



Investment Opportunities in Nepal

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Outline of the Presentation

- General Background/Preface
- Current Scenarios and Investment Potential
- Investment Board of Nepal
- Key Sectors for foreign Investment
 - Hydro, tourism, infrastructure, agriculture, health, education, mining, IT
- National Priority projects under Investment Board
- Reforms initiated/Special initiations
- Conclusion



Nepal's Profile



- Location – South Central Asia bordering China and India
- Area – 147,181 Sq. Kilometres
- Altitude – 305 meters to 8,848 meters
- Population - ~28 million



Preface

- Economic liberalization began in early 1990s with legislation to promote market-oriented policies
- Nation lived through a decade-long armed conflict
- Now, economic agenda is once again in the forefront of national priority
- FDI required to supplement domestic resources
- Finance development and remove growth bottlenecks (esp. infrastructure)
- Infrastructure and supply of energy a pre-requisite for industrial growth
- Growth in Commercial Agriculture and Industrial Sector needed to spread benefits of growth to vast numbers of Nepalese



Looking Forward

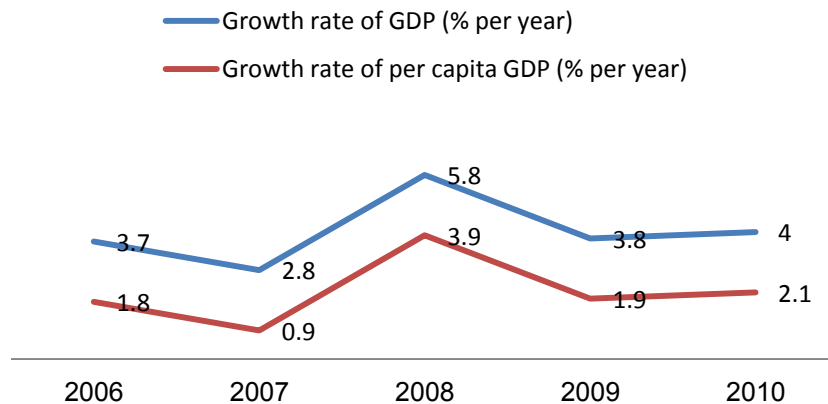
- Government committed to create investment friendly climate
- Multiple investment related laws in the process of reforms
- Ongoing efforts to decrease bureaucratic red tape and streamline approval processes
- Government initiative of Nepal Investment Year and Nepal Business Forum
- National Planning Commission taking lead on Policy and Regulatory Reforms



Investment Potential in Nepal

- Nepal is headed towards **an era of economic growth** with the end of conflict and the initiation of the comprehensive peace process.

Nepal is on a growth trajectory

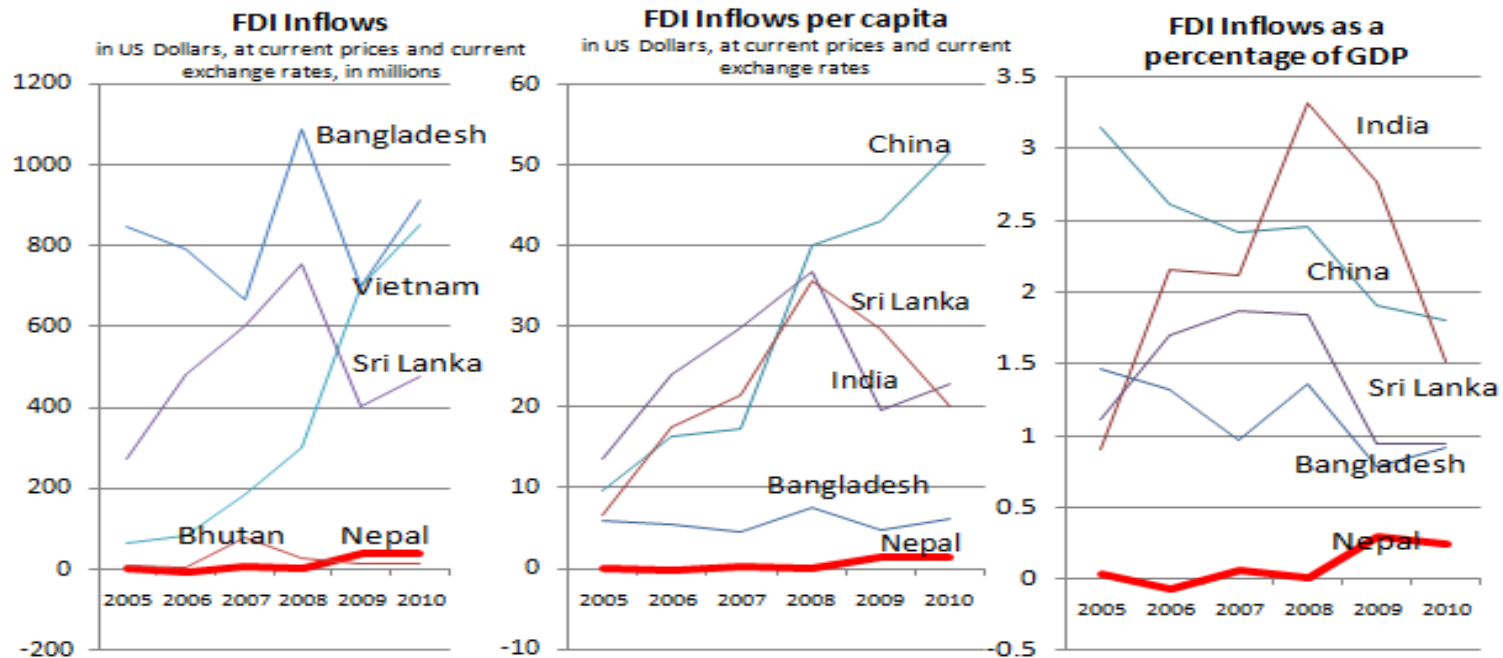


- The Nepal Investment Board** was formed in 2011 signaling Nepal's commitment to attract and sustain FDI in our key sectors.

- We are ready to move ahead with a strong economic agenda regardless of adverse conditions and we are working to ensure that we stay mobilized and we stay on track.



Nepal's potential to attract more FDI



Source: IFC arrangement on the basis of [UNCTADstat](#)

- FDI is pivotal in reaching Nepal's economic goals and we are now well positioned to welcome and service FDI interests in Nepal.
 - [BIPPA \(Bilateral Investment Promotion and Protection Agreement\)](#).



Ease of Doing business in Nepal

Key indicators

Indicators	2013	1012	2011
Overall Rank	108	107	110
Trading Across Borders	171	162	161
Starting Business	105	100	95
Dealing with Construction Permits	97	140	161
Paying Taxes	114	86	90



Nepal: A brief overview

Indicators	1990	2000	2009	2010	2011	2012
GDP (US\$ billions)	3.6	5.5	12.9	15.7	15.55	17.97
Exports of goods and services/GDP	10.5	23.3	12.4	9.8	4.7	4.7
Gross domestic savings/GDP	7.0	15.2	9.4	7.4	8.6	10.0
Gross national savings/GDP	10.3	21.7	37.2	34.2	31.6	36.7
Current account balance/GDP	-8.1	3.2	4.2	-2.4	-0.9	2.0
Total debt/GDP	44.8	52.2	28.6	23.5	30.3	32.7
GDP per capita (Average Annual Growth Rate)	2.3	1.7	2.5	2.7	2.5	3.2

Illustrates Nepal's relatively strong fiscal discipline.

Source: PWC via IFC and MOF, Nepal

- GDP increased by 336% and gross national savings increased by 232% in last two decades.
- Poverty reduced from 53% to 24 % between FY₀₄ to FY₁₁



Investment Statistics

Top 6 countries with JVs

Total investment from 71 countries (March 2012)

SN	Countries	No of Industries	Amount of Investment (US \$ M)
1	India	519	402
2	China	443	88
3	USA	184	59
4	South Korea	161	52
5	UK	106	18
6	Japan	161	14



Investment Stats...

Sector-Wise foreign Investment

S N	Industry type	No of Industries	Employment
1	Manufacturing	738	79,990
2	Hotels and Resorts	591	25,991
3	Service Industry	550	23,022
4	Electricity, Gas and Water	51	8,231
5	Agriculture & Forestry	105	8,186
6	Transport & Communication	91	6,945
7	Construction	80	5,990
8	Housing and apartment	26	2,326

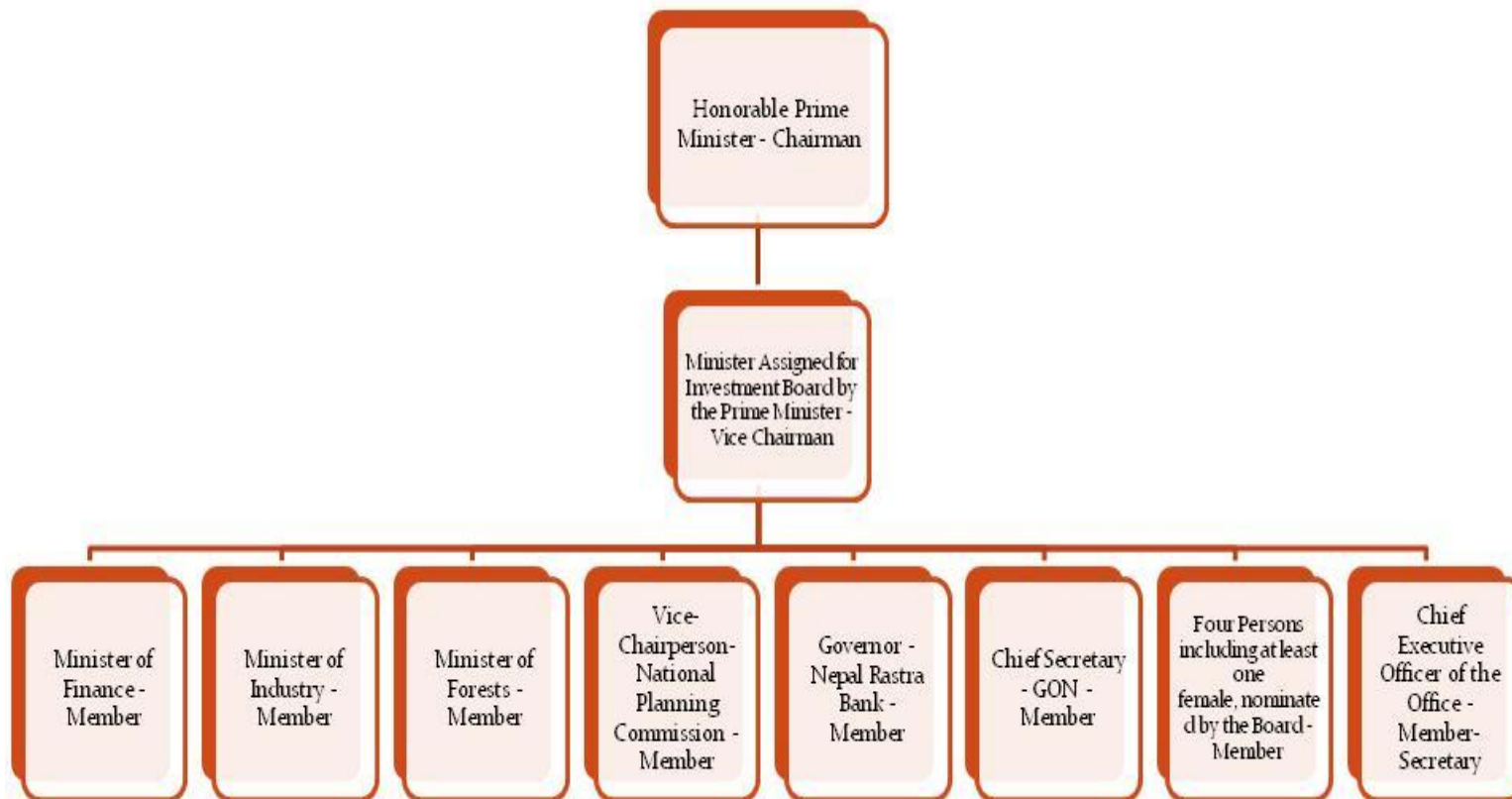


The Investment Board

- The IB was established by the Parliament as per the “Investment Board Act of 2011” to
 - Encourage an orderly and rapid industrialization process in Nepal.
 - Create meaningful employment opportunities.
 - Contribute to poverty alleviation.
- The Investment Board has been given the authority to achieve its mandate by
 - Creating an investment-friendly environment.
 - Mobilizing and managing PPPs, Cooperatives, Domestic and Foreign Investments.
 - Developing critical Infrastructure Assets



Structure of the Investment Board





Key sectors: Hydro

- Nepal's potential to generate hydropower cannot be underestimated. Hydropower as a source of clean energy is one of the most valuable commodities in the global market.
 - Total commercial potential 43,000MW
- The Investment Board is in PDA negotiations for 5 mega hydro projects:
 - West Seti (Domestic project, 750MW)
 - Tamakoshi 3 (Export project, 880 MW)
 - Arun 3 (Export project, 900MW)
 - Upper Karnali (Export project, 900MW)
 - Upper Marshyangdi (Export project, 600MW)



Hydro: Potential areas for investment

- Filling the peak shortage of over 500MW (not including the latent demand) domestically.
- Export Potential to India–
 - India's power deficit is close to 75 million units per year. India will need to increase its installed capacity by 60% to plug the gap.
 - 66% of the installed capacity is thermal(mostly coal) and shortages in domestic coal is expected to exacerbate the build out of new coal plants



Key sectors: Tourism

- Nepal has a **comparative advantage** in this sector with its pristine natural terrain in the lap of the Himalayan range boasting an array of flora and fauna.
- 12 World Heritage Sites and 8 out of 14 highest peaks, strategically positions Nepal as a **rare and unique tourist destination**.
- The government envisions an inflow of 2 million tourists by 2020. A little more than half a million tourist visited Nepal in 2010.
- Regional potential: There were 70 million outbound Chinese tourists and 12 million outbound Indian tourists in 2011. Our tourist inflow is only about 1% of this traffic source.



Tourism: Potential areas of investment

- Potential for a 5 star hotel in Lumbini- the birth place of Lord Buddha, which is a religious and cultural mecca/destination for Buddhist tourists around the world. There are currently no five star hotels to service this area.
- Potential sites for **5 star heritage hotels** which emphasize Nepalese culture and history:
 - Kathmandu
 - Bhaktapur
 - Patan
 - Pokhara
 - Lumbini
- Traditional homestays in Patan/Bhaktapur: These are popular choices for tourists seeking to get a taste of real Nepali lifestyle.
- Need for an amusement park/recreational facility in Kathmandu.



Key sectors: Infrastructure (Airports)

- Air traffic grew at a compounded annual rate of 10% between 2005 and 2010. Forecasts indicate 2 million tourists by 2020.
- 29 international airlines currently operating 284 flights per week
- About 18 domestic airlines: Budha Air and Yeti airlines have 72% market share
- We currently have 54 airports with only 34 being operational.
- FDI permissible in domestic airlines, international airlines, flying schools and repair and maintenance work
- Work destinations such as India, Gulf Region, Malaysia, Thailand are major contributors to international air traffic.



Airports: Potential areas of investment

- **Second International Airport** is planned in Bara, Nijgadh on PPP. Feasibility study is under review of Ministry of Tourism & Civil Aviation.
- **Up-gradation of TIA** –ADB to loan assistance. This includes rehabilitation work at **Simikot, Rara and Lukla** airports.
- **Pokhara Airport** – GoN plans to develop Pokhara domestic airport as regional international airport and has sought loan from Chinese Exim Bank.
- **Gautam Buddha Airport** – Agreement signed between GoN and ADB for a loan of US\$ 28 million and a grant of US\$ 6.41 million for development of this airport.



Key sectors: Infrastructure (Roads)

- Nepal is within reach of achieving targets for roads accessibility by 2016. (Source: PWC/IFC)
- Proposed expenditure on roads as a percentage of GDP in 3 Year Plan (2011-13) almost doubled compared to previous Interim Plan (2007-10) to 2.02% of GDP from 1.15%
- MoPPW has undertaken feasibility studies for 8 identified north to south road corridors



Roads: Potential areas of investment

- Government of Nepal targets 100% road accessibility in Terai region and 87 % in hilly region by 2016.
- EoI for the **Kathmandu-Terai Fast Track Project** has been issued. It would be the single largest project ever undertaken in the transport sector in Nepal.
- **North-South Corridors** potential for transit trade between India and China.
- **Sajha Yatayat**: Significant potential for the expansion of the urban transportation system in the capital.



Key sectors: Infrastructure (Industrial Corridors)

- Industry sector expanded in 1980s & 1990s due to liberalization policies & widening of growth opportunities . It grew from about 12% of GDP in 1980 to 16% in 1990 and to 22% in 2000
- About 390 industrial units operational in 11 industrial estates (IEs) employing over 14,000 people in Nepal
- Manufacturing & cottage industries around Kathmandu led to development of Balaju & Patan IEs
- Manufacturing sector contributes over 60% of the total employment in Nepal's Industrial sector.



Industrial Corridors: Potential for investment

- The domestic demand for infrastructure, energy and communication exceeds supply, creating a huge growth potential in the domestic market itself.
- Access to trainable and low-cost workforce
- Government spending and focus on support infrastructure for industrial corridors is gradually on rise such as the **dry port in Birgunj. International container depots in Biratnagar and Bhairawa** are under construction.
- Nepal is expected to have one of the highest rates of labor force growth in Asia & Pacific region. (Source: IFC/PWC)



Agriculture: Potential areas for investment

- Agriculture contributes 1/3rd to GDP and almost 2/3rd of the labor force is involved.
- **Commercial Dairy Operations & Livestock** – Nepal imports over half of its current meat and milk requirements.
- **Storage and cold storage facilities** – Post harvest loss for offseason vegetable is 25-50%.
- **Numerous crops for domestic consumption and export** – Tea, coffee, cardamom, turmeric, fresh vegetables, exotic flowers, chili, mushroom.
- **Processing and R&D units** to support agriculture production is lacking.
- **Medicinal Herbs** – Nepal's unique topography and climate is ideally suited for the production of medicinal herbs.



Key sectors: Health

- Total health expenditure: 5% of GDP, 7% of the national budget in recent years
- Govt expenditure per capita in the sector increased from Rs 283 in 2006/7 to Rs 415 in 2010/11 (NB: Rs 85= US \$ 1)
- Inadequacy of healthcare facilities is reflected in the fact that only about 18% of the household perceive healthcare facilities to be “just adequate” and over 35% of household in the hilly and remote regions reported “inadequate”.



Health: Potential areas of investment

- Opportunities exist in handling emergencies on 24x7 basis on neonatal and maternal health care for private sectors.
- Need for centres of excellence and specialty for non communicable disease.
- Potential for centres combining healthcare facilities with tourism.
- Potential for innovative service models e.g mobile health care delivery
- Potential for centres focused on preventive healthcare along with curative healthcare
- Opportunities for risk pooling through health insurance mechanisms.



Education: Potential areas for investment

- Projected higher spending on education (7% of GDP from current about 5%) reflects growth opportunities.
- High priority in government policies to provision of high-quality secondary education.
- Potential for institutions/universities with foreign affiliations focusing on engineering, management studies, which could further supplement hydro/infrastructure development.
- Institutions of higher learning – In the fiscal year 2009/10 more than 11 thousand students went abroad for higher education.
- State of the art medical schools and hospitals – such institutions attract students and patients from South Asia



Key sectors: Mining

- Nepal's mountainous geography is favorable for metallic, non-metallic and fuel minerals. 63 minerals have been identified in Nepal .
- In 2010-11, 80 mines/quarries of 12 different minerals were in operation
 - 29 limestone quarries; 6 gem mines
- 19 coal mines are operational in Dang, Salyan, Rolpa and Palpa
- Gold occurrences have been recorded in Rolpa, Bangabagar, Baitadi & Bamangaon area.
- Semi-precious and precious stones such as Tourmaline, Aquamarine, Ruby, Sapphire, etc. have also been traced in various parts of the country.



Mining: Potential areas for investment

- Some identified deposits of Minerals :
 - 30 Mn MT of cement grade limestone deposit at Chaukune.
 - 10 Mn MT of iron ore reserves with 55.75% of iron at Phulchowki, Lalitpur district
 - 42 Mn m³ and 270 Mn m³ reserves of natural gas in 4 km² and 22 km² area in Lalitpur district
 - 3 Mn MT of silica sand for glass at Karra Khola, Makawanpur district
 - 13,000 MT of talc reserves at Gaihat, Chitwan district
- Unexplored Potential (Examples)
 - Promising sites for petroleum and natural gas in southern part of Nepal in Terrai and Chure areas (**Fuel Minerals**)
 - Primary iron ores such as magnetite, hematite, goethite deposits are reported from 85 locations (**Metallic Minerals**)
 - Traces of fertilizer grade phosphorite at Baitadi, Bajhang and Bajura areas (**Industrial minerals**)
 - 1.63 Mn MT of coloured marble deposits in Lalitpur area.



Key sectors: IT/BPO (Business process outsourcing)

- IT/BPO industry is at a nascent stage of development.
- Existing players service domestic and export markets.
 - Foreign subsidiaries incorporated in Nepal including Verisk Information Technologies, IT@Himalaya, Javra Software etc.
 - Home grown including DASS, NepaSoft, Hi-tech Valley etc.
- Areas of work – Data processing, Map Digitization, Call Centres, Medical transcription, Animation etc..



IT/BPO: Opportunities

- Low cost labour. The labour costs are about 30-35% lower than that in India.
- The labour costs are further lowered by the depreciating currency.
- On average, IT'S professional earn about USD 2000 per year, almost half of the salaries of their Indian counterparts.



National priority projects: A glance

SN	Projects	Status
1	Arun III (Hydro Power)	Project Awarded
2	Tamakoshi III (Hydro Power)	Project Awarded
3	Upper Marshyangdi (Hydro Power)	Project Awarded
4	Upper Karnali (Hydro Power)	Project Awarded
5	West Seti (Hydro Power)	Project Awarded
6	Chemical Fertilizer Plant	Feasibility Study Required
7	Five –Star Hotels	Potential locations Identified
8	Infrastructure Development Bank	Amendment to Act in Parliament
9	KTM Metro Railway	Feasibility study completed
10	KTM-Terrai Fast Track	EOI Received
11	Nighgadh Airport	DPR Finalized
12	North-South Corridor	Feasibility Required
13	Kathmandu Int'l Airport Upgrade	DPR Finalized
14	Kathmandu Solid Waste Management	In Progress



Regulatory Reforms

- ✓ New Industrial Policy 2010 replaced the old Industrial Policy of 1992
- ✓ Major Highlights of Policy:
 - Focus on the joint efforts of Public, Private and Cooperatives.
 - Provision to establish Non-business and Non-Commercial Fund as a compensation.
 - Provision of 'No-Pay for No-work'.
 - Focus on Inclusive Industrial development in the country like: Gender, Deprived & Remote areas
 - Special provision of Special Economic Zone
 - Special incentives for the Industries in remote areas



Policy Reforms in Pipeline

- Umbrella Investment Act
- Foreign Investment and Technology Transfer Policy
- Industrial Enterprises Act
- Nepal Accreditation Board Bill
- Nepal Standards Act
- Company Act
- Labor Act
- Insurance Act
- Banks and Financial Institution Act



Bureaucratic Reforms

- ✓ Department of Industry has successfully reduced 8 steps in FDI Approval process
 - ✓ Significantly reduced time taken to get Departmental approval
 - ✓ Approvals now, on average, take 10 days as opposed to one full month
- ✓ Future initiatives:
 - ✓ Further simplify FDI approval process
 - ✓ Possibility of online FDI application



Bureaucratic Reforms

- ✓ Ongoing efforts to make company registration more investor friendly
 - ✓ Aim: reduction in process & time taken for registration
 - ✓ In the processing of reducing steps: presently 15 steps. Aim: reduce to 6 steps.
- ✓ Integrated approach between Inland Revenue Department (IRD) and Company Registration Office (CRO)
 - ✓ Groundwork for MoU prepared
 - ✓ Data sharing between the two departments
 - ✓ Businesses submit same documents to both
 - ✓ IRD shall be able to retrieve documents submitted to CRO. Saving in time & process



Special Initiatives of GoN

Nepal Business Forum

- ✓ A dialogue platform to create an alliance between the public and private sector
- ✓ Raised 120 issues / recommendations and implemented more than 40 of them
- ✓ Some significant achievements:
 - ✓ Establishment of first Public Private Dialogue forum headed by the Prime Minister
 - ✓ Introduction of E-bidding for procurement with Public Procurement Monitoring Office
 - ✓ Reduce of industrial strikes resulting the reduction of Banda/strike were from 163 days to 23 days in FY 2010/11



Special Initiatives of GoN

Bilateral Investment Promotion & Protection Agreement

✓ Countries BIPPA signed with (in chronological order):

✓ France

✓ Germany

✓ UK

✓ Mauritius

✓ Finland

✓ India

Double Taxation Avoidance Agreement

✓ Countries DTAA signed with:

✓ Thailand

✓ Sri Lanka

✓ Pakistan

✓ Norway

✓ Mauritius

✓ Korea

✓ India

✓ Austria

✓ China

✓ Qatar

✓ Ongoing initiative to sign more to encourage FDI and help to safeguard investor interests



NEPAL INVESTMENT YEAR

- 2013 As **Nepal Investment Year**
- Call for Proposals advertised early December, 31 Proposals Received from advertisement
- 20 tourism projects being developed in collaboration with IFC & tourism entrepreneurs
- 20 project proposals received by FNCCI
- 10 agriculture business plans developed by FNCCI



NEPAL INVESTMENT YEAR...

31 Proposals received from Advertisements

Project Sectors	Applications Received
Agriculture	13
Energy	2
Health & Education	6
Hydro Power	2
ICT	1
Infrastructure	1
Tourism	6



Way forward:

- We are very enthusiastic about your interests in investing in these various sectors in Nepal.
- We encourage you to visit our website: www.investmentboard.gov.np for news and information going forward.
- We invite you to explore investment opportunities in all sectors in Nepal and we emphasize our commitment to support your needs.



Any queries ?

Thank You !