

TRANSPORTATION SECTOR PROFILE



**GOVERNMENT OF NEPAL
OFFICE OF THE INVESTMENT BOARD**



**GOVERNMENT OF NEPAL
MINISTRY OF INDUSTRY**

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FOREWORD

The promulgation of the constitution last year has punctuated Nepal's long political transition to a Federal Republic. The conclusion of this process marks the beginning of another process, that of economic transformation. The Government of Nepal has realized that its sources of funds, alone, will not meet the capital required to transform Nepal. Private investments, both domestic and foreign, will be key to Nepal's growth agenda.

In the recent years, Nepal has made great strides towards attracting private sector investments. The Investment Board, chaired by the Right Honourable Prime Minister, was established in order to fast-track large investments and act as a one-window facilitation agency. Similarly, Nepal is in the process of amending various laws and regulations to make them more investment friendly.

In an effort to attract investment, Investment Board Nepal, with the support from Ministry of Industry, has produced "Nepal Investment Guide". Building on to this initiative, the Investment Board has again taken lead to come up with this publication. This document highlights sector-specific opportunities for investment, policy environment, incentive structures, and licensing processes. This sector profile

has been produced at a very opportune time as Nepal embarks on the path of economic transformation.

I am confident that this document contains sector-specific information you would want to know in your search for potential investment destinations. Similarly, I believe that this document will give you a basic understanding of the issues and concerns you, as a potential investor, may have.

I would like to thank the Department for International Development (DFID) and Japan International Cooperation Agency (JICA) for providing financial support for this publication. Similarly, I would like to thank the staff at the Office of the Investment Board, Mr. Rob Taylor, Chief of Party, NHDP (peer reviewer), and others who have, directly or indirectly, contributed to the production of the document.

MAHA PRASAD ADHIKARI
CEO, Investment Board Nepal

ACRONYMS

ADB	Asian Development Bank
BIPPA	Bilateral Investment Protection and Promotion Agreement
BOOT	Build, Own, Operate and Transfer
BRT	Bus Rapid Transit
CAAN	Civil Aviation Authority of Nepal
DFID	Department of International Development
DoLIDAR	Department of Local Infrastructure Development and Agriculture Roads
DOR	Department of Road
DTAA	Double Taxation Avoidance Agreement
EIA	Environment Impact Assessment
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GON	Government of Nepal
IOCL	Indian Oil Corporation Limited
JICA	Japanese International Cooperation Agency
LDC	Least Developed Country
LRN	Local Road Network
LRT	Light Rail Transit
MoPIT	Ministry of Physical Infrastructure and Transport
MOTCA	Ministry of Culture, Tourism & Civil Aviation
MoU	Memorandum of Understanding
MRT	Mass Rapid Transit
NOC	Nepal Oil Corporation
NRC	Nepal Railway Company
PDNA	Post Disaster Needs Assessment
PIA	Pokhara International Airport
PPP	Public Private Partnership
SRN	Strategic Road Network
TIA	Tribhuvan International Airport
VDC	Village Development Committee

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COUNTRY PROFILE

COUNTRY OVERVIEW

Country profile

Table 1. Country Profile

Country name	Nepal (Federal Democratic Republic of Nepal)
Region	South Asia
Capital	Kathmandu, located in central Nepal
Population	28.5 million ¹
Area	147,181 square km
Altitude	59 - 8,848 m (Mt Everest)
Standard time	GMT + 5:45 hours
Governing system	Republic: multi-party parliamentary democracy with elected prime minister accountable to the parliament as executive head; constitution promulgated in 2015
Language	Nepali, written in Devanagari script; English is widely used in business
Religion	Secular state; Hinduism 81.3%, Buddhism 9.0%, Islam 4.4%, Kirat 3.1%, Christianity 1.4%
Geography (south to north)	Terai region: Altitude 59–700 m Hilly region: Altitude 700–3,000 m Mountain region: Altitude 3,000–8,848 m
Currency	Nepali rupee (NPR), 1 USD = 108 NPR (as of 1 January 2017), 1 INR = 1.6 NPR (fixed rate)
ISD code	+ 977
Climate	Terai region: tropical/sub-tropical, hilly region: moderate, mountain region: sub-alpine/alpine

Economic indicators

Table 2: Economic indicators of Nepal

PARTICULARS	2011	2012	2013	2014	2015
Population (million)	27.2	27.5	27.8	28.2	28.5
GDP (USD billion)	18.9	19.2	19.4	19.8	21.2
GDP growth rate (%)	3.4	4.8	4.1	5.9	2.7
GNI per capita (USD)	610	690	730	740	730
GNI PPP per capita (USD)	2,050	2,170	2,270	2,440	2,500
Agriculture value added (% GDP)	38.3	36.5	35.0	33.8	33.0
Industry value added (% GDP)	15.4	15.5	15.7	15.4	15.4
Service value added (% GDP)	46.3	48.0	49.2	50.7	51.6
Workers' remittances (USD billion)	4.2	4.8	5.6	5.9	6.7
Inflation consumer prices (%)	9.3	9.5	9.0	8.4	7.9

Source: World Development Indicators, 2016

¹ Estimated population in 2015

ECONOMIC OVERVIEW

Nepal is strategically located between India and China, two of the largest economies in the world. In 2015, the country adopted a new constitution that embraces multiparty democracy, federalism and private sector-led liberal economics. The government is committed to the promotion of foreign investment, providing a unique opportunity for foreign direct investment (FDI) in Nepal.

Although Nepal is classified as a least developed country (LDC) by the United Nations, its goal is to graduate from this status by 2022 and transition to a middle income country by 2030. To achieve these targets, an economic growth rate of 7–8% and investment in infrastructure of USD 13–18 billion by 2020 will be required. The Ease of Doing Business Index 2017 by the International Finance Corporation (IFC), World Bank Group places Nepal second only to Bhutan among all South Asian countries.² Nepal's investment potential, combined with these features, have led to an increase in interest in FDI in recent years.

Nepal has also put in place fiscal incentives and other arrangements to facilitate global trade. As a member of the World Trade Organization (WTO), Nepal offers one of the lowest import duties in the region. Nepal has also signed Double Taxation Avoidance Agreements with 10 countries and concluded Bilateral Investment Protection and Promotion Agreements (BIPPAs) with 6 countries. Fol-

lowing the entry into force of the Nepal-India Trade and Transit Treaty, Nepal enjoys duty and quota-free access to India's massive and growing market. China's rapidly growing economy also provides duty free access to approximately 8,000 products.

As a result of its prolonged political transition and inadequate infrastructure, Nepal's economic growth rate has remained at 3.8%, on average, for the past 10 years, which is below the South Asian average. Remittances continue to play a critical role in GDP growth for consumption. In FY 2015/16, remittances comprised approximately 29.6% of GDP. Remittances help to increase aggregate demand in the local market, despite low economic growth.³ Over the last decade, disposable income has increased by 14.4% per year on average, which has led to a comparable increase in consumption.

At present, with foreign currency reserves of USD 9.8 billion (as of July 2016), Nepal is in a good position to receive finance imports. However, the trade deficit, which reached 31.3% of GDP in FY 2015/16, continues to be of concern. It is expected that FDI will stimulate domestic production and gradually close this gap. Despite the catastrophic earthquake of 25 April 2015 and the transport blockade of the border that followed, Nepal has begun to rebuild and continues to be a highly attractive destination for FDI in various sectors.

² World Bank (2017) *Doing Business 2017: Equal Opportunity for All*. World Bank Publications

³ Rastra Bank Nepal (2016) *Current Macro economic and Financial Situation of Nepal 2015/16*. Available at: <https://nrb.org.np/ofg/current-macroeconomic>

THE TRANSPORTATION SECTOR

OVERVIEW

Transportation facilitates the movement of people and goods to the location of services and facilities. Its synergies create jobs, commercial opportunities, and industrial hubs. Nepal's transportation sector is greatly in need of development. But its geographical location vests the nation with potential and provides opportunities. At first glance, the nation's potential is not evident. Nepal is a land-locked country. Its nearest outlet to the sea, Kolkata, India, is more than a thousand km away. Because of the nation's often difficult terrain, road transport and aviation are the most popular of very few modes of transportation, the others include ropeways and one railroad⁴. However, currently ropeways are developing as tourist attraction rather than means for transportation.

During the past five years, Nepal's transport sector has grown at an average rate of 6.9%. Currently the sector accounts for 10.6% of Real GDP.⁵ Because transport infrastructure development promotes economic growth and provides and promotes employment, it also contributes to improved living standards. Today the transportation industry directly provides employment to almost 20,000 people. Over the next five years, the government hopes to mobilize US\$ 8.2 billion for road infrastructure, rail connectivity and transport sector management.⁶

The country has total road network of 80,078 km. Out of 75 total, only 67 district head quarter's roads are linked with all-weather roads. Most of these work only as basic road connectors and require regular maintenance, upgrading, and further road connection to other districts. The other means of transporta-

tion, Nepal's railway line has total length of 57 km out of which only 5 km is currently operating. The country has 1 international airport and 56 domestic airports.

In the transport sector, Nepal must market itself as a profitable transit destination for goods coming from India. In addition, Nepal can become transit route connecting India and China. Annually, this could attract as much as US\$ 70.25 billion (trade between India and China, 2014) per year of business through Nepal. A trade route through Nepal could also be extremely valuable for the two principals, taking into account that the elevations of border crossing points in Nepal are lower than those on the India-China border.

Institutional Arrangement

Policy Level

- Ministry of Physical Infrastructure and Transport
- Ministry of Federal Affairs and Local Development
- National Planning Commission
- Ministry of Culture, Tourism and Civil Aviation

Regulatory level and implementation level

- Department of Road
- Department of Local Infrastructure
- Development and Agriculture Roads
- Department of Railway
- Department of Transport Management Civil Aviation Authority of Nepal
- Road Board Nepal

⁴ The Janakpur- Jainagar railway line connects Nepal's only container depot with India

⁵ The Economic Survey, 2014

⁶ MoPIT, 2016

INVESTMENT OPPORTUNITIES

ROADS

Access to road service is a basic requirement for economic development and ease of life. Nepal's road network is growing but there is an enormous need for more investment. Because Nepal is land-locked, it relies on its transport links with China and India for trade. But there is only one dependable road link between the Kathmandu Valley and India at present. As such, development of a new routes connecting both India and China shall bring enormous economic benefits. Highways, bridges, tunnels are all crucial to Nepal's economic growth and development. Government of Nepal is committed to improve the country's road connectivity. It has adopted a decentralised approach to efficiently utilize the road network. The country has total road network of 80,078 km, comprised of 26,935 km roads constructed and being maintained by the Department of Roads (DoR) and 53,143 km roads constructed by the government local bodies.⁷

The quality and quantity of roads in Nepal are low as compared to countries with similar income. Nepal's road density is one of the lowest amongst the South Asian countries. This shows the need to prioritize investment in the development of road infrastructure.

Initiatives taken by GON

In 2016 the government budget committed to the development of strategic roads, bridges, proactive maintenance and road safety. The government is specifically seeking PPPs in the upgrading and the

development of new highways, developing international trade routes, associated infrastructures, and improving major district road networks.

Some Important Initiatives

Recently, the government initiated the following major road projects.

- The Naghdunga Tunnel (Sisne Khola to Naghdunga total 2.5 km) is the first tunnel project in road sector. The Japanese International Cooperation Agency (JICA) has agreed to provide assistance. The estimated construction cost for the project is US\$ 150 million.
- The Banepa-Sindhuli-Bardibas Road (160 km) connects Kathmandu to Eastern Terai. The road has been built with grant assistance from Japan. The road project has been divided into four sections Bardibas-Sindhuli (37 km), Sindhuli Bazaar-Khurkot (36 km), Khurkot-Nepalthok (37 km) and Nepalthok-Dhulikhel (50 km). The highway was constructed at the cost of over US\$ 210 million.
- A Chinese construction contractor has received the award to widen and upgrade the 27 km Kathmandu's ring road section. This will upgrade the existing 2 lane road to 8 lanes along with bicycle lanes and footpaths on both sides

Table 3. Status of Road Facility Expansion

Particulars	Units	2012/13	2013/14	2014/15*
New Road Construction	km	876	1180	231
Upgrade To Gravel Road	km	620	685	106
Upgraded To Improved (paved)	km	467	538	152
Road Maintenance (Regular and Periodic)	km	7757	8200	8900
Periodic Maintenance	km	429	400	65

Source: The Department of Road * first eight months of FY 2014/15

⁷ Economic Survey 2014/15

Strategic Road Network (SRN)

The road infrastructure in Nepal includes the Strategic Road Network (SRN) at central level. It is the principal artery of Nepal's road system and the Department of Roads is responsible for its development and maintenance. The network includes national highways and feeder roads. Out of total 26,935 Km SRN Nepal's road network 11,349 km is paved, 6,192 km is graveled, and 9,394 km are earthen (fair) weather roads.⁸

Nearly half of Nepal's SRN, primarily a two-lane roads which remains unpaved. The poor quality of the road means that it cannot currently support fast travel. Upgrading all of the SRN remains a priority.

Local Road Networks (LRN)

The Department of Local Infrastructure Development and Agricultural Roads, together with Local District Development Committees are responsible for Local Road Network (LRN). The LRN consists of district roads, urban roads and rural roads including village access roads and village trails.

- District roads are arterial roads linking two district headquarters or the main trading centres.
- Urban roads are roads serving urban municipalities and are administered by Municipal administration.
- Rural roads are managed by the Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR). These are mainly unimproved roads which generally pass through the SRN and urban roads.
- Village Access Roads connect district roads and villages. They also include firm roads, and roads leading to rivers.
- Village Trails are non-motor able trails and are used to connect various parts of villages.

North-South Corridor

The North South Corridor Road shall provide easy access and improved mobility between Terai, the Hills and Himalayan Region. By connecting India and China this road will facilitate the easy movement of goods and people. 8 different trade and transit corridors are planned and being developed from North to South. Out of this, corridor from Birgunj-Naubise-Kathmandu-Tatopani-Nyalam (393km) (which falls in the central region of the country) is already operating. Initiatives are being taken to upgrade this corridor. Likewise the track of the corridor from Birgunj-Galchi-Rasua-Syafrubesi (340 km) has opened recently.

Among the 8 North South Corridors certain portion of some of the corridors such as the Koshi corridor, Kali-Gandaki corridor and Karnali corridor are prioritized to be constructed by the government.

Koshi Corridor (Eastern)

This project intends, within two years to open a track of the Koshi Corridor Road connecting Khandbari with Kimathanka and paving it within five years. This road will start in Basantapur and connect to Kimangthanka on the northern border via Terathum, a total distance of 195 km. The estimated project cost of US\$ 58.5 million⁹ will be funded by the national budget.

Kali-Gandaki Corridor (Western)

This project is being constructed by the Nepalese Army and intends to construct 225 km road from Gaiindakot to Baglung, as well as a 190 km road from Baglung to Korala of the corridor. In addition, the Ramdi-Jomsom section (202 km) of Kaligandaki Corridor Road will be paved and the Jomsom-Korala section (100 km) will be graveled within three years. When completed, this will be the

⁸ Department of Roads.

⁹ Government of Nepal, National Pride project, 2013

shortest route between India and China. The corridor will also pass through places with religious, historical and tourism values in the Dhaulagiri, Palpa, Mustang and Gulmi districts. The work is estimated to cost more than US\$ 254 million.

Karnali Corridor (Mid-Western)

Under this project, a total of 288 km of road will be constructed in two parts. The first part will be from Khulalu to Simikot while the second will connect Hilsa and Simikot. Although the project began in mid-2008 no completion date has been set.¹⁰

Mid- Hill Highway / Puspahal Highway

The Mid-hill Highway, one of the National Pride Projects, travels east to West across the country through mid-hills/mountains. It will connect Chiyabhanjyang of Panchathar District in the East to Jhulaghat in the Baitadi District in the Far-west, a distance of 1776 km. In total it will connect 24 districts, 225 VDCs and directly affect the lives of 7 million people.

The road is expected to contribute to the nation's economic, cultural, societal and educational improvement. Its cost is projected to be US\$ 430 million and completion is projected to require 5 years. The Government's 2015/16 budget has allocated US\$ 28 million to the project.¹¹ The government is planning to develop ten model cities along the Mid-hill Highway. Such development may be facilitated by way of PPPs.

Kathmandu- Terai/ Madhes Fast Track

Another National Pride Project, this one a six-lane road will start in Kathmandu and end in Nijgadh. Already, the Nepal Army has opened single lane of this highway. The World Bank has estimated that

the project will cost US\$ 1.5 Billion. The government intends to finance and build the project itself.

Nijgadh is closer to the dry port at Birgunj which supplies 40% of the total goods to Kathmandu. The fast track road will reduce the transit time from Birgunj to Kathmandu by 4–5 hours and the distance by 155 km. The fast track is also focused to facilitate the second international airport so, it will join the Mahendra Highway (East West corridor) at Nijgadh, where an international airport is planned to be built. This improved trade corridor between Terai and Kathmandu will significantly improve trade between Nepal and India and can also be used for Chinese goods originating from the Tibet Autonomous Region.

Kathmandu - Kulekhani - Hetauda Tunnel Highway

This proposed project includes a 58 km highway with three tunnels. According to the Detailed Plan Report (DPR), 90 % of the project will lie in the Makwanpur district. The expressway will run from Balkhu of Kathmandu to Hetauda. The detailed design and EIA of the project has been completed.

The existing Hetauda-Mugling-Kathmandu highway is one of the busiest road corridors in the country. Currently it runs 227 km and requires a travel time of approx. 6-8 hours. In contrast, the proposed highway will connect Kathmandu with Hetauda in an hour. The government has issued a license to develop the project on a BOOT (build, own, operate and transfer) basis. According to the agreement, the project will be handed over to the government after a period of 30 years. In 2012 the project cost was estimated to be US\$ 348 million.

Although this is a high priority project, to date, the licensee has failed to submit convincing financial closure report (which was due 1 year after signing the concession agreement) to show its ability

¹⁰ Government of Nepal, National Pride Project, 2013

¹¹ Nepal Budget 2016/ 17

to generate required funds to complete the project. The government may consider developing the project as a PPP.

Hulaki Marga / Postal Highway

The Postal Highway, also a National Pride Project, is 1,792 km long and will connect the eastern part of Nepal to the far western part. This highway will be located near the Indian border, parallel to the present Mahendra Highway running through terai districts (plain areas).

This project will require upgrading of much of the existing road network in the Terai region and to con-

struct some new ones. When completed, it will support development in the region's health, agriculture, industry, and tourism sectors. The total estimated cost of the project is US\$ 205 million. It will reduce the distant of travel from east to west of terai region.

Currently, only 67 km Lamki-Tikapur section (27.5 km) and Seti-Bhajani section (40 km) are paved. Similarly, 58 bridges are in various stages of construction while work on 46 bridges has not yet begun. The government is likely to consider the PPP model as an option for the rapid completion of the project.

AIRPORT

Air transport is one of the most reliable modes of transportation in Nepal, owing to its difficult terrain and topography. In difficult terrain like that of Nepal, although comparatively expensive, air transport facilitates tourism and trade, as it is safe, reliable and cost effective.

International Airport

Tribhuvan International Airport (TIA) at Kathmandu is the only International Airport in the country. It serves a number of airlines connecting to international routes. In 2015, the airport handled 3.21 million passengers. TIA is currently being modernized in 4 phases. The total estimated cost for TIA's upgrade is USD 605 million.¹³ For the phase 1, the contractual scope will include the enlargement of the existing runway, construction of new taxiways, extension of the apron, installing new lighting in the airfield, reformation of the international terminal, and installation of a new system for baggage carriage.

The Government of Nepal has signed Bilateral Air service Agreements and MOUs with 36 different coun-

tries. Bilateral air service agreements contain provisions on; the routes airlines can fly, including cities that can be served within, between and beyond the bilateral partners, also the number of flights that can be operated or passengers that can be carried between the bilateral partners and many other clauses addressing competition policy, safety and security. The bilateral agreement with India calls for the provision of 30,000 seats per week and unlimited air cargo flights between six metropolitan cities of India and Nepal. Similarly, there are 10,000 seats per week to seven Chinese cities under that bilateral agreement, with two further points, namely Osaka and Seoul.

Domestic Airports

Of Nepal's 56 Domestic Airports including 6 Airports under construction, 32 are offering regular service. The small airports link remote areas to the international airport in Kathmandu. Nepal adopted an open sky policy. This allows private sector participants to provide domestic air service. Internal flights are managed by private operators which carry internal passengers and tourists. Domestic flights link most of the areas within the country, through two principal airports, namely Kathmandu and Nepalgunj.

¹³ CAAN, 2012.

Pokhara International Airport

Pokhara Regional Airport (PIA) situated in one of the most favorite tourist destination in Nepal is being up-graded to a regional airport. The construction of the new regional airport began in April, 2016 and should be completed within four years. Upon completion, the planned airport will have a 3000 meter-long runway, an apron, international and domestic terminal buildings, an air traffic control tower, a cargo terminal building along with an airport hangar and take-offs of aircraft as big as Boeing 757 and Airbus A320. The government has acquired the required land and the Environment Impact Assessment (EIA) Report for the project has been approved.

Nepal has signed a soft loan agreement with China for the funding. Out of the project's total estimated cost of US\$ 214.7 million, Having an additional international airport encourages more involvement of the private sector in airlines as it helps to bring about improvement in quality of services.

Gautam Buddha Regional International Airport (Bhairahawa)

Gautam Buddha Regional International Airport will serve as a gateway to the birthplace of Buddha. This project will transform a local, domestic airport into a regional, international one by the end of 2017. After the completion of the first phase, the new facility will have a 3,000-metre runway and the capacity to serve 760,000 passengers annually. Of the USD 90.6 million project cost, the civil works component is valued at USD 63 million.

The Asian Development Bank has provided USD 58.5 million (USD 42.75 in loans and USD 15.75 million in grants), the OPEC Fund for International Development will provide loan of USD 15 million and the Civil Aviation Authority of Nepal (CAAN) will bear the rest of the cost as counterpart funding.

International Airport at Nijgadh, Bara

The present TIA is insufficient to cater the need of growing number of passengers and airlines. Hence, another international airport at Nijgadh, Bara district, is also under consideration. The proposed Kathmandu-Terai Fast Track will connect the airport to the Kathmandu city with travel time being approximately one hour. Once operational, it is expected to increase tourism and ease transportation. The process of land acquisition, estimated to cost USD 1.2 billion has commenced. The total project cost is USD 6.7 billion (including the development of airport city).

The international airport will be designed to handle 15 million passengers annually and accommodate the largest jets. According to the feasibility study prepared in April 2011, the airport would cover 3,000 hectares of land: 2,000 hectares for the airport itself and the remaining 1,000 hectares for an airport city. The government has decided to mobilize resources on its own to build this airport. Participation of more airlines will be encouraged as the flow of tourist will be high after operation of the airport. Private sector involvement for the construction, operation and maintenance of the airport will be encouraged.

¹⁴ Government of Nepal, National Pride Project, 2013

RAILWAYS

The Government of Nepal intends to expand the nation's railway network. Currently, Nepal has only 57 km of railway lines, 53 km of which are owned by Nepal Railway Company (NRC). This railway line is divided into two sections, 32 km from Janakpur in Nepal to Jainagar in India; and 21 km from Janakpur to Bijalapur, but neither section is currently operating.

There is a 5 km line operating at the Inland Clearance Depot in Birgunj, Nepal which acts as a connector to the Indian Railways. For a landlocked country like Nepal, a rail network because of its low cost of operation, should be of prime importance,

both for domestic and international routes. Realising the importance of railways in carrying freight and passengers, Nepal has embarked on a plan to construct railway line that runs the entire length of Nepal, from east to west. Currently, Jainagar-Janakpur- Bardibas rail link is being constructed.

When realized, the plan to connect to India from 6 different locations through EW Electric Railway (approx. 113 km) will significantly improve trade between two countries as well as in the South Asian Region. It is expected that the project to establish an electric railway in six different locations will be realized in the form of one or more PPPs.

URBAN TRANSPORT

The present urban transport system is congested, inefficient and environmentally unfriendly. Kathmandu valley, which includes the capital city as well as other emerging cities, has a population of about 4 million and even more commuters. Therefore Kathmandu desperately needs to develop sustainable mass transit systems to address the needs for increased mobility and to reduce fuel dependence. Efficient public transportation accelerates economic growth and promotes national and international trade.

The development of public transport will substantially reduce travel time, as well as the number of vehicles on road. Green energy vehicles will cut emissions, reduce imports of crude oil, improve energy security and save lives. The following projects are given the highest priority:

- Railways (MRT, LRT, and Monorail)
- Bus Rapid Transit (BRT) (Electric BRT (eBRT))
- Flyovers
- Tunnel-ways
- Cable cars

LAWS AND REGULATIONS

LAWS AND REGULATIONS

Civil Aviation Authority of Nepal Act 1996

This act ensures participation of the private sector in the development and operation of airports. Main areas covered:

- Registers aircraft, as prescribed, and engraves marking;
- Grants, renews and cancels, as prescribed, certificates of air worthiness to the aircraft;
- Grants permission for air flights and prescribes the functions, duties and the flight and leisure time for pilots; and
- Offers advice to Government of Nepal with regard to setting passenger fares and charges for carrying goods and freight.

Civil Aviation Act 1959

This act ensures the conditions relating to establishment of an airport at any place in Nepal, granting permission and prescribing fees for the same. Main areas covered:

- The grant, renewal and cancelation of licenses companies providing air services, flying schools and institutes engaged in the manufacture, repair and overhauling, including the testing of aircraft and replacement parts;
- Prohibitions on the use of aircraft in any part Nepal; also providing for flights only at particular times and under particular conditions;
- Prohibitions and restrictions on the carrying specific substances by aircraft;
- Rules on the searching of aircraft and carrying out rescue operations; and
- Rules on noise reduction and environmental pollution caused by the operation of aircraft.

Motor Vehicle and Transport Management Act 1993

This act ensures that a motor vehicle which has been registered for a specific purpose may not be used for any other purpose. Main areas covered:

- Classification of motor vehicles and transportation services and provides for their registration;
- Rules on the importation of motor vehicles;
- Rules on the issuance and renewal of driving licenses; and
- Rules on the issuance of route permits for transport service providers;
- Rules on the transfer of motor vehicle ownership to another party.

Public Road Act 1974

This act classifies public roads. Main areas covered:

- Rules on distances prohibition related to the construction of constructing buildings, roads, etc.;
- Rules on the acquisition of land for public roads and road borders;
- Rules on monitoring and maintaining public roads; and
- Provisions related to the development tax

Railway Act 1963

This act ensures prevailing Nepal laws related to railways. Main areas covered:

- Rules on the operation of trains ;
- Rules on qualifications for train locomotive operators ;
- Rules related to crimes and punishments relating to railways; and
- Fares to be charged while traveling or transporting goods by train.

ANNEX 1: INVESTMENT INCENTIVES

Incentive Category	Incentive Provisions
Income Tax Act	<ul style="list-style-type: none"> • 40% tax exemption on roads, bridges, tunnel, airports constructing and operating industry and tram trolley bus operating industries. • Tax rate for roads, bridges, tunnel, ropeway, flyover bridge constructing and operating industry and trolley bus and tram operating industries and BOOT: 20% • Industries related to survey and extraction of petroleum and natural gases commencing commercial operation from March, 2019 shall be provided with tax holiday for 1st 7 years and 50% exemption for the next three years. • International Airlines Operators with capital investments of USD 20 million are entitled to tax holiday for 5 years after the start of business. After that it will be entitled to a 50% tax exemption for the following 3 years. <p>In addition, if existing operators increase their current capacity by 25% and contribute new investments so that their capital investment reaches USD 20 million, they will be granted a tax holiday on all profits earned from that increased capacity for five years and 50% exemption on such profit for additional 3 years.</p> <ul style="list-style-type: none"> • Losses can be carried forward up to 12 years, (the normal provision is 7 years) for BOOT projects related to public infrastructures and petroleum industries.
Customs Duty exemption/ concession	<ul style="list-style-type: none"> • 50 % concession shall be granted on chargeable customs duty on the import of passenger vehicles and containers vehicles that are operated by electricity or battery. • Hybrid vehicles (that is, operated by both batteries & Fuel) shall receive a 25 percent exemption on chargeable customs duties.

ANNEX 2: RELEVANT AGENCIES AND ORGANIZATIONS

OFFICE OF THE PRIME MINISTER AND COUNCIL OF MINISTERS

Singh Durbar, Kathmandu, Nepal
Tel: +977-1-4211000, 4211025
P.O. Box: 23312
Email: info@nepal.gov.np
Website: www.opmcm.gov.np

MINISTRY OF INDUSTRY

Singh Durbar, Kathmandu, Nepal
Tel: +977-1-4211889, 4211991
Fax: +977-1-4211877
Email: info@mole.gov.np
Website: www.mole.gov.np

MINISTRY OF SCIENCE, TECHNOLOGY AND ENVIRONMENT

Singh Durbar, Kathmandu, Nepal
Tel: +977-1-4211661, 4211641
Fax: +977-1-4211954
Email: info@moste.gov.np
Website: www.moste.gov.np

MINISTRY OF PHYSICAL INFRASTRUCTURE & TRANSPORT

Singh Durbar, Kathmandu, Nepal
Tel: +977-1-4211782, 4211931
Fax: +977-1-4211720
Email: info@moppw.gov.np
Website: www.mopit.gov.np

MINISTRY OF CULTURE, TOURISM AND CIVIL AVIATION

Singh Durbar, Kathmandu, Nepal
Tel: +977-1-4211669, 4211846
Fax: +977-1-4211758, 977-1-4211992
Email: info@tourism.gov.np
Website: www.tourism.gov.np

INVESTMENT BOARD NEPAL

Office of the Investment Board,
ICC Complex, New Baneshwor
Kathmandu, Nepal
Tel: +977-1-4475277, 4475278
Fax: +977-1-4475281
Email: info@ibn.gov.np
Website: www.ibn.gov.np

NATIONAL PLANNING COMMISSION SECRETARIAT

Singh Durbar, Kathmandu
Tel: +977-1-4211136
Fax: +977-1-4211700
Email: npcs@npc.gov.np
Website: www.npc.gov.np

NEPAL RASTRA BANK

Central Office, Baluwatar
Kathmandu, Nepal
Tel: +977-1-4410158, 4410201
Fax: +977-1-4410159
Email: nrbtcu@nrb.org.np
Website: www.nrb.org.np

DEPARTMENT OF INDUSTRY

Tripureshwar, Kathmandu
Tel: +977-1-4261203, 4261302
Fax: +977-1-4261112
Email: info@doind.gov.np
Website: www.doind.gov.np

OFFICE OF THE COMPANY REGISTRAR

Tripureshwar, Kathmandu
Tel: +977-1-4259948, 4263089
Fax: +977-1-4259961,
Email: info@ocr.gov.np
Website: www.ocr.gov.np

INLAND REVENUE DEPARTMENT

Lazimpat, Kathmandu
Tel: +977-1-4415802, 4410340
Fax: +977-1-4411788
Email: mail@ird.gov.np
Website: www.ird.gov.np

DEPARTMENT OF IMMIGRATION

Kalikasthan, Dillibazar, Kathmandu
Tel: +977-1-4429659 / 4429660
Fax: +977-1-4433934 / 4433935
Email: dg@nepalimmigration.gov.np
Web: www.nepalimmigration.gov.np

DEPARTMENT OF ROADS

Chakupat, Patandhoka
Tel: +977-1-5529075
Fax: +977-1-5529106
Email: info@dor.gov.np
Website: www.dor.gov.np

DEPARTMENT OF TRANSPORT MANAGEMENT

Minbhawan, Kathmandu
Tel: +977-1-4474921
Fax: +977-1-4474922
Email: info@dotm.gov.np
Website: www.dotm.gov.np

DEPARTMENT OF RAILWAYS

Ram Mandir Marga, Kathmandu
Tel: +977-1-4492918
Fax: +977-1-4492919
Email: mail@dorw.gov.np
Website: www.dorw.gov.np

CIVIL AVIATION AUTHORITY OF NEPAL

Babarmahal, Kathmandu, Nepal
Tel: +977-1-4262387, 01-4262326, 01-4262518
Email: dgca@caanepal.org.np
Website: www.caanepal.org.np

DEPARTMENT OF CUSTOMS

Tripureshwor, Kathmandu
Tel: +977-1-4259861
Fax: +977-1-4259808
Email: csd@customs.gov.np
Website: www.customs.gov.np

**DEPARTMENT OF LOCAL INFRASTRUCTURE
DEVELOPMENT AND AGRICULTURE ROADS**

Shree Mahal, Pulchok, Lalitpur, Nepal
Tel: +977-1-5555001, 5555362
Fax: +977-1-5555724
Email: contact@dolidar.gov.np
Website: www.dolidar.gov.np

**FEDERATION OF NEPALESE CHAMBERS OF
COMMERCE AND INDUSTRY (FNCCI)**

Pachali Shahid Shukra FNCCI Milan Marg,
Teku, Kathmandu
Tel: +977-1-4262061, 4262218
Fax: +977-1-4261022
Email: fncci@mos.com.np
Website: www.fncci.org

**CONFEDERATION OF NEPALESE INDUSTRIES
(CNI)**

Trade Tower, 5th Floor Thapathali Kathmandu
Tel: +977-1-5111122, 5111123
Fax: +977-1-5111122
Email: cni@wlink.com.np
Website: www.cnind.org

INVESTMENT BOARD NEPAL

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New Baneshwor, Kathmandu, Nepal
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Website: www.ibn.gov.np

MINISTRY OF INDUSTRY

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Website: www.moi.gov.np