

Foreign Investment: Rules and Policies Highlights

Facilities and Incentives to be accorded under the Foreign Investment and Technology Transfer Act, 1996 (Amendment):

- Foreign investments are permitted up to 100 percent except to the negative list (Industries Reserved for Domestic Investment).
- Permission can be granted to use foreign technology in the industries reserved for domestic investment.
- Repatriation of capital & profits is allowed.
- No intervention is made in fixing prices of the products of any industry.
- Business visas are granted to foreign investors or their dependent family members or authorized representatives and their dependent family members to stay in Nepal so long as they maintain their foreign investment.
- A Foreign Investor, who makes a lump sum investment of at least US\$ 100,000 or an equivalent amount in any convertible foreign currency, is granted residential visas together with his dependent family members so long as he maintains his investment.

List of Industries Restricted for Foreign Investment (As per Industrial Enterprises Act, 1992)

Part A

1. Cottage industries.
2. Personal services (business such as hair cutting, beauty parlor, tailoring, driving training etc.)
3. Arms and Ammunition industries.
4. Explosives, gunpowder.
5. Industries related to radioactive materials.
6. Real Estate business (excluding construction industries).
7. Motion pictures business (produced in national languages and the language of the nation).
8. Security printing.
9. Currencies and coinage business.

Part B

1. Retail Business except as a international retail chain store business operating in more than two countries
2. Bidi (tobacco)
3. Internal courier service
4. Atomic energy.
5. Poultry farming.
6. Fisheries.
7. Bee-keeping.
8. Management, Accounting, Engineering, Legal and other consultancy services having more than 51 percent foreign investment.
9. Beauty Parlour
10. Milling, Grinding and Extracting of food grain on rent
11. Local Catering service
12. Rural Tourism.

Projects Identified as Suitable for Foreign Investment

A. Agriculture & Agro-based Industry

Areas of Investment	Trade Potential Areas
1. Cultivation and processing of vegetables, flowers, fruits and ornamental plants	Export Market.: Asia, Middle East Arab Countries and Europe
2. Production of vegetable and flowering seeds	Export & domestic markets.
3. Cultivation and processing of herbs, Coffee and tea	Exports & domestic markets.
4. Development of tea industry	Domestic & export markets.
5. Cultivation of sugarcane and processing of sugar	Domestic market.
6. Tissue Culture	Export & domestic markets.
7. Integrated livestock, dairy and milk powder	Domestic market.
8. Baby food and nutritious food	Domestic market.
9. Animal feed and Aquaculture	Domestic market.
10. Oil seed processing and oil extraction	Domestic market.

B. Textile & Wearing Apparel Industry

Areas of Investment	Trade Potential Areas
1. Integrated textile mill	Domestic market.
2. Textile processing-dyeing & finishing	Domestic market.
3. Woollen Knitwear	Domestic & export markets.
4. Acrylic & polyester fabrics	Domestic market.
5. Dhoti and saree	Domestic market.
6. Terry towels	Export market.
7. Bed linen	Export & domestic markets.
8. Readymade garments	Export market.
9. Spinning mill	Export & domestic market.
10. Grey cloth	Export & domestic markets.
11. Leather shoes	Export & domestic markets.
12. Canvas shoes	Export & domestic markets.
13. Sericulture and silk production	Export markets.
14. Hand knitted sweaters	Export & domestic markets.
15. Other Footwear	Export & domestic markets.

C. Manufacturing Industry

Areas of Investment	Trade Potential Areas
1. Light engineering industries	Export & domestic market.
2. Electric arc furnace	Domestic market.
3. Leather products	Domestic and export markets.
4. Pharmaceutical products	Domestic market.
5. Ceramics	Domestic market.
6. Writing, printing and news print paper	Domestic market.
7. Organic fertilizer	Domestic market.
8. Saline & dextrose	Domestic market.
9. Surgical cotton & bandaging industry	Domestic market.
10. Chemical fertilizers	Domestic market.
11. Pesticides, insecticides	Domestic market.
12. Industrial chemicals	Domestic market.
13. Glass bottles, containers	Domestic market.
14. Domestic electrical appliances	Domestic market.
15. Electric power capacitors & condensers	Domestic market.
16. Irrigation pumps	Domestic market.
17. Bicycles	Domestic market.
18. Bleaching powder	Domestic market.
19. Agriculture lime	Domestic market.
20. Chalk	Domestic market.
21. Yeast	Domestic market.
22. Malt	Domestic & export markets.
23. Assembly of electronic components	Export market.
24. Dry cell battery	Export & domestic market.
25. Starch, glucose and fructose syrup	Domestic market.
26. Cane furniture	Export market.
27. Speciality paper	Domestic market.
28. Video cassette	Domestic market.
29. Cold rolling mill	Domestic market.
30. Aluminium rolling mill	Domestic market.
31. Toilet and laundry soap	Export & domestic market.
32. Caustic soda	Domestic market.
33. Mineral water bottling plant	Export market.
34. Sugar industry	Domestic market.
35. Essential oils and resinoids	Domestic & export markets.
36. Hand tools	Domestic market.
37. Professional and occupational tools and instruments	Domestic market.
38. Medical instrument and tools	Domestic market.
39. Fuel conserving instruments	Domestic market.
40. Pollution preventing accessories	Domestic market.

D. Construction Industry

Areas of Investment	Trade Potential Areas
1. Builders hardware	Domestic market.
2. Stone industry-cutting & polishing	Domestic market.
3. Stone-aggregates	Export & domestic markets.
4. Bricks (dry press)	Domestic market.
5. Plywood	Domestic market.
6. Cement(large) plants	Domestic market.
7. Cement(mini) plants	Domestic market.
8. Floor and wall tiles	Domestic & export markets.
9. Parquet flooring	Domestic & export markets.
10. Housing and apartment buildings	Domestic market.
11. Varnishes, paints & allied products	Domestic market.
12. PVC pipes & allied products	Domestic market.
13. Aluminium extrusions	Domestic market.
14. PVC doors/windows	Domestic market.
15. Slate, granite and cement	Domestic market.

E. Tourism Industry

1. Resort hotels, motels	5. Sight Seeing and Mountaineering
2. Cable car complexes	6. Travel Agencies and Tour operation, Pony trekking
3. Rafting equipment	7. Horse riding, water rafting and trekking
4. Hot air ballooning and para-sailing	

F. Service Industry

1. Air freight forwarding services	5. Air services
2. Sea freight forwarding services	6. Computer software development
3. Nursing homes	7. Data entry services
4. Carpet washing	8. Photo scanning and off-set printing

G. Mineral Resources Industry and Mineral Based Industry

1. Cement, Limestone exploration and production of limestone, Magnetite, Marble, dolomite, quartzite, coal, lignite, salt, red clay, tourmaline Kyanit, quartz, Zinc, lead etc.	4. Processing of gravel, boulder, marble and stone
2. Petroleum exploration & exploitation	5. Processing mica
3. Natural Gas exploration & exploitation	6. Exploration and exploitation of quartz
	7. Production of iron, dolomite and talc
	8. Glass production from silica sand, quartz and quartzite

H. Energy Industry

1. Solar energy	3. Hydro electric plants
2. Wind energy	4. Bio-gas

Note: This is not final exhaustive list. There are more potential areas for potential investors may propose other projects, which they are interested to make investment.

Source: Ministry of Industry, Commerce and Supplies.