

# HEALTH SECTOR PROFILE



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



**GOVERNMENT OF NEPAL  
MINISTRY OF INDUSTRY**

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Government of Nepal

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# FOREWORD

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

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

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

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

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

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

**MAHA PRASAD ADHIKARI**  
CEO, Investment Board Nepal

# ACRONYMS

<b>AAM</b>	Ayurveda and Alternative Medicine
<b>API</b>	Active Pharmaceutical Ingredient
<b>APPON</b>	Association of Pharmaceutical Producers of Nepal
<b>BASLP</b>	Bachelors in Audiology and Speech Language Pathology
<b>BIPPA</b>	Bilateral Investment Protection and Promotion Agreement
<b>BMLT</b>	Bachelors in Medical Laboratory Technology
<b>BPKIHS</b>	B. P. Koirala Institute of Health Science
<b>CTEVT</b>	Council for Technical Education and Vocational Training
<b>DA</b>	Department of Ayurveda
<b>DDA</b>	Department of Drug Administration
<b>DoHS</b>	Department of Health Services
<b>ECG</b>	Electrocardiogram Test
<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product
<b>GMP</b>	Global Manufacturing Practice
<b>GoN</b>	Government of Nepal
<b>HA</b>	Health Assistant
<b>HMIS</b>	Health Management Information System
<b>IBN</b>	Investment Board of Nepal
<b>IUCN</b>	International Union for Conservation of Nature and Natural Resources
<b>KU</b>	Kathmandu University
<b>LDC</b>	Least Developed Country
<b>NHRC</b>	Nepal Health Research Council
<b>NHSP</b>	Nepal Health Sector Program
<b>SAWTEE</b>	South Asia Watch on Trade Economics and Environment
<b>SEZ</b>	Special Economic Zone
<b>SRL</b>	Super Religare Laboratories
<b>TRIPS</b>	Trade-Related Aspects of Intellectual Property Rights
<b>TU</b>	Tribhuvan University
<b>TUTH</b>	Tribhuvan University Teaching Hospital
<b>USG</b>	Ultrasound Sonography Test
<b>VAT</b>	Value Added Tax
<b>VHW</b>	Village Health Worker
<b>WHO</b>	World Health Organization
<b>WTO</b>	World Trade Policy

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# COUNTRY PROFILE

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# COUNTRY OVERVIEW

## Country profile

**Table 1. Country Profile**

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

## Economic indicators

**Table 2. Economic indicators of Nepal**

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

Source: World Development Indicators, 2016

<sup>1</sup> Estimated population in 2015

# ECONOMIC OVERVIEW

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

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

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

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

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

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

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

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



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# THE HEALTH SECTOR

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# OVERVIEW

Nepal's new constitution recognizes health as a fundamental right. The state, as executor of the rights set out in the new constitution will determine how it will define and implement that right. As such, the development of the nation's health care sector is still in its infancy. However the nation's health policies has evolved and the government has acknowledged that it has the primary responsibility to control the spread of communicable diseases, to reduce infant mortality rates, and to control the occurrence of non-communicable diseases, and to manage unpredicted health disasters. Also to be factored into the policy is the provision of quality health services to senior citizens, those who are physically and mentally challenged, and to poor and marginalized communities.

Although the concept to invest in healthcare sector is new in Nepal, signs of progress are evident and a considerable amount of private sector activity can be seen in indicators of health outcomes including life expectancy, maternal care, and rates of communicable diseases. While Nepal compares poorly against the standard global benchmarks, the situation is improving. For example, the country has recorded a consistent success rate of 90% in Tuberculosis treatment since 2009 and this exceeds the 87% global success rate. In addition, maternal mortality during childbirth has fallen to a third of the deaths recorded in 1990.<sup>4</sup> Signs of progress can also be seen in the private sector's expanding activity in pharmaceuticals, ayurvedic holistic healing, diagnostic centers and hospitals. Nearly 3,000 small, medium and large-sized commercial firms operate in these markets, and foreign investments of US\$ 18.34 million have been realized since 2009.<sup>5</sup>

In 2014 Nepal's healthcare sector employed approximately 50,000 people, including skilled and semi-skilled personnel. Healthcare services are delivered by public and private sector entities and account for a total expenditure of over US\$ 1 billion each year. This figure amounts to nearly 6% of the Nepal's Gross Domestic Product (GDP) and translates to a per capita expenditure of US\$ 40 for the year 2014.<sup>6</sup> This figure which is lower than the global average, is nevertheless higher than most South Asian Association of Regional Cooperation (SAARC) countries. It compares unfavorably however with other emerging economies including South Africa and Brazil.

The GoN is supportive of foreign sector investment in health care sector and the most attractive investment opportunities include tertiary hospitals and pharmaceutical manufacturers.

While the healthcare sector has witnessed the growth of private hospitals and diagnostic centers and domestic pharmaceutical manufacturing, there remains a great deal of unmet demand. Most hospital and diagnostic infrastructure has been concentrated in larger cities including Kathmandu, Biratnagar, Butwal, and Pokhara. In contrast, there has been little or no increased access in rural areas. Further, the hospital and pharmaceutical industry is highly import dependent and this increases cost of healthcare for end-consumer. Nepal imported US\$ 95.4 million worth of healthcare-related commodities such as pharmaceuticals, devices, and medical supplies in 2013,<sup>7</sup> nearly as much as the sector's total financial contribution to the nation's GDP.

<sup>4</sup> MoHP and WHO report, 2010

<sup>5</sup> World bank development indicators; accessed in March 2014

<sup>6</sup> Ministry of Industries, Industrial Statistics Report, Nepal, 2014

<sup>7</sup> MoHP, 2011

In recent years, well-known firms have increased their investments in the health sector. Grande International Hospital, Norvic International Hospital and Vayodha Hospital Pvt. Ltd are well known examples of hospitals with investment from such firms. Foreign joint ventures are also entering the Nepali health service market.

Ayurveda and homeopathy, traditional South Asian systems of medical care, are based on the use of herbs and minerals. The GoN has recognized and supported these traditional approaches, and has a special unit called “Ayurveda and Alternative Medicine (AAM)” unit at the DoHS. This unit is responsible to develop and oversee the country’s ayurvedic and homeopathic infrastructure in the country. Although, this segment of the pharmaceutical industry is highly fragmented and un-organized, there have been some recent attempts to organize commercial-scale manufacturing these drugs.

## Institutional Arrangement

### Policy Level

- Ministry of Health

### Regulatory and Implementation Level

- Department of Health Services
- Department of Drug Administration
- Department of Ayurveda
- Nepal Medical Association
- Nepal Nursing Council

**Table 3: Health Indicators of Nepal**

	2014 World Bank Indicators
Health expenditure per capita (current US\$)	40
Health expenditure per capita, PPP (constant 2011 international \$)	134.6
Health expenditure, private (% of GDP)	3.5
Health expenditure, public (% of GDP)	2.3
Health expenditure, public (% of government expenditure)	11.2
Health expenditure, public (% of total health expenditure)	40.3
Health expenditure, total (% of GDP)	5.8
Total estimated population	30,986,975 (July 2014 est.)
Population growth rate	1.8
Total Health Institutions	4,505
Private Hospitals	301
Total Hospital Beds	Approx. 27,000
Pharmaceutical Companies	45

Source: World Bank, 2014

According to APPON, Nepal has 45 registered pharmaceutical companies which produce modern as well as basic medicines. Most pharmaceutical companies import APIs and then formulate, package and retail the drugs locally. Since 2010, the domestic manufacturing industry has picked up momentum. It is now estimated that Nepal-manufactured drugs have captured 48% of the domestic market.

There are 2,064 registered private diagnostic centers in Nepal. Private diagnostic centers are predominantly multi-specialty in nature and offer a range of services including X-ray, ultrasound, pathological testing, cardiac testing and endoscopy.

Nepal follows a free market approach to health-care policy and regulation. The Ministry of Health is responsible for the development of policies and regulation of the sector. A new policy strategy, the

“Nepal Health Sector Program (2010-2015)” has specifically identified the importance of close collaboration between the public and private sector in the delivery of health care services, and all service providers are expected to deliver quality healthcare in way that facilitates increased private-sector participation. Nepal also adheres to a number of international best practices, including guidelines for earthquake proofing of hospital buildings, mandatory free treatment for 10% of bed capacity, and environmental impact assessment norms for tertiary hospitals. Other benefits, including tax holidays and access to subsidized land for hospitals and pharmaceutical companies operating in underserved regions would also encourage increased private sector participation and improve healthcare outcomes. As a result of this positive environment, significant foreign investments have been observed since 2013, especially in private tertiary hospitals.

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# INVESTMENT OPPORTUNITIES

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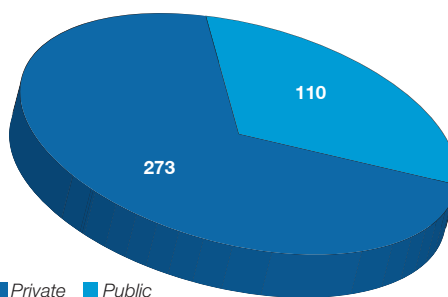
# AREAS FOR INVESTMENT

Nepal's health care sector also has the potential to export services. As the country's economy grows, the demand for quality health services will also grow. A total number of 383 public and private hospitals were listed in Health Management Information System (HMIS) under Department of Health Services (DoHS) in fiscal year 2014/15. Out of 383 hospitals 110 public hospitals and 273 private hospitals were reported to HMIS system in FY 2014/15.<sup>8</sup>

While the GoN is making more an effort to increase the provision of primary and preventive health care, curative health care is dominated by the private sector service providers. The scope for private sector lies principally in tertiary care and curative health care where there is scope for both general and specialised health care institutions.

There are also opportunities for public private partnerships in the development and management of public health infrastructure. The GoN has indicated

its receptiveness to proposals from the private sector to expand primary and secondary health care facilities. While a number of investment opportunities exist in the health care sector, the pharmaceutical industry, health care facilities, ayurvedic medicines and ayurveda holistic treatment centres and health care educational services stand out.



**Figure 1: Number of private and public hospitals in Nepal**

Source: Department of Health Services, Government of Nepal

<sup>8</sup> Department of Health Services, 2014.

# PHARMACEUTICAL INDUSTRY

A number of attractive investment opportunities can be found in medicine and health care supply manufacturing. Nepal's population of approximately 28 million is a sizeable market. To date, approx. 50% or more of this market has been met by way of imports. As such, there is scope not only for the production of the branded medicines but also for bulk drugs which provide the raw materials for medicines. While the pharmaceutical industry has experienced significant growth in recent years, there is scope for large scale pharmaceutical manufacturers which can introduce new technologies and take the pharmaceutical industry to a higher level. As of July, 2016 there are 37 pharmaceutical companies operating in Nepal.<sup>9</sup> According to APPON, there are 45 pharmaceutical companies that are APPON registered, of which 37 WHO are-GMP certified.

Foreign companies fill the supply gaps in the domestic medicines market. However, in the recent times, domestic manufacturers are increasing their market share. Along with the normal medicines for

common cold, diarrhea, fevers and coughs, some antibiotics and tonics, as well as essential drugs for cardiac, diabetic and liver patients are also being produced by Nepali manufacturers. The GoN's favorable policies, the existence of the domestic market and export potential, favorable WTO/TRIPS policy, restriction on imports without WHO/GMP Certification, and the rise in health care awareness among the people provide some added incentives for the investors to consider Nepal's pharmaceuticals industry.

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<sup>9</sup> Department of Drug Administration, 2016.

# HEALTH CARE FACILITIES

There are nearly 3000 private healthcare enterprises in Nepal as of 2012. Most of these are diagnostic clinics. Other enterprises include primary clinics, secondary and tertiary hospitals and pharmaceutical companies. Most of the tertiary healthcare facilities in Nepal are multi-specialty with only a few focusing solely on one specialty. With only 0.36 doctors, 1.17 nurses and 0.9 hospitals bed per 1,000 people,<sup>10</sup> the demand supply gap can only be reduced with the addition of more health care facilities.

Nearly 55% of Nepal's healthcare expenditures are direct outlays by households, as compared to the global average of only 18%. This high rate of "out of the pocket" expenditures can be attributed to rising disposable incomes (due to remittances) and the consuming population's increased awareness about health and well-being. In addition, with increased disposable income, there has also been a rise of Nepali going abroad for the purpose of receiving health services. There are significant op-

portunities for international healthcare providers to meet Nepal's domestic demand. Other possibility lies in the way of joint ventures between national and international hospitals having advance technologies and health care facilities. The growth of medical and nursing colleges in Nepal indicates that the human resources in the lower and medium segment of the care business will be readily available.

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<sup>10</sup>World Bank Indicators, 2014



# AYURVEDIC DRUGS AND AYURVEDA HOLISTIC TREATMENT CENTERS

In Nepal, the Ayurvedic drugs manufacturing sector is heavily fragmented. Recently, there have been some activities in organized, large-scale manufacturing from natural products like essential oils, roots and leaves in mixed in specific ratios. At present Ayurveda health services are being delivered through 2 Ayurveda Hospitals (Naradevi, Kathmandu and Bijauri, Dang), 14 Zonal Ayurveda Aushadhalayas, 61 District Ayurveda Health centers and 305 Ayurveda Aushadhalayas in the country.<sup>11</sup>

Singhdurbar Vaidyakhana is the oldest company manufacturer of ayurvedic medicines in Nepal. It is a government owned company under the Ministry of Health. Similarly, Nardevi Central Ayurveda Hospital was the 1st ayurvedic hospital established in 1917. Its services include internal medicine (Kayachikitsa) with related Panchakarma, surgery (shalye), ENT+ eye (shalakya) and its Ksharasutra, gynecology ( Stri Roga) and obstetrics (Prashuti Roga), Pediatrics (Baal Roga), acupuncture, and pathology lab, x-ray, USG and ECG. Due to the increasing numbers of patients in the hospitals, various lab equipment and other facilities have been increased.

In an attempt to organize the sector, the Department of Ayurveda (DA) was established in 1981 by converting the Ayurveda Section of the Department of Health Services (DHS) under the Ministry of Health. In order to harness the full benefits of locally available medicinal herbs and to be self-sufficient to meet local demands, the current five year plan intends to train 650 persons among which 50 will be trained for 15 months. Mahendra Sanskrit University has been providing education to 50 persons per year through its Ayurveda Health Assistant course, of whom 13 are in-service Vaidya

(practitioners of Ayurvedic medicine). The training of 50 Ayurveda VHW (Village Health Worker) has already been completed at Damouli.<sup>12</sup>

The original practices, manuscripts, records of Ayurvedic treatment, and medicinal use of abundant herbs continue to hold an important role in Nepal. The country boasts approximately 7,000 species of plants, out of which approximately 700 species have medicinal properties.<sup>13</sup> Many rare and endangered Himalayan herbs are found in Nepal's higher elevations. The physical diversity of Nepal (Terai, Hilly and Himalayan region) allows sub-tropical, temperate and alpine vegetation all to flourish and to provide a source for a wide production. Many of these herbs and aromatic plants are specific to the Himalayan Region and have high medicinal, culinary and cosmetic values.

The very fact that Nepal enjoys milder climatic conditions than the vast swaths of Indo Gangetic plains makes Nepal, a viable place to locate super specialty hospitals and nursing homes dealing in illness needing prolonged care attention of specialized professionals outside of modern towns. Apart from producing the ayurvedic treatments themselves, investors can also invest in Ayurveda Holistic Treatment Centers that provide the service of treatments with the Ayurveda discipline. The low competition in sector with untapped market and suitable climate for medicinal herbs make ayurvedic drugs an investment opportunity for the investors.

<sup>11</sup> Department of Health Services, 2014

<sup>12</sup> Department of Ayurveda, 2016

<sup>13</sup> IUCN, 1986

# HEALTH CARE EDUCATIONAL SERVICES

Nepal's health care educational services are provided through medical colleges and Council for Technical Education and Vocational Training (CTEVT) colleges. CTEVT is also the regulator for Technical and Vocational Education in Nepal. According to CTEVT, 47 colleges currently offer certificates of proficiency (PCL) in general medicine (HA) programs with an annual enrollment capacity of 1892. There are 19 medical colleges in the country, 8 colleges from Tribhuwan University (TU), 8 Kathmandu University (KU) affiliated colleges and 3 other colleges. These colleges produce 1,500 doctors annually.<sup>14</sup>

The Medical Council of Nepal regulates the medical education. Apart from giving recognition to the medical colleges in Nepal, it also conducts the licensing examination which is the vehicle for registering new physicians. It is also responsible to make policies related to curriculum, admission, term and examination system of teaching institute of medical education and recommendation for cancelling and renewing registrations.

Apart from the regular courses, Tribhuwan University offers new courses including the bachelor's degree in Ophthalmology, Audiology and Speech language pathology program, Medical laboratory technology program, pharmacy, public health, radiology, biotechnology, food technology and lab technicians. These courses are gaining popularity among the medical students of the country. New investments could also support the development and laying on of new courses and new technologies in medical sciences. The Nepal Health Research Council (NHRC), established in 1991 by act of parliament, is as the apex body of Ministry of Health which seeks to facilitate the health research in Nepal. The council approves and monitors health research, conducts and promotes health research and improves the use of health research in Nepal.<sup>15</sup>

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<sup>14</sup> Nepal Medical Council, 2016

<sup>15</sup> NHRC, 2013

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# LAWS AND REGULATIONS

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# LAWS AND REGULATIONS

The GoN's Establishment, Operation and Up-gradation Standards Related Directives, 2013 provides the guidelines for the regulation and establishment of health clinics, diagnostic centres, poly-clinics, health laboratory services, hospitals and health institutions related to Ayurvedic or other alternative medicine. Similarly, the Drug Act (1978) and Drug Registration Rules (1981), provides the necessary guidelines for the regulation of and the establishment of industries producing pharmaceuticals, ayurvedic, homeopathic, and other traditional medicines as well as industries producing crutches, seat belts, wheel chairs, stretchers, and walking sticks used to support disabled persons. The Drug Act also provides guidelines and regulation for the importing, publicity and advertisement of pharmaceutical products.

## **Nepal Health Service Act 1997**

This act governs the delivery of health care services as well as information and administrative issues. Its prime objective is to approach health care at the district level and below. The policies reflected in the act emphasize community involvement, private sector participation and PSPs, and the expansion of national and international NGO's.

## **Nepal Nursing Council Act 1996**

The Nepal Nursing Council Act guides the establishment of an autonomous council, term of office of member and disqualifications for membership to prepare policies as required to smoothly operate the nursing business which includes giving recognition to educational institutes, reviewing of the curricula, terms of admission, examination system and other necessary terms and infrastructures of the educational institute, fixing qualifications of nursing professionals, issuing the certificate of registration and fixing work limitation and professional code of conduct of nursing professionals.

## **Nepal Medical Council Act, 1963**

This act establishes the Nepal Medical Council as an autonomous and corporate body having right of perpetual succession. The Council issues licenses and governs all the medical practitioners of Nepal.

## **Nepal Pharmacy Council Act, 2000**

This act is a guiding act for pharmacy related policies, procedures and conduct. It includes establishment, functions, duties and powers of Council that prepare policies, plans and programs as required to operate the pharmacy business in a managed and systematic manner and implement these policies. It also mentions provisions relating to registration of name, recognition to educational degree and certificate, functions, duties and powers of chairperson and registrar and fund of Council. Furthermore, it prescribes offences and punishments to deter unwanted activities in the pharmacy industry.

## **Nepal Drug Act, 1978**

This act was promulgated to prohibit the misuse or abuse of medicines and allied pharmaceutical materials, false or misleading information relating to efficacy and use of medicines, and to regulate and control the production, marketing, distribution, export import, storage and utilization for medicines which are not safe for the general use of the people.

# ANNEX 1 : INVESTMENT INCENTIVES

Category	Incentives and Subsidy Provision
Value Added Tax	<p>Following items are exempt from VAT</p> <ul style="list-style-type: none"> <li>(a) Medical or surgical services provided by Government Institutions</li> <li>(b) Human blood and products derived from human blood</li> <li>(c) Human or animal organs or tissue for medical research</li> <li>(d) The supply of services by persons on the registered veterinary surgeons and veterinary doctors</li> <li>(e) The supply of goods made for, and suitable only for the use of, disabled persons.</li> <li>(f) X-ray film and oxygen gas to be used for treatment</li> <li>(g) Raw materials purchased or imported by the drug industries to the extent approved by the Department of Drug Management.</li> <li>(h) There is an optional provisions for hospitals other than Government and Community hospitals to register in VAT.</li> </ul>
Custom Duty Concessions	<p>Custom duty full exemption:</p> <ul style="list-style-type: none"> <li>• Various equipment used by the blind and incapacitated people.</li> </ul> <p>1% custom duty</p> <ul style="list-style-type: none"> <li>• All equipment/machineries and parts thereof imported by the medicine manufacturing industries.</li> <li>• Import of up to 2 ambulance and dead body carrier as per the bed capacity of the hospital on the recommendation of Health and Population Ministry or Association of Private Health Institute.</li> <li>• Import of raw materials, packing materials, chemicals, etc. made by medicine industries on recommendation of Department of Medicine. <ul style="list-style-type: none"> <li>– 50% custom duty exemption on import of up to 2 microbus/minibus as per the bed capacity by the health institutes on the recommendation of Health and Population Ministry or Association of Private Health Institute.</li> </ul> </li> </ul>

# ANNEX 2 : RELEVANT AGENCIES AND ORGANIZATIONS

## OFFICE OF THE PRIME MINISTER AND COUNCIL OF MINISTERS

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## NEPAL INVESTMENT BOARD

Office of the Investment Board,  
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Email: info@ibn.gov.np  
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## NATIONAL PLANNING COMMISSION SECRETARIAT (NPCS)

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## NEPAL RASTRA BANK

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Website: www.nrb.org.np

## DEPARTMENT OF INDUSTRY

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Website: www.doid.gov.np

## DEPARTMENT OF HEALTH SERVICES

Teku, Kathmandu, Nepal  
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Website: www.dohs.gov.np

## DEPARTMENT OF IMMIGRATION

Dillibazar, Kathmandu.  
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## INLAND REVENUE DEPARTMENT

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## NEPAL MEDICAL COUNCIL

Kathmandu, Nepal.  
Post Box no.: 13890  
Tel: +977-1-4371954, 4377164  
Fax: +977-1-4372318  
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## NEPAL NURSING COUNCIL

Dhumbarahi, Kathmandu, Nepal  
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## OFFICE OF THE COMPANY REGISTRAR

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