



Foreign Investment in Nepal

A Synopsis 2022



Government of Nepal
Ministry of Industry, Commerce and Supplies
Department of Industry
Tripureshor, Kathmandu

Foreign Investment & Technology Transfer Unit
(One Stop Service Centre)

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Ramchandra Tiwari
Director General
Department of Industry

Message

I am immensely pleased that the Department of Industry has published a report entitled "The Foreign Investment in Nepal, 2022."

The report summarizes the current trends and status of foreign investment in Nepal. It depicts the situation of foreign investment in Nepal. The data shows an increasing trend. And gap between the commitment and actual FDI inflows is also narrowing down. This report can be a guide for the investors, as it includes the comparative advantage of Nepal also delineates a complete procedure & documents required for the investment with detailed illustrations, the prevailing policy of the government and other related facts and figures info-graphed in a vivid way.

This report observes the statistical data of the last decade, and highlights that more than two thirds of the total investments are committed for the tourism and service sectors. Most of the investment commitments are from China and India over the last decade. The roles and responsibilities of all the units under the one stop service center are well explained in this report which can be helpful for the investors to understand the overall process and procedures in Nepal at a glance.

I hope this publication, about the overall information of foreign investment in Nepal would be a useful read for the foreign investors, policymakers, journalist, students, researchers and other readers interested in this field.

Finally, I would like to thank the entire editorial team members for their appreciable contribution in spite of the short duration, in bringing out this publication as a yearly review of the Foreign Investment and Technology Transfer Section of the Department.

A handwritten signature in black ink, appearing to read 'R. Tiwari', with a long horizontal line extending to the right from the end of the signature.

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1 Background

Generally foreign investment refers to the trans-border flow of private capital of wan individual or company in the form of investment. According to the Foreign Investment and Technology Transfer Act, 2019 (2075) “Foreign investor” means any foreign individual, firm, company, Non-resident Nepali or foreign government or international agency or other corporate body of similar nature that makes foreign investment, and also includes, in the case of a foreign investor that is an institutional foreign investor, the ultimate beneficiary of such an institution.

FDI is a significant source of development financing, and enhance production & productivity by providing new investment, globally successful technology, management expertise and export markets. Foreign investment, especially FDI, not only nourishes domestic investment resources but also acts as a source of foreign exchange and can relax balance of payment constraints. Therefore, all countries, particularly developing and least developed countries, seek to attract Foreign Direct Investment (FDI) for the package of benefits it brings along with it into the host country economy.

Government of Nepal introduced economic liberalization three decades ago and is highly committed to create a favorable environment for investment. The industrial policy and the Foreign Investment and Technology Act, 1981 created the first stepping stone for the inflow of foreign investment and technology transfer into the country. Solidarity Ministerial meeting was held in 1982 and an Investment Promotion meeting was held in 1984 for the promotion of foreign investment and for creating awareness of the investment opportunities in the country. The prevailing constitution and 15th Plan of Nepal also realizes the foreign investment as a catalyst to promote investment environment in Nepal. Currently Foreign Direct Investments in Nepal are regulated mainly by the Foreign Investment and Technology Act (FITTA), 2019 along with additional provisions applicable from the Public Private Partnership and Investment Act, Labor Act, the Companies Act, Industrial Enterprise Act and others.





The government of Nepal has provisioned various forms of concessions and incentives to industries that are set up for export purposes. They include an income tax exemption on export income, exemption on foreign investor’s interest income earned abroad, and a relaxation of taxes on specific industries. Nepal’s membership in different international and regional organizations supported by the policy of economic liberalization and free-market; feasibility of small, medium, and large industries, economic prosperity becoming a common agenda in the aftermath of long political transition; the start of a host of policy, legal, structural and procedural reforms to create an investment-friendly environment, continued development of industrial infrastructure; strategic geographical location between two big fast-growing economies with large populations; a large proportion of youths and working-age population,

and favorable climate can be considered as some of the additional feathers in the crown of Nepal regarding the foreign investment.

In nutshell, it is essential to mobilize foreign investment in large infrastructure projects and technological sectors to achieve and maintain a stable graduation from least developed country in the given time frame and also realize SDGs and government’s aspiration of ‘Prosperous Nepal, Happy Nepali’ by 2030.

2 Nepal as an Emerging Destination for Foreign Investment

Nepal is an emerging destination for foreign investment in South Asia with several comparative advantages. Nepal has been gradually reforming the legal institutional infrastructure to ease down the business environment, ultimately attracting the FDI in Nepal. Some of such opportunities and comparative advantages are enlisted below:

 Location	<ul style="list-style-type: none"> ☑ Strategic location between two most populous countries, India and China ☑ Easy market access to adjoining borders
 Labor	<ul style="list-style-type: none"> ☑ Economically active population is 56% ☑ Availability of cheap labor force
 Legal Infrastructure	<ul style="list-style-type: none"> ☑ Nominal threshold for foreign investment ☑ All most all sections are open for foreign investment ☑ Guarantee against expropriation: no nationalization of an industry with foreign investment ☑ Amicable visa policy for foreign investors, representatives and their dependents
 Agreements	<ul style="list-style-type: none"> ☑ Member of MIGA of the World Bank Group and WTO ☑ Member of SAFTA and BIMSTEC Free Trade Agreement ☑ BIPPA signed with France, Mauritius, UK, Finland ☑ DTTA signed with Austria, Bangladesh, China, India, Republic of Korea, Mauritius, Norway, Pakistan, Qatar, Sri Lanka, Thailand ☑ Bilateral agreement under Belt and Road Initiative Framework



Reports

- ☑ 3rd Most Favorable Business Climate in South Asia, Ease of Doing Business 2020
- ☑ 4th Most Competitive Economy in South Asia, Global Competitiveness Index 2019
- ☑ 5th Most Competitive Trade Logistics Performer in South Asia, Logistics Performance Indicator 2018



Miscellaneous

- ☑ Richly endowed with renewable energy resources (Hydropower, wind, solar, biogas etc.)
- ☑ Abundance of industrial minerals (limestone, coal, red clay, granite etc.)
- ☑ Operation of One Stop Service Center (OSSC) at Department of Industry,
- ☑ Land ownership
- ☑ Repatriation
- ☑ No upper limit of investment

Invest in Nepal



3 Potential Sectors of Foreign Investment in Nepal

3.1 Potential Sectors

In short, following are the most feasible project areas for foreign investment in Nepal:

- a. Agriculture and agro-based industry
- b. Tourism industry
- c. Energy industry
- d. Manufacturing industry
- e. Construction industry
- f. Service industry
- g. Mineral Resources and mineral-based industry
- h. Textile and apparel industry

3.2 Industries or Businesses Restricted for Foreign Investment

- a. Poultry farming, fisheries, bee-keeping, fruits, vegetables, oil seeds, pulse seeds, milk industry and other sectors of primary agro-production,
- b. Cottage and small industries,
- c. Personal service business (hair cutting, tailoring, driving etc.),
- d. Industries manufacturing arms, ammunition, bullets and shell, gunpowder or explosives, and nuclear, biological and chemical (N.B.C.) weapons; industries producing atomic energy and radioactive materials,
- e. Real estate business (excluding construction industries), retail business, internal courier service, local catering service, moneychanger, remittance service,
- f. Travel agency, guide involved in tourism, trekking and mountaineering guide, rural tourism including homestay,
- g. Business of mass communication media (newspaper, radio, television and online news) and motion picture of national language,
- h. Management, account, engineering, legal consultancy service and language training, music training, computer training,
- i. Consultancy services having foreign investment of more than fifty-one percent.

Note: Hundred percent foreign investment is not allowed for some sectors like casino, telecommunication and aviation.

4 Legal Framework

The present constitution of Nepal directs the provincial policy to encourage and mobilize foreign capital and technology investment for import substitution, export promotion and infrastructure development to suit its national interests. Prevailing fifteenth plan also emphasizes on the mobilization of foreign investment in large infrastructure projects and technological sectors to realize SDGs and government's aspiration of 'Prosperous Nepal, Happy Nepali' by 2030. Nepal government has promulgated affable policies to relax the legal provisions for creating an investment friendly environment. Foreign investment related acts and regulations are enlisted as follows:

- a. Foreign Investment and Technology Transfer Act (FITTA), 2019
- b. Foreign Exchange (Regulation) Act, 1962,
- c. Investment Board Act, 2010
- d. Industrial Enterprises Act, 2020
- e. Company Act, 2006,
- f. Contract Act, 2000,
- g. Arbitration Act, 1999,
- h. Income Tax Act, 2002,
- i. Labor Act, 2017,
- j. Privatization Act, 1992.

5 Organizational Arrangements

5.1 Ministry of Industry, Commerce and Supplies

- Industrial Policy, Law, Criteria, and Regulation;
- Industrial corridor, industrial park or village, and export processing center;
- Policy, Law, Criteria, Planning Implementation and Regulation regarding Foreign Investment and Technology Transfer Industry, Industrial Business, and Company;
- An agreement, partnership, and agency related policy, law, criteria, and regulation;
- Patents, Design, Trademark, Geographical Indications, Contact and coordinate with the International Union Organization, Policy, Law, Criteria Implementation and Promotion of industrial intellectual property;

- Conversation and coordination with the international body related to the quality and policy of policy, law, criteria, implementation, and regulation;
- Geographic studies and research and maps;
- Bilateral, regional, sub-regional and multilateral talks, agreement, implementation and regulation of bilateral and international trade and bilateral relations;
- Contact, coordinate, negotiate, compromise, monitor and monitor the organization with regional and sub-regional trade and independent business sector, including SETTA, BIMSTEC;
- Dry Ports, International Container Rate Station, Clearing / Undertaking Service, Cargo Warehouse Policy and Operations;
- Consumer Rights, Law, Criteria and Regulation of Consumer Rights and Promotion;
- Public Institute, Authority, Committee, Establishment, Company Operation and Regulation of Ministry related to Ministry;
- Operating related services, groups and sub-group operations with the subject of ministry.

5.2 Investment Board Nepal

Investment Board Nepal (IBN), is a high-level government body chaired by the Right Honorable Prime Minister formed under the Investment Board Act, 2011. IBN functions as a central fast-track government agency established to facilitate economic development in Nepal by creating an investment-friendly environment, mobilizing and managing domestic as well as foreign investments. IBN is mainly responsible for the approval of FDI projects greater than or equal to NRs. 6 Billion and approval and implementation of energy projects with the capacity greater than or equal to 200 megawatt.

As per the Act, the following projects shall be approved by the IBN.

- (a) Investment to be made in fast track road, tunnel, railway, rope way, trolley bus as specified by the Government of Nepal,
- (b) Investment to be made in the construction of international as well as regional level airport and in modernization and management of the airports in operation,
- (c) Investment to be made in the waste management and recycling plant in rural area,

- (d) Investment to be made in chemical fertilizer production factory,
- (e) Investment to be made in the petroleum refinery plant,
- (f) Investment to be made in the construction of large bridges as specified by the Government of Nepal,
- (g) Investment to be made in Bank and financial institution, insurance or Reinsurance Company, with more than fifty one percent of foreign investment
- (h) Investment to be made in medical college and investments to be made in hospital and nursing homes with more than three hundred beds,
- (i) Investment to be made in hydro power project with capacity equal to or more than five hundred megawatt,
- (j) Investment to be made in the establishment of special economic zone, export promotion or export processing zone, special industrial zone or information technology park,
- (k) Investment to be made in any infrastructure or service industry having fixed capital equal or more than Ten billion rupees. Explanation: For the purpose of this clause infrastructure or service industry shall mean construction industry, mining industry, tourism industry or airlines industry.
- (l) Foreign Investment to be made in any manufacturing industry having fixed capital equal to or more than Ten billion rupees.
- (m) Investment to be made in other priority sectors, having the nature as referred to in Clauses
(a) to (l) above, as specified by the Government of Nepal

5.3 One Stop Service Centre

One Stop Service Center (OSSC) was established in the premises of Department of Industry on 15th May 2019, publishing a directive in the Nepal Gazette on 29th April 2019 to facilitate the foreign & domestic investors. The OSSC provides the services related to the approval of foreign investment not exceeding NRs. 6 billion; recommendation of Visa to the foreign investors, their authorized representatives and foreign experts, Initial Environmental Examination (IEE), Environment Impact Assessment (EIA), foreign currency exchange facilities and other related services. The center includes the representation of 14 different government organizations under a single roof which are enlisted below along with their roles and responsibilities.

5.3.1 Department of Industry

Department of Industry is one of the major agencies which is responsible for implementation of policy, act, rules and regulations related to the industrial development, through which Government of Nepal plans to strengthen Nepalese economy. The department, as per the revised Industry Enterprise Act (IEA), 2020, administers and facilitates the Middle and Large scale industries which have fixed assets of more than 100 million Nepalese rupees. Furthermore, its scope of function also includes foreign investment and technology transfer in the industry as well as protection of industrial property.

The major functions of the Department of Industry are as follows:

- Promote local and foreign investment for industrial development;
- Support in formulation of acts and laws related to industrial as well as foreign investment;
- Approve industry registration and provide a license to the industry which requires permission;
- Register medium and large scale industry which has fixed assets of more than 100 million Nepalese rupees;
- Provide permission for foreign investment, technological transfer and foreign loan; register foreign investment based industries
- Recommend for visa to foreign investors;
- Recommend for facilities and concessions accorded to industries;
- Perform administrative works related to industrial property;
- Approve Initial Environment Examination (IEE) report of the industry;
- Prepare raw material consumption norms for the industry;
- Monitor, as and when required, environmental compliance of the industry;
- Recommend Certificate of Origin for the products for preferential entry into India as per Nepal-India Trade Treaty;
- Act as the secretariat to Industry and Investment Promotion Board and One Stop Service for administration of various facilities as provided by IEA.

5.3.2 Visa Facilitation Unit (Department of Immigration)

Visa facilitation unit in the premises of department acts as the representative of the Department of Immigration and facilitates visa related services to the investors, their representatives and their dependents. Some of the major visa services provided by this unit are enlisted below:

- Issuance and renewal of business visa for the investors, business representatives and their dependents with the recommendation of the foreign investment and technology transfer unit.
- Issuance and renewal of Non-Tourist (working) visa to the foreigners working in the industry/company with FDI or domestic investment in Nepal. Recommendation letter from the foreign investment and technology transfer unit along with the labor permit from labor department and work permit from ministry of Home Affairs are mandatory for such visa.
- Transfer of aforementioned visa to new passport.
- Conversion of visa to business or Non-tourist (working) visa.
- Coordinate with Department of Immigration for all kinds of visa related issues of the investors, business representatives and their relatives.

5.3.3 Custom & Revenue Unit

Currently the custom and revenue facilitation unit renders the following service on behalf of the revenue department:

- Issue excise license as per the Excise Duty Act, 2002.
- Issue permanent account number (PAN) certificate as per Income Tax Act, 2002.
- Issue value added tax registration certificate as per the Value Added Tax Act, 1996.
- Enroll biometric details of the taxpayer for the aforementioned services.
- Provide the necessary information about custom and revenue related queries of the investors.

5.3.4 Foreign Exchange Facilitation Unit (Nepal Rastra Bank)

Mostly the major roles and responsibilities of the Foreign Exchange Facilitation Unit at One Stop Service Center are as follows:

- Provide approval to remit foreign currency into Nepal as foreign investment
- Receive and verify pre-notification requests to remit foreign currency into Nepal for foreign investment (for FDI which does not involve change in ownership structure of FDI receiving industry)
- Recording of FDI
- Provide approval to remit foreign currency into Nepal as foreign loan
- Recording of foreign loan
- Provide foreign currency exchange facility approval to repatriate various earnings of Nepali industries with foreign investment (including repatriation of technology transfer royalty)
- Provide foreign currency exchange facility approval to repatriate principal and interest repayment concerning foreign loans (can be processed directly by commercial banks if NRB has already approved repayment schedule)
- Provide information and guidance regarding FDI and foreign loan to industries and current or potential foreign investors

Authority delegated to Foreign Exchange Facilitation Unit:

S.N.	Particulars	Remarks
1	Recording of FDI	up to 2 million
2	Approval of foreign currency exchange facility to repatriate earnings from FDI (If the FDI approving agency has provided approval for repatriation)	up to 500,000
3	Recording of foreign loans	up to 2 million
4	Approval of foreign currency exchange facility for repayment of approved foreign loan (normally directly available from BFIs, if repayment schedule has already been approved by NRB)	up to 500,000

Other Organizational Representations in OSSC

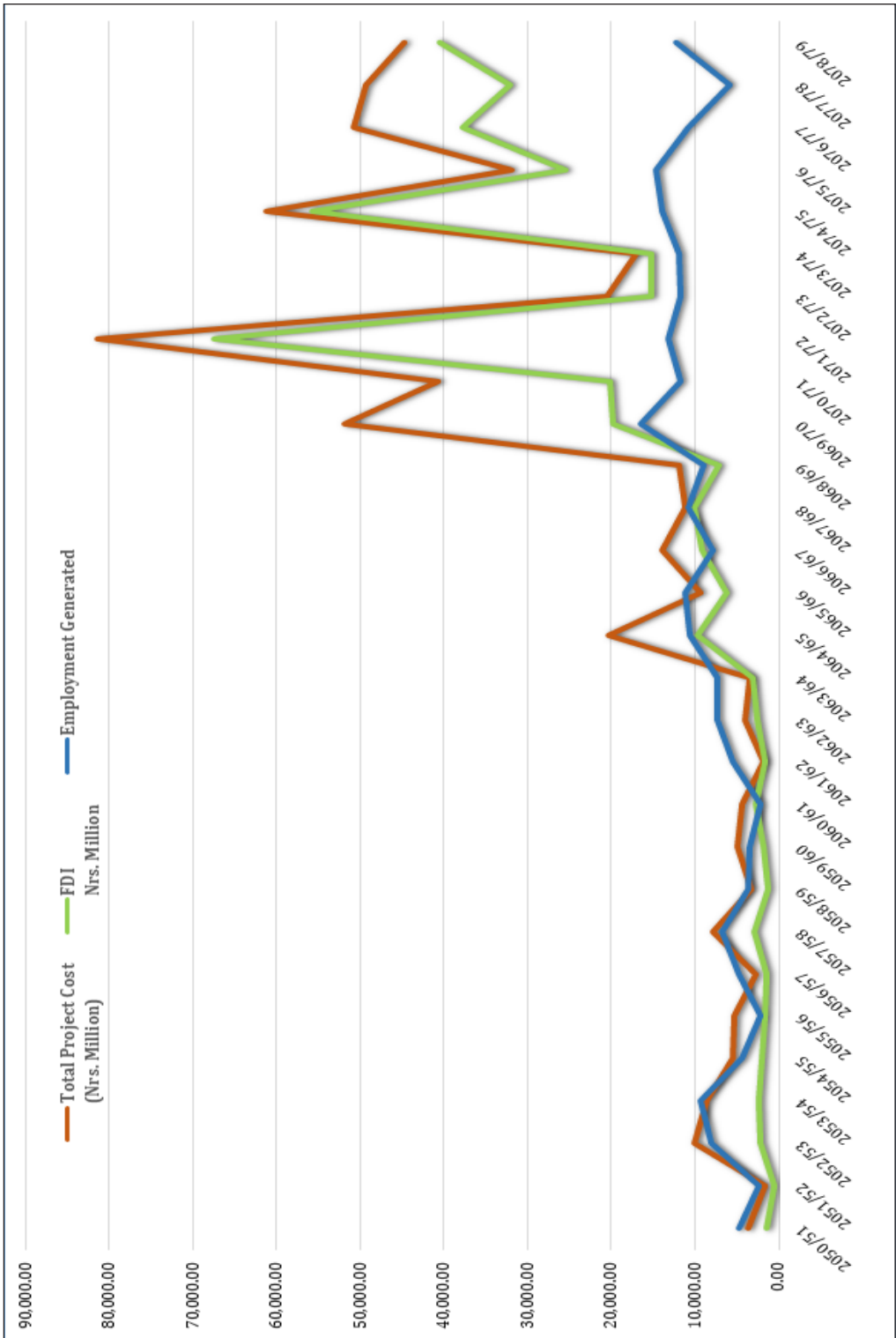
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- 5.3.7 Labor, Employment and Social Security Ministry
- 5.3.8 Physical Infrastructure and Transport Ministry
- 5.3.9 Forests and Environment Ministry
- 5.3.10 Department of Supply Management and Protection of Consumer Interest
- 5.3.11 Office of the Company Registrar
- 5.3.12 Nepal Electricity Authority
- 5.3.13 Nepal Telecommunications Authority

6 Foreign Investment Related Facts and Figures

6.1 Trends of Foreign Investment in Nepal

SN	Fiscal Year	No. of Projects	Total Project Cost (Nrs. Million)	FDI (Nrs. Million)	Employment Generated
01.	2050/51	38	3,733.23	1,378.76	4,734
02.	2051/52	19	1,627.28	477.59	2,386
03.	2052/53	47	10,047.47	2,219.86	8,032
04.	2053/54	77	8,559.25	2,395.54	9,347
05.	2054/55	77	5,572.60	2,000.28	4,336
06.	2055/56	50	5,324.42	1,666.42	2,146
07.	2056/57	71	2,669.09	1,417.61	4,703
08.	2057/58	96	7,917.62	3,002.56	6,880
09.	2058/59	77	3,318.53	1,209.65	3,731
10.	2059/60	74	4,921.82	1,793.77	3,572
11.	2060/61	78	4,323.74	2,764.80	2,154
12.	2061/62	63	1,796.10	1,635.77	5,559
13.	2062/63	116	4,121.08	2,606.31	7,358
14.	2063/64	188	3,425.57	3,185.98	7,389
15.	2064/65	213	20,406.38	9,812.60	10,709
16.	2065/66	231	9,417.89	6,255.09	11,108
17.	2066/67	171	13,953.78	9,100.00	7,848
18.	2067/68	210	11,252.69	10,053.21	10,902
19.	2068/69	226	11,909.82	7,138.31	9,035
20.	2069/70	317	51,990.78	19,818.73	16,569
21.	2070/71	307	40,737.27	20,132.42	11,790
22.	2071/72	370	81,370.60	67,455.04	13,167
23.	2072/73	348	20,543.89	15,254.33	11,663
24.	2073/74	400	17,123.51	15,206.46	11,842
25.	2074/75	400	61,349.11	55,760.48	13,940
26.	2075/76	345	31,868.05	25,484.44	14,594
27.	2076/77	223	50,749.34	37,805.83	10,839
28.	2077/78	185	49,291.58	32,172.82	5,943
29.	2078/79 (Till Jestha)	207	44,722.01	40,498.20	12,201

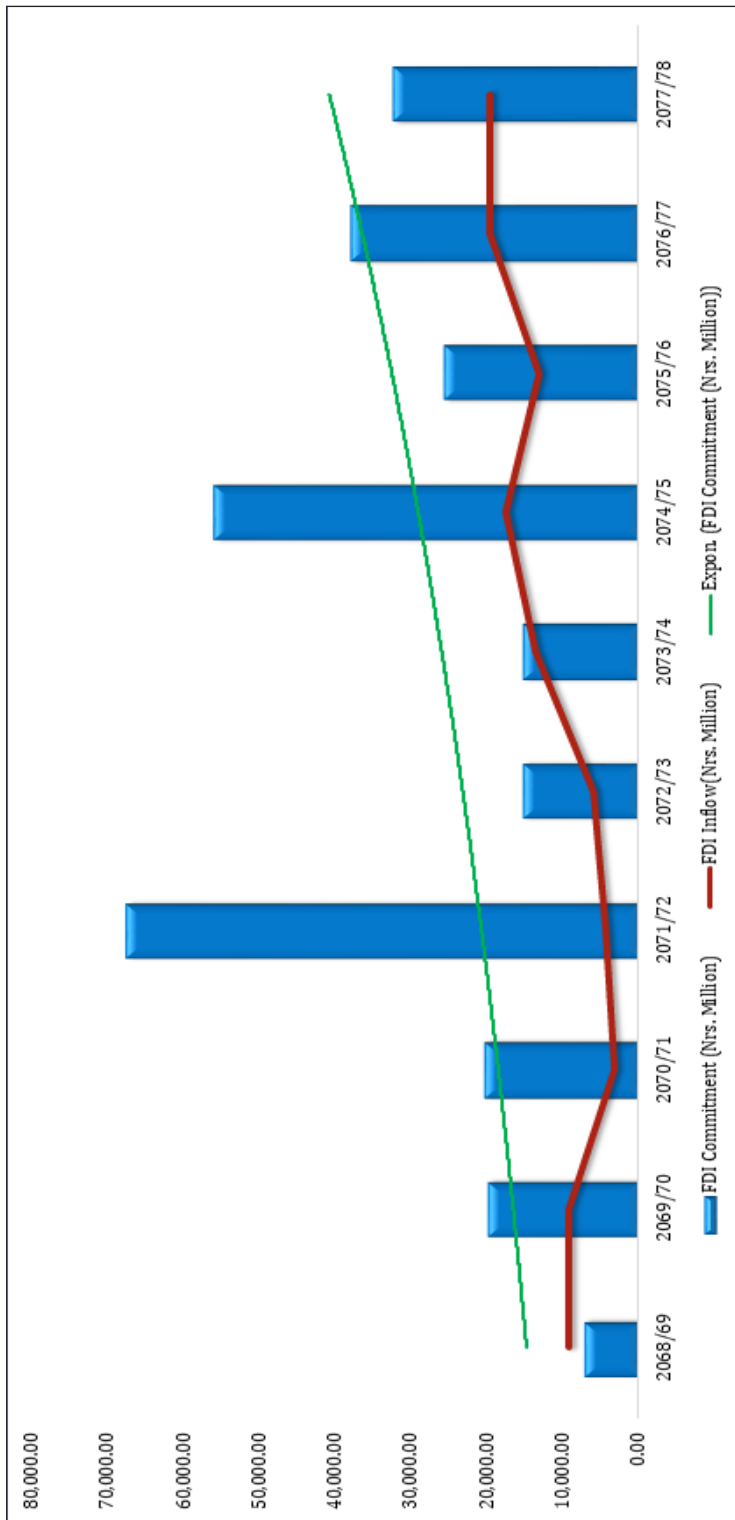
Info Graphics of Foreign Investment Trends in Nepal



6.2 Foreign Investment Commitment vs. Inflow

FISCAL YEAR	2068/69	2069/70	2070/71	2070/71	2071/72	2072/73	2073/74	2074/75	2075/76	2076/77	2077/78
FDI Commitment (Nrs. Million)	7,138.31	19,818.73	20,132.42	67,455.04	15,254.33	15,206.46	55,760.48	25,484.44	37,805.83	32,172.82	
FDI Inflow(Nrs. Million)	9,195.40	9,081.90	3,194.60	4,382.60	5,920.90	13,503.90	17,504.60	13,065.20	19,478.70	19,512.72	

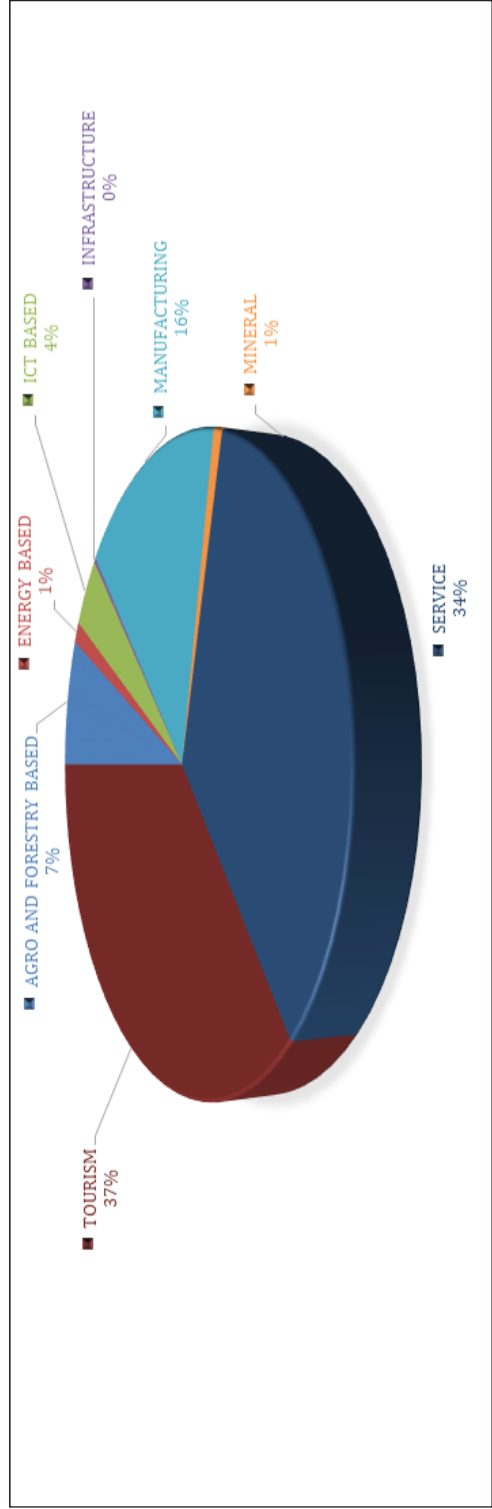
Info Graphics of Foreign Investment Commitment vs. Inflow:



6.3 Sector wise Foreign Investment

Sector	2078/79 Till Jyestha	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	2070/71	2069/70
AGRO AND FORESTRY BASED	4	3	4	17	20	21	22	39	47	43
ENERGY BASED	1	4	5		5	-	-	5	10	6
ICT BASED	6	16	37	25	26	8	4	-	-	-
INFRASTRUCTURE	4	-	-	-	-	1	1	1	-	1
MANUFACTURING	37	19	25	62	67	57	50	50	44	84
MINERAL	-	-	-	2	3	2	-	6	11	5
SERVICE	73	41	70	108	120	158	145	125	108	89
TOURISM	81	102	82	131	159	153	126	133	87	89
TOTAL	206	185	223	345	400	400	348	370	207	317

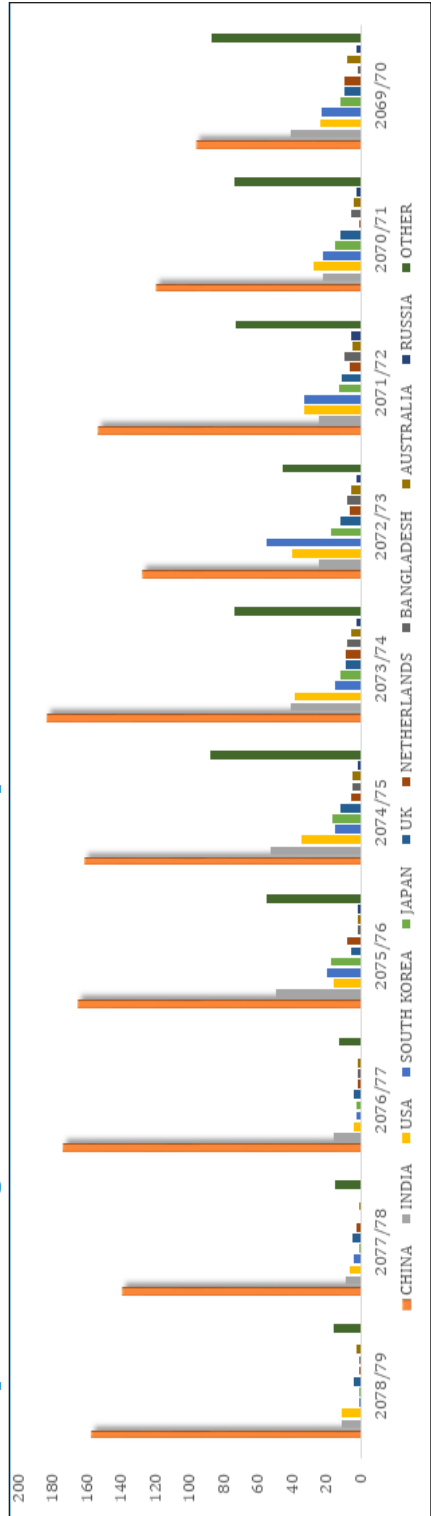
Info Graphics of Sector wise Foreign Investment in Nepal



6.4 Country wise Foreign Investment

Country	2078/79 Till jestha	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	2070/71	2069/70
CHINA	158	140	174	166	162	184	128	154	120	97
INDIA	11	9	16	50	53	41	25	25	22	41
USA	11	7	4	16	35	39	40	33	28	24
SOUTH KOREA	1	4	3	20	15	15	55	33	22	23
JAPAN	1	1	3	18	17	12	18	13	15	12
UK	4	5	4	6	12	9	12	11	12	10
NETHERLANDS	1	3	2	8	6	9	7	7	1	10
BANGLADESH	1	0	2	2	5	8	8	10	6	2
AUSTRALIA	3	1	2	2	5	6	6	5	4	8
RUSSIA	0	0	0	2	2	3	3	6	3	3
OTHER	16	15	13	55	88	74	46	73	74	87
TOTAL	207	185	223	345	400	400	348	370	307	317

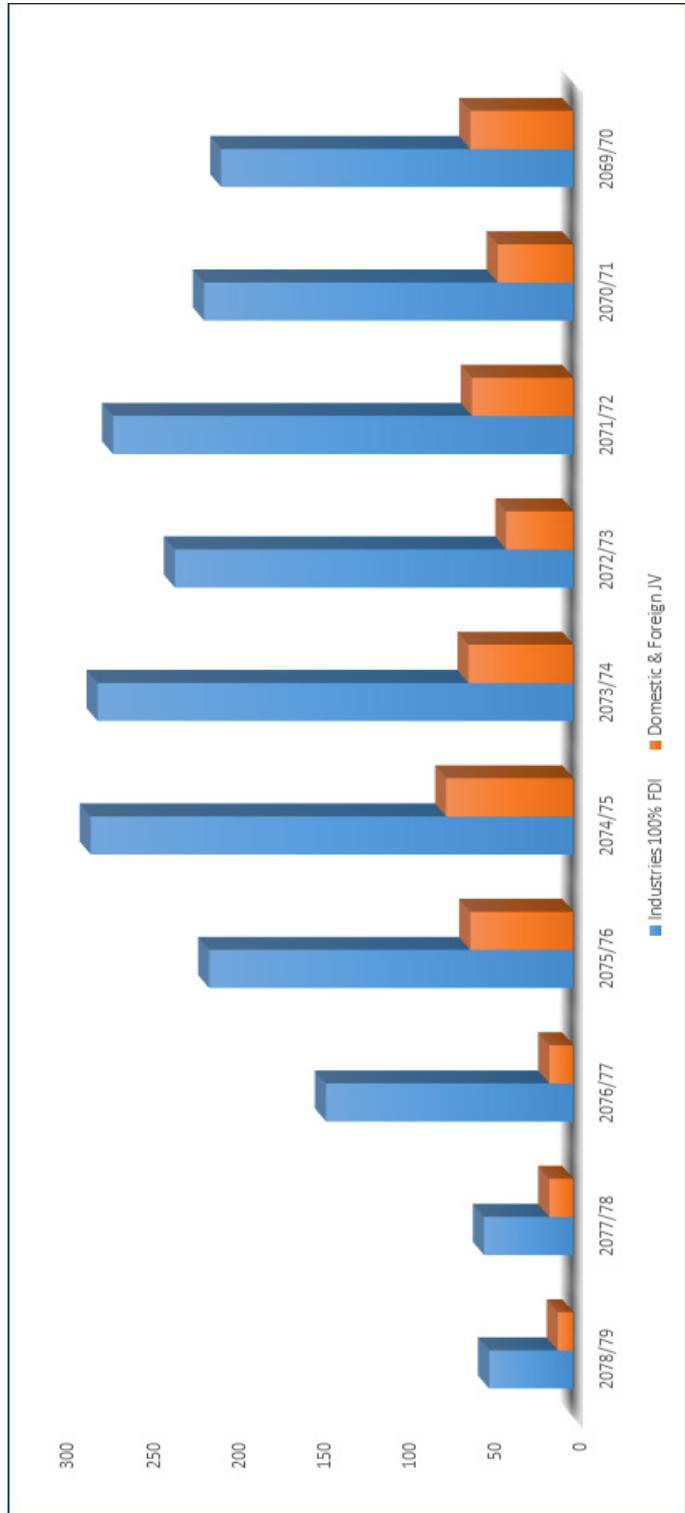
Info Graphics of Foreign Investment Trends in Nepal



6.5 Trend of Industries Establishment with FDI

FY	2078/79 Till Jestha	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	2070/71	2069/70
Industries 100% FDI	49	52	144	212	281	277	232	268	215	205
Domestic & Foreign JV	9	14	14	60	74	61	39	59	44	60

Info Graphics of Foreign Investment Trends in Nepal



6.6 Repatriation Report of the Fiscal Year 2078/79 (Till Jestha).

SN	AGREEMENT NAME	NRS.	USD	INr.	AUD
1	Trademark Licensing and Technical Know How Agreement	888106863.92	24269.77	1072324.76	0.00
2	Architectural Consulting, Landscape Design and Structural Design Agreement	0.00	68000.00	1013625.00	0.00
3	Business Advisory Service Agreement	179154928.26	20652.88	135842750.00	0.00
4	Collaboration Cum Trademark License Agreement	97507162.00	0.00	0.00	0.00
5	Commissioning and Transport Service Contract	0.00	1536813.39	0.00	0.00
6	Consultancy Agreement	3174938.05	12002.00	4734203.79	0.00
7	Crane Hire Service Agreement	0.00	0.00	6961774.19	0.00
8	Development Service Agreement Fee	0.00	21250.00	0.00	0.00
9	Equipment Lease Agreement	0.00	127637.36	0.00	0.00
10	Finsys Erp Software Implementation Agreement	0.00	0.00	1360000.00	0.00
11	Hospital Service Agreement	3781598.64	0.00	2778297.76	0.00
12	Hotel Member Agreement	3559854.30	0.00	0.00	0.00
13	Ielts Test Center Service and System License Agreement	0.00	0.00	0.00	1742584.71
14	Interior Design Service Agreement	0.00	180427.89	8857677.60	0.00
15	Licensing Technical Know How and Marketing Assistance Agreement	10608783.29	0.00	0.00	0.00
16	Management Collobration Fee	259066392.84	153847.09	0.00	0.00
17	Manufacturing Products & Technology Transfer Agreement	1018648.50	0.00	0.00	0.00
18	Pool Bar & Lobby Area Design Agreement	0.00	0.00	1020000.00	0.00
19	Product and Packaging Agreement	395132145.50	0.00	209743162.84	0.00
20	Sales Commissioning Agreement	0.00	0.00	13858067.07	0.00
21	Sap Business Agreement	0.00	0.00	2748439.00	0.00
22	Service Agreement	0.00	0.00	23676512.20	0.00
23	Technical Service Agreement	979215306.04	32543.13	3979530.00	0.00
	Total	2820326621.34	2177443.51	417646364.21	1742584.71

Info Graphics of Repatriation:



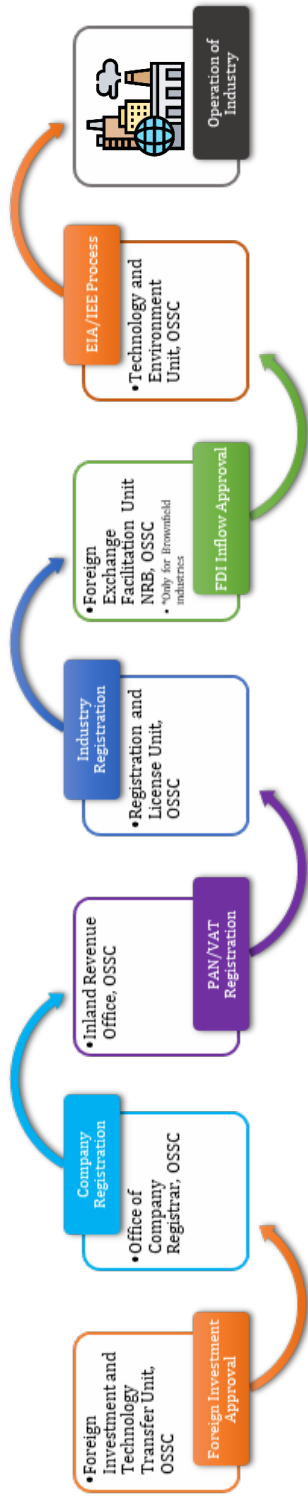
6.7 Business Visa Recommendation:

SN	Country	2017	2018	2019	2020	2021
1	CHINA	1579	1829	2713	1374	1344
2	KOREA, REPUBLIC OF KOREA	541	658	484	187	300
3	UNITED STATES OF AMERICA	426	461	388	164	259
4	JAPAN	130	140	121	73	50
5	UNITED KINGDOM	88	62	51	38	36
6	AUSTRALIA	76	49	47	10	19
7	GERMANY	45	53	73	22	19
8	FRANCE	50	66	51	18	18
9	MALAYASIA	50	52	44	18	24
10	BANGLADESH	47	46	37	14	21
11	TURKEY	64	31	22	7	4
12	CANADA	53	36	23	11	20
13	PHILIPPINES	48	33	19	4	18
14	MEXICO	18	36	28	9	24
15	NETHERLAND	37	23	19	18	14
16	SINGAPORE	35	18	24	9	5
17	RUSSIA	31	26	15	4	10
18	BELGIUM	26	30	14	6	8
19	SWITZERLAND	34	20	11	8	2
20	SWEDEN	29	19	15	12	9
21	BRAZIL	21	17	18	1	5
22	SRI LANKA	22	14	12	7	7
23	MYANMAR			45		0
24	SPAIN	24	11	7	5	3
25	TAJIKISTAN	23	13	5	1	0
26	THAILAND	16	11	10	1	1
27	UKRAINE	16	13	1		0
28	DENMARK	12	10	7	1	1
29	IRELAND	8	9	11	9	7
30	ITALY	7	14	6	2	9
31	POLAND	2	21	3	2	1
32	NEW ZEALAND		13	10	4	6
33	VIET NAM	12	6	5		1
34	ISRAEL	9	9		3	6
35	NORWAY	8	5	5	3	3
36	PAKISTAN	4	2	11	5	0
37	ARGENTINA	5	5	4	3	0

SN	Country	2017	2018	2019	2020	2021
38	AZERBAIZAN	4	6	3	2	4
39	COLOMBIA	9		4		5
40	SUDAN		8	5		10
41	INDONESIA	1	4	7		0
42	BHUTAN	2	4	5	3	1
43	FINLAND	1	3	7		0
44	LATVIA	6	4	1		0
45	CZECH REPUBLIC		7	3	2	1
46	KOREA, DPR		7	3		0
47	IRAQ	1	1	7	2	2
48	AUSTRIA		5	3	4	4
49	PARAGUAY		4	4		2
50	SOUTH AFRICA	2	1	5	2	12
51	CAMBODIA		6	1	1	0
52	LUXEMBOURG		6	1		0
53	BURUNDI	3		3	3	1
54	EL SALVADOR	3	3			0
55	HONG KONG	2		4		0
56	KYRGYZ REPUBLIC	4	1	1	2	0
57	SYRIAN ARAB REPUBLIC	3	2	1		0
58	BELARUS	1	1	3	1	2
59	JORDAN	2		3		1
60	EGYPT		2	2		0
61	GREECE	4				0
62	IRAN	2		2	4	0
63	NICARAGUA	3	1			0
64	PORTUGAL	1	2	1	3	1
65	SLOVAKIA	1	1	2		0
66	TURKMENISTAN			4	1	6
67	UZBEKISTAN	4				0
68	ERITREA		2	1	1	3
69	GHANA	1		2		0
70	CROATIA		1	1	1	0
71	KIRIBATI	2				0
72	PALESTINE	2				0
73	ROMANIA	2				0
74	TAIWAN			2	1	9
75	OTHERS	5	8	11	2	2
	TOTAL	3667	3951	4461	2097	2320

7 Foreign Investment Process

The whole process & business cycle of the foreign investment are completed within the premises of One Stop Service Center (OSSC) premises, Department of Industry. Some sector of investment, amount of FDI and others factors may require some special licensing and consent of other organization also, which creates a slight variation in the process illustrated below.



8 Procedures and Required Documents

The overall process and procedures are mainly guided by the prevailing rules and regulations of Nepal. The foreign Investment and Technology Transfer act has down sized the process and

8.1 Approval of Foreign Investment in Industry

- a. Project proposal - 2 copies
- b. Joint Venture Agreement (in case of more than 1 investor)
- c. Notarized copies of citizenship certificate of local partner or Certificate of Incorporation, including Memorandum of Association if the local party is a company –1 copy
- d. Notarized copy of passport of foreign partner or Certificate of Incorporation, including Memorandum of Association and Articles of Association if the party is a company– 1 copy
- e. Bio-Data of foreign investor or company profile – 1 copy
- f. Financial Credibility Certificate of the Foreign Investor issued by a home country bank.
- g. Letter of Authorization from the company or the investor (if necessary)

8.2 Foreign Investment in Existing Industry through Share Purchase Agreement

- a. Application from the share transferor
- b. Share transfer agreements – 3 copies
- c. Copy of minutes of the meeting of Board of Directors of Nepali Company – 1 copy
- d. Notarized copy of minutes of Board meeting, Certificate of Incorporation and company profile if the foreign party is a company – 1 copy
- e. Notarized copy of passport and Bio-data of foreign party, if the party is an individual– 1 copy
- f. Financial Credibility Certificate of the Foreign Investor issued by a bank– 1 copy, Current Share Holders’ List as recorded in the Office of Company Registrar- 1 copy and Audit Report – 1 copy

- g. Tax Clearance Certificate – 1 copy
- h. Letter of Authorization to sign on behalf of the company – 1 copy
- i. Certificate of industry/company registration – 1 copy

8.3 Foreign Investment through Technology Transfer Agreement

- a. Technology Transfer Agreement – 3 copies
- b. Notarized photo copies of Certificate of Incorporation, including Memorandum of Association and Articles of Association of the domestic company – 1 copy
- c. Notarized copy of passport of foreign investor or Certificate of Incorporation, including Memorandum of Association and Articles of Association if the party is a company – 1 copy
- d. Foreign investor's Bio-Data or company profile
- e. Minutes of the meeting of Board of Directors from concerned companies for Technology Transfer
- f. Letter of Authorization from the company
- g. Notarized copy of current Audit Report and Tax Clearance Certificate

8.4 Foreign Investment through Lease Agreement

- a. Industry registration certificate and the copy of the approved project proposal,
- b. Lease agreement stating clearly the time, value and payment procedure of the lease- 2 copies,
- c. If the lessor is a foreign individual, notarized copy of the passport and bio data,
- d. If the lessor is a company, company registration certification, Memorandum of Association and Articles of Association, minute of the decision of the board and Company Profile,
- e. Documents exhibiting the value of the Airplanes, Ship, Machines, Building Equipment or other devises to be given in lease,
- f. Insurance documents of the Airplanes, Ship, Machines, Building Equipment or other devises to be brought in lease,
- g. Other documents as required by the investment approval agency.

8.5 Repatriation Procedures

- a. Application and copy of Industry, Company Registration Certificate
- b. Copy of Approval for Foreign Investment
- c. Minutes of the meeting of the Board of Directors
- d. Approved Share Purchase Agreement
- e. AGM decision on paying dividend
- f. Copy of the Approved Loan Agreement or an attested copy of the decision regarding compensation
- g. Copy of approved Agreement of Technology Transfer and Lease Investment
- h. Copy of current Audit Report, Tax Clearance Certificate and notarized copy of letter of being not blacklisted
- i. Copy of the list of promoters and share-holders documented in Company Registrar's Office
- j. Letter of FDI Recording in Nepal Rastra Bank
- k. Document showing the amount received from the sale of share.
- l. Royalty Calculation by Certified Chartered Accountant
- m. Copy of the document showing the amount paid as the principal or interest on foreign investment

8.6 Visa Provisions

8.6.1 Documents Required for the Business Visa Recommendation:

- a. Visa Application
- b. Notarized copy of passport with latest Visa
- c. Letter of Foreign Investment Approval from the Department of Industry
- d. Copy of Industry/Company Registration Certificate
- e. In case of Industry in operation, report of industry inspection
- f. Notarized copies of Letter of Authorization as a Representative of foreign investor and passport

- g. Notarized document of the relation with the dependents
- h. Contact address and telephone number of the investor/representative

8.6.2 Documents Required for the Non-Tourists Visa Recommendation:

- a. Notarized copy of Agreement between labor and industry
- b. Copy of the notice published in the national daily newspaper
- c. Progress Report of the industry
- d. Laborer's Bio-Data (showing his/her experience in the industry) and Certificate of Academic Qualification
- e. Notarized copy of passport with latest Visa
- f. List of Nepali laborers to be trained by the foreign laborers
- g. Working Approval and Work Permit
- h. Copy of Industry Registration
- i. Copies of current Audit Report and Tax Clearance Certificate of the company

Note: In-case of Non-tourist Visa, the application should be submitted sixty days ahead of Visa expiry date.

8.6.3 Documents Required for the Residential Visa Recommendation:

In case of foreign investment equivalent or above 1 million US dollar at a time, a foreign investor or his/her representative and family members shall be recommended for the Residential Visa.

- a. Notarized copy of passport with latest Visa
- b. Evidence of Realized Investment equivalent or above 1 million US dollar at a time
- c. Copy of the Industry Registration Certificate
- d. Physical and Financial Progress Report of the industry
- e. Document of the relation with the dependent

9 Service Charter of Foreign Investment & Technology Transfer Section

Sn.	Service Details	Required Documents	Time Duration (Subject to complete applications only)	Section	Responsible Authority	Remarks
01.	Foreign investment approval according to Foreign Investment & Technology Transfer Act 2019, article 15(2)					
a.	New FDI approval	As mentioned above	7 days	FITTS	DG/Director	
b.	FDI by SPA approval	" "	7 days	" "	DG/Director	
c.	FDI by TTA approval	" "	7 days	" "	DG/Director	
d.	FDI by lease agreement approval	" "	7 days	" "	DG/Director	
02.	Repatriation recommendation according to Foreign Investment & Technology Transfer Act 2019, article 20(2)					
a.	Amount after the sales of shares	" "	15 days	" "	DG	
b.	Profit and dividend	" "	15 days	" "	DG	
c.	Amount after liquidation	" "	15 days	" "	DG	
d.	Royalty as per TTA	" "	15 days	" "	DG	
e.	Lease rent as per lease agreement	" "	15 days	" "	DG	
f.	Legal compensation amount	" "	15 days	" "	DG	
g.	Repatriation amount as per other legal provision	" "	15 days	" "	DG	
03.	Visa recommendation according to Foreign Investment & Technology Transfer Act 2019, article 30(2)					
a.	Business visa recommendation	" "	2 days	" "	Director	
b.	Non-tourist (Working) visa recommendation	" "	2 days	" "	Director	
04.	Other					
a.	Inter section opinions and suggestions if required	" "		" "	Director	

10 Appendix

10.1 Project Proposal Template

The project report should include:

1. Executive Summary of the Project or Project Highlight
2. Project background
3. General introduction to the proposed project
4. Product/service description
5. Introduction of the promoters
6. Market Aspects
 - a. Introduction
 - b. Target Market
 - c. Current market status of the proposed products/services
 - d. Capacity determination of the proposed venture
7. Technical Aspects
 - a. Description of production process along with the 'Flow Chart' of the manufacturing process, if applicable.
 - b. Detailed list of machinery and equipment required to run the project in full capacity
 - c. Sourcing of machineries (whether in the form of equity or local purchase or import)
 - d. Description of project inputs (including name and annual quantity requirement when run in full capacity): raw materials, power, water, fuel
 - e. Brief description of environmental issues that may arise due to establishment of the proposed venture
 - f. Manpower requirement (when run in full capacity): category and number of direct and indirect labor.
8. Financial Aspects
 - a. Details of Fixed Asset Investment, which comprises mainly the following aspects of investment

- Land & land development Building & civil works Plant & machineries
 - Furniture, fixtures and office equipment
 - Vehicles
 - Pre-operating expenses
 - Other assets, if applicable in a specific project
- b. Details of Annual Operating Costs and Expenses
 - c. Details of Working Capital Requirement
 - d. Details of Sources of Funds (equity/loan/domestic/foreign)
 - e. Details of Sales Revenue
 - f. Computation of Break-even point
 - g. Computation of IRR or Return on Investment or Return on Equity
 - h. Computation of National Benefits from the Project e.g. value addition [VA= (FOB Price-Cost of imported materials & utilities)/ FOB Price*100].

10.2 Joint Venture Agreement Template

Joint Venture Agreement (JVA) for the Equity Participation

The joint venture agreement should clearly & specifically mention, among others, the following:

1. Preamble
 - a. Name & full address of all parties (local and foreign) if investors are individual.
 - b. Name & full address of the company, and the name & designation of the person representing the company if the investor is a company.
2. Name and Objectives of the company (including proposed name of the company, if any).
3. Source and Structure of Capital, equity contribution of each party in rupees and in percentage of total shares issued.
4. Mode of equity or loan contributions -whether in cash and/or in kind (machineries). If in cash, it should be made in convertible foreign currency/Indian currency through proper banking channel.
5. Representation in the Board
6. For transfer of shares or for any modification in the agreement, prior approval of DOI
7. Arbitration -

For industries with fixed assets investment of up to NRs. 500 millions, if the dispute cannot be settled by mutual consultations in the presence of the DOI, it shall be settled by arbitration in accordance with the prevailing arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL). The arbitration should be held in Kathmandu. The laws of Nepal shall be applicable in arbitration.

For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled as mentioned in the foreign investment agreement.
8. Governing Law- Governing Law should be the law prevailing in Nepal.
9. Language of the Agreement - The language should either be Nepali or English.
10. Date - Date of Agreement and date of effectuation of the agreement,

11. Witness - The signature of each investor should be attested by one witness.

In line with the aforesaid guidelines, a model joint venture agreement is suggested as under.

SAMPLE AGREEMENT

This AGREEMENT is made and entered into as of the day of, 20..., by and between (Name of the domestic company) duly organized and existing under the laws of Nepal (hereinafter referred to as "X"), with its main office at..... (Address of domestic investor), and..... (Name of the foreign investor) hereinafter referred to as "Y") duly organized and existing under the laws of the.... (Nationality/Country of foreign investor), with its main office at.... (Address of the foreign investor).

WITNESSETH:

WHEREAS, X is engaged in the business of.....in Nepal

WHEREAS, Y is engaged in the business of..... in (Country of the foreign investor); WHEREAS, X and Y desire to establish a new joint venture company in Nepal for the purpose of,

NOW, THEREFORE, in consideration of the premises and mutual covenants herein set forth, X and Y agree as follows:

Article 1. Formation of New Company

- 1.1. The parties, immediately upon the effectuation of this Agreement, shall form and establish a company, which will be jointly owned and managed by the parties hereto (hereinafter referred to as the "New Company"), pursuant to the laws of Nepal.
- 1.2. The Name of the New Company shall be or such other name agreeable to the parties and the Company Registrar's Office in Nepal.
- 1.3. The head office of the New Company shall be located at, Nepal; branches and other business offices, etc., may be established anywhere within..... Nepal, as required.
- 1.4. The parties hereto shall consult and co-operate with each other as to the procedures and particulars of the establishment and registration of the New Company.

Article 2. Business Purpose

The business purpose of the New Company shall be as follows:

- (a) Manufacture and sale of..... (Description of products/service);
- (b) Any and all business activities incidental to the foregoing objectives.

Article 3. Articles of Incorporation

The New Company's Articles of Incorporation (hereinafter referred to as the "Articles of Incorporation") shall be as agreed to by the parties hereto and approved by the Company Registrar's Office. If any discrepancy is found between this Agreement and the Articles of Incorporation, the parties shall amend the Articles of Incorporation to make them be in accordance with this Agreement.

Article 4. Amount and Ratio of Capital Contribution by Each Party

- 4.1. The total project cost of the proposed venture and the total equity contribution will be as follows:

Total Project Cost : NRs.....

Total Equity : NRs.....

- 4.2. The total amount of capital contribution which shall be made to the New Company by the parties hereto, and the number of shares of stock of New Company to be issued to each party, and the ratio of the equity interest in New Company of each party shall be as follows:

X	:	NRs.....	(.....shares).....%
Y	:	NRs.....	(.....shares).....%
Total	:	NRs.....	(.....shares).....100%

- 4.3. At the time of incorporation, the parties shall contribute the initial capital of NRs....., according to the ratio as prescribed in the preceding paragraph 4.2.

Article 5. Kind of Shares

Any and all shares issued by the New Company shall be common stock of one kind, in non-bearer form, at a par value of NRs..... per share, with full voting rights.

Article 6. Subscription for Shares

- 6.1. The parties hereto shall subscribe for the shares of the New Company pursuant to the provisions of Article 4.2 and the total

subscription amount shall be paid within days from the effectuation of this Agreement.

- 6.2. X shall make its contribution in cash and /or in kind.
- 6.3. Y shall make its contribution in convertible foreign currency/ Indian rupees in an amount equivalent to NRs..... through proper banking channel4 •

Article 7. Transfer of Shares

- 7.1. Neither party shall encumber the shares or make them available as the object of other rights without the prior consent of the other party hereto.
- 7.2. If either party desires to transfer its shares in the New Company, it shall notify its intention and the terms and conditions of the intended transfer to the Board of Directors. Immediately upon receipt of such notice, the Board of Directors shall give notice to the remaining shareholders requesting that they confirm whether they intend to purchase such shares. If the notified remaining shareholders desire to purchase offered shares, such shares shall be divided among the remaining. If all the notified remaining shareholders do not declare their wish to purchase such shares under the offered terms and conditions within.... days after the receipt of said notice, or they refuse to purchase such shares, then the party desiring to transfer is free to transfer its shares, provided, however, that the terms and conditions of the offer (including, but not limited to, prices) shall not be more favorable than those offered to the remaining shareholders.
- 7.3. The third party transferee shall submit to the other party of this Agreement and the New Company a written oath stating that the transferee agrees to be governed by all of the terms and provisions of this Agreement and to be fully bound by the terms thereof, assuming all obligations of the party from which it has purchased the shares.
- 7.4. The notification of intention to transfer the shares and terms and conditions of such transfer to be given under the preceding paragraph shall be done in writing.
- 7.5. Any share transfer under this Article shall be subject to necessary governmental validation or approval in Nepal.

Article 8. Pre-emptive Rights.

- 8.1. The parties hereto shall have pre-emptive rights in proportion to the number of shares held by each of them with respect to any new issuance of shares of the New Company. However, upon the consent of all shareholders, the pre-emptive rights may be exercised in a ratio other than the shareholding ratio.
- 8.2. If either party does not wish to exercise its pre-emptive rights in whole or in part, such party shall notify the Board of Directors of such intention within.... Days from the day of the allocation of new shares. In this case, the other party shall have the pre-emptive right to such unsubscribed new shares.
- 8.3. New shares to which none of the parties hereto have subscribed shall be preferentially allocated to persons who have agreed to accept all of the terms and conditions hereunder, pursuant to the conditions set by the Board of Directors.

Article 9. General Meeting of Shareholders

Except as otherwise provided in the Articles of Incorporation, resolutions of the General Meeting of Shareholders of the New Company (hereinafter referred to as the “General Meeting of Shareholders”) shall be adopted by an affirmative vote of a majority of the shares represented at a meeting where shareholders representing more than fifty percent of the total number of shares issued and outstanding are present.

Article 10. Board of Directors

Each of the parties hereto will exercise its respective voting rights in the New Company and take such other steps as are necessary to ensure:

- 10.1. The Board of Directors of the New Company shall consist of..... members.... of which shall be nominated by X and..... of which shall be nominated by Y.
- 10.2. If either party wishes to change its nominated directors with or without cause, the other party shall consent to such change, provided, however, that if such change is without cause, the party proposing the dismissal shall indemnify and hold the New Company and the other party harmless from any and all damages and other expenses that may arise from such action.
- 10.3. All resolutions adopted at a meeting of the Board of Directors shall be adopted by the affirmative vote of the majority of the directors present at a meeting where a majority of directors in office is present.

10.4. Meeting of the Board of Directors may be called by the Chairman when he deems the same to be necessary or advisable or when any director so requests.

10.5. The Chairman of the Board of Directors shall be elected from among the Directors.

Article 11. Distribution of Authority among Directors

The power and responsibility of each director of the New Company shall be as determined by the Board of Directors.

Article 12. Statutory Auditor

The New Company shall have an auditor nominated with full consent of both parties or the auditor shall be nominated by the general shareholders meeting.

Article 13. Working Capital

The parties hereto shall exercise their best efforts to enable the New Company to obtain the necessary working capital by arranging financing to the New Company or providing guarantees to the banks of the New Company.

Article 14. Dividends.

The New Company, depending upon the results of each fiscal year's settlement of accounts, shall make periodic payments of dividends to the shareholders according to the Articles of Incorporation.

Article 15. Fiscal Period and Accounting Books

15.1. The fiscal year of the New Company shall, commence on..... and end on of each (next) year, provided that the first fiscal year shall commence on the date of incorporation and end on of that (next) year.

15.2. The New Company shall maintain accounting books, records and supporting documents in accordance with generally accepted accounting principles and practices in Nepal.

15.3. Immediately upon the end of each fiscal year, the New Company shall submit the balance sheet and profit and loss statement to each party. Further, the New Company shall keep its accounting books and records at the head office of the New Company for inspection by the parties or their representatives upon request of either party.

Article 16. Incorporation Expenses

All of the incorporation expenses of the New Company shall be borne by each of the parties hereto, except for the expenses incurred or borne by the New Company

Article 17. Payment and Tax

- 17.1. Unless otherwise prescribed hereunder, all of the payments made by the New Company to Y will be made in US \$ or convertible foreign currency at the bank or other address nominated by Y in writing.
- 17.2. The withholding tax, if any, imposed on the payments to Y shall be withheld from the payments by the New Company and be immediately paid to the competent tax office. The parties hereto shall cause the New Company to obtain from the competent taxation authorities a certificate of payment of such withholding tax or other appropriate evidence in such form as shall be most useful to, and necessary for tax credit purposes in (the nation of the foreign investor) and forwarded the same to Y.

Article 18. Non-Assignability

Except for the transfer of shares in accordance with Article 7 hereof, the rights and obligations of each of the parties under this Agreement shall not be assignable directly or indirectly except with the prior written consent of the other party.

Article 19. Effective Date

This Agreement shall come into effect on the date all necessary approvals and/or licenses are obtained from the governments of both Nepal and the..... (Nation of foreign investor), whichever is later.

Article 20. Termination

- 20.1. This Agreement shall be terminable by a party, if the other party shall commit a material breach of any of its obligations under this Agreement, which it shall fail to remedy within..... days of receipt of written notice requiring that the breach be remedied.
- 20.2. In case of termination of this Agreement under the preceding paragraph, the party at fault shall transfer its shares to the other party or a third party, under conditions reasonably prescribed by the Board of Directors. Prior approval of Government of Nepal will be obtained if required.

Article 21. Modification

This Agreement may be changed, amended or otherwise modified only by means of written agreement executed by the duly authorized representatives of the parties. Such a modification shall be effective only upon the approval of the relevant authority of Government of Nepal.

Article 22. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Nepal.

In case of conflict of the provisions of this agreement with the laws of Nepal, the conflicting provision of this agreement shall be automatically invalid to the extent of conflict.

Article 23. Dispute Settlement

23.1. Any dispute arising out of or in relation to this Agreement shall be settled amicably between the parties in the presence of the Department of Industry. Failing this, it shall be settled by arbitration in accordance with the prevailing arbitration rules of the United Nations commission on International Trade Law (UNCITRAL).⁵

23.2. The venue of arbitration shall be Kathmandu, Nepal

23.3. The laws of Nepal shall be applicable in arbitration.

Article 24. Non-competition

24.1. The parties hereto agree that they or their affiliates shall not, directly or indirectly, manufacture or sell any goods which are competitive with the New Company's products, in Nepal.

24.2. The scope of the term "affiliates" shall be prescribed by mutual agreement between the parties.

Article 25. Confidentiality

The parties hereto agree to keep secret and confidential all information furnished to them by the other party or the New Company which are designated as confidential by said other party or the New Company, or considered desirable to remain secret. The parties further agree not to use such information for any purpose whatsoever except in a manner expressly provided for in this Agreement.

Article 26. Force Majeure

Neither party shall be liable for any breach or non-observance of any term or condition of this Agreement on account of force majeure which shall mean fire, explosion, acts of government and other similar circumstances beyond a party's control.

Article 27. Approval, License

X shall extend his best co-operation in obtaining any necessary Nepalese government approvals or licenses for the incorporation of the New Company, and Y shall bear all responsibility for obtaining any necessary approvals or licenses from the government of(nation of the foreign investor).

Article 28. Entire Agreement

This Agreement contains the entire understanding of the parties as to the terms and conditions of their relationship, and supersedes all prior agreements and representations between the parties, which shall hereby be repealed.

Article 29: Language

This Agreement is executed in the English language which shall be deemed to be the original. In case of any discrepancy between any translation and the above version, the English version shall be controlling in all respects.

Article 30. Notice

30.1. Any notice required or permitted to be given hereunder shall be in writing and may be given by registered airmail, hand delivery or by telex, facsimile transmission or cable to the following address:

To X:

To Y:

30.2. Either party may amend its address set forth above by written notice, made pursuant to any of the above methods to the other party.

30.3. Any notice so given shall be deemed to be received; if by airmail, days after posting; or if by hand delivery, on the day of delivery; or if by telex, facsimile transmission or cable, on the day of dispatch.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on the date first written

X

X

By

By

Name:

Name:

Title:

Title:

Witness:

Witness:

Name:

Name:

Address:

Address:

10.3 Technology Transfer Agreement Template

Technology Transfer Agreement (TTA)

The Technology Transfer Agreement should clearly & specifically mention, among others, the following:

1. Preamble

a. Name & full address of the parties

b. Name & full address of the company, and the name & designation of the person representing the company if the party is a company.

2. Name and objectives of the recipient company.

3. Type of technology transfer and scope of the services.

4. Amount and mode of payment for the technology transfer.

5. Guarantee of technology transfer.

6. Arbitration -

For industries with fixed assets investment of up to NRs. 500 millions, if the dispute cannot be settled by mutual consultations in the presence of the DOI, it shall be settled by arbitration in accordance with the prevailing arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL). The arbitration should be held in Kathmandu. The laws of Nepal shall be applicable in arbitration.

For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled as mentioned in the technology transfer agreement.

7. For any modification in the agreement, prior approval of DOL.
8. Governing Law - Governing law should be the law prevailing in Nepal.
9. Language of the Agreement - The language should either or Nepali or English.
10. Date - Date of Agreement and date of effectuation of the agreement.
11. Witness - The signature of each investor should be attested by one witness.

In line with the aforesaid guidelines, a model Technology Transfer Agreement is suggested as under. This model agreement may need substantial modification when applying to a specific case.

SAMPLE AGREEMENT

THIS AGREEMENT, made and entered into on..... (date) by and between , a company organized and existing under the laws of, having its main office and place of business at..... (Herein after referred to as “Licensor”) and a company, organized and existing under the laws of Nepal having its main office and place of business at..... , Nepal (hereinafter referred to as “Licensee”).

WITNESSETH;

WHEREAS, Licensor has long been engaged in the manufacture and sale of products hereinafter referred to as “ the Licensed Products”);

And

WHEREAS, Licensor has acquired and possesses valuable technical information on the design, manufacture, erection and use of the Licensed Products; and WHEREAS, licensor has the right to grant a license to use Technical Information (or Industrial Property Rights) in connection with the Licensed Products;

And

WHEREAS, Licensee desires to obtain, and Licensor is willing to grant, the right and license to manufacture, use and sell the Licensed Products utilizing technical information furnished by Licensor.

NOW, THEREFORE, in consideration of premises and covenants hereinafter set forth, the parties hereto agree as follows,

Article 1. Definitions

As used in this Agreement, the following terms have the following meanings respectively;

- 1.1. “Licensed Products” means the products as mentioned below. As to details of the Products, the stipulation of Appendix hereto shall apply.
- 1.2. “Technical Information” means all the technical knowledge, know-how, standard calculations, data and information developed or otherwise generally used by Licensor pertaining to the manufacture, use and sale of the Licensed Products.
- 1.3. “Contract Territory” means the territory of Nepal.
- 1.4. “Industrial Property Rights” means any or all rights under patents, and application thereof presently owned or hereafter acquired by Licensor and /or which Licensor has or may have the right to control or grant license thereof during the term hereof and which are applicable to or may be used in the manufacture of the Products.
- 1.5. “Licensed Trademarks” shall mean the trademarks which are specified in Appendix () attached hereto.

Article 2. Grant of License

- 2.1. Licensor here by grants to Licensee an exclusive/ a non-exclusive right to manufacture, use and sell the Licensed Products using the Industrial Property Rights and Technical Information furnished by Licensor in the Contract Territory.
- 2.2. Licensor hereby grant to Licensee an exclusive or a non-exclusive right to sell the Licensed Products to any country in the world.

Article 3. Sales Information

- 3.1. Upon written request of Licensee, Licensor shall furnish Licensee with necessary drawings, technical data and price information on a breakdown basis in order to enable Licensee to prepare quotations, in so far as such information is currently available from Licensor.
- 3.2. To assist Licensee in selling the Licensed Products, Licensor will furnish Licensee with one complete set of current materials generally used for sales promotion, such as brochures, catalogues and technical data available from Licensor, which cover the entire range of the Licensed Products.

Article 4. Technical Assistance and Services

- 4.1. Licensor shall supply Licensee with the following data in order that Licensee may manufacture to the best advantage the Licensed Products without delay.
 - (a) Drawings for designing, manufacturing, and assembling.
 - (b) Specifications.
 - (c) Materials list.
 - (d) General calculation sheet.
 - (e) Data for inspections and trial operations.
 - (f) Fabrication and assembly procedures.
 - (g) Operating & instruction manuals.
 - (h) Any other necessary technical data and know-how generally used by Licensor.
- 4.2. Licensor shall, by request of Licensee, permit a reasonable number of technical personnel designated by Licensee to have opportunity to study the design and manufacturer of the Licensed Products at Licensor's place of business. Licensee shall advise Licensor, in advance, of the purpose, numbers, names, qualifications and probable lengths of stay of Licensee's designated personnel desiring to visit Licensor. Licensor shall arrange to make available qualified personnel for consultation with, and training of such Licensee's personnel. Cost for personnel so dispatched for training shall be borne by Licensee.
- 4.3. Upon written request of Licensee, Licensor shall send to Licensee, subject to availability of personnel and to mutual agreement, qualified engineers and/or technicians to render assistance and services to Licensee in connection with the manufacture, sale and operation of the Licensed Products for a reasonable period to be agreed upon by the parties hereto, provided, however, that Licensee agrees to bear the travelling expenses to and from and living expenses in Nepal incurred by any such engineer and/or technicians. Licensor assures that such engineers and/or technicians are qualified with professional standards and reasonable skill, and will perform the assistance and services with care and diligence.

Article 5. Improvements

If at any time during the term of this Agreement one party hereto discovers or comes into the possession of any improvements or further inventions relating to the Licensed Products or in connection

with the design, manufacture, use and sale of the same, the party shall furnish the other party with information on such improvements or further inventions without any delay and free of any additional charge.

Article 6. Payment

6.1. In consideration of the Technical Information and the Industrial Property Rights furnished by Licensor to Licensee hereunder, Licensee shall pay to Licensor the following royalties in the amount and in the manner specified below.

- (a) Initial Payment: Licensee shall pay Licensor the initial payment of within (...) days from the date of approval of this Agreement by Department of Industries (DOI) in Nepal.
- (b) Royalty: The.... percent of net selling price for each sale of the licensed products (without initial payment).
- (c) Net selling price shall be the gross invoice price of the Licensed Products sold or otherwise disposed of by Licensee in normal, bonafide, commercial transaction without any deduction other than the following items of expenses, if any, to the extent to which they are actually paid and included in the gross invoice price.
 - (1) Sales discount
 - (2) Sales returned
 - (3) Indirect taxes on sales
 - (4) Insurance premiums on sales
 - (5) Packing expenses on sales
 - (6) Transporter expenses on sales
 - (7) Sales commissions
 - (8) Advertisement fee
 - (9) Installation expenses at places where the Licensed Products are to be used.
 - (10) CIF price, and import duties on raw materials, intermediate goods, parts and other components purchased from Licensor.

- (d) Royalty shall be computed for six months period terminating the last date of June and December of each year. Licensee shall make payment to Licensor within (...) days after receipt of relevant invoice from Licensor within (...) days after the last date of June and December of each year in the amount specified in Licensee's royalty statement mentioned in Article 8.
- 6.2. For the supervision and assistance by Licensor under paragraph 3 of Article 4, Licensee shall pay to Licensor service fees at the rates specified in Annexure (...) within (...) days after receipt of an invoice from Licensor.
- 6.3. All payments due under this Article shall be made in convertible foreign I Indian currency strictly in accordance with this article, converted from Nepalese Rupees at the selling rate of exchange prevailing in Nepal on the expiry date of the immediately preceding (...) month period for the calculation of the royalties hereunder.
- 6.4. All payments made to Licensor hereunder shall be by means of official telegraphic transfer remittance, mail transfer remittance, banker's check or such other investment acceptable to Nepal Rastra Bank (Central Bank) in Nepal in the name of Licensee and shall be remitted to the bank designated by Licensor.

Article 7. Supply of components, parts and raw materials

- 7.1. Upon Licensee's written request Licensor shall supply components, parts and raw materials to Licensee in due time and at reasonable and competitive prices.
- 7.2. Licensee shall open irrevocable Letter of Credit to buy components parts and raw materials from Licensor.

Article 8. Records, Auditing and Reports

- 8.1. Licensee shall send its statement of royalties due for the immediately preceding (...) month period together with full evidences which Licensor may require, to reach Licensor not later than (...) days after the expiration of the immediately preceding (...) month period.
- 8.2. At the time of remitting the royalties, Licensee shall submit to Licensor a written report stating the net selling price, overall order price with clients, the number, and the type of the Licensed Products sold or used by Licensee under this Agreement during the (...) month period ended on June 30th and December 31st each year.

Article 9. Guarantee

- 9.1. During the terms of the Agreement, Licensor shall be responsible for damage resulting from defective Technical Information and parts furnished to Licensee by Licensor.
- 9.2. Licensor shall not be responsible for consequential damages resulting from the faulty application of Technical Information by Licensee.

Article 10. Duration and Termination

- 10.1 This Agreement shall be effective for an initial period of ... years from the effective date of this Agreement. After the end of this period, the Agreement shall expire without notice. The parties may agree to extend the term of this Agreement, provided, however, that any extension shall be subject to the necessary approval by the Government of Nepal.
- 10.2 If either party hereto continues to be in default of any obligation imposed on it herein for more than (...) days after written notice has been dispatched by registered airmail by the other party requesting the party in default to remedy such default, the other party may terminate this effect by registered airmail to the first party and this Agreement shall terminate on the date of dispatch of such notice. In the event of bankruptcy, receivership, insolvency or assignment for the benefit of creditors of either party hereto, the other party may terminate this Agreement effective immediately by giving the first party written notice to that effect.

Article 11. Use of Trademark and Brand Name

- 11.1 Licensor hereby grants to Licensee, upon the terms and conditions hereinafter specified, and exclusive or a nonexclusive non assignable license to use the Licensed Trademarks during such time as this Agreement subsist in such manner as not to deceive the public, on and in connection with the Licensed Products. Licensor will not grant a License to use the Licensed Trademarks in the Contract Territory to any other third party in Nepal during the term of this Agreement.
- 11.2 Licensee shall be entitled to use Licensed Trademarks on Licensee's letter headings, invoices and all advertising and promotional material in such form and in such manner as shall be approved in writing by the Licensor.
- 11.3 Each licensed Trademark shall be used only after it has been duly registered with the Department of Industries, and after this Agreement has also been duly registered with the Department of Industries.

11.4 This License to use the Licensed Trademark is provided on no additional royalty basis.

11.5 If this Agreement is terminated, Licensee shall immediately cease to produce using the Licensed Trademark.

Article 12. Patent Infringement

Should any Licensed Product manufactured by Licensee strictly in accordance with the Technical Information supplied by Licensor under this Agreement partially or totally infringe of patent/trademark right belonging to a third party, which shall make a claim against Licensee for alleged infringement of such patent right, Licensee shall immediately by telex or fax inform Licensor thereof and transfer the claim with all pertinent details to Licensor, who shall be responsible for handling of the claim and Licensee shall in no respect have any responsibility for the claim from such party.

Article 13. Secrecy

Licensee agrees that it shall not without prior written consent of Licensor sell, assign or divulge the Technical Information disclosed and furnished by Licensor hereunder in any manner to anyone except those of its employees and its subcontractors who will be using such information in the manufacture and erection of the Licensed Products.

Article 14. Taxation

The withholding tax, if any, imposed on the payments to Licensor shall be withheld from the payments by the Licensee and be immediately paid to the competent tax office. The parties hereto shall cause the Licensee to obtain from the competent taxation authorities a certificate of payment of such withholding tax or other appropriate evidence in such form as shall be most useful to, and necessary for tax credit purposes in.... (the nation of the foreign investor) and forwarded the same to Licensor.

Article 15. Dispute Settlement

Any dispute arising under or by virtue of this Agreement or any difference of opinion between the parties hereto concerning their rights and obligations under this Agreement, shall be settled amicably between the parties in the presence of the Department of Industry. Failing this, it shall be settled by arbitration in accordance with the prevailing arbitration rules of the United Nations commission on International Trade Law (UNCITRAL).⁶

Such arbitration proceedings shall take place in Kathmandu. The decision of the arbitration proceedings shall be final and binding upon both the parties. The laws of Nepal shall be applicable in the arbitration.

Article 16. Effective Date

This Agreement shall be effective upon the approval by the government of Nepal.

Article 17. Applicable Law

This Agreement shall be construed and interpreted in accordance with the laws of Nepal.

In case of conflict of the provisions of this agreement with the laws of Nepal, the conflicting provision of this agreement shall be automatically invalid to the extent of conflict.

Article 18. Force Majeure

Neither party shall be liable to the other party for non-performance or delay in performance of any of its obligation under this Agreement due to causes reasonably beyond its control including fire, flood, strikes, labor troubles or other industrial disturbances, unavoidable accidents, governmental regulations, riots,

Article 19. Notices

All communication notices or the like between the parties shall be valid when made by telegraph or telex communication subsequently to be confirmed in writing and addressed to the following address

To Licensee:

To Licensor:

Article 20 Language

20.1 The language to be used in rendering the Technical Information disclosed and furnished to Licensee by Licensor under this Agreement shall be in English.

20.2 The language for correspondence between the parties and any documentation shall be in English.

Article 21. Entire Agreement

This instrument embodies the entire agreement and understanding between the parties hereto relative to the subject matter hereof and

there are no understandings, agreements, conditions, oral or written, expressed or implied, with reference to the subject matter hereof that are not merged herein or superseded hereby. No modification hereof shall be of any force or effect unless reduced to writing and signed by the parties claimed to be bound thereby and no modification shall be effected by the acknowledgement or acceptance of any order containing different conditions. Such modifications shall be effective only upon the approval of relevant authority of Government of Nepal.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representative as of the date first above written.

For and on Behalf of:

For and on Behalf of:

By:

By:

10.4 Share Purchase Agreement Template

Model Share Purchase Agreement (SPA) for the Equity Participation

The Share Purchase Agreement (SPA) should clearly & specifically mention, among others, the following clauses:

- a. Preamble
 1. Name & 1 full address of all parties (local and foreign) if investors are individual.
 2. Name & full address of the company, and the name & designation of the person representing the company if the investor is a company.
- b. Name and Objectives of the existing company
- c. Source and Structure of Capital: Existing capital structure and the envisaged capital structure after the proposed share purchase/transfer. Equity contribution of new party in Rupees and in percentage of total shares issued.
- d. Mode of equity whether in cash and/or in machineries. If in cash, it should be made in convertible foreign currency/Indian currency through proper banking channel.
- e. For transfer of shares or for any modification in the agreement, prior approval of DOI.

f. Arbitration -

For industries with fixed assets investment of up to NRs. 500 millions, if the dispute cannot be settled by mutual consultations in the presence of the DOL, it shall be settled by arbitration in accordance with the prevailing arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL). The arbitration should be held in Kathmandu. The laws of Nepal shall be applicable in arbitration.

For industries with fixed assets investment of above NRs. 500 millions, disputes may be settled as mentioned in the foreign investment agreement.

- g. Governing Law- Governing Law should be the law prevailing in Nepal.
- h. Language of the Agreement - The language should either be Nepali or English.
- i. Date - Date of Agreement and date of effectuation of the agreement
- j. Witness - The signature of each investor should be attested by one witness.

In line with the aforesaid guidelines, a model Share Purchase Agreement (SPA) is suggested as under. This model agreement is, however, suitable for a new foreign investor willing to purchase the shares from the stock of the existing Nepalese company. Some modifications are required if a new foreign investor is willing to purchase the shares from the shareholder of the existing Nepalese company.

MODEL AGREEMENT

This AGREEMENT is made and entered into as of the day of, 20.., by and between (Name of the representative and the domestic company he/she is representing) duly organized and existing under the laws of Nepal (hereinafter referred to as "Party X"), with its main office located at..... (Address of domestic investor), and..... (Name of the foreign investor) hereinafter referred to as "Party Y") duly organized and existing under the laws of the.... (Nationality/Country of foreign investor), with its main office at... (Address of the foreign investor). NESSET II:

WHEREAS, Party X is engaged in the business of..... in Nepal

WHEREAS, Party Y is engaged in the business of in (Country of

the foreign investor);

WHEREAS, Party X wishes to sell/buy share to Party Y and Party Y wishes to buy/sell the

.....number of shares with par value of Rs.100 per share for the purpose of expand/modernize/diversify the activities of the existing company in Nepal; (the description may be modified as per requirement)

NOW, THEREFORE, in consideration of the premises and mutual covenants herein set forth, Party X and Party Y agree as follows:

Article 1. Continuity of the Company

- 1.1. The parties, after the effectuation of this Agreement, will jointly own and manage the existing company, namely..... (Name of domestic company) (Hereinafter referred to as the “The Company”), pursuant to the laws of Nepal.
- 1.3. The head office of The Company will remain at its existing location, Nepal; branches and other business offices, etc., may be established anywhere within..... Nepal, as required.

Article 2. Business Purpose

The business purpose of The Company shall be as follows:

- (a) Manufacture and sale of..... (Description of products/ service);
- (b) Any and all business activities incidental to the foregoing objectives.

Article 3. Articles of Incorporation

Party Y hereby agrees to abide by all the provisions mentioned in the existing Articles of Incorporation of the Company. The current capital structure of the company is as follows

Authorized Capital of the Company	: NRs.....
Issued Capital of the Company	: NRs.....
Subscribed Capital of the Company	: NRs.....
Paid Up Capital of the Company	: NRs.....

Article 4. Amount and Ratio of Capital Contribution by Each Party

4.3. The total project cost of the industry and the total equity contribution will be as follows:

Total Project Cost : NRs.....

Total Equity : NRs.....

4.4. The total amount of capital contribution which shall be made to the Company by the parties hereto, and the number of shares of stock of the Company to be issued to each party, and the ratio of the equity interest in the Company of each party shall be as follows:

Party	Existing		Addition/Subtraction		Total After SPA		
	Share No.	Amount	Share No.	Amount	Share No	Amount	%
X							
Y							
Total							

Article 5. Kind of Shares

Any and all shares issued by the Company shall be common stock of one kind, in non-bearer form, at a par value of NRs..... per share, with full voting rights.

Article 6. Subscription for Shares

6.1. The Party Y hereto shall subscribe for the shares of the Company pursuant to the provisions of Article 4.2 and the total subscription amount shall be paid within

..... days from the effectuation of this Agreement.

6.3. Party Y shall make its contribution in convertible foreign currency/Indian rupees in an amount equivalent to NRs..... through proper banking channel.

Article 7. Transfer of Shares

7.1. Neither party shall encumber the shares or make them available as the object of other rights without the prior consent of the other party hereto. If

7.2. If either party desires to transfer its shares in the Company, it shall notify its intention and the terms and conditions of the intended transfer to the Board of Directors. Immediately upon receipt of such notice, the Board of Directors shall give notice

to the remaining shareholders requesting that they confirm whether they intend to purchase such shares. If the notified remaining shareholders desire to purchase offered shares, such shares shall be divided among the remaining. If all the notified remaining shareholders do not declare their wish to purchase such shares under the offered terms and conditions within.... days after the receipt of said notice, or they refuse to purchase such shares, then the party desiring to transfer is free to transfer its shares, provided, however, that the terms and conditions of the offer (including, but not limited to, prices) shall not be more favorable than those offered to the remaining shareholders.

- 7.3. The third party transferee shall submit to the Company a written oath stating that the transferee agrees to be governed by all of the terms and provisions of this

Agreement and to be fully bound by the terms thereof, assuming all obligations of the party from which it has purchased the shares.

- 7.4. The notification of intention to transfer the shares and terms and conditions of such transfer to be given under the preceding paragraph shall be done in writing.
- 7.5. Any share transfer under this Article shall be subject to necessary governmental validation or approval in Nepal.

Article 8. Pre-emptive Rights.

- 8.1. The parties hereto shall have pre-emptive rights in proportion to the number of shares held by each of them with respect to any new issuance of shares of the Company. However, upon the consent of all shareholders, the pre-emptive rights may be exercised in a ratio other than the shareholding ratio.
- 8.2. If either party does not wish to exercise its pre-emptive rights in whole or in part, such party shall notify the Board of Directors of such intention within..... days from the day of the allocation of new shares. In this case, the other party shall have the pre-emptive right to such unsubscribed new shares.
- 8.3. New shares to which none of the parties hereto have subscribed shall be preferentially allocated to persons who have agreed to accept all of the terms and conditions hereunder, pursuant to the conditions set by the Board of Directors.

Article 9. General Meeting of Shareholders

Except as otherwise provided in the Articles of Incorporation, resolutions of the General Meeting of Shareholders of the Company (hereinafter referred to as the “General Meeting of Shareholders”) shall be adopted by an affirmative vote of a majority of the shares represented at a meeting where shareholders representing more than fifty percent of the total number of shares issued and outstanding are present.

Article 10. Board of Directors

Each of the parties hereto will exercise its respective voting rights in the Company and take such other steps as are necessary to ensure:

- 10.1. The Board of Directors of the Company shall consist of..... members.... of which shall be nominated by Party X and..... of which shall be nominated by Party Y. This change will be effective after getting formal approval from the Company registrar’s Office.
- 10.2. If either party wishes to change its nominated directors with or without cause, the other party shall consent to such change, provided, however, that if such change is without cause, the party proposing the dismissal shall indemnify and hold the Company and the other party harmless from any and all damages and other expenses that may arise from such action.
- 10.3. All resolutions adopted at a meeting of the Board of Directors shall be adopted by the affirmative vote of the majority of the directors present at a meeting where a majority of directors in office is present.
- 10.4. Meeting of the Board of Directors may be called by the Chairman when he deems the same to be necessary or advisable or when any director so requests.
- 10.5. The Chairman of the Board of Directors shall be elected from among the Directors.

Article 11. Distribution of Authority among Directors

The power and responsibility of each director of the Company shall be as determined by the Board of Directors.

Article 12. Statutory Auditor

The Company shall have an auditor nominated with full consent of both parties or the auditor shall be nominated by the general shareholders meeting.

Article 13. Working Capital

The parties hereto shall exercise their best efforts to enable the Company to obtain the necessary working capital by arranging financing to the Company or providing guarantees to the banks of the Company.

Article 14. Dividends

The Company, depending upon the results of each fiscal year's settlement of accounts, shall make periodic payments of dividends to the shareholders according to the Articles of incorporation.

Article 15. Fiscal Period and Accounting Books

- 15.1. The fiscal year of the Company shall, commence on and end on of each (next) year, provided that the first fiscal year shall commence on the date of incorporation and end on of that (next) year.
- 15.2. The Company shall maintain accounting books, records and supporting documents in accordance with generally accepted accounting principles and practices in Nepal.
- 15.3. Immediately upon the end of each fiscal year, the Company shall submit the balance sheet and profit and loss statement to each party. Further, the Company shall keep its accounting books and records at the head office of the Company for inspection by the parties or their representatives upon request of either party.

Article 16. Incorporation Expenses

All of the incorporation expenses of the Company shall be borne by each of the parties hereto, except for the expenses incurred or borne by the Company

Article 17. Payment and Tax

- 17.2. Unless otherwise prescribed hereunder, all of the payments made by the Company to Party Y will be made in foreign currency, depending on the currency of the investment, at the bank or other address nominated by Party Y in writing.
- 17.2. The withholding tax, if any, imposed on the payments to Party Y shall be withheld from the payments by the Company and be immediately paid to the competent tax office. The parties hereto shall cause the Company to obtain from the

competent taxation authorities a certificate of payment of such withholding tax or other appropriate evidence in such form as shall be most useful to, and necessary for tax credit purposes in (the nation of the foreign investor) and forwarded the same to Party Y.

Article 18. Non-Assignability

Except for the transfer of shares in accordance with Article 7 hereof, the rights and obligations of each of the parties under this Agreement shall not be assignable directly or indirectly except with the prior written consent of the other party.

Article 19. Effective Date

This Agreement shall come into effect on the date all necessary approvals and/or licenses are obtained from the governments of both Nepal and the.... (Nation of foreign investor), whichever is later.

Article 20. Termination

- 20.1. This Agreement shall be terminable by a party, if the other party shall commit a material breach of any of its obligations under this Agreement, which it shall fail to remedy within days of receipt of written notice requiring that the breach be remedied.
- 20.2. In case of termination of this Agreement under the preceding paragraph, the party at fault shall transfer its shares to the other party or a third party, under conditions reasonably prescribed by the Board of Directors. Prior approval of Government of Nepal will be obtained if required.

Article 21. Modification

This Agreement may be changed, amended or otherwise modified only by means of written agreement executed by the duly authorized representatives of the parties. Such a modification shall be effective only upon the approval of the relevant authority of Government of Nepal.

Article 22. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Nepal.

In case of conflict of the provisions of this agreement with the laws of Nepal, the conflicting provision of this agreement shall be automatically invalid to the extent of conflict.

Article 23. Dispute Settlement

- 23.1. Any dispute arising out of or in relation to this Agreement shall be settled amicably between the parties in the presence of Department of Industry. Failing this, it shall be finally settled by arbitration.
- 23.2. Such arbitration shall be conducted in accordance with the Rules of United Nation Commission for International Trade Law (UNCITRAL)
- 23.3. The venue of arbitration shall be Kathmandu, Nepal
- 23.4. The laws of the kingdom of Nepal shall be applicable in arbitration.

Article 24. Non-competition

- 24.1. The parties hereto agree that they or their affiliates shall not, directly or indirectly, manufacture or sell any goods, which are competitive with the Company's products, in Nepal.
- 24.2. The scope of the term "affiliates" shall be prescribed by mutual agreement between the parties.

Article 25. Confidentiality

The parties hereto agree to keep secret and confidential all information furnished to them by the other party or the Company which are designated as confidential by said other party or the Company, or considered desirable to remain secret. The parties further agree not to use such information for any purpose whatsoever except in a manner expressly provided for in this Agreement.

Article 26. Force Majeure

Neither party shall be liable for any breach or non-observance of any term or condition of this Agreement on account of force majeure which shall mean fire, explosion, acts of government and other similar circumstances beyond a party's control.

Article 27. Approval, License

Party X shall extend his best co-operation in obtaining any necessary Nepalese government approvals or licenses for the effective implementation of this agreement, and Party Y shall bear all responsibility for obtaining any necessary approvals

or licenses from the government of ...(nation of the foreign investor).

Article 28. Entire Agreement

This Agreement contains the entire understanding of the parties as to the terms and conditions of their relationship, and supersedes all prior agreements and representations between the parties, which shall hereby be repealed.

Article 29 Language

This Agreement is executed in the English language which shall be deemed to be the original. In case of any discrepancy between any translation and the above version, the English version shall be controlling in all respects.

Article 30. Notice

30.1. Any notice required or permitted to be given hereunder shall be in writing and may be given by registered airmail, hand delivery or by telex, facsimile transmission or cable to the following address:

To Party X:

30.2. Either party may amend its address set forth above by written notice, made pursuant to any of the above methods to the other party.

30.3. Any notice so given shall be deemed to be received; if by airmail, ... days after posting; or if by hand delivery, on the day of delivery; or if by telex, facsimile transmission or cable, on the day of dispatch.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on the date first written

X

By

Name

Title

Witness:

Name:

Address:

X

By

Name

Title

Witness:

Name:

Address: