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Department of Commerce

# U.S. Country Commercial Guides



2017

Nepal

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# Doing Business in Nepal

## Market Overview

Nepal is a low-income, developing nation with an estimated GDP of \$24.49 billion in fiscal year (FY) 2016/17. The World Bank projects that Nepal's economy will grow by 7.5 percent in FY 2016/17 (Note: Nepal's fiscal year runs from July 16 to July 15). Nepal's estimated population is 28.71 million (male 14.21 million, and female 14.50 million), with a per capita annual income of \$853. The median age in Nepal is 24 and more than half of the population is under the age of 25.

Political instability, a landlocked location, challenging topography, poor infrastructure, a poorly trained and educated workforce, and a weak policy and regulatory environment are some of the impediments to economic growth.

Agriculture accounts for 28.9 percent of GDP and 65.7 percent of employment. However, there has been significant migration from rural to urban areas and overseas. An estimated four to six million Nepalis work abroad, primarily in the Gulf countries, Malaysia, and India. Nepal received \$6.27 billion in remittances in FY 2015/16, equivalent to nearly 30 percent of GDP. Nepalis working in India also contribute significantly to remittances, but the exact amount is unknown as many Nepalis take cash back from their jobs in India, rather than remitting the money through formal channels. Officials at the Nepal Rastra (Central) Bank also believe many migrant workers use informal channels to send money back to Nepal so the total amount of remittances is likely significantly higher than \$6.27 billion.

India accounted for 62.2 percent of Nepal's total trade in FY 2015/16.

In FY 2015/16, Nepal exported \$661.2 million worth of goods, mainly woolen carpets, zinc sheets, textiles, polyester yarn, readymade garments, juices, pulses, and agricultural products. Nepal's annual imports are about \$7.25 billion, mainly from India, China, and the UAE. The main imports are petroleum products, vehicles and spare parts, machinery and parts, gold, medicine, electrical goods, and telecommunications equipment.

U.S.-Nepal bilateral trade is estimated at USD 129 million in 2016, according to data from the Office of the United States Trade Representative. U.S. exports to Nepal were about USD 41 million. Total U.S. investment in Nepal was USD 97.46 million through in FY 2015/16, according to GON statistics. In December 2016, the United States established a new stand-alone trade preference program for Nepal, as mandated by the Trade Facilitation and Trade Enforcement Act of 2015. Designed to help support Nepal's economic recovery following the 2015 earthquakes, this program gives duty-free access to the United States for some products made in Nepal, including certain kinds of carpets, headgear, shawls, scarves, handbags, and suitcases. More information on this program can be found on the [U.S. Embassy to Nepal's website](#).

In FY 2015/16, the United States was the second-largest export market for Nepal, accounting for 13.1 percent of total exports. U.S. products made up only one percent of Nepal's total imports.

Nepal traditionally runs large trade and current account deficits, which are offset by service, transfer, and capital account surpluses. As of March 2017, the gross convertible foreign exchange reserve of the banking sector stood at USD 10.11 billion, enough to finance merchandise imports for 13.9 months.

## **Market Challenges**

Nepal is a landlocked state, which makes market access a challenge. Surface transport into and out of Nepal can be difficult. The one reliable road route from India to the Kathmandu Valley is 84 miles and takes a minimum of six hours to traverse. As recently as 2016, political unrest and general strikes have disrupted movement of goods in and out of Nepal, sometimes for months at a time, and future disruptions cannot be ruled out. The primary seaport for entry of goods bound for Nepal is Kolkata, India, about 460 miles from the Nepal-India border. With only one international airport in the country, challenges in the air transport sector are also acute.

Political instability, including 25 governments in the past 27 years, has created an uncertain environment for foreign and private investment.

The GON claims to be open to foreign direct investment, but implementation of its policies is often hindered by bureaucratic delays and inefficiency. Foreign investors frequently complain about complex and opaque government procedures and a working-level attitude that is more hostile than accommodating.

Foreign investors must deal with a non-transparent legal system, where basic legal procedures are neither quick nor routine. The bureaucracy is generally reluctant to accept legal precedents, and businesses are often forced to re-litigate issues that had been previously settled. Legislation limiting foreign investment in financial, legal, and accounting services has made it difficult for investors to cut through regulatory red tape.

U.S. firms and foreign investors have identified corruption as an obstacle to maintaining and expanding direct investment in Nepal. There are frequent allegations of corruption by GON officials in the distribution of permits and approvals, procurement of goods and services, and award of contracts.

High customs tariffs imposed on most manufactured products increase the price of U.S. products in the Nepali market. Additionally, cheap consumer goods imported from neighboring countries also present market challenges for U.S. products.

Qualified workers are in short supply. Nepal produces technical manpower, but a lack of economic opportunity and low wages compel millions of workers to seek jobs overseas. Rigid labor laws make it difficult to terminate employees. Moreover, militant and highly politicized unions commonly abrogate negotiated agreements to press new demands, making it a challenge to assemble and retain qualified staff. However, a new Labor Law is expected to come into effect soon and ease some of the rigidities.

Nepal was struck by major earthquakes in April and May 2015, resulting in tremendous damage to buildings and infrastructure in certain districts in Nepal. Roads, schools, power plants, heritage sites, private houses, and buildings throughout the affected zone suffered extensive



damage. Reconstruction is underway, but it will be several years before rural areas in hard-hit districts have completely recovered. Kathmandu Valley suffered less damage compared to rural areas and visitors to the capital might not see much evidence of the quake, besides several historic buildings and temples that were damaged, many of which are now being repaired.

While the earthquakes caused billions of dollars in losses, the reconstruction work will create opportunities for businesses and investment. Many countries and donors have announced assistance worth hundreds of millions of dollars to be used to rebuild Nepal's damaged public facilities and infrastructure. A GON-hosted donor's pledging conference in June 2015 resulted in more than \$ 4 billion pledged towards reconstruction efforts.

## **Market Opportunities**

Nepal needs significant infrastructure development. Critical infrastructure was badly damaged by the April and May 2015 earthquakes, and the need for repair, reconstruction, and improvements is both urgent and extensive. Many infrastructure projects are financed by multilateral development banks. Interested companies should monitor the websites of these organizations for tender opportunities.

The leading commercial sectors for U.S. exports are:

- Optic and Medical Instruments;
- Aircraft Parts;
- Airport and Ground Support Equipment;
- Telecommunications Equipment and Services;
- Perfumery and Cosmetics;
- Water Resource Equipment/Services;
- Renewable Energy Equipment;
- Computers/Peripherals; and
- Franchising

## **Market Entry Strategy**

- Relationship-building in Nepal is essential to conducting business. For large-scale business ventures, investors or suppliers are encouraged to visit.
- To access the local market, foreign companies generally should use local representatives or agents. Supplying government projects offers opportunities for large volume sales, but requires an authorized local representative or agent. The U.S. Embassy's Political/Economic Section handles commercial matters, and can assist U.S. companies in selecting a reliable agent/distributor. The Political/Economic Section liaises as necessary with the U.S. Foreign Commercial Service in New Delhi, which is responsible for commercial issues in India, Nepal, and Bangladesh. Requests for these paid services are normally routed through U.S. Department of Commerce U.S. Export Assistance Centers.

## **Political Environment**

### **Political Environment**

For background information on the political and economic environment of the country, please consult the [U.S. Department of State Background Notes](#).

## **Selling U.S. Products & Services**

### **Using an Agent to Sell U.S. Products and Services**

Local agents normally work as an exporter's sales representative on a commission basis, with the size of the commission varying based on the nature of the product or service being offered. Specific responsibilities depend on the terms of the contract. The Embassy's Political/Economic Section can help exporters to find buyers, pre-screened agents, distributors, sales representatives, and other strategic business partners in Nepal.

In some cases the agent also buys and keeps goods in stock for resale, does local marketing, and handles after-sales product servicing as required. The distributor usually works on a profit margin, so the commission rate and responsibilities (pricing, advertising, market promotion, after-sales service, etc.) should be clearly defined in the contract. The distributor's commission in Nepal normally ranges from 15 to 30 percent, again depending upon the nature of the product. Use of a local distributor is more effective when selling consumer goods.

Hiring an agent to assist in winning a contract can be effective when selling infrastructure-related goods, such as construction services or heavy equipment to government agencies, or when competing in an international tender offer.

Due diligence on any potential distributor/agent is essential prior to entering the local market. Given the prevalence of corruption in Nepal, exporters are urged to carefully screen any potential agents working on their behalf.

### **Establishing an Office**

The Company Act of 2006 requires foreign firms seeking to do business in Nepal to register by submitting the following documents:

- a) A notarized copy or translation in Nepali or English of the law or license under which the company was incorporated and established;
- b) A notarized Nepali version of the memorandum and articles of the company;
- c) The complete address of the head office of the company;
- d) A list of the directors, managing agents, manager, secretary, etc. of the company along with their names, positions, contact details, and shareholdings, if any;
- e) The name and address of the resident representative(s) in Nepal empowered to accept on the company's behalf official documents; and
- f) The proposed location where business will be, or is being, conducted in Nepal and the full address of the company's office.

One hundred percent foreign ownership is allowed in most sectors in Nepal. However, there are restrictions on foreign ownership in some sectors. For example, a 51 percent limit is imposed on foreign investment in the legal, management consulting, accounting, and engineering services sectors. A draft foreign investment bill, currently being reviewed by Parliament, is expected to amend the current limits on foreign investment in these and other sectors.

## **Franchising**

Franchising is not yet widespread in Nepal but there is potential for franchising ventures that cater to the tourist, resident expatriate, and local middle -class markets. A few U.S. franchise companies have entered the Nepali market, mainly in Kathmandu and Pokhara, both of which are tourist centers with a large market base. For example, KFC and Pizza Hut operate two franchises in Kathmandu (run by an Indian licensee) and Baskin-Robbins has several outlets in both Kathmandu and Pokhara. Under the Foreign Investment and Technology Transfer Act of 1992, the Department of Industry (under the Ministry of Industry) grants permission to establish franchises. Since trademarks and brand names registered in a foreign country do not automatically qualify for trademark protection in Nepal, the trademark and brand name must first be registered in Nepal under the Patent, Design and Trademark Act of Nepal of 1965 to limit any possible infringement. Trademark registration is done by the Department of Industry. Nepal restricts outward foreign direct investment and limits access to U.S. dollars, making payments to U.S. firms difficult for franchises.

## **Direct Marketing**

Direct marketing is usually not cost-effective in Nepal due to the small market size for U.S. products, poor road infrastructure, and generally unreliable postal service. Local firms are increasingly interested in the commercial potential of the Internet. Nepal has fifty Internet Service Providers (ISPs), and many local businesses, tourist agencies, and industries maintain home pages. Twenty-two satellite/cable TV networks, nineteen private TV channels, and three state-owned broadcast TV channels offer additional marketing opportunities to reach audiences.

## **Joint Ventures/Licensing**

Foreign investment is allowed in most industries through the establishment of joint ventures or wholly foreign-owned enterprises. However, foreign investment is not permitted in defense-related industries, cigarettes, or alcohol (excluding 100-percent export-oriented industries). Potential investors are invited to contact the Political/Economic Section of the U.S. Embassy for the latest information on restricted and prohibited industries.

Nepal officially encourages foreign investment and technology transfer under the Foreign Investment and Technology Transfer Act (FITTA) of 1992. Investment in the form of equity shares and reinvestment of earnings from share capital and loans is included in the definition of foreign investment. Under FITTA, technology transfer is any transfer made by agreement between an industry and a foreign investor for the: (a) use of any technological right, specialization, formula, process, patent, or technical knowledge of foreign origin; (b) use of any trademark of foreign ownership; and /or (c) acquisition of any foreign technical consulting, management, or marketing service. While technology transfer arrangements are legally permissible, the GON has not yet determined whether they must be registered.

## **Selling to the Government**

Like many governments around the world, the GON finances public works projects through borrowing from the Multilateral Development Banks. Please refer to “*Project Financing*” Section

in “*Trade and Project Financing*” for more information. Under current regulations, the government may purchase goods and services worth up to Nepal Rupee (NPR)100,000 (approximately \$1,000) directly from the market. For goods worth NPR 100,000 to 500,000 (approximately \$1,000 to \$5,000), the government is required to invite price quotes from at least five suppliers. Government procurements over NPR 500,000 (approximately \$5,000) must be submitted for tender or bidding. The GON publishes its tenders in accordance with procedures outlined in the Financial Administration Regulations (1999), Financial Procedure Rules (2007), and Public Procurement Rules (2007). Goods and services must be procured from the supplier or contractor that quotes the lowest price. There are reports of widespread corruption in government tenders. Tender calls for major projects with a minimum lead time of 45 days are disseminated to U.S. businesses via the U.S. Department of Commerce’s Trade Opportunity Program (TOP) and [Business Information Database System \(BIDS\)](#). Many foreign firms find the use of a local distributor or commission agent effective in dealing with government sales, especially since many tenders allow less than two weeks for bid submission.

## **Distribution & Sales Channels**

Most national and international manufacturers and sellers distribute their products by means of the conventional three-fold distribution system: manufacturer to distributor/wholesaler to retailer. Most U.S. exporters sell through a Nepal-based intermediary, such as a trading company, local agent, or distributor. For selling U.S. goods and services in Nepal, Indirect local sales channels are generally the most suitable option. Most high-value electronics, electrical appliances, and machinery enter Nepal by air cargo via Tribhuvan International Airport in Kathmandu (Nepal’s sole international airport). However, bulk goods, such as foodstuff, large machinery, vehicles, fertilizer, construction materials, and various raw materials, are transported to Kolkata or Haldia, India, by ship and then shipped to the India-Nepal border by truck or rail. More than 90 percent of goods that arrive via truck or rail enter through the Raxaul-Birgunj crossing on the India-Nepal border. Major distribution centers are located in the Nepali border cities of Birgunj, Biratnagar, Bhairahawa, and Nepalgunj, as well as in Kathmandu.

## **Express Delivery**

International companies, including FedEx and DHL, offer express delivery services between international destinations and Nepal. In addition, dozens of local companies offer express delivery services within Nepal. Nepal’s inadequate road network and mountainous terrain can make “express delivery” to remote villages a challenging proposal. In addition, street addresses can be inconsistent or non-existent, making it even harder to find delivery destinations, even in Kathmandu.

## **Selling Factors & Techniques**

When selling in the local market, U.S. businesses should consider a local partner’s financial soundness, sales capabilities, and relationships with both government officials and industry associations. Foreign companies often deal directly with buyers, rather than invest in promotional marketing. There are no specific packaging requirements, and for most products, English may be used for both sales and labeling purposes. American products are often more

expensive than products from neighboring countries, but can compete with higher product quality and after sales service.

For product introduction, U.S. companies can visit potential buyers and make presentations or send product catalogs, brochures, or other materials directly to the target customers via email, fax, post, or courier. Alternatively, companies planning to launch consumer products frequently use exhibitions, trade shows, trade missions, catalog and video shows, and advertising in newspapers, radio, and television for market introduction and brand recognition. For companies and products that already have a presence in the Nepali market, participating in trade shows through a local agent/distributor can be an effective way to introduce new products and promote brand recognition.

## **eCommerce**

### **Overview**

As of January 2017, there were 50 ISPs in Nepal, with about 200,000 subscribers, and nearly 15 million internet users nationwide. Roughly 40 percent of these accounts are commercial, with businesses using promoting their products and services and communicating with foreign businesses via the internet. Online activity is concentrated in Kathmandu and a half-dozen other cities, with relatively little internet penetration in rural areas, although this is slowly changing. While relatively little business activity is conducted online, the market is growing. As of May 2017, there were more than 56,286 registered websites in Nepal, including 40,000 commercial websites. Many businesses rely on the internet when dealing with foreign partners.

### **Current Market Trends**

eCommerce is still in its infancy in Nepal. The country's challenging terrain and lack of street addresses make deliveries a challenge. Credit card transfers and transfers from e-banking websites are sometimes accepted, but Nepalis who do not have a dollar account cannot make payments using foreign currency.

### **Domestic eCommerce (B2C)**

There are a handful of websites that offer eCommerce for consumers in the Kathmandu Valley, although most of these are traditional retailers that offer delivery services for their products ordered online. An [online food delivery website](#) is popular with both expatriates and local residents.

### **Cross-Border eCommerce**

Nepalis cannot yet order from India-based websites like Amazon.in or Flipkart.com. Some entrepreneurs maintain websites that promise to deliver merchandise ordered from Indian websites, but the operational status of these businesses is unclear and they do not appear to be widely used.

### **B2B eCommerce**

Post is not aware of any sites promoting B2B eCommerce. Like all forms of eCommerce in Nepal, B2B eCommerce is in a nascent stage.

## **eCommerce Services**

There are a few websites that offer eCommerce services. Some popular ones include [muncha](#), [thamelmall](#), and [bitarak](#). These sites are generally used to send gifts during religious festivals – frequently by overseas Nepalis – and delivery of goods is done primarily within Nepal.

## **eCommerce Intellectual Property Rights**

Nepal's intellectual property rights (IPR) laws and regulations are outdated, ineffective, and sporadically enforced. In March 2017, Nepal's cabinet approved a new IPR policy that will serve as the foundation for new IPR legislation that is expected to be promulgated in the next couple of years. There is reason to expect that the new legislation will represent a substantial improvement over existing laws and regulations, and will address new technology such as eCommerce.

## **Popular eCommerce Sites**

Sites such as [muncha](#), [thamelmall](#), [bitarak](#), and [foodmandu](#) are well-known eCommerce sites in Nepal.

## **Online Payment**

Websites facilitating electronic commerce are mostly based outside Nepal, where credit card verification services are readily available. Credit card transfers and transfers from e-banking websites are accepted, but Nepalis who do not have a dollar account cannot make payments in foreign currency. Foreign exchange is tightly regulated and not freely available. Nepali retailers have few options available for online payment, although many companies now claim to offer mobile payment solutions for domestic purchases.

## **Mobile eCommerce**

Almost 60 percent of Nepalis have access to the internet, with over 95 percent accessing it through mobile phones. There are opportunities for retailers to promote mobile eCommerce.

## **Digital Marketing**

Few firms in Nepal use digital marketing, but as more Nepalis acquire smart phones, opportunities in this field could grow.

## **Major Buying Holidays**

Nepal's biggest holidays – Dashain and Tihar – are separated by about three weeks. Their timing fluctuates, but Dashain usually falls in late September or early October, while Tihar is in late October. Many Nepalis return to their home villages during this time.

## **Social Media**

Nepalis are embracing social media. Post's combined Facebook page and Twitter account have over 1.7 million followers – significantly more than the circulation of all daily newspapers combined. Over 70 percent of Nepal's population is under the age of 35, which suggests that the number of social media users will continue to grow.

## Trade Promotion & Advertising

Newspapers, radio, and television are the main advertising media used for trade promotion. Television reaches a limited portion of Nepali consumers – primarily the more affluent urban population – but newspapers and radio reach most parts of the country. The best choice for advertising media will thus depend on the target group. TV advertising is the most appropriate means to reach the urban middle and upper classes. For basic consumer products, advertising in newspapers and via radio is more appropriate. Advertising costs are lower for newspapers and radio than for television. Since the size of the market is so small, there are no BSP (Business Service Provider), FUSE (Featured U.S. Exporters), or SCP (Single Company Promotion) services available in Nepal. Names and addresses of major newspapers, radio and television stations, and cable television companies are set out below. Inclusion in this list does not constitute U.S. Government endorsement.

[The Rising Nepal](#) (English-language daily, GON-owned)

Dharma Path

P.O. Box 23

Kathmandu, Nepal

Tel: 977-1-4255730, 4227493

Fax: 977-1-4244428

E-mail: [gopa@gorkhapatra.org.np](mailto:gopa@gorkhapatra.org.np)

[The Kathmandu Post](#) (English-language daily)

Shantinagar, Naya Baneshwor

P.O. Box 8559

Kathmandu, Nepal

Tel: 977-1-4480100

Fax: 977-1-4470178

Email: [kanti@kpost.mos.com.np](mailto:kanti@kpost.mos.com.np)

[Republica](#) (English-language daily) Nepal Republic Media (P) Ltd

JDA Complex, Bag Durbar

P.O. Box 19300

Kathmandu, Nepal.

Tel: 977-1-4265100, 977-1-4261808

Fax: 977-1-4255257

Email: [corporate@myrepublica.com](mailto:corporate@myrepublica.com)

[The Himalayan Times](#) (English-language daily)



APCA House, Baidya Khana Road

P.O. Box: 11651

Anam Nagar, Kathmandu, Nepal

Tel: 977-1-4770504 / 4771489

Fax: 977-1-4770701

Email: [marketing@thehimalayantimes.com](mailto:marketing@thehimalayantimes.com); [advertisement@thehimalayantimes.com](mailto:advertisement@thehimalayantimes.com)

### Radio Nepal

Singha Durbar P.O. Box 634

Kathmandu, Nepal

Tel: 977-1-4211896 / 4241921 / 4223910 / 4243569

FAX: 977-1-4211952 / 4221951

### Nepal Television

Singha Durbar P.O. Box 3826

Kathmandu, Nepal

Tel: 977-1-4228436

Fax: 977-1-4227452

Email: [neptv@vishnu.ccs.com.np](mailto:neptv@vishnu.ccs.com.np)

### Space Time Network Pvt. Ltd.

Channel Nepal

Business Development Division Satellite Television Service

Shantinagar, Kathmandu, Nepal

Tel: 977-1-4487750/1/2

Fax: 977-1-4487749

Email: [space@col.com.np](mailto:space@col.com.np)

### Subisu Cable Net Pvt. Ltd

Baluwatar

GPO Box 6626

Kathmandu, Nepal

Tel: 977-1-4429616 / 4429617

Fax: 977-1-4430572 / 4240165

E-mail: [info@subisu.net.np](mailto:info@subisu.net.np)

## **Pricing**

Pricing formulas are based on the availability of similar products, the level of demand for the product in the local market, and total costs required to bring the product to market. Before selecting a pricing strategy, the exporter should obtain as much information as possible from local agents, market research, potential customers, and competitors. Exporters should factor in applicable tariffs and taxes, which are levied on all imported products. Examples include: customs tariffs ranging from 5 percent (for certain agricultural products) to 80 percent (for four-wheel vehicles); value-added tax (VAT) of 13 percent; and local development tax of 1.5 percent. For vehicle imports, an additional excise duty of 32 percent is levied on the gross value, which includes the invoice price, customs tariff, VAT, local development tax, and special tax. Interested businesses can request hard copies of the complete tariff schedule directly from [Nepal's Department of Customs](#).

Pricing structures in Nepal are erratic. Imported goods are priced higher than locally produced goods. Prices of imported goods reflect transportation costs and other mark-ups. Indian manufactured goods, when available, are cheaper than imports from more distant countries. When determining a price for U.S. products, the exporter should consider potential competition from India, which has an open border with Nepal. Chinese products – mainly consumer goods such as appliances, shoes, and textiles – are imported via sea or land. Products from the European Union, Japan, South Korea, and Taiwan are also popular and help determine the local price for goods and services. Profits in excess of 20 percent are considered profiteering and violate Nepal's laws against black marketing.

## **Sales Service/Customer Support**

After-sales service and product guarantees are very important for customers, especially for durable products. Given long shipping times to Nepal, concerns about after-sales service and availability of spare parts affect consumers' choice of product. It is therefore advisable to make arrangements with a local agent/distributor for the provision of reliable customer service and support. Providing local after-sales services is mandatory for any supplies under government procurement. Foreign companies selling vehicles, high-value machinery items, electrical appliances, and electronics in Nepal generally have arrangements in place for such services with their local agents or distributors. Often the parent company provides the technical assistance and machinery for such services, while the local company provides the actual services.

## **Protecting Intellectual Property**

Nepal finalized a new Intellectual Property Rights (IPR) Policy in March 2017. This policy will become the foundation for new legislation that is expected to be promulgated in the next couple of years. Under the existing IPR regime, the Ministry of Culture, Tourism, and Civil Aviation oversees copyright issues while the Ministry of Industry looks after patent and trademark issues. However, the new policy calls for a single government entity to enforce the range of IPR issues.

Registration of a patent under the Patent, Design, and Trademark Act does not provide automatic protection to foreign trademarks and designs. Similarly, Nepal does not

automatically recognize patents awarded by other nations. The Copyright Act of 2002 covers most modern forms of authorship and provides adequate periods of protection. Most of these policies are expected to be updated in accordance with new IPR Policy. Nepal faces serious challenges in preventing the sale of counterfeit goods. Enforcement of IPR violations is sporadic at best. Law enforcement officials do not receive adequate training on IPR issues and offenders can often pay a small bribe to avoid prosecution.

In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles please see [Protecting Intellectual Property](#) and [Corruption](#).

U.S. Patent and Trademark Office covers Nepal out of New Delhi:

Ms. Shilpi Jha

Senior Legal Counsel for Intellectual Property

U.S. Patent and Trademark Office Attaché Office

American Center, 24 Kasturba Gandhi Marg, New Delhi 110001

+91 11-2347-2000 x2101

[Shilpi.jha@trade.gov](mailto:Shilpi.jha@trade.gov)

## **Due Diligence**

U.S. businesses should check the bona fides of a Nepali company before appointing it as a local agent/distributor and/or entering into a trade deal. Most Nepali business bona fides cannot be checked via traditional U.S. business channels. The Political/Economic Section of the U.S. Embassy in Kathmandu will prepare commercial reports for U.S. businesses on request. It is a paid service and normally routed through the Department of Commerce, U.S. Export Assistance Center nearest you. Businesses may wish to contact the following organizations to obtain profiles of some Nepali businesses.

Nepal Chamber of Commerce

E-mail: [chamber@wlink.com.np](mailto:chamber@wlink.com.np), fax: 977-1-4229998

The Federation of Nepalese Chambers of Commerce and Industry

E-mail: [fncci@mos.com.np](mailto:fncci@mos.com.np), fax: 977-1-4261022

The Nepal-USA Chamber of Commerce and Industry

E-mail: [nusacci@ccsl.com.np](mailto:nusacci@ccsl.com.np), fax: 977-1-4478020

## **Local Professional Services**

Use of a local attorney for preparing required documents can limit unnecessary delays in the process of finalizing business contracts with trading partners and other local agents. A list of local attorneys is available on the [U.S. Embassy Kathmandu website](#). On request, the Political/Economic Section of the U.S. Embassy also provides lists of companies for other professional services, such as market research agencies, advertising agencies, customs clearance houses, freight forwarding agencies, and transport companies.

## Principal Business Associations

The [Federation of Nepalese Chamber of Commerce and Industry \(FNCCI\)](#), is the largest business association in Nepal. [The Confederation of Nepalese Industries \(CNI\)](#) and the [Nepal Chamber of Commerce \(NCC\)](#) are also important associations. Most industries have associations that are represented by FNCCI, CNI, or NCC. American companies can also contact the [Nepal-USA Chamber of Commerce and Industry \(NUSACCI\)](#).

Besides these traditional chambers of commerce, Nepal also has numerous business associations that might be of interest to American businesses looking to reach non-traditional or more niche markets. These include the [Federation of Women Entrepreneurs Associations of Nepal](#), the [Federation of Nepal Cottage and Small Industries](#), the [Federation of Handicraft Associations of Nepal](#), and the [Independent Power Producers Association of Nepal](#). In recent years, several organizations have started business incubators and entrepreneur programs that might be of interest for some investors, including [Rockstart Impact](#), the [Nepal Entrepreneurs Hub](#), [M&S NEXT](#), and [Enterprise](#), an incubator started by the [Nepal Young Entrepreneur's Forum](#).

## Limitations on Selling U.S. Products and Services

There are no limitations aimed specifically at American products or services. Nepal is drafting a new foreign investment bill that is expected to update the list of sectors in which foreign investment is restricted or prohibited.

## Web Resources

Popular B2B websites:

- [muncha](#)
- [thamelmall](#)
- [bitarak](#)
- [The Rising Nepal](#) (Government owned English daily)
- [The Kathmandu Post](#) (English daily)
- [The Himalayan Times](#) (English Daily)
- [República](#) (English Daily)
- [Nepal's Department of Industry](#)
- [Nepal's Department of Customs](#)
- [Trade and Export Promotion Center](#)
- [Nepal Chamber of Commerce](#)
- [Federation of Nepalese Chambers of Commerce and Industry](#)
- [U.S. Embassy Kathmandu website](#)
- [U.S. Export Assistance Center](#)

# Leading Sectors for U.S. Exports & Investments

## Airport and Ground Support Equipment

### Overview

Domestic and international air passenger movements have increased significantly over the past decade, putting stress on Nepal's civil aviation infrastructure. Kathmandu's Tribhuvan International Airport (TIA), the country's only international airport, handled 27,118 international flights in 2017, compared to 23,619 international flights in 2013. The airport has an outdated radar system, and with only one runway. In 2016, the airport handled approximately 400 movements per day (take off and landing) and at peak times exceeded its stated maximum capacity of 35 flights per hour. The Ministry of Tourism and Civil Aviation (MoTCA) and the Civil Aviation Authority of Nepal (CAAN) have civil aviation infrastructure improvement projects planned in Kathmandu and throughout the country; these are valued at around 1.3 billion over the next fifteen years.

Exports/Imports of Airport and Ground Support Equipment (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	
Total Exports	0	0	0	
Total Imports	50,095.42	154,482.89	80,525.24	
Imports from the US	9,554.22	7,080.16	10,678.38	
Total Market Size	50,095.42	154,482.89	80,525.24	100,000.00
Exchange Rates (USD)	98.55	99.79	106.65	107.92

(total market size = (total local production + imports) - exports)

Total Imports: Trade and Economic Promotion Center, Nepal

Imports from U.S.: Trade and Economic Promotion Center, Nepal

### Leading Sub-Sectors

The best sub-sector prospects for U.S. businesses include sale of radar systems, aeronautical communications equipment, navigation aids, runway lighting systems, and an array of ground support and safety equipment.

### Opportunities

The GON has launched six major civil aviation infrastructure projects in recent years. These projects offer U.S. companies the opportunity to supply ground support equipment. Due to increasing runway and airspace congestion, both government actors and the public are increasingly advocating for the construction of a second international airport (SIA) to be

located in the plains bordering India. Such projects as the SIA and the upgrading of the control towers of several domestic airports remain in the feasibility study phase. However, some projects are already underway, such as infrastructure upgrades at TIA in Kathmandu and improvements at the Buddha Gautam Airport in Bhairahawa, for which tenders have been awarded and construction work has begun. Commercial opportunities exist for U.S. businesses for turn-key projects, major equipment sales, and consultancy services with the GON.

1. Construction of the SIA in Nijgadh, Bara district - Estimated first phase cost \$1.2 billion.
2. Master Plan for Civil Aviation Infrastructure Development of TIA in Kathmandu - Estimated first phase cost \$75 million.
3. Upgrade of Bhairahawa's Gautam Buddha Airport as a Regional International Airport (RIA). The Asian Development Bank is financing \$68 million of the estimated \$90 million project cost.
4. Construction of RIA in Pokhara - Estimated cost \$304 million (contract re-awarded to the Chinese firm CAMC Engineering Company in May 2014).
5. Construction of new terminal building and control tower in Janakpur - Estimated cost TBD.
6. Construction of new terminal building and control tower in Dhangadhi - Estimated cost TBD.

#### **Web Resources**

- [United States International Trade Commission](#):
- [Ministry of Tourism and Civil Aviation, Nepal](#)
- [Civil Aviation Authority of Nepal](#)
- [Trade and Economic Promotion Center, Nepal](#)
- [Nepal Investment Board](#)

## Medical Equipment and Pharmaceuticals

### Overview

Imports of medical equipment have increased marginally in recent years, with imports from the United States accounting for nearly 12 percent of Nepal's total imports in 2016. In recent years, almost a dozen medical colleges have opened in various parts of Nepal. At the same time, the number of hospitals with modern medical facilities has increased in recent years, primarily in the Kathmandu Valley, creating opportunities for medical equipment sales. These colleges and hospitals have a continuing need to upgrade their testing and treatment facilities to make their services competitive, and they therefore import modern medical equipment on a regular basis. Moreover, although most imported drug and pharmaceutical products come from India, U.S. pharmaceuticals are competitive. For specialty medical services, Nepali hospitals and testing facilities are increasingly interested in importing medical equipment from the United States.

Exports/Imports of Medical Equipment and Pharmaceuticals (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	105,324.82	78,800.56	117,351.62	
Imports from the US	9,491.59	9,719.38	13,976.64	
Total Market Size	105,324.82	78,800.56	117,351.62	
Exchange Rates	98.55	99.79	106.65	107.92

(total market size = (total local production + imports) - exports)

Total Imports: Trade and Economic Promotion Center, Nepal

Imports from U.S.: Trade and Economic Promotion Center, Nepal

### Leading Sub-Sectors

- X-ray machines, ultra-sonographic machines, electrocardiogram machines, and other testing equipment
- Instruments and appliances used in medical, surgical, dental, or veterinary sciences, including electro-medical and sight testing

### Opportunities

- The expansion of private sector medical facilities in Nepal offers significant opportunities for U.S. exporters of medical equipment and supplies. Demand for pharmaceutical products is also expected to remain high.

## **Web Resources**

- [Nepal Medical Council](#)
- [Recognized medical / dental institutions in Nepal](#)
- [United States International Trade Commission](#)
- [Trade and Economic Promotion Center, Nepal](#)



## Water Resources Equipment and Services

### Overview

Nepal's large hydropower potential represents an enormous opportunity for U.S. companies, including in direct foreign investment and/or joint ventures, as well as in the sale of equipment and provision of consultancy services. Nepal's hydropower sector is open to foreign investment. Nepal has some 83,000 megawatts (MW) of hydroelectric potential – more than 40,000 MW of which is commercially viable – but less than 1 percent of this capacity has been developed.

Although Nepal has greatly reduced power outages in the past year, Nepal still faces power shortages especially during the peak winter season, and electricity needs are increasing 13 percent annually. A high voltage cross border transmission line connecting Nepal to India is being upgraded to expand cross border electricity trade and has helped increase Nepal's supply of electricity. More lines are planned. Nepal signed a long-awaited Power Trade Agreement (PTA) with India on October 21, 2014. The PTA opened up India's large – and growing – power market for Independent Power Producers (IPPs). In addition, the Investment Board of Nepal (IBN) signed a Power Development Agreement (PDA) with two Indian power developers in 2014, for the first time allowing a foreign developer to build, operate, and export the power produced. With dozens of hydropower projects in the works, there are opportunities for equipment sales and engineering and design consulting services. The April 2015 earthquake inflicted major damage to a number of power plants operating in districts adjoining Kathmandu. These plants require major repair and maintenance work, and some have announced reconstruction plans worth millions of dollars. Major reconstruction projects offer opportunities for equipment sales and engineering consulting services for U.S. companies.

Water Resources Equipment and Services (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	513,317.84	427,394.04	873,660.84	
Imports from the US	9,454.40	6,477.82	8,558.93	
Total Market Size	513,317.84	427,394.04	873,660.84	1,000,000
Exchange Rates	98.55	99.79	106.65	107.92

(total market size = (total local production + imports) - exports)

Total Imports: Trade and Economic Promotion Center, Nepal

Imports from U.S.: Trade and Economic Promotion Center, Nepal

### **Leading Sub-Sectors**

- Foreign Direct Investment for hydropower power projects
- Consulting services
- Hydropower generation machines
- Turbines
- Generators
- Power control machineries
- Surveying instruments
- Transmission wires
- Heavy machinery and earth moving equipment

### **Opportunities**

Prospects in hydropower equipment sales and consultancies include: the construction of the 900-MW Upper Karnali Hydroelectric Project, which is being developed by a consortium of GMR Energy Ltd., India, and the Italian-Thai Development Project Company of Thailand; the 456-MW Upper Tamakoshi Hydroelectric Project, which is being developed by a Nepali consortium; and the 900 MW Arun-III Hydro Electric Project, which is being developed by the Indian company Satluj Jal Vidyut Nigam Limited. Equipment imported for hydropower projects is assessed a special lower customs duty of only 1 percent.

### **Web Resources**

- [United States International Trade Commission](#)
- [Trade and Economic Promotion Center, Nepal](#)
- [Department of Electricity Development](#)
- [Nepal Electricity Authority](#)
- [Ministry of Energy](#)
- [Upper Karnali Hydroelectric Project](#)
- [Upper Tamakoshi Hydropower Limited](#)
- [Satluj Jal Vidyut Nigam Limited](#)

## Renewable Energy Equipment

### Overview

Nepal's energy demand, at more than 1,400 MW, exceeds the country's power supply. During the dry winter months, energy production in Nepal's run-of-river hydropower projects can fall by more than two-thirds, leaving Nepal reliant on electricity imports. Nepal's transmission infrastructure remains limited to urban areas, leaving many rural communities without electricity. Furthermore, frequent petroleum shortages and the high cost of running diesel generators have prompted some businesses, wealthy urban households, and rural communities to turn to solar energy.

Following the April 2015 earthquake, the Prime Minister's Office, National Planning Commission, Urban Development Ministry, and other government agencies announced plans to introduce solar power facilities to rural areas as a more reliable and cost-effective source of power.

Renewable Energy Equipment (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	67,436.90	12,631.72	9,652.54	
Imports from the US	345.10	212.31	146.08	
Total Market Size	67,436.90	12,631.72	9,652.54	10,000.00
Exchange Rates	98.55	99.79	106.65	107.92

(total market size = (total local production + imports) - exports)

Total Imports: Trade and Economic Promotion Center, Nepal

Imports from U.S.: Trade and Economic Promotion Center, Nepal

### Leading Sub-Sectors

- Solar panels
- Inverters
- Batteries
- Solar water heaters

## **Opportunities**

Prospects in renewable energy equipment sales have so far been limited to individual households, through one of more than eighty solar equipment supply companies in Nepal. However, opportunities to introduce enterprise solar systems to businesses and factories hold tremendous potential.

## **Web Resources**

- [United States International Trade Commission](#)
- [Trade and Economic Promotion Center, Nepal](#)
- [Alternative Energy Promotion Center](#)
- [Nepal Electricity Authority](#)
- [Ministry of Energy](#)

## Telecommunications Equipment and Services

### Overview

Telecommunications services have experienced significant growth over the last decade. Currently, six companies provide telephone services in Nepal, with the government-owned Nepal Telecom (NT) and Malaysian-owned NCell as the biggest operators. Both NT and NCell, like their smaller competitors, are expanding their geographical reach and range of services and offer equipment sales potential. Business opportunities exist for equipment sales, network installation, and laying fiber optic cable. Additionally, NCell is investing millions of dollars per year to upgrade its infrastructure; however, equipment sales with after-sale service are a prerequisite for the project. Local microwave and cable TV services depend on U.S. firms for much of their equipment, as do Kathmandu's 22 satellite/cable TV networks.

Exports/Imports of Telecommunications Equipment (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	288,371.14	264,185.32	355,856.72	
Imports from the US	5,019.80	2,506.06	1,853.87	
Total Market Size	288,371.14	264,185.32	355,856.72	
Exchange Rates	98.55	99.79	106.65	107.92

(total market size = (total local production + imports) - exports)

### Leading Sub-Sectors

- Satellite services for phone and Internet
- Fiber optic cables
- VHF radio, transmitter, and other equipment

### Opportunities

The number of cellular mobile subscribers has increased from 243,579 in January 2005 to 27.07 million by January 2016. Chinese companies have won bids to supply technology and equipment to the two leading Nepali cellular telephone operators, but the expanding mobile phone market offers additional possibilities for U.S. companies. U.S. companies might also consider entering the market as a cellular phone service operator under a joint venture partnership with one of the existing operators.

## Web Resources

- [United States International Trade Commission](#)
- [Trade and Economic Promotion Center, Nepal](#)
- [Ministry of Information & Communications, Nepal](#)
- [Nepal Telecommunications Authority, Nepal](#)
- [Nepal Telecom Company Limited, Nepal](#)
- [Pvt. Ltd.](#)
- [Smart Telecom Pvt Ltd.](#)

## **Franchising**

### **Overview**

Although the present franchise market is relatively small, it has the potential to expand. KFC and Pizza Hut both operate two restaurants in Kathmandu, the first foreign food franchises in Nepal. Nepali locals represent approximately seventy percent of demand, with the remaining thirty percent from foreigners. There are a number of U.S. and international brands operating in Nepal including Coca-Cola, Pepsi, Western Union, Hyatt, Radisson, Marriott, DHL, United Colors of Benetton, Cookie Man, Baskin Robbins, Wimpy, Hot Breads, Bata, Puma, Reebok, and Adidas. Indian franchises have also entered the Nepali market including Gini and Jony, Time Square, Planet Fashion, Raymonds, Angan, Lilliput, Big Cinemas, John Players, Peter England, Provogue, Yana Sizzlers, Kendriya Vidyalaya, Patanjali Chikitsalaya, Aptech, NIIT, and Eurokids.

### **Leading Sub-Sectors**

- Fast food restaurant chains
- Coffee houses
- Clothing
- Sports Equipment
- Hotels

### **Opportunities**

Franchises have the opportunity to expand in Kathmandu and Pokhara, two of Nepal's largest cities and tourism hubs. Market growth is projected at 25 percent through the first few years of establishment. Key benefits of a franchise lie in brand name equity and quality consistency. With about 800,000 tourists arriving every year, as well as a sizeable expatriate community, fast food franchises hold excellent potential. The climate is improving for expansion in other growing Nepali cities, such as Birgunj, Biratnagar, and Bhairahawa. Market entrants should take a long-term view. In recent years, due to increased consciousness of quality and durability of goods, demand for branded products has increased.

### **Web Resources**

Because the franchise sector is developing, research data or trade leads are not available. The Political/Economic Section of the U.S. Embassy keeps track of strong expressions of interest in U.S. franchises by the local business community. For information on potential local partners, U.S. businesses may contact the Economic and Commercial Officer at the U.S. Embassy in Kathmandu at: [pricekc@state.gov](mailto:pricekc@state.gov).

## Food and Dairy Products

### Overview

Only 17 percent of Nepal's land is arable, and productivity is low due to structural impediments, including poor road infrastructure and small-scale farming. As a result, Nepal imports a significant amount of food products, though U.S. products are less competitive than cheaper Indian and Chinese products. However, the demand for U.S. farm, food, and dairy products has slowly increased in the last few years and U.S. goods now constitute ten percent of imports in the market. Nepal also offers opportunity for U.S. exports of seeds and fertilizers. However, in January 2014, Nepal's Supreme Court imposed a ban on the import of genetically-modified and hybrid seeds, and that market remains closed. Due to small fertilizer orders, the Nepali fertilizer market is largely untapped by U.S. companies.

Exports/Imports of Food and Dairy Products (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	1,288,470.93	1,111,859.47	1,604,719.64	
Imports from the US	7,666.15	10,702.82	34,384.22	
Total Market Size	1,288,470.93	1,111,859.47	1,604,719.64	2,000,000.00
Exchange Rates	98.55	99.79	106.65	107.92

*(total market size = (total local production + imports) - exports)*

Total Imports: Trade and Economic Promotion Center, Nepal

U.S. Imports: Trade and Economic Promotion Center, Nepal

### Leading Sub-Sectors

- Rice
- Legumes
- Dried pastas, Bread
- Pastry, cakes, and biscuits
- Vegetable oil
- Capsules for medicine



## **Opportunities**

Demand for U.S. bread, pastry, cakes, biscuits, and other bakery products have gradually increased in the Nepali market. The presence of flavored waters and other nonalcoholic beverages, food preparations, ethyl alcohol, spirits, and liquors has also increased in the Nepali market.

## **Web Resources**

- [United States International Trade Commission](#)
- [Trade and Economic Promotion Center, Nepal](#)

## Aircraft and Parts

### Overview

The number of international and domestic air passengers has increased dramatically in recent years. In 2016, Nepal attracted 753,002 foreign tourists, slightly lower than the 790,610 visitors who arrived in 2013. According to the Civil Aviation Authority of Nepal (CAAN), 28 international carriers and 13 domestic carriers provide service to Nepal, and the total number of air travelers in 2016 was 3.51 million (this includes 1.76 million international travelers and 1.75 domestic travelers), up from 3.21 million in 2015. Domestic airline operators registered a 28 percent increase in passengers in 2016 and at least two local airlines (Buddha Air and Shree Airlines) plan to start flying international routes in the near future.

### Exports/Imports of Aircraft and Parts (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	58,095.42	154,482.89	80,508.94	
Imports from the US	9,548.50	7,080.16	9,686.95	
Total Market Size	58,095.42	154,482.89	80,508.94	100,000.00
Exchange Rates	98.55	99.79	106.65	107.92

*(total market size = (total local production + imports) - exports)*

Total Imports: Trade and Economic Promotion Center, Nepal

Imports from U.S.: Trade and Economic Promotion Center, Nepal

### Leading Sub-Sectors

The best sub-sector prospects for U.S. businesses include aircraft spare parts and sales of small aircraft.

### Opportunities

Private airlines in Nepal mushroomed in the early 1990s, providing opportunities for the sale of new and used short-haul, turboprop passenger aircrafts. U.S. businesses are advised to target the aircraft spare parts market through establishing direct links with domestic airlines operators in Nepal. Nepal's private airlines, which previously limited their operations to the domestic sector, are gradually entering international operations.

### Web Resources

- [United States International Trade Commission](#)

- [Ministry of Tourism and Civil Aviation, Nepal](#)
- [Civil Aviation Authority of Nepal](#)
- [Trade and Economic Promotion Center, Nepal](#)
- [Buddha Air](#)
- [Simrik Airlines](#)
- [Sita Air](#)
- [Tara Air](#)
- [Yeti Airlines](#)

## Computers and Peripherals

### Overview

U.S. computers and peripheral equipment remain competitive in the local market due to consumer preference and loyalty. Leading U.S. companies in this sector are represented through their authorized distributors and representatives in Nepal. In view of market size, volatility of sales, and legal restrictions in opening local sales outlets, U.S. companies are advised to hire a distributor/representative.

Exports/Imports of Computers and Peripherals (U. S. \$ thousands)

	2014	2015	2016	2017 (Estimated)
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports	111,500.22	92,377.49	108,879.05	
Imports from the US	3,669.43	2,324.70	4,223.58	
Total Market Size	111,500.22	92,377.49	108,879.05	125,000.00
Exchange Rates	98.55	99.79	106.65	107.92

*(total market size = (total local production + imports) - exports)*

Total Imports: Trade and Economic Promotion Center, Nepal

Imports from U.S.: Trade and Economic Promotion Center, Nepal

*Note: Computer hardware and peripheral equipment manufactured in the United States is mostly shipped via Hong Kong and Singapore and therefore is not reflected in import figures. While reported imports of U.S. products are low, the volume may be higher due to third-country transshipments.*

### Leading Sub-Sectors

- Computer components
- Hardware
- Monitors
- Laptop computers
- Uninterrupted power sources
- Servers

## **Opportunities**

Total annual imports of computer hardware range from \$70 million to \$90 million, generally involving goods transshipped through Hong Kong or Singapore. In recent years, the demand for laptop computers has increased significantly. The Computer Association of Nepal held its annual InfoTech show, a computer and IT trade event held annually for more than twenty years, in January 2017 and attracted 310,000 visitors with tablets, PCs, and netbooks as major features at the event.

## **Web Resources**

- [United States International Trade Commission](#)
- [Trade and Economic Promotion Center, Nepal](#)
- [Computer Association of Nepal](#)

## Customs, Regulations & Standards

### Trade Barriers

There are no major non-tariff trade barriers on imports. Technical standard barriers are applied to a small number of manufactured products, such as vehicles and refrigerators. Vehicles imported into Nepal must qualify under the Euro I standard, and refrigerators must be chlorofluorocarbon (CFC) gas-free. Nepal does not allow the import of used items, the definition of which is often interpreted to include refurbished products (with the exception of refurbished aircrafts).

For more information and help with trade barriers please contact:

International Trade Administration

[Enforcement and Compliance](#)

(202) 482-0063

[ECCommunications@trade.gov](mailto:ECCommunications@trade.gov)

### Import Tariff

Import tariffs are generally assessed on an ad valorem basis. Nepal uses the Harmonized Tariff System (HTS) for classification purposes. Import duty rates vary from zero to 80 percent. Live animals, fish, and most primary products are exempt from import duties if imported from India, while a duty of 10 percent is applied on imports of these items from countries other than India. Machinery or goods related to basic needs are charged at a 5 percent rate. Products considered hazardous to one's health, such as cigarettes, are taxed at Nepali Rupees 3,500 (approximately USD 35) per thousand pieces. Import tariffs on pipe tobacco are charged at 80 percent on an ad valorem basis. Liquors are taxed at Nepali Rupees 1,000 (approximately USD \$10) per liter basis. Custom duties are generally assessed on the cost, insurance, and freight (CIF) value. Imported goods are also liable for a value-added Tax (VAT) of 13 percent levied on CIF plus customs duty value. Changes in the import tariffs, other duties, and taxes are generally announced through the annual budget, and later ratified by the Parliament before it is enforced. The annual budget was released on May 29, 2017.

Special Duty Reductions of five or ten percent have been given to imports from the Tibet Autonomous Region of the People's Republic of China, member countries of the South Asian Association for Regional Cooperation (SAARC), and designated most-favored nations.

Nepal plans to establish its first Export Processing Zones (EPZ) near the Nepal-India border town of Birgunj. Any industry exporting 90 percent or more of its products is entitled to privileges equivalent to those normally provided by an EPZ – e.g., no tax, duty, or fee is levied on the machinery, tools, and raw materials used by the industry in manufacturing the exported products. Export-oriented industries may also enjoy the benefits of bonded warehouse facilities. Raw materials can be imported via entry in a passbook without paying custom duty or VAT. The same value is deducted from the passbook upon export of the finished product. The enterprise must also submit a bank guarantee sufficient to cover applicable duties.

## **Import Requirements & Documentation**

Documents required for shipment to Nepal include a commercial invoice, a customs declaration form (CDF), clearly marked and labeled packaging, and a certificate of origin. Similarly, exported items sent by air require a CDF, a copy of the export license (if applicable), a commercial invoice, a certificate of origin, a copy of the letter of credit or advance payment statement from a bank, a foreign exchange declaration form, a packing list, a photocopy of the income tax registration certificate, an airway bill, and an authorization letter.

Imports do not require a license except for banned or quantitatively restricted items, such as (a) products injurious to health, including illicit drugs (see section on prohibited imports further in this chapter); (b) arms and ammunition, explosive materials, or products required for production of explosive materials, guns and bullets; (c) communications equipment, wireless walkie-talkies and other similar audio-communication equipment, except under government import license; (d) valuable metals and jewelry; and (e) beef and beef products (dietary restrictions of the majority Hindu religion prohibit the consumption of beef). Nepal does not require open general licenses for imports.

Traders need to show their general export/import permits and taxpayer's certificate to import goods. If the end user – for example, a project office, company, or institution – is importing goods directly, it will have to produce a copy of its corporate registration certificate and taxpayer's certificate in order to obtain both foreign currency approval from Nepal Rastra Bank (Nepal's central bank) and customs clearance of the consignment.

## **Labeling/Marking Requirements**

Nepali law requires no special labeling or marking. For customs purposes, the packaging and labels of a shipment should clearly identify country of origin and destination and include a commercial invoice with a list of items in the package, a customs declaration form (CDF), and a certificate of origin. Department of Customs information can be found via at the [Department of Customs Website](#).

## **U.S. Export Controls**

All products, other than those banned or under quantitative restrictions, may be exported freely from Nepal. Banned items include articles of archeological and religious importance, controlled wildlife and by-products, narcotic substances, articles related to explosive materials or required for the production of arms and ammunition, industrial raw materials (such as raw leather, raw wool, imported raw materials, parts, and capital goods), and other goods, such as logs and timber. Items subject to quantitative restriction are subject to review by the GON. Past examples have included food grains, oilseeds, and some types of lentils.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available at this [website](#).

## Temporary Entry

Some goods, including vehicles, machinery, and equipment, may be imported temporarily for special purposes, such as domestic exhibitions or trade fairs, by making a refundable deposit of the applicable duty. These goods must be taken out of the country within three months of the completion of work. Goods can stay in-country if the duty is paid and the item is sold or retained for personal use. An extension of the three-month period may be granted on appropriate and reasonable grounds upon payment of an additional ten percent of the applicable duty amount. If the duty is not paid or the goods are not re-exported within six months of entry, Nepal may pursue smuggling charges. Nepal places no legal restrictions requiring warranty for products imported temporarily for a specific purpose.

## Prohibited & Restricted Imports

The following products are prohibited for import:

- Products injurious to health: a) narcotic drugs such as opium and morphine; and b) liquor containing more than 60 percent alcohol
- Arms, ammunition and explosives (except under government import license): a) materials used in the production of arms and ammunition; b) guns and cartridges; c) caps other than those of paper; and d) arms, ammunition and other explosives.
- Communications equipment: wireless walkie-talkies and other similar audio communication equipment (except under import license of the GON).
- Valuable metals and jewelry (except permitted under bag and baggage regulations).
- Beef and beef products (Five star hotels are allowed to import beef with a special license issued by the Department of Commerce).
- Any other product as per notification of the GON in the Nepal Gazette, published by the Department of Printing. Such notices can be obtained from the Department of Printing by making a request to the Director General at fax: 977-1-4228774.

## Customs Regulations

All customs-related information, tariff structures, special provisions, rules and regulations are available at the [Department of Customs website](#). Specific questions related to customs can be forwarded to the Department by e-mail: [npdoc@ntc.net.np](mailto:npdoc@ntc.net.np).

## Standards for Trade

### Overview

Nepal generally follows internationally recognized standards; it does not follow the ISO 9000 series. Institutions charged with establishing standards include the Nepal Bureau of Standards and Metrology and the Department of Drug Administration. Food product standards are generally set under the Food Act and Nepal Standard (Certification Mark) Act. The law regarding the import of products other than food products, cars, and refrigerators does not mandate any standards. The then-Ministry of Population and Environment, now the Ministry



of Science, Technology and Environment, introduced the Nepal Vehicle Mass Emission Standards Act in December 1999 to control pollution; these are similar to EURO 1 standards.

### **Standards**

The Nepal Bureau of Standards and Metrology (NBSM) is the only agency authorized to develop technical standards for different products. NBSM is currently working on developing standards and labeling programs for electrical appliances. The Department of Drug Administration regulates the consumption and quantification of modern drugs for human use in Nepal.

### **Testing, inspection and certification**

Standards for testing the quality of food and the processes for testing food products are governed under the Food Act and Nepal Standard (Certification Mark) Act, which requires the importer to have a sample tested by the Department of Food Technology and Quality Control. The Department of Drug Administration approves the consumption and quantification of drugs for human use and issues licenses to import any drugs to Nepal. The Cosmetics, Devices and Drugs Act of 1980 governs quantification of drugs for human use.

Except for drugs/medicines, no product certification is required for branded products. For drugs/medicines, the importer must obtain prior approval from the Department of Drug Administration. Certification is not required for patent drugs manufactured by recognized manufacturers in those cases where the Department of Drug Administration has already approved the drugs' chemical composition. There are no accreditation bodies in Nepal. Accreditation of labs is not required.

### **Publication of technical regulations**

Finalized acts and regulations issued by the GON are published in the Nepal Gazette and are made available by the Department of Printing. U.S. entities can comment or challenge these regulations by email or notification to the appropriate department.

### **Contact Information**

[Nepal Bureau of Standards and Metrology \(NBSM\)](#) P.O. Box 985, Balaju, Kathmandu, Nepal  
Tel: +977-1-4350818, 4350445, 4361141

Fax: 977 1 4350689

E-mail: [nbsm@nbsm.gov.np](mailto:nbsm@nbsm.gov.np)

Director General: Mr. Bishwo Babu Pudasaini

[Department of Drug Administration](#) Madan Bhandari Path-4, Bijulibazar New Baneshwor, Kathmandu, Nepal  
Tel: +977-1-4780432, 4780227

Inspection Hotline: 977-1-2042383

Fax: +977-1-4780478

Email: [director@dda.gov.np](mailto:director@dda.gov.np); [dda@healthnet.org.np](mailto:dda@healthnet.org.np); [import@dda.gov.np](mailto:import@dda.gov.np)

Email Pharmacy Reg. Section: [pharmacy@dda.gov.np](mailto:pharmacy@dda.gov.np)

Director General: Mr. Balkhishna Khakurel

Email: <mailto:Bkhakurel@yahoo.com>

Drug Administrator & Information Officer: Mr. Narayan Prasad Dhakal

Email: <mailto:Narayandhakalji@gmail.com>

Senior Pharmacist: Ms. Vijaya Laxmi Shrestha

Department of Printing

[Ministry of Information and Communications](#)

Singha Durbar, Kathmandu, Nepal

Tel: 977-1-4211622, 4211820, 4211695, 4211749

Fax No: 977-1-4211764

Email: <mailto:info@dop.gov.np>

Director General: Mr. Balbhadra Giri

[Ministry of Science, Technology and Environment](#)

Singha Durbar, Kathmandu, Nepal

Tel: 977-1-4211641, 4211586, 4211737, 4211869, 4211996, 4211661

Facsimile: 977-1-4211954

Email: [info@moste.gov.np](mailto:info@moste.gov.np)

Department of Food Technology and Quality Control (DFTQC)

[Ministry of Agriculture Development](#)

P.O. Box 21265, Babarmahal, Kathmandu, Nepal

Tel: 977-1-4262369, 4262741, 4251132; Ext: 202, 211

Facsimile: 977-1-4262337

Email: [info@dftqc.gov.np](mailto:info@dftqc.gov.np); [spsnepal@ntc.net.np](mailto:spsnepal@ntc.net.np); [dftqc@mail.com.np](mailto:dftqc@mail.com.np)

Director General: Mr. Sanjeev Kumar Karn

Ministry of Agriculture Development

Agribusiness Promotion and Statistics Division

Singha Durbar, Kathmandu, Nepal

Tel: +977-1-4211687, 4211706, 4211950, 4211981; Ext.: 219

Fax: 977-1- 4211935, 4211839

Email: [mailto:parajuli\\_dinesh@moadwto.gov.np](mailto:parajuli_dinesh@moadwto.gov.np)

Joint Secretary: Dr. Dinesh Prasad Parajuli

## **Trade Agreements**

Nepal has ratified the South Asian Association for Regional Cooperation (SAARC) Agreement on a South Asian Free Trade Area (SAFTA). Under SAFTA, the eight SAARC nations (Nepal, Bhutan, India, Bangladesh, Pakistan, Sri Lanka, Maldives, and Afghanistan) have pledged to cut tariff rates on a product-by-product basis, and more than 5,000 items are entitled to preferential duty treatment in the participating countries. However, the long “negative list” of goods that are excluded from preferential duty treatment under SAFTA has limited the agreement’s impact on regional trade.

Nepal became the 147th member of the World Trade Organization (WTO) in April 2004. Nepal was given until December 2006 to comply with its WTO obligations, but to date it has only partially fulfilled these obligations, largely due to continued political instability.

In February 2004, Nepal became a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Other members include Bangladesh, Bhutan, India, Burma, Sri Lanka, and Thailand. BIMSTEC seeks to establish a more comprehensive free-trade area through deeper and more substantial sector coverage of services and an open and competitive investment regime. The regional group constitutes a bridge between South and South East Asia and represents a reinforcement of relations among these countries. BIMSTEC has also established a platform for intra-regional cooperation between SAARC and ASEAN members. The fourth BIMSTEC Summit is scheduled to be held in Kathmandu in late 2017.

Nepal has signed bilateral trade treaties with seventeen countries, including the United States, United Kingdom, Yugoslavia, India, Russia, South Korea, North Korea, Egypt, Bangladesh, Sri Lanka, Bulgaria, China, Czech Republic, Pakistan, Romania, Mongolia, and Poland. The treaty Nepal signed with India in 1996 and amended in 2009 is its most important in terms of trade volume. Except for some items under quantitative restrictions, the trade treaty puts Nepal in a unilateral duty-free trade regime with India, which accounted for more than 60 percent of Nepal’s total trade in FY 2015/16.

## **Licensing Requirements for Professional Services**

The current Foreign Investment & Technology Transfer Act (FITTA) 1992, which largely regulates inward foreign investment in Nepal, defines the acquisition of any foreign technical, consultancy, management, or marketing service as technology transfer. Any foreign individual, firm, company, or corporate body involved in foreign investment or technology transfer, including foreign governments or international agencies, is allowed to acquire such services. A person desiring to derive benefit from the foreign investment or technology transfer must apply to the Department of Industry for permission, although certain professional services and industrial sectors are off limits to foreign investment. Under FITTA 1992, foreign direct investment is not permitted in such professional services as personal service businesses, tailoring, drivers training, motion pictures, printing, and currencies and coinage.

## Web Resources

- [WTO and Nepal](#)
- [Nepal and BIMSTEC](#)
- [BIMSTEC Official Site](#)
- [Bilateral Trade Treaties](#)
- [Department of Customs](#)
- [Ministry of Science & Technology](#)
- [Nepal Rastra Bank](#)
- [Department of Industry](#)

# Investment Climate Statement

## Executive Summary

With an annual Gross Domestic Product (GDP) of about \$21 billion, and total trade of \$7.27 billion in 2015 (including \$129 million in U.S.-Nepal bilateral trade), Nepal is a small contributor to the global economy. However, its location between India and China – two of the world’s fastest growing economies – may make Nepal attractive to some foreign investors.

Nepal’s natural resources have significant commercial potential.

- Hydroelectric power – of which Nepal has an estimated 40,000 MW of commercially viable potential – could be a major source of income and help meet South Asia’s growing energy needs.
- Other sectors offering potential investment opportunities include agriculture, tourism, and infrastructure.
- The Government of Nepal (GON) is taking steps to improve the investment climate through new legislation that could make investment opportunities more attractive. These new laws include the Industrial Enterprise Act, a Special Economic Zone Act, an amendment to the Companies Act, and a new Intellectual Property Rights policy. Parliament is also reviewing a new Foreign Investment bill and a revised Labor bill that could be approved in 2017. While this new legislation is a welcome development, the GON will have to ensure that the new laws are fully implemented in order for the investment climate to improve.

Nepal offers opportunities for investors willing to accept inherent risks and the unpredictability of doing business in the country. While Nepal has established some investment-friendly laws and regulations, significant investment barriers remain.

- Corruption, laws limiting the operation of foreign banks, limitations on the repatriation of profits, limited currency exchange facilities, and the government’s monopoly over certain sectors of the economy, such as electricity transmission and petroleum distribution, undermine foreign investment in Nepal.
- Millions of Nepalis look for employment overseas, creating a drain on an already poorly trained workforce and local shortages of unskilled labor.
- The proliferation of politicized trade unions, typically affiliated with one or more political parties, and unpredictable general strikes also limit investment.
- Immigration laws and visa policies for foreign investors can be cumbersome and obstructive, which are exacerbated by an inefficient government bureaucracy and a relatively high turnover rate of officials.
- Political uncertainty is another challenge for foreign investors in Nepal. The country has made considerable strides since the end of a ten-year Maoist insurgency in 2006. Nepal has held free and fair Constituent Assembly elections in 2008 and 2013, completed the integration of former combatants into the Nepalese Army, and promulgated a constitution in 2015. However, widespread dissatisfaction with some

constitutional provisions led to prolonged protests across much of Nepal’s southern Terai belt, as well as a prolonged blockage of Nepal’s border with India. A series of elections – local, provincial, and national – constitutionally-mandated to take place before January 2018 could spark further unrest.

- Nepal’s geography also presents challenges. The country’s mountainous terrain and poor infrastructure increase the cost of transportation of raw materials as well as finished goods. The nearest seaport is in Kolkata, India, about 900 kilometers from Kathmandu.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	131 of 175	<a href="http://transparency.org/research/cpi/overview">transparency.org/research/cpi/overview</a>
World Bank’s Doing Business Report “Ease of Doing	2017	107 of 190	<a href="http://doingbusiness.org/rankings">doingbusiness.org/rankings</a>
Global Innovation Index	2016	115 of 128	<a href="http://globalinnovationindex.org/content/page/data-analysis">globalinnovationindex.org/content/page/data-analysis</a>
U.S. FDI in partner country (\$M USD, stock positions)	2012*	\$5,000,000	<a href="http://bea.gov/international/factsheet/">bea.gov/international/factsheet/</a>
World Bank GNI per capita	2015	\$730	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

\*Data after 2012 is not available

## Openness to and Restrictions upon Foreign Investment

The GON officially welcomes foreign direct investment (FDI) and has passed several laws in recent months that – if properly implemented – could improve the investment climate. The new laws include the Industrial Enterprise Act, the Special Economic Zone Act, and a new policy for intellectual property rights. Additional legislation, including an updated Foreign Investment bill could be signed into law in 2017. The GON organized an investment summit in March 2017 during which leaders of the three major political parties emphasized that despite political differences, they agreed on the need for foreign investment to increase economic growth rates. In practice, however, American and other foreign companies say that corruption, bureaucracy, and a weak regulatory environment make investing in Nepal very difficult. While

Nepal's new and pending legislation is promising, it remains unclear whether the legislation, once adopted, will effectively improve the investment climate, particularly for foreign investors.

The most significant foreign investment laws are the Foreign Investment and Technology Transfer Act of 1992 (since amended and due for a complete overhaul if Parliament approves the draft Foreign Investment bill, currently under review), the Foreign Investment and One Window Policy of 2015, the Foreign Exchange Regulation Act of 1962, the Immigration Rules of 1994, the Customs Act of 1997, the Industrial Enterprise Act of 2016, the Electricity Act of 1992, the Privatization Act of 1994, and the annual budget, which outlines customs, duties, export service charges, sales, airfreight and income taxes, and other excise taxes that affect foreign investment.

In February 2015, the GON issued the new Foreign Investment and One-Window Policy 2015, which replaced the Foreign Investment Policy of 1992. The new policy defines priority sectors for foreign investment, including hydropower, transportation infrastructure, agro-based and herbal processing industries, tourism, and mines and manufacturing industries. The Foreign Investment and One Window Policy also establishes currency repatriation guidelines, outlines visa regulations and arbitration guidelines, permits full foreign ownership in most sectors, and creates a "one window committee" for foreign investors.

The Foreign Investment and One Window Policy opened the retail sector to foreign investment for the first time, but with some conditions. Foreign multi-brand retail stores (i.e., Wal-Mart or Tesco) are now permitted, provided the investor has operations in more than two countries and invests more than \$5 million in fixed capital. The policy also states that foreign investors will be treated the same as domestic investors, and industries run by foreign investors cannot be nationalized. The new policy also aimed at easing visa policies for investors, family members, and assisting foreign investors with land acquisition, industrial security, and repatriation of investment and profits.

The Foreign Investment and Technology Transfer Act (FITTA) of 1992, as amended, eliminated the minimum investment requirement and opened legal, management consulting, accounting, and engineering services to foreign investment with a 51-percent ownership limit. It also clarified rules relating to business and resident visas. In general, under the FITTA, all agreements related to foreign investment are governed by Nepali law and subject to arbitration in Kathmandu under the United Nations Commission for International Trade Law rules. However, foreign law can be applicable in cases where the foreign investment exceeds approximately \$6 million and where the parties make this choice clear in their agreement. The FITTA will likely be replaced by the Foreign Investment bill, currently under Parliamentary review.

The Customs Act (revised in 1997) established invoice-based customs valuations and eliminated many investment tax incentives, replacing them with a lower, uniform rate. The Electricity Act defines special terms and conditions for investment in hydropower development. The Privatization Act of 1994 authorizes and defines the procedures for privatization of state-owned enterprises to broaden participation of the private sector in the operation of such enterprises.

The Nepal Stock Exchange does not allow foreign investors to own or trade any publicly traded companies on the exchange. Stock trading is available only for citizens of Nepal.

The terms and conditions of intellectual property protection are defined by the 1965 Patent, Design, and Trademark Act and the 2002 Copyright Act. The latter covers electronic audio and visual materials and subjects violators to fines and imprisonment, as well as the confiscation of unauthorized materials. Violators must also pay compensation claimed by the copyright holder. However, the law does not meet the standards for trade-related intellectual property rights required by the World Trade Organization. The Competition Promotion and Market Protection Act (2007) controls anti-competitive practices, protects against monopolies, promotes fair competition, and regulates mergers and acquisitions. The Competition Promotion and Market Protection Act, also contains special provisions for controlling black markets and misleading advertisements. In March 2017, Nepal's Cabinet approved a new Intellectual Property Rights (IPR) policy that will serve as the foundation of new and revised IPR legislation in the coming years.

There is no public evidence of direct executive interference in the court system that could affect foreign investors. However, in recent years there has been public and media criticism of the politicization of the judiciary, including appointments of judges to Appellate Courts and the Supreme Court allegedly based on political affiliation.

The Investment Board of Nepal (IBN) was formed in 2011 to promote economic development. The IBN handles investments larger than approximately \$100 million, while the Department of Industry is responsible for investments less than \$100 million. In addition to approving large-scale investment projects, the IBN also is the implementing agency for the GON for various public-private partnership (PPP) projects falling under its mandate.

Post is not aware of any formal, regularly scheduled dialogue between investors and the GON.

## **Conversion and Transfer Policies**

The Foreign Investment and Technology Transfer Act of 1992 states that foreign investors can repatriate all profits and dividends, all money raised through the sale of shares, all payments of principal and interest on any foreign loans, and any amounts invested in transferring foreign technology. Foreign nationals working in local industries are also allowed to repatriate 75 percent of their income. Repatriation facilities (such as opening bank accounts or obtaining permission for remittance of foreign exchange) are available based on the recommendation of the Department of Industry, which normally provides approval of the original investment.

Despite these official policies, repatriation is difficult and not guaranteed. The relevant GON department and the NRB, which regulates foreign exchange, must approve the repatriation of funds. In most cases, approval must also be obtained from the Department of Industry. In the case of telecommunications sector, the Nepal Telecommunications Authority must approve the repatriation. In joint venture cases, the NRB and the Ministry of Finance must grant approval. Such approvals are invariably sought and granted on case by case basis, and not as an one time approval.

Several foreign companies have reported that the Government of Nepal insists on signing contracts using Nepal rupees (NPR) and not major world currencies, such as the U.S. dollar.



Nepal's currency has been pegged to the Indian rupee (INR) since 1993 at a rate of 1.6 NPR to 1 INR.

Foreign investors must apply to the NRB to repatriate funds derived from the sale of shares. For repatriation of funds connected with dividends, principal and interest on foreign loans, technology transfer fees, or expatriate salaries, the foreign investor has to undergo two steps approval process, applies first to the Department of Industry and then to the NRB. At the first stage of obtaining remittance approval, foreign investors must submit remittance requests to a commercial bank. However, final remittance approval is granted by the NRB foreign exchange department, a process that is often opaque and time-consuming.

After administrative approvals, a lengthy clearance process in the banking system also slows the transfer of foreign exchange. The experience of U.S. and other foreign investors indicates serious discrepancies between the government's stated policy of repatriation and its implementation.

In general, Nepalis are not permitted to invest outside of Nepal. Act Restricting Investment Abroad, 1964 does not permit making investment abroad in order to secure economic interest. It applies to all citizens of Nepal whether they reside within or outside Nepal, and to corporate bodies established within Nepal. However, policing of the prohibition is weak. Any imports of goods and services, payments against technical consultancy services received, and disbursement of loans and interests by any government or private entity or individual is not constrained by this law. Necessary approval, however, is mandatory in each transfers.

The Financial Action Task Force lists Nepal as a country that is no longer subject to the FATF's on-going global AML/CFT compliance process. While removing Nepal from the monitoring list, in June 2014 FATF noted that FATF welcomes Nepal's significant progress in improving its AML/CFT regime and notes that Nepal has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010. Therefore, Nepal was no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. It further noted that Nepal will work with APG as it continued to address the full range of AML/CFT issues identified in its mutual evaluation report. More information can be found on the FATF's website.

## **Expropriation and Compensation**

The Industrial Enterprise Act of 2016 states that "no industry shall be nationalized." To date, there have been no cases of nationalization in Nepal, nor are there any official policies that suggest expropriation should be a concern for prospective investors. However, companies can be seized or confiscated if they do not pay taxes in accordance with Nepali law, and bank accounts can be frozen if there are suspicions of money laundering or other financial crimes.

Nepal does not have a history of expropriations. There have been no government actions or shifts in government policy that indicate possible expropriations in the foreseeable future.

Nepal does not have a history of expropriations.

## **Dispute Settlement**

Nepal is a signatory to and adheres to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Award. The Arbitration Act of 1999 allows the enforcement of foreign arbitral awards and limits the conditions under which those awards can be challenged.

The GON has updated its legislation on dispute settlement to bring its laws into line with the requirements of New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Award.

The GON is signatory to a treaty or investment agreement that recognizes international arbitration of investment disputes as binding.

Nepal does not have a Bilateral Investment Treaty or Free Trade Agreement with the United States.

Investment disputes involving U.S. or other foreign investors have not been frequent. In the last ten years, Post is aware of two cases in which a U.S. investor claimed that the GON did not honor portions of a contract. In a third case, a U.S. investor complained about monetary compensation given to a landowner. This case was eventually resolved in favor of the investor.

In theory, local courts recognize and enforce foreign arbitral awards issued against the government, based on the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Post is not aware of any cases that have involved foreign arbitral awards.

There are no known cases of extrajudicial action against foreign investors

Other than arbitration, Post is not aware of any alternative dispute resolution mechanisms available in Nepal.

In disputes involving a foreign investor, the concerned parties are encouraged to settle through mediation in the presence of the Department of Industry. If the dispute cannot be resolved, cases may be settled either in a Nepali court or in another legal jurisdiction, depending on the amount of the initial investment and the procedures specified in the contract. Commercial disputes under the jurisdiction of Nepali courts and laws typically drag on for years.

Local courts recognize and enforce foreign arbitral awards issued against the government, based on the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Post is not aware of any cases that have involved foreign arbitral awards.

Domestic courts have a history of siding with SOEs (or any government entity) in cases involving investment disputes. There have been cases where local courts have refused to determine whether documents issued by an SOE were genuine.

## **Performance Requirements**

Nepali laws are either silent or unclear on performance requirements. While the 2015 Foreign Investment Policy is supposed to ease the process of getting visas for foreigners, challenges remain, according to anecdotal reports.

Performance requirements and investment incentives are applied uniformly to both domestic and foreign investors, but are rarely applied systematically.

There are no requirements for foreign companies to provide technology to local companies. Nor are there any measures that prevent the free flow of data. Nepal has no laws relating to storage of data for law enforcement or privacy purposes.

## **Investment Incentives**

The Nepal Laws Revision Act of 2000 eliminated most tax incentives; however, exports are still favored, as is investment in certain “priority” industries, such as tourism, civil aviation, and hydropower. There is no discrimination against foreign investors with respect to export/import policies or non-tariff barriers. The GON offers tax incentives to encourage industries to locate outside the Kathmandu Valley.

## **Right to Private Ownership and Establishment**

Foreign and domestic private entities have the right to establish and own business enterprises and engage in various forms of remunerative activity. However, the FITTA restricts certain sectors from foreign investment, including small-scale and “traditional” industries (such as handicrafts, wood carvings, and artwork), real estate, some types of primary agriculture and agribusiness, and weapons production. The Foreign Investment Policy of 2015 reduced the number of restricted sectors, but these changes will not be implemented until Parliament approves the draft Foreign Investment bill. Approval and registration requirements vary depending on the sector in which a foreign entity intends to operate.

Other than the restricted sectors mentioned above, 100 percent foreign investment is permitted in most sectors. Some limits on foreign ownership are imposed for certain services sectors, such as banking and financial institutions, where foreign investment is only permitted through joint venture, with a minimum of 20 percent and a maximum of 85 percent foreign ownership. Such joint ventures must be incorporated in Nepal in accordance with relevant Nepali laws. Branch operations of a foreign bank are only allowed in the wholesale banking sector, not in the retail banking sector. To operate a branch office of a foreign bank in Nepal, the minimum capital requirement is \$20 million, and an additional \$5 million is required for each new branch office. Restrictions on branch operations of foreign banks in the retail banking sector and requirements for mandatory domestic joint venture partner(s) have discouraged many international banks from entering Nepal’s banking sector.

Investment proposals are screened by both the Department of Industry and the Investment Board of Nepal, largely to ensure compliance with the Foreign Investment and Technology Transfer Act (FITTA) and other relevant laws.

## **Protection of Property Rights**

### **Real Property**

The Secured Transactions Act (2006) applies mortgage or lien in all transactions where the effect is to secure an obligation with collateral, including pledge, hypothecation, and hire-purchase, sale of accounts and secured sales contracts, and lease of goods. The GON has established the Secured Transactions Registration Office for registering notices under this Act.

Pursuant to this Act, the GON may also designate any office to perform the notice registration function.

The government does not provide special protections for traditional use rights for indigenous peoples. Most arable land has a title, although titles have sometimes been acquired in a fraudulent manner.

There are no exclusive regulations for land lease or acquisition by foreign and/or non-resident investors. The Foreign Investment and Technology Transfer Act (1992), which governs foreign investment in general, and related laws governing foreign investment clearly state that investors can own any property, the title of which rests with the business/company, and not the owner.

The GON does not maintain official statistics on untitled land. The Ministry of Land Reform and Management has been working for decades to identify property titles and registration. However, political instability, poor record keeping, and resistance from stakeholders has made this an arduous task.

For legally purchased property, ownership does not revert to other owners. But, if that property remains unoccupied or unused for an extended period, there is the possibility that squatters may occupy the land. Although such occupation would not be legal, there are hundreds of cases of unsettled or unlawful occupation of property languishing in Nepal's court system, most dating back to the Maoist insurgency, from 1996 to 2006.

### **Intellectual Property Rights**

There is no exclusive act for the protection of intellectual property, and protections in general remain weak with little enforcement. Nepal signed the 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights. However, patent registration under the Patent, Design, and Trademark Act does not provide automatic protection to foreign trademarks and designs. Similarly, Nepal does not automatically recognize patents awarded by other nations. Trademarks must be registered in Nepal to receive protection. Once registered, trademarks are protected for a period of seven years. The Copyright Act of 2002 covers most modern forms of authorship and provides adequate periods of protection. However, enforcement is weak. Nepal faces serious challenges in preventing the sale of counterfeit goods. The primary marketplaces in Nepal are flooded with counterfeit products, including electronic equipment, clothing, digital media, and pharmaceutical products.

Nepal became a member of World Intellectual Property Organization (WIPO) convention in 1997, but has not yet signed the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty. Nepal is not listed in the USTR's Special 301 report nor is it listed in the notorious market report. The GON recently finalized its IPR Policy and approved an updated Industrial Enterprise Act.

Enforcement of existing IPR violations is sporadic at best. Law enforcement officials do not have adequate training on IPR issues and offenders can often pay a small bribe to avoid prosecution. Some of Nepal's IPR laws are several decades old and penalties are so small that there is little deterrent.

For additional information about treaty obligations and points of contact at local IP offices, please see [WIPO's country profiles](#).

Nepal's Cabinet approved a new IPR Policy in March 2017 that will become the foundation for new IPR legislation. Post does not yet have an English-language version of the policy, but representatives from the United States Patent and Trademark Office reviewed the bill in draft form and provided the GON recommendations on how the policy could be strengthened.

Nepal does not track seizures of counterfeit goods. Nepal does not have a strong track record of prosecuting IPR violations.

Nepal is not listed on USTR's Special 301 report, nor is it listed in the notorious market report.

### **Transparency of the Regulatory System**

The GON has many policies and laws that look good on paper, but for which interpretation or enforcement are inconsistent and/or inadequate. Frequent government changes and staff rotations within the civil service result in officials who often are unclear on applicable laws and policies or interpret them differently than their predecessors. Due to the complex and opaque regulatory system, businesses frequently encounter demands for cash payments to officials to receive necessary approvals.

Post is not aware of any informal regulatory processes that are managed by nongovernmental organizations or private sector associations.

Rule-making and regulatory authority resides almost exclusively with the central government in Kathmandu, and foreign businesses can expect to interact with bureaucrats at the central government level. Nepal's 2015 constitution calls for the state to transition to a federalist model, with some roles and responsibilities to be transferred to newly-created provinces, the delineation of which has not yet been finalized. Details and a timeline for implementing the new federal system and devolving relevant authorities from the center to the provinces remain unclear, as does the extent to which these changes will affect foreign investors.

Legal, regulatory, and accounting systems are neither fully transparent nor consistent with international norms. Though auditing is mandatory, professional accounting standards are low, and practitioners may be poorly trained. As a result, published financial reports can be unreliable, and investors often rely on general business reputations unless companies use international accounting standards.

Publically listed companies in Nepal follow the Nepal Financial Reporting Standards (NFRSs) 2013, which is prepared on the basis of International Financial Reporting Standards (IFRSs) 2012. Audited reports of publically listed companies are usually made available.

Draft bills or regulations are made available for public comment. The government agency that drafts the bill is responsible for undertaking a public consultation process with key stakeholders by issuing federal notices for comments and recommendations. Additionally, all parliamentarians are given copies of the draft bills to share with their constituencies. This applies to all draft laws, regulations, and policies.

Generally, the government agency that drafted the bill, legislation, policy, or regulation posts the actual draft (in Nepali language) online. However, once approved, the Department of

Printing, an office that is part of the Ministry of Information and Communications, posts all acts online.

Several government offices, including the Parliamentary Accounts Committee, the Office of the Auditor General, and the Center for Investigation of Abuse of Authority, oversee the government's administrative processes.

Regulatory actions and summaries of these actions are available at the Office of the Auditor General and the Ministry of Finance. Both of these government agencies release periodic reports on the regulatory actions taken against agencies violating laws, rules, and regulations. Such summaries and reports are available online in Nepali.

Since Nepal promulgated its new constitution in September 2015, the GON has announced many regulatory reforms, including several that are relevant to foreign investors. The Cabinet recently approved a new Intellectual Property Rights (IPR) policy. In 2016, Parliament approved a new Industrial Enterprise Act that aims to promote industrial growth in the private sector by making it easier to hire and fire workers, streamlining registration processes, and expediting environmental review processes. Parliament also approved the Special Economic Zone (SEZ) Act, which provides preferential taxation provisions for investors in SEZs, guarantees electricity in designated SEZs and also prohibits strikes in these zones. The Ministry of Industry is finalizing a new Foreign Investment Act (FIA) that will replace the Foreign Investment and Technology Transfer Act (FITTA) of 1992, which currently governs foreign investment in Nepal. According to sources at the Ministry of Industry, the new act would ease licensing and registration of foreign companies and repatriation of funds by foreign investors.

Reforms initiated during the early 1990s significantly contributed to the expansion of the banking and financial, civil aviation, hydropower, telecommunications, and IT sectors in Nepal. However, there has been little economic reform in the past two decades and foreign investment has declined. The current push to pass new or revised legislation is intended to lead a 'second wave of liberalism' following the reforms of the 1990s.

Traditionally, once bills are drafted and passed by the Parliament through the legislative process, it is incumbent upon the relevant GON ministries or departments to draft the implementing regulations to help enforce the act. Regulations, however, are generally passed by the Cabinet and do not need Parliamentary approval.

Concerned ministries are responsible for enforcement of regulations. The enforcement process is legally reviewable and made accountable to the public.

Public comments are received through consultative sessions with private sector representatives or sector experts and incorporated into the draft regulations. However, Nepal is still far behind international standards in developing a mechanism or system for the review of regulations based on scientific or data-driven assessments, or for conducting scientific studies or quantitative analysis for such purposes. Consultative sessions with private sector representatives or sector experts are the most common type of review. The World Bank notes that the GON is not required by law to solicit comments on proposed regulations, nor do

ministries or regulatory agencies report on the results of the consultation on proposed regulations.

### **Efficient Capital Markets and Portfolio Investment**

There are few opportunities for foreign portfolio investment in Nepal. Foreign investors are not allowed to invest in the Nepal Stock Exchange. Occasionally the Nepal Rastra Bank (NRB, Nepal's central bank) will issue bonds that foreign investors could purchase, but generally there are few instruments available for foreign portfolio investment.

The Nepal Stock Exchange (NEPSE) is the only stock exchange in Nepal, with more than 220 companies listed. Foreign investors are not allowed to trade stock. Stock trading is available only for citizens of Nepal. The Nepal Stock Exchange Board regulates NEPSE but the Board does little to encourage and facilitate portfolio investment.

A liquidity crunch hit the banking system in late 2016. Upon the completion of the September 2015–February 2016 crisis at the Nepal–India border, banks experienced a surge in credit demand, in part to fund earthquake reconstruction activities. In January 2017, the International Monetary Fund (IMF) recommended a tighter monetary policy to the GON. The NRB has noted that banks have other options for attracting deposits, and has publicly suggested that banks increase interest rates to attract more deposits (and thus loanable funds).

Post is not aware of any policies designed to facilitate the free flow of financial resources into the product and factor markets

Nepal moved to full convertibility for current account transactions when it accepted Article VIII obligations of IMF's Articles of Agreement in May 1994. The GON and NRB refrain from imposing restrictions on payments and transfers for current international transactions. Foreign investors can access credit locally, but the investor must be incorporated in Nepal under the Companies Act of 2006 and listed on the stock exchange.

Credit is generally allocated on market terms, although special credit arrangements exist for farmers and rural producers through the Agricultural Development Bank of Nepal. Foreign-owned companies can obtain loans on the local market. The private sector has access to a variety of credit and investment instruments. These include public stock and direct loans from finance companies and joint venture commercial banks.

### **Competition from State-Owned Enterprises**

There are 37 state-owned enterprises (SOEs) in Nepal, including Nepal Telecom, Nepal Airlines Corporation, and the Nepal Electricity Authority. Since 1993, Nepal has initiated numerous market policy and regulatory reforms in an effort to open eligible government-controlled sectors to domestic and foreign private investment. These efforts have had mixed results. The majority of private investment has been made in manufacturing and tourism – sectors where there is either little government interest or the existing state-owned enterprises perform poorly. Most government-controlled sectors are not open for foreign investment.

The government maintains a list of SOEs on the [Ministry of Finance's website](#). Information on the SOEs' annual performance can be found on this website.

Corporate governance of SOEs remains a challenge, and executive positions have reportedly been filled by people connected to politically appointed government ministers. Board seats are generally allocated to senior government officials, and the SOEs are often required to consult with government officials before making any major business decisions. A 2011 executive order mandates a competitive and merit-based selection process, but has encountered resistance within some ministries. Third-party market analysts consider most Nepali SOEs to be poorly managed and characterized by excessive government control and political interference. The court system appears to favor SOEs over private entities. According to local economic analysts, SOEs are sometimes given preference for government tenders, although official policy states that SOEs and private companies are to compete under the same terms and conditions.

Private enterprises do not have the same access to finance as SOEs. Private enterprises mostly rely on commercial banks and financial institutions for business and project financing. SOEs also have access to financing from state-owned banks, development banks, and other state-owned investment vehicles. Similar concessions or facilities are not granted to any private enterprises.

The Ministry of Finance publishes an annual “yellow book” which includes a list of SOEs in Nepal and relevant financial information.

SOEs receive non-market based advantages, given their proximity to government officials, although these advantages can be hard to quantify. Local courts typically side with SOEs in disputes. Some SOEs, such as the Nepal Electricity Authority or the Nepal Oil Corporation have monopolies that prevent foreign competitors from entering the market.

Corporate governance of SOEs is poor, and executive positions are usually filled by individuals reportedly connected to politically appointed government ministers. Board seats are generally allocated to senior government officials, and the SOEs are often required to consult with government officials before making major business decisions. The Privatization Act of 1994 generally does not discriminate between national and foreign investors; however, in cases where proposals from two or more investors are identical, the government gives priority to Nepali investors.

The World Bank in Nepal assesses corporate governance benchmarks (both law and practice) against the OECD Principles of Corporate Governance, focusing on companies listed on the stock market. Awareness of the importance of corporate governance is growing. The NRB has introduced higher corporate governance standards for banks and other financial institutions. Under the OECD Principles of Corporate Governance, the World Bank recommended in 2011 that the GON strengthen capital market institutions and overhaul the Office of the Company Registrar (OCR). Although some reforms have been initiated many have not been finalized and no reforms have been instituted at the OCR.

## **Responsible Business Conduct**

General awareness of expectations of or standards for responsible business conduct (RBC) remains very low in Nepal. Government rules, policies, and standards related to RBC are mostly limited to environmental issues. Social and governance issue largely remain unattended or very poorly promoted or enforced by the government.



Government laws, policies, and rules concerning RBC, including environmental and social standards, are in place. However, the government agencies and officials responsible for enforcing them have been criticized for failing to fulfill their responsibilities. The government has not drafted a national action plan for RBC and does not factor RBC policies into procurement decisions. Workers' organizations and unions are the most vocal entities promoting or monitoring RBC.

Other than the Department of Labor, which works with workers' organizations and unions, other government agencies do not encourage foreign and domestic enterprises to follow generally accepted RBC principles.

Post is not aware of any cases of private sector impact on human rights.

The GON's efforts to develop and enforce laws for environmental protection, consumer protection, labor rights, and human rights have been sporadic and lacking in efficacy. Ministries or concerned departments occasionally initiate special campaigns to enforce laws and regulations protecting these rights, but this is not standard practice. Government agencies often do not enforce these laws, and minor penalties provide little deterrence.

Yes, various government agencies monitor business entities' compliance with different standards and codes. For instance the Office of the Company Registrar looks after governance issues, the Inland Revenue Department monitors accounting, and the Department of Labor monitors executive compensation standards.

There are no local independent NGOs or investment funds focusing on promoting or monitoring RBC. Some international NGOs, like [Goodweave](#) and [STEP](#), are working to improve labor conditions in certain industries including carpet weaving and brick making, two industries that are listed in the Department of Labor's annual Findings on the Worst Forms of Child Labor report.

GON does not encourage adherence to OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. There are virtually no extractive industries in Nepal, and the country does not participate in the Extractive Industries Transparency Initiative.

## **Political Violence**

In September 2015, Nepal adopted a new constitution – a key step in Nepal's post-conflict, democratic transition. In the Terai region (the southern plains bordering India), ethnic and caste groups protested elements of the constitution. The dissatisfaction led to widespread strikes across the Terai and blockages along the India-Nepal border that halted cross-border trade and transit. The disruptions across the Terai lasted from August 2015 until February 2016. Some protests resulted in violent clashes with security personnel, and about 50 protesters and police were killed. In March 2017, five protesters were killed during a political rally in Saptari District. Political parties in the Terai continue to advocate for the rights of Madhesis, a historically marginalized group that comprises the majority of Terai residents. These parties continue to call for constitutional amendments that would address Madhesi concerns, including proportional representation and a redrawing of provincial boundaries. Local elections – the first to be held in 20 years – have been scheduled for May 14, 2017.

Protests are likely leading up to the election and could continue afterward, particularly in parts of the Terai. The possibility of violent clashes cannot be discounted.

Criminal violence, sometimes conducted under the guise of political activism, remains a problem, though a declining one. Bandhs (general strikes) called by political parties and other agitating groups sometimes halt transport and shut down businesses, sometimes nationwide. Americans and other Westerners are generally not targets of violence.

Business owners, especially those in the Terai, have been the target of extortion and kidnapping by political party activists and criminal groups aligned with them. To extort ransom, armed groups have targeted business entrepreneurs and local government employees, but generally not foreigners. Most of these criminal acts took place in the Central and Eastern Terai regions, and have decreased significantly in recent years.

U.S. citizens who travel to or reside in Nepal are urged to register with the Consular Section of the Embassy by accessing the [Department of State's travel registration site](#), or by personal appearance at the Consular Section, located at the U.S. Embassy Kathmandu. The Consular Section can provide updated information on travel and security, and can be reached through the Embassy switchboard at (977) (1) 423-4500, by fax at (977) (1) 400-7281, by email at <mailto:consktm@state.gov>, or online at the [U.S. Embassy to Nepal's website](#).

U.S. citizens also should consult the Department of State's Consular Information Sheet for Nepal and Worldwide Caution Public Announcement via the Internet on [the Department of State's home page](#) or by calling 1-888-407-4747 toll free in the United States and Canada, or, for callers outside the United States and Canada, a regular toll line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

In the last ten years, there have been frequent calls for strikes, particularly in the Terai (southern Nepal). Occasionally, protesters have vandalized or damaged factories and other businesses. Demonstrations have on occasion turned violent, although these activities generally are not directed at U.S. citizens. Over the past year, Biplav, a splinter Maoist group, has threatened or attempted to extort "donations" from NGOs working in Nepal.

Local elections are scheduled for May 2017 and protests or demonstrations are possible in the weeks before and after the election. Provincial and central elections are likely to take place in the Fall or Winter of 2017, again raising the possibility of protests. Additionally, political parties in the Terai continue to advocate for changes in Nepal's constitution and it is possible that there will be new calls for strikes and protests in this region in 2017.

## **Corruption**

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

The United States Government (USG) recognizes Nepal struggles with corruption challenges – and has for decades. This situation was exacerbated by the insurgency, which impeded Nepal’s nascent accountability institutions. However, as Nepal’s parliamentary democracy and state restructuring take root, the quantitative and qualitative evidence suggest that control of corruption is slowly improving. The World Bank’s Worldwide Governance Indicators’ Control of Corruption metric (WGI), one of the more comprehensive measures of corruption, shows improvement in the raw score in the past three years after a period of stagnation. Other corruption metrics show similar trends: the Gallup World Poll and the World Economic Forum’s Global Competitiveness Index indicate that Nepali citizens increasingly view the Judiciary as more independent and that there is more public attention placed on corruption. While none of the common corruption metrics available show a clear decline, the trend-line is flat, including in Transparency International’s Corruption Perceptions Index, which shows a score that hovers between 27 and 31 (out of 100) for the past five years. Anti-corruption efforts – and public sentiment about corruption – are tangible although Nepal has more work to do.

The Commission for the Investigation of Abuse and Authority (CIAA) is the constitutional body for corruption control. The 2015 constitution empowers the CIAA to conduct “investigations of any abuse of authority committed through corruption by any person holding public office.” CIAA arrests and investigations tend to focus on lower level government bureaucrats.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in Nepal should take the time to become familiar with the relevant anticorruption laws of both Nepal and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel. The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies’ acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

Anti-corruption laws extend to family members of officials and to political parties. There are no laws or regulations that are specifically designed to counter conflict-of-interest in awarding contracts or government procurement. GON officials are aware that there should be no conflict of interest when contracts are awarded, but how this is implemented is left to the discretion of the concerned government agency. The Government of Nepal does not require companies to establish codes of conduct.

Very few private companies use internal controls, ethics, and compliance programs to detect and prevent bribery of government officials.

Nepal is a signatory to the UN Anticorruption Convention. It is not a member of the OECD Anti-Bribery Convention. NGOs involved in investigating corruption do not receive special protections.

## Resources to Report Corruption

Mr. Shridhar Sapkota

Secretary

Commission for the Investigation of Abuse of Authority

CIAA Headquarter, P.O. Box No. 9996, Tangal, Kathmandu, Nepal

Phone: +9771-4440151, 4429688, 4432708

Fax: +9771-4440128, 4440104

Email: <mailto:akhtiyar@ntc.net.np>

International nongovernmental organization:

Mr. Bharat Bahadur Thapa

President

Transparency International Nepal (TIN)

P.O. Box 11486, Chakhkhu Bakhkhu Marga, New Baneshwor, Kathmandu

Phone: +977 1 4475112, 4475262

Fax: + 977 1 4475112

Email: <mailto:trans@tinepal.org>

Local nongovernmental organization:

Prof. Dr. Srikrishna Shrestha

President

Pro Public

P.O. Box: 14307, Gautambuddha Marg, Annamnagar

Phone: +977-01-4268681, 4265023; Fax: +977-01-4268022

Email: <mailto:propublic@wlink.com.np>

## **Bilateral Investment Agreements**

Nepal has Bilateral Investment Agreements in force with four countries: France (1985), Germany (1988), the United Kingdom (1993), and Finland (2011). In addition, Nepal has Bilateral Investment Agreements signed but not in force with Mauritius (signed 1999) and India (signed 2011).

Nepal has a free trade agreement with India (the Indo-Nepal treaty of trade, signed in 2002). Nepal is a member of the South Asian Free Trade Area along with Bangladesh, Bhutan, India, Pakistan, Sri Lanka, and the Maldives.

Nepal is also a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area, along with Bhutan, Myanmar, Sri Lanka, Bangladesh, India, and Thailand.

Nepal does not have a bilateral investment treaty or free trade agreement with the United States. Nepal has a “Double Tax Avoidance” treaty with China, India, Mauritius, Sri Lanka, Pakistan, South Korea, Thailand, Austria, Norway, and Qatar. Post is not aware of any recent or upcoming changes to the taxation regime.

### **OPIC and Other Investment Insurance Programs**

The Overseas Private Investment Corporation (OPIC) is free to operate in Nepal without restriction. Services include direct loans and loan guarantees, political risk insurance, and investment funds. Nepal is also a member of the Multilateral Investment Guarantee Agency. There is an OPIC agreement between Nepal and the United States that was signed in 1963. OPIC has yet to fund a project in Nepal.

The Overseas Private Investment Corporation (OPIC) is free to operate in Nepal without restriction. Services include direct loans and loan guarantees, political risk insurance, and investment funds. Nepal is also a member of the Multilateral Investment Guarantee Agency. There is an OPIC agreement between Nepal and the United States that was signed in 1963. OPIC has yet to fund a project in Nepal.

### **Labor**

In the past, politicized unions have staged frequent strikes, often unrelated to working conditions. Under Nepali law, it is difficult to dismiss employees.

According to the 2010–2011 Nepal Living Standards Survey, the country’s literacy rate was 56.6 percent, with the literacy rate for males at 71.6 percent and 44.5 percent for females. Vocational and technical training are poorly developed, and the national system of higher education is overwhelmed by high enrollment and inadequate resources. Many secondary school and college graduates are unable to find jobs commensurate with their education. Hiring non-Nepali workers is not, with the exception of India, a viable option as the employment of foreigners is restricted. The Department of Immigration must approve the employment of foreigners for all positions, except the most senior ones.

The GON has submitted an amendment to the Labor Act to Parliament, but it is unclear when this legislation will be approved by Parliament. Nepal’s enforcement of regulations to monitor labor abuses and health and safety standards in low-wage assembly operations is weak. Operations in small towns and rural areas are rarely monitored. International labor rights are recognized within domestic law. There were no new labor-related laws enacted in the past year.

By law, labor unions in Nepal are independent of the government and employer. In practice, however, all labor unions are affiliated with political parties, and have significant influence with the government. The constitution provides for the freedom to establish and join unions and associations. It permits restrictions on unions only in cases of subversion, sedition, or similar conditions. Labor laws permit strikes, except by employees in essential services such

as water supply, electricity, and telecommunications. Sixty percent of a union's membership must vote in favor of a strike for it to be legal, though this law is often ignored. Laws also empower the government to halt a strike or suspend a union's activities if the union disturbs the peace or adversely affect the nation's economic interests; in practice, this is rarely done.

Total union participation is estimated at about one million, or about 10 percent of the total workforce, much of which is employed in informal sectors. The three largest trade unions are affiliated with political parties. The Maoist-affiliated All Nepal Trade Union Federation (ANTUF) is the most active, and its organizing tactics have led in the past to violent clashes with other trade unions in the past. The ANTUF and its splinter group, the ANTUF-R, are aggressive in their defense of members and frequently engage in disputes with management. A U.S. company in Nepal was shut down twice in 2013 and 2014 by workers associated with the CPN-M-affiliated ANTUF-R.

Labor union agitation is often conducted in violation of valid contracts and existing laws, and unions are rarely held accountable for their actions. Unions, particularly the ANTUF-R, have targeted joint ventures involving foreign investment and hotels.

The most recent Human Rights Report can be found on the [State Department website](#). The Department of Labor's 2014 Findings on the Worst Forms of Child Labor is available on the [Department of Labor's website](#).

Nepal's labor force is characterized by a shortage of skilled workers and an abundance of political party-affiliated unions. Thousands of Nepalis depart each year to work in foreign countries, primarily Qatar, the UAE, Saudi Arabia, and Malaysia. Thousands more also seek employment in India, which shares an open border with Nepal. As a result, there is a shortage of skilled and unskilled labors. The agricultural and construction sectors struggle to find enough workers, and many companies import labor from India.

Labor Law encourages the hiring of Nepali citizens wherever possible. While it is possible for foreign companies to hire expatriates, this can be a long and cumbersome process.

Labor laws differentiate between layoffs and firing. In some cases, Nepal's labor laws have forced companies to retain employees, even after a business has closed. Workers at state-owned enterprises often receive generous severance packages if they are laid off. Unemployment insurance does not exist. As a result of burdensome labor laws that make it difficult to fire an employee, many private enterprises hire workers on a contract basis for jobs that are not temporary in nature. In some commercial banks and other businesses, security guards, drivers, and administrative staff jobs are filled by contract workers.

The Special Economic Zone (SEZ) Act approved in August 2016 prohibits workers from striking in any SEZ. There is only one SEZ under development but the GON hopes to eventually have as many as 15.

Collective bargaining is only applied in fixing workers' salaries. Trade unions, employers, and government representatives actively engage in this practice.

The Department of Labor has a dispute resolution mechanism that addresses disputes in businesses and state-owned enterprises.

Strikes are a common feature in Nepal, although they have become less frequent and effective in recent years. Political parties frequently call for national strikes that are observed only in particular regions or that only last for a few hours. With three sets of elections planned in 2017 and ongoing disagreement over a proposed constitutional amendment, it is likely that political parties will call for more strikes in 2017.

The GON does not fully meet the minimum standards for the elimination of trafficking, though it is making significant efforts to do so. The definition of human trafficking under Nepal’s Human Trafficking and Transportation (Control) Act (HTTCA) does not match the definition of human trafficking under international law, nor has the GON acceded to the 2000 UN TIP Protocol. Children in Nepal are engaged in child labor, including in the production of bricks and in agriculture. The Labor Inspectorate’s budget, the number of labor inspectors, and relevant resources and training are all insufficient for effective enforcement of Nepal’s labor laws, including those related to child labor.

The Industrial Enterprise Act approved in October 2016 includes a “no work, no pay” provision that has been a top objective of the Nepali private sector for many years. The Special Economic Zone (SEZ) Act approved in August 2016 prohibits workers from striking in any SEZ in Nepal. Nepal’s Labor Act is the subject of an amendment bill in Parliament, which could be approved in 2017.

**Foreign Trade Zones/Free Ports/Trade Facilitation**

The GON is developing the country’s first SEZ in Bhairahawa in southern Nepal, near the border with India. The GON eventually plans to have a network of up to 15 SEZs throughout the country. In August 2016, Nepal’s Parliament approved the SEZ Act, which provides numerous incentives for investors in SEZs, including exemptions on customs duties for raw materials, streamlined registration processes, and guaranteed access to electricity. The act also prohibits labor strikes in an SEZ.

**Foreign Direct Investment and Foreign Portfolio Investment Statistics**

Economic Data	Year	Amount	Year	Amount	Host Country
					USG or International Source of Data:
	2016	\$21,294	2015**	\$21,134	IMF

Foreign Investment	Direct	Host Statistical source***	Country	USG international statistical source	or	USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)		2016	\$2.23	N/A	N/A	
Host country's FDI in the United States (\$M USD, stock positions)		2016	\$0	N/A	N/A	Not Permitted under Nepali law
Total inbound stock of FDI as % host GDP		2016	0.68%	2015	2.7%	UNCTAD

\*Note: Central Bureau of Statistics data is gathered by Nepali fiscal year (July 15-July 14). Therefore the 2016 data covers the period July 15, 2015 – July 14, 2016.

\*\*Note: IMF estimate for Nepal's 2016 GDP is \$21,154 million.

\*\*\* Source: Department of Industry

Table 3: Sources and Destination of FDI.

Direct Investment from/in Counterpart Economy Data						
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)						
Inward Direct Investment (2016)				Outward Direct Investment		
Total Inward	\$145.07	100%		Total Outward		
China	\$100.56	69.3%		N/A		
Switzerland	\$16.97	11.7%		N/A		
United Kingdom	\$10.14	7.0%		N/A		
Singapore	\$4.56	3.1%		N/A		



South Korea	\$2.62	1.8%	N/A
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"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Data are unavailable for Nepal.

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)

Total			Equity Securities			Total Debt Securities		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
N/A			N/A			N/A		
N/A			N/A			N/A		
N/A			N/A			N/A		
N/A			N/A			N/A		
N/A			N/A			N/A		

**Contact for More Information on the Investment Climate Statement**

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## **Trade & Project Financing**

### **Methods of Payment**

The only readily available method of financing trade transactions in Nepal is a letter of credit. As of June 2017, the GON has not fulfilled its announced intention to open an export-import bank. Nepal does not have any credit ratings or collection agencies.

### **Banking Systems**

Nepal Rastra Bank (NRB) regulates the national banking system and also functions as the government's central bank. As a regulator, NRB controls foreign exchange; supervises, monitors, and governs operations of banking and non -banking financial institutions; determines interest rates for commercial loans and deposits; and also determines exchange rates of foreign currencies. As the government's bank, NRB maintains all government income and expenditure accounts, issues Nepali bills and treasury notes, as well as loans to the government, and determines monetary policy.

Commercial lending in Nepal is governed under the Commercial Bank Act of 1974, the Finance Company Act of 1985, and the Bank and Financial Institutions Act of 2006, which authorizes the NRB to issue guidelines to all commercial banks and financial institutions on interest rates, interest ceilings, and areas of investment.

Two large banks dominate the commercial banking sector: Nepal Bank Ltd., which is 40.5 percent government-owned, and Rastriya Banijya Bank (National Commercial Bank), which is 100 percent government-owned. Together, Nepal Bank Ltd. and Rastriya Banijya Bank account for 11.8 percent of the entire banking system's deposits and 10.3 percent of loans, as of January 2017. Both banks also have a large number of non-performing loans.

In the 1980s, Nepal opened the commercial banking sector to foreign participation. Since then, several joint venture banks have been established including: Nabil Bank; Nepal Investment Bank; Standard Chartered Bank; State Bank of India; Bank of Kathmandu; Everest Bank; Nepal Sri Lanka Merchant Bank; Nepal Bangladesh Bank; and Nepal Bank of Ceylon, now called Nepal Credit and Commerce Bank. As April 2017, there were 28 commercial banks in operation, including foreign joint-venture banks. A large number of development banks and finance companies have also been established.

As of April 2017, there were 54 development banks and 50 finance companies in operation. Existing banking laws do not allow branch operation by any foreign banks. All commercial banks have correspondent banking arrangements with foreign commercial banks, which they use for transfers and payments.

In 1994, the government expanded the role of the Nepal Stock Exchange by allowing private brokers to operate. The volume of trading subsequently increased dramatically, but has since stabilized. In 1996, the GON announced that it would permit foreign institutional investors to hold up to 25 percent of the shares of listed firms in certain sectors, such as tourism and power.

## **Foreign Exchange Controls**

The Nepali rupee is convertible for all current account transactions; however investors have complained that the approval process for converting Nepali rupees is cumbersome. Earners of foreign exchange are permitted to retain 100 percent of their earnings and to open a foreign exchange account in Nepal to hold them. However, approval from the NRB is required for payments to any person living outside of Nepal. NRB approval is also required to draw, accept or negotiate any bills of exchange, promissory notes or loans, if the payee is living outside Nepal.

Provisions exist for foreign investors, who have received permission to invest in convertible currency, to repatriate the proceeds from the sale of that investment, the profits or dividends from that investment, and the principal and interest paid on any foreign loans.

## **US Banks & Local Correspondent Banks**

There are no U.S. bank branches operating in Nepal. The following banks have correspondent banking arrangements with U.S. banks:

Nepal Bank Limited

Mr. Devendra Pratap Shah

Chief Executive Officer Nepal Bank Bldg.

Dharma Path

Kathmandu, Nepal

Tel: 977-1-4222397, 4221185

Fax: 977-1- 4220414

Email: <mailto:endra.shah@nbl.com.np>

[Rastriya Banijya Bank](#)

Mr. Kiran kumar Shrestha

Chief Executive Officer

GPO Box: 8368

Singhadurbar Plaza, Kathmandu, Nepal

Tel: 977-1-425-2595

Fax: 977-1-422-5302; 425-2931

Email: [intlbkng@rbb.com.np](mailto:intlbkng@rbb.com.np)

[Himalayan Bank Ltd.](#)

Mr. Ashoke SJB Rana

Chief Executive Officer

Tridevi Marg, Thamel

Kathmandu, Nepal

Tel: 977-1-4227749, 4250201

Fax: 977-1-4222800

Email: <mailto:himal@hbl.com.np>

[NABIL Bank Limited](#)

Mr. Sashin Joshi

Chief Executive Officer

P.O. Box: 3729

Nabil House, Kamaladi, Kathmandu, Nepal

Tel: 4430425, 4429546-47, 4435380-85

Fax: 4429548

Telex: 2385 NABIL NP, 2431 NABILH NP

SWIFT: NARBNPKA

E-mail: [nabil@nabilbank.com.np](mailto:nabil@nabilbank.com.np)

[Standard Chartered Bank Nepal Limited](#)

Mr. Joseph Silvanus

Chief Executive Officer

PO Box 3990

Naya Banashwor, Kathmandu, Nepal

Tel: 977-1-4782333, 4783304

Fax: 977-1-4780314

[Nepal Investment Bank Ltd.](#)

Mr. Jyoti Prakash Pandey

Chief Executive Officer

P.O. Box: 3412

Durbar Marg, Kathmandu, Nepal

Tel: 977-1- 4228229, 4228231

Fax: 977-1-4226349, 4228927

E-mail: [info@nibl.com.np](mailto:info@nibl.com.np)

[Nepal SBI Bank Limited](#)

Mr. Anukool Bhatnagar

Managing Director

Durbar Marg, Kathmandu, Nepal

Tel: 977-1-4435516, 4435613

Fax: 977-1-4435612

Email: [nsblco@mos.com.np](mailto:nsblco@mos.com.np)

[Nepal-Bangladesh Bank Ltd.](#)

Mr. Gyanendra Prasad Dhungana

Chief Executive Officer

Bijuli Bazar, New Baneswor

P O. Box: 9062

Kathmandu, Nepal

Tel: 977-1-4783972/4783975/4783976

Fax: 977-1-4780826/4780106/4780509

E-mail: [nbbldho@nbbank.com.np](mailto:nbbldho@nbbank.com.np)

[Bank of Kathmandu Ltd.](#)

Mr. Ajay Shrestha

Acting Chief Executive Officer

P.O. Box 9044

Kamal Pokhari, Kathmandu, Nepal

Tel: 977-1-4418068, 4414541

Fax: 977-1-4418990

SWIFT: BOKLNPKA

Telex: 2820 BOK NP

Email: [bok@bokltd.mos.com.np](mailto:bok@bokltd.mos.com.np); <mailto:info@bok.com.np>

[Everest Bank Limited](#)

Mr. Someshwar Seth

Chief Executive Officer

EBL House, Lazimpat

P.O. Box 13384

Kathmandu, Nepal

Tel: 977-1-4443863, 4443864, 4443377

Fax: 977-1-4443160

Email: [ebl@mos.com.np](mailto:ebl@mos.com.np)

## **Project Financing**

Major projects are usually financed through foreign consortium financing. Infrastructure projects developed by the public sector are funded by forming a consortium of multilateral funding agencies, such as the World Bank and the Asian Development Bank, and bilateral funding agencies. Similarly, projects developed by the private sector are usually funded by forming a consortium of a number of foreign commercial lenders.

Both the World Bank and the Asian Development Bank are active in lending for development activities, including roads, telecommunications, hydroelectric power and other infrastructure. Both provide loan and grant financing for public sector projects and loan financing for local companies.

The U.S. Export-Import Bank (Ex-Im Bank) can lend to both the private and public sectors in Nepal, but only against a public sector guarantee. Availability of credit varies from year to year depending on Nepal's risk rating. The Overseas Private Investment Corporation (OPIC) can make limited financing available to projects with U.S. investment interest. Agreements with Ex-Im Bank, OPIC, and the International Finance Corporation (IFC) are in place. There are also numerous bilateral financing and insurance arrangements. The U.S. Trade and Development Agency (TDA) funds feasibility studies for projects with significant commercial implications for exports of U.S. goods and services.

The Nepali banking system is small, fragmented with some institutions plagued by bad loans. Banking system assets totaled approximately USD \$26.22 billion as of mid-Jan 2017, while its capital (total deposits) totaled USD 20.79 billion. The total amount of outstanding loans of commercial banks to the private sector was USD \$17.36 billion. As of Jan 2017, 2.13 percent of the total asset base was estimated as non-performing. The gross convertible foreign exchange reserve of the banking sector in March 2017 reached USD \$10.11 billion, enough to finance merchandise imports of 13.9 months. Banks are only willing to consider loans with terms of up to five years. It is difficult to borrow in excess of USD \$20 million from any combination of banks in Nepal. Similarly, liquidity constraints restrict to less than USD \$5 million the capital that can practically be raised on the Nepal Stock Exchange through any one public issue. There is no regulatory system to encourage and facilitate portfolio investment in the industrial sector. Local commercial banks occasionally form a consortium to finance major projects in the hydropower and other infrastructure sector, depending upon the future prospects of the projects.

Foreign commercial lending is scarce and expensive. Currently, there are no resident or non-resident foreign commercial banks that have standing credit limits for loans of a maturity of more than one year. The government has recently decided to permit foreign institutional investors to own up to twenty-five percent of the shares of listed Nepali firms in certain sectors, such as hydropower and tourism. Promoters can sell their shares and repatriate capital. Nepal Rastra Bank, the central bank of Nepal allows up to eighty-five percent foreign equity participation in domestic financial institutions.

## **U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Asian Development Bank, World Bank)**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the [Asian Development Bank](#) and the [World Bank](#).

## **Financing Web Resources**

- [Trade Finance Guide: A Quick Reference for U.S. Exporters](#), published by the International Trade Administration's Industry & Analysis team
- [Export-Import Bank of the United States](#)
- [Country Limitation Schedule](#)
- [OPIC](#)
- [Trade and Development Agency](#)
- [SBA's Office of International Trade](#)
- [USDA Commodity Credit Corporation](#)
- [U.S. Agency for International Development](#)
- [Nepal Rastra Bank \(Central Bank of Nepal\)](#)
- [World Bank Nepal](#)
- [International Finance Corporation – South Asia](#)
- [Asian Development Bank - Nepal](#)

## **Business Travel**

### **Business Customs**

Nepal is ethnically, linguistically, and culturally diverse. Traditional and conservative by nature, Nepalis are congenial people who take pride in their national and ethnic heritage. Foreigners must be prepared to obtain the appropriate introductions and spend time on confidence-building before entering into serious business negotiations. Visitors are normally greeted by saying "Hello" or "Namaste" followed by a handshake. An exchange of business cards follows. Nepalis like conversing briefly before entering into business negotiations. Normal business attire is appropriate.

### **Travel Advisory**

For information, visit the [State Department's Consular Information Sheet on Nepal](#).

### **Visa Requirements**

A passport with at least six months validity remaining at the time of entry and visa are required for entry. Tourists can apply for a visa at a Nepali embassy or consulate before traveling, or purchase a tourist visa upon arrival at Tribhuvan International Airport (Kathmandu) or at official land border points of entry.

Tourists may request:

- 15-day multiple-entry tourist visa (\$25)
- 1-month multiple-entry tourist visa (\$40)
- 3-month multiple-entry tourist visa (\$100)

Visa fees are payable in U.S. dollars. Money-changing and ATM services are available at the airport, but credit card payment is not a reliable option. Tourists may stay no more than 150 days in any given calendar year.

Check with the [Nepal Department of Immigration](#) for details of other types of visas, including student and work visas. Your purpose of travel will dictate what category of visa you will need to obtain.

The Department of Immigration (DOI) main office in the Kalikasthan neighborhood of Kathmandu and the Immigration Office in Pokhara are the only two offices that can extend visas. It is generally not difficult to extend your visa a few days after the printed expiration date, but long overstays can result in heavy fines and the very real possibility of arrest and detention pending formal deportation proceedings, followed by a seven year ban on re-entry.

You must have a valid visa before you will be allowed to depart Nepal. The Immigration Office at Tribhuvan International Airport is not authorized to extend visas. Some U.S. citizens who have tried to extend their visa at the airport have been sent to the Immigration Office in Kathmandu to pay the extension fee and, as a result, have missed their flights. You will not be allowed to depart Nepal until the visa is properly extended.



If you renew or replace your passport from the Embassy in Kathmandu, you will need to ask the Department of Immigration to transfer your Nepali visa by pasting a new visa into the new passport. See the Government of Nepal's [Department of Immigration website](#) for additional immigration information.

Travelers can obtain additional information by contacting the Embassy of Nepal at 2131 Leroy Place, NW, Washington, DC 20008; Telephone: 202/657-4550; or the Nepali Consulate General in New York: Telephone: 212-370-4188.

## **Currency**

Since 1993, Nepal's currency has been pegged to the Indian rupee at a rate of 1.6 Nepalese rupee (NPR) to 1 Indian rupee (INR). In recent years the dollar has strengthened against the INR, causing the NPR to depreciate. As of May 2017, the exchange rate is approximately 102 NPR to 1 USD.

## **Telecommunications/Electric**

Telecommunications facilities are fairly good in Kathmandu and other major towns, such as Pokhara, Biratnagar, Birgunj, Bhairahawa, and Nepalgunj. The quality of telephone service outside major cities is poor, although improving. Large hotels in Kathmandu have business centers with 24-hour service available for telephone, fax, email, and internet. Collect call service is not available in Nepal. Private call centers providing telephone, email, fax and internet services are widely available, and normally operate from 8 a.m. to 8 p.m. Internet accessibility is largely through broadband connections, which is generally slow. Cellular telephone services are based on GSM technology, although CDMA technology is also beginning to be installed. It is easy and affordable to obtain pay-as-you go cellular telephone plans. Telecommunication services are generally more costly than in the United States.

## **Transportation**

Nepal is a landlocked country and transportation – both internal and across borders – is a major hurdle to doing business. When traveling to Kathmandu, U.S. business visitors can take either the Pacific route or the Atlantic route. U.S. airlines do not fly directly to Kathmandu, but some have alliances with other foreign airlines operating in Nepal. For visitors coming via the Pacific route, Bangkok is the major transit port. Thai Airways operates daily direct flights to and from Kathmandu. (Nepal Airlines operates a number of direct flights to various Asian capitals, but is barred from flying to the European Union due to safety concerns). Silk Air operates four days a week to Singapore. Dragon Air operates six flights a week to Hong Kong. For visitors coming via the Atlantic route, connections are usually through Abu Dhabi, Doha, Dubai, or New Delhi. Gulf Air, Air Arabia, Etihad Airways, Qatar Airways, Jet Air, Spice Jet, and Indian Airlines have connecting flights to Kathmandu. Qatar Airways has three flights daily between Doha and Kathmandu, while Gulf Air and Air Arabia operate one flight daily. New Delhi-Kathmandu is the best-connected route, with at least three airlines operating several flights a day between the two cities. There is also a flight between Istanbul and Kathmandu operated by Turkish Airlines.

Nepal has one international airport in Kathmandu, three regional airports, nine all-weather airports, and twenty-one seasonal domestic airports throughout the country. Except for the international airport in Kathmandu, none of the domestic airports have modern navigational facilities, such as radar. Domestic air services are available for traveling to major cities and business centers. Nepal has neither a seaport nor a railway system. Road transportation is limited and in poor condition, with frequent landslides often cutting off access. One east-west highway passes through the southern areas of Nepal.

## **Language**

The official language of Nepal is Nepali, which – like Hindi – is written in the Devanagari script. The main language of business is Nepali, although many business people also speak Hindi and English. All internal documentation and correspondence in government establishments is done in Nepali. Correspondence with foreign government agencies, international organizations, and private businesses is generally done in English. In the private sector, English is used for most documentation and correspondence.

## **Health**

Medical care is extremely limited and generally not up to Western standards. Serious illness often requires treatment in Singapore, Bangkok, or New Delhi. Doctors and hospitals in Nepal expect immediate cash payment for health services. In general, U.S. medical insurance is not valid in Nepal. The Medicare/Medicaid Program does not provide for payment overseas. Supplemental health insurance that specifically covers overseas treatment and air evacuation to the nearest adequate medical facility is strongly recommended. Illnesses and injuries suffered while trekking in remote areas often require rescue by helicopter; the cost is typically USD \$3,000 to \$10,000. The U.S. Embassy strongly recommends that visitors obtain travel insurance to cover such emergencies.

## **Local Time, Business Hours and Holidays**

Nepal's Standard Time is 5 hours 45 minutes ahead of GMT and 10 hours and 45 minutes ahead of Eastern Standard Time. Nepal does not observe daylight saving time. All government offices and banks operate a six-day workweek from Sunday to Friday. Typical business hours are 9 a.m. to 5 p.m. Government offices operate from 10 a.m. to 5 p.m. Most businesses (including stores) close on Saturday, but this is gradually changing. Sunday is a workday in Nepal for the business community.

Nepal's cultural and religious diversity results in numerous holidays throughout the year. The Dashain Festival, celebrated in late September in 2017 is the biggest holiday of the year, followed by the Tihar festival in late October. As many people return to their villages during these festivals, most businesses and government offices will be closed. It is therefore advisable to avoid business trips during these holidays.

### **National Holidays 2017**

April 14	Nepali New year
May 1	Labor Day

May 10	Buddha Jayanti,
May 29	Ganatantra Diwas
June 25	Eid al-Fitr
July 28	Janai Purnima
August 8	Gai Jatra (Kathmandu valley only)
August 14	Shree Krishna Janmashtami
August 24	Haritalika Teej Festival (only for women)
August 29	Gaura Parva
September 5	Kumari Indra Jatra (Holiday in Kathmandu Valley only)
September 7	Nijamati Diwas in Nepal
September 14	Children's Day
September 19	Constitution Day
September 21	Ghatasthapana (First day of Dashain)
September 27	Dashain Fulpati,
September 28	Dashain Mahastami,
September 29	Dashain Maha Nawami,
September 30	Dashain Bijaya Dashami
October 1	Dashain Ekdashi
October 2	Dashain Dwadashai
October 5	Dashain Kojagrat Purnima
October 19	Tihar Laxmi Puja
October 20	Tihar Mha Puja
October 21	Tihar Bhai tika,
October 26	Chhath Puja Parwa
December 3	Udhauli Parva,
December 25	Christmas
December 30	Tamu Lhosar

### **National Holidays 2018**

January 15	Maghe Sankranti
January 18	Sonam Losar, Sonam Lhosar
January 30	Martyrs Day (Sahid Diwas)

February 13	Maha Shiva Ratri, Nepali Army Day, Pashupatinath Mela
February 16	Gyalpo Lhosar, Mithila Parikarma
March 8	Nari diwas, Women's day
March 25	Ram Nawami, Ram Jayanti,
March 27	Ghoda Jatra (Only Kathmandu Valley)

Dates for holidays are announced by the GON at the beginning of each Nepali year (mid-April).

### **Temporary Entry of Materials or Personal Belongings**

Materials -- including vehicles, machinery, and equipment -- may be imported temporarily for special purposes, such as domestic exhibitions or trade fairs, by making a refundable deposit of the applicable duty. Such goods must be taken out of the country within three months of the completion of the work unless the duty has been paid and the item sold for the use of others or retained for personal use. An extension of the three-month period may be granted on appropriate and reasonable grounds upon payment of an additional ten percent of the applicable duty amount. If the duty is not paid or the goods are not re-exported within six months of entry, the government may bring smuggling charges.

### **Travel-Related Web Resources**

- [FAA Internet home page:](#)
- [U.S. Embassy's home page:](#)
- [Department of Immigration, GON](#)
- [Centers for Disease Control and Prevention](#)
- [State Department's Consular Info Sheet](#)
- [Indian Airlines](#)
- [Gulf Air](#)
- [Qatar Airways](#)
- [Nepal Airlines](#)
- [Thai Airways](#)