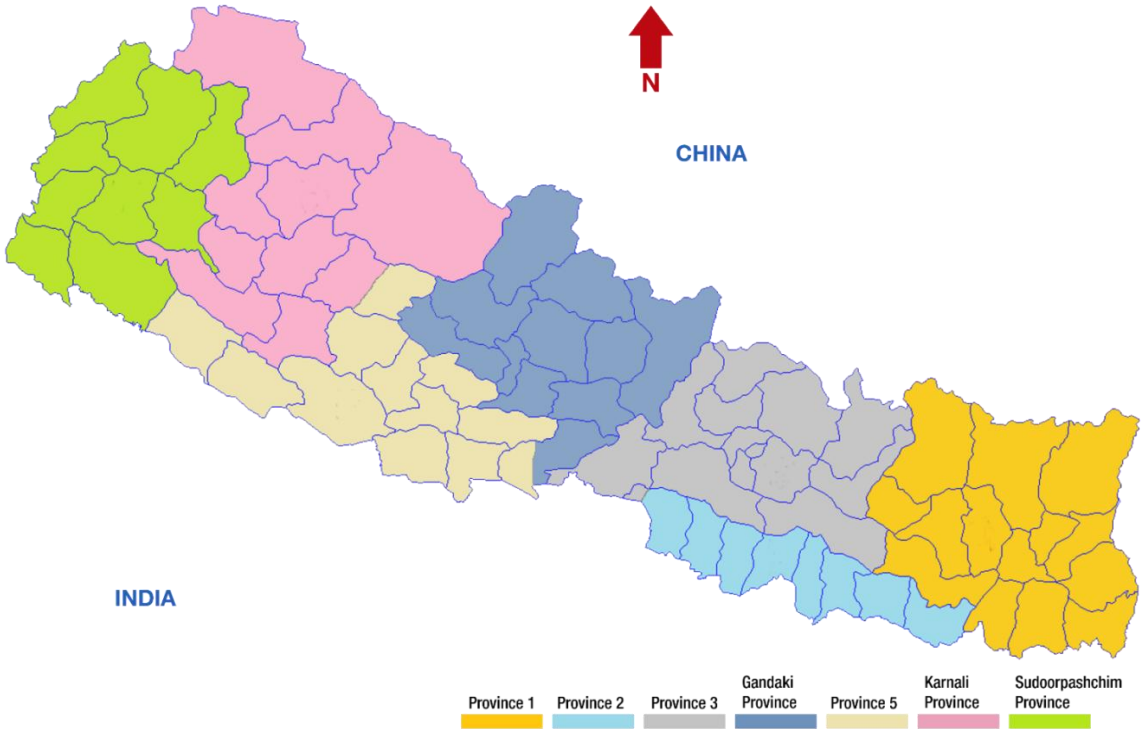
INVESTMENT OPPORTUNITIES IN NEPAL

Madrid, Spain

July, 2019

GOVERNMENT OF NEPAL
OFFICE OF THE INVESTMENT BOARD

PROFILE

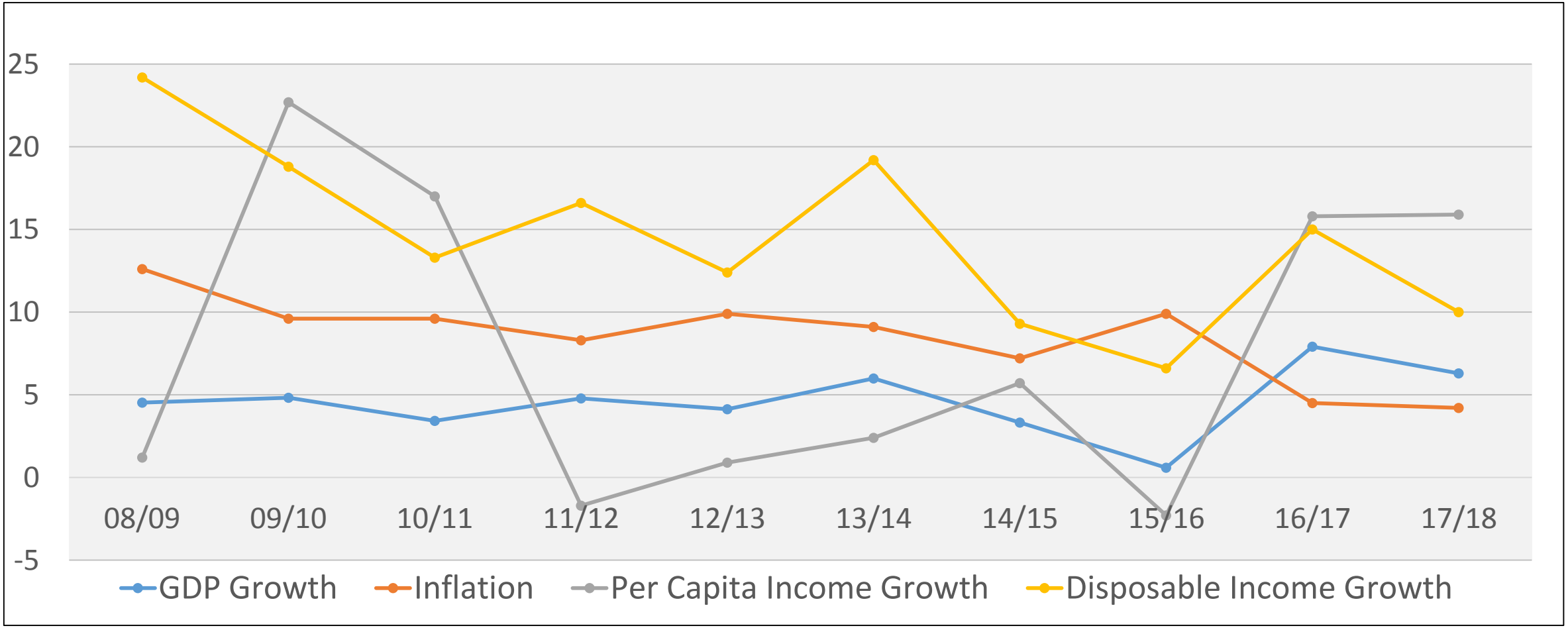


Indicator (as of 2018)		Significance
Population	29.1 Million	49th in World
Area	147,181 sq.km	93rd in World
GDP	US$ 30 Billion	
Economic Growth Rate	6.3%	Low income developing countries avg, 2018: 5%
Inflation	4.6%	Low income developing countries avg, 2018: 9%
Per Capita income	US$ 1004	
Foreign Currency Reserves	US$ 10 billion	Enough for 9.4 months import

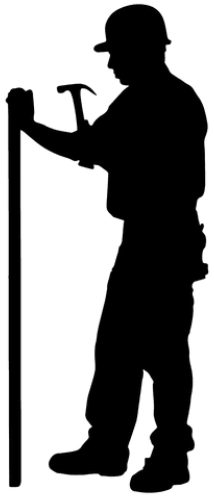
Source : NRB Macroeconomic update, Monetary Policy & CBS National Accounts 2017/2018

SOUND AND STABLE ECONOMY

Nepal achieved **5%** growth in the GDP, **8%** in per capital income and **15%** in disposable income on average in the last decade



PEOPLE AND DEMOGRAPHY



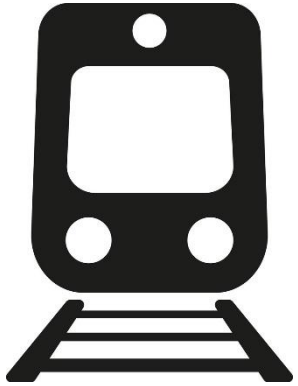
57%

Working Age (15-59 Yrs) Population

MAJORITY OF ENGLISH SPEAKING POPULATION

RELATIVELY LOW COST OF LABOUR

TARGETS FOR THE NEXT DECADE

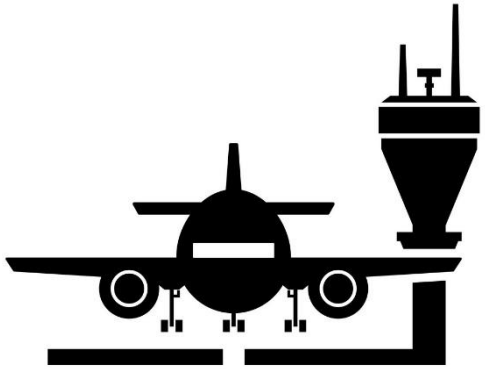


2,000KM

Railway

2,000KM

Paved Way



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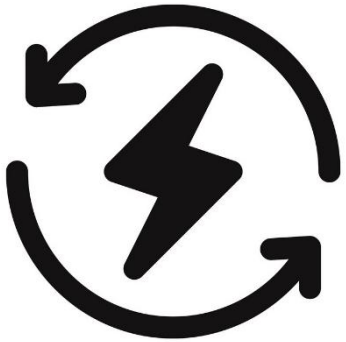
International Airports



15,000MW

Energy

5 Million

Tourists

PRIORITY, ASPIRATION AND REALITY

THE GOALS

- become a middle income country by 2030
- To achieve SDGs by 2030

THE REALITIES

- Need to increase investment in Infrastructure to 12% of GDP from current 3-4%
- Need to invest approximately US$ 17 bn. YOY To achieve SDGs

Considering these facts and our aspirations, government recognizes the role and importance of FDI and has consequently brought up several policy and legal reforms to attract FDI in recent years.

CONSTITUTIONAL PROVISION

GUARANTEE TO THE PROPERTY RIGHTS

Article 25 (2) of the **Constitution says,**
"The State shall not, except for public interest, requisition, acquire, or otherwise create any encumbrance on, property of a person."

LEADING ROLE OF THE PRIVATE SECTOR

The directive principles of the state presented in Article 51 d (1) identifies *private sector as one of the three means of partnership for development.*

NEPAL WELCOMES AND NURTURES FOREIGN INVESTMENTS

Article 51 d (10) says,
"The policy of the state is to encourage foreign capital and technological investment in areas of import substitution and export promotion....."

POLICY & LEGAL REFORMS

- PPP AND INVESTMENT ACT
- FITTA (Foreign Investment and Technology Transfer Act)
- SEZ (Special Economic Zone)ACT

- INTEGRATED INTELLECTUAL PROPERTY RIGHTS POLICY
- HEDGING POLICY

- INTELLECTUAL PROPERTY RIGHT
- COMPANY ACT
- INDUSTRIAL ENTERPRISE ACT
- LABOR ACT
- BAFIA AMENDMENT

- GUIDELINES FOR CONSTRUCTION FOR INDUSTRIAL INFRASTRUCTURES
- MINES AND MINERALS REGULATIONS
- LAND CEILING WAIVER
- FOREST LAND ACQUISITION

OVERVIEW OF NEPAL AND EUROPEAN UNION RELATION

Nepal EU Relationship

Established their diplomatic relations in 1973

EU Member States are the largest providers of official development assistance (ODA) in Nepal for the last three decades

360 million Grant (about NPR 44.8 billion) for 2014-2020 the strategy aims to boost rural development and job creation, foster quality education and strengthen democratic governance.

Signed Co-operative Agreement in 1992, henceforward, the consultative mechanism is convened every two years to enhance the bilateral assistance .

Agreements and MOUs

Signing of umbrella agreement (between Nepal and European Investment Bank (EIB) for financial cooperation for major investments in infrastructure and energy sectors.

EU started providing duty-free and quota-free facilities to the Nepalese exports under its Everything But Arms (EBA) policy

Economic Ties

EU is the third major trade partner with Nepal; the second major export partner and the third major import partner.

1 out of 5 tourists visiting Nepal in 2012 was a European and the figure has been consistent.

The EU imports mainly textiles and clothing from Nepal

EU exports mainly machinery and transport equipment, turbines of hydropower projects, chemicals, agricultural products and other manufactures.

Exchange Rate

1 Euro = NPR 123.6

LAND OF OPPORTUNITY

Energy

Transportation

Tourism

Agriculture

Manufacturing

ICT

Health

Mines and Minerals

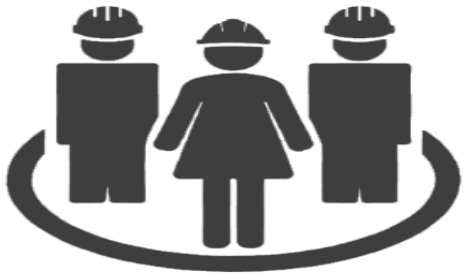
Education

Banking and Finance

VISA, OWNERSHIP & REPATRIATIONS

- **Tourist, non-Tourist and business visa** for foreign workers on recommendation of investment approving agencies such as DOI, IBN
- **Residential visa** granted directly to investors who invest more than USD 100,000 in convertible currency

- Foreign investors are allowed to have 100% ownership in almost all sectors
- Land ownership in company's name allowed



- Improved Labor Relations
- Implementation of Social Security Scheme

- **100% repatriation** allowed

INSTITUTIONAL ARRANGEMENT FOR FDI FACILITATION

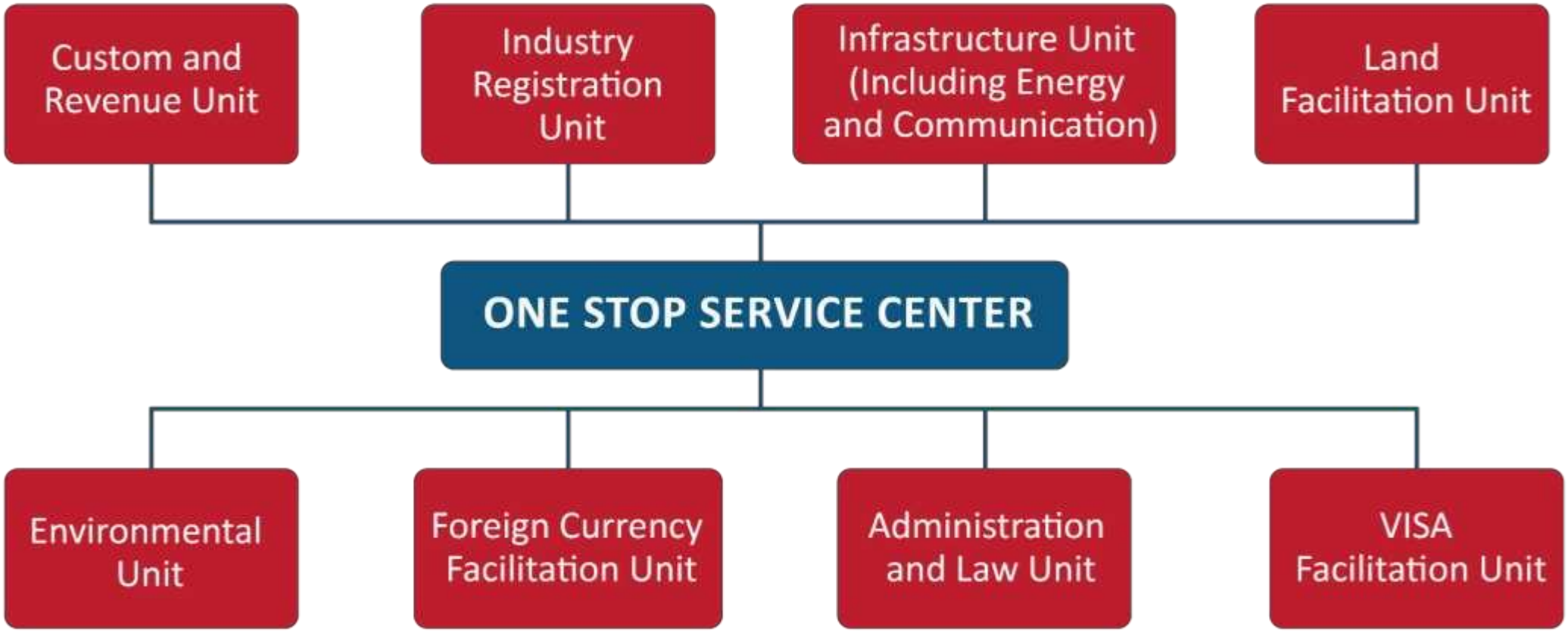
Government of Nepal

INVESTMENT SIZE	APPLICATION AT
UP TO NPR 6 BN (~56 million)	DEPARTMENT OF INDUSTRY (DOI)
> NPR 6 BN	INVESTMENT BOARD NEPAL (IBN)

Note: 1 Euro= NRS 123.63

ONE STOP SERVICE CENTER AT INVESTMENT BOARD NEPAL (IBN)

Government of Nepal



PROTECTION OF INVESTMENT

- Signing of Project Development Agreement **(PDA)** and Project Investment Agreement **(PIA)**
- Documents developed and signed as per the international best practices
- International bankability ensured
- Obligations of both developer and Government clearly spelt out
- Protection from change in law, non discrimination, non-nationalization, among others assured

Corporate Tax Rates in Nepal

Nature of Entity	Tax rate
Normal rate for entities	25%
Manufacturing industries (which excludes tobacco, alcoholic beverages, etc.) are entitled to 20% discount on the applicable tax rate (currently 20%) making the effective tax rate 16% under Industrial Enterprise Act 2016	20%
Enterprises operating **roads, bridges, railways** hydropower stations, transmission lines on BOOT basis etc.	20%
Banks and financial institutions	30%
General insurance 30%, life insurance 25%	25-30%
Enterprises involved in petroleum businesses	30%
Saving and credit cooperatives located in urban areas	20%

Nepal has one of the lowest **Corporate Income Tax (CIT)** rate amongst its neighboring countries

Country	CIT rate (%)
Bangladesh	27.5
China	25
India	25
Nepal	25
Pakistan	34
Sri Lanka	28

WINDOWS TO THE WORLD

Members of Regional Agreements

Members of Multilateral Agreements

Market Access

BIPPA

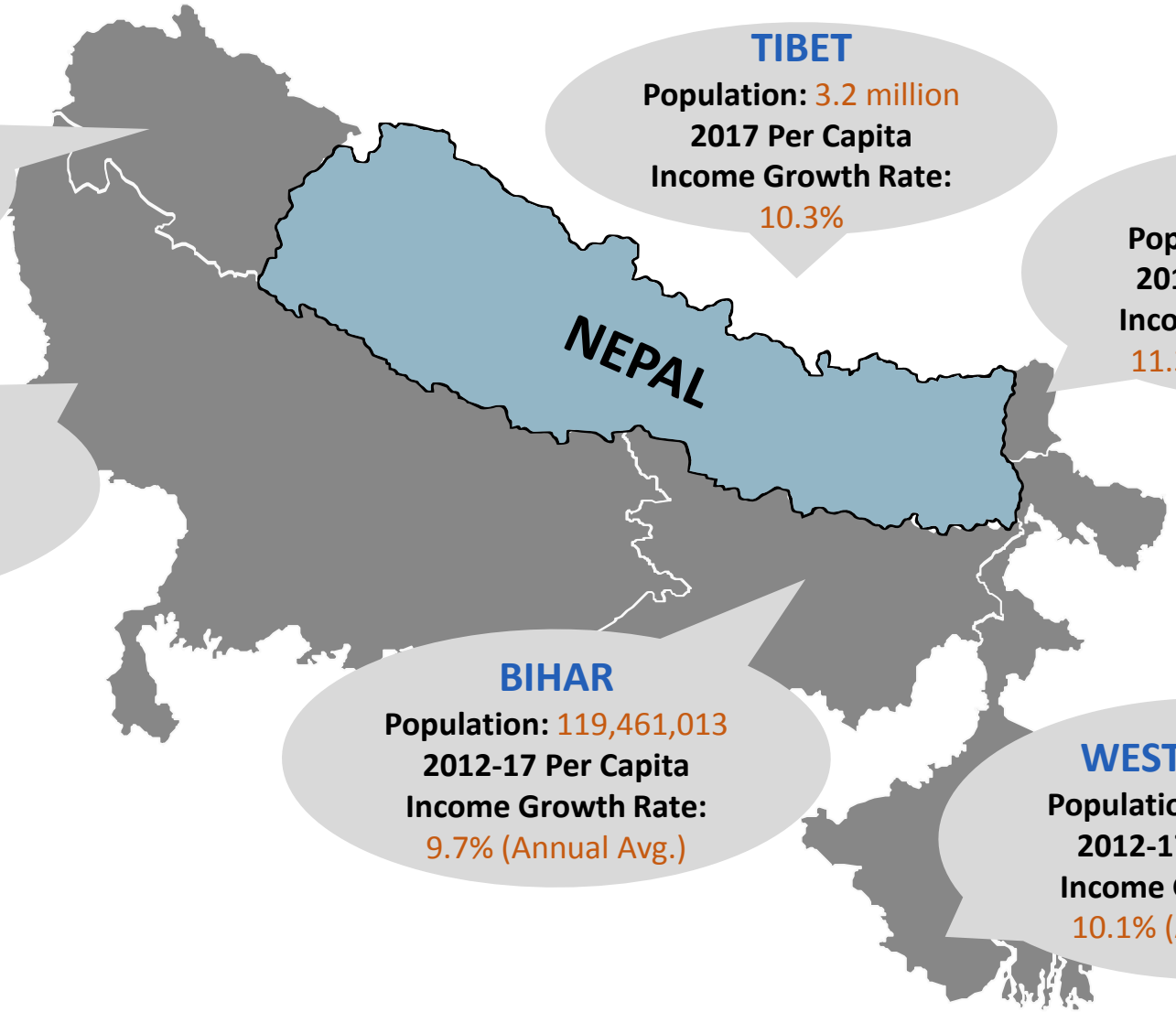
- ✓ India – yet to be ratified
- ✓ Germany
- ✓ France
- ✓ Mauritius
- ✓ United Kingdom
- ✓ Finland

- ✓ Duty free and open border access to India (except some products)
- ✓ Duty free access to China for around 8,000 products
- ✓ Duty free, quota free market access to European Union under Everything But Arms (EBA) arrangements
- ✓ Duty free US market access to (77 products) 66 types of garment items for 10 years (starting from 2016) (GST facility market)

DTAA

- ✓ China
- ✓ India
- ✓ Qatar
- ✓ Mauritius
- ✓ Austria
- ✓ Norway
- ✓ Thailand
- ✓ Sri Lanka
- ✓ Pakistan
- ✓ South Korea

NEIGHBORING MARKETS



UTTARAKHAND
Population: 11,090,425
2012-17 Per Capita Income Growth Rate: 10% (Annual Avg.)

TIBET
Population: 3.2 million
2017 Per Capita Income Growth Rate: 10.3%

SIKKIM
Population: 671,720
2012-17 Per Capita Income Growth Rate: 11.3% (Annual Avg.)

UTTAR PRADESH
Population: 228,959,599
2012-17 Per Capita Income Growth Rate: 9.8% (Annual Avg.)

BIHAR
Population: 119,461,013
2012-17 Per Capita Income Growth Rate: 9.7% (Annual Avg.)

WEST BENGAL
Population: 97,694,960
2012-17 Per Capita Income Growth Rate: 10.1% (Annual Avg.)

NEPAL INVESTMENT SUMMIT 2019

NEPAL INVESTMENT SUMMIT 2019
29-30 MARCH, KATHMANDU

DATE
29-30 March 2019

VENUE
Kathmandu

WEBSITE
www.investmentsummitnepal.com

NEPAL INVESTMENT SUMMIT 2019

800+
Foreign Delegates

300+
Foreign Companies

40
Foreign Countries

600+
Domestic Participants

100+
Domestic Companies

77
Projects Showcased

PROJECTS SHOWCASED

Agriculture

- ✓ CHEMICAL FERTILIZER PLANT
- ✓ INTEGRATED AGRICULTURE - BIRENDRANAGAR, SURKHET
- ✓ INTEGRATED AGRICULTURE - CHITWAN AND BANEPA
- ✓ INTEGRATED AGRICULTURE - GODAWARI, ATTARIYA
- ✓ INTEGRATED AGRICULTURE - HEMJA, POKHARA
- ✓ INTEGRATED AGRICULTURE - PARSAGADHI, PARSA
- ✓ INTEGRATED AGRICULTURE - TILOTTAMA, MANIGRAM
- ✓ INTEGRATED AGRICULTURE - URLABARI, MORANG

Energy Infrastructure

- ✓ NALSING GAD HYDROELECTRIC
- ✓ SR6 STORAGE HYDROELECTRIC
- ✓ SUNKOSHI-II STORAGE HYDROELECTRIC
- ✓ SUNKOSHI-III STORAGE HYDROELECTRIC
- ✓ TAMOR STORAGE HYDROELECTRIC
- ✓ WEST SETI AND SR6 JOINT STORAGE HYDROELECTRIC
- ✓ WEST SETI STORAGE HYDROELECTRIC
- ✓ LOWER ARUN HYDROELECTRIC

Education and Health

- ✓ DHULIKHEL MEDI-CITY
- ✓ EDUCATION, HEALTH AND SPORTS CITY
- ✓ GANDAKI TECHNICAL UNIVERSITY

For more information on projects please kindly visit https://investmentsummitnepal.com/project-showcase/ for more information

PROJECTS SHOWCASED

Industrial Infrastructure

- ✓ INDUSTRIAL PARK IN MOTIPUR
- ✓ INDUSTRIAL PARK IN NAUBASTA, BANKE
- ✓ SPECIAL ECONOMIC ZONE IN SIMARA

Urban Infrastructure

- ✓ HETAUDA SMART CITY
- ✓ INTEGRATED SOLID WASTE MANAGEMENT - DHULIKHEL
- ✓ INTEGRATED SOLID WASTE MANAGEMENT - JEETPURSIMARA
- ✓ INTEGRATED SOLID WASTE MANAGEMENT - RATNANAGAR
- ✓ INTEGRATED SOLID WASTE MANAGEMENT - BUTWAL
- ✓ INTEGRATED SOLID WASTE MANAGEMENT - JANAKPUR
- ✓ NEPAL INTERNATIONAL CONVENTION AND EXPO CENTRE

Tourism Infrastructure

- ✓ DAMAULI MULTIPURPOSE
- ✓ DOLAKHA MOUNTAIN ACADEMY
- ✓ DREAMLAND DHULIKHEL
- ✓ FILM CITY DOLAKHA
- ✓ GAUTAM BUDDHA INTERNATIONAL MATERNITY HOSPITAL
- ✓ JANAKI HERITAGE HOTEL AND CULTURAL VILLAGE
- ✓ LUXURY RESORT, SHEY PHOKSHUNDO
- ✓ SKI RESORT, MANANG
- ✓ TAL-TALAIYA THEME PARK WITH HOTEL
- ✓ THE KHAPTAD TOURISM

PROJECTS SHOWCASED

Transport Infrastructure

- ✓ BIRATNAGAR REGIONAL INTERNATIONAL AIRPORT
- ✓ NIJGADH INTERNATIONAL AIRPORT
- ✓ BUS RAPID TRANSIT (BRT) ON RING ROAD OF KATHMANDU
- ✓ DHANGADHI REGIONAL INTERNATIONAL AIRPORT
- ✓ EAST WEST ELECTRIFIED RAILWAYS
- ✓ INTERSTATE AND INTRASTATE PUBLIC TRANSPORTATION PROJECT IN SUDURPASHCHIM
- ✓ KATHMANDU POKHARA LUMBINI RAILWAYS
- ✓ KATHMANDU VALLEY METRO
- ✓ RAPID PUBLIC TRANSPORT ON RAMAGRAM – TILAURAKOT (BUDDHIST CIRCUIT)
- ✓ KATHMANDU OUTER RING ROAD (ORR) DEVELOPMENT
- ✓ SAMAKHUSI – TOKHA – CHHAHARE ROAD UP-GRADATION

APPLICATIONS RECEIVED FOR POTENTIAL PROJECTS

- ✓ 16 Memorandums of Understanding (MOU) for 15 projects were signed during the summit

Application for 72 projects have been received till date, out of which:

- ✓ 8 Project Application are from Energy Infrastructure
- ✓ 7 Project Application from Transport Infrastructure
- ✓ 6 Project Application in Tourism, Health, Education and Urban Infrastructure
- ✓ 7 Application in Agriculture and Industrial Infrastructure
- ✓ 3 Applications in Urban Infrastructure
- ✓ And 11 Project Application in Other Categories

POTENTIAL PROJECTS FOR DEVELOPMENT

- ✓ Kathmandu Valley Metro rail project
  - Nagdhunuga-Dhulikhel (East-West) Metro Line,
  - North-South Metro line,
  - Inner Ring road Metro Line
- ✓ Hydropower Projects
  - West Seti Hydroelectric Project,
  - Kimathanka-Arun Hydropower Project,
  - Lower Arun Hydro power Project,
  - Sunkoshi-III Hydropower Project,
  - Tamor Stoarage Hydropower Project
- ✓ Tourism Projects
  - Muktinath Cable car project,
  - Panchase cable car project,
  - Five Star Hotels,
- ✓ Urban Infrastructures
  - Solid waste Management (Waste to Energy) Project in big cities such as Kathmandu, Pokhara, Biratnagar, Butwal, Janakpur etc.
  - Bigger Convention Hall in Kathmandu

THANK YOU !!!

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