

## Private sector involvement essential for new phase of reforms FNCCI President Dhakal meets IFC Country Manager Holtmann



May 9, 2024

Federation of Nepalese Chambers of Commerce and Industry (FNCCI) President Chandra Prasad Dhakal has said that FNCCI is taking initiatives for a new phase of economic reforms.

In a meeting with Martin Holtmann, Country Manager for Bangladesh, Bhutan and Nepal of the International Finance Corporation (IFC), who is on an official visit to Nepal, President Dhakal on May 9 said that government leadership and cooperation with development partners is essential for this.

In the meeting, FNCCI President Dhakal said that Nepal is rich in natural resources, has a young and dynamic population, and has a strategic geographical location. However, he said that in order to fully utilise these advantages and advance economic growth, it is necessary to pay special attention to improving the business environment,

attracting investment policies, and promoting entrepreneurship.

Dhakal said that cooperation with the International Finance Corporation is necessary to create an environment that promotes innovation, entrepreneurship development and sustainable economic growth.

Meanwhile, Holtmann noted that the IFC has always been a partner in private sector development and also a partner in promoting economic growth and sustainability around the world. He said that IFC will continue to cooperate and collaborate in Nepal's development efforts.

Holtmann said he was pleased to partner with the FNCCI for sustainable economic development in Nepal. Last year, IFC and FNCCI jointly released a study report on the role of the private sector in Nepal's economy and employment for the first time.

## Industry Secretary suggests Nepali furniture manufacturers to use NS mark on their products



May 20, 2024

Industry Secretary Krishna Bahadur Raut has suggested that Nepali furniture industries should use the NS mark on their products for sale and distribution. He said that if the NS mark is used for sale and distribution, the market for Nepali products will be much better, as there have been complaints that it is becoming difficult for Nepali furniture to compete with imported furniture.

"Be prepared for this, the government will provide the necessary support," Industry Secretary Raut said.

Secretary Raut also informed that the policy of consuming only domestic products even if they are 15% expensive is being revised and a revised system of consuming only domestic products even if they are 20% expensive will be passed by the Council of Ministers and implemented soon.

He informed this while addressing an interaction on the potential and challenges of the furniture and furnishing business organised by the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) at the FNCCI Secretariat on May 20.

He clarified that the government has a policy of protecting industries as Nepali industries are still in their infancy. The industry secretary urged businesspeople to engage in building a production-oriented economy, saying that Nepali industries cannot flourish unless we move from consumption-oriented to production-oriented.

He assured that the ministry would coordinate to

implement a tax system that would not cause problems for industrialists and businesspeople, would broaden the tax base, and would help in the smooth operation of industries and businesses.

Secretary Raut said that the government is working to control such illegal activities in response to the businesspeople's request to close down all types of unauthorised businesses, as the internal production has been affected due to the goods brought by the pocket businesspeople from across the border.

FNCCI Senior Vice President Anjan Shrestha also urged furniture entrepreneurs to utilise the NS mark. He said that it is necessary to increase industries and businesses based on internal resources to make the country prosperous and claimed that Nepal has the potential for forest-based industries and businesses. He claimed that Nepal has a great potential to meet domestic demand and even export if the government has the right policies.

Shrestha suggested that the state should ensure the availability of resources for all types of industries and businesses based on forest resources. He suggested that all industries and businesses should be allowed to participate in all types of competitions that the government has called for on certain conditions. He said that SMEs play a big role in the economies of all countries of the world and that 90% of Nepal is also SMEs, so the state should have a policy to support such industries.

FNCCI Vice President Hem Raj Dhakal stressed that the state should seriously address the suggestions

made by the sectoral associations as the sector represented by the member sectoral associations has a large share in the country's economy. He also urged the government to implement the policy of making it mandatory to consume domestic goods even if they are 20% more expensive as soon as possible, as the FNCCI has already submitted a list of domestic products to the government.

Vice President Dhakal also urged the government to create an environment where it would understand the problems and challenges of the private sector and work on their solutions.

Deputy Director General of the Department of Forests Dhananjay Lamichhane informed that the draft of the Forest Act is currently in the legislative committee and that the department is ready to address the concerns of the private sector as well, but that there is still a process of obtaining the consent of the Ministry of Finance due to some revenue aspects, which he said will be resolved soon.

He also informed that since all forest-related powers are being prepared to be handed over to the provinces, the solution will now be found at the local level. He also urged businesspeople to cooperate in increasing the use of all types of indigenous wood by processing it as wood, not just sal wood.

On the occasion, tax officer Kaji Babu Koirala of the Inland Revenue Department addressed the tax issues raised.

The programme was attended by FNCCI Executive Committee members Shiva Prasad Ghimire and Pashupati Dev Pandey, Nepal Furniture and Furnishing Entrepreneurs Association office bearers, and Nepal Furniture and Furnishing Entrepreneurs Association President Yuvaraj Paudel presented the following topics through a working paper.

Main Issues of the Nepal Furniture and Furnishing Sector

(1) The customs duty on raw materials is currently higher than that on finished goods. The customs duty on the materials used in the production of finished goods is higher. The customs duty on industrial raw materials and spare parts should be two slabs lower than that on finished goods.

(2) The practice of customs officials arbitrarily reinterpreting goods exported by exporters using the harmonised code in international practice and causing inconvenience to businesspeople should be discontinued.

(3) Under the current system, after e-billing, the bill has to be printed in the office and taken to the warehouse before the goods can be removed. This is causing unnecessary waste of time and problems in loading goods according to the bill when the goods do not fit in a single vehicle. As transportation vehicles operate only during certain hours, it takes a lot of time to issue bills after loading the goods and it is impossible to print more than one tax invoice. Therefore, it is proposed to make arrangements for printing tax invoice in the warehouse itself to save time and travel expenses. This system should be implemented.

(4) Under the existing system, we cannot transport goods directly from the import or production point to the dealer. For example, an importer or authorised distributor is in Kathmandu. He cannot send goods directly from the customs point or producer to Pokhara and is forced to bring the goods to Kathmandu and then send them to Pokhara. It is no secret that imported fuel is used extensively in the transportation of goods, which has also increased transportation costs. Therefore, initiatives should be taken to make arrangements for the transportation of goods from the import point or production point to the final point.

(5) There is still ambiguity about whether or not e-billing businesses are required to maintain purchase and sales accounts. The FNCCI is of the view that purchase and sales accounts are not required for e-billing businesses as all details of the bill are sent to the Inland Revenue Office at the same time as the bill is issued.

(6) To reduce the import of foreign wood, readily available wood in the country should be made available. The furniture manufacturing industry should also be allowed to participate in the auction process to be called by the Government of Nepal. Discriminatory policies

contained in the Forest Regulations issued by the Government of Nepal should be abolished.

- (7) As small and medium-sized enterprises make a significant contribution to the economy, it is necessary to protect such enterprises. The ban on machinery in small and cottage industries should be lifted to upgrade and make them technology-friendly traditional industries. Customs duty exemption should be provided on import of machinery.
- (8) Nepali products should be prioritised and used compulsorily in government bodies.
- (9) Easy procedures for providing loans for setting up and upgrading industries and concessional bank loans for industries should be made available.
- (10) The same cash incentive system should be provided for the export of furniture and furnishing items such as curtains, carpets, mattresses, wooden furniture, plywood, etc. as for other goods.
- (11) In public procurement, construction work and the supply of furniture and furnishing items should be made in separate packages instead of a single package. Skilled businesspeople who have specialised in furniture and furnishing should be given the opportunity to demonstrate their skills in the bodies of the Government of Nepal.
- (12) Carpentry should be included in the curriculum of the secondary level under vocational and technical education and arrangements should be made for its study up to the higher secondary level and given technical recognition.
- (13) Due to the increasing practice of directly contracting for the construction of houses, offices and housing in houses, offices and housing directly by foreign workers from interior design to goods manufacturing, the state has lost a large portion of revenue and registered businesses operating in accordance with all the rules of the Government of Nepal are on the verge of collapse due to lack of work and migration. Such activities should be monitored, brought into the registration process and a clean business environment should be created.
- (14) There is a growing trend of unauthorised distribution of goods through social media, online platforms and door-to-door, which has put businesspeople operating shops and working at a disadvantage. According to statistics, unauthorised trade is more than three times higher than authorised trade. Such trading needs to be monitored.
- (15) The process of setting up and registering industries is lengthy and cumbersome.
- (16) There is a shortage of land for setting up industries as local bodies are in the process of relocating industries operating in urban areas. There is a shortage of space in industrial areas. Non-operational industries are also occupying space. Some industries are occupying more space than they need. Some industrial areas are being used as showrooms instead of operating industries. Such showrooms display not only domestic products but also imported goods. Such activities need to be monitored.
- (17) The registration certificate states that industries engaged in furniture production are not allowed to cut logs. In this age of modern technology and design, restricting industries from becoming technology-friendly hinders industrial development. Due to this provision, furniture manufacturing industries cannot participate in the government's auction process for timber. This has resulted in raw materials being expensive for the industry, which has increased our production costs. Our products cannot compete, and the market demand is being met by imported goods.
- (18) A 12-point circular issued by a ministerial decision to promote domestic production and consumption of goods instructs public bodies to purchase furniture and fixtures domestically whenever available. This policy should be made mandatory for public bodies to purchase domestic products.
- (19) Tenders are being called for with specifications for wood that must be imported from abroad.

Tenders also mention foreign brands by name, making it difficult for Nepali products to compete. Furniture industry entrepreneurs, with over 90% of the industry relying on domestic raw materials like wood, are becoming discouraged and on the verge of leaving the sector due to their dependence on imports exceeding 50%.

- (20) Businesses in the private sector, which contribute more than 70% of the revenue, feel that their investments are not secure. As both the investment and the business owners themselves are currently insecure, it is necessary to formulate a 'Business Security Act' that also incorporates credit laws.
- (21) While some businesses affiliated with this federation are becoming self-sufficient in the production of carpets, mattresses, plastic furniture, and steel furniture, their production cost is increasing due to factors like bank interest rates, putting them in a position where

they cannot compete due to their location between two major markets. The Government of Nepal needs to take policy initiatives to save these industries. By adopting a policy to protect existing industries in the current situation, there is no doubt that these industries will be successful in exporting in the future.

- (22) We welcome the decision published by the Bagmati Province government on Baisakh 31, 2081 BS (May 13, 2024) in the Provincial Gazette, which mandates the use of domestically produced wood in the construction of government buildings and government-funded community buildings in Bagmati Province, to increase the use of domestically available natural resources like wood. This type of policy should be implemented at the central level as well. The FNCCI will demand from the government that a policy of mandatory use of Nepali goods in all Government of Nepal bodies be implemented at the central level.

## Serious concerns raised by private sector



**Confederation of  
Nepalese Industries**



May 23, 2024

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Confederation of Nepalese Industries (CNI), and Nepal Chamber of Commerce (NCC) have expressed serious concerns over the arrest of communication entrepreneur Kailash Sirohiya. We are all clear that anyone who has been proven to have acted against the law should be held accountable. However, we would

like to draw attention to the fact that arresting and detaining someone just because a complaint has been filed against them can send a negative message and further dampen the morale of entrepreneurs, businesspeople, and investors.

Since the beginning, FNCCI, CNI and NCC have been advocating that entrepreneurs, businesspeople, or anyone else should not be detained just because a complaint has been filed or an accusation has been

made, but should be given a chance to be heard. Our request is that the state should listen to their side of the story before detaining them. The practice of listening only after detaining has a negative impact on the entire sector, so we urge the state to move forward by taking advance bail if necessary and initiating legal proceedings only after the allegations are proven.

As is well known, the country has not yet emerged from the economic crisis. In order to improve the economy, the government and the private sector jointly organised an investment summit to create a favourable environment for investment in Nepal

and urged all domestic and foreign investors to invest. In this situation, we suggest that the business environment should not be disrupted in any way. An investment environment cannot be created by demeaning any businessperson and discouraging them. At present, small and large businesspeople within the country need encouragement and motivation. The government should provide guardianship to industrialists, businesspeople and investors. We would like to draw the attention of all once again to the fact that there should be no disruption of the business environment within the country.

## Stakeholders concerned about GSP+ Facility Agreement



May 26, 2024

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) organised a discussion on the impact of Nepal's graduation from a Least Developed Country (LDC) on exports and employment. The one-day workshop titled 'Generalised Scheme of Preferences Plus (GSP+) and International Labour Standards' was organised by FNCCI in collaboration with the European Union, Government of Nepal, International Trade Centre and International Labour Organisation, under the 'Empowering Women; Prosperous Nepal' programme. Stakeholders expressed concern about the criteria that must be met to obtain GSP+

benefits.

FNCCI Vice President and Employers' Council Chairperson Jyotsna Shrestha highlighted the impact of the agreement that must be passed to receive GSP+ benefits on the private sector. "While there is no doubt that Nepal's graduation to a developing country will increase Nepal's national pride and identity at the international level, the impact of Conventions 81, 87 and 3 on the improvement of Nepal's existing laws and the benefits that Nepal has been receiving as an LDC, such as customs duty exemptions and grants from donor agencies, need to be clear," she said.

During the opening session of the aforementioned workshop conducted by Gokarna Raj Awasthi, Director General of FNCCI, Veronique Lorenzo, the Ambassador of the European Union to Nepal, stated that Nepal needs to ratify and ensure the implementation of ILO conventions related to labour freedom and labour inspection in order to join the EU GSP+.

Similarly, Numan Özcan, Country Director of International Labour Organisation (ILO) for Nepal, shared the ILO's assessment findings which indicate a potential disproportionate impact on women's employment. He emphasised the need to ensure decent work. Speaking at the event, Hem Raj Dhakal, Vice President of FNCCI, shed light on the potential increase in foreign investment and the need for Nepal's industry and commerce sector to be competitive at the global level.

At the end of the opening session, Madan Dahal, Joint Secretary of the Ministry of Labour, Employment and Social Security, informed the participants that the Freedom of Association Convention (Convention No. 87) and the Labour

Inspection Convention (Convention No. 81) are in the process of being ratified.

The workshop, attended by 70 representatives from the Government of Nepal, employers, and donor agencies, focused on discussions regarding exports, particularly to Europe, after Nepal's graduation to a developing country.

Elena Gerasimova, Labour Law and Labour Standards Specialist at ILO Delhi, presented on the Generalised Scheme of Preferences Plus (GSP+) and the international conventions that Nepal needs to ratify to be eligible. Dr Bazlul Haque Khondker and ILO Consultant Nirnaya Bhatta presented the initial findings of the employment impact assessment, including economic growth and potential GDP loss projections.

Dr Tobias Dolle, International Consultant at ITC, presented on the European Union's priorities under the Generalised Scheme of Preferences (GSP), and policy recommendations for minimising Nepal's export and trade deficit after LDC graduation were presented by Dr Bidur Ghimire, ITC Project Coordinator.

## FNCCI welcomes government's commitment to form commission for new phase of reforms

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## **FNCCI President Dhakal emphasises investment from the UK**

June 2, 2024

President of the Federation of Nepalese Chambers of Commerce and Industry, Chandra Prasad Dhakal, has sought investment from the United Kingdom.

In a meeting with the British Ambassador to Nepal, His Excellency Rob Fenn on June 2, Dhakal emphasised the need for foreign investment in Nepal. He also mentioned about the Nepal Investment Summit, which the government had organised to attract investments in the country.

Mentioning the long-standing bilateral relations that Nepal and the United Kingdom have had, Dhakal requested the British Ambassador to further promote trade and investment between the two countries. He also informed the ambassador about how the



private sector has been contributing 81% to the GDP and 87% to employment. If Nepal receives foreign investment the private sector will be able to contribute more, said Dhakal.

Dhakal further spoke about the ease of doing business climate in the country. He informed Ambassador Fenn that the government on the advice of the

Federation of Nepalese Chambers of Commerce and Industry had amended eight investment laws to make the investment process easier.

Dhakal also informed Ambassador Fenn about the various investment opportunities in Nepal. He stated that the hydropower sector, information technology, infrastructure and



tourism sectors have a lot of potential for investment. Most of the economic sectors in Nepal are not fully tapped, so, investors have a lot of sectors to choose from, he stressed.

Meanwhile, Hem Raj Dhakal, Vice President (Commodity) of the Federation of Nepalese Chambers of Commerce and Industry, expressed his opinion about business expansion in Nepal. In addition, Manoj Paudel, Chairperson of FNCCI's Investment Forum, informed about

new investment opportunities in the country.

During the meeting, Ambassador Fenn applauded the Federation of Nepalese Chambers of Commerce and Industry for taking the initiative to draft the framework of the Bilateral Investment Agreement. He also enquired about the Double Taxation Avoidance Agreement.

Meanwhile, Gokarna Raj Awasthi, Director General of Federation of Nepalese Chambers of Commerce and Industry,

mentioned about the Developing Countries Trading Scheme facility that the British government has been providing to 65 developing countries. He requested the ambassador for information on how Nepal could avail this facility.

As Nepal will be graduating to a developing country status by 2026, Nepal will lose duty-free access for its exports, said Awasthi. Hence, the Developing Countries Trading Scheme will be important for Nepal, he added.

## **FNCCI welcomes government's move to endorse Startup Policy**



June 4, 2024

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) has expressed its happiness over the passage of the Startup Policy, which was prepared at its initiative.

In a programme organised at the FNCCI on June 4, FNCCI President Chandra Prasad Dhakal said that this is a significant milestone in the expansion of startups. Two years ago, the FNCCI had prepared a draft of the policy and submitted it to the government. After extensive discussions, it

was passed by the Council of Ministers.

It is natural that there is discussion and interest in startups in Nepal as they are being established in developed countries. Because, as new ideas emerge in business and new businesses are emerging with new ideas with small investments, there is a discussion about how they are being operated and on what basis, along with the state's interest in the definition of 'startup' and its policy. The process of developing

a 'Startup Policy' started and stopped and was finally passed by the Council of Ministers on May 15.

The policy is very important for the Federation of Nepalese Chambers of Commerce and Industry and the entire private sector, as the FNCCI had been continuously assisting the Ministry of Industry, Commerce and Supplies in various ways for this and a policy dialogue on the policy was organised at the FNCCI on June 4 under the chairmanship of FNCCI President

Dhakal. Joint Secretary Jiblal Bhusal of the Ministry of Industry, Commerce and Supplies was also present to share the goals, objectives, definitions, strategies, policies and programmes adopted by the policy.

Addressing the programme, the Chairperson of the policy dialogue programme and FNCCI President Dhakal, linking his own recent history to the context of startups, said that the invaluable contribution of the FNCCI Startup and Innovation Forum, the ministry, and others has

been there for a long time to bring the policy and that it has come out of a lot of discussions, so it is important for startup businesses.

Similarly, Joint Secretary Bhusal highlighted the definition of startups adopted by the policy and the interrelationships between startups and small, cottage and small industries and startup enterprises, Startup Year 2030 and startup loans.

Other speakers at the programme included FNCCI Vice Presidents Hem Raj Dhakal and

Jyotsna Shrestha, Executive Director of Industrial Business Development Corporation Umesh Kumar Gupta and others, who expressed their views on Startup Policy 2080, Startup Loan Operation Procedure 2080 and the current status of loan distribution.

Welcoming the guests and participants of the programme, FNCCI's central member and Chairperson of the Startup and Innovation Forum, Juna Mathema, said that while the policy is welcome, publicity is even more important.

## Policy stability a precondition for economic reform: Dhakal

June 4, 2024

Federation of Nepalese Chambers of Commerce and Industry (FNCCI) President Chandra Prasad Dhakal has said that policy stability is a precondition for economic reform. Speaking at a discussion programme with four director generals of revenue held at the FNCCI on June 4, President Dhakal said that investment is being discouraged due to policies that change every year.

He said that the government's revenue has also not been able to rise as expected due to retrospective laws, changes in tax rates and the attitude towards the private sector.

In the programme organised at the FNCCI in the presence of the Director Generals of Inland Revenue Department, Customs



Department, Department of Revenue Investigation and Department of Money Laundering Investigation, President Dhakal said that the government should be sensitive to issues such as advance income tax on the import of agricultural products, the dispute over excise duty on iron rods, and new tax rates.

He also stressed that the opportunity for property registration should be provided to all as businesses have been

running in Nepal for centuries and modern tax laws have come only later.

Speaking at the programme, Nepal Rastra Bank Director and Money Laundering Research Expert Hari Nepal said that further discussion is needed on the modalities of property registration.

Department of Money Laundering Investigation Director General Kamal Bhattarai said that this issue is also at the international

level and that reforms should be made in a way that does not discourage investment.

Department of Revenue Investigation Director General Chakra Budha said that the department wants to work in cooperation with the private sector. Customs Department Director General Dundi Raj Niraula said that further discussions will be held to

facilitate customs and facilitation will be done.

Inland Revenue Department Director General Shiv Lal Tiwari said that the government is working to make the tax administration private sector friendly. He said that the arrangements made in the budget will be implemented and that if there are any problems, they will be corrected.

FNCCI Vice President Hem Raj Dhakal urged the government to implement the suggestions given by the commodity associations.

More than 100 members from the FNCCI's district, municipal, commodity, bilateral and associate members participated in the discussion. They expressed their views on the impact of the arrangements made in this year's budget on businesses.

## **FNCCI President Dhakal addresses 112th International Labour Conference: Calls for investment in Nepal**

12 June 2024

Chandra Prasad Dhakal, President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), addressed the 112th International Labour Conference on June 12. He argued that Nepal's improved labour relations, recent economic reforms, and its strategic location between India and China have significantly increased investment opportunities in the country.

Dhakal, representing employers at the conference, pointed to the growing cooperation between employers and employees regarding worker social security. He stressed the importance of industrial expansion to solidify these positive developments.

To further promote social security, gender equality and opportunities for sustainable income generation, Dhakal urged employers attending the conference to consider investing in Nepal. He highlighted the recently signed 10,000 MW power purchase agreement with India and



ongoing discussions with Bangladesh, emphasising the assured market for Nepal's hydropower production.

Dhakal also identified potential for tourism infrastructure development in Nepal's hill stations, citing the growing purchasing power of consumers in large, emerging economies like India and China.

He went on to mention other beneficial sectors for investment, including information technology and agro-based industries.

Dhakal informed the conference about the government's efforts to facilitate investment. These include drafting bilateral trade agreements, reforming laws to simplify investment procedures, and implementing a policy to eliminate double taxation.

President Dhakal also held meetings with senior officials from the International Labour Organisation (ILO) and the International Organisation of Employers (IOE) on the sidelines of the conference.

## **FNCCI discusses strategy preparation with member associations**

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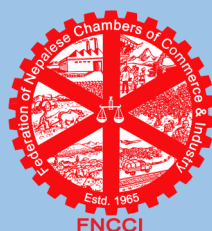
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