td>
</tr>
<tr>
<td>India</td>
<td>-28665.9</td>
<td>-4494.2</td>
<td>-47962.4</td>
<td>-49758.6</td>
<td>-66428.40</td>
</tr>
<tr>
<td>Other countries</td>
<td>-31778.3</td>
<td>-29927.3</td>
<td>-344.0</td>
<td>-41009.3</td>
<td>-47117.80</td>
</tr>
<tr>
<td>Total Volume of Trade</td>
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<td>174282.7</td>
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Source: Economic Survey 2006/07.
Exports

The composition of Nepalese exports has shifted towards manufactured goods over the last two decades. In 1980/81, approximately 70 per cent of Nepal’s exports consisted of primary commodities. This ratio dropped sharply to approximately 18 per cent in 1997/98. Readymade garments are the topmost export item to overseas countries, followed by woollen carpets. The combined share of these two items, both of which have high degree of domestic labour or material content, in the exports to third countries was 71.9 per cent in FY2003/04. But, following the termination of the Multi-Fibre Agreement from January 1, 2005, the export of readymade garments based on quota system has been decreasing. Other export items to overseas countries are pashmina, hides and goatskin, lintels, metal and wooden handicrafts, agro- and forest-based primary and secondary goods, etc. Leather, raw jute, lentil, large cardamom, ginger, tea and medicinal herbs are traditional export items. Recently, terry towels, micro transformers, blankets and buttons have emerged as new export items.

If garments and woollen carpets are taken out, India appears to be the single largest and stable market for Nepal’s exports so far. In view of the expansion of regional and global markets, more and more products are being identified as exportable goods.

Visualizing the scope of technology enhancement and production potentials, the upcoming export items are mushroom, saffron and floriculture products. Vegetable seeds, orthodox and CTC tea, niger seeds, essential oils from medicinal and aromatic plants, leather goods, woollen goods, silver jewellery and silverware, low carat gold jewellery, etc also offer good export prospects. There is also a good prospect for developing hydropower as an exportable product. The trade treaty between Nepal and India permits all Nepalese manufactures to enter the Indian market free of customs duties and quantitative restrictions since 1996. Similarly, the Power Trade Agreement between Nepal and India allows export of power to India. At present, the major items of export to India are pulses, vegetable ghee (clarified butter), ginger, cardamom, rosin, catechu, raw jute and jute goods, noodles, oilcakes, toothpaste, toilet soap, confectionery, etc.

Imports

Over the years, Nepalese imports have increased substantially and undergone major structural changes. Capital goods, industrial raw materials and consumer goods are the major import items.

In FY2005/06, 67.1 per cent of the imports originated from India, followed by overseas countries, with 29.5 per cent, and Tibet, with 3.4 per cent. Also in the import sector, the structural shift has favoured manufactured goods. The major import items include petroleum products, machinery and spare parts, transport equipment, pharmaceuticals, textiles, chemicals, electrical goods, vehicles and spare parts, medicines and medicinal equipment, raw wool, betel nuts, aircraft and spares parts, raw silk, threads, fertilizers, telecommunication equipment, etc. Of the total trade, the ratio of import to export was around 72.28 that year. For the last five years, the share of imports from India has been increasing, largely due to the sourcing of India for the import of petroleum products since the beginning of this century. In 2001/02, the share was 51.8 per cent, while it went up to 59.7 per cent in 2005/06. The total value of the import trade was Rs 173,780 million. The growth rate for the last five years was around 8.0 per cent.

(For details of the export and import of major commodities, see Table 13.)
Trade Partners

In FY2005/06, Nepal had foreign trade relations with over ninety-three countries. It exported to more than eighty-two countries and imported from more than 78 countries. Both-way trade traffic was with 67 countries.

Nepal has signed trade and transit agreements with India and Bangladesh. Similarly, it has trade agreements with Bulgaria, China, Czech Republic, Egypt, Mongolia, North Korea, South Korea, Pakistan, Poland, Romania, Sri Lanka, Russian Federation, UK, USA and Yugoslavia.

Foreign Investment

Nepal has been pursuing a liberal foreign investment policy and been striving to create an investment-friendly environment to attract FDIs into the country since 1981. As of April 2008, permission has been granted to 1,431 foreign investment projects, with the total project cost of Rs 114.24 billion, of which foreign investments amounted to Rs 41.26 billion (36%). The areas of investment include industrial manufacturing, services, tourism, construction, agriculture, minerals and energy. The major investments are from India, followed by China, Japan, USA, South Korea and UK. Around 50 countries have investments in Nepal. (For a glimpse of foreign investments in Nepal, see Fig. 1.)

Table 13: Commodity Trade, FY2001/02-2005/06

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Source: Nepal Rastra Bank.
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</tbody>
</table>

Note: Ranking is done on the basis of exports of FY2005/06. N/A: Not Available. 0.0: Negligible.

* Including Tibet Autonomous Region of People’s Republic of China.

Source: Trade and Export Promotion Centre.
India is the foremost country in terms of having FDIs in Nepal (Fig. 1), which is obviously due to its close proximity and traditional economic relations with Nepal and duty-free access of Nepalese products to India. The same is true in the case of China, although duty-free access to Chinese market is not available to Nepalese products. Similarly, in the case of other major countries, long diplomatic relations and people-to-people-contacts have played a vital role in inviting foreign investments into Nepal.

Nepal has concluded the Bilateral Investment Protection and Promotion Agreement with Germany, France, UK, Mauritius and the Organization of Petroleum Exporting Countries (OPEC) Fund. Negotiations are also going on with a couple of other countries.

Given the inherent barriers of its geophysical setting and being an LDC, Nepal has to put greater efforts than its competitors to improve its investment climate. The Heritage Foundation Index of Economic Freedom, which is based on relatively transparent and objective indicators, ranks Nepal at the 119th

**Box 2: Key Policies of the GoN for Promoting Foreign Investment**

- Foreign investment will be encouraged in sectors such as hydropower, tourism, agriculture and non-timber-based high value products, development of education and health-related facilities, financial services, information technology and biotechnology-related industries.

- FDI will be encouraged in export-oriented industries, natural resources excavation, construction of toll roads and construction of goods management terminal.

- Individuals interested in investing in the development of infrastructure for dissemination of employment technology, compatible with the existing economic structure, will be encouraged.

- An appropriate policy will be adopted to attract capital, skills, efficiency and technology of non-resident Nepalese.

- Nepalese diplomatic missions abroad will be mobilized to promote foreign investment.

- A high-level investment promotion board will be established to facilitate foreign investment. This board will function as a ‘one-window’ shop for meeting the requirements of projects.

- Opportunities will be provided to international oil companies for the exploration of petroleum at feasible locations.

- Efforts to facilitate the entry of foreign investment and technology in the areas of comparative advantage and priority sectors will be made by creating an investment-friendly environment.

spot out of 250 countries, which is lower than half of sub-Saharan countries and much lower than the economies of the East Asian countries, such as Cambodia. Improvements in the 1990s brought about by the Foreign Investment and Technology Transfer Act 1992 and the enhanced capacity of the private sector have facilitated market entry and investment over the past decade. The foreign investment policy and the institutional framework governing investments have also contributed considerably in this direction.

### Tourism

Tourism is a very important sector in the country’s economy. It has been contributing significantly to the national economy by generating considerable amounts of foreign exchange earnings and employment opportunities. The concepts of ecotourism and village tourism are gradually contributing to poverty reduction in rural areas. Nepal is regarded as a tourists’ paradise because of its varied topographical features.

From the lofty snowcapped Himalayan mountains of Everest, Kanchanjunga, Annapurna, Dhaulagiri and many other peaks to fertile green valleys, forests full of wildlife where tigers and rhinoceroses roam, birds and flowers to shrines, temples and palaces with ageless sculptures, the country provides tourists with a fascinating mix of unparalleled natural beauty with a rich and ancient

### Table 15: Industries Permitted for Foreign Investment, FY2006/07

<table>
<thead>
<tr>
<th>Types of Industries</th>
<th>No.</th>
<th>Total Project Cost (In Million Rs)</th>
<th>Total Fixed Capital</th>
<th>Foreign Investment</th>
<th>Employment Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>29</td>
<td>1327.09</td>
<td>938.77</td>
<td>1281.03</td>
<td>1931</td>
</tr>
<tr>
<td>Service industry</td>
<td>56</td>
<td>1002.14</td>
<td>888.13</td>
<td>943.91</td>
<td>2330</td>
</tr>
<tr>
<td>Tourism industry</td>
<td>32</td>
<td>198.75</td>
<td>153.21</td>
<td>150.79</td>
<td>914</td>
</tr>
<tr>
<td>Construction</td>
<td>2</td>
<td>41.37</td>
<td>31.13</td>
<td>37.09</td>
<td>95</td>
</tr>
<tr>
<td>Energy</td>
<td>1</td>
<td>111.00</td>
<td>107.30</td>
<td>30.30</td>
<td>0</td>
</tr>
<tr>
<td>Mineral</td>
<td>1</td>
<td>10.00</td>
<td>5.00</td>
<td>10.00</td>
<td>128</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>2690.21</td>
<td>2123.54</td>
<td>2453.12</td>
<td>5398</td>
</tr>
</tbody>
</table>

Source: DoI

Note: First eight months.

### Table 16: Total Number of Industries Permitted for Foreign Investment (As of Mid-July 2007)

<table>
<thead>
<tr>
<th>Types of Industries</th>
<th>No.</th>
<th>Total Project Cost (In Million Rs)</th>
<th>Total Fixed Capital</th>
<th>Foreign Investment</th>
<th>Employment Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>574</td>
<td>42376.06</td>
<td>30722.81</td>
<td>15464.54</td>
<td>69475</td>
</tr>
<tr>
<td>Service industry</td>
<td>410</td>
<td>22647.66</td>
<td>18069.96</td>
<td>10366.87</td>
<td>23677</td>
</tr>
<tr>
<td>Tourism industry</td>
<td>368</td>
<td>16897.45</td>
<td>15955.31</td>
<td>5439.30</td>
<td>18907</td>
</tr>
<tr>
<td>Construction</td>
<td>25</td>
<td>2386.93</td>
<td>2088.77</td>
<td>1891.01</td>
<td>1712</td>
</tr>
<tr>
<td>Agriculture</td>
<td>23</td>
<td>527.55</td>
<td>447.70</td>
<td>174.81</td>
<td>1314</td>
</tr>
<tr>
<td>Mineral</td>
<td>5</td>
<td>2436.02</td>
<td>1980.70</td>
<td>1634.70</td>
<td>1461</td>
</tr>
<tr>
<td>Energy</td>
<td>26</td>
<td>27152.42</td>
<td>25435.36</td>
<td>6292.06</td>
<td>5816</td>
</tr>
<tr>
<td>Total</td>
<td>1431</td>
<td>114424.10</td>
<td>94700.61</td>
<td>41263.28</td>
<td>122362</td>
</tr>
</tbody>
</table>

Source: DoI
civilization. Trekking, white water rafting and mountaineering are increasingly becoming popular tourist activities. The government has implemented a liberal tourism development policy aimed at attracting a larger flow of tourists who spend more in the country by lengthening their average stay. The sector’s contribution to GDP is around 1 per cent, and the foreign exchange earnings for FY2006/07 were equivalent to Rs 9,556 million. (For a trend of tourist arrival and earnings in Nepal, see Table 17.)

**Hydropower**

The theoretical hydropower potential of Nepal’s rivers, based on average flow, has been estimated at 83,000 MW, which is one of the largest potential in the world. The sites that are technically feasible for development could yield an estimated 44,000 MW of installed capacity, and about 95 per cent of this could be expected to be economically viable. Furthermore, the regional electrical grids, to which Nepal’s surplus could be exported, are likely to benefit a lot from the development of prime sites at relatively low capacity factors. However, Nepal has been able to harness only a small fraction of this potential resource so far. By the end of FY2005/06, a total of 556.4 MW (0.67% of the total potential) of electricity has been generated. Power generation from other sources such as thermal and solar energy is also very low: only about 55 MW and 100 KW respectively. Systematic and planned development of water resources started in the early 1990s. A number of medium-sized hydroelectric projects such as Kulekhani I and II, Trishuli, Devighat, Gandaki, Sunkoshi, Panauti, Marsyangdi and Andhikhola have been completed and commissioned. Seti, Tamakoshi, Upper Karnali, Arun and Budhi Gandaki are some of

![A joint venture hydropower plant with its office in the background.](image)

**Table 17: Trend of Tourist Arrival and Earnings in Nepal**

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourist arrival</td>
<td>Number</td>
<td>275,468</td>
<td>338,132</td>
<td>385,297</td>
<td>375,398</td>
<td>383,926</td>
</tr>
<tr>
<td>Average length of stay</td>
<td>Days</td>
<td>7.9</td>
<td>9.6</td>
<td>13.5</td>
<td>9.1</td>
<td>10.2</td>
</tr>
<tr>
<td>Foreign exchange earnings</td>
<td>Million Rs</td>
<td>7,799</td>
<td>10,369</td>
<td>12,388</td>
<td>11,815</td>
<td>11,711</td>
</tr>
<tr>
<td>Contribution to GDP</td>
<td>Percentage</td>
<td>2.1</td>
<td>2.6</td>
<td>3.7</td>
<td>2.0</td>
<td>1.8</td>
</tr>
</tbody>
</table>

the hydel projects that have attracted interest of foreign investors. Furthermore, in the past few years, a number of small and micro hydroelectric projects have been increasingly supplementing the energy needs of mountain and hill regions.

Preliminary studies have identified potential for over half a dozen medium and large hydroelectric projects. Some projects are of such a size that their greatest value for Nepal will be from the perspective of exporting hydropower to neighbouring countries. In addition to power generation, some of the identified projects can bring enormous benefits in terms of irrigation, flood control and inland navigation beyond the Nepalese territory as well. Typical of these projects is the Karnali (Chisapani) Multipurpose Project, with an estimated capacity of over 10,800 MW and the potential for providing navigation on the Ganges River in the Indian plains. Nepal encourages development of the enormous hydropower potential with financial and technical assistance from donor countries, multilateral agencies, local and foreign private investors.

Recent studies show that, of the available electricity in Nepal, the industrial sector consumes 38.88 per cent, household sector 39.21 per cent, commercial sector 5.17 per cent, export sector 4.89 per cent and other sectors 11.05 per cent.

**Mineral-based Industries**

i. **Chovar limestone deposit, Kathmandu District:** 15.3 million tons of cement grade limestone, being exploited by Himal Cement Co. with a capacity of 400 tonnes per day (tpd).

ii. **Bhainse Dobhan and Okhare limestone deposits, Makawanpur District:** These two deposits totalling about 18 million tons reserve, being exploited by Hetauda Cement Industries Ltd. Capacity 750 tpd.

iii. **Udayapur limestone deposit, Udayapur District:** High-grade limestone reserve of 701 million tonnes, being exploited by Udayapur Cement Industry Ltd. Capacity 800 tpd.

iv. **Jogimara limestone deposit, Dhading District:** 0.95 million tonnes of chemical grade limestone, being mined by the Agriculture Lime Industry.

v. **Godavari marble deposits, Lalitpur District:** A probable reserve of 691,600 m³ of white, brown and pink marbles, being exploited by Godavari Marble Industries Ltd.

vi. **Kharidhunga talc deposit, Dolakha District:** A reserve of 300,000 tonnes of talc, being exploited by Nepal Orient Magnesite Ltd.

vii. **Kharidhunga magnesite deposit, Dolakha District:** A reserve of 66 million tonnes of refractory grade magnesite is going to be exploited by Nepal Orient Magnesite Ltd to produce 50,000 tonnes of dead burnt magnesite per annum.

viii. **Ganesh Himal zinc-lead deposit, Rasuwa District:** 1,014,000 tons of mixed ore with 15.96% combined lead zinc and 27 gm/t of silver has been proved. Nepal Metal Co. Ltd is engaged in the development of a mine located at an altitude of 13,500 ft.

**Minerals**

There are some economic deposits of mineral resources which are being exploited. Some of these deposits are of marginal tonnage and grade, while some others require further investigations. Information on the status of mineral resources, exploration and exploitation is given below.
Small Deposits
i. A number of limestone deposits
ii. Copper at Wapsa, Gyazi and Okharbot mines
iii. Semi-precious stones (tourmaline, beryl, garnet, etc) from Sankhuwasabha, Jajarkot and Dhading districts
iv. Talc from various small deposits
v. Coal deposit in Dang District
vi. Peat and natural gas in Kathmandu Valley
vii. Brine water (salt) from Narsing Khola of Thakkola region, Mustang Valley
viii. Slate, stone, boulder, gravel, sand and clay in different parts of the country

Economic Deposits of Mineral Resources yet to be Exploited
i. Chaukune limestone deposit, Surkhet District: 30 million tonnes of cement grade limestone
ii. Nigale limestone deposit, Dhankuta District: 10 million tonnes of high grade limestone
iii. Narapani limestone deposit, Arghakhanchi District: About 17.5 million tonnes of cement grade limestone
iv. Phulchowki iron ore deposit, Lalitpur District: 10 million tons of reserve with 55.75% iron. Feasibility of a 54,000 tonnes/year capacity mini steel plant has been completed. The iron ore has already been tested for its suitability to produce sponge iron.
v. Natural gas deposit, Kathmandu Valley: 42 million m³ reserve of natural gas in a 4 sq km area. A prospective area of 22 sq km has been identified with a reserve of 270 million m³ of gas.
vi. Karra Khola sand deposit, Makawanpur District: About 3 million tonnes of silica sand suitable for ordinary glass
vii. Udayapur dolomite deposit, Udayapur District: 4.84 million tonnes of dolomite
viii. Construction materials in rivers and terraces of southern foothills: a huge resource of boulders and gravels
ix. Polymetallic pyrite deposit: 3 million tonnes of pyrite reserve with 0.3 to 0.7% Cu-Pb-Zn and 12% S and traces of gold occurrence at Bering Khola, Ilam District
x. Iron ore: Reserves ranging up to 10 million tonnes with iron content varying from 30 to 65 per cent at Those, Ramechhap District, Labdi, Tanahu District and Jirbung, Chitwan District
xi. Talc: 13,000 tonnes of talc reserve at Gaihat, Chitwan District.

Besides these, copper, lead, zinc cobalt, placer gold, and other minerals of low grade and tonnage occur in many parts of the country.

Mineral Exploration Projects
i. Petroleum: The geological and geophysical investigations, particularly the aeromagnetic and seismic reflection surveys carried out by the Department of Mines and Geology (DMG), indicate that the Siwalik Range and the Terai belt are prospective areas for petroleum deposits. The occurrence of source rock, seal and reservoir rocks has been established. Multinational companies have been invited to take part in exploration.
ii. Phosphorite: Prospecting work has shown existence of a 50 km-long phosphoritic belt from Dhikgod of Baitadi District to Tarugad of Bajhang District in Far Western Nepal. The phosphorite horizons of 70 centimetres (cm) to 4.7 cm thickness contain 5 to 32 per cent $P_2O_5$. The phosphorite has low
average phosphate content and low solubility.

iii. Semiprecious stones: Semiprecious stones such as garnet, tourmaline, aquamarine, etc are being mined by private entrepreneurs in Sankhuwasabha and Taplejung districts. Prospecting work for ruby occurrence has been carried out in Dhading District and for semiprecious stones in Jajarkot and Taplejung districts.

iv. River boulders and gravels: The DMG has carried out systematic exploration of river boulders and gravels of Nepal. A detailed survey undertaken from Jhapa District in the east to Banke District in the west has shown nine potentially productive areas of river boulders.

v. Lead zinc: The DMG has been carrying out prospecting work at Phakuwa, Sankhuwasabha District, since 1985. The lead zinc mineralization zone extends for 1,300 m strike length and average thickness of 1 m. A reserve of 1.17 million tonnes with an average combined (Ph and Zn) grade of 4 per cent is estimated.
INFRASTRUCTURE

Industrial Centres

In recent years, Nepal has made good progress in the development and improvement of basic infrastructure required for economic and social development. Efforts are being made to bring the various facilities required for the development of trade, industry and commerce in line with international standards. The urban centres of Kathmandu Valley (Kathmandu, Lalitpur and Bhaktapur), Pokhara and the industrial towns in the Terai (Biratnagar, Janakpur, Bhairahawa, Rajbiraj, Butwal, Nepalgunj and Hetauda) offer good infrastructure for the establishment of medium- and large-scale industries.

The GoN has specified four zones for the registration of new industries (see Box 3). The zoning of industrial locations is expected to facilitate planned, systematic and healthy industrial development, as well as reduction of industrial pollution and overuse of infrastructure. Furthermore, it will facilitate balanced economic development of the country through expansion of investment flows into the underdeveloped and less developed areas of the country.

To help new investors start their undertakings without difficulty, the types of industries that are allowed to be established and operated in each zone are clearly specified. (For details, see Appendix 12.)

Industrial Estates

With a view to accelerating industrialization by setting up various physical infrastructures and facilities necessary for the establishment of industrial enterprises, the GoN has established 11 industrial estates in different regions of the country. These are located in Balaju, Patan, Bhaktapur, Hetauda, Pokhara, Dharan, Butwal, Nepalgunj, Birendranagar, Rajbiraj and Dhankuta. (For details, see Appendix 17.)

Technology Park

A Technology Park Project has been initiated under the MoI for the development and promotion of information technology-based products and services. The purpose of the technology park is to set up computer and related high-tech industries in Nepal by utilizing the educated unemployed human resources existing in the country and to enter a new era of technological enhancement. This Park has been built in Banepa, 27 km east of the capital-city of Kathmandu.

A national policy on information technology, including cyber laws, has been introduced. The government has opened up VSAT, Internet Pager, video conferencing and several other related services for private and other enterprises to facilitate the development of information technology. It is a 100 per cent export-oriented scheme for the development and export of computer software using data communication links, including export of professional services.
A special economic zone (SEZ) is a tax-free zone with industries and trading houses especially geared towards manufacturing exportable products. It combines both manufacturing and trade activities. The purpose of SEZ is to establish modern manufacturing units in designated industrial estates by offering suitable incentive packages for foreign and local investors without bureaucratic hassles. Though SEZs are meant for both local and foreign investors, they are chiefly aimed at attracting foreign multinationals and industrial companies to bring both investments and technologies, thus generating employment and enhancing technical capability of local investors, as well as earning the much-needed foreign currency for the country.

The GoN has decided to establish SEZs in the periphery of Birgunj in Parsa District, Panchkhal in Kavre District and Ratmate Jiling in Nuwakot District. Pre-feasibility studies on establishment of SEZs in these locations have already been completed. The land where a SEZ is proposed to be established in Birgunj has already been acquired and preliminary development work initiated.

The GoN has recently announced its decision of transforming the existing industrial estate at Rajbiraj to a SEZ. Similarly, a garment processing zone is to be set up at Simara. Studies will also be conducted for setting up SEZs at Nepalgunj, Kailali and Kanchanpur. Legal provisions are being enacted for SEZ.

The construction of an inland container depot (ICD) at Birgunj has greatly facilitated exports. As the ICD is also connected to a broad-gauge railway line, it will help the establishment of a SEZ at Birgunj, from where the goods to be exported could be conveyed direct to Kolkata port by rail. Being close to India border, Birgunj enjoys comparative advantage in exporting goods to different places of India as well as in importing raw materials from there.

A popular brand of fruit juices being produced at a Dabur Nepal
Kolkata and Haldia ports are the only seaports in India permitted by the Government of India for transit of Nepal-bound sea cargo. In addition to these two ports, the Government of India has recently designated Mumbai Port for transit of Nepal-bound cargo. After clearance by Indian port and customs authorities in Kolkata, the cargo is forwarded by rail or road to the land customs posts at the Indo-Nepal border.

Appointment of Clearing Agent

The importer has to appoint and authorize a clearing agent at Kolkata who is duly registered with the Indian port and customs authorities. The clearing agent is responsible for clearing the cargo from the shipping line and Indian port and customs authorities, and for forwarding it to a relevant land customs post at the Indo-Nepal border. Nepal Transit & Warehousing Company Ltd, a public limited company, and other private Nepalese and Indian clearing agents have offices at Kolkata and Haldia ports for this purpose.

Procedure for clearing and possession of cargo

i. All the documents necessary for clearing are filed with the shipping line and port and customs authorities.

ii. The cargo is unloaded from ship by the port authorities. If the cargo is in containers, and these are not to be forwarded to the Indo-Nepal border, then de-stuffing is done at the cost of the importer.

iii. The shipping line hands over the cargo to the importer’s clearing agent after examining all the documents and the original bill of lading.

iv. The clearing agent gets the cargo appraised by Indian customs authorities, who open and inspect the cases in accordance with the invoice, packing list, etc. Upon satisfactory inspection, the customs authorities endorse the import licence and other papers, and do the stripping and scaling of cases.

v. The clearing agent obtains transit insurance to be levied in favour of the collector of customs.

vi. The customs authorities issue a customs transit declaration (CTD) certificate, permitting the movement of the cargo from Kolkata port to the relevant land customs post at the Indo-Nepal border.

Box 4: Documents required for clearing

The following documents are required for clearing and forwarding the cargo at Kolkata port:

i. Invoice of goods
ii. Bill of lading
iii. Packing and weight list
iv. Insurance policy
v. Certificate of origin
vi. Import licence issued by the GoN, if applicable, and
vii. Importer’s counter-guarantee for clearing agent’s letter of undertaking and, in case of government cargo, importer’s counter guarantee letter addressed to Nepal Transit & Warehousing Co. Ltd.
vii. The cargo is loaded onto trucks, containers and goods trains, and forwarded to a relevant land customs post at the Indo-Nepal border.

viii. An insurance surveyor at Kolkata dock surveys for any shortage, damage or pilferage at the dock and short delivery by the shipping line for lodging claims with the insurance company.

ix. When the consignment reaches the Indo-Nepal border, the Indian customs post endorses the CTD form, certifying that the cargo has entered Nepalese territory. The original CTD form, duly endorsed by an authorized officer of land customs, excise of India and Nepalese customs officer, is returned to Kolkata within one month from the date on which transit was allowed. Once the consignment reaches Nepal customs office at the border, necessary clearance is done by the importer or his or her authorized representative(s).

Warehousing facility

In case of any discrepancy in documents or late arrival of documents or any other reason pending clearance, the importers or exporters or clearing agents could store their cargoes at the warehouses of Nepal Transit & Warehouse Co. Ltd within the premises of Kolkata port and at Birgunj and Biratnagar customs area at economical rates to avoid high port rent.

Postal Services

The country’s General Post Office (GPO) is located on New Road, in the heart of the capital city. The GPO opens for public from 9 am to 4 pm (Sunday to Friday), and sells stamps, postcards and aerograms for mails. A postal network is spread throughout the country, down to village level. Some hotels, communication centres and bookshops also mail goods through post against additional charges. In addition, a few international private courier services have their branch offices in Nepal.

Telecommunications

The Telecommunications Policy 2003 aims at the optimal utilization of the past achievements as well as the future possibilities and opportunities through healthy competition for the benefit of the Nepalese people. Nepal Telecommunications Authority has so far issued 165 licences for, among others, two basic telephone services, two cellular mobile service, thirty-three Internet (including e-mail) service, 111 v-sat service providers, one video conference service, three GMPCS service, one rural telecommunication service, one local data network service and four limited mobility service. As of mid March 2007, 2,549 village development services committees (VDCs) have access to telephone services.

Telecommunication companies have distributed approximately 1.7 million telephone lines till mid March 2007. Out of this figure, 502,615 are fixed lines, 1,344,117 lines under WLL technology, 40,975 lines under limited mobility and 108,767 lines under post-paid mobile phones. Similarly, the numbers of prepaid mobile phone and GMPCS users have reached 933,052 and 92 respectively. The number of of Internet users has reached 249,385. In order to cater for the people living in remote areas, CDMA technology-based telephone and mobile services are being distributed. Two other private telecom services offer mobile services in Nepal.
Electricity

Of the total generated hydroelectricity of 556.4 MW, 550.225 MW is connected to the national grid. The remaining electricity is supplied to different local areas. Furthermore, 114 MW power projects of various capacity developed by the private sector are going to start production soon. This way, the private sector’s enthusiasm in relation to the production of electricity has been encouraging.

High voltage transmission lines of 132 KV in 2,076 circuit km, 66 KV underground cable in 7 circuit km and 33 KV capacity in 2,048 km lines have been brought under operation at the end of FY2005/06. Currently, 132 KV (20 km) and 33 KV (524 km) transmission lines connecting different places are under construction. The total supply of electricity in FY2005/06 was 2,777.41 Giga Watt Hours (GWH), whereas it is expected to reach 3,094.6 GWH in FY2006/07.

Financial Institutions

The financial system in Nepal consists of Nepal Rastra Bank (NRB), the central bank of Nepal, seventeen commercial banks and nineteen development finance institutions.

The NRB’s main function is to regulate and supervise the banking institutions in Nepal. In addition, it issues currency, determines the daily buying and selling rates of foreign currencies, and implements the country’s monetary policy to secure financial stability and economic growth.

Industrial, agricultural and commercial credits are provided by commercial banks operating through branches spread throughout the country and by a number of development banks, finance companies and cooperatives. Besides banking services, commercial banks provide industrial term loans and short-term working capital loans to business and industrial enterprises. Nepal Bank Limited and Rastriya Baniya Bank are domestic commercial banks with wide networks of branches in the country. Nine foreign joint venture banks, viz Nepal Arab Bank, Nepal Investment Bank, Standard Chartered Bank, Nepal SBI Bank, Himalayan Bank, Everest Bank, Bank of Kathmandu, Nepal Bangladesh Bank, Nepal Industrial and Commercial Bank, Citizen Bank, Global Bank and Prime Bank, and ten other commercial banks under domestic investment also provide full-fledged banking services. Open market exchange rates are determined everyday by commercial banks themselves. Citibank, American Express Bank and Union European de CIC run representative offices in Kathmandu. Both the number and size of banks, finance companies and insurance companies have continuously been increasing as a result of the Government’s liberal policy. The number of finance companies has reached 110 and the number of cooperative societies with limited banking authority has reached 2,912 by 2006. Similarly, twenty-one insurance companies, including one joint venture, are currently operating in the country. These insurance companies, which have their head offices in Kathmandu, with branches in other parts of the country, provide insurance coverage for business and commerce enterprises.

Land

The Land Reform Act 1964 imposes land ceilings of 16.4 hectares (ha) per family in the Terai, 2.7 ha in Kathmandu Valley and 4.1 ha in the hill. However, the ceilings could be relaxed for industrial purpose with prior approval of the government. Land can be
either purchased for industrial purpose from private owners by companies or obtained on long-term lease in industrial estates, export processing zones (EPZs) and SEZs. The government has fixed prices of land for the revenue purpose, but the price of private land varies, depending upon location and accessibility, and transactions are based on negotiation.

**Hotels, Housing, Education and Recreation**

Kathmandu, the capital of Nepal, and Pokhara, a popular tourist town, are well served with five-star and other categories of hotels, guest houses and motels. A number of restaurants offer a variety of international cuisines. Most of the restaurants in the main tourist hubs, like Thamel, close by 10 pm, but a number of bars stay open until midnight. Western style houses with modern amenities are available on rent in Kathmandu. International schools in Kathmandu provide quality educational facilities for children of expatriates. Recreational facilities are available for expatriates in international clubs and in some star hotels. There are also golf courses. For the adventurous, Nepal offers ample opportunities in the form of trekking, mountaineering, white water rafting, mountain flight, paragliding, rock climbing, bungee jumping, hot air ballooning, mountain biking and so on. There are four casinos in Kathmandu located in the premises of the city’s top hotels, offering 24 hours of non-stop fun and games like baccarat, blackjack, flush, poker, pontoon, roulette and other card games and slot machines. All the games are played in chips, which can be bought in US dollars or Indian rupees. There are also discotheques for fun lovers.
LABOUR

Legal Framework

The Labour Act 1991 lays down the legal framework and basis for the rules, regulations and guidance for the management of an establishment employing ten or more persons. It deals with matters relating to employment and security of employment, working hours and minimum wages, other terms of employment, welfare of employees, employer-employee relationship and settlement of labour disputes. Labour Regulations 1993 complements the Labour Act with further clarification of issues such as security of occupation and service, remuneration and welfare provisions, safety and hygiene, etc. The Bonus Act 1974, as amended subsequently, provides a legal basis for the payment of bonus to the workers and employees of factories and commercial establishments and for other labour welfare schemes. The Trade Union Act 1992 allows the formation of enterprise level trade unions to protect and promote labour rights.

Working Hours and Holidays

Normal working hours are fixed at forty-eight hours per week, eight hours a day. Continuous working hours should not exceed five hours. There should be a break of half an hour in between. Overtime work is remunerated at one and a half times the normal wage. In addition to thirteen public holidays, permanent workers are entitled to one day's home leave for every twenty days worked, fifteen days’ medical leave with half pay and one month special leave without pay every year. Female employees are entitled to fifty-two days’ maternity leave with full pay. Such maternity leave can be granted only twice during the entire period of service. The compulsory retirement age for workers is fifty-five years. However, in the case of a skilled worker whose service is indispensable, the retirement age could be extended up to sixty years.

Wages and Salaries

The wages payable to workers in Nepal are comparatively very low. The low cost of living enables workers to offer their services at relatively low wages. However, the minimum wages for workers set by the government are generally lower than the going wages. Salaries of middle management executives, technical grade officers, engineers and other professionals are generally lower than in other developing countries. Permanent employees of a factory should contribute 10 per cent of their monthly salaries to a provident fund and the management should make a matching contribution. Gratuities are payable to workers who have worked for over three years.

Industrial Relations

Nepal has a history of good industrial relations during the past few decades when industrial activities gradually took momentum in the country. Work culture is relatively good compared to other developing countries. The Labour Act 1991 lays down guidelines and procedures for settlement of disputes between employers and employees. These guidelines and procedures provide an environment con-
ducive to the harmonious development of industrial relations. However, there are some instances of strife during political unrests in the past.

**Labour Force**

Nepal has an easily trainable and keen workforce. Unskilled labour is cheap and abundant. Semi-skilled and skilled workers are available in sufficient numbers. The government has established technical institutions to develop technical human resources, especially in hospitality management, information technology, nursing, civil and electrical engineering, electronics, air conditioning/refrigeration, general mechanics and auto-mechanics fields. Industrial and vocational training is also offered in wood work, metal work, leather work, general fitters, tailoring and so on. Entrepreneurial and management development programmes and colleges of higher learning groom students for managerial positions in both public and private sector enterprises. Many small private institutes, mainly in urban centres, provide short training courses on various trades.
**TAXATION**

The Ministry of Finance is responsible for the overall administration of the GoN’s fiscal and monetary policies. The Inland Revenue Department (IRD) is responsible for the enforcement of tax laws. The IRD is in charge of administering the value added tax (VAT), excise duties and direct taxes, including individual income and corporate taxes. It also monitors the non-tax revenues from dividends, royalties, etc. Matters relating to duties that can be levied on imported products are administered by the Department of Customs.

### Corporate Income Tax

The structure of corporate tax for registered private and public limited companies and other organizations, including private firms, is as follows:

### Personal Income Tax

Taxable income includes profit from business, income from salaries, along with other benefits provided by the employer, income from house rent, interest, dividends and other sources. The marital status of a person determines the rate of tax relief that he/she is entitled to. The exemption limit is as follows:

<table>
<thead>
<tr>
<th><strong>Single earning</strong></th>
<th><strong>Annual basic exemption amount</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>For individuals</td>
<td>Rs 115,000</td>
</tr>
<tr>
<td>For family/couple</td>
<td>Rs 125,000</td>
</tr>
</tbody>
</table>

**Taxable income and tax rate**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>On income up to Rs 75,000 beyond the exempted amount</td>
<td>15%</td>
</tr>
<tr>
<td>On all further incomes exceeding taxable income of Rs 75,000</td>
<td>25%</td>
</tr>
</tbody>
</table>

### Foreigners

Foreigners who live in Nepal for 183 days or more of any income year are considered residents and their income in Nepal is taxed at 25 per cent.

### Other income taxes:

- **Export business:** 75% of prevailing tax rate
- **Dividend tax:** 5% for residents and 10% for non-residents (in case of companies listed with the Securities Board) and 10% for residents and 15% for non-residents (in case of companies not listed with the Securities Board)
- **Capital gain tax:** 10% for individual income derived from shipping, air transport, telecommunications, etc.
- **Repatriated income of a foreign permanent establishment of non-resident persons:** 10%
- **All incomes attracting 15 per cent or more tax for entities and attracting 25 per cent for individuals:** Additional 1.5%.

### Royalties and fees

Royalties, technical service fees and management fees are taxed at a concessionary rate of 15 per cent. Interests on foreign loans are taxed at the rate of 6 per cent.
Value Added Tax (VAT)

The Value Added Tax Act 1996 specifies the basic framework of the Nepalese VAT system. VAT is collected at every stage of sale of goods or services. It stipulates a consumption type VAT, using the credit method, which is based on a destination principle and extended to retail level. Small vendors are kept outside the VAT net through a threshold. The existing threshold is Rs 2 million. Similarly, importers having commercial imports of less than Nepalese Rs 10,000 at a time are not required to register for VAT purpose.

VAT is levied with a single positive rate of 13 per cent, while exports and some imported items are zero-rated. Goods and services of basic necessities, agricultural produce and a few other items are exempted from VAT. In accordance with Section 5 of the Value Added Tax Act 1996, such exemption is also extended to imports and domestic products of that nature.

Vendors having taxable turnover above the threshold are required to register under VAT, while for those below the threshold, registration is optional. VAT registrants are required to issue invoices indicating VAT registration number and collect VAT on their sales. There is a provision for abbreviated invoice in the case of sales of less than Rs 5,000. Taxpayers are required to keep a record of their purchases and sales. Vendors are required to submit tax returns within 25 days from the end of the tax period. The tax period is one month for compulsory registrants and four months for voluntary registrants.

Foreign tourists returning home by air can claim VAT refund on purchase of goods in Nepal amounting to more than Rs 1,500. The refund amount is subject to a service charge at the rate of 3 per cent.

VAT is based on the principle of self-assessment. Official assessment is made only in the following circumstances:

- A return is not submitted in time.
- An incomplete or incorrect return is identified.
- A VAT return is found to be fraudulent, and
- A tax officer has reasons to believe that the amount of VAT is understated or incorrect.

Excise Duties

Under the Excise Act 2001, excise duty is levied on both domestic products and imported goods. Imported goods are subject to an equalizing duty levied at the rate of the excise tax applicable to the domestic products listed in the Financial Act. The rates may be ad valorem or specific. A licence is necessary to produce, import, sell or store excisable goods and services. Excise duties will be levied on excisable goods or services in the case of, and on the basis of:

- Domestically produced goods at the time when goods are produced and on the basis of ex-factory price,
- Imported goods, at the time when goods enter Nepal, and on the basis of c.i.f. value, and
- Services, at the time when an invoice is issued to the consumer.

Depreciation

The depreciable amount of assets owned and used by a taxpayer, ie business enterprise, during a year of production is deductible from his/her taxable income earned during that
period. Depreciation is charged on the basis of the Diminishing Balance Method Value of Pool of Assets. Additional one-third of the depreciable amount can be added to permissible deductible amount in case of manufacturing industry, export business and public infrastructure entities.

**Loss Recovery**

Business loss can be carried forward up to four succeeding years from any sources of profit. However, banking and general insurance business loss can be carried back up to five preceding years. In case of long-term contract, loss can be carried back as per a notice of the IRD.

**Double Taxation Agreements**

In order to avoid double taxation on incomes of foreign investors, the GoN has signed agreements with a few countries, and is currently negotiating with a few other countries. Such agreements have already been concluded with Austria (2000), People’s Republic of China (2001), India (1987), Republic of Korea (2001), Mauritius (1999), Norway (1996), Pakistan (2001), Qatar (2007), Sri Lanka (1999) and Thailand (1998).
FOREIGN INVESTMENT POLICY

Priority to Foreign Investment

Nepal has given high priority to foreign investment. The Foreign Investment and Technology Transfer Act 1992 lays down the basic tenets governing foreign investment in the country. The Act was twice amended—in 1996 and 2005—to make the environment more congenial, straightforward, encouraging and transparent for industrial investment. The Industrial Policy 1992 identifies foreign investment promotion as an important strategy for achieving the objectives of increasing the industrial production to meet the basic needs of the people, create maximum employment opportunities and pave the way for improved balance of payments (BoP). Foreign investment is expected to supplement domestic private investments through foreign capital flows, technology transfer, improved management skills and productivity, and enhanced access to international markets. In this context, the GoN is encouraging foreign investment in Nepal by pursuing a liberal and open policy that offers attractive incentives and facilities. The importance attached to foreign investment is also clearly reflected in the Interim Constitution of Nepal, which states that the policy of attracting foreign capital and technology will be adopted.

Forms of Foreign Investment

Foreign investment is welcome in three forms, which are as follows:

- Investment in shares (equities)
- Reinvestment of earnings from foreign investment and
- Investments made in the form of loan or loan facilities.

Technology Transfer

The Foreign Investment and Technology Transfer Act 1992 defines ‘technology transfer’ as any transfer of technology to be made under an agreement between an industry and a foreign investor in the following matters:

- Use of any technological right, specialization, formula, process, patent or technical know-how of foreign origin,
- Use of any trademark of foreign ownership, and
- Acquiring of any foreign technical, consultancy, management and marketing services.

Areas Open for Foreign Investment

Nepal encourages foreign investment both as joint venture operations with Nepalese investors or as 100 per cent foreign-owned enterprises. It also allows and encourages foreign investment in all but a few sectors of the economy. The few sectors that are not open to foreign investment are either reserved for national entrepreneurs in order to promote small local enterprises and protect indigenous skills and expertise or are restricted for national security reasons.

Approval of the GoN is required for foreign investment in all sectors. No foreign investment is allowed in cottage industries...
(listed in Appendix 13). However, no restriction is placed on transfer of technology in cottage industries.

**Sectors Restricted for Foreign Investment**

- i. Cottage industries (for details, see Appendix 13)
- ii. Personal service businesses such as hairdressing, beauty parlour, tailoring, driving training, etc
- iii. Arms and ammunition industries
- iv. Explosives and gunpowder
- v. Industries related to radioactive materials
- vi. Real estate business, excluding construction industries
- vii. Motion pictures business produced in ethnic languages and the language of the nation
- viii. Security printing
- ix. Currencies and coinage business
- x. Retail business
- xi. Internal courier service
- xii. Atomic energy
- xiii. Poultry farming
- xiv. Fisheries, and
- xv. Beekeeping

**Approval Criteria**

While granting approval for foreign investment involving new investment, modernization, diversification or expansion, the projects are assessed, taking into account the following criteria:

- Priority sectors designated by the GoN
- Financial and technical viability
- Contribution to employment generation
- Foreign exchange earnings or savings
- Competitiveness of products in the international market
- Appropriateness of technology
- Terms and conditions of investment and technology transfer, and
- Participation of Nepalese nationals in investment and management

**Box 5: Cottage Industries**

Cottage industries are traditional industries using specific skills, local raw materials and resources which are labour intensive and related with national traditions, arts and cultures. Cottage industries do not include cigarette, bidi, cigar, chewing tobacco, khaini industries and industries producing other goods of similar nature using tobacco as the basic raw material, and alcohol and beer producing industries, even if they meet one or all the criteria to be a cottage industry.

Unless otherwise mentioned specifically, cottage industries should not employ electric motors of diesel or petrol or crude oil engine more than a total of 5 kilowatt capacity. Power looms are not included under cottage industries. Permission is required for the establishment of mechanized woollen spinning and mechanized woollen carpet manufacturing.

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Unless otherwise mentioned specifically, cottage industries should not employ electric motors of diesel or petrol or crude oil engine more than a total of 5 kilowatt capacity. Power looms are not included under cottage industries. Permission is required for the establishment of mechanized woollen spinning and mechanized woollen carpet manufacturing.
Income Tax Rebates

- Industries may calculate depreciation of fixed assets by adding one-third to the rate of depreciation allowed under the existing income tax law.
- Industries are also entitled to reductions of up to 50 per cent from the taxable income for investment in environment control processes and equipment.
- After an industry comes into operation, 10 per cent of the gross profit may be deducted from taxable income on account of expenditures related to technology, product development and skill improvement.
- Information technology-related enterprises established in the Information Technology Park are granted a further income tax rebate of 25 per cent.

Concessional Rates of Customs Duty, Excise Duty and Refunds

- Manufacturing industries importing plant, machinery and equipment required for direct production process falling under chapter 84 of the harmonized customs classification are entitled to a 50 per cent rebate on the applicable customs duty and to full exemption from sales tax.
- If any industry sells its products to the Export Promotion House, the customs duty and VAT imposed on raw materials and the VAT imposed on the finished products and excise duty will be reimbursed on the basis of quantity sold or exported.
- Industries established and operating in remote, undeveloped and underdeveloped areas, as mentioned in the appendix of the Industrial Enterprises Act, are entitled to 35, 25 and 15 per cent rebates respectively on the excise duty from the date of operation.
- If any industry not using the bonded warehouse facilities uses imported raw materials, chemicals and packing materials, etc on which VAT is already imposed and exports its products thus produced, VAT so imposed will be refunded.
- If any industry sells its products within the country in any convertible foreign currency, the excise duty, VAT and the premium levied on such products and the customs duty, excise duty and VAT levied on the raw materials, auxiliary raw materials, etc used in such products are refundable. The revenue to be so reimbursed will be refunded to such industry within 60 days of submission of an application to that effect.
- The customs duty, VAT, excise duty and the premium levied on the raw materials of any intermediate goods to be used for the further production of exportable goods, and VAT and excise
duty paid on the final product will be reimbursed to the enterprise producing the intermediate goods on the basis of the quantity of export.

- Machinery, equipment, tools, instruments and raw materials used by an export-oriented industry are not subjected to any tax and fees. However, if such industry sells its products in the domestic market, it shall pay applicable taxes and fees based on the quantity sold.

**Duty Drawback**

Any duties or taxes levied on the raw materials, auxiliary raw materials, etc used for producing goods for export/deemed export are entitled to get refund of such duties and taxes based on the quantity of export. The application for this must be submitted within a year of the date of export. The application form to this effect should include the original documents, viz:

- Customs declaration form of the import of raw materials (Aayaat Pragyapan Patra)
- Receipt of duty payment
- Calculation of the raw material used
- Sales invoice
- Certificate of receipt of payment, and
- Copy of the agreement with the buyer

**Bonded Warehouse Facility**

Export-oriented industries may obtain the bonded warehouse facility. The raw materials for the products of such nature can be imported without paying any customs duty or sales tax by just entering the details of such transactions in a passbook made available by the Department of Customs. The quantity of such raw materials used for manufacturing of exportable products is deducted from the quantity entered in the passbook upon export of finished product. However, the industry must also submit a bank guarantee sufficient to cover the duties. The finished product must be exported within 10 months from the date of import of raw materials. The industry intending to avail of such facility must apply to the Department of Customs, along with the following documents:

- Company registration certificate
- Memorandum and articles of association
- Industry registration certificate
- Photocopy of the letter of credit (L/C) indicating the nature, value and quantity of raw materials to be imported
- Lease contract, if the building of the industry is rented, or land registration certificate, if the company owns the land
- Recommendation from the Garment Association of Nepal, if the industry is a garment unit, and
- Bank guarantee.

**Opening of Foreign Exchange Account**

Foreign and local companies conducting export businesses and export-oriented industrial companies can open and operate foreign exchange accounts in any commercial bank in Nepal. Industries incorporated as 100 per cent foreign-owned or as joint venture may also open foreign exchange accounts to put in the equity share of the foreign party in a convertible currency. This can only be used to import equipment, plant and other fixed assets for the industry.
REAL ESTATE PROPERTY RIGHTS

The Land Acquisition Act grants the Government the right to acquire any land for public purpose. However, the Industrial Enterprises Act 1992 protects companies against nationalization. Nepal’s Interim Constitution 2007 recognizes the right to property and guarantees appropriate compensation in case of acquisition of private property as provided by the related law.

Acquisition of real estate property by foreigners in Nepal is restricted. Foreigners who wish to purchase immovable property must obtain permission from the government. So far, only foreign embassies have been allowed to buy immovable property. However, foreign companies registered with the CRO can purchase immovable property for industrial purpose without government permission.

The Land Act 1964 imposes a ceiling on the land that an individual or a company can own. Exemption will be granted if a company demonstrates the need for additional land. Businesses related to tea estates, agricultural farms, horticultural farms, animal farms, sugar manufacturing, agro-forestry, hotels and resorts, etc are entitled to such exemption.
NEPAL: Foreign Investment Opportunities

VISA ARRANGEMENTS

The Immigrations Rules 1994 specifies the different types of visa that can be issued to foreign investors.

- A foreign investor will be granted a non-tourist visa for six months to undertake study with the objective of investing in Nepal.
- A foreign investor and/or his/her dependents or authorized representative and his/her dependents will be granted a business visa until his/her investment is retained.
- A foreign investor investing in lump sum an amount of US$100,000 or its equivalent in convertible currency in an industrial enterprise in Nepal at one time will be granted a residential visa for himself/herself and his/her dependents so long as he/she maintains his/her investment.

The Department of Immigration provides information on the procedures for applying for different types of visa.

Business Visa

Business visa is granted to the following categories of foreigners and the members of their families on the recommendation of the Department of Industry (DoI):

a. Foreigners having permission to invest in any business or industrial enterprise within Nepal or authorized representatives of such investors
b. Foreigners having permission to engage in export trade in Nepal
c. Foreigners visiting Nepal from a third country who export goods manufactured in Nepal through direct purchase or who place purchase order for export.

Documentary Requirements in Application Procedure

- Industry registration certificate to invest in any business or industrial enterprise in Nepal
- Recommendation from the ministry or department concerned
- Six copies of application form, along with photographs, and
- A copy of passport containing recent Nepalese visa.

Business visa is issued for five years at a time with multiple entry. Foreigners engaged in export business from Nepal may stay for up to 90 days at a time.

Visa Issuing/Renewal Authority

In Nepal, the Department of Immigration has been designated as the visa issuing and renewing authority. The visa fee is US$100 for one year with multiple entry and US$250 for five years with multiple entry.

Residential Visa

The following categories of foreigners and members of their families intending to spend life in Nepal may be granted residency visa:

a. Persons of international repute
b. Persons capable of rendering outstanding contributions to the economic, social and cultural development of Nepal

c. Persons who have renounced the citizenship of Nepal and hold foreign passport with or without obtaining foreign citizenship and who intend to resettle in Nepal

d. Persons investing at least US$100,000 at one time in an industrial enterprise in Nepal

e. Any foreigner intending to spend life in Nepal without carrying out any business.

**Documentary Requirements in Application Procedure**

- Six copies of application form, along with photographs
- Registration certificate of the industrial enterprise
- A copy of passport
- A copy of the last Nepalese visa, if any
- Bank statement showing expenses equivalent to US$20,000.00 per year
- Health certificate, only for those foreigners who intend to settle in Nepal but are not engaged in any business
- No objection letter from the Ministry of Home of Nepal, and
- For those who have stayed in Nepal in other visa, character certificate from the consulate, embassy or government of their country or Nepalese authorities.

**Tourist Visa**

Tourist visa can be issued by the Nepalese embassies or consulates or other missions abroad or by immigration offices in Nepal for various durations. Single-entry visa of sixty days from the date of entry can be obtained on payment of US$30. Similarly, multiple-entry visa can be obtained by paying additional US$50 or equivalent convertible foreign currency. Such facility will be valid for a visa year (i.e., January-December) if the passport period is valid. A tourist visa can be extended for up to 120 days. Other relevant information to be considered by tourist visa holders is:

- A tourist may stay in Nepal for up to 150 days in the visa year.
- A tourist must extend his/her visa before the expiry of the validity period. A tourist who does not comply with these regulations is liable to a fine and other prosecutions as prescribed in the Immigration Act and Rules.
- A foreigner in Nepal on a tourist visa may not work with or without remuneration.
- A foreigner may not carry out any work other than that for which purpose she/he has obtained the visa.

**NRN Visa**

In recognition of the important contributions made by the people of Nepalese origin living abroad, the GoN has decided to introduce a relatively easy and long visa regime for them.

- If any foreigner of Nepalese origin residing in a foreign country wishes to stay or conduct business, profession or study, or teach in Nepal, non-residential visa may be issued to him/her and his/her family.
- An application for visa should be submitted in the prescribed format through the Nepalese mission located in the foreign country or direct to the Department of Immigration.
- Visa may be issued for up to 10 years at one time, and may be extended as per need.

(For details, visit www.doind.gov.np/pdf/manual.pdf.)
INSTITUTIONAL ARRANGEMENTS RELATING TO FOREIGN INVESTMENT

Contact Point for Foreign Investment

The DoI is the focal point for foreign investment. DoI is the sole agency for the administration and implementation of the Trademark, Patent and Design Act and the Foreign Investment and Technology Transfer Act as well as one of the authorities for implementing the Industrial Enterprises Act. The major functions of the DoI are as follows:

- Register medium- and large-scale industries with domestic investment as well as all industries with foreign investment and/or technology transfer.
- Issue industrial licences for medium- and large-scale industries.
- Register and administer industrial property such as patent, design and trademark.
- Act as the secretariat of the Industrial Promotion Board (IPB), the highest body for industrial facilitation in the country.
- Act as the secretariat of the one-window committee for the administration of various facilities, as stipulated by the Industrial Enterprises Act.
- Provide information to potential foreign investors and promote foreign investment and technology transfer in all categories of industries.

- Prepare plans and programmes and carry out studies for the improvement and development of the industrial sector.
- Recommend certificate of origin for the products entitled to preferential entry into India as per Nepal-India Trade Treaty.
- Implement delegated authority on reviewing Initial Environmental Examination (IEE) reports submitted for setting up industrial projects under its purview and carry out initial work on Environmental Impact Assessment (EIA) reports. Also, implement the guidelines and other environmental protection directives by monitoring and controlling industrial pollution.
- Recommend for repatriation of dividends, sale of shares, principal and interest on foreign loans, royalties and fees from technical collaborations and part of salaries and remuneration of expatriates working in foreign investment projects.
- Recommend non-tourist visa for those interested in carrying out studies for investment, business and residential visa for foreign investors, and non-tourist visa and work permit for expatriates.
- Collect, manage and publish industrial statistics.
Foreign investors wishing to invest in Nepal as 100 per cent foreign-owned enterprises or as joint venture investments are required to apply to the DoI on a prescribed form (see Appendix 2), along with a detailed feasibility report. The application form calls for information such as on project highlights, total capital investment, sources of finance, plant capacity, location of project, machinery, equipment and raw material requirements and the specific contributions to be made by the foreign investor (and the local investor in case of a joint venture project). The DoI evaluates the project proposal and grants permission to industries with fixed assets of up to Rs 2,000 million within 30 days from the date of application. In case of industries with fixed assets in excess of this limit, the DoI submits its recommendations to the Industrial Promotion Board (IPB) for approval. The IPB is the highest governmental body responsible for the approval of projects. It consists of the Minister for Industry as chairperson, nine other members and a member-secretary.

The DoI notifies the applicant about the decision of the IPB within thirty days from the receipt of application. While granting permission for investment, it will specify the facilities and concessions the investor is entitled to. The applicant is required to apply for registration of his/her company with the CRO within thirty-five days from the date of receipt of such permission.

Provisions of NRN Investment

The GoN has recently enacted a law relating to non-resident Nepalese (NRNs). The law, which was in the form of an ordinance, came into effect from May 2006.

Visa Provision for NRNs

NRNs are issued identity cards upon completion of simple formalities. If the person obtaining an identity card is a foreign citizen of Nepali origin and is willing to live in Nepal or do business in Nepal, he/she will be granted a non-resident visa for ten years at a time.
**Investment Facilities for NRNs**

- NRNs with identity cards can open bank accounts in foreign currencies. They may invest in Nepal in foreign currencies in any of the areas open to foreign investment or in joint ventures having 50 per cent or more of foreign or NRN investment in shares. Such NRNs will not be compelled to declare the source of the amount invested.
- NRNs may repatriate the amount of investments and profit from their investment in a convertible foreign currency so long as they maintain their NRN status under the law.
- NRNs may purchase land in specified areas and construct residential houses only for their own use.
- NRNs’ initial capital investments in Nepal are not taxed.
- NRNs can remit up to Rs 1,500,000 to their relatives holding Nepalese citizenship, without paying tax on such amounts.
- Donations made by NRNs to non-profit-making social, religious, educational, cultural, welfare, sports or natural calamity relief organizations will not be taxed.

**Box 6: Categories of NRN**

The Act on non-resident Nepalese (NRN) categorizes NRNs into three groups:

a. A person of Nepali origin having foreign citizenship or a Nepali citizen residing in a foreign country
b. A Nepali citizen residing in a foreign country other than SAARC member states, engaged in some occupation or business or employment and not living in Nepal for a period of two years or more.

c. A foreign citizen having origins in Nepal, i.e., the person himself or his father or mother or grandfather or grandmother being a Nepali citizen earlier and at present obtained citizenship of a foreign country other than SAARC nations.

- NRNs investing in a convertible foreign currency may conduct business in Nepal as Nepali citizens so long as their investments remain in Nepal.

In accordance with this law, all facilities which are provided for foreign citizens investing in a convertible foreign currency in Nepal will be granted to NRNs investing in Nepal.

**ARBITRATION**

If a foreign investor, national investor or an industry fail to settle among themselves a dispute concerning foreign investment in the presence of the DoI, it will be settled through arbitration. Arbitration will be held according to the prevalent arbitration rules of the United Nations Commission for International Trade Law (UNCITRAL). The place of arbitration will be Kathmandu. However, in case of industries with fixed assets worth more than Rs 500,000,000, disputes over investment may be settled as mentioned in the foreign investment agreement.
INVESTMENT PROCEDURES

Before making an equity investment in Nepal or entering into a technology transfer agreement with a Nepalese company, foreign investors have to obtain approval from the DoI. However, for equity investment in a new venture, foreign investors have to undergo the following additional procedures as well:

- Incorporation of company with the CRO,
- Registration of industry with the DoI,
- Registration with the Inland Revenue Office to get a Permanent Account Number (PAN), and
- Others, if applicable (such as trademarks/design/patents).

(For the approval procedure to be followed by equity investors in a new venture, see the flowchart in Appendix 1.)

The procedures for seeking approval for foreign investment and technology transfer, company registration, industry registration, tax registration and other related official procedures are described in the following sections.

Procedure for obtaining Approval

Foreign individuals or firms or companies willing to operate either one or a combination of the following activities have to get prior approval of the Foreign Investment Section and the Licence/Registration Section of the DoI. The procedure to be followed is as follows:

- Establish a new industry either with 100 per cent foreign equity or in joint venture with Nepalese or NRN or foreign investor/s,
- Engage in technology transfer in an existing industry,
- Make an equity investment in an existing industry through share transfer, and
- Make a loan investment, foreign or local, in an existing industry.

Foreign Equity Investment in a New Industry

Foreign investors desirous of investing in Nepal, whether as a wholly foreign-owned enterprise or as a joint venture with Nepalese or foreign promoters, are required to apply to the DoI in a prescribed application form, along with the following documents:

<table>
<thead>
<tr>
<th>Document</th>
<th>Copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project report</td>
<td>3</td>
</tr>
<tr>
<td>Joint venture agreement (JVA), if more than one investor</td>
<td>2</td>
</tr>
<tr>
<td>Citizenship certificate of local party or certificate of incorporation, including memorandum of association and articles of association, if local party is a company</td>
<td>1</td>
</tr>
<tr>
<td>Copy of passport of foreign party or certificate of incorporation, including memorandum of association and articles of association, if the participant is a company</td>
<td>1</td>
</tr>
<tr>
<td>Bio-data or company profile of the foreign party</td>
<td>1</td>
</tr>
<tr>
<td>Financial credibility certificate (FCC) of the foreign investor issued by a home country bank or a domicile country bank</td>
<td>1</td>
</tr>
<tr>
<td>Authority letter from the companies or individuals concerned to a local person</td>
<td>1</td>
</tr>
</tbody>
</table>
or company to carry out necessary work on their behalf, if applicable.

Upon the approval of foreign investment up to a maximum amount (depending upon the envisaged fixed assets), Rs 20,000 will have to be deposited in the accounts section of the DoI (for the applicable deposit rates, see Appendix 5). The deposited amount is refunded to the promoters once the project comes into operation. Once the stated amount is deposited, the promoters will be issued a foreign investment approval letter and certified joint venture agreement, whichever is applicable.

**Technology Transfer to an Existing Nepalese Industry**

If an industrial unit wishes to avail of foreign technology, it is required to apply to the DoI on a prescribed application form, along with the following documents:

- **Document**
  - Citizenship certificate of local party or certificate of incorporation, including memorandum of association and articles of association, if the local party is a company
  - Copy of passport of foreign party/or certificate of incorporation, including memorandum of association and articles of association, if the participant is a company
  - Bio-data or company profile of the foreign party
  - Industry registration certificate
  - Copy of minutes of the board of the recipient company
  - Authority letter from the companies or individuals concerned to a person or company to carry out necessary work on their behalf, if applicable

**Foreign Investment in an Existing Industry through Share Transfer**

Share transfer can be done in two ways, ie by transferring the shares of an existing shareholder or by issuing new shares to a foreign partner either from the shares held in reserve or by increasing the issued capital of the company.

**Share transfer from an existing shareholder to a foreign investor**

For this, the industry is required to apply to the DoI on a prescribed application form along with the following documents:

<table>
<thead>
<tr>
<th>Document</th>
<th>Copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Request from the share transferee</td>
<td>2</td>
</tr>
<tr>
<td>Share transfer agreement</td>
<td>1</td>
</tr>
<tr>
<td>Copy of minutes of board meeting, certificate of incorporation and company profile of the foreign party, if the participant is a company</td>
<td>1</td>
</tr>
<tr>
<td>Copy of minutes of board meeting, certificate of incorporation and company profile of the foreign party, if the participant is an individual</td>
<td>1</td>
</tr>
<tr>
<td>Financial credibility certificate of the foreign investor issued by a bank</td>
<td>1</td>
</tr>
<tr>
<td>Current shareholders’ list as certified by the CRO</td>
<td>1</td>
</tr>
<tr>
<td>Auditor’s report</td>
<td>1</td>
</tr>
<tr>
<td>Tax clearance certificate</td>
<td>1</td>
</tr>
<tr>
<td>Authority letter(s) from the companies concerned to sign on their behalf</td>
<td>1</td>
</tr>
</tbody>
</table>

At the time of approval, the share transferor has to be present in person at the DoI. If the industry is not operational as of the date of application, the application has to be accompanied by the project status report.
Share transfer from reserved share or by increasing the issued capital of the company

The industry is required to apply to the DoI on a prescribed application form, along with the documents mentioned above and the following documents:
- **Request letter from the share transferor**
  It is an application letter from an existing shareholder (duly authorized by a board meeting) of the existing company stating that the company agrees to transfer all or some of the shares from the stock of the company.
- **Request letter from the share transferee**
  It is an application letter from the prospective foreign investor stating that he/she wants to invest in the existing Nepalese industry and agrees to buy the shares of the Nepalese company of the stated amount.

Loan Investment in an Existing Nepalese Industry

If the existing Nepalese company is willing to avail of loan or loan facilities from a foreign lending agency or individual, it is required to apply to the DoI on a prescribed application form, along with the following documents:

<table>
<thead>
<tr>
<th>Document</th>
<th>Copies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan agreement</td>
<td>2</td>
</tr>
<tr>
<td>Certificate of incorporation, including memorandum of association and articles of association of the lending agency</td>
<td>1</td>
</tr>
<tr>
<td>Company profile of the lending agency</td>
<td>1</td>
</tr>
<tr>
<td>Industry registration certificate</td>
<td>1</td>
</tr>
<tr>
<td>Copy of minutes of the board meeting of the recipient company regarding the loan to be acquired</td>
<td>1</td>
</tr>
<tr>
<td>Authority letter from the companies or individuals concerned to carry out any necessary action on their behalf, if applicable</td>
<td></td>
</tr>
</tbody>
</table>

Loan agreements vary substantially, depending upon the policy or requirement of the lending institution; however, a loan agreement must mention, among other things, the interest rate and payment schedule of the principal amount.

Company Incorporation

The Company Act of Nepal sufficiently tries to accommodate the liberal international corporate practices and aims to keep the company affairs transparent and investor-friendly. The Company Act 2006 emphasizes corporate governance. A company, whether private or public, is incorporated with the CRO in accordance with the Company Act. A private limited company is limited to fifty shareholders, whereas a public limited company has no such limitation, but at least seven shareholders are required to form a company. After obtaining letter of permission for investment, investors are required to apply for the registration of the company to the CRO Office within fifteen days. The application should be submitted, along with the following documents:
- Copy of permission for foreign investment issued by the DoI
- Copy of citizenship certificate of Nepalese promoters, if any
- Copy of passport(s) of foreign promoter(s)
- If the foreign party is a company, copy of minutes of the meeting of the board of directors
- Two copies of company’s proposed articles and memorandum of association in Nepali language, and
- Copy of the agreements concerned, if any.

Procedure for Industry Registration

After obtaining approval for foreign investment, the industry is required to register...
with the DoI within thirty-five days. If registration cannot be done within the stipulated time, the investor will have to apply for an extension of the validity period. Therefore, once the company is incorporated, the investor has to apply to the DoI for the registration of the industry, filling up a prescribed form (see Appendix 10), along with the following documents:

- A copy of the investment approval letter issued by the Foreign Investment Section, DoI
- A copy each of the certificate of incorporation, memorandum of association and articles of association of the company,
- Environmental Impact Assessment (EIA) or Initial Environmental Examination (IEE) report.

(For a screening list indicating the categories of industries requiring IEE or EIA and the brief procedures to be followed in conducting these studies, see Appendices 9 and 10 respectively.)

In case of IEE reports, the DoI gives the final approval, while EIA reports should be approved by the Ministry of Environment, Science and Technology before the registration of the industry.

**Permanent Account Number (PAN) Registration**

All business entities, including industries that have to pay income tax or VAT, should obtain PAN. They must be registered with the IRO before operation. There is no fee or deposit to get PAN.

PAN registration is mandatory for buying land and building and for clearance of goods from the customs office before starting the industrial operation. Therefore, the company should register with the IRO immediately after incorporation. For this, the company has to apply with an application form, as shown in the Income Tax Act and Rules, along with the following documents:

- Copy of certificate of incorporation
- Copy of memorandum and articles of incorporation
- Copy of citizenship certificate or passport in case of a foreign national who signs the application
- Two passport size photos of the individual who signs the application
- Hand-drawn sketch of the business location of the applicant
- Power of attorney, if applicable.

The company has to submit the balance sheet and profit and loss statement at the end of each fiscal year for assessment of income tax.

**Industrial Property Rights**

The industries using trademarks on their products can register their trademarks with the DoI as per the Patent, Design and Trademark Act 1965. For this, the company has to apply in a prescribed form (see Appendix 13), duly signed by applicants along with two witnesses. The application form should also include the following documents:

- Copies of the industry registration certificate and certificate of incorporation,
- Four copies of the word or label, or both, to be used as a trademark (ie representation sheet),
- The name of the product or services in which the trademark is to be used,
- The statement of claim regarding the originality of the trademark,
- In case of registration of trademark of foreign origin, a copy of home registration certificate, along with application form,
- Deed of assignment and four copies of representation sheet.

(For the details of the application fee, registration fee, renewable fee for trademarks, patents and designs, along with their validity periods, see Appendix 12.)
INVESTMENT AND REPATRIATION

Investment

Foreign investors may invest part of their equity capital in the form of either a convertible foreign currency acceptable to Nepal Rastra Bank, the central bank of Nepal, through proper banking channel or plant, machinery and equipment required for the approved industry. For investment in the form of plant and machinery, prior approval of the DoI is a must. Indian nationals may invest in Indian currency through proper banking channel.

Equity Investment in Cash

Foreign investment must be brought inside Nepal only after obtaining the approval of the DoI. It is also necessary that the investment is brought inside the country only through proper banking channel and that the foreign investor or industry maintains the documentary proof of the investment brought-in. This proof must be produced at the time of repatriation.

Equity Investment in Kind

If the foreign investor wants to invest in the form of plant, machinery and equipment, it must be clearly stated in the joint venture agreement. While opening a letter of credit to this effect, approval of the DoI must be obtained before the shipment. This is essential for customs clearance of the goods imported. For such approval, the company or the industry must submit to the DoI a copy of the resolution of the board of directors, along with the original manufacturer’s detailed invoice of machinery, indicating the quantity and the price of each unit of equipment. In any case, the supplier must guarantee that the price of the machinery is competitive, and it must be supported by the manufacturer’s invoice.

Loan Investment in Cash

If the foreign investment is in the form of a loan to an industrial firm or company, an agreement must be entered into by the investing foreign party and the Nepalese industry, stipulating the terms and conditions, including the amortization schedule and interest. Approval of the agreement must be obtained from the DoI before transferring the loan. Such loan amount must be brought through proper banking channel.

Loan Investment in Kind

If an industry wishes to obtain a foreign loan in the form of machinery and equipment or in deferred credit, an agreement to that effect must be entered into, stipulating the price of the plant and machinery, interest rate, mode of payment, along with a detailed list of the plant and machinery. Approval of the DoI must be duly obtained. The supplier must guarantee as to the competitiveness of the price of the machinery, and it must be supported by the manufacturer’s invoice. If no letter of credit is opened, approval of the DoI must be obtained before the shipment for
customs clearance.

In case the machinery to be imported as part of investment is a second-hand one, a valuation and certificate of guarantee by an independent surveyor must be attached.

**Repatriation**

The Foreign Investment and Technology Transfer Act 1992 allows foreign investors investing in a foreign currency to repatriate the following amounts out of Nepal:

- Income from the sale of the share of foreign investment as a whole or part thereof
- Profit or dividend from foreign investment
- Payment of principal and interest on foreign loans
- Income from the agreement for transfer of technology in such currency as set forth in the agreement concerned approved by the DoI.

A foreign national who is working in an industry with prior approval of the Department of Labour and who is from a country where convertible foreign currency is in circulation may repatriate his/her salaries, allowances and emoluments in convertible foreign currency in an amount not exceeding 75 per cent of such salaries, allowances and emoluments.

To obtain the repatriation facility, the foreign investor or technology supplier or expatriate or the company concerned must obtain recommendation from the DoI.

**Repatriation of Sale of Shares**

For the repatriation of the amount earned from the sale of shares, the foreign investor or the company concerned should apply to the DoI, along with the following documents, for recommendation to Nepal Rastra Bank:

- Proof of investment made and number of shares owned (the proof of investment could be a certificate from the commercial bank through which the investment was brought into Nepal)
- Letter from the company certifying the completion of the transfer of the shares in question with the certification of the CRO or such an authorized body
- Prior approval of the DoI, if the share was transferred to a foreign national
- Tax clearance certificate
- Customs declaration form and the approval letter if the investment was made in the form of plant, machinery and equipment
- Copy of board of directors’ resolution.

**Repatriation of Dividends**

A foreign investor wishing to repatriate his/her dividend from his/her investment as per the Foreign Investment and Technology Transfer Act 1992 has to obtain the recommendation of the DoI. For this, the foreign investor or the company has to apply to the DoI, along with the following documents:

- Documentary proof of investment, issued by a commercial bank. This document is needed only for the first time and again only when further investment is made by the investor.
- Customs declaration certificate for the import of plant, machinery and equipment, if the investment is in the form of capital equipment,
- Auditor’s report, including balance sheet and profit and loss account,
- Tax clearance certificate, and
- Proof of dividend declaration.
Repatriation of Loans and Interest
The industrial unit with foreign loan has to apply to the DoI for sending out the principal and interest on foreign loan obtained with the approval of the DoI, along with the following documents:

- Certificate from a commercial bank regarding the transfer of the loan amount into Nepal
- Customs declaration certificate and invoice of the plant and machinery, if the loan was obtained in the form of machinery
- Letter of approval of the loan agreement, and
- Tax clearance certificate. Income tax on interest on foreign loan should be deducted at source as per the prevailing law and is to be deposited at the tax office.

Repatriation of Technology Transfer Fees
The industrial unit with approved technology transfer agreement, trademark licence agreement, management agreement, technical assistance agreement, etc can apply to the DoI for the transfer of fees as per the agreement. The company has to submit the calculation of the amount due to the foreign technology supplier, certified by the auditor, along with the certificate of payment of income tax on royalty as per the prevailing tax rate.

Repatriation of Salaries and Allowances of Expatriates
For the repatriation of salaries, allowances and emoluments received by an expatriate, the industry has to apply to the DoI for recommendation, along with the following documents:

- Work permit issued by the Department of Labour
- Documents showing the salaries and allowances received during the period for which repatriation is sought.
**POTENTIAL PROJECTS**

Potential projects identified for foreign investment

<table>
<thead>
<tr>
<th></th>
<th>A. Agriculture and Agro-based Industry</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cultivation and processing of vegetables, flowers, fruits and ornamental plants</td>
<td>Export market: Asia, Middle East, Arab countries and Europe</td>
</tr>
<tr>
<td>2</td>
<td>Production of vegetables and flowering seeds</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>3</td>
<td>Cultivation and processing of herbs, coffee and tea</td>
<td>Exports and domestic markets</td>
</tr>
<tr>
<td>4</td>
<td>Development of tea industry</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>5</td>
<td>Cultivation of sugarcane and processing of sugar</td>
<td>Domestic market</td>
</tr>
<tr>
<td>6</td>
<td>Tissue culture</td>
<td>Export market</td>
</tr>
<tr>
<td>7</td>
<td>Integrated livestock, dairy and milk powder</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>8</td>
<td>Baby food and nutritious food</td>
<td>Domestic market</td>
</tr>
<tr>
<td>9</td>
<td>Animal feeds and aquaculture</td>
<td>Domestic market</td>
</tr>
<tr>
<td>10</td>
<td>Oil seed processing and oil extraction</td>
<td>Domestic market</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>B. Manufacturing Industry</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Light engineering industries</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>2</td>
<td>Electric arc furnace</td>
<td>Domestic market</td>
</tr>
<tr>
<td>3</td>
<td>Leather products</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>4</td>
<td>Pharmaceutical products</td>
<td>Domestic market</td>
</tr>
<tr>
<td>5</td>
<td>Ceramics</td>
<td>Domestic market</td>
</tr>
<tr>
<td>6</td>
<td>Writing, printing and newsprint paper</td>
<td>Domestic market</td>
</tr>
<tr>
<td>7</td>
<td>Organic fertilizer</td>
<td>Domestic market</td>
</tr>
<tr>
<td>8</td>
<td>Saline and dextrose</td>
<td>Domestic market</td>
</tr>
<tr>
<td>9</td>
<td>Surgical cotton and bandaging industry</td>
<td>Domestic market</td>
</tr>
<tr>
<td>10</td>
<td>Chemical fertilizers</td>
<td>Domestic market</td>
</tr>
<tr>
<td>11</td>
<td>Pesticides, insecticides</td>
<td>Domestic market</td>
</tr>
<tr>
<td>12</td>
<td>Industrial chemicals</td>
<td>Domestic market</td>
</tr>
<tr>
<td>13</td>
<td>Glass bottles, containers</td>
<td>Domestic market</td>
</tr>
<tr>
<td>14</td>
<td>Domestic electrical appliances</td>
<td>Domestic market</td>
</tr>
<tr>
<td>15</td>
<td>Electric power capacitors and condensers</td>
<td>Domestic market</td>
</tr>
<tr>
<td>16</td>
<td>Irrigation pumps</td>
<td>Domestic market</td>
</tr>
<tr>
<td>17</td>
<td>Bicycles</td>
<td>Domestic market</td>
</tr>
<tr>
<td>18</td>
<td>Bleaching powder</td>
<td>Domestic market</td>
</tr>
<tr>
<td>19</td>
<td>Agriculture lime</td>
<td>Domestic market</td>
</tr>
<tr>
<td>20</td>
<td>Chalk</td>
<td>Domestic market</td>
</tr>
<tr>
<td>21</td>
<td>Yeast</td>
<td>Domestic market</td>
</tr>
<tr>
<td>22</td>
<td>Malt</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>23</td>
<td>Dry cell battery</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>24</td>
<td>Assembly of electronic components</td>
<td>Export market</td>
</tr>
<tr>
<td>25</td>
<td>Starch, glucose and fructose syrup</td>
<td>Domestic market</td>
</tr>
<tr>
<td>26</td>
<td>Cane furniture industry</td>
<td>Export market</td>
</tr>
<tr>
<td>27</td>
<td>Specialty paper</td>
<td>Domestic market</td>
</tr>
<tr>
<td>No.</td>
<td>Product Description</td>
<td>Market</td>
</tr>
<tr>
<td>-----</td>
<td>----------------------------------------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>28</td>
<td>Video cassette</td>
<td>Domestic market</td>
</tr>
<tr>
<td>29</td>
<td>Cold rolling mill</td>
<td>Domestic market</td>
</tr>
<tr>
<td>30</td>
<td>Aluminium rolling mill</td>
<td>Domestic market</td>
</tr>
<tr>
<td>31</td>
<td>Toilet and laundry soap</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>32</td>
<td>Caustic soda</td>
<td>Domestic market</td>
</tr>
<tr>
<td>33</td>
<td>Mineral water bottling plant</td>
<td>Export market</td>
</tr>
<tr>
<td>34</td>
<td>Sugar industry</td>
<td>Domestic market</td>
</tr>
<tr>
<td>35</td>
<td>Essential oils and resinoids</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>36</td>
<td>Hand tools</td>
<td>Domestic market</td>
</tr>
<tr>
<td>37</td>
<td>Professional occupational tools and instruments</td>
<td>Domestic market</td>
</tr>
<tr>
<td>38</td>
<td>Medical instrument and tools</td>
<td>Domestic market</td>
</tr>
<tr>
<td>39</td>
<td>Fuel-conserving instruments</td>
<td>Domestic market</td>
</tr>
<tr>
<td>40</td>
<td>Pollution preventing accessories</td>
<td>Domestic market</td>
</tr>
</tbody>
</table>

### C. Textile and Apparel Industry

<table>
<thead>
<tr>
<th>No.</th>
<th>Product Description</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Integrated textile mill</td>
<td>Domestic market</td>
</tr>
<tr>
<td>2</td>
<td>Textile processing-dyeing and finishing</td>
<td>Domestic market</td>
</tr>
<tr>
<td>3</td>
<td>Woollen knitwear</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>4</td>
<td>Acrylic and polyester fabrics</td>
<td>Domestic market</td>
</tr>
<tr>
<td>5</td>
<td>Dhoti and saree</td>
<td>Domestic market</td>
</tr>
<tr>
<td>6</td>
<td>Terry towels</td>
<td>Export market</td>
</tr>
<tr>
<td>7</td>
<td>Bed linen</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>8</td>
<td>Readymade garments</td>
<td>Export market</td>
</tr>
<tr>
<td>9</td>
<td>Spinning mill</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>10</td>
<td>Grey cloth</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>11</td>
<td>Leather shoes</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>12</td>
<td>Canvas shoes</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>13</td>
<td>Sericulture and silk production</td>
<td>Export market</td>
</tr>
<tr>
<td>14</td>
<td>Hand-knitted sweaters</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>15</td>
<td>Other footwear</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>16</td>
<td>Alcohol and cigarettes</td>
<td></td>
</tr>
</tbody>
</table>

### D. Construction Industry

<table>
<thead>
<tr>
<th>No.</th>
<th>Product Description</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Building hardware</td>
<td>Domestic market</td>
</tr>
<tr>
<td>2</td>
<td>Stone industry cutting and polishing</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>3</td>
<td>Stone aggregates</td>
<td>Export and domestic market</td>
</tr>
<tr>
<td>4</td>
<td>Bricks (dry press)</td>
<td>Domestic market</td>
</tr>
<tr>
<td>5</td>
<td>Plywood</td>
<td>Domestic market</td>
</tr>
<tr>
<td>6</td>
<td>Cement (large) plant</td>
<td>Domestic market</td>
</tr>
<tr>
<td>7</td>
<td>Cement (mini) plant</td>
<td>Domestic market</td>
</tr>
<tr>
<td>8</td>
<td>Floor and wall tiles</td>
<td>Export and domestic markets</td>
</tr>
<tr>
<td>10</td>
<td>Housing and apartment buildings</td>
<td>Domestic market</td>
</tr>
<tr>
<td>11</td>
<td>Varnish, paints and allied products</td>
<td>Domestic market</td>
</tr>
<tr>
<td>12</td>
<td>PVC pipes and allied products</td>
<td>Domestic market</td>
</tr>
<tr>
<td>13</td>
<td>Aluminium extrusions</td>
<td>Domestic market</td>
</tr>
<tr>
<td>14</td>
<td>PVC doors and windows</td>
<td>Domestic market</td>
</tr>
<tr>
<td>15</td>
<td>Slate, granite and cement</td>
<td>Domestic market</td>
</tr>
</tbody>
</table>
### E. Tourism Industry
1. Resorts, hotels and motels
2. Cable car complexes
3. Rafting equipment
4. Sightseeing and mountaineering
5. Travel agencies and tour operation, pony trekking
6. Hot air ballooning and paragliding
7. Horse riding, water rafting and trekking

### F. Service Industry
1. Air freight forwarding services
2. Sea freight forwarding services
3. Nursing homes
4. Carpet washing
5. Air services
6. Computer software development
7. Data entry services
8. Photo scanning and offset printing

### G. Mineral Resources and Mineral-based Industry
1. Limestone exploration and cement production
2. Petroleum exploration and exploitation
3. Natural gas exploration and exploitation
4. Processing of gravel, boulder, marble, stone
5. Exploration and exploitation of quartz
6. Production of limestone, magnetite, talc, marble, dolomite, quartzite, coal, lignite, salt, red clay, tourmaline, kyanite, quartz, zinc, lead, etc
7. Glass production from silica sand, quartz and quartzite

### H. Energy Industry
1. Hydroelectric plants
2. Solar energy
3. Biogas
4. Wind energy

This list is not final and exhaustive. There are more potential areas. Potential investors may propose other projects in which they are interested to make investment.
### Important Steps While Starting an Industry

<table>
<thead>
<tr>
<th>Important steps</th>
<th>Actions to be taken</th>
<th>Approximate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection of preliminary information on Nepal</td>
<td>Collect background information on Nepal; visit Nepalese missions, UNIDO, IPS offices, etc for information; request FIPS, DoI, CRO, FNCCI, CNI, NRN office, etc in Nepal for required information.</td>
<td>–</td>
</tr>
<tr>
<td>Development of project concept</td>
<td>Hold interactions between foreign and Nepalese investors; consult brochures, guides, economic reports, etc.</td>
<td>Investor’s discretion</td>
</tr>
<tr>
<td>Selection of project</td>
<td>Enter into preliminary agreement between foreign and local investors; brief DoI on proposed application.</td>
<td>–</td>
</tr>
<tr>
<td>Checking of partners’ credentials</td>
<td>Exchange information on respective companies; consult commercial banks, embassies, FNCCI, foreign chambers of commerce and industry, etc.</td>
<td>–</td>
</tr>
<tr>
<td>Feasibility study</td>
<td>Identify consultant(s) for detailed study.</td>
<td>3-6 months</td>
</tr>
<tr>
<td>Application to DoI</td>
<td>Fill in the application form and submit three copies of project feasibility report and three copies of joint venture agreement to DoI.</td>
<td>–</td>
</tr>
</tbody>
</table>
| Processing of application                       | a) DoI evaluates the submitted project proposal and grants permission for up to two billion rupees in fixed assets and recommends to the IPB for approval in case of projects exceeding fixed assets mentioned above.  
   b) IPB examines the recommendations and takes decision on project.                                                                                                                                                                                                                       | 30 days           |
| Formation of company                            | Prepare memorandum and articles of association and submit them to the CRO for registration; contact management consultancy and legal firms to prepare papers. The CRO registers the company.                                                                                                                                               | Within 21 days     |
| Financial package for investment                | Approach banks, foreign financial institutions with licence, feasibility report and formal application for loans.                                                                                                                                                                                                                                          | Concurrently with application to DoI |
| Selection of site, acquisition and construction of factory | Local and foreign partners decide on site, acquisition/purchase, civil design, estimation, selection of contractor and award of contract for construction.                                                                                                                                                                                                 | 6-12 months, depending on the nature of project |
| Installation of utilities                       | Contact DoI to facilitate speedy connections of electricity, water, telecommunication facilities; contact Nepal Electricity Authority, Nepal Telecom, Water Supply and Sewerage Corporation for installation of facilities.                                                                                                                                  | Concurrently during construction phase |
| Plant and machinery and foreign exchange        | Select plant and machinery and open letter of credit through commercial banks.                                                                                                                                                                                                                                                                       | 2-3 months        |
| Commissioning of plant                          | -                                                                                                                                                                                                                                                                                                                                                 | –                 |
| Trial production                                | -                                                                                                                                                                                                                                                                                                                                                 | –                 |
Industrial Factor Costs

The costs of industrial sites, construction costs, office and residential house rents may vary from place to place, depending upon location. (For quick reference of potential investors, the factor costs of some key activities such as construction, communication, utilities, freight and forward are given in Appendix 19.)

Project Financing

There are a number of financial institutions for long- and short-term debt financing in Nepal. The general norm of debt equity ratio is normally 2:1, but it may vary subject to negotiation. For large-scale industries requiring huge financing, consortium financing is also provided, one bank being the lead bank. Commercial banks, development banks and finance companies extend long-term and short-term financial requirements.

Submission of Production Data to DoI

All industries producing goods and services are required to submit annual production and transaction data to the DoI in the prescribed format. (For the format, see Appendix 20.)

Determination of Raw Material Consumption Norms

The DoI has prepared norms for the consumption of raw material for various products. Such norms are essential for various purposes such as for export to India, to avail of bonded warehouse facilities, tax assessment and so on. If the DoI has not yet prepared norms for a particular product, the industry concerned may apply to the DoI in the prescribed format, along with the following documents:
1) Industry registration certificate
2) Production process, including flow-chart indicating ratio of wastage
3) Detailed list of plant and machinery, and
4) Production and material consumption data for one year.

Electricity

Nepal Electricity Authority is the sole authority for supplying electricity to all types of consumers in Nepal. For household purpose, electricity bill can range from US$25 to US$50, depending on the type of house you live in and your consumption pattern.

Money and Banking

Major banks, hotels and the exchange counters at Tribhuvan International Airport and elsewhere provide services for exchanging foreign currency. US dollar traveller’s cheques can be purchased from American Express and other major banks in Kathmandu. Banks typically charge 1 per cent of the face value to cash traveller’s cheques.
Automated Teller Machine (ATM)

Most of the commercial banks offer ATM service in their branches in different locations of Nepal. Foreigners can get cash advances through Visa Card, Master Card and other credit cards from these banks. These services are accessible 24 hours a day.

Banks

Currency and Exchange Rates

Exchange rates are published in English daily newspapers. Nepalese rupee is found in denominations of Rs 1000, 500, 250, 100, 50, 20, 10, 5, 2 and 1. Coins are found in denominations of Rs 10, 5 and 2, Re 1 and 50 paisa. One rupee equals 100 paisa.

Wiring of Money

Money can be wired through money transfer agencies or through banks. The major Nepalese banks use the SWIFT system to negotiate wire transfers. They also have accounts in world banking centres to expedite transfers to and from Nepal.

Foreign Currency

Foreign currency should be exchanged only through authorized exchange centres. Foreign exchange receipts should be retained as they are required to obtain trekking permits and visa extensions and to convert back surplus Nepalese currency on departure.

Customs

All baggage must be declared and cleared through the customs at the port of entry. Foreign visitors can bring in 200 cigarettes, 50 cigars and one bottle of liquor duty-free. There are restrictions on exporting certain items of archaeological or historical value, antiques and precious and semi-precious stones. Such items bought by visitors must be checked and cleared by the Department of Archaeology before being shipped out of Nepal.
APPENDICES
Appendix 1: Pre-investment Approval Procedure for a New Foreign Equity Investment Proposal

Application in prescribed application form and documents mentioned in chapter 2 are filed to DoI

Preliminary scrutiny in Foreign Investment Section

Recommendation from other Ministry/Dept., if required

Directors: Technology and Environment Section, Licence/Registration, and Foreign Investment Section

Industrial Promotion Board (for industries requiring licence)

Foreign Investment & Account Section, DoI licence fee deposit

*Insurance of licence by Foreign Investment Section, DoI

Final approval by the Director General of DoI

Is the industry listed in Appendix 11 or 12?

YES

*Industry registration with Registration Section

*PAN registration with Tax Office concerned

Refund of deposit after the commissioning of industry

NO

* Moments where foreign investment shall involve.

Approval of IEE/EIA report as per EPR 1997 Licence and Technology and Environment Section of DoI
Appendix 2: Application Form for Foreign Investment ‘A’

The Director General  
Department of Industries  
Tripureshwor, Kathmandu, Nepal  

Dear Sir,

We are interested to set up a ………………… (name of industry) as per the Foreign Investment and Technology Transfer Act 1992. The highlights of the project report are given below. We, therefore, request you to kindly grant necessary approval to establish the proposed project.

1. **Objective(s) of the Project**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Description of Product/Services (including by-product)</th>
<th>Annual Capacity*</th>
<th>Gross Sales Revenue</th>
<th>Potential Market %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Unit</td>
<td>Qty</td>
<td>Domestic</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Based on ……… working days ……. shifts of ….. hours each.

2. **Proposed Location:**  
Zone ……………, District …………………., Municipality/VDC …………………., Ward ….

3. **Scale of the Project:**  
☐ Small  
☐ Medium  
☐ Large

4. **Proposed Legal Status:**  
☐ Private Limited  
☐ Public Limited

5. **Estimated Project Cost**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Description</th>
<th>Amount (Rs)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Fixed assets investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Land and land development (area …)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Building and civil works</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Machinery and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Furniture, fixtures and office equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Pre-operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Other fixed assets, if any</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total fixed assets investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Working capital requirement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Project Cost</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. **Sources of Finance**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Investment Category</th>
<th>Source of Finance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Equity</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nepali Party (Rs)</td>
<td>Foreign Party</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Domestic Sources (Rs)</td>
<td>Foreign Sources (in……..)</td>
</tr>
</tbody>
</table>

1. Fixed
2. Working capital
3. Total investment
   (in %)

If any investment will be in kind, please specify and attach the detailed list (prior approval of the Department is a must in such instances) …………………………………….. …….. ……….
………………………………………………

7. **List of Machinery and Equipment**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Name*</th>
<th>Unit</th>
<th>Quantity</th>
<th>Amount-(Rs)</th>
<th>Source (Local/Indian/ Third country)</th>
</tr>
</thead>
</table>

*If necessary, production process and process flowcharts will have to be submitted.

8. **Annual Raw Materials Requirement (at 100% capacity utilization)**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Raw Materials, Auxiliary Raw Materials, Packaging Materials, etc</th>
<th>Annual Requirement</th>
<th>Rate (Rs/Unit)</th>
<th>Amount (Rs)</th>
<th>Source (Local/Indian/ Third country)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Unit</td>
<td>Quantity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

............
9. **Utilities Requirement**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Utilities</th>
<th>Annual Requirement (or capacity)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Electricity</td>
<td>KVA</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Fuel (diesel, LDO, furnace oil, coal, rice husk, etc)</td>
<td>Unit</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. **Type of Joint Venture Agreement entered (Please tick mark where applicable)**

- [ ] Equity investment
- [ ] Loan investment
- [ ] Technical assistance
- [ ] Management
- [ ] Trademark
- [ ] Marketing
- [ ] Technical know-how/Licence
- [ ] Others, if any, specify:

11. **Estimated Exchange Facilities (Convertible Currency) Required**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Cost Head</th>
<th>Amount (Rs equivalent)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>One-time expense</td>
<td>Annual requirement</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Raw material</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Machinery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Royalties (at 100% capacity utilization)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Salaries to expatriates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. **Estimated Employment Generation (Numbers)**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Description</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Staff (administrative)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Staffs (Technician)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Labour</td>
<td>Highly skilled</td>
<td>Skilled</td>
<td>Semi-skilled</td>
<td>Unskilled</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: Suggested Content of Project Report

The project report should include:

a. Executive summary of the project

b. Project background
   1. General introduction to the proposed project
   2. Product/service description
   3. Introduction of promoters

c. Market Aspects
   1. Introduction
   2. Target market
   3. Current market status of the proposed products/services
   4. Capacity determination of the proposed venture

d. Technical Aspects
   1. Description of production process along with the ‘flowchart’ of the manufacturing process, if applicable.
   2. Detailed list of machinery and equipment required to run the project at full capacity
   3. Sourcing of machinery (whether in the form of equity or local purchase or import)
   4. Description of project inputs (including name and annual quantity requirement when run at full capacity): raw materials, power, water, fuel
   5. Brief description of environmental issues that may arise due to establishment of the proposed venture
   6. Human resource requirement (when run at full capacity): category and number of direct and indirect labour.

e. Financial Aspects
   1. Details of fixed asset investment, which comprises mainly the following aspects of investment:
      • Land and land development
      • Building and civil works
      • Plant and machinery
      • Furniture, fixtures and office equipment
      • Vehicles
      • Pre-operating expenses
      • Other assets, if applicable in a specific project
   2. Details of annual operating costs and expenses
   3. Details of working capital requirement
   4. Details of sources of funds (equity/loan and domestic/foreign)
   5. Details of sales revenue
   6. Computation of breakeven point
   7. Computation of IRR or return on investment or return on equity
   8. Computation of national benefits from the project, e.g. value addition
     \[ VA = \frac{(FOB \text{ price} - \text{cost of imported materials and utilities})}{\text{FOB price}} \times 100 \]
Appendix 4: Financial Credibility Certificate (FCC)

A bank of either investor’s home country or country of domicile\(^4\) should issue the Financial Credibility Certificate (FCC). The certificate should be issued on the letterhead of the bank. The original copy of the FCC should be submitted to DoI. A model FCC is given below for the easy reference of investors.

The Department of Industries
Tripureshwor
Kathmandu, Nepal

This is to certify that Mr/Mrs/Ms/ (or Company) …………………………………………... with a permanent address/registered office situated at …... … … … ……………………... … … …………(city)……………... (country) has/have been doing transaction with us since ……………………….... We have so far found his/her/their business transaction with us satisfactory. We would be happy to invest in his/her/their business proposal/s, if such opportunity arises in the future.

……………………
(Signature of certifying person)
Name of certifying person:
Designation of certifying person:

\(^4\) Country of domicile may be defined as the country where the investor has been living (or doing business) for at least a year.

Alternatively, instead of addressing the DoI, one can simply refer as “To Whom it may Concern.”
## Appendix 5: Applicable Fees

### (A) Deposits for Obtaining a Licence for Foreign Investment

<table>
<thead>
<tr>
<th>Fixed Capital</th>
<th>Deposit (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 500,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Rs 500,000-Rs 1 million</td>
<td>2,000</td>
</tr>
<tr>
<td>Rs 1 million-Rs 2.5 million</td>
<td>4,000</td>
</tr>
<tr>
<td>Rs 2.5 million-Rs 5 million</td>
<td>7,000</td>
</tr>
<tr>
<td>Rs 5 million-Rs 10 million</td>
<td>10,000</td>
</tr>
<tr>
<td>Above Rs 10 million</td>
<td>20,000</td>
</tr>
</tbody>
</table>

### (B) Company Registration Fees

#### a. Public Limited Company

<table>
<thead>
<tr>
<th>Authorised Capital</th>
<th>Registration Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 100,000</td>
<td>Rs 400</td>
</tr>
<tr>
<td>Rs 100,000 to Rs 500,000</td>
<td>Rs 2,500</td>
</tr>
<tr>
<td>Rs 500,001 to Rs 1,000,000</td>
<td>Rs 5,000</td>
</tr>
<tr>
<td>Rs 1,000,001 to Rs 5,000,000</td>
<td>Rs 7,500</td>
</tr>
<tr>
<td>Rs 5,000,001 to Rs 10,000,000</td>
<td>Rs 7,800</td>
</tr>
<tr>
<td>Rs 10,000,001 to Rs 100,000,000</td>
<td>Rs 10,000</td>
</tr>
<tr>
<td>Above Rs 100,000,000</td>
<td>Rs 5.00 per each 100,000</td>
</tr>
</tbody>
</table>

#### b. Private Limited Company or Proprietorship (Pvt.) Firm

<table>
<thead>
<tr>
<th>Authorised Capital/Total Capital</th>
<th>Registration Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 100,000</td>
<td>Rs 400.00</td>
</tr>
<tr>
<td>Rs 100,001 to Rs 500,000</td>
<td>Rs 2,600.00</td>
</tr>
<tr>
<td>Rs 500,001 to Rs 1,000,000</td>
<td>Rs 5,100.00</td>
</tr>
<tr>
<td>Rs 1,000,001 to Rs 2,500,000</td>
<td>Rs 7,600.00</td>
</tr>
<tr>
<td>Rs 2,500,001 to Rs 5,000,000</td>
<td>Rs 8,000.00</td>
</tr>
<tr>
<td>Rs 5,000,001 to Rs 10,000,000</td>
<td>Rs 12,000.00</td>
</tr>
<tr>
<td>Above Rs 10,000,000</td>
<td>Rs 2.00 per each 100,000</td>
</tr>
</tbody>
</table>

#### c. Partnership Firm

<table>
<thead>
<tr>
<th>Total Capital</th>
<th>Registration Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 20,000</td>
<td>Rs 50</td>
</tr>
<tr>
<td>Rs 20,000 - Rs 50,000</td>
<td>Rs 100</td>
</tr>
<tr>
<td>Rs 50,000 - Rs 100,000</td>
<td>Rs 250</td>
</tr>
<tr>
<td>Rs 100,000 - Rs 300,000</td>
<td>Rs 850</td>
</tr>
<tr>
<td>Rs 300,000 - Rs 500,000</td>
<td>Rs 1,400</td>
</tr>
<tr>
<td>Rs 500,000 - Rs 1 million</td>
<td>Rs 3,000</td>
</tr>
<tr>
<td>Rs 1 million - Rs 5 million</td>
<td>Rs 4,500</td>
</tr>
<tr>
<td>Above Rs 5 million</td>
<td>Rs 6,500</td>
</tr>
</tbody>
</table>

#### d. Private Firm

<table>
<thead>
<tr>
<th>Total Capital</th>
<th>Registration Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 50,000</td>
<td>Rs 35</td>
</tr>
<tr>
<td>Rs 50,000 - Rs 100,000</td>
<td>Rs 60</td>
</tr>
<tr>
<td>Rs 100,000 - Rs 300,000</td>
<td>Rs 70</td>
</tr>
<tr>
<td>Rs 300,000 - Rs 500,000</td>
<td>Rs 100</td>
</tr>
<tr>
<td>Above Rs 500,000</td>
<td>Rs 160</td>
</tr>
</tbody>
</table>

### Renewal Fees for Firms

<table>
<thead>
<tr>
<th>Total Capital</th>
<th>Proprietorship</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 50,000</td>
<td>Rs 35</td>
<td>Rs 30</td>
</tr>
<tr>
<td>Rs 50,000 - Rs 100,000</td>
<td>Rs 60</td>
<td>Rs 45</td>
</tr>
<tr>
<td>Rs 100,000 - Rs 300,000</td>
<td>Rs 70</td>
<td>Rs 60</td>
</tr>
<tr>
<td>Rs 300,000 - Rs 500,000</td>
<td>Rs 100</td>
<td>Rs 85</td>
</tr>
<tr>
<td>Above Rs 500,000</td>
<td>Rs 160</td>
<td>Rs 150</td>
</tr>
</tbody>
</table>
Appendix 6: Fee Structure for Registration of Patent, Design and Trademark

(All amounts in Nepalese rupees)

<table>
<thead>
<tr>
<th>Types of Fee</th>
<th>Patent</th>
<th>Design</th>
<th>Trademark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application</td>
<td>2,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Application amendment</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Registration</td>
<td>10,000</td>
<td>7,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Transfer of ownership</td>
<td>5,000</td>
<td>3,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Changes in records</td>
<td>2,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Search of registration</td>
<td>750</td>
<td>750</td>
<td>500</td>
</tr>
<tr>
<td>Complaint and opposition</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Copy of the registration certificate</td>
<td>1,000</td>
<td>1,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Renewal</td>
<td>5,000</td>
<td>1,000</td>
<td>500*</td>
</tr>
</tbody>
</table>

Note: 1. *Per year
2. Duration of Patent, Design and Trademark:
   - Patent – 7 years (renewal twice, total duration: 21 years)
   - Design – 5 years (renewal twice, total duration: 15 years)
   - Trademark – 7 years (to be renewed at 7 years interval)
Appendix 7: Application Form for Registration of Industry

Department of Industries
Application Form ‘Ka’ For Registration/Licence of Industries
(For the industries listed in Annexure 1 and 2, Industrial Enterprises Act 1992)

The Director General
Department of Industries
Tripureshwor, Kathmandu

Dear Sir,
We are interested to set up ………………………………. (name of industry) ……….. at ………….. Zone ………….. District ………….. Municipality/VDC Ward No. ………. We hereby, request you to register the industry with the details attached herewith as per the Industrial Enterprises Act 1923.

Name of applicant:
Mailing address:
Citizenship no., date and place of issue:
Phone no:
Fax no.:
Email:
Applicant’s signature:

Attachments Submitted (Y/N)
1. Project details 1 copy □□
2. Copy of citizenship certificate 1 copy □□
3. Copy of memorandum and articles of association 1 copy each □□
4. Recommendation from other authorities 1 copy □□
(for tourism, pharmaceutical and other industries)

Project Details

1. Name of industry : Location : District Municipality/VDC Ward No.
Mailing address and tel. no.:
Contact person :

2. Scale : □ Small □ Medium □ Large

3. Legal status: □ Proprietorship □ Partnership
□ Private Ltd □ Public Ltd

4. Classification of industry □ Manufacturing □ Agro- or forest-based □ Tourism □ Service
□ Energy-based □ Construction
□ Mine-based

5. a) No. of working days/year :
   No. of shifts/day:
   b) Objectives
6. **Project Details:**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Description of Products/Services</th>
<th>Annual Capacity</th>
<th>Unit</th>
<th>Rate</th>
<th>Total Value (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. **Project Cost and Source of Finance**

<table>
<thead>
<tr>
<th>Description</th>
<th>Investment (Rs)</th>
<th>Source (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Equity</td>
<td>Loan</td>
</tr>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Investment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. **Fixed Assets Details**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Description</th>
<th>Amount (Rs)</th>
<th>Source (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Land (area .............)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Building (area ........)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Machinery and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Furniture, fixtures and office equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Pre-operational expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Fixed Assets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. **Working Capital**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Description</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Raw materials (for ........ days/months)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Semi finished goods (for ........ days/months)</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Credits (for ........ days/months)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

10. **Machinery List**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Name</th>
<th>No./Set</th>
<th>Amount (Rs)</th>
</tr>
</thead>
</table>
11. **List of Raw materials**

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Name of Raw Materials, Packing Materials, etc</th>
<th>Unit</th>
<th>Rate</th>
<th>Required Qty (per annum)</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. **Requirement of convertible foreign exchange:**
   - For raw materials: .... .... .... .... per annum
   - For machinery: ......................
   - Others: ................................
   - **Total:** ............................

13. **Employment**

<table>
<thead>
<tr>
<th>Description</th>
<th>Local</th>
<th>Foreigner</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour, Highly skilled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skilled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semi-skilled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unskilled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. **Utilities**

<table>
<thead>
<tr>
<th>Type</th>
<th>Requirement</th>
<th>Unit</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td></td>
<td>KVA</td>
<td></td>
</tr>
<tr>
<td>Diesel</td>
<td></td>
<td>KL</td>
<td></td>
</tr>
<tr>
<td>LDO, furnace oil</td>
<td></td>
<td>KL</td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td></td>
<td>MT</td>
<td></td>
</tr>
<tr>
<td>Rice husk</td>
<td></td>
<td>MT</td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td></td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
15. Investors' Details

<table>
<thead>
<tr>
<th>Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Father’s name</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Grandfather’s name</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizenship</td>
<td></td>
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</tr>
<tr>
<td>Mailing address</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone no.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share %</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signature</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. IEE/EIA shall be carried out for the industries mentioned in rule 3 and rule 6 of the Environmental Protection Rules 1997.
2. The form shall be duly filled.
3. Separate sheet(s) can be attached if the space in the form is not sufficient.
4. The details in this form shall be updated after three months from the date of commercial operation.
Appendix 8: List of Industries Requiring IEE

Sector: Industry

A. Alcohol manufacturing by blending process and distillery work which includes boiling and fermentation with capacity up to 500 thousand litres/day

2. Brewery and wine work which includes boiling and fermentation with capacity up to 500 thousand litres/day

3. Chemical industry such as primary acid and alkali with capacity up to 100 MT/day.

4. Tannery processing up to 5,000 sq. ft/day

5. Stone crushing and paint industry

6. Electroplating and galvanizing

7. Cooking and natural gas filling, refilling, manufacturing and distribution

8. Dairy industry

9. Lubricants manufacturing by blending, reprocessing and reclamation

10. Foam industry

11. Dry and wet cell battery manufacturing

12. Sugar industry, including Khandasari, up to 3,000 MT/day

13. Textile dyeing, printing, washing, including carpet, except traditional industry

14. Pulp and paper industry with capacity up to 100 MT/day, except traditional pulp and paper industry

15. Brick and tile industry with capacity up to 10 million pieces annually

16. Cement industry with capacity up to 30 MT/hr based on limestone or up to 50 MT/hr based on clinker

17. Lime industry with capacity up to 50 MT/day

18. Pharmaceutical

19. Chemical fertilizers (blending), insecticides (blending)

20. Waste plastic recycling industry

21. Match factory

22. Auto workshops (except for two wheelers)

23. Coke, briquette manufacturing from coal

B. The following industries having fixed assets investments more than Rs 1 million

1. Plastic processing (virgin)

2. Tyre, tube, rubber, processing and manufacturing

3. Soap, detergent and cleaning shampoo

4. Photo processing
5. Foundry
6. Cigarette, bidi, tobacco, pan masala
7. Slaughter house
8. Glass
9. Food processing
10. Metal (ferrous, non-ferrous) re-melting, re-rolling and fabrication
11. Bitumen and emulsion
12. Cold storage
13. Yarn spinning
14. Vegetable ghee and oil
15. Herbal processing
16. Manufacturing of articles of bone and horns
17. Rosin and turpentine, veneer and katechu
18. Meat processing
19. Packaging industry
20. Animal feed
21. Machine shop

Note: For mining and other sector industries, please see the Environment Protection Regulation 1997 (First Amendment 1998).

Major Steps in IEE Study
(As per the Environment Protection Regulation 1997 and its first amendment 1998)

A. Notification
Notification in a national daily for comments about the project and its impacts on the environment and human health from individuals, VDC, municipality, hospital, school concerned, within 15 days from the date of publication of the notice. Similar notification should be posted on the notice board of the VDC/municipality concerned.

B. ToR
Submission of Terms of Reference (ToR) prepared according to Annex 3 of the Environment Protection Regulation 1998 and its first amendment (1999) and subsequent approval by DoI.

C. Final IEE Report
1. Preparation of IEE report, based on approved ToR, according to Annex 5 of the Environment Protection Regulation 1998 and its first amendment (1999), including comments from the individuals or institutions concerned.
2. Submission of report to DoI and approval by DoI.
Appendix 9: List of Industries Requiring EIA Study Report

Sector: Industry
1. Chemical industries such as primary acid and alkali with production capacity greater than 100 MT/ day
2. Petrochemical processing work of all sizes, including plastics and synthetic rubber
3. Ferrous, non-ferrous metal industries (primary smelting, excluding re-rolling, re-melting and fabrication)
4. Non-metallic industries:
   a. Cement more than 30 MT/hr (based on limestone), more than 50 MT/hr (based on clinker)
   b. Lime with production over 50 MT/day
   c. Asbestos industries of all sizes
   d. Radioactive-related industries of all sizes
5. 
   a. Bulk drugs manufacturing industry
   b. Extremely hazardous chemicals such as isocyanides, mercury, etc
6. Pulp and paper manufacturing with capacity more than 100 MT/day
7. Mine-based large industry; forest-based medium and large industry
8. Tannery with capacity of over 500 sq. ft/day
9. Liquor and liquor industries:
   a. Distillery work which includes boiling and fermentation with production capacity of over 500 thousand litres/day
   b. Brewery work which includes boiling and fermentation with production capacity of over 500 thousand litres/day
10. Brick and tile industry with capacity more than 10 million pieces per annum
11. Chemical processing of bones and horns, etc
12. Manufacturing of chemical fertilizers and insecticides (except blending)
13. Mine-based industry having more than 50 million fixed assets investment
14. Sugar industry (including Khandsari) with capacity of over 3,000 MT/day.
15. Arms, ammunition and explosives

Notes:
1. For mine-based and other sector industries, please see the Environment Protection Regulation 1997 (First amendment 1998).
2. Procedures of IEE and EIA studies have to be followed as per the Environment Protection Regulation 1997.
Appendix 10: Major Steps in EIA Study

(As per Environment Protection Regulation 1997 and its first amendment 1998)

A. Scoping:
1. Notification in a national daily for comments about the project and its possible impact on the environment and human health from the individuals, VDC, municipality, hospital, schools concerned, within 15 days from the date of publication of notice. Similar notification should be posted on the notice board of the VDC/municipality concerned.
2. Application to DoI for scoping including the comments, if any, from the individuals and/or institutions.
3. Forwarding of the application with comments from DoI to Ministry of Industry (MoI)/Ministry of Environment, Science and Technology (MoEST).
4. Final approval by MoEST.

B. ToR:
2. Approval by MoEST.

C. Report:
1. Public meeting to be held in the VDC/municipality concerned about the possible impact of the project and the mitigation measures to be applied.
3. A copy of the report to be sent to the VDC/municipality/DDC concerned and/or other individuals concerned.
4. With recommendation of the VDC/municipality concerned, 15 copies of the report to be submitted to DoI, 10 copies of which to be forwarded to MoI and from there to MoEST within 30 days from the date of receipt of application.
5. Publication of a notice about the project in a national daily by MoEST. Comments to be submitted to MoEST within 30 days from the date of first publication.
6. Final approval by MoEST.
Appendix 11: Application for Registration of Trademark

The Director General  
Department of Industries  
Tripureshwor, Kathmandu.

As I/we am/are/have going to use/used the trademark as the model attached herewith in .................. I/we hereby apply for the registration of the trademark, enclosing herewith four copies of the proposed designed (if applicable) along with applicable fees. I/We would like to request you to issue a certificate of registration, having registered the trademark in my/our name(s).

1. Full name of proprietor (individual, company, other institution) of trademark:

2. Full address of proprietor of trademark:

<table>
<thead>
<tr>
<th>Zone:</th>
<th>District:</th>
<th>Village/City:</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.O. Box No.:</td>
<td>Telephone No:</td>
<td>Fax No.</td>
</tr>
</tbody>
</table>

3. Detailed specifications of trademark:

| Mark design: |
| a) Description of mark: ................. |
| b) International class: ............... |
| c) Date of first use (if any): ....... |
| d) Goods or services in which mark is used: ............. |

4. Description of origin, selection and meaning of word(s), symbol or picture in the proposed mark.

5. Elements of claimer or disclaimer in the mark

| Elements having exclusive rights | Elements not having exclusive rights |

6. I hereby declare that the proposed trademark is my original selection. It is not copied wholly or partially from others.

7. Regarding the use of mark, if any situation as specified in the proviso clause of Article 18(1) exits, I will be subject to departmental action under the clause of Article 18(3) of the Act.

8. I will put the mark in the practice within one year of registration and inform the Department, otherwise I will be subject to departmental action under Article 18.c of the Act.
9. I will comply with Article 16 (2), Article 23.a and Article 18.b of the Act.

10. Documents to be enclosed (All documents must be endorsed by the applicant):
   a. Permission of undertaking pertaining to the production of goods or delivery of services (If filing is not based on foreign registration)
   b. Four copies of registration that affixed with the mark design (if applicable)
   c. Letter of nomination if application is filed through the representative (if applicable)
   d. Evidence of use of mark (if applicable).

   Name of applicant                      Signature

   Address                               Date

11. Names and addresses of witnesses (2 persons):
   1.
   2.
Appendix 12: Locating the Industries

1. List of industries that can be established in the municipalities of Kathmandu Valley

a) Cottage industry
   - Traditional cottage industries (except rural tanning)

b) Tourism industry
   - Travel agency
   - Trekking agency
   - Hotel, resort, restaurant

c) Manufacturing industry
   - Food processing (with machinery of value up to Rs 200,000) except for meat processing
   - Electronic assembly industry
   - Candle industry (with machinery of value up to Rs 100,000)
   - Stationery industry (stationery made of paper: with machinery of value up to Rs 100,000)
   - Wooden furniture industry (band saw is not permitted and with machinery of value up to Rs 50,000)
   - Woollen yarn spinning (using hand ‘charkha’)
   - Resin bag industry (with machinery of value up to Rs 100,000)
   - Leather goods industry (with machinery of value up to Rs 100,000)
   - Ayurvedic medicine industry (with machinery of value up to Rs 50,000)

d) Construction industry
   - Flyover bridge
   - Official, commercial and business complexes
   - Trolley bus service (workshop and garage, if any, shall be established outside the city area)

e) Service industry
   The following industries cannot be established in the city area in Kathmandu Valley:
   - Medium and large chemical laboratories
   - Workshop (with machinery of value above Rs 200,000)
   - Cut to length sheets, strips and tubes
   - Repacking industries, except for packing of tea, domestic masala (spices), sugar, maida, salt, dal (lentils), etc.
   - Movie processing laboratory
   - Washing, dyeing plant, textile printing
   - Cold storage
2. **List of industries that cannot be established in Kathmandu Valley**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Pollution Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tannery</td>
<td>Chromium Sulphides, High BOD, Sodium odour</td>
</tr>
<tr>
<td>Chemical fertilizer</td>
<td>Ammonia, NH4Cl, SiF4, HF NO, from Ammonium Nitrate reactor</td>
</tr>
<tr>
<td>Cement</td>
<td>Particulates (dust) CO, SO, NO</td>
</tr>
<tr>
<td>Steel melting and foundry (medium and large)</td>
<td>Hydrocarbons, Alddehydes, Ketones, Carbon Monoxide fumes, smokes, SOX NOx spent pickle liquor-acidic</td>
</tr>
<tr>
<td>Pulp and paper (expect for traditional handmade paper and small-scale recycling plant)</td>
<td>Sulphite waste liquor with calcium bisulphite liquor white water effluent.</td>
</tr>
<tr>
<td>Caustic soda chemical manufacturing industries</td>
<td>Mercury from caustic soda production many acidic and alkali wastes</td>
</tr>
<tr>
<td>Oil refineries petroleum product (petrol, diesel, kerosene, lubricant, furnace oil, etc.)</td>
<td>Oil and grease, hydrocarbon, phenols, fatty acid and Nitrogen compounds and Sulphur compounds, fire hazardous</td>
</tr>
<tr>
<td>Dyeing (medium and large)</td>
<td>Alkali wastes from dyestuff high pH, high BOD</td>
</tr>
<tr>
<td>Acid manufacturing</td>
<td>Acidic wastes</td>
</tr>
<tr>
<td>Fermentation, distillation and blending (distillery and beer)</td>
<td>Odour, high BOD and high COD</td>
</tr>
<tr>
<td>Electroplating and galvanization (medium and large)</td>
<td>High pH, BOD, oil and grease metals, phenols and organic</td>
</tr>
<tr>
<td>Smelting ferrous and non-ferrous (medium and large)</td>
<td>Particulate matters (dust)</td>
</tr>
<tr>
<td>Sugar production and khandsari</td>
<td>Odour, high pH, BOD, COD</td>
</tr>
<tr>
<td>Rubber processing (tube and tyre manufacturing)</td>
<td>High pH, COD, sulphide, oil and grease</td>
</tr>
<tr>
<td>Paints industries (medium- and large-scale)</td>
<td></td>
</tr>
<tr>
<td>Bleaching powder</td>
<td></td>
</tr>
</tbody>
</table>

3. **List of industries that cannot be established in municipalities outside Kathmandu Valley**
   a) Industries listed in S. No. 2 above
   b) Stone-crushing industries
Appendix 13: Cottage Industries

(As per Industrial Enterprises Ordinance 2054)

Handloom, Pedal loom, Semiautomatic loom, Warping, Dyeing and printing, Tailoring (other than readymade garments), Knitting, Hand-knitted woollen mats and blankets (radi, pakhī), Woollen carpet, Pashmina, Woollen garments, carpentry, Wooden artistic product, Cane and bamboo works, Natural fibre products, Handmade paper and goods made up thereof, Gold, Philgiree products, including silver, Brass, Copper, Precious and semiprecious stones, Ornaments, Sculptures and pottery, Honey, Chyuri, Cardamom processing, Clay or ceramic pottery, Leather cutting and tanning, Rural tanning and leather goods producing works, Jute, Sabai Grass, Babio, Choya, Cotton thread products, Artistic products made of bones and horns, Stone carving, Ceramic fine arts, Pauwa, Boutique, Incense stick (Dhup), Dolls and toys industries and industries having NRs 200,000 fixed assets (excluding land and building)

Notes:

1. Unless otherwise mentioned specifically, machines of the above-mentioned industries should not employ electric motors of diesel or petrol or crude oil engine more than a total of 5 kW. Power looms shall not be included under cottage industries.

2. Permission is required for the establishment of mechanised woollen spinning and mechanised woollen carpet manufacturing.
Appendix 14: List of National Priority Industries

(As per the Industrial Enterprises Act 1992, First Amendment, 1997)

1. Agro- and forest-based industries
2. Engineering industries (producing agricultural and industrial machines)
3. Industry manufacturing fuel-saving or pollution control devices
4. Solid waste processing industry
5. Roads, bridges, tunnels, ropeways, flyovers, trolley bus and tram manufacturing and operating industries
6. Hospitals and nursing homes (only outside Kathmandu Valley)
7. Industries producing Ayurvedic, Homeopathic and other traditional medicines and industries producing crutches, seat belts, wheelchairs, stretchers and walking sticks and so on to be used in aid of the disabled and orthopaedics
8. Cold storage for fruits and vegetables
### Appendix 15: Classification of Areas

*(As per Annex 3 of the Industrial Enterprises Act 1991)*

**Remote Areas**

| 1. Darchula | 12. Sankhuwasabha |
| 2. Bajhang | 13. Khotang |
| 4. Humla | 15. Achham |
| 5. Jumla | 16. Dailekh |
| 7. Kalikot | 18. Rukum |
| 8. Rolpa | 19. Okhaldhunga |
| 10. Manang | 21. Terathum |
| 11. Solukhumbu | 22. Ramechhap |

**Undeveloped Areas**

| 1. Taplejung | 8. Pyuthan |
| 2. Rolpa | 9. Doti |
| 3. Baitadi | 10. Salyan |
| 4. Rasuwa | 11. Panchthar |
| 5. Gulmi | 12. Baglung |
| 6. Parbat | 13. Sindhupalchok |
| 7. Dadeldhura | |

**Underdeveloped Areas**

| 1. Kailali | 11. Udayapur |
| 2. Surkhet | 12. Dhankuta |
| 3. Arghakhanchi | 13. Ilam |
| 5. Syanja | 15. Bardia |
| 7. Lamjung | 17. Nuwakot |
| 8. Tanahun | 18. Kavrepalanchok |
| 10. Sindhuli | |
Appendix 16: Depreciation Rate as Per Income Tax Rule

(Rate of Decreasing Depreciation System)

1. **Building**
   a. Cement mortar 5%
   b. Mud mortar 7%
   c. Temporary (wooden or thatch) 50%

2. **Vehicles**
   a. Aeroplane, helicopter 25%
   b. Ship, boat 20%
   c. Bus, truck, tractor 20%
   d. Car, jeep, van, motorbike 15%
   e. Bicycle, rickshaw 20%
   f. Animal-driven carts and boats 25%
   g. Other vehicles 15%

3. **Furniture**
   a. Metal 10%
   b. Wooden 15%

4. **Machinery, Equipment and Tools:**
   a. Relating to building, road, bridge, mines, tunnel construction:
      i. Crane, bulldozer, dozer, grader, roller, dump truck and other similar machinery and equipment 25%
      ii. Other light machine equipment 15%
   b. Machine and equipment relating to electricity and telephone 15%
   c. Refrigerator, air-conditioner, air-cooler and other similar types of machinery and equipment 15%
   d. Lift, elevator and escalator 15%
   e. Computer and related equipment 20%
   f. Machinery and equipment relating to production and screening of motion pictures 20%
   g. Frames used for producing bricks and tiles 15%
   h. Machinery for rubber and plastic goods 15%
i. Machinery for hosiery and woollen goods 15%

j. Machinery and equipment for canvas and leather stitching and joining 15%

k. Plant, machinery, and equipment used in tea factory, including roller and drier 15%

l. Juice boiling pans 20%

m. Sugarcane crushing machine 15%

n. Wooden frame for matchmaking 20%

o. Tools and equipment used for medical treatment 15%

p. X-ray machine 20%

q. Laboratory machine and equipment 15%

r. Office goods and equipment (typewriter, calculator, duplicating machine, photocopy machine, etc) 15%
Appendix 17: Industrial Land and Factory Shed

Land and Factory Sheds in Industrial Estates
Space and factory sheds are available in limited numbers in industrial estates at Patan, Balaju, Bhaktapur, Hetauda, Dharan, Pokhara, Butwal, Birendranagar, Dhankuta, Nepalgunj and Rajbiraj, managed by Industrial District Management Ltd, located at Balaju, Kathmandu. Industrial Districts provide developed land on rent and other utility facilities at reasonable rates. Investors wishing to set up industries in Industrial Estates are required to apply to the Manager of the Industrial Estate with a copy of industrial licence, details of land and facilities required and detailed drawings of the proposed layout plan for covered and uncovered areas.

Land and Factory Sheds outside Industrial Estate

- Industries can also be set up outside the industrial estates. In this case, the investor himself has to arrange for land and other utility facilities from the agencies concerned.
- A location where a particular category of industry is allowed (or not allowed) to be established is given in Appendix 18.
- Foreign nationals are not permitted to own land and building in their individual names. However, foreign investors can purchase land and building in the name of the company after incorporating the company at Company Registrar’s Office.
- Services of local real estate dealers can be used for acquiring land. Local partner, if associated, can be helpful in this regard. After identifying the land, it has to be registered at the local office of the Department of Land Revenue.
Appendix 18: Electricity Connection

The company has to apply to the local office of Nepal Electricity Authority in a prescribed form, as shown in Appendix 19, for electricity connection, along with the following documents:

- Copy of the ownership certificate of the land and building. (In case of building constructed in the leased land or rented land, agreement with the owner in a prescribed form should be attached)
- Copy of certificate of incorporation
- Copy of industry registration certificate

The prevailing electricity tariff rates for industries, effective from September 2001, are as follows. One can choose one of the following two options for paying the electricity bill.

### Option I

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Demand Rate/KVA (per month)</th>
<th>Energy Rate/Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Lower voltage (400/230 volt)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Rural and cottage industries</td>
<td>45.00</td>
<td>5.45</td>
</tr>
<tr>
<td>ii) Small-scale industries</td>
<td>90.00</td>
<td>6.60</td>
</tr>
<tr>
<td>b) Medium voltage (11 KV)</td>
<td>190.00</td>
<td>5.90</td>
</tr>
<tr>
<td>c) Medium voltage (33 KV)</td>
<td>190.00</td>
<td>5.80</td>
</tr>
<tr>
<td>d) High voltage (66 KV and above)</td>
<td>175.00</td>
<td>4.60</td>
</tr>
</tbody>
</table>

### Option II (Time of Day Tariff)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Demand Rate/KVA per month</th>
<th>Energy Rate/Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) High voltage</td>
<td>175.00</td>
<td>Peak time: 6 pm to 11 pm: 5.20</td>
</tr>
<tr>
<td>b) Medium voltage (33KV)</td>
<td>190.00</td>
<td>6.55</td>
</tr>
<tr>
<td>c) Medium voltage (11KV)</td>
<td>190.00</td>
<td>6.70</td>
</tr>
</tbody>
</table>

**Notes:**
1. Lower voltage means 230/400 volt.
2. Medium voltage means 11 and 33 KVA.
3. Upper voltage means 66 KVA and above.
Appendix 19: Industrial Factor Costs

1. Cost of Industrial Sites

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Place</th>
<th>Range of Land Price (In Rs Per Ropani)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A Kathmandu</td>
<td>Rs 2,000,000-6,000,000</td>
</tr>
<tr>
<td></td>
<td>B Outside Kathmandu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lalitpur</td>
<td>Rs 500,000-3,000,000</td>
</tr>
<tr>
<td></td>
<td>Bhaktapur</td>
<td>Rs 200,000-1,500,000</td>
</tr>
<tr>
<td></td>
<td>Pokhara</td>
<td>Rs 500,000-2,000,000</td>
</tr>
<tr>
<td></td>
<td>Butwal</td>
<td>Rs 200,000-250,000</td>
</tr>
<tr>
<td></td>
<td>Dharan</td>
<td>Rs 200,000-250,000</td>
</tr>
<tr>
<td></td>
<td>Nepalgunj</td>
<td>Rs 250,000-450,000</td>
</tr>
<tr>
<td></td>
<td>Surkhet</td>
<td>Rs 70,000-85,000</td>
</tr>
<tr>
<td></td>
<td>Biratnagar</td>
<td>Rs 200,000-400,000</td>
</tr>
<tr>
<td></td>
<td>Birgunj</td>
<td>Rs 300,000-450,000</td>
</tr>
<tr>
<td></td>
<td>Banepa, Dhulikhel</td>
<td>Rs 300,000-1,500,000</td>
</tr>
</tbody>
</table>

(1 Ropani = 5,476 sq. ft.)


2. Construction Costs

<table>
<thead>
<tr>
<th>A.</th>
<th>Factory building</th>
<th>Rs</th>
<th>500</th>
<th>700</th>
<th>Per sq. ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.</td>
<td>Office building</td>
<td>Rs</td>
<td>600</td>
<td>-</td>
<td>800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C.</th>
<th>Material cost:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Cement</td>
</tr>
<tr>
<td>b.</td>
<td>Torsteel rods</td>
</tr>
<tr>
<td>c.</td>
<td>Bricks</td>
</tr>
<tr>
<td>d.</td>
<td>Sand</td>
</tr>
<tr>
<td>e.</td>
<td>Stone aggregates</td>
</tr>
<tr>
<td>f.</td>
<td>Asbestos sheets</td>
</tr>
<tr>
<td>g.</td>
<td>Other roofing sheets</td>
</tr>
</tbody>
</table>

Source: Various organizations
3. Fuel (As of November 2007)

<table>
<thead>
<tr>
<th>Types of Petroleum Product</th>
<th>Retail Price/Litre (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Petrol</td>
<td>73.50</td>
</tr>
<tr>
<td>b. Diesel</td>
<td>56.25</td>
</tr>
<tr>
<td>c. LP Gas (per cylinder of 14.2 kg net)</td>
<td>1,100.00</td>
</tr>
<tr>
<td>d. Aviation turbine fuel</td>
<td>72.00</td>
</tr>
<tr>
<td>e. Kerosene</td>
<td>51.20</td>
</tr>
<tr>
<td>f. Furnace oil</td>
<td>45.63</td>
</tr>
<tr>
<td>g. Light diesel oil</td>
<td>46.89</td>
</tr>
</tbody>
</table>

Source: Nepal Oil Corporation

4. Salaries and Wages (Per month)*

<table>
<thead>
<tr>
<th>a. Managerial Grade</th>
<th>b. Engineers</th>
<th>Rs</th>
<th>10,000-25,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>c. Technical Operator</td>
<td>Rs</td>
<td>5,000-8,000</td>
<td></td>
</tr>
<tr>
<td>d. Junior Operator</td>
<td>Rs</td>
<td>3,500-5,000</td>
<td></td>
</tr>
<tr>
<td>e. Office Assistant</td>
<td>Rs</td>
<td>4,000-5,000</td>
<td></td>
</tr>
<tr>
<td>f. Clerical Grade</td>
<td>Rs</td>
<td>3,000-4,500</td>
<td></td>
</tr>
<tr>
<td>g. Labour Grade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skilled</td>
<td>Rs</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>Semiskilled</td>
<td>Rs</td>
<td>4,500</td>
<td></td>
</tr>
<tr>
<td>Unskilled</td>
<td>Rs</td>
<td>2,500</td>
<td></td>
</tr>
</tbody>
</table>

Note: *It would be appropriate to add 25 per cent of above salaries to take account of social costs.*

5. Rent (Office and Residential)

<table>
<thead>
<tr>
<th>Kathmandu (residential)</th>
<th>Rs</th>
<th>15,000/or Rs 15</th>
<th>per sq.ft</th>
<th>month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kathmandu (office)</td>
<td>Rs</td>
<td>6-8</td>
<td>per sq. ft</td>
<td>month</td>
</tr>
<tr>
<td>Butwal (office)</td>
<td>Rs</td>
<td>4-5</td>
<td>per sq. ft</td>
<td>month</td>
</tr>
<tr>
<td>Hetauda (office)</td>
<td>Rs</td>
<td>3-5</td>
<td>per sq. ft</td>
<td>month</td>
</tr>
<tr>
<td>Pokhara (office)</td>
<td>Rs</td>
<td>4-5</td>
<td>per sq. ft</td>
<td>month</td>
</tr>
<tr>
<td>Biratnagar (office)</td>
<td>Rs</td>
<td>4-6</td>
<td>per sq. ft</td>
<td>month</td>
</tr>
<tr>
<td>Birgunj (office)</td>
<td>Rs</td>
<td>6-10</td>
<td>per sq. ft</td>
<td>month</td>
</tr>
</tbody>
</table>
6. Water Consumption Rates

<table>
<thead>
<tr>
<th>Size of Taps</th>
<th>Consumption (Litre)</th>
<th>Minimum Charge (Rs/Month)</th>
<th>Charge on Exceeding Consumption (Rs/KL)</th>
<th>Main Tap (Rs/Month)</th>
<th>Branch Tap (Rs/Month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2&quot;</td>
<td>10,000</td>
<td>50</td>
<td>15</td>
<td>360</td>
<td>100</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>27,000</td>
<td>810</td>
<td>30</td>
<td>1,950</td>
<td>650</td>
</tr>
<tr>
<td>1&quot;</td>
<td>56,000</td>
<td>1,680</td>
<td>30</td>
<td>4,050</td>
<td>1,115</td>
</tr>
<tr>
<td>11/2&quot;</td>
<td>155,000</td>
<td>4,650</td>
<td>30</td>
<td>11,160</td>
<td>3,000</td>
</tr>
<tr>
<td>2&quot;</td>
<td>320,000</td>
<td>9,600</td>
<td>30</td>
<td>23,040</td>
<td>5,000</td>
</tr>
<tr>
<td>4&quot;</td>
<td>1,810,000</td>
<td>54,300</td>
<td>30</td>
<td>130,320</td>
<td>30,000</td>
</tr>
</tbody>
</table>

7. Clearing and Forwarding Charges at Calcutta and Haldia Ports

Clearing commission and undertaking charges: One per cent of the CIF Kolkata price of the consignment.

8. Freight by Road*

<table>
<thead>
<tr>
<th>Destination Sector</th>
<th>Open Truck</th>
<th>Trailer</th>
<th>Container</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NRs/MT</td>
<td>Minimum Chargeable Weight (MT)</td>
<td>NRs/MT</td>
</tr>
<tr>
<td>Kolkata to Birgunj</td>
<td>1,920</td>
<td>9</td>
<td>2,240</td>
</tr>
<tr>
<td>Kolkata to Biratnagar</td>
<td>1,440</td>
<td>9</td>
<td>1,760</td>
</tr>
<tr>
<td>Birgunj to Kathmandu</td>
<td>1,200</td>
<td>10</td>
<td>3,200</td>
</tr>
<tr>
<td>Biratnagar to Kathmandu</td>
<td>1,920</td>
<td>10</td>
<td>4,800</td>
</tr>
</tbody>
</table>

9. Air Freight

<table>
<thead>
<tr>
<th>Destination</th>
<th>Minimum Charge Up to 3 kg</th>
<th>Nominal Charge Up to 45 kg</th>
<th>Charge/kg exceeding 45 kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kathmandu-Delhi</td>
<td>Rs 138.00</td>
<td>Rs 43.00</td>
<td>Rs 35.00</td>
</tr>
<tr>
<td>Kathmandu-Kolkata</td>
<td>Rs 138.00</td>
<td>Rs 29.00</td>
<td>Rs 28.00</td>
</tr>
<tr>
<td>Kathmandu-Bangkok</td>
<td>US$20.00</td>
<td>US$1.83</td>
<td>US$1.37</td>
</tr>
<tr>
<td>Kathmandu-Karachi</td>
<td>US$11.00</td>
<td>US$1.51</td>
<td>US$1.13</td>
</tr>
<tr>
<td>Kathmandu-Hong Kong</td>
<td>US$20.00</td>
<td>US$2.64</td>
<td>US$1.99</td>
</tr>
<tr>
<td>Kathmandu-Dubai</td>
<td>US$19.00</td>
<td>US$3.82</td>
<td>US$2.86</td>
</tr>
<tr>
<td>Kathmandu-Frankfurt</td>
<td>US$24.00</td>
<td>US$4.40</td>
<td>US$3.47</td>
</tr>
<tr>
<td>Kathmandu-Tokyo</td>
<td>US$20.00</td>
<td>US$5.17</td>
<td>US$3.88</td>
</tr>
<tr>
<td>Kathmandu-Dhaka</td>
<td>US$11.00</td>
<td>US$0.55</td>
<td>US$0.42</td>
</tr>
<tr>
<td>Kathmandu-Colombo</td>
<td>US$11.00</td>
<td>US$1.71</td>
<td>US$1.28</td>
</tr>
<tr>
<td>Kathmandu-Male</td>
<td>US$11.00</td>
<td>US$1.79</td>
<td>US$1.34</td>
</tr>
</tbody>
</table>
10. **Current Lending Rates of Commercial Banks (as of May 2006)**

(Negotiable, depending upon the size of transaction and other business)

<table>
<thead>
<tr>
<th>Type of Lending</th>
<th>Lending Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Commercial loan</td>
<td>8.0-14.0</td>
</tr>
<tr>
<td>b. Deprived sector loan</td>
<td>4.0-11.0</td>
</tr>
<tr>
<td>c. Priority sector loan</td>
<td>4.0-13.0</td>
</tr>
<tr>
<td>d. Overdraft facility</td>
<td>6.5-14.5</td>
</tr>
<tr>
<td>e. Term loan</td>
<td>9.0-14.5</td>
</tr>
<tr>
<td>f. Working capital loan</td>
<td>7.5-13.5</td>
</tr>
<tr>
<td>g. Loan against Government bond</td>
<td>5.0-9.5</td>
</tr>
<tr>
<td>h. Loan against bank guarantee</td>
<td>6.5-10.5</td>
</tr>
<tr>
<td>i. Loan against fixed deposit</td>
<td>+1.0-3.0 over deposit rate</td>
</tr>
<tr>
<td>j. Import finance</td>
<td>7.0-12.5</td>
</tr>
<tr>
<td>k. Hire-purchase loan</td>
<td>5.0-12.5</td>
</tr>
<tr>
<td>l. Export credit</td>
<td>4.0-12.5</td>
</tr>
<tr>
<td>m. Industrial loan</td>
<td>8.5-13.5</td>
</tr>
</tbody>
</table>

11. **Telephone**

Land Line Local Call Tariff:
- Minimum monthly rental for land line local telephone (with 175 free calls) - Rs 200.00.
- Charge for excess call: Re 1.00
- Charge for a call to cell phone from local exchange to land line: Re 1.00
- For Internet use, every four minute counts one call in business hour call period.
- STD call rates from Kathmandu Valley to other domestic destinations are Rs 2.50/minute under 50 km and Rs 5.00/minute over that distance.
- All types of service are subject to a service charge and government taxes.
## Mobile Phone Service

### SIM Subscription Charges

<table>
<thead>
<tr>
<th>A</th>
<th>SIM Subscription</th>
<th>Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Post-Paid Subscription Charge</td>
<td>with STD</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Rs 4615.00</td>
</tr>
<tr>
<td>C</td>
<td>Pre-Paid Subscription Cost</td>
<td>Charges</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Rs 6615.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Rs 1135.00</td>
</tr>
</tbody>
</table>

### Air Time Charges

<table>
<thead>
<tr>
<th>A. Post-Paid Mobile</th>
<th>ATC (Air Time Charge)</th>
<th>Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Off Peak Hours</td>
<td>Peak Hours</td>
</tr>
<tr>
<td></td>
<td>20:00 to 8:00</td>
<td>8:00 to 20:00</td>
</tr>
<tr>
<td></td>
<td>20:00 to 8:00</td>
<td>8:00 to 20:00</td>
</tr>
<tr>
<td>Post-Paid Mobile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Paid Mobile</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Local Call Charges to GSM/ CDMA mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outgoing call/min</td>
</tr>
<tr>
<td>Saturday Outgoing call/min</td>
</tr>
<tr>
<td>Incoming Call/Min from Nepal Telecom PSTN/NTC Mobile</td>
</tr>
<tr>
<td>Incoming Call/Min from other Operators</td>
</tr>
</tbody>
</table>

### Domestic Trunk Charges

<table>
<thead>
<tr>
<th>Sunday to Friday</th>
<th>Outgoing Call from</th>
<th>Call to</th>
<th>Air Time Charge (ATC) Rs Per minute</th>
<th>Distance Charge Rs Per minute</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GSM Post-paid Mobile</td>
<td>GSM Pre-paid Mobile</td>
<td>GSM Post-paid Mobile</td>
<td>GSM Pre-paid Mobile</td>
</tr>
<tr>
<td></td>
<td>GSM Post-paid Mobile</td>
<td>GSM Pre-paid Mobile</td>
<td>GSM Post-paid Mobile</td>
<td>GSM Pre-paid Mobile</td>
</tr>
<tr>
<td>GSM/ CDMA mobile</td>
<td>3.00</td>
<td>3.50</td>
<td>1.50</td>
<td>2.50</td>
</tr>
<tr>
<td>PSTN/C-Phone/UTL/SNPL/STM</td>
<td>3.00</td>
<td>3.50</td>
<td>1.50</td>
<td>2.50</td>
</tr>
<tr>
<td>Saturday</td>
<td>GSM/ CDMA mobile</td>
<td>1.50</td>
<td>2.50</td>
<td>1.50</td>
</tr>
<tr>
<td>PSTN/C-Phone/UTL/SNPL/STM</td>
<td>1.50</td>
<td>2.50</td>
<td>1.50</td>
<td>2.50</td>
</tr>
</tbody>
</table>
### International Trunk Charges

<table>
<thead>
<tr>
<th>Outgoing Calls</th>
<th>(ATC) Air Time Charge</th>
<th>Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Off Peak Hours</td>
<td>Peak Hours</td>
</tr>
<tr>
<td>from</td>
<td>Post-Paid Mobile</td>
<td>Pre-Paid Mobile</td>
</tr>
<tr>
<td>India *</td>
<td>Rs 1.50</td>
<td>Rs 1.50</td>
</tr>
<tr>
<td>SAARC Countries</td>
<td>Rs 1.50</td>
<td>Rs 1.50</td>
</tr>
<tr>
<td>India Transborder Call</td>
<td>Rs 1.50</td>
<td>Rs 1.50</td>
</tr>
<tr>
<td>Remaining Other Countries (with 00 code access)</td>
<td>Rs 1.50</td>
<td>Rs 1.50</td>
</tr>
<tr>
<td>Budget Call (except in SAARC countries) *</td>
<td>Rs 1.50</td>
<td>Rs 1.50</td>
</tr>
<tr>
<td>Incoming Calls (Post-Paid/ Pre-Paid Mobile)</td>
<td>Free</td>
<td>Free</td>
</tr>
</tbody>
</table>

### 13. Exchange Rates as on 06.11.2007

**Exchange Rates Fixed by Nepal Rastra Bank**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Unit</th>
<th>Buying (Rs)</th>
<th>Selling (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Rupees</td>
<td>100</td>
<td>160.00</td>
<td>160.15</td>
</tr>
</tbody>
</table>

**Open Market Exchange Rates (Quoted by Nepal Rastra Bank)**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Unit</th>
<th>Buying Rate (Rs)</th>
<th>Selling Rate (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Dollar</td>
<td>1</td>
<td>63.05</td>
<td>63.65</td>
</tr>
<tr>
<td>Euro</td>
<td>1</td>
<td>91.36</td>
<td>92.23</td>
</tr>
<tr>
<td>Pound Sterling</td>
<td>1</td>
<td>131.67</td>
<td>132.93</td>
</tr>
<tr>
<td>Swiss Frank</td>
<td>1</td>
<td>54.70</td>
<td>55.22</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>1</td>
<td>58.04</td>
<td>58.59</td>
</tr>
<tr>
<td>Canadian Dollar</td>
<td>1</td>
<td>67.50</td>
<td>68.14</td>
</tr>
<tr>
<td>Singapore Dollar</td>
<td>1</td>
<td>43.44</td>
<td>43.86</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>10</td>
<td>5.51</td>
<td>5.57</td>
</tr>
<tr>
<td>Chinese Yuan</td>
<td>1</td>
<td>8.46</td>
<td>8.54</td>
</tr>
<tr>
<td>Swedish Kroner</td>
<td>1</td>
<td>9.87</td>
<td>-</td>
</tr>
<tr>
<td>Danish Kroner</td>
<td>1</td>
<td>12.26</td>
<td>-</td>
</tr>
<tr>
<td>Hong Kong Dollar</td>
<td>1</td>
<td>8.12</td>
<td>-</td>
</tr>
<tr>
<td>Saudi Arab Riyal</td>
<td>1</td>
<td>16.81</td>
<td>-</td>
</tr>
<tr>
<td>Qatar Riyal</td>
<td>1</td>
<td>17.33</td>
<td>-</td>
</tr>
<tr>
<td>Thai Baht</td>
<td>1</td>
<td>1.85</td>
<td>-</td>
</tr>
<tr>
<td>UAE Dirham</td>
<td>1</td>
<td>17.17</td>
<td>-</td>
</tr>
<tr>
<td>Malaysian Ringgit</td>
<td>1</td>
<td>18.82</td>
<td>-</td>
</tr>
</tbody>
</table>

*Note: Under the present system, the open market exchange rates quoted by different banks may differ.*
## Appendix 20: Industrial Statistics Report

1. Name of industry:  
2. Address:  
3. Telephone no.:  
4. Fax no.:  
5. E-mail:  
6. Period of industrial statistics

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Product/Service</th>
<th>Annual Capacity</th>
<th>Volume of Production (Unit)</th>
<th>Ex-factory Value of Production (Rs '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Types of raw material/s:  
7. No of employees:  
   Local:  
   Foreign:  
8. Current status of industry:  
   Operational/closed/under-construction  
9. No. of days the industry in operation:  
10. Shifts per day:

Filled by:  
Name:  
Designation:  
Signature:  
Date:  
Seal of company
Appendix 21: Contact Addresses of Useful Institutions

Ministry of Industry
Singha Durbar, Kathmandu
Tel No. 977 1 4211579
Fax No 977 1 4211619
E-mail: moind@wlink.com.np
Website: www.moi.gov.np

Ministry of Commerce and Supplies
Singha Durbar, Kathmandu
Tel No. 977 1 4211446
Fax No. 977 1 4211167
E-mail: moc@wlink.com.np

Company Registrar’s Office
Tripureshwar, Kathmandu, Nepal
Tel: 4263090/089
Fax: +977 1 4259961
URL: http://www.cro.gov.np

Department of Commerce
Babar Mahal, Kathmandu, Nepal
Tel: 4247912/913
Fax: +977 1 4249603
E-mail: doc@wlink.com.np

Department of Cottage and Small Industries
Tripureshwar, Kathmandu, Nepal
Tel: 4259875
Fax: +99 1 4259747
E-mail: dcsi@wlink.com.np
URL: www.dcsi.gov.np

Department of Mines and Geology
Lainchaur, Kathmandu, Nepal
Tel: 4414806/740
Fax: +977 1 4414806
E-mail: dmgplan@inforclub.com.np
URL: http://www.dmgnepal.gov.np

Department of Finance
Singha Durbar, Kathmandu, Nepal
Tel: 4259809/880
Fax: +977 1 4211164
E-mail: eapad@mof.gov.np
URL: http://www.mof.gov.np

Department of Immigration/Pradarshani Marga,
Kathmandu, Nepal
Tel: 4222453
Fax: +977 1 4223127
E-mail: deptimi@ntc.net.np
URL: http://www.immi.gov.np

Nepal Bureau of Standard and Meteorology
Balaju, P.O. Box No. 985, Kathmandu, Nepal
Tel: 4350445/447/818
Fax: +977 1 4350689
E-mail: nbsm@nbsm.gov.np
URL: http://www.nbsm.gov.np

Department of Customs
Tripureshwar, Kathmandu, Nepal
Tel: 4259942/862/793
Fax: +977 1 4259808
E-mail: it@customs.gov.np
URL: http://www.customs.gov.np

Department of Inland Revenue
Lazimpat, Kathmandu, Nepal
Tel: 4410340
Fax: +977 1 4411788
E-mail: ird@ird.gov.np
URL: http://www.ird.gov.np

Department of Labour and Employment
Promotion
New Baneshwor, Kathmandu, Nepal
Tel: 4461299
Fax: +977 1 4477673
E-mail: dol@mos.com.np
URL: http://www.dolep.gov.np

Nepal Rastra Bank
Lalit Niwas, Baluwatar, Kathmandu, Nepal
Tel: 4410158, 4419804-7, 4412204
Fax: +977 1 4421018
E-mail: itdept@nrb.org.com
URL: http://www.nrb.org.np

Nepal Industrial Development Corporation
Durbar Marg, P.O.Box 10, Kathmandu, Nepal
Tel: 4230198/203
Fax: +977 1 4227428
E-Mail: nidc@wlink.com.np
URL: http://www.nidc.org.np

Trade and Export Promotion Centre
Natole, Pulchowk, P.O.Box 825
Kathmandu, Nepal
Tel: 5525348/898, 5535642
Fax: +977 1 5525464
Email: info@tepc.gov.np
URL: http://www.tepc.gov.np

Ministry of Tourism and Civil Aviation
Singh Durbar, Kathmandu
Tel No. 977 1 4211879/4211607
Fax No. 977 1 4211758
Email: info@tourism.gov.np
Ministry of Culture and State Restructuring
Singh Durbar, Kathmandu
Tel No. 977 1 4211628/
Tel No. 977 1 4211693

Industrial District Management Co. Ltd.
P.O. Box 812, Balaju
Industrial District,
Balaju, Kathmandu, Nepal
Tel: 4351224
Fax: +977 1 4351369
E-mail: idmlho@ntc.net.np
URL: http://www.idm.com.np

Central Bureau of Statistics
Ram Shah Path,
Kathmandu, Nepal
Tel: 4245947/948, 4229406
Fax: +977 1 4227720
E-mail: info@cbs.gov.np
URL: http://www.cbs.gov.np

Federation of Nepalese Chambers of Commerce and Industry (FNCCI)
Teku, P.O. Box 269,
Kathmandu, Nepal
Tel: 4262218/061
Fax: +977 1 426007, 4261022
URL: http://www.fncci.org

Confederation of Nepalese Industries (CNI)
Teku, Kathmandu, Nepal
Tel: 4243711
Fax: +977 1 4244687
E-mail: cni@wlink.com.np
URL: http://www.cnind.org.np

Nepal Chamber of Commerce
Chamber Bhawan,
Kantipath, P.O.Box 198,
Kathmandu, Nepal
Tel: 4230947
Fax: +977 1 4229998/2890
E-mail: chamber@wlink.com.np
URL: http://www.nepalchamber.org

Nepal Water Supply Corporation
Tripathi Bhawan,
Kathmandu, Nepal
Tel: 4259845
Fax: +977 1 4259824,
4262229
E-mail: nwsc@mos.com.np
URL: http://www.nwsc.gov.np

Nepal Electricity Authority
Bhadrapur, Kathmandu,
Nepal
Tel: 4227725/035
Fax: +977 1 4266673
E-mail: neam@mos.com.np
URL: http://www.nea.org.np

Nepal Telecommunication Ltd.
Bhadrapur Plaza,
Kathmandu, Nepal
Tel: 4243444
Fax: +977 1 4241400
E-mail: ntco@mos.com.np
URL: http://www.ntco.com.np

National Planning Commission Secretariat
Singha Durbur, Kathmandu,
Nepal
Tel: 4228200/000
Fax: +977 1 4226500
E-mail: npsc@npcnepal.gov.np
URL: http://www.npc.gov.np

Nepal Stock Exchange Ltd.
P.O. Box 1550, Dillibazar,
Kathmandu, Nepal
Tel: 4250755/756
Fax: +977 1 4262538
E-mail: nepse@ntc.net.np
URL: http://www.nepalstock.com

Special Economic Zone Project
Kuriyagaon, Thapathali
Kathmandu, Nepal
Tel: 4220950
Fax: +977 1 4245215
E-mail: seznepal@wlink.com.np
URL: http://www.seznepal.gov.np

National Productivity and Economic Development Centre
Balaju Industrial District,
Balaju,
Kathmandu, Nepal
Tel: 4350293
Fax: +977 1 4350530
E-mail: npedc@wlink.com.np
URL: http://www.npedc.nepal.org

Nepal Tourism Board
Bhrikuti Mandap,
Kathmandu, Nepal
Tel: 4256909/230
Fax: +977 1 4256910
E-mail: info@ntb.org.com.np
URL: http://www.welcomenepal.com

Ministry of Foreign Affairs
Shital Niwas, Maharajgunj,
Kathmandu, Nepal
Tel: +977 1 4416011/12/13/14/15
Fax: +977 1 4416016/007,
4419044
E-mail: fso@mofa.gov.np
(Foreign Secretary)
comm@mofa.gov.np
(Communication)
URL: www.mofa.gov.np
## Consulates

### Austria
- **Mr. Laxman Babu Shrestha**  
  Honorary Consul of Austria  
  GPO Box 4416, Naxal, Nagpokhari, Kathmandu  
  Tel: +977 1 4434690/4648  
  Fax: +977 1 4434515  
  Email: chitwon@cc.wlink.com.np  
  URL: www.chitawoncoe.com

### Cyprus
- **Mr. Padma Jyoti**  
  Honorary Consul of Cyprus  
  Jyoti Bhawan, Kantipath, GPO Box 133, Kathmandu  
  Tel: +977 1 4225490  
  Fax: +977 1 4226314  
  E-mail: pjyoti@mail.com.np

### Italy
- **Mr. Ravi Bhakta Shrestha**  
  Honorary Consul of Italy  
  I.J. Plaza 1st Floor, Tindhara Pakshala, Durbarmag, GPO Box 1097, Kathmandu  
  Tel: +977 1 4252801/2/3/4  
  Fax: +977 1 4255218  
  E-mail: consulateofitaly@mos.com.np

### Belgium
- **Mr. Ang Tshiring Sherpa**  
  Honorary Consul of Belgium  
  GPO Box: 3022, Bhagwan Bahal, Thamel, Kathmandu  
  Tel: +977 1 4418922  
  Fax: +977 1 441033  
  Email: diplobel@wlink.com.np

### Czech Republic
- **Ms. Zdenka Karkyova**  
  Honorary Consul of Czech Republic  
  3/487 Jawalakhel, Lalitpur  
  GPO Box 20088, Kathmandu  
  Tel: +977 1 5521730/4741  
  Fax: +977 1 5521730  
  E-mail: cdkarky@wlink.com.np

### Lithuania
- **Mr. Rameswor Sapkota**  
  Honorary Consul of Lithuania  
  Bldg.# 120, Nurshing Chowk, Thamel, GPO Box 2107, Kathmandu  
  Tel: +977 1 4700275/6, 4701135  
  Fax: +977 1 4700045, 435074  
  E-mail: nepaltur@mos.com.np  
  Mrs Kamala Sapkota

### Luxembourg
- **Mr. Shree Ram Lamicchane**  
  Honorary Consul of Luxembourg  
  Lal Durbar, GPO Box 2354, Kathmandu  
  Tel: +977 1 422567/620 (O), 5534929(R)  
  Fax: +977 1 4226121  
  E-mail: tour@tnepal.wlink.com.np

### Luxembourg
- **Mr. Binay Man Shrestha**  
  Honorary Consul of Brazil  
  Jhamsihel Chowk, Sanepa, Lalitpur  
  GPO Box: 2676, Kathmandu  
  Tel: +977 1 5527223/261 (O), 5522992 (R)  
  Fax: +977 1 5523746

### Greece
- **Mr. Gautam Nath Shah**  
  Honorary Consul General of Greece  
  Churchill Complex, Bag Durbar, GPO Box 5939, Kathmandu  
  Tel: +977 1 422050/7389(O), 4260351 (R)  
  Fax: +977 1 4261960  
  E-mail: churchill@htp.com.np

### Myanmar
- **Mr. Ang Tshiring Sherpa**  
  Honorary Consul of Myanmar  
  GPO Box: 3022, Bhagwan Bahal, Thamel, Kathmandu  
  Tel: +977 1 4418922  
  Fax: +977 1 441033  
  Email: diplobel@wlink.com.np

### Iceland
- **Mr. Mukunda Bhakta Shrestha**  
  Honorary Consul of Iceland  
  Pacific Building, Ramshah Path, GPO Box 347, Kathmandu  
  Tel: +977 1 443814, 4430525 (O), 427170/71(R)  
  Fax: +977 1 4430413  
  E-mail: mukunda@pacific-nepal.com  
  Mrs Mohini Shrestha
NEPAL: Foreign Investment Opportunities

Mexico
Mr. Tek Chandra Pokharel
Honorary Consul of Mexico
546 Thirbam Road-5,
Baluwatar, GPO Box 989,
Kathmandu
Tel: 4412971, 4420018
Fax: +977 1 4418182
E-mail: tcp@goimalaya.com
Mrs. Usha Pokharel

Mongolia
Mr. Tsetan Gyurman Shrestha
Honorary Consul of Mongolia
Tinchuli, Boudha, GPO Box 2534, C/o Samling Carpet Industries Pvt Ltd.
Kathmandu
Tel: 4496532, 4471534
Fax: +977 1 4470525
Email: mongol_con@wlink.com.np
Mrs. Sonam Lama Shrestha

Portugal
Mr. Rajendra Kumar Khetan
Honorary Consul of Portugal
Corporate House, Hattisar, GPO Box 6156, Kathmandu
Tel: 4446400
Fax: +977 1 4446405
Email: r@rkhetan.com
URL: www.khetan.consul.cc

Sweden
Mr. Gajendra Bahadur Shrestha
Honorary Consul General of Sweden
Meera Home, Khichapokhari, Kathmandu
Tel: 4220939 (O), 4720251 (R)
Fax: +977 1 4221826
Email:meerahome@wlink.com.np

The Netherlands
Mr. J T G Heijdra,
Honorary Consul of the Netherlands, Royal
Netherlands Consulate
SNV Premises, Bakhundole
Height, Lalitpur Tel: 5523444
Fax: +977 1 5523155
Email: consulate@snv.org.np

Slovakia
Mr. Chatur Dhoj Karky
Honorary Consul of Slovakia
3/487 Jawalakhel, Lalitpur,
GPO Box 366, Kathmandu
Tel: 5521730/4741
Fax: +977 1 5521730
Email: cdkarky@wlink.com.np
Ms. Zdenka Karkyova

Switzerland
SDC Compound, Ekantakuna,
Jawalakhel, Lalitpur, GPO Box 4486, Kathmandu
Tel: 5549225
Fax: +977 1 5549224
Email: scaktm@wlink.com.np

New Zealand
Ms. Elizabeth Ann Hawley,
Honorary Consul of New Zealand
Koshi Compound, Dillibazar,
GPO Box 224, Kathmandu
Tel: 4412436
Fax: +977 1 4414750

Spain
Ms. Ambica Shrestha
Honorary Consul of Spain
Battisputali, GPO Box 459,
Kathmandu
Tel: 4470770/3724
Fax: +977 1 4471379
Email: info@dwarikas.com

Ukraine
Mr. Kiran Vaidya
Honorary Consul of Ukraine
GP Box No. 3843
Tel: 4416544/767/8847
Fax: +977 1 4421845, 4420778
Email: vaidya@ccsl.com.np
Ms. Rita Vaidya

The Phillipines
Mr. Vijaya Gajananda Vaidya
Honorary Consul General of Philippines
VOITH Complex, Sinamangal,
GPO Box 2640, Kathmandu
Tel: 4478301/2/3/4/5/6, 4487546
Fax: +977 1 4486243, 4493920
Email:philcongen@voith.com.np
URL: www.voith.com.np/philcongen

India
Consul General of India
Shreepur, P.O.Box 59, Birgunj, Parsa
Tel: +977 51 532211
Fax: +977 51 532269
Email:cgibirgunjhoc@wlink.com.np

Canadian Cooperation Office
Lazimpat, GPO Box 4574,
Kathmandu
Tel: 4415193, 4415861, 4415389
Fax: +977 1 4410422
Email: cco@cco.org
Foreign Diplomatic Missions in Kathmandu

United Nations Development Programme (UNDP)
UN House, Pulchowk, Lalitpur, GPO Box 107, Kathmandu
Tel: 5523200
Fax: +977 1 5523991, 5523986
Email: registry.np@undp.org
URL: www.undp.org.np

Australia
Australian Embassy
Suraj Niwas, Bansbari, GPO Box 879, Kathmandu
Tel: 4371678/076/446
Fax: +977 1 4371533
URL: www.nepal.embassy.gov.au

China
Embassy of the People’s Republic of China
Baluwatar, GPO Box 4234, Kathmandu
Tel: 441053, 4411740, 4415383
Fax: +977 1 4414045
Email: chinaemb_nep@mfa.gov.cn

Economic and Commercial Counsellor
GPO Box 4234, Naxal, Kathmandu
Tel: 443472, 4434972

Denmark
Embassy of Denmark
761 Neel Saraswati Marg, Lazimpat, GPO Box 632, Kathmandu
Tel: 4413010
Fax: +977 1 4411409
Telex: 2771 AMBDK NP
Email: ktmb@um.dk

Egypt
Embassy of the Arab Republic of Egypt
Pulchowk, Lalitpur, GPO Box 792, Kathmandu
Tel: 4372408, 4374812
Fax: +977 1 5522975
Telex: 2225 BUSTAN NP
E-mail: embassy.kathmandu@mfa.gov.eg

Japan
Embassy of Japan
1253 Narayan Gopal Road, Panipokhari, GPO Box 264, Kathmandu
Tel: 4426680
Fax: +977 1 4414101
Email: comjpn@mos.com.np
URL: www.np.emb-japan.go.jp

Pakistan
Embassy of the Islamic Republic of Pakistan
Maharajgunj Chakrpath, GPO Box 202, Kathmandu
Tel: 4374024, 43744015
Fax: +977 1 4374012
Email: parepktm@wlink.com.np

Finland
Embassy of Finland
17 Bansidhar Marg, Bishalnagar Chowk, GPO Box 2126, Kathmandu
Tel: 4416363/2221
Fax: +977 1 4416703
Email: sanomat.kat@formin.fi
URL: www.finland.org.np

Foreign Diplomatic Missions/Consulates in Nepal

Bangladesh
Embassy of the People’s Republic of Bangladesh
Shanti Ashram, Maharajgunj Chakrpath, GPO Box 789, Kathmandu
Tel: 4372843, 4370438
Fax: +977 1 4373265
Email: bdootktm@wlink.com.np

Denmark
Embassy of Denmark
761 Neel Saraswati Marg, Lazimpat, GPO Box 632, Kathmandu
Tel: 4413010
Fax: +977 1 4411409
Telex: 2771 AMBDK NP
Email: ktmb@um.dk

Egypt
Embassy of the Arab Republic of Egypt
Pulchowk, Lalitpur, GPO Box 792, Kathmandu
Tel: 4372408, 4374812
Fax: +977 1 5522975
Telex: 2225 BUSTAN NP
E-mail: embassy.kathmandu@mfa.gov.eg

Japan
Embassy of Japan
1253 Narayan Gopal Road, Panipokhari, GPO Box 264, Kathmandu
Tel: 4426680
Fax: +977 1 4414101
Email: comjpn@mos.com.np
URL: www.np.emb-japan.go.jp

Pakistan
Embassy of the Islamic Republic of Pakistan
Maharajgunj Chakrpath, GPO Box 202, Kathmandu
Tel: 4374024, 43744015
Fax: +977 1 4374012
Email: parepktm@wlink.com.np

Finland
Embassy of Finland
17 Bansidhar Marg, Bishalnagar Chowk, GPO Box 2126, Kathmandu
Tel: 4416363/2221
Fax: +977 1 4416703
Email: sanomat.kat@formin.fi
URL: www.finland.org.np
Korea, Democratic People’s Republic of
Embassy of the Democratic People’s Republic of Korea
Bakhndol, Lalitpur, Nepal
Tel: 5521855, 5535871
Fax: +977 1 5525394
Email: rimnine@wlink.com.np

Russian Federation
Embassy of the Russian Federation
GPO Box 123, Baluwatar, Kathmandu
Tel: 4412155/1063
Fax: +977 1 4416571
Email: ruspos@info.com.np
URL: www.nepal.mid.ru

France
Embassy of the French Republic
302 Narayan Gopal Road, Lazimpat, Kathmandu
Tel: 4412332/3839/4734,
Fax: +977 1 4419968
Email: ambassad@ambafrance-np.org
URL: www.ambafrance.org.np

Korea, Republic of
Embassy of the Republic of Korea
Ravi Bhawan, Kalimati
GPO Box 1058, Kathmandu
Tel: 4270172/417, 4277391
Fax: +977 1 4272041, 4275485
Email: koneemb@mos.com.np
URL: www.mofat.go.kr/nepal

Sri Lanka
Embassy of the Democratic Socialist Republic of Sri Lanka
P O Box 8802
Chundevi Marg, Maharajgunj, Kathmandu
Tel: 4720623/4721389
Fax: +977 1 4720128
Email: embassy@srilanka.info.com.np

India
Embassy of the Republic of India
336 Kapurdhara Marg, Lainchaur, Kathmandu
Tel: 4410900/4149900/4411699
Fax: +977 1 4428279
Email: hoc@eolkm.org
URL: www.south-asia.com/Embassy-India

Myanmar
Embassy of the Union of Myanmar
Krishna Galli, Pulchowk-3, Lalitpur
PO Box 2437, Kathmandu
Tel: 5521788, 5534778/776, 5555469
Fax: +977 1 5523402
Email: emb@myanmar.wlink.com.np

Thailand
Royal Thai Embassy
167/4 Ward No. 3
Maharajgunj- Bansbari Road
GPO Box 3333, Kathmandu
Tel: 4371410/11
Fax: 4371408/09
Email: thaiemb@wlink.com.np
URL: www.thaiembassy.org/kathmandu

Israel
Embassy of the State of Israel
Bishramalaya House,
Lazimpat
Kathmandu,
Tel: 4411811, 4413419
Fax: +977 1 4413920
Email: info@kathmandu.mfa.gov.il
Website: www.kathmandu.mfa.gov.il

Norway
Royal Norwegian Embassy
Bakhundol, Pulchowk, Lalitpur
Tel: 5545307, 5545308
Fax: +977 1 5545226
Emergency (out of office hours): 9851023681
Email: emb.kathmandu@mfa.no
Web: www.norway.org.np

United Kingdom
British Embassy
Lainchaur, GPO Box 106,
Kathmandu,
Tel: 4410583/1281/4588
Fax: +977 1 4411789/6723
Email: bekekathmandu@fco.gov.uk
website:
www.britishembassy.gov.uk/nepal

United States of America
Embassy of the United States of America
GPO Box 295, Maharajgunj, Kathmandu
Tel: 4007200
Fax: +977 1 4007272

EUROPEAN UNION
Delegation of the European Commission to Nepal
Uttardhoka Sadak, Lainchaur,
GPO Box 6754, Kathmandu
Tel: 4429445/6
Fax: +977 1 4423541
Email: delegatinenepal@ec.europa.eu
URL: www.delnpl.ec.europa.eu

SAARC SECRETARIAT
Tridevi Marg, Thamel,
GPO Box 4222, Kathmandu
Tel: 4221785, 4226350
Fax: +977 1 4227033
Email: saarc@saarc-sec.org
**NEPAL:** Foreign Investment Opportunities

**P. R. China**
Embassy of Nepal  
No.1, Xi Liu Jie, San Li Tun Lu, Beijing 100600  
Tel: +86 10 6532 1795/2739/  
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