

Invitation to participate in the first ever Swiss Business Delegation Trip to Nepal

November, 2022

The Embassy of Switzerland in Nepal and Switzerland Global Enterprise are organizing a business trip to Nepal in November, 2022.

Switzerland and Nepal share a long history of friendship and cooperation dating back to the 1950s.

During the more than 60 years of bilateral cooperation between the two countries, Switzerland has been supporting Nepal's development endeavours in key sectors such as agriculture, rural infrastructure development, technical education and vocational training, and more recently in migration and federal state building. Since 2009, Switzerland has been represented in Nepal through an integrated Embassy which manages both diplomatic and consular affairs, as well as the Swiss Agency for Development Cooperation (SDC)'s activities in Nepal.

Nepal has shifted gears from political transition to economic transformation. With rising incomes, growing middle-class, increasing consumption appetites, and rapid urbanisation, Nepal is emerging as an attractive business destination for companies globally. There are many sectors—both traditional and non-traditional—which have a lot of scope for high growth. A business trip of this nature offers an incredibly valuable opportunity for Swiss companies—big and small—to get to know and understand Nepal and all that it has to offer better.

It gives us great pleasure to invite companies from Switzerland, Liechtenstein as well as related companies in India to join us for this first ever Swiss business delegation trip to Nepal, and to experience for yourself the valuable potentials that Nepal and its people have to offer.

1. Why consider doing business in Nepal?

With a population of almost 30 million people, Gross Domestic Product (GDP) of USD 33.7 billion in 2020 (more than 5-fold rise in the last 20 years), annual remittance income inflows of over USD 8 billion, rising incomes, growing middle-class, and fast-paced urbanization, Nepal is emerging as an important Asian market. Today, it represents an attractive business destination for companies around the world.

Its location between two of the largest economies of Asia—China and India—and its open border with the latter with ease of movement of people and goods makes Nepal even more attractive for Swiss and Liechtenstein businesses looking to enter or expand in the region or for those already present in India. Opportunities exist for small and medium enterprises as well as larger transnational companies in sectors ranging from infrastructure, agriculture, med-tech, pharmaceuticals, biotechnology, tourism, renewable energy and clean-tech, to information communications technology and digital economy services—a diverse selection of sectors and possibilities that are now booming.

- In the three years prior to COVID-19 pandemic, Nepal's GDP grew at an average rate of over 7 percent and is driven by a high consumption pattern, which is expected to continue growing, moving on from the pandemic.
- Over 50 percent of Nepali households receive remittance incomes, which is an important catalyst for improving living standards. With subsequently rising incomes, local demand for goods, including luxury products, and services is growing intensely every year, as is international exposure through migration abroad for work and education, and leisure travel. This is expected to further widen consumers' preferences and encourage engagements with international brands in years to come.
- The Government of Nepal has set a national vision of achieving prosperity and a bright future for its people, and it recognizes the crucial role of the private sector in driving the economy in that direction.
- Nepal has made notable strides in fostering a conducive business environment and the government has reaffirmed its commitment to supporting reforms to such an end. The country moved up 16 spots in the World Bank's Ease of Doing Business rankings for 2020 to move to 94th position out of 190 countries.
- Nepal has a talented pool of professionals, including skilled returnee migrants, exposed to living and working in a diverse and multicultural environment. Furthermore, there is a strong, and growing, technical talent-base.
- There are a number of international companies, including transnational ones, already doing successful business in Nepal. This holds potential to form valuable investor networks and exchange patterns.
- Nepal offers a mixture between already established niches of economic opportunities to engage in, and newly emerging ones. There is a solid base to build on further, as well as fertile ground yet untouched, but with great potential to explore and grow on.
- Nepal is a country attracting high numbers of tourists - with international arrivals peaking at over 1.1 million annually in the last 5 years - coming to explore the vast cultural and natural richness. With the tourism industry growing, both exposure to the international market and demand for infrastructure and services increase.
- Doing business in Nepal goes beyond the usual monetary cost-benefit accounting. Supporting Nepal's efforts to modernise its economy through high-quality infrastructure, renewable energy, sustainable production, cutting-edge medical technology, quality pharmaceuticals, and globally competitive services will not only create a lasting positive impact for the country's economy and its people, but will define the next generation of cooperation between Switzerland and Nepal!

2. What can participants expect?

During this trip, participants can expect a programme covering the following elements, with the possibility of requesting further tailor-made options:

- A comprehensive stocktaking of Nepal's economy and private sector activity.
- Sector-specific insights from key players in the private and the public sector.
- B2B meeting with potential business partners, financial institutions, and other counterparts.
- Interactions with senior officials of the Government of Nepal.
- Insights on social and cultural aspects of living, working, and doing business in Nepal.
- Tailor-made programmes for different companies based on request.
- Possibility of suggesting an itinerary for those who wish to stay longer for a wide array of fascinating tourism activities and sightseeing including UNESCO World Heritage sites such as medieval palace squares, impressive Buddhist stupas, pagodas and shrines, Hindu temples, and many more cultural attractions.

Nepal sector overview and opportunities

Renewable energy, transport, other infrastructure, construction, and engineering

- As a fast developing and urbanizing country, Nepal has a large need and appetite for infrastructure. The country has many hydropower and tunnelling projects, airports, highways and other roads under construction, and other large- and small-scale projects currently underway and planned for the medium to long term.
- Renewable energy generation has been identified as a key area of comparative advantage for Nepal with commercially viable hydropower generation capacity alone estimated at over 45,000 megawatts. With 6000 rivers and rivulets flowing, including large and fast flowing Himalayan glacier-fed rivers, and strong demand for energy, not just domestically but from the energy-hungry South Asian neighbours like India and Bangladesh, Nepal is looking to capitalize on this renewable energy opportunity to also boost its exports.
- Other renewable energy sources such as solar, wind, and biogas power generation are also gaining ground in Nepal rapidly. Scaling-up renewable energy and clean-tech industries requires cutting-edge technology as well as the capability to periodically service them—which is a gap that is waiting to be filled.
- Construction projects also require surveying, testing and calibration equipment, technology, as well as knowledge and expertise. Constructing tunnelling infrastructure is also highly relevant in the field of hydropower, which requires specialized underground engineering solutions for water and access lines – and hence, expertise knowledge from other already experienced and established actors will be important for Nepal's own infrastructure development journey.
- With middle-class incomes and international tourists' footfall rising, air-travel—both international and domestic—is expected to increase further in the medium to long term. This is evidenced by the current and planned international and domestic airports construction and several improvement projects in Nepal.
- Nepal's topography, dominated mostly by hills and mountains, makes usual modes of transport not always the most cost-effective and practical. Alternative modes of transport such as ropeways and cable cars could address the mobility challenges in many places and also open up new avenues for economic development, for example, by opening up access to new tourist destinations, and creating employment opportunities in remote areas.

Opportunities: Engineering and construction equipment, expertise, knowledge-sharing and consulting services; hydropower construction, tunnelling technology and equipment; renewable energy and clean-tech technology; ropeway and cable-car construction and equipment supply; rock fall protection and other mountain infrastructure; aviation and airport infrastructure, equipment and technology.

- Despite the relatively small size of Nepal vis-à-vis its neighbours, the diverse terrain and topography of the country—ranging from portions of the Indo-Gangetic plains to the highest peak on earth—results into diverse agro-climatic conditions. This makes Nepal suitable for the production of a variety of agricultural products, medicinal herbs, and sustainably cultivated organic products. About 30 percent of Nepal's total land is used for agricultural purposes.
- With rising urbanisation and growing urban population, the demand for sustainable food production in urban areas has also risen considerably. Opportunities exist in the areas of sustainable production through technologies such as hydroponics, aquaponics, and other urban-suited methods.
- As a sector, agriculture is a crucial contributor to national income as it provides livelihoods for 68 percent of the population and accounting for over 30 percent of the GDP. The federal, provincial, and local governments have all identified commercialization of agriculture as a priority and the expansion of agro-processing is anticipated to drive growth of the agricultural sector.
- Nepal's rich agro-biodiversity also creates opportunities for the production and sourcing of various medicinal and aromatic plants and herbs as well as other niche products such as tea, cardamom, and other spices.
- The Government of Nepal has announced subsidies, technical support, and tax-concessions on imports for those involved in commercial farming, livestock farming, and medicinal herbs production. Similarly, subsidies have also been announced for the establishment of various agro-processing based factories. Organic farming is actively encouraged by the government.
- Foreign investments already account for USD 338 million in the sector, which are distributed over 180 projects employing up to 8000 people. Conditions are favourable for expansion and growth of such foreign investment projects.

Opportunities: Agro- and food processing machinery, organic food and horticulture, sustainable urban food production technologies, scaling up of the tea plantation in eastern Nepal, dairy processing, essential oils, food testing and certification, farming/sourcing of medicinal plants and edible flowers.

Healthcare, medical technology, pharmaceuticals, and biotechnology

- The healthcare market in Nepal has grown rapidly in the last three decades. This has been led by the private sector with an ever-increasing number of private health facilities across the country. Despite the growth, there is still a large unmet demand, especially for specialized and intensive care units. Unavailability of certain diagnostic procedures or technologies at times not only makes the Nepali citizens reliant on travels abroad to avail of certain medical services. There is therefore a large scope for the expansion of services in this sector.
- With rising number of private hospitals and diagnostic centres, Nepal is likely to continue witnessing a sharp rise in demand for medical technology, equipment, and healthcare services. Between 2015 and 2019 alone, Nepal imported medical equipment worth around USD 227 million. Potential here also lies in providing specialized trainings and knowledge-sharing for the usage of specific medical technology in Nepal; initial investments that create a preferential demand for the import of equipment and thus potential for long-standing partnerships.
- Along with the demand for healthcare infrastructure and services, the demand for pharmaceutical products have also risen. It is estimated that the size of Nepal's pharmaceutical market is at almost USD 40 million, with an average annual growth of 18-20 percent over the past 8 years. As middle-class incomes continue to rise along with the rise in population, the demand for pharmaceutical products is anticipated to continue rising which in turn is likely to continue generating increased demand for modern pharmaceutical technology.
- With a rapidly growing healthcare sector, a large agriculture and livestock sector, and educational infrastructure in place creating trained biotechnology professionals, the scope for the emergence and expansion of biotechnology companies in Nepal is promising. Furthermore, the application of

biotechnology research and tools in assessing environmental impact of various infrastructure projects have also been identified as the next potential driver of biotech sector in Nepal.

Opportunities: Diagnostic and treatment-related technology - med-tech; pharmaceuticals production and export. Opportunities also exist for supplying laboratory equipment and technologies for biotech companies. There are customs duty exemptions available for equipment, machinery, raw materials, packaging material, and chemicals imported by medicine manufacturing industries. Similarly, various equipment used by people with special needs or disabilities attract very low customs duty.

Information and communications technology, telecommunications, security printing and biometrics

- Like most emerging Asian markets, Nepal has made tremendous strides in expanding access to and improving the quality of telecommunications and internet services in the last two decades. In fact, mobile cellular subscription today stands at 140 percent of the population. With rapid urbanization sweeping through the country, communications infrastructure development and improvement will continue to remain a priority for Nepal in years to come.
- The Government of Nepal has been trying various options to modernize database of administrative registrations and security printing for documents such as driving licence, passports, among others. Whether the country seeks to develop such infrastructure in-house or avail of such services from international providers, there is a demand that needs to be met.
- Nepal already has a large talent-pool in terms of digital and technical skills with a growing track-record. This pool could be especially valuable in terms of service provision for young overseas companies building their foundation, like start-ups – especially those in the business of exporting digital skills at globally competitive prices.
- Nepal's start-up ecosystem in the technical sector currently still lacks access to external networks and domain expertise that are necessary as a foundation to grow a business in the early stage. Support and experience-sharing from outside ecosystems could make a huge difference in that regard. Furthermore, an up-and-coming promising strategy consists of fund-like structures that are set up by Development Finance Institutions (DFIs) and other donors. These allow Nepalese start-ups better access to catalytic credits to help in getting new businesses and collaborations off the ground. Portfolios from previous such funds that have been deployed in Nepal show that over 50 percent of capitalized businesses fall in the digital domain.

Opportunities: Information and communications technology equipment and knowhow, telecom infrastructure development, advisory and consulting services for local telecommunications and ICT services; security printing and other biometric equipment and services, digital solutions outsourcing.

Banking, finance, insurance services, and fin-tech

- Nepal's financial sector is relatively well-developed compared to many of its South and South East Asian low-income peers. Total deposits and total credit in Nepal stand at around 114 percent and 110 percent of GDP, respectively (2022).
- With access to finance increasing and with competition within the financial sector deepening, companies have sought to look for innovative products and services. Furthermore, as banks and financial institutions seek to augment their market position, they will look to incorporate global best practices in terms of both corporate governance, financial management, and ESG standards.
- Especially in the field of digital finance, Nepal has been witnessing immense growth year after year, which was further accelerated during the COVID-19 pandemic and the subsequent increased demand for remote banking services, especially holistic solutions addressing mobile and internet banking as well as other digital products. Now 40-50 percent of sales occur through online portals. This development also now more than ever requires solid cyber security measures and

management in place – a field, in which knowledge-transfers, expertise and trainings from already established systems abroad could be of great value.

- Nepal's large reliance on imports places banks, financial institutions, and insurance service providers at the forefront of commercial activity. With remittance incomes driving consumption and imports in Nepal, trade finance instruments are likely to continue being an important part of financial service providers' business. Furthermore, there is a growing number of fin-tech start-ups looking for partnerships with foreign digital service providers.
- With high level of mobile cellular connectivity, increasing access to internet, expanding financial access, and a youth population that forms the majority of the population, Nepal has seen a flurry of activity in terms of digital finance, fin-tech, and internet and mobile-based payment platforms in the recent past. Following global trends, these developments are likely to continue further.

Opportunities: Joint venture banking investments; strategic partnerships with international banks, trade finance services for exporters to/from Nepal; advisory and consulting services for local banks and financial institutions in Nepal; digital finance, fin-tech, online/mobile-based payments solutions technology exports.

Tourism and hospitality

- Tourism is a major driver of Nepal's economy, and an important source of foreign exchange and revenue. Nestled in between the world's highest mountains of the Himalaya in the north and the rich flora and fauna of the Terai region in the south, Nepal possesses one of the most unique sceneries in the world. This makes the country a hotspot destination for tourism and attracts high numbers of visitors, especially in the field of mountaineering, trekking and adventure activities. In the past five years alone, Nepal has drawn total annual revenues of up to USD 650 million from the tourism industry.
- Not only international tourism is booming though. Due to rising incomes and a growing middle class, domestic tourism has experienced a significant growth in the past few years as well. The demand for related infrastructure and services is increasing, and so is the scale and diversity of tourism related demands, which now range from adventure tourism to spa and meditation stays or sustainable eco-lodges – and span different price points from low to high.
- Tourism increases the demand to construct infrastructure in remote areas of the country to establish access routes, accommodation as well as activity options like trekking and climbing. This in turn can profit the local population by bettering services and increasing employment opportunities. Not only is there high demand for roads, paths, bridges, power and water lines, tunnels and other infrastructure like accommodation and medical services, but establishing remote communication technology is key in this regard as well. Tourist destinations need internet and mobile network infrastructure to offer to their guests, and also manage their business. Such projects not only require technical material and equipment, but also expertise and know-how in regard to planning and implementation.
- The large demand of international tourism to Nepal holds great potential for joint partnerships in terms of promoting, booking and managing tourism services. As the global trend of individual online booking of tourism related services like flights, accommodation and activities grows, there is great potential for international partnerships between agencies. Furthermore, it opens up cooperation avenues in terms of web-based management, ticket and information technologies such as digital trekking permits, maps or digital payment options.

Opportunities: Engineering and construction equipment, expertise, knowledge-sharing and consulting services; access roads, bridges, power and water lines, tourist accommodation, telecommunication infrastructure; joint tourism agency ventures with promoting, booking and managing partnerships

Nepal: country information

The Federal Democratic Republic of Nepal, with a population of around 30 million, lies between two of the largest economies of Asia—China and India—and is in close proximity with Bangladesh and Bhutan. In the last few years, the country has shifted gears from political transition towards economic transformation and the Government has set achieving prosperity and happiness as the national vision. With average annual real GDP growth of over 7 percent in the last three prior to COVID-19, rising incomes, growing middle-class, fast urbanization, and a strong remittance income-fuelled consumption base, Nepal is emerging as a new and attractive market in South Asia.

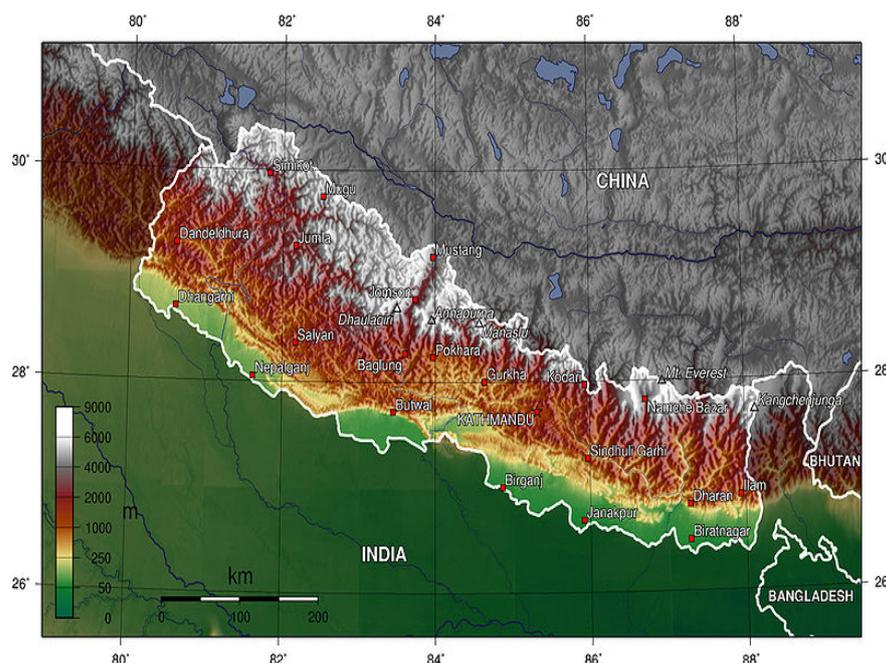


Image 1: Map of Nepal (Source: Wikimedia Commons)

Population: 29 million
Land area: 147,181 sq. km
Capital: Kathmandu (1400m from sea level)
Language: Nepali (official), English (widely used)
Currency: Nepalese Rupee NPR (pegged to Indian Rupee at the rate of INR 1 = NPR 1.60)
GDP (current): USD 33.7 billion (2020)
GDP per capita (PPP): USD 4008.5 (2020)
GDP growth rate: 7.33 per cent (average annual real GDP growth, 2017-2019)
Total value added by various sectors (percentage of GDP, 2020): Agriculture –27.5; Industry – 15.1; Services – 57.4
Top-three import partners (2017): India (70 percent), China (14.6 percent), and United Arab Emirates (2.8 percent)
Top-three export partners (2019): India (67.6 percent), United States (10.0 percent), and Germany (3.5 percent)
Mobile cellular subscription (per 100 people): 139.4 (2018)
Mobile connections percentage equivalent to population: 131.3 percent (2021)
Individuals using the internet: 10.8 million (2021)