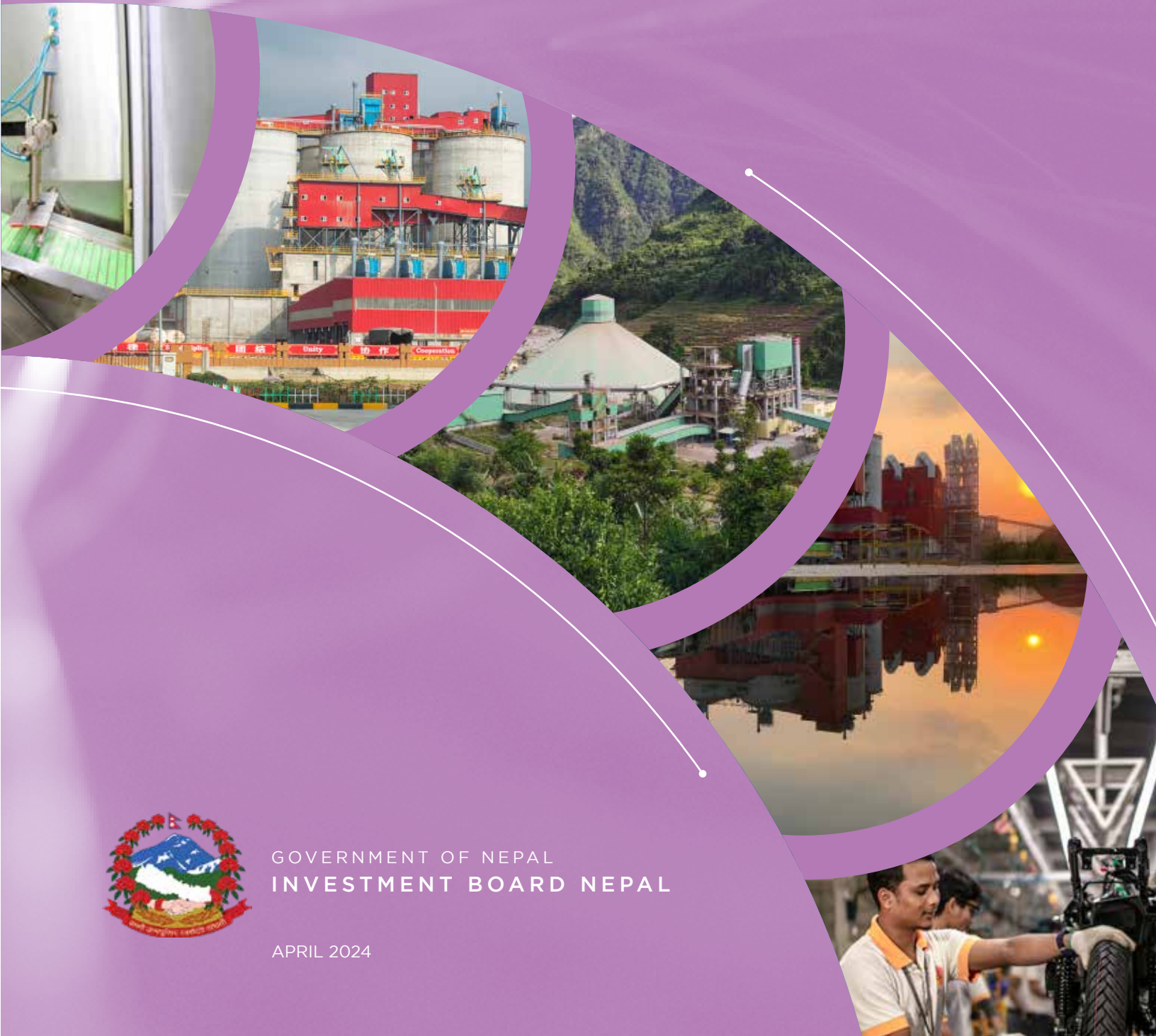


MANUFACTURING



GOVERNMENT OF NEPAL
INVESTMENT BOARD NEPAL

APRIL 2024

1. OVERVIEW



Contribution of industrial sector to GDP (2022/23)

13.5%



Contribution of manufacturing to GDP (2022/23)

5.3%



Number of manufacturing industries

3,393



Number of registered industries

9,085



Number of large industries

1,370



Number of medium industries

2,087



Number of small industries

5,628



Palm oil (13.1%)



Woolen carpet (7.3%)



Polyester yarn and thread (6.7%)

Top five exports
(2022/23)



Soybean oil (5.4%)



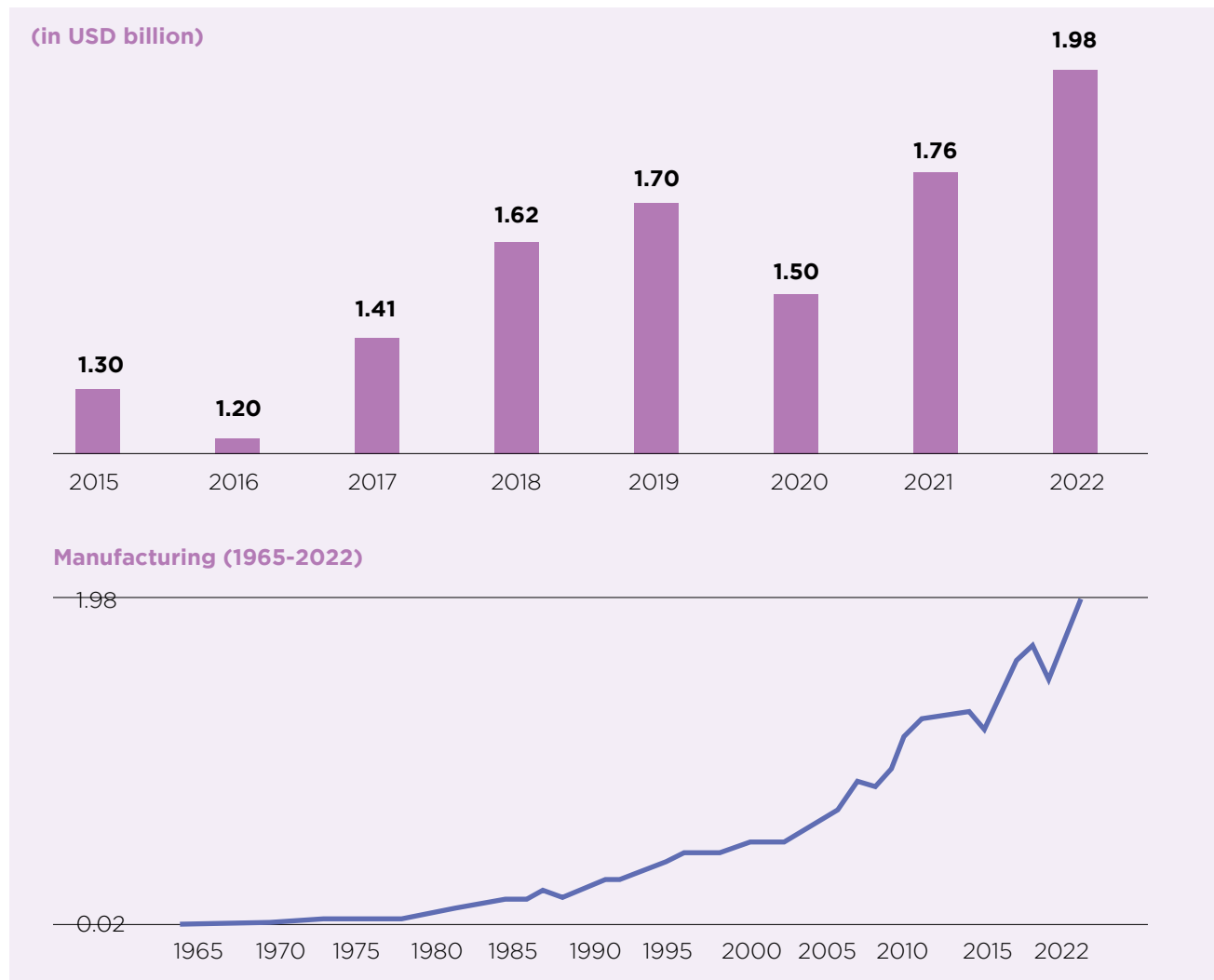
Cardamom (5.3%)

Top 10 manufactured products in terms of value

S. N.	Industrial category	No. of Companies	Total Value Added (NPR '000')
1	Grain mill products	11,744	20,000,853
2	Prepared animal feeds	84	19,773,632
3	Jewellery and related articles	7,874	19,601,763
4	Cement, lime, and plaster	61	17,109,131
5	Clay building materials	1,008	13,896,934
6	Basic iron and steel	28	13,807,450
7	Structural metal products	4,774	12,929,379
8	Plastics products	375	10,630,387
9	Soft drinks; production of mineral waters and other bottled waters	264	9,636,529
10	Vegetable and animal oils and fat	292	8,538,196

Source: National Industrial Survey 2019/20

Value addition of manufacturing in Nepal's GDP



Source: The Global Economy.com (2023).

2. INVESTMENT OPPORTUNITIES



Small-scale enterprise

Fixed capital lower than NPR 150 million, other than a micro enterprise and cottage industry



Medium-scale enterprise

Fixed capital between NPR 150 million-500 million



Large-scale enterprise

Fixed capital exceeding NPR 500 million



Investment modality

- Public private partnership
- Direct investment



Threshold for FDI in manufacturing sector

- NPR 20 million
- No upper limit



Investment opportunities

- Brownfield projects
- Greenfield projects



Market opportunities

- **Neighbours:** Duty free market access to India and China
- **Region:** Part of Free Trade area in South Asia
- **Global:** Preferential market access under WTO

Nepal Trade Integration Strategy (NTIS) 2023 has listed 32 products and services with export potential.

- **Forest sector category:** Lokta paper, rosin and turpentine, fragrant oils, textiles of long fibre
- **Large-scale industry category:** Iron and steel, cement, and readymade garments
- **Small and cottage industry category:** Jewellery, pasta, Himalayan spring water, honey, dog chew (*chhurpi*), and felt

Major manufactured products with export potential

S.N	Product	Market Situation
1.	Woolen carpet	<ul style="list-style-type: none"> Exported to over 40 countries.
2.	Readymade garments	<ul style="list-style-type: none"> U.S.A., E.U., Japan, Hong Kong, and Canada are top importers
3.	Pashmina	<ul style="list-style-type: none"> “Chyangra Pashmina” trademark has been registered in 47 countries 95% of production is exported.
4.	Noodles	<ul style="list-style-type: none"> Nepal ranked 13th in 2017 in instant noodles consumption. Exported to more than 40 countries
5.	Handmade paper and paper products	<ul style="list-style-type: none"> Nepal accounts for 0.7% of total exports in the world. Exported to more than 60 countries
6.	Handicrafts	<ul style="list-style-type: none"> Exported to almost 85 countries
7.	Silverware and jewellery	<ul style="list-style-type: none"> Exported to over 70 countries
8.	Textiles, fabric, yarns and rope	<ul style="list-style-type: none"> Exported in India, other Asian, American and EU markets
9.	Leather products	<ul style="list-style-type: none"> Around 80% of the leather produced is exported and the remaining 20% is used to make footwear for the domestic market
10.	Footwear	<ul style="list-style-type: none"> Fulfills around 42% of domestic requirements Good presence of Nepali brands in the world market
11.	Honey	<ul style="list-style-type: none"> Potential to produce about 10,000 MT annually
12.	Woolen products	<ul style="list-style-type: none"> Major export destinations include Germany, U.S.A, Belgium, Britain, Turkey, Switzerland, Japan, Spain, Canada, and Italy
13.	Jute or bast fibre products	<ul style="list-style-type: none"> Nepal ranks 5th among the top jute producing countries
14.	Forest products (rosin and turpentine, fragrant oil, medicinal and aromatic non-timber products)	<ul style="list-style-type: none"> 700 species of medicinal and aromatic plants (MAPs) found in Nepal More than 85 species are traded internationally (MoICS, n.d.)
15.	Food products and Himalayan Spring Water	<ul style="list-style-type: none"> Grain mill products are the key goods Pure and natural fresh water
16.	Agro-based manufacturing (Tea, coffee, large cardamom, ginger)	<ul style="list-style-type: none"> Attractive market in neighboring countries and the EU
17.	Industrial products (Cement, pharmaceuticals, metal and metal products, assembly plants, electronics, furniture)	<ul style="list-style-type: none"> Large global and local market for cement electronic and furniture

Key Source: MoICS, 2021, 2022



3. SUPPORT SYSTEM



Industrial infrastructure:

- Two SEZs operational, 12 SEZs are under development, 10 industrial districts in operation
- 6 inland container depots, 4 integrated check points

Major regulatory arrangements

Special Economic Zone Authority Act, 2019	<ul style="list-style-type: none"> • One stop service for company registration, tax registration, banking, insurance, freight forwarding, issuance of a certificate of origin for export, and other administrative procedures
Customs Act, 2007	<ul style="list-style-type: none"> • Collection of all taxes at border points • One Post Clearance Audit (PCA) office at Kathmandu and 40 main customs offices • Automated System for Customs Data (ASYCUDA) operational
Foreign Investment and Technology Transfer Act, 2019	<ul style="list-style-type: none"> • Regulatory arrangements for FDI and technology transfer • Only nine industries/business are restricted for FDI • FDI lower than NPR 6 billion is approved by Department of Industry • One stop service by Department of Industry for FDI lower than NPR 6 billion • IBN is authorised to approve FDI higher than NPR 6 billion
Industrial Enterprise Act, 2020	<ul style="list-style-type: none"> • Registration of industries at the Department of Industry • Nine industries require permission from Industrial and Investment Promotion Board • Investment approval
Public Private Partnership and Investment Act 2019	<ul style="list-style-type: none"> • Approval of all investment higher than NPR 6 billion • One stop services to the investors
Labour Act, 2017	<ul style="list-style-type: none"> • Work permit issued to foreign nationals by the Department of Labour • An 18-year-old is eligible for employment

Incentives in manufacturing

Tax incentives

Tax exemption for industries in SEZ

Industries in Hilly or Himalayan region	100% income tax for first 10 year, and 50% for remaining contract period
Industries in other regions	100% income tax for first 5 years and 50% for next 10 years for remaining contract period
VAT	Exemption of VAT on export and sell of raw materials and finished goods within the SEZ

Income tax exemption for manufacturing industries

General exemption	20% exemption on the rate leviable Additional 5% on the rate leviable for industries that export their products
Producing and processing local tea products, dairy, textiles	50% on rate leviable
With more than NPR 1 billion investment and providing direct employment to more than 500 throughout the year:	100% exemption on leviable rate for first five years and 50 percent for next three years
Fruit-based brandy, cider, or wine industries established in the least developed and underdeveloped regions	40% and 25% exemption for up to 10 years

Scan for full sectoral profile, including the data sources.





For this document



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