

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

NEPAL

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WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Kathmandu Valley	Capital region; political, financial, and services hub; ~55% of formal economic activity	IT/BPO, financial services, real estate, education
Pokhara	Gateway to Annapurna region; second international airport (opened 2023); tourism anchor	Tourism, hospitality, aviation services
Koshi Province (east)	Hydropower corridor (Arun, Tamor river basins); borders India and China	Hydropower generation and transmission
Gandaki Province	Major hydropower development zone; trekking/adventure tourism base	Hydropower, eco-tourism
Bagmati Province (outside valley)	Industrial corridor along Kathmandu-Hetauda-Birgunj axis; land access to India	Manufacturing, logistics, cement
Birgunj / Terai border belt	Primary land-trade gateway with India (Raxaul); dry port and customs hub	Trade logistics, warehousing, agro-processing
Lumbini Province	Birthplace of Buddha; UNESCO pilgrimage circuit; agricultural plains	Religious/cultural tourism, agro-processing

INVESTOR ENTRY ROUTES

- Automatic approval route for most IT and digital-economy ventures, administered with minimal screening
- Department of Industry one-window approval for manufacturing and general FDI under the Foreign Investment and Technology Transfer Act (FITTA), 2019
- Investment Board Nepal (IBN) negotiates and approves large infrastructure, energy, and tourism projects above statutory thresholds
- Department of Electricity Development issues survey and generation licenses for hydropower projects
- Public-private partnership (PPP) and build-operate-transfer (BOT) structures used for major infrastructure and transmission assets
- Nepal Rastra Bank approval required for repatriation of profits, dividends, and capital on exit

MARKET-ENTRY OBSERVATION

Nepal entered a politically disruptive but economically still-functioning period after the September 2025 Gen Z-led uprising toppled the Oli government and forced a near six-month interim administration under former Chief Justice Sushila Karki. The March 2026 snap election delivered a landslide to the upstart Rastriya Swatantra Party (RSP), led by former Kathmandu mayor and ex-rapper Balendra Shah, who at 35 became Nepal's youngest-ever prime minister on taking office on March 27, 2026. The scale of the RSP's mandate (reports cite a result approaching 182 of 275 seats) gives the new government an unusually strong position to legislate, in sharp contrast to the fractured coalitions that defined the prior decade. For investors, the immediate read is one of cautious opportunity: the political system has been forcibly reset by a youth movement demanding accountability and jobs, and the incoming government's legitimacy rests heavily on delivering visible economic results quickly.

The World Bank's October 2026 assessment captures the transitional cost: GDP growth is projected to slow sharply to around 2.1% in FY26 (a range of 1.5-2.6%), down from a pre-unrest trajectory nearer 5%, before an expected rebound to roughly 4.7% in FY27 as political normalization and reconstruction spending take hold. Nepal's fundamentals, remittances equal to roughly a fifth of GDP, untapped hydropower potential estimated near 40,000 MW, and a young, increasingly connected population, remain structurally attractive, but investors should expect a near-term window of institutional recalibration, heightened scrutiny of the political elite's business dealings, and possible policy drift while the new government staffs ministries and regulatory bodies.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Land ownership restrictions	Foreign investors cannot directly own or trade land, complicating site control for industrial and infrastructure projects	Structure through long-term lease agreements, joint ventures with Nepali landholding partners, or government-allocated industrial zones
Political transition risk	New RSP government inexperienced at governing; ministries and regulatory appointments still being staffed as of October 2026	Engage directly with Investment Board Nepal and sector ministries early; build in flexible project timelines
Landlocked logistics dependency	Nepal relies on Indian ports and transit routes for virtually all third-country trade; past Indian border frictions have caused acute shortages	Diversify logistics planning; monitor India-Nepal transit relations; hold strategic inventory buffers
Hydropower project gestation	High upfront capital, mandatory environmental review, and multi-year construction timelines for the sector's flagship opportunity	Partner with experienced IPPs; secure long-term Power Purchase Agreements with Nepal Electricity Authority before capital commitment
Governance and corruption perceptions	Weak rule-of-law and corruption indicators cited as drivers of the 2025 uprising itself	Conduct enhanced due diligence; favor transparent, internationally-financed project structures
Currency and repatriation controls	Nepal Rastra Bank approval required for dividend and capital repatriation; Nepali rupee pegged to Indian rupee	Plan repatriation timelines around NRB approval cycles; structure financing to minimize working-capital trapped onshore
Brain drain	High-skill professionals and youth increasingly emigrate for work, a root grievance behind the Gen Z protests	Invest in local training pipelines; benchmark compensation against remittance-economy alternatives

INVESTOR RISK NOTE

Nepal's near-term risk profile is dominated by the aftershocks of a genuine political rupture rather than by chronic instability of the ordinary kind. The September 2025 protests, triggered by a government ban on 26 unregistered social media platforms including Facebook, X, YouTube, and Instagram, escalated within days into the deadliest unrest Nepal has seen in years: at least 19 people were killed and hundreds injured on September 8 alone, and the following day saw protesters storm and attack Singha Durbar (the main secretariat), the Supreme Court, Parliament, and the residences of senior leaders, forcing PM K.P. Sharma Oli to resign and take shelter at an army barracks. An interim government under Sushila Karki, Nepal's first woman prime minister, held the country together for roughly six months and delivered a credible election. The RSP's landslide and Balendra Shah's installation as PM on March 27, 2026 represent a genuine mandate for change, but the new administration has no governing track record, and investors should watch closely whether it can convert its supermajority into coherent economic policy without reigniting the accountability demands that drove the original uprising.

MARKET ACCESS

Nepal's market access runs overwhelmingly through India: roughly two-thirds of trade transits Indian ports and the Raxaul-Birgunj corridor under the India-Nepal Treaty of Trade, and Nepal also holds preferential and duty-free access to the Indian market for most goods. Nepal is a World Trade Organization member and a founding member of the South Asian Association for Regional Cooperation (SAARC) and the BIMSTEC bloc, giving it secondary regional trade channels, though these remain less developed than the India relationship. China's Belt and Road-linked connectivity pledges, including a long-discussed Kathmandu-Kerung rail link, remain in early planning stages and have yet to materially diversify Nepal's trade dependence. For investors, practical market access hinges on Indian transit relations as much as on Nepal's own policy; the country has no sea access of its own and limited air-cargo capacity, so any project with export ambitions beyond South Asia should plan logistics around Kolkata and Vishakhapatnam ports from the outset.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Office of the Prime Minister (Balendra Shah, RSP)	Sets the reform agenda for the new government's near-two-thirds parliamentary mandate	Early, direct engagement while cabinet priorities and ministerial assignments are still being set
Investment Board Nepal (IBN)	One-stop approval and negotiation body for large energy, infrastructure, and tourism FDI	Primary channel for any project above the large-project threshold
Department of Industry	Administers FITTA registration and one-window clearance for manufacturing and general FDI	Standard entry point for mid-sized industrial investment
Nepal Electricity Authority (NEA)	State utility and counterparty for Power Purchase Agreements underpinning hydropower exports and domestic sales	Essential negotiating partner for any generation project
Nepal Rastra Bank (central bank)	Regulates capital account transactions, FDI inflows/outflows, and currency repatriation	Engage early on repatriation and hedging structure given the rupee's peg to the Indian rupee
Department of Electricity Development	Issues hydropower survey and generation licenses	Required counterpart for any power-generation project pipeline
Gen Z-aligned civil society and youth movements	Informal but potent political force that toppled the prior government over transparency and jobs; retains capacity to mobilize rapidly	Monitor sentiment; favor transparent, locally-beneficial project framing to avoid becoming a target of public anger

CURRENT INTERNATIONAL BUSINESS CHANNELS

Nepal's formal business chambers, the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and the Confederation of Nepalese Industries (CNI), remain the standard first point of contact for market intelligence and local partner introductions, and both have continued operating through the political transition. The Nepal-India Chamber of Commerce and sector bodies for hydropower (Independent Power Producers' Association Nepal) and tourism are useful for sector-specific entry. Diplomatically, bilateral chambers with India, China, the UK, and the US remain active, and multilateral development partners, the World Bank, Asian Development Bank, and IMF, maintain a substantial country presence that can help validate counterpart credibility during the current period of domestic institutional flux.

INVESTOR PROFILE BEST SUITED

The investors best positioned for Nepal today are patient, mission-aligned capital providers comfortable with frontier-market political risk: development-finance institutions and impact investors targeting hydropower and renewable energy, tourism and hospitality groups willing to commit to multi-year build-outs, and India- or China-based strategic investors with existing regional logistics and political relationships that can absorb the landlocked trade dependency. Pure financial investors seeking liquid, short-horizon returns are poorly matched to Nepal's current environment; the equity and debt markets are shallow, and the new government's economic program is not yet tested. Investors with genuine local partnership capacity, who can navigate land-lease structures, NRB repatriation rules, and the optics of foreign capital in a post-uprising political climate, stand to benefit most from first-mover positioning in hydropower and tourism infrastructure.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Assess transition-phase timing

Given the new RSP government's inexperience and ongoing ministerial staffing, build a 6-12 month window into project planning before assuming full regulatory bandwidth is available.

STEP 2: Engage Investment Board Nepal directly

For any project of scale, open a direct dialogue with IBN early to understand how the new administration's priorities are reshaping approval timelines and sector focus.

STEP 3: Structure land and logistics carefully

Given foreign land-ownership restrictions and India-transit dependency, lock in lease structures and logistics contingency plans before committing capital.

STEP 4: Build in enhanced governance due diligence

Given the governance grievances that triggered the 2025 uprising, favor transparent, well-documented project structures and avoid counterparties with unresolved corruption exposure.

STEP 5: Plan repatriation and currency strategy upfront

Coordinate with Nepal Rastra Bank on dividend and capital repatriation timing, and hedge around the rupee's peg to the Indian rupee where third-currency exposure exists.

WAVERLEY'S ROLE

- Independent due diligence on Nepali counterparties, land-lease structures, and licensing status ahead of capital commitment
- Direct liaison with Investment Board Nepal and sector ministries during the current post-election staffing transition
- Structuring advice for land-lease, joint-venture, and PPA arrangements suited to Nepal's foreign-ownership and repatriation rules
- Ongoing political-risk monitoring of the new RSP government's policy delivery and Gen Z civil-society sentiment

INVESTOR CALL TO ACTION

Engage Waverley for an on-the-ground assessment of how the new RSP government's priorities are reshaping approval timelines in your target sector before committing capital.

Request a tailored briefing on hydropower or tourism-sector entry structures suited to Nepal's land-ownership and repatriation constraints.

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Nepal's clearest near-term opportunity remains hydropower, where less than a tenth of the estimated 40,000 MW potential has been developed and the new government has signaled continuity on export-oriented Power Purchase Agreements with India and Bangladesh. Tourism infrastructure around Pokhara's international airport and the Annapurna and Everest circuits offers a second clear track, particularly for mid-market and eco-tourism accommodation as visitor numbers recover from the 2025 disruption. A third, smaller but fast-growing opportunity sits in IT and digital services, where Kathmandu's automatic-approval regime and a young, English-literate workforce are drawing early-stage BPO and software outsourcing interest, though scale remains well behind South and Southeast Asian peers for now.

POSITIONING

Waverley views Nepal as a frontier market in the early, fragile stages of a genuine political reset rather than a country sliding toward disorder. The scale of the RSP's mandate and the relatively orderly handover from the Karki interim government to an elected administration are, on balance, grounds for cautious optimism, but the test of this government's credibility lies entirely ahead of it.

For investors able to tolerate a near-term window of institutional uncertainty in exchange for first-mover access to hydropower, tourism, and digital-economy opportunities in a landlocked market of thirty million people wedged between India and China, Nepal merits active monitoring now and selective early engagement, structured with the governance and logistics safeguards this briefing sets out.

SELECTED SOURCES

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