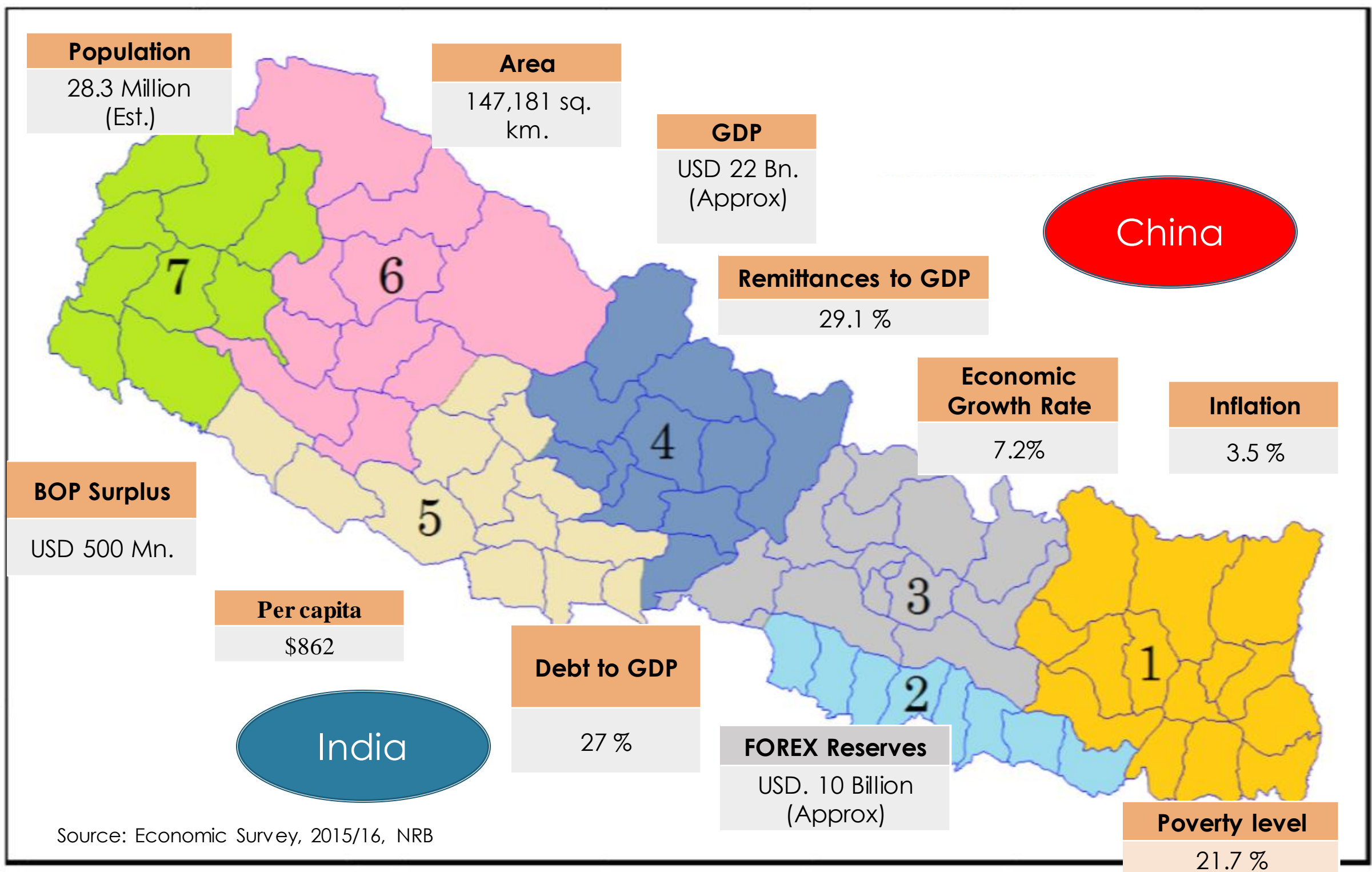


# Investment Climate, FDI and Opportunities In Nepal

**Pradip Kumar Koirala**  
**Joint Secretary**  
**Ministry of Industry**

# Nepal: Country with Sound Economic facts



# FDI Trend in Asia-Pacific Region

Asia-Pacific Market Share Capital Investment 345.0b US\$

18%	India	62.3b	Nepal around 1b, less then 0.5%
17%	China	59.1b	
12%	Kazakhstan	40.1b	
11%	Vietnam	36.6b	
6%	Indonesia	22.1b	
6%	Malaysia	19.3b	
5%	Australia	18.8b	
3%	Singapore	11.3b	
3%	Philippines	10.5b	
3%	Myanmar	10.4b	
17%	Other	58.0b	

Source : The FDI Report 2017, Global Greenfield Investment Trend

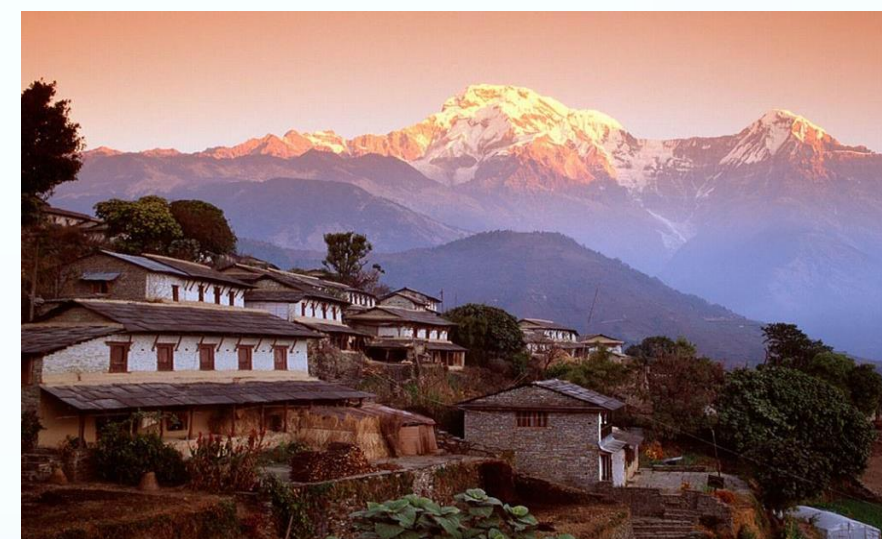


# Nepal: Basic Statistics and Investment Potentials

Road Length	62,579	2.2 Km per 1,000 population
Secondary Schools	8,968	0.32 Secondary Schools per 1,000 population
Mobile Phone Penetration	109.65%	2 big players in the market
Internet Penetration	51.1%	
Health Institutions	4506	0.16 Health Institutions per 1,000 population
Peak demand and Supply of Energy	1385 MW and 847 MW (5,100 GWh)	Peak excess demand of 498 MW
Trade Channels	Airways and Roadways	Land linked
Airports	39	1 International
Railways	52 Km	0.002 Km per 1,000 population
Total Export Volume	USD 642 Million	Mainly: India
Total Import Volume	USD 7.10 Billion	Export Less than 10% of the total trade
Total Deposits in BFIs	USD 21.87 Billion	
Total loans and advances of BFIs	USD 18.38 Billion	

1

USD 1 = NPR 102.73





- Economic Prosperity
- Completed long political transition & peace process
- Now become a Federal Republic.
- From political transition to economic transformation
- Elections at all 3 levels to be expected to completed soon
- Financing gap to meet huge infrastructure deficiency specially in energy, transport, industries.
- Political consensus on attracting FDI to improve the economic growth and prosperity
- Nepal aspires to become a developing country by 2022 and a middle income country by 2030





# Investment .. Institutional Arrangement

## Investment Board



- Investment approval of;
- 100 Million \$ +
  - 500 MW + Hydropower
  - Hospital of 300 bed +
  - Waste Mgmt.
  - Transport
  - Aviation's etc.

## Industrial Promotion Board

Approval of;

- 20 + Million \$ to 100 Million

## Department of Industry

Approval of;

- Up to 20 Million \$

# Policy Reform : FITTA

FITTA, Foreign Investment and Technology Transfer Bill, approved from Cabinet to submit to Parliament

- General provisions:
  - One Stop service center (tax, custom, immigration, NRB)
  - Wholly owned subsidiary in some sector and JV in others
  - Portfolio Investment : gradual opening up of stock market
  - Private equity capital, venture capital introduced for FDI
  - Raising of Foreign currency denominated capital
  - Time bound permission and approval
- Assured repatriation
- Dispute handling with International legal settlements.
- Investment Protections: No Nationalization; National Treatments
- Property Rights
  - Land acquisition on its company's name



- Recently approved by the Parliament
- Provisions:
  - Simplified and clarified the procedures for entry, operation and exit of the industries
  - Provision of One Stop Service Centre (Custom, Tax, Immigration and NRB)
  - Envisioned to provide various concessions and incentives to the industries (Article 35.1)
  - Provision of IEE, Initial Environmental Examination (Article 5.2)
  - No work no pay concept (Article 45.6)
  - Draft of Regulation of this Act is almost complete





# Policy Reform : SEZ Act



Provides one window service for industries.



Provides Industries established in SEZ to get income tax exemption for the next five years.



Provides industries using up to 60 % of the domestic raw materials to get 50% income tax exemption for the next five years, 25% for another five years



Provides zero custom duty facility while importing raw materials.



Industries established in SEZ will have to export 75% of the production



Strikes and protests prohibited



- Company Act, 216 Amended
  - Provision for easy entry and exit of the companies
- Mines and Minerals Regulation, 2016 enacted
  - Open area of Mines and minerals in Nepal
- Integrated Intellectual Property Rights policy
  - Cabinet has approved the IP Policy
  - The Policy covers Patent, Trade Mark, Design, Copyright and other IP Are as per the WIPO standard
  - Provision of one Single institution for the administration of IP
  - New Act is in the process of formulation as per the policy

# FDI Approval Process

- Apply online for FDI approval at Department of Industry, [www.doind.gov.np](http://www.doind.gov.np)
- Granted within 7 seven days, get approval notice by email
- Register company at Register Office, apply online, data transfer between Dol and OCR
- Apply online for Immigration based on Dol approval is in process
- Apply online NRB to in an out the Foreign Currency is in process
- Nepal law has guarantee for
  - Repatriation of invested in that invested foreign currency denominated
  - No nationalization and National treatment
- Investment in Nepal is always beneficial for investors and for Nepal as well





# IBN – Current Status on Initiated Projects<sup>12</sup>

1. Arun III (900MW)
2. Upper Karnali (900MW)
3. West Seti (750 MW)
4. Upper Marsyandi (600MW)
5. Chemical Fertilizer Plant
6. Kathmandu Valley Waste Management
7. Cement Industries

Project Development Agreement (PDA) has been signed with GMR 2014.

Detailed Feasibility Study completed.  
Modality of development is underway.



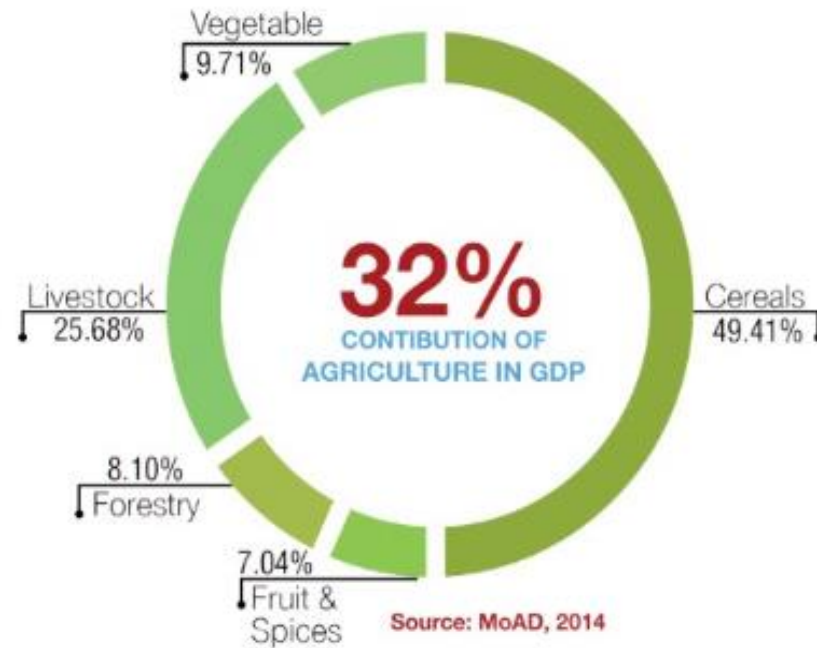
# Sectoral Overview - Agriculture

13

## MAJOR EXPORTABLE AGRO PRODUCTS



## COMPOSITION OF AGRICULTURE GDP



## POTENTIAL AREAS FOR INVESTMENT







# Sectoral Overview - Energy

## MAJOR TRANSMISSION LINES AND GENERATING PLANTS EXISTING AND PROPOSED BY 2016



**83k MW**  
TOTAL POTENTIAL OF  
HYDROPOWER

**42k MW**  
ECONOMICALLY VIABLE  
HYDROPOWER  
CAPACITY

**10k MW**  
TOTAL NEEDED  
INSTALLED CAPACITY  
BY 2030

## SOME POTENTIAL GENERATION PROJECTS (200MW+)

S.N.	Project Name	Project Type	Capacity (MW)
1	Karnali Chisapani	Storage	10,800
2	Sun Koshi 2	Storage	1,110
3	Lower Arun	Peaking RoR	650
4	Tamakoshi III	Peaking RoR	650
5	SR-6	Storage	642
6	Sun Koshi 3	Storage	536
7	Peaking RoR	Peaking RoR	500
8	Lower Badigad	Storage	380
9	KR-7	RoR	330
10	Dudh Koshi	Storage	300
11	Madi	Storage	200

## AREAS FOR INVESTMENT



HYDROPOWER



SOLAR ENERGY



WIND ENERGY



BIOMASS



GEOTHERMAL





# Sectoral Overview - Transportation

## TRANSPORTATION IN FIGURES

**20k**  
DIRECT  
EMPLOYMENTS

**10.6%**  
CONTRIBUTION IN  
REAL GDP

**6.9%**  
AVERAGE GROWTH  
RATE IN TRANSPORT  
SECTOR

**US\$3.7-5.5**  
BILLION INVESTMENT  
REQUIRED TO  
BRIDGE INFRA GAP  
(2011-2020)

## MEGA PROJECT RIPE FOR INVESTMENT



## AREAS OF INVESTMENT

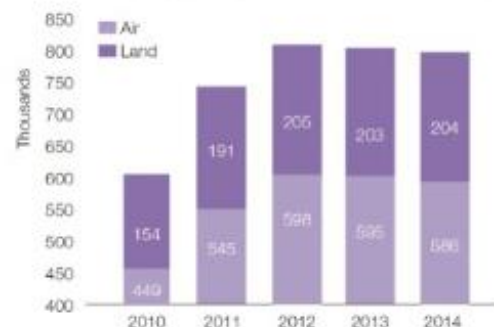






# Sectoral Overview - Tourism

## NUMBER OF TOURIST ARRIVALS



**1/3<sup>rd</sup>**  
OF TOTAL FDI  
IN TOURISM SECTOR



NEPAL: NO. 1 DESTINATION IN "TOP 10 BEST COUNTRIES" LIST



NEPAL: #5 COUNTRY TO VISIT IN 2017  
NEPAL: BEST VALUE DESTINATION FOR 2017

## AREAS OF INVESTMENT



HOTELS



AIRPORTS



MICE  
(MEETINGS,  
INCENTIVES,  
CONFERENCES,  
EVENTS)

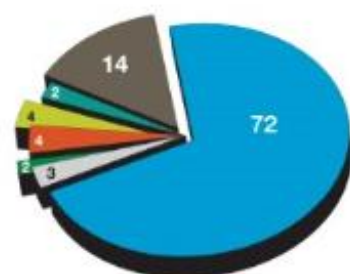


ADVENTURE  
TOURISM



CULTURAL/  
RELIGIOUS  
TOURISM

## PURPOSE OF VISIT, 2015 (%)



HOLIDAY/PLEASURE 72%  
BUSINESS 14%  
PILGRIMAGE  
THICKING  
OFFICIAL  
CONFERENCE/CONV  
OTHERS

World of Wanderlust

NEPAL: TOP 25 BEST DESTINATIONS IN THE WORLD FOR 2016



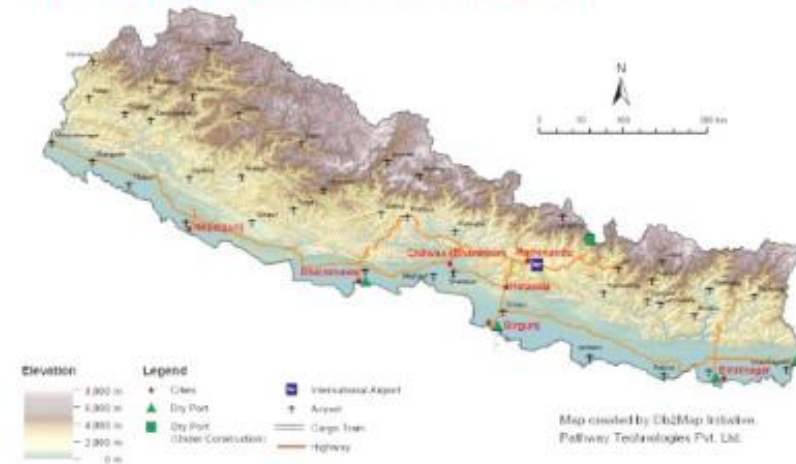
TOP 25 BEST DESTINATIONS IN THE WORLD





# Sectoral Overview - Manufacturing

## FACILITIES AND INFRASTRUCTURE FOR MANUFACTURING IN NEPAL



## DISTRIBUTION OF MANUFACTURING INDUSTRIES, INDUSTRIAL DISTRICTS AND SEZs



## AREAS OF INVESTMENT



## MANUFACTURING SUB-SECTORS BY GDP VALUE ADDED



**6.3%**  
CONTRIBUTION TO GDP

**1.18%**  
AVERAGE SECTOR GROWTH  
IN LAST 10 YEARS

**41%**  
SHARE OF TOTAL  
REGISTERED  
FIRMS

**\$90**  
MINIMUM MONTHLY SALARY





# Sectoral Overview – Mines & Minerals

## MINES AND MINERALS: IN NUMBERS

*(Nepal is known to have)*

**63**

MINERALS IDENTIFIED  
IN NEPAL

**85**

MINES AND QUARRIES  
IN OPERATION FOR 15  
MINERALS

**31**

LIMESTONE QUARRIES  
FROM WHICH  
LIMESTONE IS SUPPLIED  
TO SOME CEMENT  
INDUSTRIES

**100**

MILLION TONS OF  
IRON ORE

**107**

DEPOSITS OF  
COPPER ORE

**1.25**

BILLION MT OF  
LIMESTONE DEPOSITS

**180**

MILLION TONS OF  
MAGNESITE DEPOSITS

**54**

DEPOSITS OF  
ZINC AND LEAD

**5**

BILLION TONS OF  
DOLOMITE DEPOSITS

## CATEGORY OF MINERALS

### Very Precious Minerals

Gold, Uranium, Lanthanum, Thorium, Diamond, Ruby, Sapphire, Emerald, Corundum

### Precious and Valuable Minerals

Zinc, Silver, Lead, Cobalt, Tin, Tungsten, Niobium, Tantalum, Chromium, Titanium, Topaz, Tourmaline, Beryl, Magnetite, Talc, Limestone, Phosphate, Crystal Quartz, Dolomite, Graphite, Gypsum, Copper, Molybdenum, Vanadium, Aquamarine, Garnet, Feldspar, Shaligram (Ammonite), Nickel, Beryllium, Bismut, Kainite, Natural (Biogenic) Gas, Calcite, Other fossils

### General Minerals

Aluminum, Iron, Salt, Industrial Soil, Ordinary Soil, Fire Clay, Kaolin, Coal, Peat, Granite, Slate, Amphibolites, Abharkh, General Construction Stone, Sand, gravel and slate, Decorative stone, Orche, Silica Sand, Marble, Quartzite, Other minerals which are not classified as Very precious and Precious and Valuable minerals

## AREAS FOR INVESTMENT



METALLIC  
MINERALS



NON-METALLIC  
MINERALS



FUEL  
MINERALS



GEMSTONES



DECORATIVE  
STONES



CONSTRUCTION  
MINERALS





# Sectoral Overview – Financial Services

**22,465**  
EMPLOYMENT IN  
COMMERCIAL BANKS

**65%** EMPLOYED BY  
PRIVATE BANKS

**35%** EMPLOYED BY  
3 PUBLIC BANKS

NUMBER OF  
INSURANCE COMPANIES IN NEPAL

Ownership	Nature of company			Total
	Non-life	Life	Reinsurance	
Government	1	1	-	2
Private	13	5	-	18
Foreign	2	1	-	3
Joint venture	1	2	1	4
<b>Total</b>	<b>17</b>	<b>9</b>	<b>1</b>	<b>27</b>

Source: Insurance Board 2014

## CLASSIFICATION OF BANKS AND FINANCIAL INSTITUTIONS OF NEPAL

S.N.	Category	Paid up Capital USD Million (1USD=NPR105)
1	"A" Class Commercial banks	76.19
2	"B" Class Development Banks	23.80
3	"C" Class Finance companies	3.80
4.	"D" Class Microfinance	1.90

Source: Nepal Rastra Bank, 2016

**38%**  
ADULTS HAS BANK  
ACCOUNTS

**61%**  
SERVED BY FORMAL  
FINANCIAL INSTITUTIONS

**6.7%**  
ACCOUNT HOLDERS USE  
DEBIT CARDS

**13.9%**  
PRINCIPAL MODE  
OF WITHDRAWAL

**1.31%**  
INSURANCE  
PENETRATION



INSURANCE



INFRASTRUCTURE  
BANK





## ICT IN FIGURES

**100%**

FDI PERMITTED FOR  
IT AND IT ENABLED  
SERVICES

**37%**

ICT SERVICE EXPORT  
(OF TOTAL SERVICE EXPORT,  
BoP, 2015)

**118%**

MOBILE PHONE  
PENETRATION

**6**

TELEPHONE  
OPERATORS

**5500**

GRADUATES ENTER  
INTO IT SECTOR  
EVERY YEAR

**55%**

INTERNET  
PENETRATION

**23**

INTERNET SERVICE  
PROVIDERS



## AREAS OF INVESTMENT



BPO



SOFTWARE  
DEVELOPMENT



APP  
DEVELOPMENT



INTERNET  
SERVICE  
PROVIDER



ONLINE  
PAYMENT  
INFRASTRUCTURE



DATA CENTER







- IBN -Prepared project profile of different projects having feasibility studies and Some level of studies
- Develop Project Idea Note on the potential projects
- Feasibility studies – 21 Projects
- Some level of studies – 30 Projects



# Project Bank – Planned Feasibility Studies<sup>22</sup>

- IBN is conducting feasibility studies of the following projects in this year

S.N.	Project Name	Sector
1	Glass Industry	Manufacturing
2	Se-Phoksundo National Park	
2	Luxury Resort	Tourism
3	Ski Resort Manang	Tourism
4	Wind Power in Nepal	Renewable Energy
5	International Convention Center	Tourism/Industry
6	Birgunj to Kathmandu Ropeway	Transportation
7	Gosaikunda Cable Car Project	Tourism
8	Cattle Farming and Meat Processing	Agriculture
9	Lower Arun/Tamor Hydropower Projects	Hydropower
10	Monorail – 2 route, Bharatpur, Dharan	Transportation
11	Tourism/Transport Project in Pokhara	Transportation

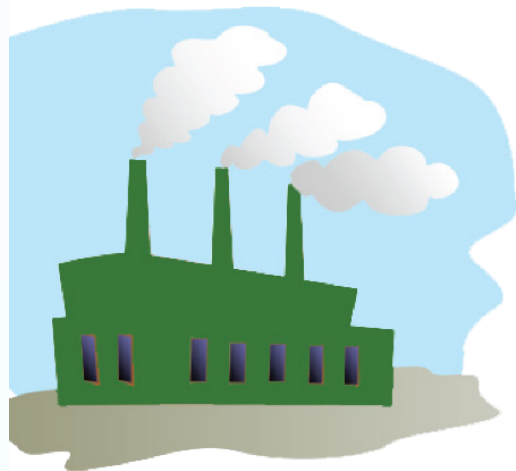
S.N.	Project Name	Sector
12	Infrastructure Development Bank/Insurance	Banking
13	Smart City	City Development
14	Education & Sport City	Education
15	Recreational Center	Tourism
16	Kathmandu - Keyrung Railway	Transportation
17	Petroleum Refinery	Industry
18	Subway/Parking/Flyover	Transportation
19	IT Parks	IT
20	Commercial Farming	Agriculture
21	Solar	Energy
22	Special Economic Zone (SEZ)	Industry

# Approved Projects to take in Market

1. Chemical Fertilizer Plant
2. Kathmandu Valley Metro Rail
3. Second International Airport
4. East West electrified Railways project
5. East west railways linked to India Project
6. Kathmandu Kulekhani Tunnel Road
7. Kathmandu –Pokhara Railways
8. Tamakoshi-3 Hydro power Project



# Approved Projects on Project Bank



## CHEMICAL FERTILIZER PLANT (CFP)

Lead Government Agency	Office of the Investment Board; Ministry of Agriculture Development
Geographical Location	Dhalkehar, Dhanusa

### PROJECT DETAILS

Project Cost (mill USD)	600-1300 (Depending on the modality)
Progress	Detailed Feasibility Study conducted
Project Land Required (in Ha.)	162
Project Documents Available	Detail Feasibility Study
Form of Investment (PPP/ Private Investment)	Public Private Partnership
Expected Fiscal Benefits to GoN	<ul style="list-style-type: none"> <li>Taxes</li> <li>Food Security</li> <li>Improved productivity in agriculture sector.</li> <li>Employment generation.</li> </ul>

### SALIENT FEATURES OF THE PROJECT

1) Capacity : 1220 TPD Ammonia and 2125 M TPD Urea

### PROJECT DESCRIPTION

#### AND RELEVANCE/ OBJECTIVES

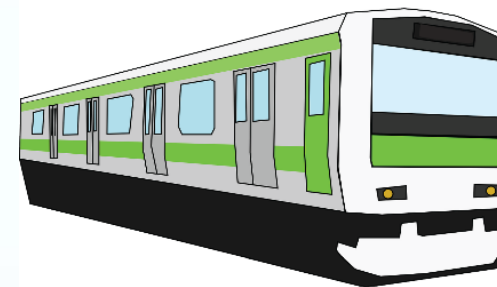
Nepal's total annual demand for chemical fertilizers is over 700,000 tons, and much of it is being fulfilled through imports from India and China. A huge amount of government budget goes into subsidizing the fertilizers to the farmers. Hence, establishment of a chemical fertilizer plant within Nepal can substitute the import as well as help reduce the government burden. This project seeks an investor to set up a modern urea plant in Nepal. Such facility will not only cater to Nepal's fertilizer needs but it can export fertilizer to Indian markets.

#### RELEVANCE TO THE OVERALL ECONOMY

Agriculture has been the primary means of livelihood for the Nepalese people. It provides the most employment, and more than one third of the total national production is generated by the agriculture. However, this sector has been suffering from numerous challenges, including the lack of adequate irrigation facilities, fertilizers, market access and modernization of farming. Particularly, the need of adequate fertilizers has remained quite crucial.



## KATHMANDU VALLEY METRO PROJECT



### PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES

The population of Kathmandu Valley is about 2.5 million, but an estimated population, including the floating population is around 5 million. Most roads in the valley are narrow and traffic congestion is very serious. Therefore, a mass rapid transport system is required in the Kathmandu valley. The road network in the valley is only 1500 km.

#### RELEVANCE TO THE OVERALL ECONOMY

The construction of metro train in Kathmandu valley is expected to resolve the traffic congestion in the city and catalyze the capital's economic growth. It will create significant number of employment opportunities and thereby improve the overall livelihood and prosperity.

Lead Government Agency	Office of the Investment Board and Department of Railways of Ministry of Physical Infrastructure and Transport
------------------------	--

### PROJECT DETAILS

Project Cost (In USD)	Line 1: 783.62 Million Line 2: 680.60 Million Line 3: 1510.03 Million Line 4: 1187.94 Million Line 5: 1309.53 Million <b>Total: 5471.72 Million</b>
Progress	Feasibility Study
Project Documents Available	Feasibility Study Report
Form of Investment (PPP/ Private Investment)	Public Private Partnership
Expected Fiscal Benefits to GoN	<ul style="list-style-type: none"> <li>Establishment of major infrastructure for economic development of the Kathmandu valley</li> <li>Creation of employment opportunities</li> <li>Reduction of traffic congestion</li> <li>Reduction of pollution</li> </ul>

### SALIENT FEATURES OF THE PROJECT

**Line 1 (Saddobato- Ratnapark- Narayangopal Chowk)**  
12.1 km (Elevated)  
Stations (Ordinary+ Transfer) – 11 (5-6)

**Line 2 (Kirtipur- Kalimati- Newbaneshwor- Airport)**  
11.15 km (Elevated)  
Stations (Ordinary+ Transfer) – 9 (5-4)

**Line 3 (Ringroad)**  
28.53 km (Elevated)  
Stations (Ordinary+ Transfer) – 17 (9-8)

**Line 4 (Swayambhunath- Dilibazzar- Bouddha)**  
11.7 km (Underground)  
Stations (Ordinary+ Transfer) – 10 (6-4)

**Line 5 (Dhobighat- Singhadurbar- Nasal- Gongabu)**  
13.8 km (Underground)  
Stations (Ordinary+ Transfer) – 10 (4-6)

**Total: 77.28 km**  
Stations (Ordinary + Transfer) – 57 (29+28)



**MINISTRY OF AGRICULTURAL DEVELOPMENT**  
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E-mail: [moa@moa.gov.np](mailto:moa@moa.gov.np)  
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#### CONTACTS



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Email: [info@oib.gov.np](mailto:info@oib.gov.np), Website: [www.oib.gov.np](http://www.oib.gov.np)

# Approved Projects on Project Bank



Lead Government Agency	Office of the Investment Board, Ministry of Physical Infrastructure & Transport, Department of Railways.
Geographical Location (Districts)	24 Districts (Mechi- Mahakali)

### PROJECT DETAILS

Project Cost (in USD)	3000 Million (Mechi to Mahakali)
Progress	Feasibility Study
Project Land Required (in Ha.)	2247 ha of forest (Mechi to Mahakali)
Project Documents Available	Feasibility Study Report
Form of Investment (PPP/Private Investment)	Public Private Partnership
Expected Fiscal Benefits to GoN	<ul style="list-style-type: none"> <li>Development of economic infrastructure</li> <li>Creation of employment opportunities</li> <li>Better connectivity</li> <li>Industrial competitiveness</li> <li>Production/transportation cost reduction</li> <li>Reduction of traffic congestion</li> <li>Road safety</li> <li>Reduction of pollution</li> </ul>

### PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES

Railway has remained the least-explored means of transportation in Nepal though its development dates back to the 1920s. The British built the 39 kilometers Ravaul-Amlkchagunij and Jaynagar-Janakpur-Bijalpur, two short distance 2 ft 6 in (762 mm) narrow gauge railways in 1927. Currently, Nepal Railway Company is dedicated to constructing 53 kilometers of railway track -- 32 km from Jaynagar in India to Janakpur in Nepal and 21 km from Janakpur to Bijalpur. Realizing the importance of railways in carrying freight and passengers, Nepal is planning to construct a railway line from east to west that connects the capital city: Kathmandu.

### RELEVANCE TO THE OVERALL ECONOMY

Implementation of this project is expected to facilitate public transport, as well as generate employment opportunities and contribute notably to the national economy through concrete transport infrastructure.

### SALIENT FEATURES OF THE PROJECT

- Total Length (Mechi to Mahakali): 945.244 km
- No. of bridges: 334
- Longest Bridge: 1171 m (Sapta-Koshi river)
- No. of tunnels: 10 (26.7 km)
- Longest Tunnel: 17.742 km



### CONTACTS



Lead Government Agency	Office of the Investment Board; and the Department of Railways of Ministry of Physical Infrastructure and Transport
------------------------	---

### PROJECT DETAILS

Project Cost (in USD)	227 Million
Progress	Feasibility Study
Project Land Required (in Ha.)	75.15 of forest land
Project Documents Available	Feasibility Study Report
Form of Investment (PPP/Private Investment)	Public Private Partnership
Expected Fiscal Benefits to GoN	<ul style="list-style-type: none"> <li>Establishment of economic infrastructure</li> <li>Creation of employment opportunities</li> <li>Better connectivity</li> <li>Improvement of industrial competitiveness</li> <li>Reduction of traffic congestion</li> <li>Reduction of pollution</li> <li>Improvement of connectivity to India</li> <li>Import/export facilitation</li> </ul>

### PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES

Railway has remained the least-explored means of transportation in Nepal though its development dates back to the 1920s. India, being one of the largest economies in the world, a reliable and standard railway link to India is essential to maximize Nepal's economic opportunities. All provinces of the recently federalized Nepal share border with Indian states and railway links through the border points help increase trade and tourism with major Indian cities. Realizing the importance of railways in carrying freight and passengers, Nepal is planning to construct a railway line from east to west that links India and Indian states.

### RELEVANCE TO THE OVERALL ECONOMY

Implementation of this project is expected to facilitate public transport, increase tourism, trade as well as generate employment opportunities, which will ultimately contribute to the national economy.

### SALIENT FEATURES OF THE PROJECT

- Total length of railway: 113.419 km
- Location 1: Attariya
- Location 2: Nepalgunj
- Location 3: Bhairahawa
- Location 4: Birgunj
- Location 5: Janakpur
- Location 6: Biratnagar



### CONTACTS







Lead Government Agency	Office of the Investment Board; Ministry of Physical Infrastructure and Transport
Geographical Location (Districts)	Kathmandu and Makwanpur

## PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES

The Hetauda-Narayanghat-Mugling-Kathmandu passage is one of the busiest roads in Nepal and it is the main highway connecting Kathmandu to the Southern cities. The road length from Hetauda to Kathmandu is approximately 227 km along the Prithvi highway with travel time of approx. 6-8 hrs. The alternative route - the Tribhuvan Highway is only 133 km in length but requires travel time of approximately 7-8 hrs. Therefore, the government has envisioned to develop a short highway to connect Kathmandu to Hetauda. The travel time in the proposed KKITT will be about one hour.

## RELEVANCE TO THE OVERALL ECONOMY

This tunnel highway will connect the entire western, southern and eastern parts of Nepal through Hetauda and will significantly boost overall economic growth of the corridor, region and the whole country.

## SALIENT FEATURES OF THE PROJECT

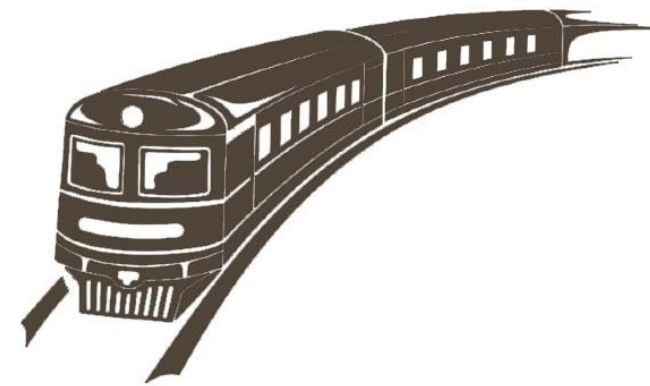


- Length of the Road: Approximately 58 km
- Type of the Road: 4 Lane Expressway
- Number of Tunnels: 3
- Total Length of Tunnels: 4.5 km
- Starting Point: Balkhu, Kathmandu
- Ending Point: Hetauda, Makwanpur
- Concession Period: 30 years + provision of 5 additional years
- Developer: NPB Company Limited
- Initial Agreement signed with Government of Nepal, Permission letter already issued by MoPIT

## PROJECT DETAILS

Project Cost (In USD)	(USD - NRs.100)
1. Project Cost : 348.7 Million (estimated cost 2012), excluding IDC	
2. Debt/Equity Ratio: 80:20	
3. Equity: 70 Million	
4. Debt Financing: 279.01 Million (excluding IDC and cost of raising debt)	
5. Promoter shares: 60% of Equity	
6. Initial Public Offering (IPO): 40% of Equity	
7. Shares from Promoters/Bartering: 48.15 Million (60% of Equity Capital including preferred dividends)	
8. IPO: 27.9 Million	
9. Dividend Payout Year: 7 Years after operation	
10. Debt Repayment Period: 17 Years (with moratorium period for first 2 years)	
11. Interest on Debt: 8.50%	
12. Payback Period: 9.69 years after operation	
13. Internal Rate of Return (IRR): 16.69% approx.	
14. Equity IRR: 22.81%	
15. NPV: 212.9 Million	
16. Simple payback period: 12.94 years	
17. Discounted payback period: 18.04 years	
18. Simple payback period with construction: 9.44 years	
19. Discounted payback period with construction: 14.54 years	
20. Depreciation: Over the life of the operation of the project	
21. Discount Rate: WACC at Cost of Debt @ 8.5% and Equity @ 14.77%	
22. Levy Custom Duty: 1% on import of Machinery/Equipment needed for the project	
23. Income Tax: 12% (i.e. 40% rebate on existing 20% tax rate)	
24. Inflation Rate on Local Currency: 7% (Assumed)	
Progress	DPR Completed
Form of Investment	People, Public & Private Partnership
Expected Fiscal Benefits to GoN	• Taxes • Royalties

\*Data Source: Nepal Private Public Partnership Company Limited



# KATHMANDU-POKHARA RAILWAY PROJECT

Lead Government Agency	Office of the Investment Board; and Department of Railways of Ministry of Physical Infrastructure and Transport
Geographical Location (Districts)	6 Districts (Kathmandu, Dhading, Gorkha, Tanahun, Nuwakot, Pokhara)

## PROJECT DETAILS

Project Cost (In USD)	Pokhara to Kathmandu: 2830 Million Tamsariya - Bharatpur - Abukhaireni: 527 Million
Progress	Feasibility Study
Project Land Required (in Ha.)	151 ha of forest (Pokhara - Kathmandu) 187 ha of forest (Tamsariya - Abukhaireni)
Project Documents Available	Feasibility Study Report
Form of Investment (PPP/ Private Investment)	Public Private Partnership
Expected Fiscal Benefits to GoN	• Establishment of physical infrastructures • Creation of employment opportunities • Better connectivity • Development of industrial competitiveness • Reduction of traffic congestion • Improvement of road safety • Reduction of pollution

## PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES

Currently, it takes around five to six hours to travel from Kathmandu to Pokhara. According to the Department of Railways, upon completion of the railway, the regular travel time will shrink to two hours while the journey will be safe and environment friendly.

## RELEVANCE TO THE OVERALL ECONOMY

Implementation of this project is expected to facilitate public transport, as well as generate employment and contribute notably to the national economy through growth of economic activities.

## SALIENT FEATURES OF THE PROJECT

- Pokhara to Kathmandu**
- Length : 187.083 km
  - No of Bridges : 42
  - Longest Bridge : 1295 m (Madi Nadi)
  - No of Tunnels : 44 (107.277 km)
  - Longest Tunnel : 14.525 km

- Tamsariya - Bharatpur - Abukhaireni (link between Pokhara-Kathmandu and East-West Railway)**
- Length : 71.729 km
  - No of Bridges : 9
  - Longest Bridge : 1250 m (Kaligundaki)
  - No of Tunnels : 2 (20.416 km)
  - Longest Tunnel : 11.7 km



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**Government of Nepal  
Office of the Investment Board**



## SECOND INTERNATIONAL AIRPORT (SIA)



Geographical Location (Districts)	Bara district (Dhumberwara, Nijgadhi) Nepal
Lead Government Agency	The Ministry of Tourism and Civil Aviation & Office of the Investment Board Nepal

**PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES**

By 2021, Nepal's annual international air traffic is expected to reach 20 million passengers, a figure too big for TIA to handle. Hence, Nepal has an urgent situation for the development of a world class airport to accommodate rapidly increasing air traffic demand. This project seeks an investor to take lead in the development of the SIA to international standards. This includes the development of airport city as well.

**RELEVANCE TO THE OVERALL ECONOMY**

*Development of Airport City consisting:*

- It will create a business and commercial zone
- It will grow as an industrial zone and a big dry port
- It will create a tourism and recreation zone
- It will develop a public green zone
- It will be an ultimate response to the growing aviation traffic in the country.
- It is expected to provide direct long-haul connectivity to geographies such as North America, Europe, and Australia, enhancing Nepal's tourism and trade opportunities.
- It will address decentralized development focus of federalism by enabling major infrastructure outside the capital city.
- It will develop Nepal not just as a destination but as a lucrative transit point between the east and the west.

**SALIENT FEATURES OF THE PROJECT**

- Runway : 3600 m x 45 m x 2
- Capable to handle : Airbus- A380
- Design aircraft for phase I: Class "C"

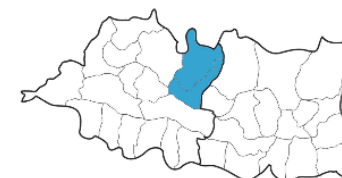


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## TAMAKOSHI 3 HYDROPOWER PROJECT (650MW)



Geographical Location (Districts)	Dolakha and Ramechhap
Lead Government Agency	Ministry of Energy, Office of the Investment Board Nepal

### PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES

Tamakoshi-3 project is a 650 MW hydropower plant with an annual generation of 2340 GWh. It is located in Dolakha and Ramechhap districts. Feasibility study was carried out by the consultant SWECO which had recommended 880 MW power plant based on highest net present value. The geological risks have been reduced significantly by reducing the size and realignment of tunnels and including additional adits for concluding construction in 3 years. The access roads to the project site and within the project facilities are well developed and needs minor upgradation. The planned transmission line of 400kV is already under construction which is due to finish construction by 2018.

### PROJECT DETAILS

Project Cost (In USD)	1,000 Million
Project Land Required (in Ha.)	Total land required: 929 1. Private : 318 2. Forests : 454 3. Others (river bed, river banks, wastelands): 157
Progress	Feasibility study completed on February 2010 Technical update study conducted by Statkraft on August 2011
Planned Start Date	Award of project by May 2017
Expected Commencement Year	TBA
Project Documents Available	Feasibility Study report 2010 (SWECO Norge AS) Technical Update study 2011 (SN Power)
Form of Investment (PPP/Private Investment)	Public Private Partnership
Expected Fiscal Benefits to GoN	<ul style="list-style-type: none"> <li>Taxes</li> <li>Royalty</li> <li>VAT and Customs</li> <li>Payment for Ecosystem Services</li> <li>Free Electricity/Dividends</li> </ul>





- Apply online at Dol with Declaration of 59,000 US\$
- Establish a company at company registration office
- Get business visa for one year
- Established and operate Joint Venture Agreement JVA, Dol approve it
- Do survey of establishing industry as intended
- For already established industry, can invest with Share Purchase Agreement SPA, Dol approve SPA
- Open area for small business : Hotel, Restaurant, Organic Farming, small hydro, precious stone processing, minces related industry, agro-processing industry, tour and trekking chain industry

# FDI Hurdle n way forward . . . .

- Investment n FDI Orientation need to start
- Result Monitoring, in spite of process monitoring
- Land, Labor n Governance Issue need to handle
- One stop service, need to operationalize
- Real behavior n practice vs. advocacy campaign
- Guarantee of investment safety n assurance of repatriation
- Governance Reform, Assurance of investment safety, Guarantee of Repatriation, land and labor .. overall coordination . . Result-base Monitoring ...
- The most important .. Clear Political Direction



# Thank you very much