CHAPTER-I
INTRODUCTION

1.1 Background of the Study

Nepal is one of the least developed countries sandwiched between two giant economies; India and china. Nepalese economy is agro-based and comparatively is a small economy. The economic growth of any country depends upon the proper utilization of existing resources of that country through mobilization of capital, technology, and manpower. The natural as well as cultural assets of Nepal offer many substantial opportunities to investors. Since Nepal lacks a huge investment, foreign direct investment (FDI) is the better option to attain the goal of economic growth. The main source for investment is national saving but in Nepal there low saving and high expenditure is creating a large saving-investment gap. So there is lack of sufficient amount of saving for investment. Furthermore Gross Domestic Product (GDP) growth is quite low on one hand and in another hand increasing import has been resulting increasing trade deficit. In such a condition FDI plays vital role to boost economic growth.

FDI is the outcome of mutual interest of multinational firms and host countries. It is the main source of external finance, which means the country with limited amount of capital can receive finance beyond national borders from wealthier country.

In the world the concept of FDI came along with the process of liberalization in economy. The inflow of FDI in Nepal began in early 1980s through gradual opening up of economy. Government of Nepal has begun carrying out policy and regulatory changes in industry, trade, finance and stock exchange to promote foreign investment and technology transfer in the country.

According to Department of Industry (DoI) Nepal is ranked 150th in FDI potential index but at bottom among SAARC Nations, Nepal attracted FDI worth Rs 10.5 Billion in

2010-11 against 9.1 Billion in 2009-10. Manufacturing sector attracts investors from India, US, Korea, Singapore, and service sector attracts investors from China.

Thus FDI is essential to pave the way for development of underdeveloped countries like Nepal. So study of FDI has become a great concern on these days.

1.2 Statement of the Problem

The common characteristics of developing countries like Nepal is increasing unemployment, mass poverty, inequality, rapid population growth, resource constraint, high dependency in agriculture, poor infrastructure. To address those problems through FDI the government of Nepal has opened door for FDI by adopting liberalized economic policy.

As the main attracting factor for FDI are market, infrastructure, technology, political, social, legal provision. But in Nepal, limited resource mobilization capacity, liquidity crisis in recent years, a resilient financial sector, poor manpower, improper planning, ineffective implementation of policies, political instability etc. have been the major reasons for dismal of FDI. Besides this Nepal is still facing some problem for FDI because of lack of direct access to the seaports, difficult land transport and lack of trained personnel scarce raw materials, insufficient power and water supply, inadequate and obscure commercial legislation and unclear rules regarding labor relation. Due to all those problems government of Nepal has not been able to promote foreign investment in desired extent, so Nepal has been consider to be the country with the limited level of investment climate.

With the liberalization and privatization policies undertaken in the 1990s, Nepal should have been able to attract more FDI and private capital Flows. But present scenario reveals that the ability of Nepal to attract private capital and FDI has been less than anticipated. Despite the ample facilities and liberal legal provisions, the disappointing flow of FDI to Nepal has emerged as a problem. So, it is desirable to study;

- What is the role of FDI to create employment opportunities in Nepal?

- What is the overall structure of FDI in Nepal?
- What are the problems and prospects of FDI in Nepal?

1.3 Objective of the Study

The main objective of this study is the role of FDI in employment generation of Nepal but the specific objectives are as follows:

1. To examine the role of FDI in employment generation in Nepal.
2. To analyze the structure of FDI in Nepal.
3. To recognize the problems and prospects of FDI in Nepal.

1.4 Significance of the Study

The main goal of the least developed country like Nepal is to attain high rate of economic growth. As Nepal a least developed country, it lacks sufficient amount of investment for the mobilization of available resources. There foreign capital and technology can act as engine of socio-economic growth. Which accelerate capital formation, helps to alleviate poverty, mobilizes the natural resources available in the country, creates employment opportunities, increases the production at national level, it increase GDP and curtails import which helps to reduce trade deficit. Hence keeping concern on benefit of FDI, government of Nepal will have to exercise more to attract FDI.

Since FDI plays vital role for the economic development of Nepal, the rationale behind this study is to create knowledge and provide general information about the need and trends of FDI in Nepal as well as introduce readers and concerns authorities with the findings of this study.

From this study it is largely hoped that the readers will get adequate and reliable information about the nature, present structural condition and status of FDI in Nepal. It is also envisaged that this study will be helpful for the general readers as well as academic researchers and interested people for their further research study in this field.

1.5 Limitations of the Study

A comprehensive study regarding the implication of foreign investment in the Nepalese economy requires highly sophisticated research study that reaches every dimension of problem. There are some limitations found during analysis and examination of data. They are as follows:

1. Information about the various aspects of the FDI is completely based on the secondary data.
2. The study could not be made as comprehensive as required due to time and budget constraints.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Theoretical Review of Literature

OECD (1983) defines a direct investment enterprise as an incorporate of unincorporated enterprise in which a single foreign investor either owns 10 percent of more of the ordinary shares or voting power of an enterprise (unless it can be proved that 10 percent ownership does not allow the investor an effective voice in management) or owns less than 10 percent of the ordinary shares or voting power of an enterprise, yet still maintains an effective voice in management. An effective voice in management only implies that direct investors are able to influence the management of an enterprise and does not imply that they have absolute control. The most important characteristics of FDI, which distinguished it from portfolio investments is that it is undertaken with the intention of exercising control over the enterprise.

The McGraw Hill Encyclopedia of Economics (1994) edited by Douglas Greenland, comprises of an article by M.Graham Edward entitled ‘FDI: General Agreement on tariff and Trade, Joint Venture, multinational Corporation, Nationalization of Industry, Protectionism’ that describes FDI as the acquisition of the managerial control by a citizen or corporation of a home nation over the corporation of some other host nation. Corporation that widely engage in FDI are called ‘Multinational Companies’, ‘Multinational Enterprise’ or ‘Transnational Corporation’. The term is something of misnomer: when FDI take place investment in economic sense may or may not occur. If, for example, a US company acquires ownership of the ongoing British firm, FDI is seemed to have taken place, however, no net creation of productive capital and hence no economic investment has occurred. By contrast, if the same US Company creates *de novo* subsidiary in Great Britain, building new plant and equipment, then both FDI and economic investment have taken place.

2.1.1 International Context

UN (1998) in its publication reflects the changing philosophy and role of FDI. A dramatic shift in the attitude of developing countries towards FDI has become evident since mid 1980s following the 'debt-crisis' of the early 1980s which caused spectra of falling investments, declined or even negative growth, soaring fiscal deficits and deteriorating balance of payments. The developing countries then cried out for financial assistance and policy recommendation to developed ones that the former were required to open up their economies to FDI, leading to the emergence of TNCs in a vast spectrum of economic activities. Many TNCs moved into manufacturing activities in developing countries with greater possibilities for forward and backward linkages. Many of them engaged in export-oriented manufactures, complementing the national development objectives of achieving improved balance of payments and rapid industrialization simultaneously. In the context of export promotion, the role of TNCs has been assuming greater significance with the increasing importance of intra-firm trade in global trade.

TNCs were being increasingly looked upon as a source not of capital only but also of promotion, management and marketing techniques. Thus, many developing countries initiate liberalizing their FDI policy regimes on the basis of the new perception of community interest. The trends towards liberalization become progressively more widespread as a result of 'demonstration effect' as some countries liberalized, others followed suit.

UN (2001) in its publication states the role of FDI in developing countries. The book explains that economic growth remains a necessary ingredient for poverty reduction.FDI as a key vehicle to generate the growth is thus a most important ingredient for poverty reduction. Whether the potential for domestic diffusion of best practice be exploited depends on the absorption capacity of the host economy. Adequate levels of education and infrastructure are required to fully benefit from FDI as well as competition in domestic market.

Cho (2003) in his book has analyzed FDI from both practical and theoretical standpoints. Globalization has many faces; however, it is first and foremost comprehended in economic and financial terms. Perhaps, the most important face of globalization is the rapid integration of product and financial market over the last decade. Trade and investment are the prime driving forces behind globalization FDI has been one of the core features of Globalization and the world economy over the past two decades. It has grown at unprecedented pace for more than a decade with only a slight interruption during the recession of the early 1990s. More firms in more industries from more companies are expanding abroad through direct investment than ever before, and virtually all economies now compete to attract MNEs. For the purpose, the past two decades have witnessed an imparalled opening and modernization of economies in all regions, encompassing deregulation, deconsolidation, privatization and private participation in the provision of infrastructure, and the reduction and simplification of tariffs. An integrated part of this process has been the liberalization of foreign investment regions, with the realization that FDI can play a key role in improving the capacity of the host country to respond to the opportunities offered by global economic integration, a goal increasingly recognized as one of the key aims of any development strategy.

Hinds (2005) in his work has mentioned some of the factors which are essential for attracting investment. Macroeconomic stability remains crucial in his opinion as the relative prices relevant for each investment must remain stable and predictable. Expatriate managers are expensive, so the availability of local managerial talent that can be trained to manage a proposed investment is key element in the investment decision. Along with this telecommunication costs remain high in many developing countries largely because local monopolies are controlled by state owned companies, so it must be lowered down to attract investment.

Cohen (2007) in his book explains foreign direct investment and multinational corporation are two inextricably intertwined concepts but not perfect synonyms. They are subtly different facets of the phenomenon of international business operations, but are often jointly referred to in the chapters that follow.

FDI is a financial process associated with companies operating and controlling income-generating facilities in at least one country outside their country of origin. Governments adopt and administer FDI policy. An MNC is a tangible entity that in some way will impact a home country, which is where its main headquarters is located, and one or more host countries, the recipients of incoming FDI. Although a company might designate a tax-haven country as its official place of incorporation, in practical terms the headquarters or home country is where the office of the top echelon of management are located. In most cases, this is also the country where the corporation began and where the largest percentage of its shareholders resides.

UN (2010) in its book explains the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Investment Measures (TRIMs) set out certain rules on investment and services. While GATS provides for national treatment, MFN (Most Favoured Nation) treatment, and market access in the area of services, there are numerous exceptions, and it does not cover manufacturing. TRIMs is also limited to certain prohibitions on performance requirements, such as local content requirements and import-export equilibrium requirements. The scope of WTO rules in the areas of investment and services is therefore limited.

Against this background, liberalization and rule-setting in the fields of investment and services are taking place in the framework of FTAs (Free Trade Agreements) or bilateral agreements. Countries with a high degree of concern in the area of investment (countries with a large amount of investment, those whose investments are concentrated in resource-based sectors, etc.) are concluding bilateral investment agreements or are including chapters dealing with investment and services in their FTAs.

Furthermore, bilateral investment agreements may incorporate clauses for investment protection or investment liberalization, or both. In addition to national treatment and MFN treatment following the approval of the investment, investment protection normally provides for compensation for expropriation, fair and equitable treatment, and the resolution of conflicts between the nation and the investor in the event of nationalization. Investment liberalization incorporates national treatment, MFN treatment, and the prohibition of performance requirements prior to the approval of the investment, among other elements. National treatment, MFN treatment are covered in both GATS and TRIMs, and the prohibition of certain performance requirements is covered in TRIMs, but investment agreements extend these elements to the manufacturing sector, and make them binding at a bilateral level. The WTO does not provide for the resolution of conflicts between the investor and the host country. Investment agreements thus incorporate wide-ranging "WTO-plus" content.

Sauvant and Reimer (2012) in their book clarified one cannot safely infer from FDI stocks the true level of VA (value added) by foreign affiliates in a country. Finding that FDI stocks are twice as large in country A than in country B does not necessarily mean that the actual level of affiliate VA in A is twice as large as in B, since foreign affiliates in A may obtain much of their financing from their parents while those in B may be rely mostly on local external sources. Similarly, a downward trend in a country's FDI stocks can either indicate that it is becoming less attractive to foreign firms or that it's financial markets are becoming more efficient and its exchange rate more stable. Because some of the hypothesized determinants of foreign affiliate activity are significantly correlated to the mismatch between FDI stocks and actual affiliate activity, studies that have used FDI stocks to measure the latter may have obtained misleading results as well.

FDI stocks and flows are perfectly appropriate measures of a country's inflow and outflow of financial capital and their cumulative size, but they should not be used to measure host-country foreign affiliate activity.

Didwania and Malhan (2013) in their article on Mondaq dated august 5, have concluded in order to liberalize Foreign Investment in India and to attract more number of foreign Investors the Government attempts to maintain a practice to continuously review the Foreign Investment policy. The acceptance of the recommendations to increase the Foreign Investment Limits in the respective sectors will not only attract Foreign Investment in India but will also provide growth opportunities to Indian Companies who can collaborate with Foreign Companies to start business in various new sectors. The withdrawal of requirement of Government Approval for Investment in different sectors will also act as an incentive to initiate various business prospects and will expedite the launch of new projects.

2.1.2 National Context

Pyakuryal (1995) in his book has analyzed the effect of economic liberalization in attracting foreign investment in Nepal. The study is solely with the aim to assess the impact of economic liberalization on various sectors of the economy, based on data of secondary source published by different government agencies.

Poudyal (1999) in his book states that FDI would enter Nepal only if the investors were ensure for maximum profit. Nepal a low cost economy by dint of abundant labor and low wage rate are strength for attracting FDI. But the component of labor in the total cost is declining significantly with the increasingly larger use of high-tech components. Moreover the unskilled nature of labor eliminates the advantages of low cost. Thus it is imperative to concentrate on producing skill and technical manpower by orienting the educational system and operating for a co-coordinated approach by the universities in line with the emerging demand of international business.

Dahal and Aryal (2004) in their article have analyzed the FDI inflow into Nepal in comprehensive manner providing historical background, national objectives, legal framework, bottlenecks and potential areas of strength and Indian joint Ventures (JVs) with the use of primary as well as secondary data sources.

In a poverty-stricken economy like Nepal, where internal resources are extremely limited to supplement current expenditures causing increasing dependence on foreign aid (grants and loans). Against poor economic growth rate and escalating political conflict, the role of FDI is crucial not only to sustain development activities but also for poverty alleviation.

Gautam and Prasain (2006) in their book accepted that the modern history of JV/MNCs in Nepal started at the beginning of the 1980s when the government allowed Foreign Direct Investment in large and medium size industries. With the view to achieving high economic growth and to narrow the growing saving investment gap the Foreign Investment and Technology Act was enacted in 1982. The key information interviewed perceives foreign investment as one of the ways to close the saving investment gap in Nepal. They believe that FDI is desirable to reduce the burden of foreign debt and debt serving. In general, developing countries are expected to have least five percent foreign investment as proportion of total GDP. In Nepal, this proportion is less than one percent. China and India opened up their policy to attract FDI. China and India have huge potential markets compare to Nepal and their FDI policy is consider being more liberal. Their infrastructure is also better; their government is more stable and national security better. In addition, their labor is not very costly in comparison to their skill and productivity. In addition to closing the resources gap, foreign investment is needed in Nepal to generate more gainful employment, directly and indirectly, it helps to solve the growing unemployment situation in Nepal. However present status of JV/MNCs is not very encouraging in relation to employment generation, and there is no mechanism in place to monitor the number of people actually employed in JV/MNCs.

MOCS (2009) in a book accepts that India is the foremost country in terms of having FDIs in Nepal, which is obviously due to its close proximity and traditional economic relation with Nepal and duty-free access of Nepalese products to India. The same is true in the case of China, although duty-free access to Chinese market is not available to Nepalese products. Similarly, in the case of other major countries, long diplomatic relations and people-to- people contacts have played a vital role in inviting foreign investments into Nepal.

GON (2011) in BIPPA agreement between government of Nepal and India defines investment means every kinds of asset established or acquired, including changes in the form of such investment, by investor of one contracting party in accordance with the laws of the other contracting party in the territory of the latter and particular, though not exclusively, includes:

- Movable and immovable property as well as other rights related thereto such as mortgages, liens or pledges;
- Shares in and stock and debenture of a company and any other similar forms of participation in a company;
- Claims to money or to any performance under contract having a financial value;
- Intellectual property rights, in accordance with the relevant laws of the respective contracting party;
- Business concessions conferred by law or under contract, including concessions to search for and extract oil and other minerals.

Furthermore, it defines investors as any national or company of a contracting party that has made an investment in the territory of the other contracting party.

Thapa (2013) in his article on The Kathmandu post dated August 22 states with a growing number of foreign investors expressing interest in setting up cargo business in Nepal, the government is planning to introduce new criteria for the registration of the business by foreigners. According to the author the Department of Industry (DOI) is preparing to fix an investment sealing of at least Rs 50 million and impose a provision that requires foreigners to assure that they would bring in new technologies. The imposition of the new criteria, according to DOI officials, is essential as foreign investors are registering cargo business with nominal investment.

2.2 Empirical Review of Literature

There has been several study made about FDI which gives a clear idea and relevancy of current study in order to real findings. Many national as well as international writers explain about FDI in national and international context, which are as follows:

2.2.1 International Context

Meier and Baldwin (1957) in their study find the Foreign Direct Investment as a complementary tool for encouraging local investment and enterprises. According to them it encourage local investment in two ways firstly, by entering into partnership with local entrepreneurs, and secondly by creating demand for ancillary of subsidiary products. To quote them "in many instances foreign direct investment may also help to induce more domestic investment, either in partnership with foreign capital or into local ancillary industries which the foreign enterprises has directly established".

Tuller (1992) in a UNCTAD handbook states FDI usually involves large amount of capital and may included wide variety of possible variation and combination of debt and equity. Once the project is up and running, additional funds may be required for working capital. If imports of materials and equipments, are necessary or if an expected program seems probable, standard export import trade financing may be needed in many respects a FDI utilities the same financing forms as domestic expansion project or business acquisition.

Working Group of the Capital Markets Consultative Group (2003) in a report finds following motivations and determinants of FDI in emerging market countries;

- Market size and growth prospects of the host countries play an important role in affecting investment location since FDI in EMCs is increasingly being undertaken to service domestic demand rather than to tap cheap labor.
- Wage-adjusted productivity of labor, rather than the cost of local labor *per se*, will increasingly drive efficiency-seeking investments of "footloose" firms that use EMCs export platforms.
- The availability of infrastructure is critical. EMCs that are best prepared to address infrastructure bottlenecks will secure greater amount of FDI.
- Except in some sectors, tax incentives (holidays) do not play an important role in determining investment location, although reasonable levels of taxation and the overall stability of the tax regime do.

Read (2007) in his research study clarifies that FDI has a potentially important contribution to make to the growth of developing economies in that it constitutes an additional source of investment capital (foreign savings). Further, flows of FDI embody additional complementary growth factors, including technology, knowhow and managerial expertise, as well as capital. FDI therefore, can be seen to be a potentially important contributor to the growth process in developing countries because it can accelerate the transfer, acquisition and absorption of new technologies and enhance the stock of human capital in recipient (host) countries.

Walsh and yu (2010) in IMF working paper describe there is long-standing impression among policymakers that FDI is more conductive to long-run growth and development than other forms of capital inflows. Arguments for this hypothesis have been diverse, but most often based on the idea that FDI brings with it foreign technology and management skills, which can then be adapted by the host country in other contexts. This impression is strengthened by the fact that rapidly growing economies tends to absorb more FDI, though with FDI both contributing directly to growth and with foreign companies naturally eager to invest in rapidly growing economies, the direction of causality is not clear.

UNCTAD (2011) in its study report suggests most LDCs have been making efforts to improve the invest environment over the years, through, for instance, reducing taxes, establishing an investment promotion agency (IPA) to better assist foreign investors and abolishing FDI related restrictions. To realize the full potential for increased investment flows to LDCs, more efforts are required by the countries themselves, as well as by the international community. Regulatory and other reforms have made several LDC economies more attractive to FDI.

OECD (2013) in its work states direct investment enterprises are corporations, which may either be subsidiaries, in which over 50% of the voting power is held, or associates, in which between 10 and 50% of the voting power is held or they may be quasi-corporations such as branches which are effectively 100% owned by their representative parents. The relationship between the direct investor and its direct investment enterprises may be complex and bear little or no relationship to management structures. Direct investment relationships are identified according to specific criteria.

2.2.2 National Context

Chitrakaar (1994) in his Ph.D. dissertation, made an extensive study on FDI in Nepal with cross country references of SAARC regions. This study based on primary as well as secondary sources, he analyze the trend and form of foreign investment, its determinants, facilities and incentives offered to attract it and causes of sluggish and disappointing flow of it in Nepal. He found that the flow of foreign investment in Nepal is less impressive than that of neighboring countries despite the adoption of more liberal policies and promised facilities and incentives.

Dangal (2002) in his M.A. dissertation studied the need, nature and extent of FDI in Nepal, observed the laws and policies and other general determinants of FDI including motivating factors affecting decision to invest in Nepal, problems and prospects of FDI in Nepal. His study supported by both primary and secondary sources revealed foreign investment scenario in Nepal has been dismal. Despite it's free market reforms and incentives, Nepal has attracted only a small portion of FDI flowing to South Asia. The analysis of flow of FDI in the country reveals that it commenced to flow remarkably into Nepal from the time when democratically elected first government of Nepali Congress adopted liberal policies in the matter of getting private domestic or foreign investors involved into the economic activities of a country.

FNCCI (2005) in its statistical book portrayed Nepal as a country to attract much less FDI inflow. This includes the data on joint ventures, and presents the present situation of the economy as well as legal provisions and useful information to the foreign investors. This can be useful to prospective investors as they can discern about the overall investment climate in the country.

Sharma (2008) in his research report finds out Nepal is an ideal destination for FDI owing to its rich natural endowment abundant and cheap labor force, huge market in neighboring countries, growing internal market, a well developed banking and non-banking financial institutions to cater investor’s need for finance, fully convertible current account, preferential entry of products in India and investor friendly government policy. Investment opportunities are open to almost every sector of economy from tea to mining industries. Tourism is the biggest business in the world and there is hardly a country that does not seek either tourists or investment in tourism. Uniquely, Nepal offers some of the most spectacular tourist attractions in the world. Similarly, Nepal is the second richest country in water resources. Therefore there is a greater prospect of attracting FDI for the proper exploitation of water resources, especially, for generating hydroelectricity. Likewise, mineral exploration and exploitation in some of the areas of the country offer promising prospects for FDI. Good prospect exist for the establishment of pharmaceutical industries, leather industries, carpet industries, industries for readymade garments, tea industries and agro and forest-based industries with foreign collaboration in Nepal.

NTIS (2010) notes that FDI in Nepal is particularly low when compared to other LDCs. This is in no small part due to weak infrastructure, poor labor relations, political instability, and governance issues that affect the country. A number of these issues are being addressed very seriously among political parties as the country processed with its transition to a new political regime. Some will take time to resolve as they require substantial time and financial commitment. Improvements suggested in the study include:

- Amending the draft Special Economic Zone (SEZ) bill to be followed by its voting and implementation. Proposed amendments include removing the 75% export requirement for enterprises based in the zone, though duties and tariffs for domestic production would remain. Also, the proposal is to replace the positive list with a negative list;
- Creating a designed institution-Board of Investment (BoI)- to promote investment in Nepal;
- Establishing a professional one-stop investor facilitation service in the BoI after-care policy advocacy through the Nepal Business Forum (NBF);
- Developing capacity to conduct investment promotion in the BoI;
- Developing an investment promotion action plan for the BoI based on a clear industrial policy.

DOI (2012) in its procedural manual for FDI clarifies the Twelfth Plan (Three Year Plan) is now being implemented since mid July 2010. The plan seeks to achieve a higher rate of sustained economic growth of 5.5% per annum by enhancing the competitive capability of industry and commerce sector. To achieve this target, greater emphasis has been given to the participation of private sector and the involvement of People at community level. The plan takes account of the need to attract foreign investment to meet the three-year capital requirement. The following policies have been spelt out, among others, for the industrial sector in the Twelfth Plan:

- Strengthening of legal, policy and institutional arrangements to facilitate the foreign investments.
- Foreign investments will be encouraged in those areas where the country has comparative advantage.
- Local and newly developed technologies will be encouraged for industrial development.
- Foreign investment will be attracted in infrastructures like hydropower, tourism and transportation.

Winkler (2013) in his research paper found that foreign investor characteristics matter for FDI linkages and supplier assistance, but the size and direction of the relationship depends on the measure of FDI spillover potential we used. For example, a multinational's presence in the host country is negatively associated with the share of domestically sourced inputs if the firm has been in the country for at least 20 years, but positively related with the percentage of domestic workers. Other foreign firm characteristics, on the other hand, show a less ambiguous picture. Market-seeking FDI, for example, shows a positive relationship with the share of sales to the host country as well as the probability of supplier assistance. And suppliers with the largest investor from SSA are associated with a larger share of sales to the local market and a higher likelihood of supplier assistance. Suppliers with the largest investor from Asia also sell a significantly larger share of output to the local market, but offer significantly less assistance to their domestic suppliers

2.3 Research Gap

All the researches mentioned in the review of literature are concerned with definition, structure of FDI, importance of FDI in developing country, its attracting factor, overall economic situation of Nepal and how FDI can play vital role to overcome all the problems and boost up economy. However, the role of FDI is crucial for employment generation. Therefore this research is conducted on the topic role of FDI in employment generation in Nepal.

CHAPTER-III

METHODOLOGY

2.1 Research Design

This is an empirical study on role of foreign direct investment in employment generation of Nepal. As the objective of the present study, this study explains the present status of FDI and employment generation by FDI in Nepal. Since the type of research design covers in this study are both descriptive and analytical in nature and the study is totally based on secondary data.

2.2 Sources of Data

Data which are necessary for the study are collected mainly from secondary sources. The data are collected from official, unofficial and electronic sources, which mainly include Department of Industry (DOI), Ministry of Industry, Commerce and Supplies (MOICS), TU Central Library, Federation of Nepalese Chambers of Commerce (FNCCI), Ministry of Finance (MOF), Center for Economic Development and Administration (CEDA), Central Bureau of Statics (CBS), various public libraries, the websites of various global and national institutions like- WTO, IMF, UNCTAD, NRB and other academic/educational websites.

2.3 Data Processing Procedure

All the relevant data and statistics are collected from related sector and divided under different headings and later tabulated according to the need of the study. The table prepared and presented in the study is derived from DOI, industrial statistics and economic survey of Nepal.

3.4 Data Analysis

The tabulated data are analyzed and interpreted with the help of different statistical tools such as- pie chart, bar diagram, averages and percentages. An analytical part of the study focus on the systematic presentation of data in sector wise, country wise, and scale wise.

The sector wise flow of FDI shows that, which one sector is most preferable to the foreigner and country itself. The year-wise flow of FDI is shown to see the trend of FDI in Nepal from 1990 to 2013. Also the country-wise flow of FDI gives us the information about the flow of FDI from various countries. Similarly, scale-wise flow of FDI gives us which one scale of industry is necessary in the country.

3.5 Definition of Key Terms Used in the Study

Investment: New capital addition to a firm's capital stock. Although capital is measured at a given point in time (a stock), investment is measured over a period of time (a flow). The flow of investment increases the capital stock.

Capital: Goods produced by the economic system that are used as inputs to produce other goods and services in the future.

Capital Market: The input/factor market in which households supply their savings, for interest or for claims to future profits, to firms that demand funds to buy capital goods.

Foreign Direct investment (FDI): According to the second edition of encyclopedia of economics, FDI is the acquisition of managerial control by a citizen or corporation of a home nation over corporation of some other host nation. Corporation that widely engaged in FDI are called "Multinational Companies", "Multinational Enterprises" or "Trans-National Corporation".

Foreign investment and technology transfer act (FITTA-1992) defines ' Foreign Investment' as investment made by a foreign investor in any industry in the form of share, reinvestment of the earnings derived from the investment and investment made in the form of loan or loan facilities.

Technology Transfer: The term 'Technology Transfer' is defined by Foreign Investment and Technology Transfer Act 1992 as transfer of technology to be made under any agreement between an industry and a foreign investor on the following matters:

- Use of any technological right, specialization, formula, process, parent or technical knowhow foreign origin.
- Use of any trademarks of foreign ownership.
- Providing any foreign technical consultancy, management and marketing services.
- The term 'foreign investors' is defined as any foreign person, firm, company or international institution which has invested money or technology transferred.

Multi National Company (MNC): MNC is defined as a corporation or enterprises that conducts and controls productive activities in more than one country.

Home Country: Home country is defined as the FDI investing country.

Host Country: Host country is defined as the FDI receiving country.

Trans National Country (TNC): TNC is a synonym of Multi National Company (MNC) known as global corporation or International Corporation.

Multi National Enterprises: Multinational Enterprises is a synonym of Multinational Company.

Portfolio Investment: Portfolio investment refers to the participation in overseas investment without any control over running of business. It involves the purchase of loan stock or shares in an overseas organization.

Developing Countries: The countries of Asia, Africa, the Middle East, Latin America and East Europe and the Former Soviet Union which are mainly characterized by low levels of living, high rates of population growth, low per capita income and generally, economic and technological dependence on developed countries.

Economic Growth: the steady process by which the productive capacity of the economy is increased over time to bring about rising levels of national output and income.

Savings: The portion of disposable income not spent on consumption by households plus profits retained by firms.

World Trade Organization (WTO): Geneva-based watchdog and enforcer of 1995 Uruguay Round Agreement. It replaced GATT.

World Bank: An international financial institution owned by its 181 member countries and based in Washington D.C.

United Nations Conference on Trade and Development (UNCTAD): A body of the United Nations, whose primary objective is to promote international trade and commerce with a principal focus on trade and balance of payments problems of developing nations.

International Monetary Fund (IMF): An autonomous international financial institution that originated in the Bretton Woods conference of 1994. Its main purpose is to regulate the international monetary exchange system, which also stems from the conference but has since been modified.

Globalization: The increasing integration of national economies into expanding international markets.

Gross Investment: The total value of all newly produced capital goods (Plant, equipment, housing and inventory) produced in a given period.

Capital Formation: Increasing the stock of real capital, which obviously helps in raising the level of production of goods and services.

Foreign Aid: Foreign aid refers to the international transfer made at concessional terms rather than at market rates for promoting economic development. The transfer includes both grants and loans.

Privatization: Selling public assets (Corporations) to individuals for private business interests.

Private Foreign Investment: The investment of private foreign funds in the economy of a developing nation, usually by multinational corporations.

CHAPTER-IV

STATUS OF FDI IN NEPAL

4.1 Background

The registration of JV/MNCs with foreign investment started during the interim period (1951-59). During this period, only three enterprises were registered in Nepal. The number reached 71 at the end of the Panchayat regime (1989). The registration of JV/MNCs has increased significantly since the restoration of multiparty democracy in Nepal in 1990.This is shown by the registration figure recorded by the Department of Industry (DOI). From 1990 to 1994, about 170 new MNCs were registered in DOI. The process of registration continued to accelerate, reaching 955 enterprises by mid April 2005 (DOI, 2005).

Historically, the flow of foreign investment in Nepal was very low. It naturally increased gradually with the growth of enterprises and recorded significant improvement during 1990s. The bilateral trade treaty with India in 1991 and its renewal in 1996 contributed much to this increase, along with the liberalization of trade and exchange rate regime, the implementation of bonded warehouse, the duty drawback system and incentive structure favoring export oriented industries. After peaking in 1997 at US 23 million per annum, foreign investment declined sharply, and has been improving only since 2000. Frequent change of and uncertainty caused by Maoist insurgency is considered the main factors responsible for the decline FDI during conflict period.

Government statistics show the number of JV/MNC and the amount of the foreign investment in increasing gradually each year. However, these increments are only on paper. The DOI does not follow up to see if approved industries are actually operating, closed or cancelled. This is one of the main obstacles to analyzing the contribution of foreign investment in Nepal. Of the total number of enterprises registered with DOI less than half are in operation in a way that actually affects the national economy (Gautam and Prasain, 2006).

4.2 Number of Industries Approved for FDI by Country of Origin

Available data for reflect that total number of approved industries for FDI in fiscal year 2012/13 is 317. Among this Indian project is 41, Chinese 97, USA 24, S.Korea 23, Japan 12, UK 10 and others 110.

Total number of industries from beginning up to F.Y. 2012/13 is 2652. The numbers of Joint Venture project from different countries are presented. This can be shown according to Annex-I.

Annex-I, shows numbers of industries and foreign investment in Nepal from different countries. This table illustrates that Indian joint venture projects are highest up to fiscal year 2012/13. Up to F.Y. 2012/13, 566 number of industries approved from India and total project cost for Indian venture is Rs. 75799.9, million in which share of India is 37618.57, million. This amount is 49.63 percent of total capital. 575 numbers of industries (from China) approved and total project cost for these industries is 20513.7 million in which share of Chinese venture project is Rs. 10631.99 million. This amount is 51.83 percent of total capital. Followed by USA (222), South Korea (194), Japan (179), UK (120) and from other countries (796). The size of Foreign Direct Investment from major countries such as USA 5518.56 million which is 5.81 percent of total foreign direct investment, followed by South Korea 6685.84 million (7.03 percent), Japan 1521.37 million (1.60 percent), UK 1663.61 million (1.75 percent).

Among all these investing countries highest number of industries from China and FDI are highest from India. India alone took 39.56 percent of the total FDI up to F.Y. 2012/13. Likewise china shares 11.85 percent of total FDI.

The table shows that 67 percent of FDI from six countries: India, China, Japan, USA, UK and South Korea. India alone accounts 39.56 percent of total FDI among these countries investing in Nepal. China covers 11.18 percent. Likewise, S. Korea 7.03 percent, USA 5.81 percent, UK 1.75 percent, Japan 1.6 percent hold share of total FDI.

India is the main investing country because for India it is easy due to no need of passport and visas for their nationals to get entry in Nepal. Similarly, Indian currency is freely convertible in Nepal. Special facilities and relationship with India regarding preferential trade agreements also urge Indian investors to Invest more in Nepal.

4.3 Number of Industries Approved for Foreign Direct Investment by Category (Up To F/Y 2069-70)

Number of FDI in different category can be shown as category-wise in following table.

Table 4.1

Category-wise number of Industries (Up to 2069/70)

(Rs. In Million)

Category	No. of Projects	Total Capital	Fixed Capital	Foreign Investment	Percent of FI
Agro And Forestry Based	118	3,286.72	2,322.46	1,969.10	2.07
Construction	43	3,705.34	2,753.10	2,862.81	3.01
Energy Based	57	55,386.96	54,346.74	20,271.47	21.32
Manufacturing	827	81,520.07	64,686.03	30,597.75	32.18

Mineral	48	5,968.32	4,713.34	3,657.94	3.85
Service	845	40,509.92	28,041.51	22,516.58	23.68
Tourism	714	25,713.71	24,040.91	13,210.55	13.90
Total	**2,652**	**216,091.04**	**180,904.09**	**95,086.20**	**100**

Source: Department of Industry, 2070.

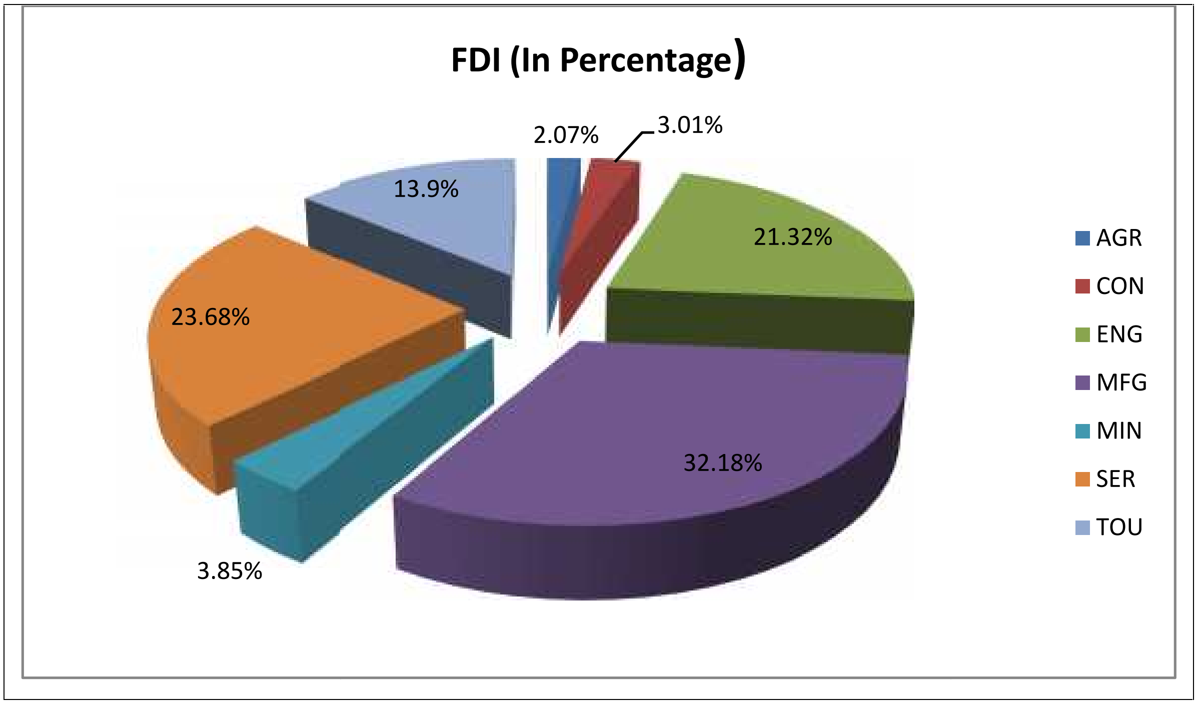
Table 4.1 shows number of industries approved for Foreign Investment. This table presents the sector wise inflow of foreign investment in Nepal. The table indicates the highest number of joint venture projects in service sector in Nepal. In service sector, 845 numbers of industries approved and this covers 31.87 percent of total numbers of joint venture projects in Nepal. In second position manufacturing sector lies with 827 numbers of industries approved for foreign investment, which covers 31.19 percent of total number of approved joint venture projects. Tourism sector takes third position, in which 714 numbers of joint venture projects approved and this covers 26.93 percent of total numbers of industries. Least priority sector for foreign investors is in construction sector, which covers 1.63 percent with 43 numbers of industries in total approved industries.

In terms of foreign direct investment, manufacturing sector holds the highest position with 32.18 percent of total foreign investment. Likewise, service sector covers 23.68 percent share of foreign investment. Construction sector covers 3.01 percent of total foreign investment.

Table 4.1 indicates highest percent of inflow of FDI is in manufacturing sector with 32.18 percent of total FDI. And second position hold by service sector with 23.68 percent of total FDI. In agriculture and forestry based sector inflow of FDI is very lower comparing with other sector, this is only 2.07 percent.

Figure-4.1

Category-wise Joint Venture Project in Nepal



Source: Based on the table 4.1.

4.4 Number of Industries Approved For Foreign Direct Investment by Scale (Up To F/Y 2069-70)

The scale wise number of industries approved for foreign investment up to fiscal year 2069-70 can be shown according to the following table.

Table 4.2

Scale-wise Number of Industries

(Rs. In Million)

Scale	No. of Projects	Total Capital	Fixed capital	Foreign Investment	Percentage of FDI
Large	228	165,769.77	149,190.95	62,061.26	65.27
Medium	295	25,374.30	14,992.13	15,090.91	15.87
Small	2,129	24,946.97	16,721.02	17,934.03	18.86
Total	2,652	216,091.04	180,904.09	95,086.20	100

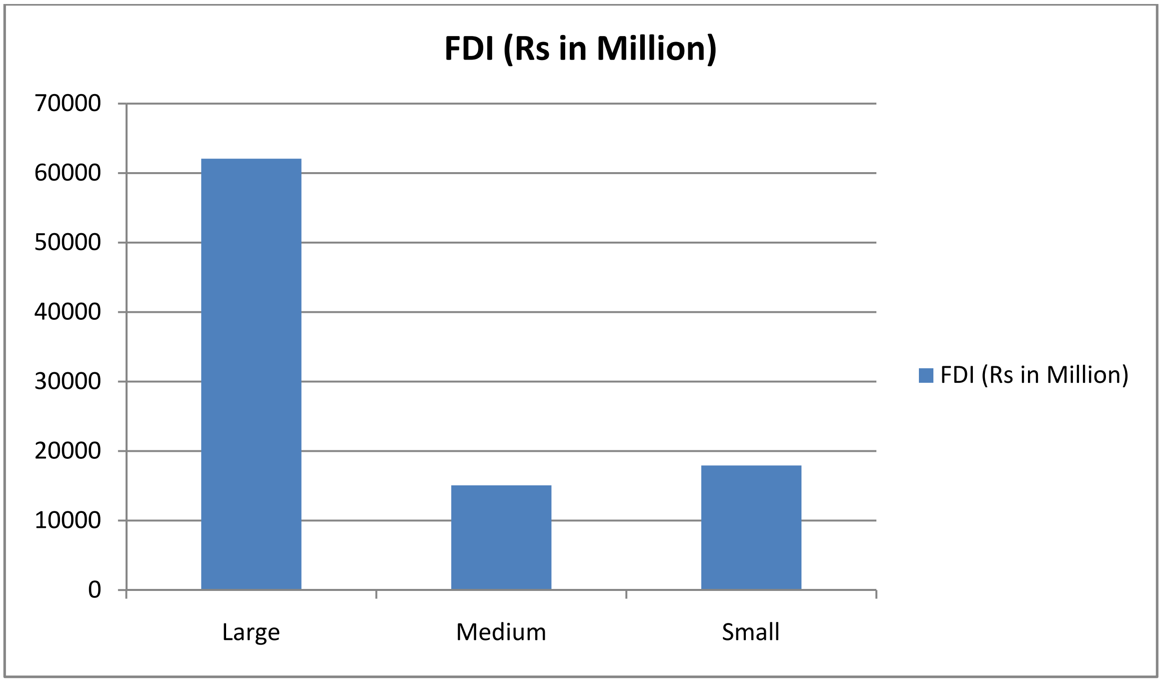
Source: Department of Industry, 2070.

Table- 4.2 shows that highest numbers of industries are in small-scale industries with 2129 industries. It covers 80.28 percent of total number of industries. Second position hold by medium size industries with 295 industries, and it covers 11.13 percent of total number of industries. Large size of industries is in third position with 228 industries and 8.60 percent share in total number of industries.

In context of FDI, highest flow of FDI is in large scale of industries with 65.27 percent share in total FDI. In second position there are small scale industries with 18.86 percent of total FDI. Medium size industries are in lowest position with 15.87 percent of total FDI.

Figure 4.2

Scale-wise FDI in Nepal

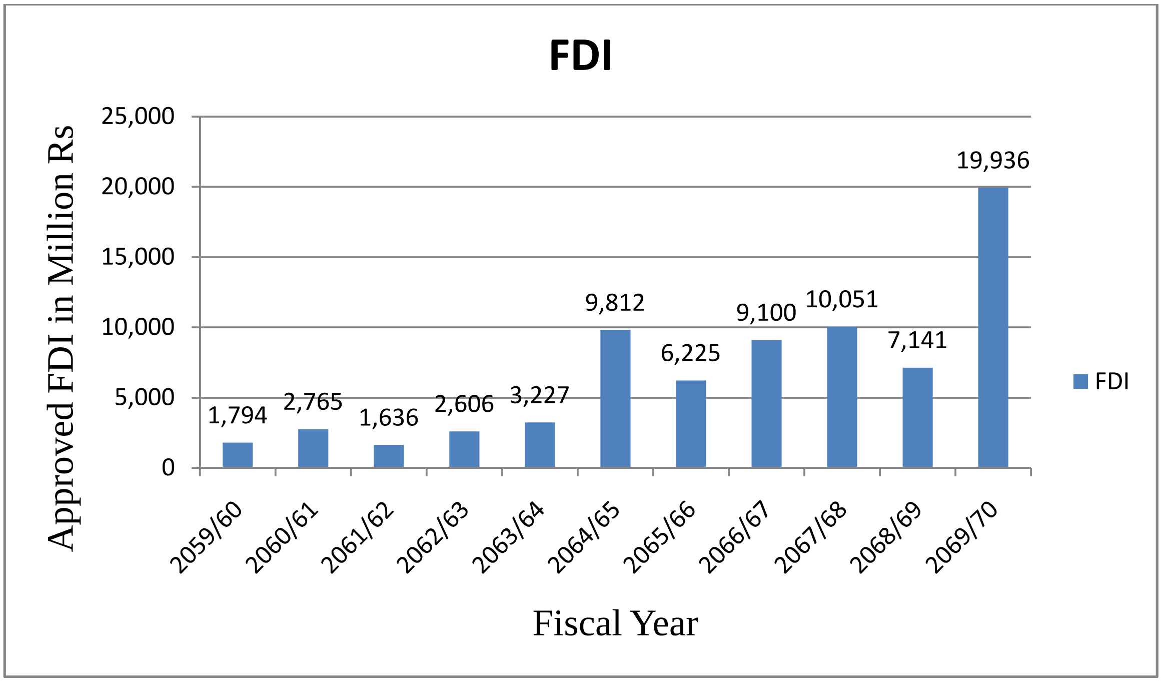


Source: Based on the table 4.2.

4.5 Number of industries approved for Foreign Direct Investment in different fiscal year.

Figure 4.3

Year-wise FDI in Nepal



Source: Department of Industry, 2070.

Figure 4.3 shows in fiscal year 2061/62 there is lowest inflow of FDI. This is due to disruption in security to invest because of Maoist insurgency. From fiscal year 2059/60-2063/64, FDI inflow cannot increase in large amount but after 2063/64 it starts increasing due to end of Maoist conflict. However, in fiscal year 2065/66 and 2068/69 FDI inflow is decreasing comparing to previous year, this is due to political instability. Now in fiscal year 2069/70 inflow of FDI is highest among last ten years. This significant increase in FDI is due to bilateral agreement and facilities for foreign investor to promote investment.

4.6 Number of Industries Approved for Foreign Direct Investment by District (up to F.Y. 2069/70)

District wise FDI inflow in Nepal is presented in following table.

Table 4.4

District-wise Structure of FDI in Nepal

Districts	No. of Industries	FDI (Rs in Million)	FDI (in Percent)
Kathmandu	1499	35516.21	37.36
Lalitpur	342	11525.64	12.12
Kaski	157	5144.37	5.41
Rupandehi	34	3221.29	3.38
Bhaktapur	55	3179.08	3.35
Makwanpur	55	2893.74	3.04
Bara	48	2275.68	2.39
Parsa	44	2147.35	2.25
Morang	29	2016.17	2.13
chitwan	57	1385.33	1.45
Kavre	55	1447.8	1.53
Others	277	24333.54	25.59
Total	2652	95086.2	100

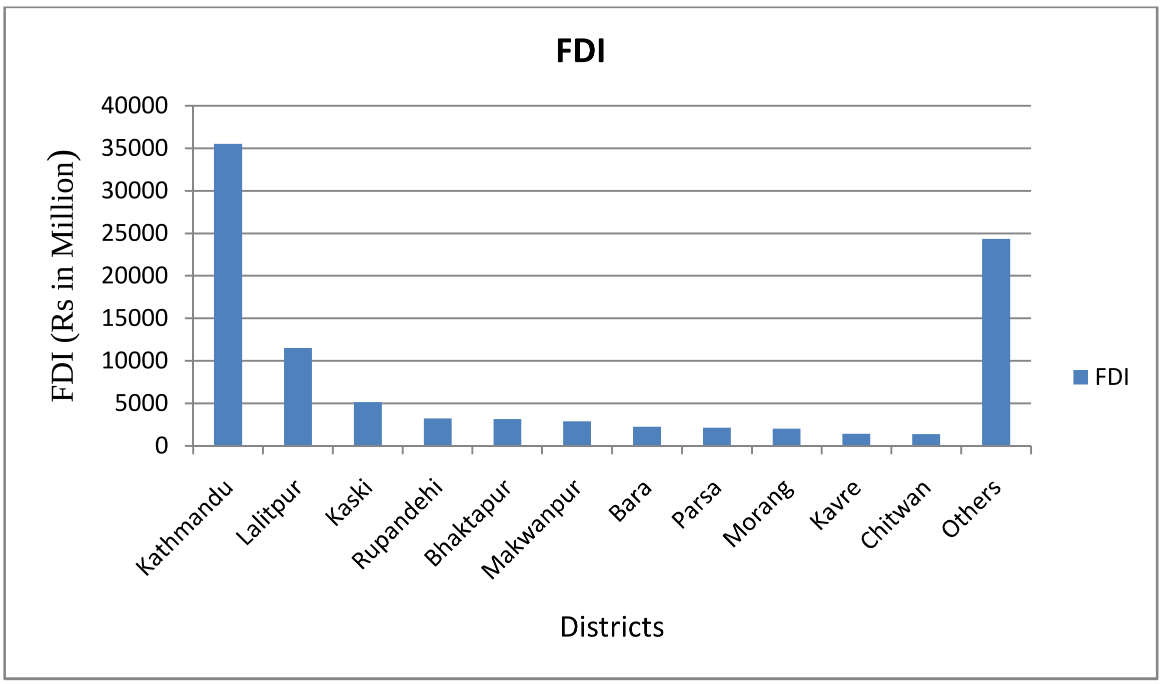
Source: Department of Industry, 2070.

Table 4.4 shows the highest number of industries that is 1499 is in Kathmandu. And second highest number of industries in Lalitpur, which is 342. Similarly 157 industries are in Kaski. Lowest number of joint venture projects, which is 29, in Morang. All District wise flow of foreign investment is shown in Annex-II

In the context of FDI, Kathmandu is in highest position with 37.36 percent of share in total FDI. In second position, Lalitpur lies with 12.12 percent share in total FDI. In the lowest position there is Chitwan with 1.45 percent share in total FDI. This table also concludes that FDI is concentrated in big city or in urban area. So this can increase regional disparity within country and this cannot break the problems of regional balance.

Figure 4.4

District-wise FDI



Source: Based on the table 4.4.

CHAPTER-V

EMPLOYMENT GENERATION BY FDI

Foreign direct investment play significant role to create employment opportunity. Foreign investment is also considered as a vehicle for creating employment opportunities and raising the domestic wages. One of the major motivations of government to promote foreign investment is to reduce the unemployment level and improve living standard of worker through adequate wage rate.

Foreign Investment and Technology Transfer Act 1996, The Privatization Act 1992, BIPPA Agreement between Nepal and India and many other Bilateral and Multilateral Agreement with many countries are main cause to promote foreign investment in Nepal. Moreover, Investment Promotion Board (IPB) is a primary agency responsible for foreign investment.

5.1 Employment Generation by Different Countries

The total number of employment beginning up to F.Y. 2012/13 is 181051. The number of employment generated by country wise is presented in Annex-III.

Total numbers of countries 76 have invested in various projects in Nepal. Among those Indian joint venture projects are creating employment for 61632 people, which is highest among all investing countries. Moreover, in Chinese joint venture projects 31594 people are employed. In addition 13729, 9156, 7696, 7436 numbers of people are employed in USA, UK, S. Korea and Japan joint venture projects respectively.

5.2 Employment Generated by FDI Projects in Different Fiscal Years (Up to F.Y. 2069/70)

Foreign Direct Investment beneficiates the host nation in various angle. Investment in any sector, financial or technical, human labor is essential to run the projects and to carry out organization goals.

Table 5.1

Employment Generation in Different Years

(Rs. In Million)

Fiscal Year	TPC	Foreign Investment	No. of Employment
UPTO ASHAD 2046	5102.80	449.56	10586
2046/47	2438.19	398.51	9515
2047/48	863.56	406.28	2974
2048/49	3508.17	597.84	5615
2049/50	17886.22	3083.67	13873
2050/51	3733.23	1378.76	4734
2051/52	1627.28	477.59	2386
2052/53	10047.47	9398.54	8032
2053/54	8559.25	2395.54	9347
2054/55	5569.38	2000.28	4336
2055/56	5324.42	1666.42	2146
2056/57	2669.09	1417.61	4703
2057/58	7917.62	3102.56	6880
2058/59	3318.53	1209.65	3731
2059/60	4921.82	1793.77	3572
2060/61	4323.74	2764.80	2144
2061/62	1796.10	1635.77	5559
2062/63	4121.08	2606.31	7358
2063/64	3425.57	2650.56	7389

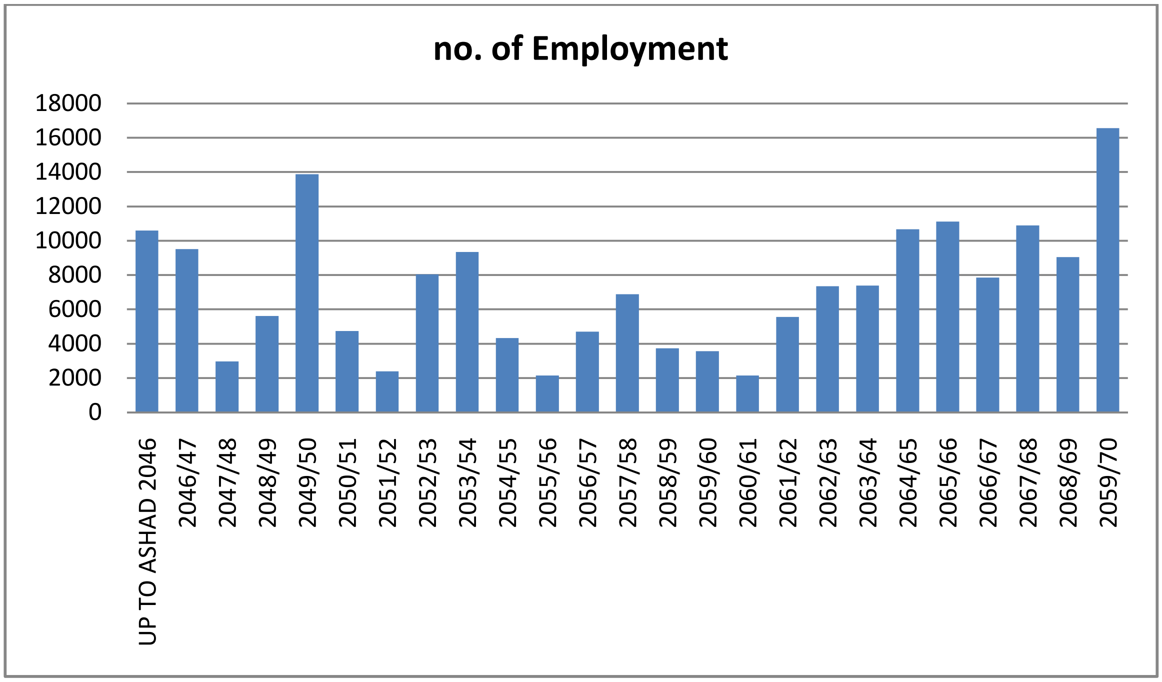
2064/65	20403.88	9811.00	10677
2065/66	9417.89	6255.09	11108
2066/67	15853.78	9100.00	7848
2067/68	11250.19	10050.71	10887
2068/69	11912.32	7140.81	9050
2069/70	51990.78	19936.23	16569
TOTAL	216091.04	95086.20	181051

Source: Department of Industry, 2070.

Table 5.1 shows the highest number of employment generated in Fiscal Year 2069/70, in this year total number of employment is 16569 and second highest employment generated in Fiscal Year 2049/50, in this year 13873 number of employment generated . Lowest employment generated in Fiscal Year 2060/61, in this year 2144 number of employment was generated. This is because of political conflict and insecurity.

Figure 5.1

Structure of Year-wise total number of Employment by FDI Projects



Source: Based on the table 5.1.

5.3 Employment Generated by Sector-wise FDI Projects (UP to F.Y 2069/70)

The number of employment in different sector can analyze with the help of following table and chart.

Table 5.2

Sector-wise Employment Generation

(Rs. In Million)

Sector	TPC	Foreign Investment	Employment	Share of Employment (in %)
Agro And Forestry Based	3286.72	1969.10	5754	3.18
Construction	3705.34	2862.81	3126	1.73
Energy Based	55386.96	20271.47	8945	4.94
Manufacturing	81520.07	30597.75	85257	47.09
Mineral	5968.32	3657.94	6631	3.67
Service	40509.92	22516.58	40536	22.39
Tourism	25713.71	13210.55	30802	17.01
TOTAL	216091.04	95086.20	181051	100

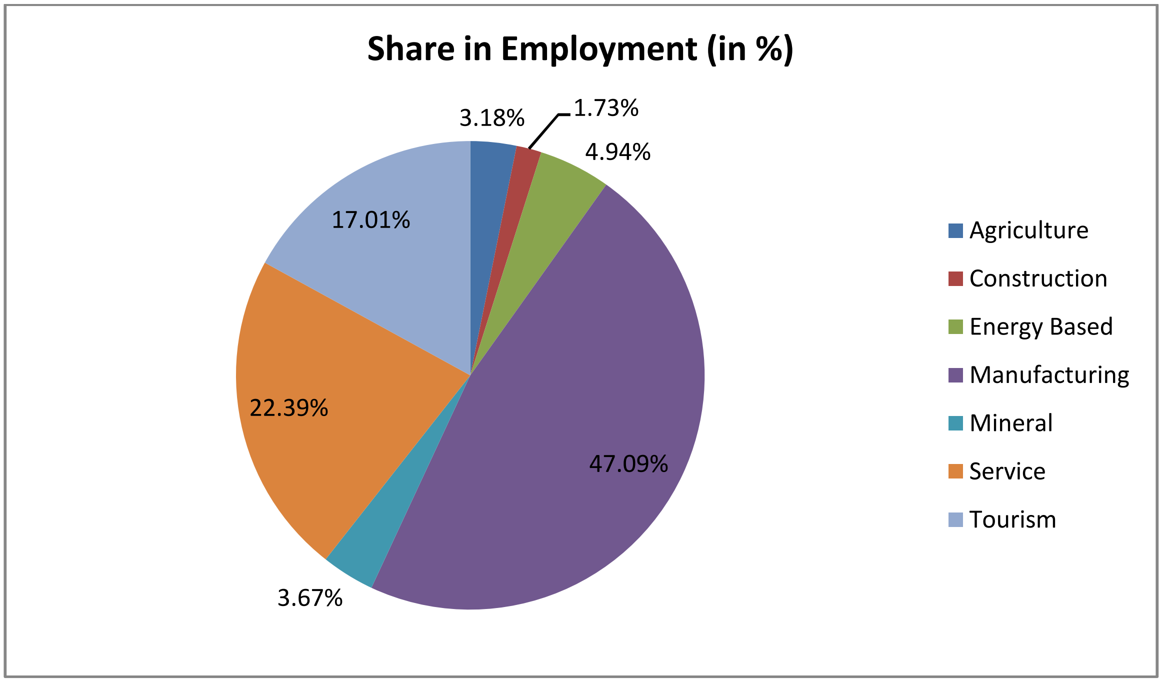
Source: Department of Industry, 2070.

Table 5.2 shows Manufacturing sector is in highest position, which created 85257 number of employment and 47.09 percent share in total number of employment. This sector also attracted more FDI comparing to other sector. After manufacturing, Service and Tourism sector contributed 22.39 and 17.01 percent of total employment respectively.

Agriculture, which is considered as backbone of Nepalese economy contributes 3.18 percent in total employment. Lowest percent of employment among all sectors is in Construction, which shares only 1.73 percent of total employment.

Figure 5.2

Sector Wise share in total Employment by FDI projects



Source: Based on the table 5.2.

Table 5.3

Sector-wise per unit Employment Generation Cost

(Rs. In Million)

Sector	No. of Industries	Total Project Cost	Foreign Investment	No. of Employment	Per unit Employment generation Cost
Agriculture	118	3286.72	1969.10	5754	0.35
Construction	43	3705.34	2862.81	3126	0.92
Energy Based	57	55386.96	20271.47	8945	2.27
Manufacturing	827	81520.07	30597.75	85257	0.36
Mineral	48	5968.32	3657.94	6631	0.55
Service	845	40509.92	22516.58	40536	0.56
Tourism	714	25713.71	13210.55	30802	0.43
TOTAL	2652	216091.04	95086.20	181051	

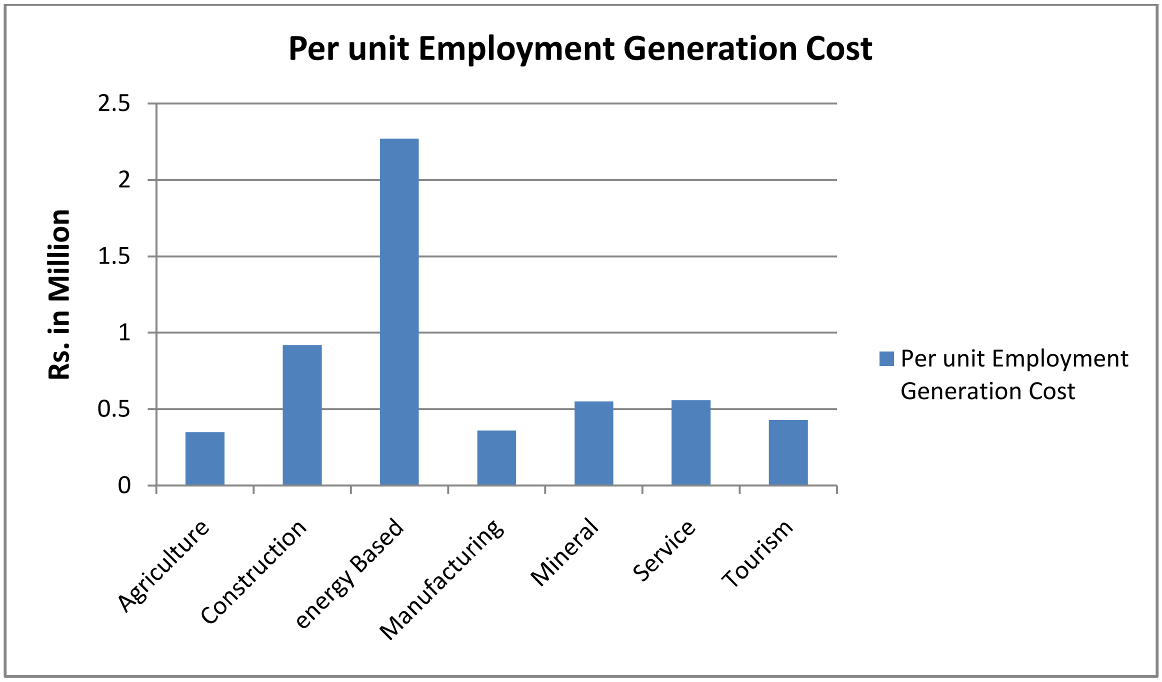
Source: Department of Industry, 2070

Table 5.3 shows that in energy based industries employment generation cost is Rs. 2.27 million, which is highest among all other sectors. In addition, in construction sector per unit employment generation cost is Rs. 0.92 million, which is second highest per unit employment cost. In agriculture sector, employment generation cost is lowest with 0.35 million.

Table 5.3 concludes that focus should be given to attract FDI in agriculture, Manufacturing, Tourism to generate more employment and to solve growing unemployment problem of Nepal.

Figure 5.3

Sector-wise Structure of per unit Employment Generation



Source: Based on the table 5.3.

5.5 Average Employment Generation by Fiscal Year (up to F.Y. 2069/70)

Table 5.4

Year-wise Average Employment Generation

(Rs. In Million)

Fiscal Year	No. of Industries	Foreign Investment	Employment	Average Employment
UPTO ASHAD 2046	58	449.56	10586	182
2046/47	30	398.51	9515	317
2047/48	23	406.28	2974	129
2048/49	38	597.84	5615	147
2049/50	64	3083.67	13873	217
2050/51	38	1378.76	4734	125
2051/52	19	477.59	2386	126
2052/53	47	2219.86	8032	171
2053/54	77	2395.54	9347	121
2054/55	77	2000.28	4336	56
2055/56	50	1666.42	2146	43
2056/57	71	1417.61	4703	66
2057/58	96	3102.56	6880	72
2058/59	77	1209.65	3731	48
2059/60	74	1793.77	3572	48
2060/61	78	2764.80	2144	27
2061/62	63	1635.77	5559	88
2062/63	116	2606.31	7358	63
2063/64	188	3226.79	7389	39
2064/65	212	9811.00	10677	50

2065/66	231	6255.09	11108	48
2066/67	171	9100.00	7848	45
2067/68	209	10050.71	10887	52
2068/69	227	7140.81	9050	39
2069/70	317	19936.23	16569	52
TOTAL	2652	95086.20	181051	2371

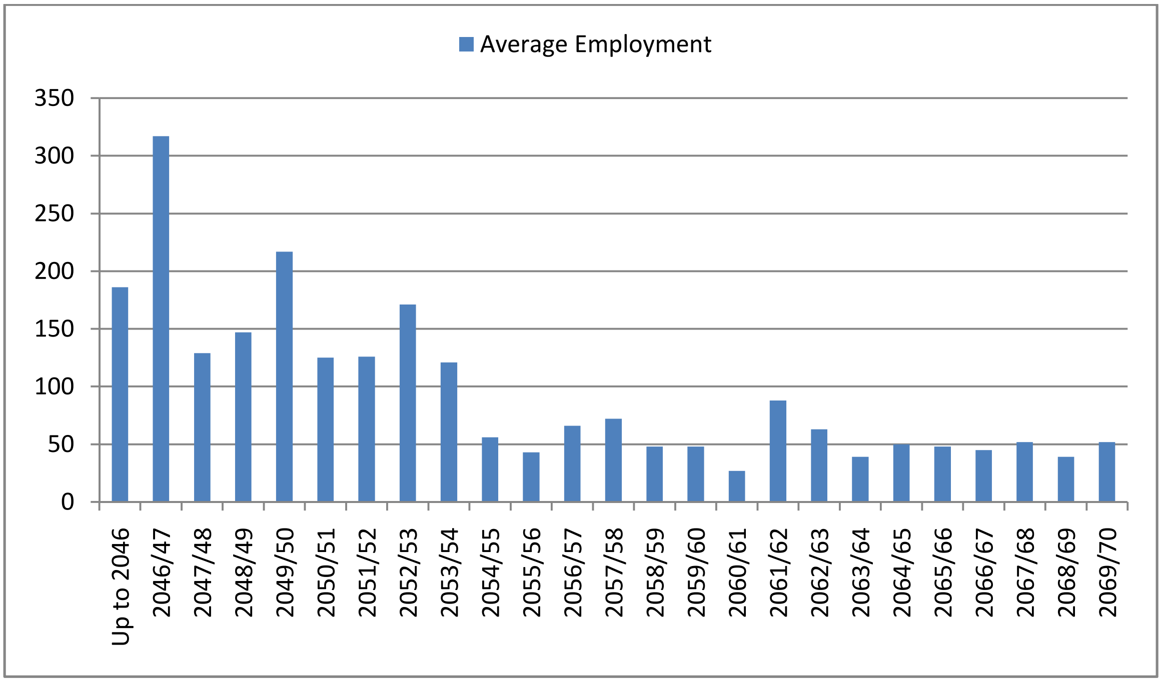
Source: Department of Industry, 2070

This table shows average employment from fiscal year 2046/47 up to fiscal year 2069/70. Among the total number of industries 2652, the average Employment 2371 and the total number of employment are 181051. Among all these years F.Y. 2069/70, contribute highest number of employment, which is 16569 and second highest is in F.Y. 2049/50, which is 13873. This table shows that up to 2046, total number of employment is 10586. But gradually the employment opportunity is decreasing and it reaches 5615 in fiscal year 2048/49. After this it again increase in huge number and reaches 13873 in fiscal year 2049/50.

This table 5.4 also gives information that among all these fiscal year, the highest number of average employment generation is in fiscal year 2046/47, which is 317 and second highest is in fiscal year 2049/50, which is 217. Similarly lowest number of average employment is 27 in fiscal year 2060/61.

Figure 5.4

Year-wise Average Employment Generation



Source: based on the table 5.4.

5.6 Scale-wise Structure of Employment Generation by Foreign Direct Investment (Up to F.Y. 2069/70)

Table 5.5

Structure of Scale-wise Employment Opportunity

(Rs. In Million)

Scale	FDI	Employment	Share of total employment (in%)	Per unit Employment Generation Cost
Large	62061.26	48446	26.76	1.28
Medium	15090.91	35026	19.35	0.43
Small	17934.03	97579	53.90	0.19
TOTAL	95086.20	181051	100	

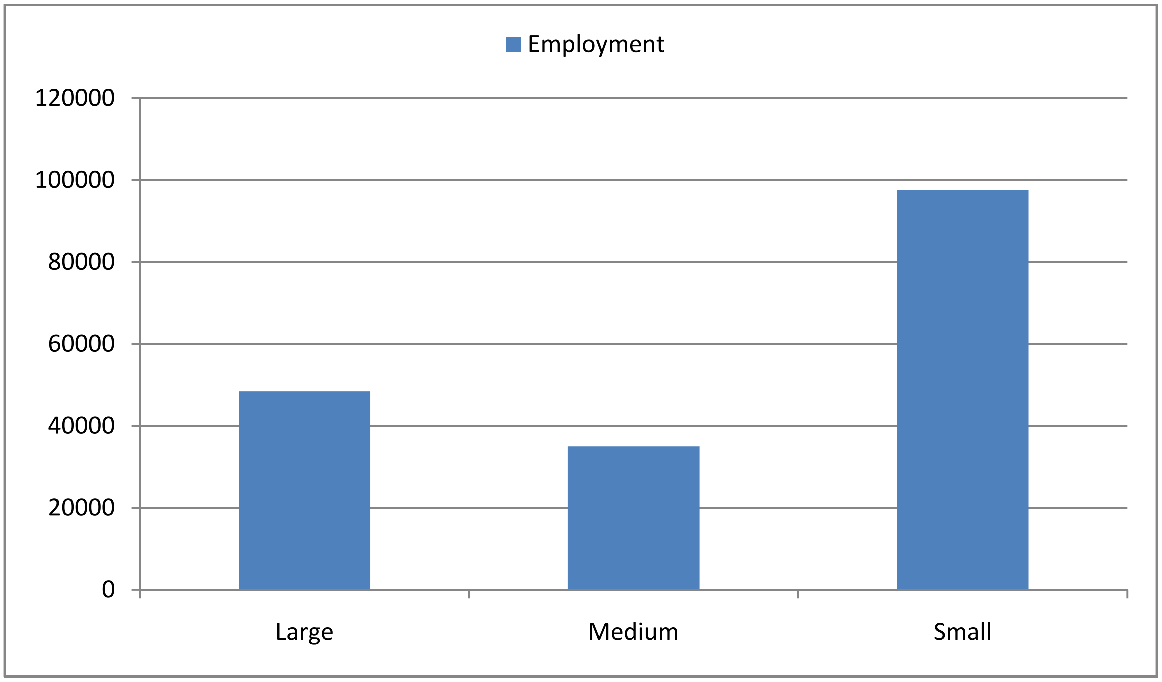
Source: Department of Industry, 2070

Table 5.5 provides the information that highest number of employment generated in small-scale industries, which is 97579 and it covers 53.90 percent of total employment. Secondly, large-scale industries employed 48446 numbers of people and covers 26.76 percent of total number of employment. In medium-scale industries 35026 people are employed, which covers 19.35 percent of total number of employment, this is lowest compared to other scale industries.

Similarly, the table predicts, per unit employment generation cost is highest in large-scale industries, which is Rs.1.28 Million. Second highest employment generation cost is in medium-scale industries with Rs.0.43 million per unit employment generation cost. Lastly, Rs.0.19 million per unit employment cost is in small-scale industries, which is cheapest among all other scale industries. So government should attract FDI in small-scale industries in order to create more employment opportunity in less cost.

Figure 5.5

Scale-wise Number of Employment Generated by FDI Projects



Source: Based on the table 5.5.

5.7 Employment Generation by FDI in different Districts (up to F.Y. 2069/70)

Employment in different districts by FDI projects has been analyzed with the help of following table

Table 5.6

Employment in Different Districts by FDI projects

Districts	No. of Industries	Foreign Investment (Rs. In Million)	Number of Employment
Kathmandu	1499	35516.21	81122
Lalitpur	342	11525.64	17838
Chitwan	57	1385.33	8497
Kaski	157	5144.37	6543
Parsa	44	2147.35	5738
Morang	29	2016.17	5138
Makwanpur	55	2893.74	4828
Bhaktapur	55	3179.08	4779
Kavre	55	1447.8	4719
Bara	48	2275.68	4671
Nawalparasi	27	1334.11	3535
Rupandehi	34	3221.29	3513
Jhapa	15	288.35	3334
Sunsari	23	1294.75	3199
Sindhupalchowk	11	1351.08	3016
Parbat	1	1.50	2614
Kanchanpur	16	180.72	1603
Banke	20	408.36	1596
Dang	10	304.9	1298

Kailali	5	221	1030
Nuwakot	11	233.7	1009
Siraha	5	2113.2	928
Dhading	12	2265	881
Gorkha	4	75.23	758
Rautahat	2	54.06	639
Manang, Tanah	1	47.01	635
Others	114	14160.57	7590

Source: Department of Industry, 2070

Table 5.6 shows that highest number of employment generated by FDI projects in Kathmandu, which are 81122. Secondly 17838 people are employed in Lalitpur by FDI projects. Similarly in Chitwan 8497 people are employed by FDI projects. And in other remaining districts number of employed by FDI projects are very low compared to developed districts.

CHAPTER-VI

PROSPECTS AND PROBLEMS OF FDI IN NEPAL

Every sector has problems as well as prospects. The FDI projects have potentialities in many aspects along with various problems. Among them, landlockness of the country, small sized market, inconsistent policies, infrastructural bottleneck, political instability, lack of technical knowledge, lack of electricity, deficiency of skilled and trained manpower, inadequacy in laws and corruption are well known problems of FDI in Nepal.

However here are some key problems and prospects for FDI attraction in Nepal.

6.1 Problems of FDI

- **Political Instability**: The country is politically unstable. Rules made by one government will be on trash because of frequently changing government. The labor unions are also politically hindering the investors.
- **Lengthy Government Procedure**: The government procedure is not simple and fast, investors have to wait for a long time to get a small work done. This is also demotivating factor for investors.
- **Infrastructure Bottleneck**: Government of Nepal could not provide the basic infrastructure to the investors in country. The supply of power, water, and electricity is insufficient whereas the facilities of roads are not good which makes transportation very complex and expensive.
- **Landlocked Nature of country**: Nepal is a landlocked country. So all the giant and heavy machinery has to be imported and land first on the port of Calcutta, India and then have to drive to Nepal, Which is a big problem for investors.

- **Power and Corruption**: Only a few industrialists, who have link with the higher power, are able to gain the facilities. On the other hand corruption is also demotivating investors.
- **Lack of Skilled Manpower**: Investors need skilled manpower as well as financial and technical aspects to establish their business. But in Nepal there is lack of technical and skilled manpower.
- **Small Sized Market**: Nepal is a small country in the world; on the other hand eighty percent area of Nepal is rural area. So size of market is very small, so due to this reason investors are not attracted in Nepal.
- **Lack of National Strategic Plan for Investment Promotion:** In Nepal there is lack of investment friendly plan on one hand and on the other hand, policy and acts are not compactable with international commitments. So there is need of such a national strategic plan which promotes investment.
- **Inadequacy in Laws:** In Nepal, laws, policies and structure of tax is instable, which creates problem to foreign as well as internal investors. Besides this laws and policies pertaining of foreign investor in Nepal have changed frequently which frustrate investors.

6.2 Policy Framework

- Interim Constitution (stated that the policy of attracting foreign capital and technology will be adopted)
- Introduces new Industrial Policy 2010
- Foreign Investment and Technology Transfer Act 1992
- 3 year Interim Plan has focused on attracting more FDI on selective sectors: (hydropower, tourism, service sector and infrastructure.)
- Double taxation avoidance agreement with 10 countries.
- Policy and institutional provision made to implement the commitments made during WTO membership
- Policy in pipeline:

(a) Special Economic Zone bill
(b) Foreign Direct Investment
(c) One Window Policy

- Act related to Non Resident Nepalese
- To make compatible with WTO, SAFTA and BIMSTEC provision, Nepal Government going to introduce new Industrial Enterprise Act
- Bilateral Investment Promotion and Protection Agreement (BIPPA) with six countries

6.3 Incentives and Facilities Provided by Existing Policy and Laws

- Duty exemption
- Duty drawback
- Bonded warehouse facility
- Visa arrangement (business visa for 5 yrs. At a time with multiple entry)
- Commitment not to nationalize industrial property
- Easily Acquiring land for Industrial purpose
- Real Estate Property Rights
- Investment and repatriation
- Abundant cheap labor force

6.4 Prospects of FDI in Nepal

Nepal is rich in natural resources and bio diversity. It possesses diverse topographical structure, multitude soil variety and varied climatic environment because of which various biotic being are in existence here. Because of existence of these various living and non-living beings, there is possibilities of various type of industries. Hence, some major investment possible areas in Nepal are as follow;

- Hydropower Industries
- Manufacturing Industries
- Mining Industries

- Construction Industries
- Tourism Industries
- Service Industries
- Industries based on agriculture and forest products
- Information and Communication Industries

CHAPTER-VII

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

7.1 Summary of Findings

Summary of findings are as follows:

1. Economic indicators shows that Nepal's performance is very low in terms of GNI per capita, commercial viability of natural resources, the extent of poverty and human development prospects. Since, Nepal has not been able to mobilize its existing resources; FDI is a crucial factor to mitigate all these problems.
2. Although various policy and legal reforms have been undertaken and incentive provided for FDI to attract more FDI, the country has been able to attract mere limit inflows of FDI, mostly in urban areas and mainly from India, China, S. Korea and USA.
3. According to present study, the constraining factors for foreign investment in Nepal are inadequate infrastructural base, poor state of law and order, lack of skilled and trained manpower, landlockedness position of the country, small market size, bureaucratic hassles, and other trade issues and inadequacies and inconsistencies in policies.
4. Among all 76 countries invested in Nepal, India, China, S. Korea, USA, UK, Japan are major FDI source. India alone shares 39.56 % of total FDI and 21.34% projects in all sectors. This shows that FDI is mainly concentrated from India compared to other countries.
5. By scale FDI is concentrated mainly in small scale industries with 2129 number of industries which is 80.27% of total projects, while medium and large scale industries are in second and third position. This indicates that FDI is directed to small scale industries.

6. By category, out of total 2652 FDI projects Service sector received 845 FDI projects which is 31.86% of total FDI projects. Secondly, manufacturing sector attracts 827 projects which is 31.18% of total FDI projects. Likewise, Tourism, Agro based, Energy based, Mineral and Construction category lies in third, fourth, fifth, sixth and seventh position. This shows that FDI projects concentrated more in service category industries.

7. Despite various constraints faced by foreign investors, Nepal possesses a lot of prospects to attract foreign investors because of small bureaucracy, friendly socio-cultural environment and high incentives and facilities available in the country. The availability of cheap labor force, growing markets and other raw materials also attract them to invest in the country.

8. The prospective investment areas in Nepal include agriculture and agriculture related production, manufacturing industries, such as readymade garment and carpet, hydropower, tourism and service industries.
9. Even if both saving and investment are growing; the growth rate of saving is lower than growth rate of investment, which causes the widening saving-investment gap in Nepal. Due to high investment-saving gap, the inflow of FDI has become essential in order to maintain the targeted growth rate. The FDI has contributed to bridge the saving-investment gap to some extent.
10. Thus FDI provides employment opportunity, access to the global market, access to new technology, mobilize the internal source of the host country. Furthermore, it gives contribution in balance of payment by exporting product in other countries.

7.2 Conclusion

The registration of JV/MNCs with foreign investment started during the interim period (2008-16). During this period, only three enterprises were registered in Nepal. The number reached 71 at the end of the Panchayat Regime (2046). The registration of JV/MNCs has increased significantly since the restoration of multiparty democracy in Nepal in 2047.This is shown by the registration figure recorded by Department of Industry (DOI). From 2047 to 2051, about 170 new MNCs were registered with the DOI. The process of registration continued to accelerate, reaching 955 enterprises by mid April 2062(DOI, 2062). Up to fiscal year 2069/70 2652 number of industries registered with foreign investment. In 2048, about three quarters the enterprises with foreign investment were concentrated in the manufacturing sector, this ratio decline as the flow of foreign investment increased in other sectors.

Historically, flow of foreign investment in Nepal was very low in the beginning. Then it gradually increased with the growth of growth of the enterprises and recorded significant improvement during 2047-2057.The bilateral trade and treaty with India in 2048 and its renewal in 2053 contributed much to this increase, along with the liberalization of trade and exchange rate regime, the implementation of bonded warehouse, the duty drawback system and incentive structure favoring export oriented industries. After peaking in 2054, foreign investment declined sharply and has been improving only since 2057. Frequent change of and uncertainty caused by Maoist insurgency is considered the main factors responsible for the decline FDI (UN, 2003). And after 2064 foreign investment increased significantly, this is due to peace process between Maoist and Government of Nepal.

FDI Inflow

Inflow of FDI from total 76 countries made investment in Nepal as up to F.Y. 2069/70. Among them Chinese joint venture project is at highest position with 575 number of industries, India is in second position with 566 number of industries. However, India is in highest position in inflow of foreign investment with Rs

37618.57 million and China is in second position with Rs 10631.99 million foreign investment. After that joint venture project of USA, are 222 industries in number but lower amount of FDI that is Rs 5518.56 comparing to other country South Korea having 194 numbers of industries with Rs 6685.84 million of foreign investment. Similarly, UK with 120 numbers of industries having Rs 1663.61 million FDI and so on.

In fiscal year wise FDI since beginning up to F.Y. 2069/70, total foreign investment is Rs 95086.20 million. Among these all year highest number of industries approved for foreign investment is in F.Y. 2069/70 which is 317 industries having Rs 19936.23 million. Second highest is in F.Y. 2067/68 with Rs 10050.71 million foreign investment having lower number of industries 209 compared to F.Y. 2068/69, which have even more industries 227 but lower FDI that is Rs 7140.81 million. Thirdly, in F.Y. 2064/65, 212 industries with Rs 9811.00 million foreign direct investment. In F.Y. 2066/67, 2068/69, 2065/66 and 2063/64 the number of industries are 171, 227, 231 and 188 respectively and FDI are Rs 9100, Rs7140.81, Rs 6255.09, and Rs 3226.79 million.

In sector wise industries highest foreign investment up to F.Y. 2069/70 is Rs 30597.75 million in Manufacturing sector and in this sector number of industries are 827, which is second highest among all other sector. After that Service sector is in second highest among all in foreign investment with Rs 22516.58 million having 845 numbers of industries which is highest in number among all other sector. Similarly Energy based industries, having Rs 20271.47 million foreign investments with 57 numbers of industries is in third position in foreign investment. Followed by Tourism sector with Rs 13210.55 million having 714 industries, Mineral sector with 48 industries having Rs 3657.94 million foreign investment, Construction sector with 43 industries having Rs 2862.81 million foreign investment and Agro and Forestry based sector lies in lowest position with 118 industries having Rs 1969.10 million Foreign investment.

These above data shows that Agriculture sector is in least priority among all other sector for the foreign investor. In this sector Share of foreign investment is only 2.07 percent of total investment. On the other hand, Manufacturing sector is in first priority for foreign investor, this sector covers 32.18 percent of the total foreign investment.

In scale wise industries, highest amount of FDI is in large scale industries which are Rs 62061.26 million but number of industries is lowest among other scale industries which are 228. After that in small scale industries FDI inflow is Rs 17934.03 with 2129 number of industries (this is highest among other scale industries number). In addition, in medium size industries Rs 15090.91 million FDI with 295 numbers of industries lies in lowest position in context of foreign investment.

Analyzing District wise FDI inflow up to F.Y. 2069/70, highest number of industries and investment is in Kathmandu which is 1499 number of industries with Rs 35516.21 million FDI. After that Lalitpur is in second position with 342 numbers of industries with Rs11525.64 million foreign investments. In Kaski 157 number of industries with Rs 5144.37 million foreign investments. And 34, 55, 55, 48, 44, 29, 57, 55, numbers of industries in Rupandehi, Bhaktapur, Makwanpur, Bara, Parsa, Morang, Chitwan and Kavre respectively and 277 in other countries.

Employment Generation by FDI

While studying about employment generation by FDI projects in Nepal, employment generated by FDI projects is not satisfactory comparing to other neighboring countries. And employment opportunity is concentrated only in urban areas. Employment generation and number of joint venture projects in Mid Western and Far Western areas are very low.

Analyzing country wise employment generation by FDI projects up to F.Y. 2069/70, highest number of employment is generated by Indian joint venture projects, which is

61632. Secondly there is Chinese joint venture with 31594 number of employment generation. Lowest employment is generated by Czech Republic, which is 12.

Analyzing Fiscal year wise employment generation by joint venture projects highest number of employment is generated in fiscal year 2069/70, in this year total number of employment is 16569. Second highest number of employment created in F.Y. 2049/50, which is 13873. In third position F.Y. 2065/66 lies with 11108 employment creation. The data shows employment created by FDI projects fluctuate in different fiscal year, sometime increases and sometime decreases and it is not increased in increasing trend.

While analyzing category wise employment generation by FDI up to F.Y.2069/70, we can see the highest number of employment generated in Manufacturing sector, in this category total number of employment generated is 85257. In second position lies Service sector with 40536 number of employment generation. Lowest number of employment is generated in Construction sector, in this sector 3126 number of employment is generated.

Analyzing scale wise employment generation up to F.Y. 2069/70, highest number of employment is generated in Small scale industries, which is 97579. In second position lie Large scale industries with 48446 number of employment generation. Lowest number of employment is 35026, which is generated in Medium scale industries. On the other hand per unit employment generation cost is lowest in Small scale industries; this data gives information that highest employment is generated in Small scale industries, so to increase more employment Government should adopt such policy which can increase FDI in small scale industries.

When studying district wise employment generation by FDI projects up to F.Y.2069/70, we can see that highest number of employment created in Kathmandu, this is 81122. In second position lies Lalitpur with 17838 number of employment creation. However very lowest employment generation by FDI in Mugu, which is 18 and in Doti it is 33.

7.3 Recommendations

Based on the present study and its findings, following recommendations are suggested in order to attract more FDI in Nepal:

1. Political Stability and Peace: As political stability and peace are essential factor for attracting greater volume of FDI in Nepal, that's why political stability and peace should be restored.

2. Development of Infrastructure: Nepal is still facing lack of electricity, skewed distribution of roads, communication network highly concentrated in a few towns, which discourages investors. Therefore, it is necessary to have dose of investment for the expansion of infrastructural base in the economy with the concentrated effort in those regions where these facilities are poor.

3. Maintain Harmony and Consistency in Between Acts, Policies and International Commitments: As Nepal has become member of WTO; the FDI policy should be compatible with the commitment to those international organizations. Furthermore, there are contradictory existence between foreign investment acts and policies, trade policies and other law and acts, which should be eliminated.

4. Establishment of Law and Order and No Political Intervention: The law and order situation is crucial for foreign investors so it should be properly established and simplified. There is also a must to inform the foreign investors about the law and act governing FDI and the facilities and incentives along

with this. Furthermore, FDI Friendly climate should be created and it should be far from political intervention.

5. Operate One Window Policy Effectively: In context of Nepal, the establishing one window mechanism is felt not effective as much as it should be for attraction for FDI. So it is suggested to activate and strengthen the one window policy, which facilitate foreign investor by one door shop facility. So that any industrialist carry out business activity without facing any botheration of going door of government for permission on one hand and on the other can get the facilities given by existing law, acts and policies.

6. Encourage Foreign Investor to Invest in Agriculture Sector: Economy of Nepal is agriculture based and employment generation cost is also low in this sector but this sector is not preferable for foreign investor. So to attract more foreign investment and generate more employment in low cost, Government should adopt such policies which encourage foreign investor to invest in agriculture sector.

7. Establishment of Research and Development Institutions: If we explore the potential areas of investment, natural resources hitherto unexplored and other natural resources, the domestic or foreign investor may get impetus for active involvements in economic activities, particularly for the expansion of trade with other countries and thereby achieving targeted rate of growth, high living standard of people and alleviating poverty. However, Nepal is lacking adequate research and development institutions. So to achieve development in faster pace and gain all round development it is must in Nepal.

8. Conduct Workshop and Seminar: It is necessary to launch a workshop and seminar among foreign and domestic investor to give information about potentiality and profitability of Nepalese economy, laws and acts governing

FDI and facilities and incentives. It should be launched domestically and internationally as per the requirements.

9. Making Strong Networking: It is necessary to make strong networking among the Nepalese investors with the foreign investors through FNCCI, NCI and other umbrella organizations.

10. Visas and Repatriation Procedures: there is need for a speedy granting of visa to the foreign investors or authorized representatives of foreign companies on the recommendations of FNCCI on preferential basis, granting of multiple entry visa for the businessmen and their dependents and an increase in the period of residence visa.

11. Establishing Technical Institutions: In order to produce technical manpower for industries like manufacturing, service, energy-based, and tourism, there is need of establishment of technical institutions which promotes FDI.

12. Flexible and Relevant Labor Act: the existing labor act should be reviewed and should be made it more flexible and investment-friendly in order to attract more FDI.

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ANNEX-I

Number of Industries Approved for Foreign Investment by Country of Origin (up to F.Y. 2069/70)

(Rs. In Million)

S.N.	Country of origin	No. of industries	Total capital	Total fixed capital	Foreign investment
1	Afghanistan	2	5	4	5
2	Argentina	1	8	7.1	8
3	Australia	44	527.91	450.91	447.77
4	Austria	17	215.56	166.16	88.36
5	Azerbaijan	3	25.9	20.6	25.9
6	Baharain	1	70	20	70
7	Bangladesh	33	597.15	326.6	332.56
8	Belgium	13	101.37	76.2	89.44
9	Bermuda	6	1995.25	1694.03	118.27
10	Bhutan	4	32.26	23.08	8.61
11	Brazil	7	566.07	532.88	545.83
12	Bri. virg.is	9	11182.2	8872.09	4788.83
13	Cambodia	1	5	2.5	5
14	Canada	31	7104.87	6889.58	2600.74
15	China	575	20513.7	17119.9	10631.99
16	Colombia	2	34.1	27.9	8.7
17	Congo	1	2.5	2.1	2.5
18	Croatia	1	2.5	2.1	2.5
19	Cyprus	2	1010	982	307
20	Czech Republic	1	3.5	2.5	3.5
21	Denmark	28	913.19	794.16	259.54
22	Ecuador	1	2.5	1.3	2.5

23	Egypt	3	22.1	16.2	14.1
24	Eritrea	1	2.5	1.8	2.5
25	Finland	5	25	19.76	14.55
26	France	62	681.75	567.17	376.2
27	Germany	88	2476.33	2223.28	1019.62
28	Ghana	1	6.5	6.18	1.95
29	Guatemala	1	10	5	2.5
30	Hong Kong	23	10281.5	7343.34	3778.34
31	Hungeri	1	10	8.9	5
32	India	566	75799.9	62020.1	37618.57
33	Iran	10	59.7	42.95	53.2
34	Ireland	6	723.9	680.6	340.97
35	Israel	13	685.2	569.94	143.25
36	Italy	27	1534.31	1390.81	373.15
37	Japan	179	4012.33	3444.68	1521.37
38	Kazakistan	3	15.4	13.03	15.4
39	Kyrgystan	4	36.5	32.05	22.5
40	Lebnon	2	7	5.5	7
41	Libiya	1	5	2.8	5
42	Malaysia	19	793.74	731.22	341.78
43	Mauritius	6	3030	2956.37	2895
44	Mexico	3	28.73	25.85	26.13
45	N. Korea	3	64.82	58.8	32.55
46	Netherlands	49	2167.49	1269.25	1345.82
47	New Zealand	11	317.63	257.71	51.07
48	Norway	12	8116.59	6766.8	1135.83
49	Pakistan	17	2179.28	1891.97	157.06
50	Panama	1	83.28	65.17	24.98
51	Philippines	13	1192.12	1018.28	108.28
52	Poland	7	138.22	128.55	55.39

53	Portugal	1	2.5	2	2.5
54	Qatar	1	570	267	147
55	Russia	23	355.86	272.49	208.09
56	S. Africa	5	47.3	37.84	47.3
57	S. Korea	194	10735	10091.8	6685.84
58	Seychelles	1	7600	7372	684
59	Singapore	31	7156.32	6441.84	2135.39
60	Slovenia	2	34.19	29.94	34.19
61	Spain	16	2146.52	2073.14	1897.23
62	Sri Lanka	5	93.15	68.1	51.41
63	Sweden	10	45.4	35.66	42.6
64	Switzerland	42	1203.36	1082.24	784.53
65	Syria	4	25	20.7	25
66	Taiwan	9	414.75	360.43	174.62
67	Tchad	1	2.5	1.86	2.5
68	Thailand	11	1032.37	884.79	116.29
69	Turkey	13	627.7	575.32	640.2
70	UAE	12	4790.57	1952.04	2291.16
71	UK	120	4835.76	4267.54	1663.61
72	Ukraine	4	131.7	120.15	48
73	USA	222	14771.2	13327.2	5518.56
74	Uzbekistan	2	15	11.2	15
75	Vietnam	2	24.6	22.8	24
76	Yemen	1	5	4.2	5
	TOTAL	**2652**	**216091.04**	**180904.09**	**95085.6**

(Source: department of Industry, 2070)

ANNEX-II

District wise Structure of FDI (up to F.Y. 2069/70)

(Rs. In Million)

S.N.	Districts	No. of Industries	Total Project cost	Total Fixed cost	Foreign Investment
1	Dhankuta	1	46.62	37.62	0
2	Illam	5	309	256.44	267.76
3	Jhapa	15	1051.14	677.4	288.35
4	Morang	29	3783.23	2907.81	2016.17
5	Okhaldhunga	1	250	245	19
6	Sankhuwasabha	1	500	488	500
7	Saptari	3	430	394.5	299.4
8	Siraha	5	3464.02	3058.89	2113.2
9	Solukhumbu	11	3289.17	3145.09	1008.13
10	Sunsari	23	2366.67	1732.17	1294.75
11	Taplejung	2	12.1	10.14	11.9
12	Bara	48	7790.55	6077.35	2275.68
13	Bhaktapur	55	4702.86	3834.88	3179.08
14	Chitwan	57	4801.55	3951.04	1385.33
15	Dhading	12	2504.89	2432.2	2265
16	Dhanusha	3	291.04	249.71	165.52
17	Dolakha	5	5800.2	5281.03	1505.73
18	Kathmandu	1499	76798.04	62456.94	35516.21
19	Kavre	55	2128.49	1795.68	1447.8
20	Lalitpur	342	14805.64	9146.99	11525.64
21	Makwanpur	55	7790.88	6037.07	2893.74
22	Nuwakot	11	2350.58	2213.35	233.7
23	Out of Valley	1	24.34	21.22	24.34

24	Parsa	44	3492.91	2456.5	2147.35
25	Ramechhap	1	291.34	237.89	262.21
26	Rasuwa	6	4622.4	4472.28	3236.43
27	Rautahat	2	569.18	515.78	54.06
28	Sindhuli	1	9	7.7	9
29	Sindhupalchowk	11	7092.73	6818.59	1351.08
30	Terai Region	1	60	55	16
31	Arghakhachi	2	1342.09	199.27	449.6
32	Baglung	1	500	250	500
33	Gorkha	4	704.09	648.32	75.23
34	Kalikot	1	0	1800	1520
35	Kapilbastu	9	421.71	206.42	307.81
36	Kaski	157	18781.51	17708.88	5144.37
37	Lamjung	6	2319.93	2267.25	519.35
38	Manang	2	915	898	203
39	Manang,Tanah	1	75	69.75	47.01
40	Mustang	3	464.24	451.01	3.57
41	Myagdi	1	15	11.8	15
42	Nawalparasi	27	7835.34	6976.89	1334.11
43	Palpa	3	339.5	190.78	314.4
44	Parbat	1	1100	1089	1.5
45	Rupandehi	34	6251.29	5147.92	3221.29
46	Tanahu	5	133.02	104.7	81.5
47	Undefined	2	225	134.06	27
48	Banke	20	2085.23	1880.34	408.36
49	Bardiya	10	114.68	91.26	81.94
50	Dang	10	4784.9	4490.4	304.9
51	Humla	6	51	43.2	29.24
52	Mugu	1	8.6	6	8.6
53	Rolpa	3	32.22	28.31	29

54	Surkhet	4	3617.36	2842.2	2207.17
55	Achham	4	571.18	550.68	418.18
56	Baitadi	5	97	86.8	82
57	Dadeldhura	1	18	15	4.5
58	Darchula	1	34	32	2.94
59	Doti	1	10	7.2	10
60	Kailali	5	961.24	900.01	221
61	Kanchanpur	16	824.37	734.41	180.72
62	Kavrepalanchock	1	30	28	20.4
	Total	**2652**	**216091.04**	**180904.09**	**95086.2**

(Source: Department of Industry, 2070)

ANNEX-III

Employment Generation by FDI from Different Countries

(Rs. In Million)

S.N.	Country of origin	Foreign investment	Total no. of Employment
1	Afghanistan	5	45
2	Argentina	8	37
3	Australia	447.77	1242
4	Austria	88.36	616
5	Azerbaijan	25.9	165
6	Baharain	70	38
7	Bangladesh	332.56	4374
8	Belgium	89.44	445
9	Bermuda	118.27	1474
10	Bhutan	8.61	123
11	Brazil	545.83	590
12	Bri. virg.is	4788.83	1668
13	Cambodia	5	14
14	Canada	2600.74	2107
15	China	10631.99	31594
16	Colombia	8.7	26
17	Congo	2.5	28
18	Croatia	2.5	15
19	Cyprus	307	265
20	Czech Republic	3.5	12
21	Denmark	259.54	1304
22	Ecuador	2.5	45
23	Egypt	14.1	119
24	Eritrea	2.5	15

25	Finland	14.55	149
26	France	376.2	2432
27	Germany	1019.62	4117
28	Ghana	1.95	0
29	Guatemala	2.5	84
30	Hong Kong	3778.34	3263
31	Hungeri	5	29
32	India	37618.57	61632
33	Iran	53.2	224
34	Ireland	340.97	320
35	Israel	143.25	425
36	Italy	373.15	733
37	Japan	1521.37	7436
38	Kazakistan	15.4	67
39	Kyrgystan	22.5	175
40	Lebnon	7	49
41	Libiya	5	80
42	Malaysia	341.78	584
43	Mauritius	2895	922
44	Mexico	26.13	60
45	N. Korea	32.55	147
46	Netherlands	1345.82	3623
47	New Zealand	51.07	2113
48	Norway	1135.83	726
49	Pakistan	157.06	2451
50	Panama	24.98	121
51	Philippines	108.28	1709
52	Poland	55.39	194
53	Portugal	2.5	23
54	Qatar	147	35

55	Russia	208.09	985
56	S. Africa	47.3	137
57	S. Korea	6685.84	7696
58	Seychelles	684	100
59	Singapore	2135.39	2550
60	Slovenia	34.19	45
61	Spain	1897.23	487
62	Sri Lanka	51.41	129
63	Sweden	42.6	289
64	Switzerland	784.53	1178
65	Syria	25	131
66	Taiwan	174.62	596
67	Tchad	2.5	18
68	Thailand	116.29	1159
69	Turkey	640.2	491
70	UAE	2291.16	1621
71	UK	1663.61	9156
72	Ukraine	48	121
73	USA	5518.56	13729
74	Uzbekistan	15	78
75	Vietnam	24	55
76	Yemen	5	16
	TOTAL	**95085.6**	**181051**

(Source: Department of Industry, 2070)