

MAHASHIVARATRI SPECIAL



RELIANCE
CORPORATE ADVISORS
SIMPLIFYING BUSINESS

IS CANNABIS ILLEGAL IN NEPAL? - NO

THE FUTURE OF CANNABIS IN NEPAL: INVESTMENT PROSPECTS & LEGAL PATHWAYS

DISCLAIMER: This publication is not intended to be used as a basis for undertaking any significant transactions, financial or otherwise without consulting appropriate professional advisers.

THE FUTURE OF CANNABIS IN NEPAL: INVESTMENT PROSPECTS AND LEGAL PATHWAYS

Nepal, with its rich cultural history, stunning natural landscapes, and vibrant spiritual heritage, has long been known for its unique relationship with cannabis. The plant has been used in religious practices, particularly within the Hindu and Buddhist traditions, for centuries. However, the legal status of cannabis in Nepal is a multifaceted issue, influenced by both historical usage and modern-day regulations.¹ This article explores the complex landscape of cannabis laws in Nepal, shedding light on its legal status and its meaning for potential interest in investment in such sector.

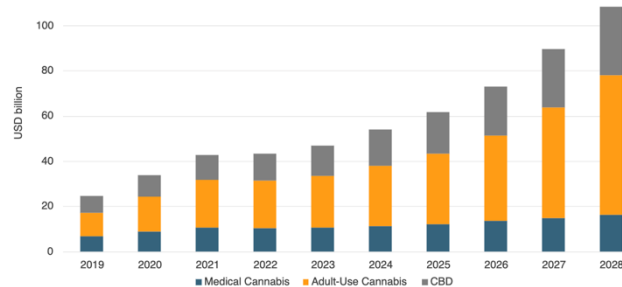
1. GLOBAL TRENDS IN CANNABIS MARKET:

- 1.1. With the rapid growth of the global cannabis market, one of the most prominent areas gaining recognition is its medicinal use. As more countries and regions move toward legalization and regulation, there is increasing interest in harnessing the therapeutic

¹ Potnis, N. (2020, February 21). Maha Shivratri 2020: Why did Lord Shiva smoke weed? *Bingedaily*. <https://www.bingedaily.in/article/maha-shivratri-2020-why-did-lord-shiva-smoke-weed>Booth, M. (2003). *Cannabis: A history*. New York, NY: Picador.

properties of cannabis to treat a wide range of ailments. Research and patient experiences have highlighted its potential in **managing chronic pain, anxiety, epilepsy, and other medical conditions**², driving demand for medical cannabis products. This expanding market is not only reshaping the healthcare industry but also opening new opportunities for innovation and investment in cannabis-based treatments.

- 1.2. Revenue in the Cannabis market worldwide is forecasted to reach **US\$68.47bn** in 2025.
- 1.3. The revenue is anticipated to demonstrate an annual growth rate (**CAGR 2025-2029**) of **2.34%**, leading to a market volume of **US\$75.09bn** by 2029. When compared globally, the United States is expected to generate the highest revenue (**US\$45.35bn** in 2025). In terms of total population figures, per



Source: Euromonitor/Passport Cannabis 2024

EUROMONITOR
INTERNATIONAL

² Cherney, K. (2020, January 6). What are the benefits of Marijuana? *Healthline*. Retrieved from <https://www.healthline.com/health/medical-marijuana/benefits-of-marijuana>

person revenues of US\$171.54 are generated in 2025. In the worldwide Cannabis market, the United States continues to lead in innovation and investment, shaping global trends in Cannabis legalization and product development.³

- 1.4. The revenue in the Cannabis market in Canada is projected to reach **US\$5.97bn** in **2025**.
- 1.5. It is expected to show an annual growth rate (**CAGR 2025-2029**) of **2.44%**, resulting in a market volume of **US\$6.58bn** by **2029**.⁴

2. PROSPECTS OF CANNABIS IN NEPAL

- 2.1. Nepal has a longstanding historical and cultural association with cannabis, particularly in the context of tourism. For decades, foreign travelers have been drawn to Nepal not only for its spiritual significance and trekking opportunities but also for the prevalence of cannabis use in certain regions. Cities such as Pokhara and specific areas within the Kathmandu Valley have been recognized as focal points for cannabis consumption among tourists, contributing to Nepal's reputation as a destination with a relaxed and "bohemian" appeal.
- 2.2. The western region of Nepal, **particularly the Rolpa district**, has been widely

³ <https://www.statista.com/outlook/hmo/cannabis/worldwide>

⁴ <https://www.statista.com/outlook/hmo/cannabis/canada>

acknowledged for producing some of the highest-quality cannabis, notably in the form of charas (hashish). The region has **a rich history of cannabis cultivation, utilizing traditional hand-rubbing techniques for resin extraction.**

- 2.3. The prospective legalization and commercialization of medicinal cannabis in Nepal present a lucrative opportunity for investors. The western region, particularly Rolpa, is already globally recognized for producing high-purity cannabis strains, positioning Nepal as an attractive hub for premium-quality cannabis cultivation.
- 2.4. In recognition of the economic and medicinal potential of cannabis, the Nepalese government has taken proactive steps toward policy reform. In May 2024, **Finance Minister Barsha Man Pun**⁵ announced plans to legalize the commercial production of cannabis for medicinal purposes, aligning with global trends and scientific research that emphasize its therapeutic benefits. This initiative is anticipated to attract significant foreign investment by leveraging Nepal's optimal climatic conditions and traditional expertise in cannabis cultivation.

⁵ <https://www.fiscalnepal.com/2024/05/28/16672/government-to-legalize-commercial-marijuana-production-for-medicinal-use/>

- 2.5. Key competitive advantages include:
 - 2.5.1. Nepal's favorable climate,
 - 2.5.2. extensive agricultural knowledge, and
 - 2.5.3. low-cost production framework, making the country highly competitive in the international cannabis market.
- 2.6. Investors stand to benefit from Nepal's emerging cannabis industry in multiple ways. First, the relatively low labor and production costs in Nepal offer the potential for higher profit margins compared to North America and Europe. Second, Nepal's geographical positioning between China and India—two of the largest emerging markets for medicinal cannabis—enhances its viability as a strategic export hub. Third, as the global demand for medicinal cannabis rises, Nepal's anticipated regulatory framework is expected to offer tax incentives and streamlined business operations for international stakeholders. Moreover, collaboration with local farmers and enterprises could facilitate sustainable and ethically responsible cannabis production, which is increasingly prioritized by socially responsible investors.
- 2.7. With the Nepalese government demonstrating an increasing willingness to embrace cannabis legalization, early investors in this sector have the potential to gain a first-mover

advantage, securing long-term stakes in a rapidly expanding and high-revenue industry.

3. IS CANNABIS ILLEGAL IN NEPAL?

3.1. Before 1976, the cannabis was cultivated and sold widely, not only for medicinal and recreational purpose, but also for industrial production of ropes, fibre etc. However, the **Narcotic Drugs (Control) Act, 1976 [लागू औषध (नियन्त्रण) ऐन, २०३३]** (the “act”) imposed so called perceived “a country-wide ban” on cannabis. However, our reading of legal text specifically the following provisions tend to direct us otherwise:

3.1.1. Section 4 (g) of the act states that **use and consumption of cannabis is not illegal.**

3.1.2. **Section 4 (1)** of the act state **cannabis naturally grown** in the western hilly region of Nepal **can be collected, stored, sold and purchased in the form of hashish (chares)** for a specific period with a license.⁶

3.1.3. The same provision states, the Government of Nepal has the power to frame rules and regulations for production of **hashish (chares)**. However, no specific rules or

⁶ Section 4(1) of the Narcotic Drugs (Control) Act, 1976

regulations have been in place yet.

- 3.1.4. Section 5 of the act also **does not prohibit** the purchase and consumption of cannabis in the recommended dose on recommendation of any recognized medical professional. **Consumption of cannabis** by a “prescribed category” of people in “prescribed doses” is **not prohibited either**.⁷
- 3.1.5. The Act not only regulates cannabis production/consumption but also enables the Government of Nepal, if deemed appropriate, to provide seized or confiscated cannabis, in necessary quantities to any pharmaceutical entity for the purpose of medicine production.⁸
- 3.2. Hence, considering the legal provisions, **we do not consider that cannabis is illegal** in Nepal but rather regulated. However, the existing legal framework remains insufficient to fully legalise or comprehensively regulate its cultivation, use, and commercial distribution.

4. THE PUSH FOR LEGALIZATION: A GROWING DEBATE

- 4.1. In recent years, there has been a growing debate around the potential legalisation of

⁷ Section 5 of the Narcotic Drugs (Control) Act, 1976

⁸ Section 11C of the Narcotic Drugs (Control) Act, 1976

cannabis in Nepal. Advocates argue that cannabis could be legalized for medicinal and industrial purposes, as it holds significant economic potential. Cannabis cultivation, for instance, could provide an income boost for farmers in rural areas, especially given Nepal's historical use of the plant for traditional medicine and textiles (hemp). In addition, some proponents point to the successful examples of cannabis legalization in countries like Canada and certain U.S. states, citing the revenue generated through legal sales and taxes.

- 4.2. The industrial significance of cannabis has also increased attention in the legalization discourse. Excluding the chemical compounds, different species of cannabis and its parts are still used for manufacturing commercial products and sustaining livelihoods.⁹
- 4.3. On the other hand, opponents of legalization raise concerns about the potential social and health impacts. They fear that easier access to cannabis could exacerbate issues related to substance abuse, particularly among the youth. The government, while expressing interest in exploring the economic opportunities that cannabis legalization could bring, remains cautious about moving forward with full-scale legalization.

⁹ नेपालमा गाँजा खेतीको वैधानिकीकरण: सम्भावना र चुनौती; नी.अप्र प्रकाशन सङ्ख्या ०७३; Policy Research Institute, Kathmandu; Nepal Health Research Council

- 4.4. If Nepal moves toward legalizing cannabis and reinstating its traditional cannabis-based medicinal practices, it could help reduce the country's trade deficit and stimulate economic growth. Various cannabis strains purportedly originating from Nepal are currently being sold in U.S. pharmacies. Should legalization and scientific research be permitted, Nepal could assert intellectual property rights (IPR) over several indigenous strains that were historically taken from the country without authorization.¹⁰
- 4.5. The Bill for Regulation and Management of Cannabis Cultivation, 2076 (the “Ganja Bill”) was introduced for further regulation and industrialization of cannabis. The Ganja Bill prohibits the cultivation, transportation, sale and export of cannabis without a license. However, it does not mandate a license for cultivating up to six cannabis plants per household for personal use and cultivating hemp varieties with Delta-9 THC content of 0.2% or less for fiber production or for production, sale and distribution of seeds, honey, oil or other edible

¹⁰ Aryal, N. Orellana, D.F. & Bouie, J. (2019). Distribution of cannabinoid synthase genes in non-Cannabis organisms. *Journal of Cannabis Research*, 1(8). Aryal, N. Adhikari R. (2019) Cannabis in Nepal and scopes of its relegalization. *American Journal of Agricultural Research*, 4(47). Aryal, N. (2020). Legalize Cannabis in the Indian Sub-Continent for improving economy and health. *Acta Scientific Pharmaceutical Sciences*, 4.2(01). Bouie J. and Aryal N. (2019) Cannabis Science and Technology, 2(5), 62-65. Sophocleous, A., Robertson, R., Ferreira, N. B., McKenzie, J., Fraser, W. D., & Ralston, S. H. (2017). Heavy Cannabis Use Is Associated With Low Bone Mineral Density and an Increased Risk of Fractures. *The American Journal of Medicine*, 130(2), 214-221. doi:<https://doi.org/10.1016/j.amjmed.2016.07.034>

products. Further paving a path for local hemp-products industries. Such cannabis categorization, based on its natural composition and use, further enables Nepal to maximise the potential of its favourable cannabis thriving environment. These industries will be further regulated by the IEA IER.

- 4.6. However, the Ganja Bill became ineffective after the dissolution of the then House of Representatives. However, it has contributed to the decriminalization discourse of cannabis in the country.
- 4.7. In the recent months, the Budget Statement of Fiscal Year 2080.81 included the goal of conducting feasibility studies for cultivation of cannabis for medicinal purposes.¹¹ Similarly, the Budget Statement for Fiscal Year 2081/82 includes that legal arrangements shall be made for the commercial production of marijuana for medicinal purposes.¹²

5. CONCLUSION

- 5.1. Nepal stands at a crossroads in determining the future of its cannabis policies, where cultural heritage, economic opportunity, and legal frameworks intersect. Despite its prohibition,

¹¹ Point no. 105 of the Budget Statement of F.Y. 2080/81; <https://mof.gov.np/content/276/a-w-budget-statement-of-2080-81/>

¹² Point no. 49 of the Budget Statement of F.Y. 2081/82; <https://mof.gov.np/content/277/budget-speech-2081-82/>

cannabis continues to be deeply embedded in Nepalese society, with historical significance in spiritual practices, traditional medicine, and tourism. The government's struggle to enforce existing laws, coupled with the global shift in attitudes towards cannabis, highlights the need for a more pragmatic and structured regulatory approach.

- 5.2. With the increasing recognition of cannabis for medicinal, industrial, and economic benefits worldwide, Nepal has an opportunity to transform its long-standing relationship with the plant into a strategic advantage. Legalization—whether for medicinal research, industrial use, or controlled recreational consumption—could open doors to foreign investment, generate employment opportunities, and position Nepal as a competitive player in the global cannabis market. Moreover, implementing a well-regulated system would ensure that cannabis production aligns with ethical and sustainable practices, benefitting both local communities and the broader economy.
- 5.3. By proactively adapting its policies, Nepal can strike a balance between preserving cultural traditions and embracing economic modernization. If approached with foresight and careful regulation, cannabis legalization could serve as a catalyst for economic growth, tourism expansion, and scientific research. Ultimately, Nepal's evolving stance on cannabis will shape not just legal frameworks but also the country's economic trajectory and international

standing in the years to come.

- 5.4. While the legal framework in Nepal prohibits cannabis, enforcement is inconsistent, and cannabis continues to play a significant role in the lives of many Nepalese citizens and tourists. The government has often struggled with how to regulate and control cannabis use in a manner that both respects Nepal's cultural heritage and adheres to modern legal frameworks.
- 5.5. The Nepal Police, which has made occasional efforts to crack down on cannabis-related activities, faces significant challenges due to the widespread use of the plant and the limited resources available to enforce laws effectively. In addition, the government faces the challenge of balancing law enforcement with the need to protect tourism revenues, particularly in areas where cannabis has been historically accepted.
- 5.6. As global attitudes toward cannabis continue to shift, it's possible that Nepal may reconsider its approach towards cannabis. Whether through decriminalization, legalization for medicinal use, or strict regulation for industrial purposes, Nepal's cannabis laws will likely continue to evolve as the country navigates the complex intersections of culture, law, and economic opportunity.

KEY CONTACTS

If you have any questions or would like to know prospects on this, get in touch with these key contacts



PRAKRIT SHRESTHA
ATTORNEY AT LAW
MANAGING PARTNER



ANKITA SHRESTHA
ATTORNEY AT LAW
ASSOCIATE



RELIANCE CORPORATE ADVISORS

C/O Corporate Services Pvt. Ltd.

Milap House, Sanepa Main Road,

Lalitpur, Nepal

+9771 5423316, 5441262 / 3

enquiry@relianceccs.com

www.relianceccs.com