



AN INVESTMENT GUIDE TO NEPAL

Opportunities and conditions
January 2003



UNITED NATIONS
New York and Geneva, 2003

Three good reasons to invest in Nepal

- **Access to markets**

A smallish country of 24 million people, Nepal is situated between what are potentially the two largest markets in the world: China and India. A trade treaty with India guarantees duty-free access to most Nepali manufactures. While nothing similar exists with China, there are straws in the wind: an agreement to make the Chinese yuan convertible in Nepal and a memorandum of understanding making Nepal the first South Asian country to receive “approved destination” status from China. As a least developed country, Nepal is also eligible for the benefits of the Everything-But-Arms initiative of the European Union, offering its products preferential access to the European market.

- **Natural assets**

Tourism is the biggest business in the world and there is hardly a country that does not seek either tourists or investment in tourism. Uniquely, Nepal offers some of the most spectacular tourist attractions in the world: 8 of the world’s 10 highest mountain peaks, including the top of the world, Mount Everest; an extraordinary range of climatic conditions ranging from the sub-arctic to the tropical and a corresponding range of flora and fauna, from the snow leopard to the rhino; a rich cultural heritage, from the birthplace of the Buddha through medieval Hindu temples to 60 spoken languages from several language families. Nepal also offers enormous potential for hydropower and a remarkable variety of agricultural products in the five climatic zones packed into a north–south breadth of 150–250 kilometres.

- **Policies and people**

Trends are what matter most to investors when it comes to the policy regime and here Nepal’s record speaks for itself. Tariff slabs fell from over 100 in the 1980s to just 5 in the 1990s and rates went down; the foreign-exchange regime was liberalized, with the Nepali rupee becoming fully convertible on the current account; and area and percentage restrictions on FDI were reduced. Much remains to be done, but the movement is clearly in the right direction. Policies, of course, are implemented by people. Investors in Nepal value the *accessibility* of the bureaucracy, and the part of it that deals most specifically with investors, the Department of Industries, is widely regarded as helpful and responsive.

No investor with a long-term interest in the region would want to overlook Nepal.



The UNCTAD–ICC Series of Investment Guides

PUBLISHED

- *An Investment Guide to Ethiopia*
- *Guide d'investissement au Mali*
- *An Investment Guide to Bangladesh*
- *An Investment Guide to Uganda*
- *An Investment Guide to Mozambique*
- *An Investment Guide to Nepal*

(The guides to Ethiopia and Mali were published in cooperation with PricewaterhouseCoopers.)

FORTHCOMING

- *An Investment Guide to Cambodia*

UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the trade, investment and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD's membership comprises 190 States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

ICC

The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping together thousands of members, companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

Note

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

Reference to "dollars" (\$) are to United States dollars, unless otherwise indicated.

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Preface

Foreign direct investment has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it is also more stable, with a longer-term commitment to the host economy.

The project of which this publication – *An Investment Guide to Nepal* – is the sixth concrete product is a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). Its objective is to bring together two parties with complementary interests: *companies* that seek new locations and *countries* that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend attracting foreign investment.

The UNCTAD–ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing *dialogue* between investors and Governments. The guides *themselves* are the product of a dialogue, including that occurring among and between the representatives of business and government during the workshops that precede the completion of the guides. It is our hope that the guides will in turn *contribute* to the dialogue, helping to strengthen and sustain it, for we are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of investment.



Rubens Ricupero
Secretary-General
UNCTAD



Maria Livanos Cattau
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Acknowledgements

A great many individuals and institutions have contributed to this project and to the production of this guide. Although we cannot list each and every contributor, the following merit special mention: the donors whose financial contributions made the project possible, specifically the Governments of Finland and Norway; the company executives and public-sector officials who participated in the consultations in Kathmandu and provided feedback on an earlier draft; and our consultants in Nepal: Madan Lamsal, Balaram Rajbhandari and Animesh Upadhyay.

The cooperation of the Department of Industries (DOI) and in particular its Director General, Bharat Bahadur Thapa, as well as of the Nepal Chamber of Commerce (NCC) and in particular its President, Rajesh Kazi Shrestha, was essential to the success of this project and is much appreciated. We thank also the Permanent Mission of Nepal to the United Nations Office at Geneva. Our thanks are owed as well to Shashank and Manish Kansal, who facilitated work on the project in diverse ways.

This guide was prepared, with the assistance of consultants and advisers both internal and external, by an UNCTAD–ICC project team led by Vishwas P. Govitrikar. Useful feedback was supplied by Torbjörn Fredriksson and Joseph Mathews. Laura Giardini and Katia Vieu provided administrative support. The guide was designed and typeset by Nelson Vigneault. Overall guidance was provided by Karl P. Sauvart and Anh-Nga Tran-Nguyen.

Note to the reader

This booklet is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private sector as well as in the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is *credibility*. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

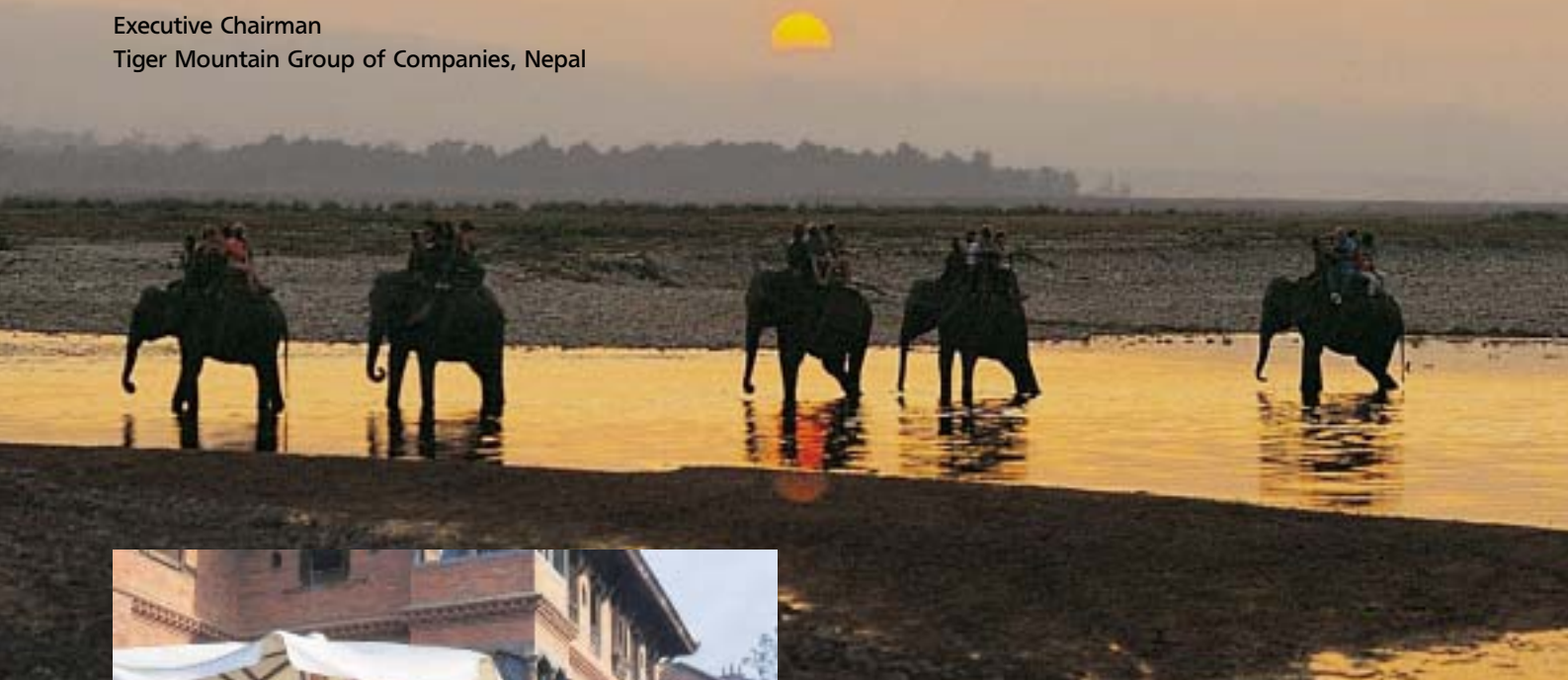
The Executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. “The Operating Environment” describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, etc. “Areas of Opportunity” offers a description of areas of potential interest to foreign investors. “The Regulatory Framework” focuses on regulations governing investment and *foreign direct investment* in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

The primary source of further information for an investor wishing to explore investing in Nepal is the Department of Industries (DOI) – see box on page 57. Contact details of selected sources of further information, including websites, are provided in appendix 3. Appendix 2 provides a list, including contact details, of some 60 major foreign investors in Nepal.

With its towering snow-caps, scenic trekking, and jungles teeming with tiger, elephant, leopard, rhino and over 350 species of birds, Nepal is among the foremost tourist destinations of the world. When you add its rich heritage of cultural and ethnic variety to this, what you have is a perfect destination. Foreign investment in tourism and other sectors has been encouraged in the past but has been slow in developing its potential.

I believe that the present Government, with the leadership of His Majesty the King, is strongly pro-investment, and as an investor who has helped develop a certain part of the tourist industry over the past 40 years, I will not hesitate to continue doing my part in developing Nepal's tourism in the future.

Jim Edwards
Executive Chairman
Tiger Mountain Group of Companies, Nepal



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