

# CHAPTER - I

## INTRODUCTION

### 1.1 General Background of the Study

Nepal is a least developed country of the world. The per capital income is estimated to be US \$ 311 with a Gross Domestic Product (GDP) growth rate of around 6.2% . This could not address the need of 2.3% population growth rate. 82%(economic survey, 2009/10:10)of the population depends upon agriculture for their livelihood. Agriculture contributes 40.1% to the GDP. However the overall performance of agriculture sector is not satisfactory. About 42% people live below poverty. The rate of saving in the economy is very low, around 11%. This meagre saving is also diverted towards unproductive use, due to the lack of investment opportunities. People are holding their saving in the unproductive purposes due to absence of developed network of banking system and industrial infrastructure. Most economic theorists realize that external capital is necessary for industrialization. Hence every developing country is now trying to attract foreign investment.

Foreign investment plays a vital role in economic development of a poor country like Nepal. The importance of foreign investment at present has been realized not only by the capitalist countries but also by the socialist countries. Nepal Government has been making a planned effort to develop industries after the initiation of planning from 1956 AD. Since the very beginning of the development plans, emphasis has been given to encourage the private sector and also to attract foreign investment.

Nepal has formulated different legal provisions to attract foreign investment. Many facilities and incentives have been offered to foreign investors. However, the laws and policies addressing foreign investment (Foreign Direct Investment) are found to be inadequate and inconsistent. There are also the inconsistencies in the existing laws and policies, and also with the act and policies relating to Foreign Investment and Technology Transfer Act (FITTA) strict implementation of laws and policies are also

lacking due to frequent changes in the government. As such foreign direct investment would not be attracted.

Nepalese economy is passing through the critical phase of low-level equilibrium trap circumscribed by poverty and stagnation. The present level of capital formation of Nepal is too low & any substantial increase in saving is not possible due to extreme low level of income and wide spread of poverty. At this juncture, one of the alternatives to pull the economy out of the vicious circle of poverty is the foreign capital. In fact, it is supplement to fulfill the deficiency of the domestic capital. Hence, most of the developing countries irrespective of their size and political system are now trying to attract foreign investment. A large number of developing countries have now established Export Processing Zone to attract foreign investment. Nepal started its effort to attract Foreign Direct Investment since the sixth five years plan(1980-1985) but Foreign Direct Investment promotion strategy was only adopted in 1992. After the restoration of multiparty democratic system in the country in 1992, the elected government adopted the new [policy measures in several economic spheres including new industrial policy for speeding up the process of industrialization through mobilizing the local capital as well as attracting foreign investment and technology in the country. The Foreign Investment and technology Transfer Act 1981 was amended in 1992 lays down the governing foreign investment and the applicable rules and regulation.

The industrial policy 1992 identifies foreign investment promotion as an important strategy in achieving the objectives of increasing industrial production to meet the basic need of the people, and to pave the way for the improvement in the balance of payments. The industrial policy of 1992, Industrial enterprise Act 1992, foreign Investment and Technology Transfer Act 1992 have been made many provisions to the foreign investors with facilities and concessions especially of tax facilities, licensing and also for the settlement of disputes regarding visa facilities. 1996 amendments eliminate the fixed assets limit and expanded the scope of foreign investment in all industries except those few in the negative list.

Foreign investment is welcome in Nepal in all types of industries except the defense related industries, cottage industries, small and medium scale industries having less than NRS. 30 Million in the fixed assets as well as cigarette, bidi (tobacco) , alcohol

excluding 100 % export oriented industries. Foreign investors are permitted to have a joint venture unit with Nepalese partner of 100% foreign owned unit.

Comparing with two decades back, foreign investment is growing in Nepal but it doesn't mean all are running smoothly. Complaints are often heard from the foreign investors about the problems they face before and after investing in Nepal. Foreign investment in Nepal is a subject which has received less attention in team of data collection and analysis than any other aspects of economic development. Hence, proposed study, is therefore, an effort to analyze the impact of government laws and policies on foreign investment, trend and structure of foreign investment in Nepal and to suggest the way of promoting foreign investment in Nepal.

Foreign Investment is one of the key sources for economic development of Least Developed Countries (LDC)'s like Nepal. Therefore, many under developed countries are making effort to attract foreign investment to raise their economic standard. For this, adequate, proper, timely and consistent laws and acts should be adopted. On the other hand strict implementation of legal provisions should be offered to attract the foreign direct investment.

## **1.2 Focus of the Study**

- Foreign investment is an important channel for transferring technology and managerial skill.
- Project of foreign investment provides greater access to world markets for the host country exports. These projects also facilitate market penetration and market expansion
- Foreign investment as a package of resources that complements other financial flows to developing countries like Nepal and make a distinctive contribution in developing process.
- The study outcome of such detailed study has policy implication for future efforts to promote foreign investment and the future planning and management of foreign investment & technology transfer activities in the country.

- This study provides a summary of pattern, policies and prospects concerning foreign investment in Nepal.

### **1.3 Statement of the Problems**

Nepal Government is trying to attract foreign investment. Many legal provisions are also made to facilitate them. In 1961 AD, provisions of foreign investment were adopted in medium and large scale industries. But all efforts could not be materialized due to a number of reasons. Complaints are often heard from the foreign investors about the problems they have faced before and after investing in Nepal. Some of them may be as follows:

- Lack of adequate infrastructure.
- Political Instability.
- Imbalance between saving and investment.
- Low level of capital formation.
- Low economic growth rate.
- Un-skilled manpower.
- Improper planning.
- Out-dated Technology.
- There is no proper and suitable provision to monitor the foreign investment and investors to promote the foreign investment.
- Overall status and growth of foreign investment in Nepal is not satisfactory, i.e. contribution is low than effort.
- Existing policies doesn't offer incentives in favour of foreign investment promotion.
- Ineffective implementation of laws, acts and policies.
- Corrupt prone bureaucratic system.

Therefore there is a primary need to examine the existing legal provision and policies offered for foreign investment in Nepal. This helps to analyze the overall structure and effect of foreign investment in Nepal in economic development.

#### **1.4 Objectives of the Study**

The main objective of the study is to find out the role of foreign direct investment in Nepalese economy.

The specific objectives are as follows:

- To study and examine the existing legal provision and policies relating to Foreign Direct Investment in Nepal.
- To evaluate the overall structure of Foreign Direct Investment and its uses in Nepal.
- Based on the finding of the study relevant suggestions will be forwarded to concerned institutions to promote foreign direct investment in Nepal.

#### **1.5 Significance of the Study**

Due to the globalization, foreign investment has become essential to every state for the economic development. From this study readers will get adequate information about the overall structure of Foreign Direct Investment in Nepal. General readers as well as academic researcher can analyze the effect of Foreign Direct Investment in economic development of Nepal.

They can examine the existing legal provisions and policies offered for Foreign Direct Investment in Nepal from this study. It will be helpful to all the interested concerned people for their further research study about this topic. It is also significant to analyze the current status of foreign investment in Nepal. This study provides a summary of foreign investment in economic development of Nepal. Emphasis of the study is one of the factors that affect the patterns and trends of foreign investment in Nepal. It is also significant, as it suggests the ways of promoting foreign investment in Nepal.

## **1.6 Limitation of the Study**

Since the concept of Foreign Direct Investment covers wide range of subject, detail study is not possible due to different limitations. Although efforts have been made to make the study more realistic, practicable and informational, the study is suffered from number of limitations. Some of the limitations are as follows:

- Several documents, especially secondary data have been used for this study. Simple statistical tools like tables, bar diagrams and pie-charts etc. have used. This study assumes that the related published documents and other related journals and articles are realistic.
- Limited time is another limitation. This study is primarily undertaken to fulfill the partial requirement of MBS degree prescribed by the Tribhuvan University, Faculty of Management within a given time framework.
- Limited resource/fund is another limitation to make the thesis practicable and realistic.
- This study is mainly focused on a few aspects of the subject or topic. It may not give broad knowledge and detail information about the subject matter.
- Study covers the period up to F.Y2066/67

## **1.7 Organization of the Study**

This study is organized in six chapters:

- Chapter 1 : Introduction
- Chapter 2 : Review of Literature
- Chapter 3 : Research Methodology
- Chapter 4 : Presentation and Analysis of Data.
- Chapter 5 : Summary, Conclusion and Recommendations.

### **Chapter I: Introduction**

This chapter includes general background of the study, focus of the study statement of the problem, objectives of the study, significance of the study and limitation of the study.

## **Chapter II: Review of Literature**

This chapter reviews journals, articles, published books, thesis and dissertation, important events on Foreign Direct Investment in Nepal. Besides these laws, act, policies, provision, facilities, rules and regulation relating to foreign investment would also be reviewed under this review of literature.

## **Chapter III: Research Methodology**

This third chapter includes introduction, brief history of foreign direct investment in Nepal, legal framework, research design, source and natures of data, population and data, method of data collection and analysis of data.

## **Chapter IV: Presentation and Analysis of Data and Findings**

This chapter deals with systematic presentation and analysis of data where various analytical tools and techniques are used to analyze and interpret the data. This chapter also observes in brief the laws, acts governing foreign investment together with the analysis of national policy framework for foreign investment. It includes the facilities and incentives provided by various laws, acts and provisions relating to foreign investment. This chapter is a key chapter for the present study and finding.

## **Chapter V: Summary, Conclusion and Recommendations**

This last chapter summarizes the whole study. Summary, conclusion and recommendation are the main body of this chapter.

Bibliography and appendixes were also included at the end of this research study.

# **CHAPTER - II**

## **REVIEW OF LITERATURE**

This chapter consists of related literature relevant to foreign investment in Nepal. Mainly it covers review of different sources of literature such as books, journals, research paper and other studies related to the foreign investment. It has been expected that the review will help to make the research more effective and useful.

### **Conceptual Framework**

Under this conceptual framework, we should be clear and familiar with the concept of investment, foreign investment and technology transfer. This helps us to know selected topic and subject matter. Therefore concepts of these terms are presented here separately.

#### **2.1.1 Investment**

Investment is a commitment of money that is expected to generate additional money. The word "investment" is popular with people from all walks of life. When current income exceeds current consumption desires, people tend to save the excess. Investment is the current commitment of the savings that compensates for the time involved, the expected rate of inflation and uncertainty involved.

Investment is a present sacrifice for the sake of future benefits. The present is certain but the future is uncertain. Therefore, investment always involves risk. To select the best alternative and to construct an efficient portfolio, a wise analysis and decision is required. Let's see some definition regarding the term investment.

"Investment, in its broadest sense means the sacrifice of current dollars for future dollars. Two different attributes are generally involved: time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if at all, and the magnitude is generally uncertain"(Sharpe,1989:1).



According to F. Amling "Investment may be defined as the purchase by an individual or institutional investor of a financial or real asset that produces a return proportional to the risk assumed over some future investment period". According to Donald. E. Fischer and Ronald. J. Jordan "An investment is a commitment of funds made in the expectation of some positive rate of return. If the investment is properly undertaken, the return will be commensurate with the risk the investor assumes".

An investment is any vehicle into which funds can be placed with the expectation that they will be preserved or increases in value and or generates positive returns. Idle cash is not an investment, since its value is likely to be eroded by inflation and since it fails to provide any type of return. The same cash placed in a bank saving account would be considered an investment, since the account provides a positive return. The various types of investment can be differentiated on the basis of a number of factors, such as whether the investment is a security or direct or indirect, debts, equity or options, low or high risk and short or long-term (Gitman & Joehnk,1987. :4).

### **2.1.2 Foreign Investment**

The Foreign Investment and Technology Transfer Act, 1992 defines (FITTA:1992) Foreign Investment as:

'Foreign investment' means the following investment made by a foreign investor in any industry:

- a. Investment in share (equity)
- b. Reinvestment of the earnings derived from the investment as referred to in sub-section (1) above
- c. Investment made in the form of loan or loan facilities.

Lending money, whether to compatriots or foreigners, is a means whereby those with purchasing power, which they do not wish to employ at once (or which they expect to need more urgently in the future than at present) can accommodate those who require immediate command of purchasing power. It is the opportunity to invest purchasing power in productive enterprise that gives rise to most of the demand for loans,

international as well as internal, apart from governmental borrowing for war purposes (Chamber's Encyclopedia, 1959:791).

### **2.1.3 Technology Transfer**

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

- a. Use of any technology right, specialization, formal a process, patent or technical know how of foreign origin.
- b. Use of any trademark of foreign ownership.
- c. Acquisition of any foreign technical, consultancy, management, and marketing service.

The Act defines "Foreign Investor" as any foreign individual, firm, company, or corporate body involved in foreign-investment or technology transfer including government or international agency.

### **2.1.4 Foreign Investment and One Window Policy 1992**

The Industrial Policy (IP), 1992 has made the provision to the foreign investors who have received permission to invest in convertible foreign currency to repatriate the following amount outside Nepal at the prevailing rate of exchange.

- ☞ The amount received by sale of the whole or any part of the equity investment.
- ☞ The amount received as benefits or dividends form foreign investment.
- ☞ The amount received as payment of principle and interest on foreign loans.  
The amount received under an agreement for the transfer of technology.
- ☞ The amount received under as compensation for the acquisition of any property.
- ☞ Foreign experts, working in Nepalese industries with prior approval from countries where convertible currencies are in circulation shall be permitted to repatriate in convertible foreign currency up to 75 percent of the amount received by them as salaries, allowances etc.

This Industrial Policy (IP), 1992 has made a provision to provide the facilities and concessions to the foreign investors as follows:

- ☉ Interest income on foreign loans will be taxed at a rate of 15 percent only.
- ☉ Royalties, technical and management fees will be taxed at a rate of 5 percent.
- ☉ No income tax will be levied on the income earned from exports.
- ☉ Industries established with foreign investment are entitled to enjoy an the facilities and incentives including income tax facilities provided to local investment under the industrial Enterprise Act 1992.

### **2.1.5 Effect of FOREIGN INVESTMENT in Economic Development of Nepal**

The impact that Foreign Direct Investment brings in the developing countries is seen not only in the positive ways. There are some scholars who take the subject into account in a reverse. Thus the subject bears controversial ideas regarding the effect of foreign investment in developing countries like Nepal.

According to Jenkins, the neo-classical writers (Reuber, Meier, Vernon Rugman, Balasubramanyam) base their arguments on neo-classical economic theory which stresses the optimum allocation of resources through the greater involvement of private sectors for the betterment of the larger number of the people and the nation as well provided that the state plays its role with minimum intervention required for maintaining law and order and formulating acts and policies consistent to creating contestability in the market. According to them, transactional corporation act as efficient allocates of resources internationally so as to maximize world welfare. Similarly benefits are assumed to accrue to both home and host countries.

The Marxist critics of transactional corporation as Baran, Sweezy, Magdoff and others view that the Foreign Investment in the third world is hindering developmental process by three main ways namely the drain of surplus, the creation of monopolistic structures and the emergences of a dependent bourgeoisie. They define that foreign capital rather conglomerates luxuries for a small elite than supplying basic minimum goods to the mass population. Other Marxists as warren, Emmanuel, Schiffer find foreign investment in the developing countries overwhelmingly prolific and economically beneficial and hence argue that it must not be taken as a cause of

dependence but rather as a means of reinforcement and diversification of the host countries.

Due to the interdependence and globalization of present time foreign investment has become essential to every state. Foreign investment plays a crucial role in economic development of poor countries like Nepal. Realizing its positive effect the concept of attracting foreign capital investment was introduced in Nepal since late 1980s and several reforms have been made to modernize the law and policies related to foreign investment.

Foreign investment solves the problem of balance of payment. It helps to solve the problem of technological backwardness of the developing country. Foreign investment helps to bridge the gap between the need of high investment and low domestic saving. The flow of foreign capital to the country in the form of private investment increased public revenue. So foreign investment has social benefit as well it can increase in productivity, national income and raise of living standard of the people, which helps in the alleviation of poverty. From this view point we can say that foreign investment has a lot of positive effect in economic development of developing countries like Nepal.

Even though a number of facilities and concessions are granted to attract foreign investment in Nepal, we have not been successful. The negative effect to the borrowers are (1) that, as a community, they incur a liability, and have to export some of their products in later years in payment of interest and amortization, and (2) that some forms of foreign borrowing involve foreign control of the enterprises set up with the proceeds, while all form tend to expose the borrowing country to political pressure from the lenders in case of a defaults are commoner among foreign than among domestic borrowers, and that redress is harder to obtain.

### **2.1.6 Important Events on FOREIGN INVESTMENT in Nepal**

Foreign investment plays significant role for economic development of any country. The importance of foreign investment in the economic development in general and industrial development in particular has been realized not only by developing capitalist countries but also by socialist countries. Nepal emphasized on foreign investment very lately. At the time of Prithivi Narayan Shah, foreign enterprises were prohibited to enter in the country. The formation of Udyog Parisad in 1935 was the initial spurt towards industrialization Company Act 1936.

Biratnagar Jute Mill, the first joint stock public company was established in 1936 in collaboration with Indian enterprises and local counterparts with a paid up capital of Rs. 0.8 million. During the II world war number of joint venture industries were established.

In 1961, provision of foreign investment was adopted in medium scale industries with the investment of Rs. 50,000 to Rs. 500,000 and large scale industries with the investment of more than Rs. 500,000. In the year 1982, the separate act for foreign investment is promulgated as Foreign Investment and Technology Act 1982. Foreign investors are permitted to have majority of shares in medium scale industries (Rs. 2 million in the fixed assets) but allowed 100% in large-scale industries, with more than Rs.10 million investments in fixed assets.

Nepal emphasizes on foreign investment from sixth plan (1980-85). Nepal had endeavored to refuse foreign investment in the economy since 1981, when acts and policies governing foreign investment were legislated. However, there was Indian investment in Nepal prior to the legislation of such acts and policies.

The analysis of the flow of foreign investment in the country reveals that it commenced to flow remarkably into Nepal from the time when democratic 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. Before 1991, as per official record of DOI (Department of Industry), there was no notable flow of it due to the restrictive policies imposed during the period of 1980s.

In 1987, 50% equity was allowed for foreign investors in medium scale industries, which require the investment of Rs. 3 million to Rs. 10 million, where as in large-scale industries with more than Rs. 10 million investment, 100% ownership for the foreign investors was allowed, which export 90% of the products, otherwise only 80% equity participation is allowed.

In 1992, 100% equity was allowed to foreign investors in large and medium scale industries with more than Rs. 20 million fixed investment. In other industries with less than Rs. 20 million investments, only transfer of the technology was allowed.

In 1995, 100% equity was allowed for foreign investors in all types of industries except in cottage industries and some negatively listed industries only transfer of technology was allowed in cottage industries.

Due to these different efforts, 921 projects with foreign investment are registered with DOI till the end of August, 2004. At present, foreign investment is directed in all seven important sector of industry like manufacturing, agro-based, tourism, services, construction, mineral based and energy based.

During the eighth plan the flow of foreign investment was highest in terms of total project cost, total foreign investment and employment generation. However, the no. of industries during the ninth plan was highest of 371, which is 40.2823% of total industries approved up to August, 2004. 1336 projects with foreign investment are registered with DOI till the end of October 2007. 1646 projects with foreign investment are registered with DOI till the end of April, 2009. Out of 1646 units, 615 units are under the manufacturing sector. We should make our effort to diversify the investment in different other sector like energy and tourism. In year 2066/067 171 projects are registered out of these 72 industries are in service sector, which is highest no. of industries register in this sector in F.Y.2066/067.

### **2.1.7 Role of Foreign Investment in Economic Development of Nepal**

Due to globalization of recent time foreign investment has become essential to every state for the economic development. Foreign investment plays a crucial role in the development of the poor countries like Nepal. Most developing countries suffer from low capital formation, outdated technology and tradition management. Foreign investment helps in the maximum mobilization of human capital and natural resources to the country. It is also significant to analyze legal provisions and current status of foreign investment, which ultimately leads us toward the economic development of our country.

The rapid pace of Foreign Direct Investment and multinational firm activity has been well documented. As with trade, the freer flow of capital including foreign investment is cited by many as an important engine of growth of the LDCs. However, systematic empirical evidence for the factors that affect foreign investment patterns and its effect on country-level economics is in its infancy. It is only in the past decade that reasonable data on foreign investment activity have become available and allowed standard statistical analysis. This is particular true with respect to LDCs.

#### **(1) Use of Domestic Saving**

Developing countries have low level of domestic saving. In such a condition, low level of capital formation makes economic growth lower. So the rate of investment should be increased for economic development, foreign capital helps to bridge the gap between the need of high investment and low domestic saving in such circumstance.

#### **(2) Acquire Foreign Exchange**

The developing countries should import different development materials from foreign countries. They can not meet their demand only be the foreign exchange earned from their exports, since the developing countries generally export primary goods having low valued and only few goods. In such a situation foreign capital helps in importing plants and equipments etc. for development.

#### **(3) Solve the Problem of Balance of Payment**

Capital, goods, machine, equipments, raw materials and also food grain in large quantity should import by developing countries but the export is limited. This creates a gap between import and export. Whole in turn creates problem of balance of payment. The foreign invest helps to solve this problem.

#### **(4) Transfer of Technology**

Developing countries are suffering from the old technologies, which do not increase productivity. The FI brings technical know low, trained personnel, managerial skill and expertise, advanced production technique and innovation an along with physical and financial capital. It trains domestic laborers. In other words, foreign investment solves the problem of technological backwardness.

#### **(5) Raise Standard of Living**

Foreign investment helps to establish new industries, utilization of natural and human resources, development of new areas and infrastructure, which makes employment opportunities. So foreign investment has social benefit as well it can increase in productivity, national income and raise of living standard of the people, which helps in the alleviation of poverty.

#### **(6) Increase in National Income**

The flow of foreign capital to the country in the form of private investment increased public revenue. The government can make revenue by imposing tax, royalty on the income earned by the foreigners.

#### **(7) Development of Infrastructure**

The development of infrastructure like road, irrigation, airports, electricity and communication is essential for economic development of the country. The development of such infrastructure encourages other kinds of investments. Such infrastructure can be developed by means of foreign capital.



## 2.2 Previous Studies on FOREIGN INVESTMENT

The history of foreign investment in Nepal is very short. The formation of Udhog Parisad in 1935 was the initial spurt towards industrialization in Nepal. This was followed by Nepal company act 1936. Biratnagar Jute mill, the first joint-stock public company was established in 1936 in collaboration with Indian enterprises and local counter part with a paid up capital of Rs. 800,000. The history of the efforts that Nepal made to attract foreign investment in Nepal is not so much long. It dates back only two decades for the systematic and legal announcement of it when industrial policy of 1981 made a separate provision relating to foreign investment, however, it was initiated to encourage and activate the private sector and attract foreign investment since the sixth plan (1980-1985).

The Foreign Investment and Technology Transfer Act, 1992 lays down the basic law governing foreign investment in Nepal. The Foreign Investment and Technology Transfer Act has undergone its first amendment in 1996 aiming at making the environment of industrial investment more congenial, encouraging and transparent. HMG is encouraging foreign investment in Nepal by providing attractive incentives and facilities within a liberal and open policy. In the constitution of the kingdom of Nepal, it is stated that a policy of attracting foreign capital and technology shall be adopted.

Ramesh Chitrakar for the first time in 1986 had undertaken the research study. His topic was "Foreign Investment in Nepal" published in 1986. The study carried out by (EDA) was conducted with following objectives.

- Extent of foreign investment on Nepal
- Policies and incentives introduced to attract foreign investment in Nepal
- Investment strategies of multinational meeting held in 1982.

His study was based on bath primary and secondary sources. His research work entitled as "Foreign Investment in Nepal" accepts the foreign private investment as an important vehicle for the diversification and transformation of the existing most backward agrarian Nepalese economic structure into the advanced modern economic

nation state. Mr. Ramesh Chitrakar found many problems of foreign investment like lack of human resource, bureaucratic harassments, underdeveloped infrastructure etc. Later he completed his Ph.D. from United Nation University America. He submitted his Ph.D. dissertation at university of Bradford, London in 1994, entitled as "Foreign Direct Investment and Technology Transfer in Developing Countries".

He analyzed the trend and form of foreign investment, facilities and incentives offered to attract it and causes of sluggish and disappointing flow of it in Nepal. His analysis shows that mere liberal provisions and handsome facilities and incentives are not adequate measures to bring in heavy flow of foreign investment. Mr. Chitrakar shows both positive and adverse effects of foreign investment in his Ph.D. dissertation (Chitrakar, 1986: 11).

Shiv Raj Bhatt in his MA dissertation entitled "Foreign Investment in Nepal" submitted at the central department of economics in 1994 studied with few new objectives. The objectives are as follows:

1. The impart of foreign investment in economic development of the country.
2. Development of joint ventures.
3. Problems of implementing foreign projects.

He found many problems of foreign investment promotion in Nepal. Lack of human resource, developing infrastructure, small size of the country, bureaucratic harassment are the main problem presented by him (Bhatt, 1994: 5).

Parthiveshwor Prasad Timalina and B.P. Mahato in their book "Economic Development and Foreign Investment in Nepal: issues and perspectives" Published in 1998 by Nepal. Society for Applied Economics explains that the Foreign Direct Investment is a means of industrialization which would lead to diversify the economy for a durable, social, psychological and institutional framework. They take industrialization as a means of breaking the vicious circle of poverty and thereby raising the formation and accumulation of capital in capital scarce countries like Nepal where industrial development is considered necessary for the purpose of achieving various economic goals. They have focused their study basically on the historical development, importance, trend and structure of foreign direct investment in

Nepal together with the analysis of legal provisions and incentives and facilities offered through it (Timilsina & Mahato, 1998: 4).

Praker Rai in his MBS dissertation entitled a "Foreign Direct Investment, Problem and Prospects" submitted at Saraswoti Campus, Tribhuvan University in 2002 studied the nature and extent, economic development of Nepal and foreign investment, constraints of foreign investment promotion, policies and incentives relating to foreign investment in Nepal. The study was based on both primary and secondary sources. Researcher found many problems of foreign investment promotion in Nepal in an adequacy of the domestic infrastructure small size of the country, lack of human resource, bureaucratic harassment, and skill shortage are the main problem presented by researcher (Rai, 2002: 7).

Renu Bhoju in his M.B.S. thesis entitled as "Foreign Direct Investment. It's Problems and Prospects" submitted to central Department of Management, University campus in July 2004, had studied a case study relating to foreign investment focusing its problems and prospects. The researcher concludes that the motivating factors for foreign investor who have interested in Nepal are found to be motivated by commercial and non-commercial objectives. The non-commercial motives included an interest in Buddhism, the desire to live in a small society, a place for holiday and the natural beauty and culture of the tourism firms. The other motivating factors affecting decision on investment in Nepal are its open and favourable policies regarding the facilities and incentives ( Bhoju, 2004: 4).

Many other books and Journals have been published slowly and gradually by different writers concerning about the promoting role of foreign investment in Nepal, trends, structures, its areas and climate, legal provisions in Nepal and so on.

According to Renu Bhoju less market opportunity, political instability, government bureaucracy and procedural delays, undeveloped infrastructure, difficult to get incentives, landlocked geographic state, fear of currency devaluation and frequent changes in policies adversely affected the decision to invest in Nepal.

Jaya Prakash Bhandari in his M.A. thesis entitled "Foreign Investment" has made an analysis of foreign direct investment, a case study of trend, structure and legal

provision for foreign investment in Nepal submitted to central department of economics, university campus in 2005. His main objectives of the study are as follows.

1. To examine the legal base of foreign investment in general.
2. To analyze the existing legal provision and policies for foreign investment in Nepal.
3. To analyze the trend and structure of foreign investment in Nepal.

The researcher found some lacunas provision in his research which are as follows:

- Lack of chain relationship between foreign investment and other commercial laws which are scattered. No official authority is organized to bridge laws and policies provided in various documents.
- Fiscal and non-fiscal facilities and concessions provided by FITTA 1992, IEA 1992 are inadequate and said Acts and other acts policies are not implemented effectively.
- Existing acts are not sufficient to protect intellectual property as required by world intellectual property organization (WIPO).
- Existing Labor Act 1992 is not in favor of export oriented industries. It has been most deferent factor in foreign invest in Nepal (Bhandari, 2005:8).

IEA 1992 along with IP 1992 provides the government to establish an export processing zone in Nepal but not in desirable operation.

In 2006, Mr. Bishnu Prasad Paudel student of T.U. Mgmt. Dept. Kirtipur carried out the detail study in his dissertation on "Foreign Direct Investment in Nepal" The researcher found that the set up mechanism for one window facility and the attempt towards establishing EPZ (Export Processing Zone) are positive task of the government. But he concludes that the laws and policies addressing FOREIGN INVESTMENT are found to be inadequate and inconsistent. The lack of the law governing intellectual property right has created the fear of coping and duplication. There are also the inconsistencies in the existing laws and policies due to which foreign investors are reluctant to make sequential investment (Paudel, 2006:6).

Mr. Rajendra Ghimire(2006), his thesis entitled, ‘Foreign Direct Investment in Nepal its problem and prospects’ has analyzed the nature and extent, policies adopted, incentives given for attracting foreign investment, problems of protecting foreign investment in Nepal and the motivational factors of foreign investor’s decision to invest in Nepal. The methodology adopted in his study is both descriptive and exploratory in nature. His research objectives are:

- To examine and analyze the nature and extent of Foreign Direct Investment in Nepal
- To analyze the policies adopted and incentives given for attracting foreign investment in Nepal.
- To analyze the problems of promoting foreign investment in Nepal; and
- To analyze the motivational factors of foreign investor’s decision to invest in Nepal.

Since the study is pioneer of its kind in Nepal. The study is basically an exploratory one. The analytical dimension has been given where possible. The information necessary for the study is collected both from primary as well as secondary sources. In his research work he has reached at the conclusion there are certain motives of foreign investors investing in Nepal. The survey conducted in the study shows that the most important motivating factor in Nepal is access to market by way of tariff and non-tariff restrictions imposed or expected by the government on goods planned for production. Other motivating factors affecting foreign investor’s decision to invest in Nepal include the expansion program of the investing firm, locally available raw materials and low product cost. He has found that the flow of foreign investment is negligible despite the various facilities and incentives offered in Nepal. The main problems of foreign investment promotion in Nepal are the long procedures to initiate the business, non implementation of preferential treatment guaranteed by the law and underdeveloped infrastructure. His research work accepts the foreign private investment as an important vehicle for the diversification and transformation of the existing most backward agrarian Nepalese economic structure into the advanced modern economic country.

The government is suggested to increase the necessary infrastructural facilities, simplify the procedures of initiating business and reduce the bureaucratic harassment

to the minimum level in order to promote foreign investment in the country. The office of foreign investment promotion in Nepal should try to increase its promotional drive and communicate with developed as well as less developed market economies about the facilities of foreign investment in Nepal (Ghimire, 2006: 12).

Mr. Nabin Sharma (2007) in his study entitled ‘A Study of the Impact of Foreign Direct Investment and Technology Transfer in Nepal: With special reference to the Indian joint ventures, has analyzed the recent trends in investment policy of both India and Nepal. Structure of foreign investment with reference to India’s joint ventures in Nepal and explore new areas of joint ventures that would benefit to both the countries. This study is based on primary as well as secondary data. Primary data is based on opinion survey of experts, governments’ officials and organizations with regard to identify problems and prospects of Nepal-India joint ventures. The methodology adopted in his study is both descriptive and exploratory in nature. He has centered on the following objectives.

- To review the recent trends in investment policy of both India and Nepal.
- To analyze the structure of foreign investment with reference to India’s joint ventures in Nepal; and
- To explore new areas of joint ventures that would be beneficial to both the countries.

He has concluded that in a poverty stricken economy like Nepal internal resources are extremely limited, not enough to supplement current expenditures and dependence on foreign aid (grants and loans) is increasing with poor performance shown by economic growth rate and where political conflict is getting momentum, the role of foreign direct investment is crucial not only to sustain development activities but also for poverty alleviation. Investment climate in Nepal is moderately fair and its strengths are: location between the two potentially largest markets in the world- China and India; macro economic stability and a relatively liberal economy; trainable and low cost work force; substantial natural and cultural assets; and a small and accessible bureaucracy and a generally business friendly Government. The opportunities are: tourism; including sports and adventure tourism, health tourism and cultural tourism; a variety of niche agricultural and agro-business activities; hydropower generation and IT –based services. Major weakness comprise of landlockedness, poor infrastructural facility and mostly unskilled workforce, rigid legislation, political instability, weak implementation and persistent corruption, followed by ongoing

insurgency. So, to attract foreign investment, it is essential to liberalize further foreign investment policies, ensure peace and security and political stability in the country and to initiate economic diplomacy through Nepalese Embassy. There is also need for initiating joint studies to identify economically viable projects with regards to Nepal-India joint ventures. Thus, Nepal should develop forward-looking approach to attract foreign investment from all over the world and more pertinently from India. However, foreign investments policies in Nepal are relatively inward-looking, requiring adjustment with small and cottage industries of national importance. Review is imperative in some areas where foreign investment is barred. It is also essential to improve the capacity of domestic industries ensuring competition as per the provisions made by WTO and SAFTA (Sharma, 2007: 5).

Mr. Surendra Karki(2007) in his research study entitled, 'A Study of Trend and Structure of Foreign Direct Investment in Nepal' has analyzed the trends, structure, identification of leading factors causing in foreign investment and aims to suggest mechanism to combat with foreign investment problems. This study is based on secondary data. The methodology adopted in his study is both descriptive and analytical in nature. The major objectives of this study are-

- To analyze the trend and structure of foreign direct investment in Nepal.
- To identify leading factors causing in foreign investment and aims to suggest mechanism to combat with foreign investment problems.
- To analyze the existing laws and policies relating to foreign investment in Nepal.
- To suggest the way of promoting foreign investment in Nepal.

He has concluded that in year wise flow of foreign investment from the year 1980 to 1987 shows only a modest rather fluctuating foreign investment both in terms of total fixed capital and authorized capital, although authorized capital is in no way an important indicator of investment. The total no of manufacturing sector between the years 1980 to 1987 were 48, which involved the total fixed capital of Rs. 1123.2 million and in the service , tourism and other sectors registered 26 industries, which involved the total fixed capital of Rs.808 million. Thus, the study shows that the no. of industries established under foreign investment was very significant during these periods. One of the main causes behind this slow increment might be the restrictive laws and policies adopted by the government (Karki, 2007: 6).

### **2.3 Research Gap**

Few researches have been conducted in foreign investment in Nepal. Existing legal provision and policies and overall structure of foreign investment were studied previously. But now, in recent period, it is felt that foreign investment in Nepal should be analyzed in various dimension. To fulfill research gap, this research have been conducted associated with role of foreign investment in economy and analyze of effect of foreign investment in economic development of Nepal. In this research study we have tried to give clear vision relating to foreign investment in Nepal. This study will be fruitful to those interested person, parties, scholar, businessman, investor, government for academically as well as policy perspective.



# **CHAPTER - III**

## **RESEARCH METHODOLOGY**

In this chapter we outline the research methods followed by us to analyze the objectives stated in 1.3. This research is descriptive and analytical in nature. To fulfill the objectives, the study needed to describe and analyze the whole international and national legal base.

### **3.1 Research Design**

This is an empirical study on Foreign Direct Investment in Nepal. The type of research design followed in this study is both descriptive and analytical in nature. Descriptive research design has been adopted in order to accumulate the facts and to show the cause of changes. Analytical research design has been used for clarifying the situation on the basis of presented data and facts. The study describes and analyzes the present status of foreign investment in Nepal. Legal provisions and procedures, existing laws, Act, policies relating to Foreign Investment, incentive offered to promote Foreign Investment, the role, contribution and impact of foreign investment in Nepal's economic development.

### **3.2 Nature and Source of Data**

In order to collect the information relevant to fulfill research objectives only secondary data are used. The secondary level information, respective offices have been personally visited to collect their publications. For the collection of secondary information different bulletins, articles, journals, magazines and newspapers are studied. The researcher visited Central library of T.U., CEDA library, Department of Industry, NIDC, Central Bureau of Statistics, foreign investment Department, National Planning Commission, Nepal Rastra Bank, Ministry of Finance and British Council were visited. This study will cover the period up to 2066.

### **3.3 Population and Sample of the Study**

The large group about which the generalization is made is called the population under study, or the universe, and small portion on which the study is made is called the sample of the study.

The survey includes sample F/Y for the study trend of Foreign Direct Investment and fixed no. of respondents relating to Foreign Direct Investment.

### **3.4 Data Collection Procedure**

The secondary level information, respective offices have been personally visited to collect their publications. To collect policies and act relating to foreign direct investment, the researcher visited the Department of Industry, foreign investment department, NIDC T.U. library, MOF, FNCCI and others. The information and data, so collected were compiled, tabulated and presented. Finally analysis and interpretation has been done using various statistical tools.

### **3.5 Necessary tools & Techniques**

All the relevant data and statistics collected have been tabulated according to need of the study like tables, bar diagram, pie charts etc. The tables prepared and presented in this study have been derived from the industrial statistics and economic survey of Nepal

#### **3.5.1 Statistical Tools**

The tabulation and analysis of data has done keeping in mind the objectives of the study. Relevant statistical tools have been applied for the analytical purposes. Before using analytical tools to compare the results, the data collected from different sources were grouped and rearranged so as to make comparison relevant. After grouping and rearranging, the data was tabulated to analyze in a systematic manner.

As said earlier, the tabulated data was analyzed and interpreted using different statistical tools like, pie charts and bar diagram, graphic presentation etc.

### **3.5.2 Financial Tools**

Each type of analysis has a purpose or use that determines the different relationships emphasized in the analysis. Financial tools help to analyze the foreign direct investment in Nepal. There are many financial tools, which are helpful to analyze. But our concern is limited to some financial tools that are directly concerned with the study of foreign investment.

The major tool employed for the analysis of this study is the ratio analysis that establishes the quantitative or numerical relationship between two variables of the financial statements. These tools are elaborated in detail in the following pages.

# CHAPTER - IV

## PRESENTATION AND ANALYSIS OF DATA

### 4.1 Laws, Acts and Policies relating to Foreign Direct Investment

Since 1980's, a growing number of developing countries have been adopting foreign investment policy. In the initial stage enactments were intended to regulate entry and operation of foreign investment. Later on most of the developing countries desired to create the favorable law and policy. Since 1990s further changes including liberalizing measures as well as new incentives, removing of operational conditions and opening new industries to foreign investment have been added to the existing legal framework.

Developing countries seem to be confident in their ability to create liberal investment environment recognizing the legitimate interest of foreign investors while maintaining adequate policies and procedures to ensure the sound climate of investment. Consequently a number of developing countries have now become investors. Increasing number of developing countries have placed emphasis on export as a part of their development strategies and looked forward to foreign investment for management skills, technology and linkage with world market. In the Nepalese context, policy background comprises of three major components: Foreign Investment and Technology Transfer Act-1992, One Window Policy-1992, Industrial Policy Act-1992, Tenth Plan (2002 and also the Interim Plan (2007-2009).

#### 4.1.1 FOREIGN INVESTMENT Policy before 1951

Prior to 1951, the government of Nepal had no policy towards Foreign Investment. In fact it was not interested at all in the economic development of the country. The one hundred four year Rana rule in Nepal followed the 'do-nothing' policy. The marginal development in the industrial sector during 1936 was simply tempted by the then war-time inflation.

#### **4.1.2 FOREIGN INVESTMENT Policy after 1951**

After the political change in 1951, the government initiated planning process to attract foreign private investment. Consequently the first plan (1956-1961) adopted the principle of 'mixed economy' and accepted the concept of foreign private capital. During the plan period, the government announced its first industrial policy in June 1958. However, the policy statement did not contain the strategies and administrative measures needed to make it operative. Review of the policy in 1961 made possible to introduce the country's first Industrial Enterprises Act (IEA), 1961. It empowered the government to grant permission to the foreign investors to establish medium and large industries. It introduced non-discriminatory approaches in granting various concessions, facilities and incentives to all the investors either local or foreign. The policy adopted in the first plan in connection with foreign private investment continued to be followed in the second plan (1962-1965) and third plan (1965-1970). The provision of IEA remained in force till 1973.

#### **4.1.3 First Industrial Policy and the Industrial Enterprise Act 1961**

During the first plan period, the government announced its first industrial policy in June 1958. But the investment did not come into existence as expected. Thus the government reviewed the policy in 1961 to introduce the country's first Industrial Enterprises Act (IEA), 1961. The aim of this act was to make legal effect to the policy as well as its implementation and also legally regulate foreign investment.

It provided facilities to all the local and foreign investors. Industrial Enterprise Regulation, 1964 made procedural arrangements in regard to supply of foreign and remittance of profit by foreign investors. Nepal Government adopted mixed economic principle under its new constitution in 1962. The foreign private investment continued to be followed in the second three-year plan (1962-1965) and third plan (1965-1970). The provision of IEA remained in force till 1973.

#### **4.1.4 Second Industrial Policy and Industrial Enterprise Act 1974**

Government introduced a new industrial policy in 1974. Most of the basic provisions of old IEA, 1961 were retained in the IEA, 1974. Nepal Government brought this Act by considering the globalization trend in the world trade and business. The establishment of new industries, fixation of certain time limits in licensing and financing process, co-ordination among government agencies in providing facilities to industries, canalization of various policies relating to industrial development through one window was some of the new measures envisaged by the IEA, 1974. However many difficulties were encountered during the implementation of this Act. It was amended twice in the year 1974. This led the government to revise the policy of 1974 and declared a new industrial policy in 1981 in the second year of sixth plan (1980-1985).

#### **4.1.5 Third Industrial Policy, Industrial Enterprises Act and Foreign Investment and Technology Act, 1981**

Industrial policy of 1981 was considered very liberal in respect to private domestic and foreign investment of 1981 devoted, a separate chapter on foreign investment. This comprehensive policy was transformed into various acts for its legal enforcement. The Government for the first time introduced a completely new and special Act name "Foreign Investment and Technology Act (FITA) 1981" to give major boost to foreign investment. A new IEA, 1981 was introduced replacing the old one.

The basic features of FITA, 1981, were:

- Foreign investment in industrial enterprises was encouraged on grounds of equity participation and industrial financing through medium and long-term loans, acquisition of know-how and technology access to foreign market, increase in employment opportunities.
- Foreign investment was welcome in the form of wholly owned enterprises in the large-scale industries and majority ownership or joint venture in medium scale industries.
- Foreign investment was welcome in certain desirable sectors other than those related to defense.

- An industrial enterprise financed by foreign investor could have been a Government firm individual, company or an international institution.
- Repatriation of dividends, capital, salary and allowances were liberally allowed.
- Industrial enterprises with foreign equity participation were not to be nationalized except in special circumstances in which case, compensation had to given to investors on the basis of just valuation of the net worth of the enterprise.
- HMG or its designed agency had to stand guarantee on long-term loans under prescribed terms and conditions.
- The progressive and liberal concessions and incentives to industries were clearly defined and specified.
- Department of Industry (DOI) was made the focal point for administrating the matters of foreign investment, and the Industrial Promotion Board (IPB) the recommending authority.

#### **4.1.6 The Industrial Policy, 1987**

On October 16, 1987, a new industrial policy was announced by HMG. Under the policy, industries were provided concessions and special facilities on custom duty, income tax and sales tax. In order to translate the One Window Policy concept into practice the IPB was empowered to take decision relating to license facilities and other incentives to be given to the industries. The main aim of this policy was to proceed towards privatization of public sector industries. The industrial policy of 1987 seems to have come out under the framework of Structural Adjustment Programme (SAP) and for the effective implementation of Substantial New Program of Action (SNPA). Industrial Policy of 1987 also envisaged an open license scheme for establishing industries other than big industries.

#### **4.1.7 Foreign Investment and Technology Transfer Act (FITTA) 1992**

In 1992 the government revised to the existing Foreign Investment and Technology Transfer Act (FITTA). The policy is considered a milestone in liberal and competitive national policy in the South Asian context. This policy aims to encourage the private participation improving industrial production and productivity through the utilization of foreign investment, advance technology and domestic resources and promoting competitive power of industrial products assessing international market.

The main provision contained in the FITTA relates to the facilities and concession approval requirements, guarantee measures procedures for dispute resolution etc. Hence it is worth talking to make the brief synopsis of these provisions.

##### **1. Forms of Foreign Investment**

Foreign investment is welcome in the form of share/equity; reinvestment of earnings derived from foreign investment made in the form of loan or loan facilities also constitutes foreign investment.

##### **2. Technology Transfer**

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

- Use of any technological right, specialization, formula, process, patent or technical know how of foreign origin.
- Use of any trademark of foreign origin.
- Acquiring any foreign technical, consultancy, and management and marketing service.



### **3. Permission for Foreign Investment**

The government of Nepal has established certain boundaries confined by the Act of 1992. Foreign investment is allowed in every sector of economic activities with the exception of the following or industries not granted permission for foreign investment are given below

#### **Part (a)**

1. Cottage Industries
2. Personal Service Business (Business such as Hair Cutting, Beauty Parlour, Tailoring, Driving training. etc.)
3. Arms and Ammunition Industries.
4. Explosives, Gunpowder.
5. Industries related to Radio-Active Materials.
6. Real Estate Business (Excluding Construction Industries).
7. Motion Pictures Business (Produced in national languages and the language of the nation).
8. Security Printing.
9. Currencies and coinage business.

#### **Part (b)**

1. Retail Business.
2. Travel Agency.
3. Trekking Agency.
4. Water Rafting.
5. Pony Trekking.
6. Horse Riding.
7. Cigarette, Bidi (Tobacco), Alcohol (excluding those exporting more than 90%).
8. Internal Courier Service.
9. Atomic Energy.
10. Tourist Lodging.
11. Poultry Farming.
12. Fisheries.
13. Bee-keeping.

14. Consultancy Services such as management, accounting, engineering and legal services.

#### **4. Criteria for Approval**

In the granting of approval for foreign investment involving new investment, modernization, diversification or expansion, the projects will be assessed taking into account the following criteria:

- Priority will be granted to invest in industry prescribed by Nepal Government.
- Financial and technical viability.
- Contribution to employment generation.
- Foreign exchange earnings or savings.
- Participation of Nepalese nationals in investment and management.
- Terms and conditions of investment and Technology Transfer.
- Appropriateness of technology.
- Competitiveness of products in international markets.

#### **5. Foreign Technical Personnel**

The employment of Foreign Technical Personnel in industries is permitted with the approval of the Department of Labor. In such cases arrangements should be made to train counter part staff in the technical, managerial operations within a time bound program. Foreign experts are permitted to remit up to 75% of their earnings in convertible currency.

#### **6. Security of Investment**

Nepal has been a member of Multilateral Investment Guarantee (MIGA) since 1994. MIGA provides guarantees to foreign investor against non-commercial risks like currency transfer, expropriation, breach of contract and war and civil disturbance in the host country. Besides this, the statutory provision of Nepal itself sufficiently guarantees the security of investment. No industries will be nationalized.

## **7. Arbitration**

If the foreign investor, national investor or the concerned industry fail to settle among themselves any dispute concerning foreign investment in the presence of the Department of Industries, it will be settled through arbitration. Arbitration will be held according to the prevailing arbitration rules of the United Nations Commission for International Trade Law (UNCITRAL). The place of arbitration will be Kathmandu.

Investment disputes, in case of industries with fixed assets more than five hundred million rupees may be settled as mentioned in the foreign investment agreement.

## **8. National Priority Industries**

1. Agro and Forestry-based industries.
2. Engineering Industry (Producing Agricultural and Industrial Machine).
3. Industry Manufacturing Fuel Saving or Pollution control Devices.
4. Solid Water processing Industry.
5. Road, Bridge, Tunnel, Ropeway and Flying Bridge constructing and Operating Industry, and Trolley Bus and Tram Manufacturing and Operating Industry.
6. Hospital and Nursing Home (Only outside the Kathmandu Valley).
7. Industries Producing Ayurvedic, Homeopathic, and other Traditional Medicine, and industries producing crutch, seat Belt, Wheel chair, Stretcher and Stick and so on to be used in aid of the disabled and orthopedic.
8. Cold Storage installed for the storage of Fruits and Vegetables.

## **9. Classification of Industries According to Sector**

According to the IEA (1992), industries are sector wise classified as follows:

### **a. Manufacturing Industries**

Industries which produce goods by utilizing or processing raw materials, semi-processed materials, by-products or waste products or any other goods.

#### **b. Energy-Based Industries**

Industries generating energy from water resources, wind, solar, coal, natural oil, gas, biogas or any other sources.

#### **c. Agro and Forest Based Industries**

Business mainly based on agriculture or forest products such as integrated sericulture and silk production, horticulture and fruit processing, animal husbandry, dairy industry, poultry farming and processing, herbs culture and herb processing, vegetable seed farming, mushroom, vegetable farming or vegetable processing, tissue-culture, green house, bee-keeping, honey production, rubber farming, floriculture and production and forestry related business such as lease-hold forests, agro-forestry, etc.

#### **d. Mineral Industries**

Mineral Excavation or processing thereof.

#### **e. Tourism Industries**

Tourist lodging, motel, hotel, restaurant, resort, travel agency, skiing, gliding, water rafting, cable car complex, pony trekking, trekking, hot air ballooning, para sailing, golf course, polo, horse riding, etc.

#### **f. Service Industries**

Work-shop, printing press, consultancy service, cinematography, construction business, public transport business, photography, hospital, nursing home, educational and training institution, laboratory, air services, cold storage, etc.

#### **g. Construction Industries**

Road, bridge, ropeway, railway, trolley bus, tunnel, flying bridge and industrial, commercial and residential complex construction and operation.

## **10. Classification of Industries According to Scale**

### **a. Cottage Industries**

The traditional industries utilizing specific skill or local raw materials and resources and labor intensive and related with national tradition, art and culture shall be named as cottage industries.

### **b. Small Industries**

Industries with a fixed asset of up to an amount of thirty million rupees shall be named as small industries.

### **c. Medium Industries**

Industries with a fixed asset between thirty million rupees and one hundred million rupees shall be named as medium industries.

### **d. Large Industries**

Industries with a fixed asset of more than one hundred million rupees shall be named as large industries.

## **11. Financial Provisions**

The Act has provided some certain facilities and concessions for an investment sector in Nepal.

- No income tax shall be imposed on a foreign investor on the interest income earned from foreign loan.
- A foreign investor shall be levied income tax at a rate of 15 percent only, on the income earned from foreign technical as well as management service, fees and royalty.
- A foreign investor making investment in foreign currency shall be entitled to repatriate the following amount outside the kingdom of Nepal:

- (i) The amount received by the sale of the share foreign investment as a whole or any part there of.
  - (ii) The amount received as profit or dividend in lieu of the foreign investment.
  - (iii) The amount received as the payment of the principal of an interest on any foreign loan.
- A foreign investor shall be entitle to repatriate outside the kingdom to Nepal the among received under agreement for the transfer of technology in such currency as set forth in the concerned agreement.

## **12. Provision to Visa**

The Foreign Investment and Technology Transfer Act,1992 has managed non-tourist visa, Business visa and Residential visa for the foreign investors wishing to invest in Nepal, which are as follows:

- A foreign national visiting the kingdom of Nepal in connection with undertaking and study or carrying out any research with the objective of making investment in the kingdom of Nepal shall be provided a non-tourist visa for up to six months.
- A foreign investor or dependent family or authorized representative of such foreign investor, and depended family of such authorized representative shall for the purpose of stay in the kingdom of Nepal be provided a business visa until the foreign investment is retained.
- Provided that a foreign investor, who at a time, makes investment in an amount no less than one hundred thousand US Dollar or in convertible foreign currency equivalent there to, and his depended family shall be granted a residential visa until such investment is retained.

### **13. Convertible Foreign Exchange Facilities**

The Act has provided with the convertible foreign exchange facility for importing necessary machinery, equipment and tools, spare parts and components, auxiliary raw material and chemical required for the operation of an industry or for the sake of technical consultancy, technical assistance, service fee, management fee, patent duty, market research, industrial promotion, sales promotion etc.

### **14. Incentive and Concession Facilities**

Industrial Enterprises Act, 1992 give some facilities and concession which are given below (IEA, HMG/N Department of Industries 1992 P-10).

1. Industries, other than cigarette, bidi, cigar, khaini, tobacco, alcohol or beer, will not be imposed more than 20% income tax on their industrial income.
2. Industries, other than cigarette, bidi, cigar, khaini, tobacco, alcohol or beer, saw mill or catechu utilizing 80% or more domestic raw materials for their production and employing all manpower from Nepalese citizens are entitled to 10 percent income tax exemption on their taxable income.
3. National Priority Industries such as construction and operation of Road, Trolley Bus and Tram are entitled to enjoy 50% rebate on their income tax for a period of 10 years from the date of operation. Likewise specific other national Priority Industries such as agro and forest based industries, industry etc are entitled to enjoy 50% rebated on their income tax for a period of 7 year from the date of operation.
4. Industries other than cigarette, bidi, cigar, khaini, tobacco, alcohol or beer, established in remote, undeveloped and underdeveloped areas will be granted a rebate of 30,25 and 20 percent of income tax and 35,25,15 percent of excise duty for a period of 10 years from the date of operation.
5. Industries are entitled to add one-third to the rate of depreciation allowed under the existing income tax laws.
6. Industries in operation, which diversify production through reinvestments or expand installed capacity by 25 percent or more or modernize technology or

develop ancillary industries, are entitled to a deduction of 40% of new additional fixed assets from their taxable income. Such remission may be deducted on a lump sum or an installment basis within a period of 3 years.

7. Industries are entitled to a reduction of up to 50% from the taxable income for the investment on process or equipment which has the objective of controlling pollution or which may have a minimum effect on the environment. Such remission may be deducted on a lump sum or on an installment basis within a period of three years.
8. Pre-operating expenses incurred in connection with skill development and training will be allowed to be capitalized.
9. 10 percent of the gross profit is allowed as deduction against net income on account of expenses connected with technology or product development and efficiency improvement.
10. No income tax is imposed on dividends earned.
11. An industry donating an amount of up to 5% of its gross income to any school, college, university, hospital, and religious place and in social activities is entitled to deduction of such donated amount in course of assessing the taxable income.
12. Up to 5% of the gross income spent for the advertisement of the product or promotion services, hospitality and only other similar expenses shall be allowed to be deducted while assessing taxable income.
13. If an industry provides direct investment to 600 or more Nepalese citizens round the year such industry besides other facilities is concerned additional 10% ratable on income tax for that year.
14. If any other industry utilizes locally available raw materials, chemicals and packing materials etc. on which excise duty or sales tax or both are already imposed, the excises duty, sales tax or both shall be reimbursed to the industry utilizing such raw materials chemicals and packing materials. The amount to be so reimbursed shall be refunded within sixty days after an application to that effect has been duly submitted.



15. Income received from exports is exempted from income tax.
16. The customs duty, sales tax, excise duty and premium, levied raw materials and auxiliary raw materials, etc utilized by any industry in connection with its product during its production shall be reimbursed on the basis of the quantity of the export such reimbursement shall be made to the exporter within sixty days after an application to that effect has been duly submitted.
17. If an industry sells its products to the export promotion House, the customs duty imposed on the raw materials, sales tax and the sales tax imposed on the finished products and excise duty will be reimbursed.
18. If an industry sells its product within the kingdom in any foreign currency, the excise duty, sales tax and premium levied on such product and customs duty, excise duty and sales tax levied on the raw materials, auxiliary raw materials etc utilized in such product shall be reimbursed. The revenue to be so reimbursed shall be refunded to such industry within sixty days after an application to that effect has been duly submitted.
19. The custom duty, sales tax, excise duty and premium levied on the production materials of intermediate goods to be utilized for the production of exportable goods and the sales tax and excise duty paid on the production shall be reimbursed to the industry manufacturing the intermediated goods on the basis of the quantity of export within 60 days from the date of export.
20. No tax, duty or fee shall be levied on the products, machinery, equipment, tools and raw materials utilized by an export promotion industry.
21. No royalty shall be imposed if any industry generates electricity for its use.
22. Double sales tax shall not be levied on the raw materials and products of any industry.
23. No income tax is imposed to a foreign investor on the interest income earned from foreign loan.
24. A foreign investor shall be levied income tax at a rate of 15% only on the income earned from foreign technical as well as management service fees and royalty.

## **15. Repatriation Facilities of Foreign Investors**

A foreign investor making investment in foreign currency shall be entitled to repatriate the following amount outside the kingdom of Nepal: (FITTA. HMG/N DOI 1992 P-4)

- The amount received by the sale of the share of foreign investment as a whole or any part there of.
- The amount received as profit or dividend in lieu of the foreign investment.
- The amount received as the payment of the principal of and interest on any foreign loan.
- The foreign investor or technology supplier is also entitled to repatriate the amount received under an agreement for the technology of transfer in such currency asset forth in the concerned agreement by the as approved DOI.
- To obtain the repatriation facility, the technology supplier, or foreign investor or the foreign expatriate or concerned company must obtain recommendation from the DOI.

### **a. Repatriation of Interest and Loan**

For the repatriation of foreign loan and loan interest, the industries have to apply to the DOI along with the following documents.

- I. Certificate from the commercial bank regarding the transfer of the loan amount into Nepal.
- II. Custom declaration certificates and invoice of the plant, machinery if the loan was obtained in the form of machinery.
- III. Date of approval of the loan arrangement.

#### **b. Repatriation of Sales of Shares**

For the repatriation of the sales of shares of the foreign investor, or the concerned company must apply to the DOI for recommendation to the central bank with the following documents.

- i. Proof of investment made and numbers of share owned.
- ii. Letter from the company stating the completion of transferred of shares duly certified by CRO or such other body.
- iii. Prior approval of DOI, in case of the share transferred to foreign nationals.
- iv. Custom Declaration form and the approval letter if the investment is made in the form of plant, machinery and equipment.
- v. Copy of the board of director's resolution.

#### **c. Repatriation of Dividend**

- I. Documentary proof of investment made which is issued by the commercial bank. This document is needed only for the first time and again only when the investor makes further investment.
- II. Custom declaration certificate of the import of plant, machinery and equipment if the investment by the foreign investor has been made in the form of capital equipment.
- III. Auditor's report including balance sheet and profit and loss account.
- IV. Proof of dividend declaration.

#### **d. Repatriation of Technology Transfer Fees**

The industrial unit with approved technology transfers agreement; trademark license agreement, management agreement and technical assistance agreement can apply to the DOI for the transfer of fees as per agreement. The company has to submit the calculation of the amount due to the foreign technology supplier certified by the

auditor along with certificate of payment of income tax on Royalty, fee at rate of 15%.

#### **e. Repatriation of the Allowances and Salaries of the Expatriates**

To repatriation of salaries, allowances and emoluments received by the expatriate, the industry has to apply to the DOI for recommendation along with the following documents.

(I) Work permit issued by department of labour.

(II) Document showing the amount of salary and allowance received during the period for which the repatriation is sought.

### **16. Other Facilities and Concessions**

The following industries, in addition to the facilities and concessions described above, may be granted further facilities and concessions as below:

- Forest based industry may be made available any forest on a leasehold basis.
- No royalty shall be imposed if any industry generates electricity for its use.
- Double sales tax shall not be levied on the raw materials and products of any industry.
- Government of Nepal may, by notification published in the Nepal Gazette, grant additional facilities to the export promotion industry, and prescribed industries established in the export-processing zone and in the government or non-government industrial estate.

#### **4.1.7 Trade Policy, 1992**

Trade Policy, which was announced by Government of Nepal in 1992, introduced currency convertibility on the current account; duty drawback facilities for export industries and the introduction of foreign exchange accounts. The aim of the export duty drawback scheme is to provide a refund on taxes paid on its imported raw

materials. The bonded warehouse scheme has facilitated tax refunds paid on imported raw materials for the exports of readymade garments industry, export service fee on export has been reduced from 2% on export are refunded.

Custom tariffs have also undergone rationalization and simplification. The high tariff rate has been reduced from a high of 300% in early 1950s to 80% in 1997/98. In addition, the tariff structure has also been simplified, with tariff slabs brought down from 10% to 5% in 1995-96. In addition, additional duties charged on third country imports have been abolished.

In the Structural Adjustment Program, the open general licenses had been expanded in scope and important licenses have been categorized into three divisions namely industrial OGL, commercial OGL and import licenses auction. In order to enhance industrial production, entrepreneurs receives foreign exchange entitlement based on past production levels and current estimated production. Commercial OGL has aided in improving the supply of raw materials impacting positively on production and export of woolen carpets. Moreover, the policy has resulted in the removal of import and export licenses, removal of import restrictions, replacements of tariffs with quotas, and the ability of banks to determine import cash margins. Furthermore, the central bank now requires only 2% deposit of the total value of letter of credit. As a consequence, the trade regime is now more open and liberal, as quantities restrictions on imports have been abolished.

#### **4.1.8 Exchange Rate Policy**

Nepal's currency is pegged to the Indian rupees. Exchange rate policy has been considerably liberalized to attract Foreign Direct Investment. The Foreign Exchange Regulation Act (FERA) 1962 was amended allowing foreign institutions agencies, individuals from Bhutan, India and Nepal to operate US dollar and Pound Sterling accounts. Five addition currencies were added by 1993. This provision permits industrial producers and companies engaged in the export sector to obtain loans in convertible foreign currencies. Nepalese currency was made partially convertible in

the current account in 1992, with 35% to be surrendered at the official rate and 65% to be sold at the market rate. In 1993 full convertibility for the current account was introduced. However, some minor controls were re-imposed in 1989 - 1999 and 1999 - 2000. The commercial banks are permitted to undertake foreign exchange transactions without the permission of the central bank.

According to the rules and laws, investors may invest in the village area to grab the opportunity of tax free. By the laws, it has been known that, Nepal has set the priority areas for foreign investment on the basis of potential areas and national development. For foreign investment, these priority areas in which the plan development effort and huge resources allocation have been done but performance in these areas are not as per expectation. Obstacles of industrialization like limited market, limited resources, and lack of infrastructure communication, water, raw materials and skilled manpower discourage the foreign investors. Therefore complaints are often heard from the foreign investors. Hence the Nepal government should think in time to solve such kind of obstacles. On the other hand implementation of laws and policies are not found effective. So to implement the existing laws and policies government should be careful.

#### **4.1.9 Water Resources Act, 1992**

The effort is made to the attraction of foreign investment for the rational utilization, conservation, management and development of water resources that are available in the kingdom of Nepal in the form of surface water, underground water or in whatever form, by enacting timely legal arrangement namely Water Resources Act, 1992. The Water Resources Regulation, 1993 implement the Act. The Act contains various provisions related to rational utilization, conservation, management and development of water resources in Nepal. Section (3) of the Act has established the ownership of water resources available in the kingdom of Nepal. Section (12) of the Act opens the door of foreign investment in water resources sector. It provides that any foreign company, corporate body or person desired to develop or cause to develop, utilize and extend the services of any water resources has to enter into a contract with HM under the prevailing law in terms and conditions as mentioned in such contract. The Act

prescribes the Electricity Act, 1992 as the governing law for utilization of water resources to the generation of hydro-electricity. Similarly, the Act also requires entering into contract with foreign investor for the utilization, management and development of water resources. Any foreign investor is entitled for the utilization of facilities, concessions and incentives granted by FITTA, 1992 and IEA, 1992.

#### **4.1.10 Company Act, 1997**

FITTA, 1992 allows foreign investment into the country only through establishing company either private or public limited company. In this sense, The Company Act 1997 is also closely concerned with foreign investment. The Company Act 1997 has brought some fundamental changes of the pervious Company Act-1964 on provision concerning foreign investment. The New Act has completely eliminated the provision relating to branch operation of foreign company in Nepal. The Act has introduced the concept of one-man company. The Act does not permit foreign company to establish its subsidiary company in Nepal.

Any foreign investor wishing to invest in Nepal is required to incorporate company under existing company law, foreign investor intending to establish a company with the motive of earning profits has to furnish the permission to foreign investor to incorporate a company are to be particulars stated in section and of the Company Act,1997.

In case of a private company, even a single person as a promoter is also entitled to apply for the registration, whereas at least seven promoters are required. In case of public limited company, the maximum number of promoters in case of private company shall be fifty but there is no limitation of the number of promoters in public company. Any person who desires to establish a company must submit an application to the office of the company registrar in the prescribed form along with stated necessary documents.

#### **4.1.11 New Income Tax law, 2002**

Nepal largely follows the British Tax system model, with adaptations. New income tax was introduced in 2002, which incorporates international practice in calculating taxable income. According to income tax law 2002, following of direct taxes are included in Nepal.

##### **a) Income Tax Applicable to Foreign Employees**

Foreign people who live in Nepal for 183 days or more in any period of 365 consecutive days of any income year are considered residents and their income from Nepal is taxed in Nepal. Perquisites are added to the salaries, allowances and bonuses paid to the employee by the employer to arrive at the taxable income. The tax-exempt income of individuals residing in designed remote areas is higher than that of those living in accessible areas. The contributions of the employer and employee to the retirement fund of the employee are tax-exempted but the income derived from the retirement fund is taxed as investment income. Employees are required to withhold the projected income tax of the employee while paying salaries and like.

##### **b) Corporate Taxes**

At present, limited liability companies have to pay 25% of their profit before tax as corporate income tax. Banking companies have to pay 30% while hydropower generation companies have to pay only 20%. Companies pay taxes in three installments based on the amount they paid the previous year. The final amount is paid after the authorities have made an assessment on the basis of the financial report. Companies are also allowed self-assessment, which has to be certified by a recognized tax auditor. Taxes paid in excess of what is assessed are to be returned within six months of the assessment. The government is to pay interest at the rate of 15% per annum of failure to return the excess collection. The taxpayer can also adjust the previous year's excess payment to the advance tax payment to be made for the current year.



### **c) Capital Gains Tax**

The new Income Tax Act has enforced since April 2002, taxes capital gains derived from the sales of fixed assets and title documents at 10% of the net gains. The gains are defined as the different between the value of the purchase and that of the sale.

### **d) Export Duty**

Export duty is applied in Nepal in two ways:

1. Proper export duty
2. Export Service fee

Export duty is applicable normally at the rate of 0.5% of the export value calculated Nepal Custom basis. But the rate is 10% on vegetable oils. Between NRs 300 per cubic meter for crushed stones and boulders, NRs. 200 per cubic meter for magnetite, 200% of wooden materials, 2% for texturized yarn, 2% on corrugate and galvanized iron sheets and steel pipes, 6% on copper wire, ready made 0% if Nepalese fabric is used.

### **4. 1.12. Company Ordinance, 2005**

FITTA 1992 allows foreign investment into the country only through establishing company either private or public limited company. In this respect the Company Ordinance 2005 is also closely concerned with foreign investment, which stipulates provisions relating to incorporation, administration and regulation of a company in Nepal. Here a brief discussion over provision of Company Ordinance 2005 concerning Foreign Direct Investment (foreign investment) has been made.

Foreign investors desirous to invest in Nepal as 100% owned or under joint venture form with the Nepalese partners were allowed to incorporate company as purely Nepalese company. The Company Ordinance 2005 has brought some fundamental changes of the previous company act 1997 on provision concerning foreign investment. The new ordinance has complete eliminated provision relating to branch

operation of foreign company in Nepal. The ordinance has introduced concept of one-man company. Chapter 16 (154, 156) of the act permits only a single person to be entitled to establish company with motive of earning profits with one or more objectives as mentioned in the memorandum of association. Similarly the ordinance does not permit foreign company to establish its subsidiary company in Nepal.

The Company Ordinance, 2005 laid down the provisions for the incorporation of a foreign company in Nepal. Any foreign investor wishing to invest in Nepal is required to incorporate company under the existing company law. Foreign investor intending to establish a company with the motive of earning profits has to furnish the permission approved by DOI under FITTA. The other requirements for foreign investor to incorporate a company are stated in the Company Ordinance 2005.

The procedures registration and incorporation of a foreign company are stated in chapter 2 of the ordinance. In case of a foreign company, even a single person as a promoter is also entitled to apply for the registration; whereas seven promoters at least are required in case of public limited company. The maximum number of promoters in case of private company shall be 50 but there is not any limitation of the number of promoters in case of a public company any person who desires to establish a foreign company must submit an application to the office of the company register in the prescribed form along with the following documents,

- a) The memorandum of the proposed company.
- b) The articles.
- c) Copy of the agreement among, between the promoters incase of public company if interred.
- d) Copy of the unanimous agreement incase of a private company.

The Memorandum shall contain name of the company the address of registered office and the place where its business will be conducted, objectives of the company, function of the company etc. Similarly, the articles shall contain directors and their term of office the minimum number of shares, which must be subscribed in order to become a director number of directors etc. After the registration of the application

enclosed with necessary documents as prescribed by law, the officials go through the documents thoroughly and if they deem that all the procedures are followed, they instruct to the concerned person to pay necessary fee as prescribed for the registration. The registration fee shall be as prescribed by publishing a notification in the Gazette from time to time.

On the following grounds the registrar may refuse to register a company.

- a. If the view of the proposed company is similar to the name of previously registered company.
- b. If the name of the proposed company is in appropriate of undesirable in the view of public interest, rectitude decorum and the like.
- c. If the objectives of the proposed company are in contrary with existing law.
- d. If the necessary condition to be fulfilled according to this law is not fulfilled.

If the registrar, on any ground as stated, refuses to register the company, it shall serve a notice with reason within 15 days from the date of registration of the application for incorporation. After for getting a company registered the registrar goes through the documents and if deems that every requirement as prescribed by law is fulfilled, the registrar registers the company and a certificate of incorporation as scribed form is given to the applicant.

In this way, the company ordinance 2005 prescribes the procedures of registration and incorporating of a company for both domestic and foreign investors. Other administrative and regulatory provision of the Company Ordinance 2005 are equally applicable to all companies either wholly nation owned company or foreign owned company or joint ventures Nepalese company. Companies either foreign participating or not are bound by the same rules and regulation for the operation of such companies.

Nepal has adopted much more liberal policy measures to encourage foreign investment. The governing foreign investment legislation has made compulsion to incorporate company to foreign investor wishing to invest in Nepal. The company act stipulates the provision of incorporation, administration and operation of a company. In this respect, the relationships between these legislative enactments are highly required to achieve an adequate entry of foreign investment and effective and smooth operation of such investment.

#### **4.1.13. The eleventh plan (2064/065-2066/067)**

The eleventh plan carrying sentiments of foreign investment policy 1992 and industrial policy 1992 incorporates reality of need and importance of foreign investment for addressing the resources constraint for Industrial development, international market access and acceleration of GDP growth. The plan has set poverty alleviation as sole objective to achieve the target of 32%. So, the plan is to develop attractive, secured and reliable destination of foreign investment to Nepal at International level.

The plan gives top priority on the implementation side of one window committee. So, the plan has followed administrative and legal reform to make the procedure of foreign investment into simple, transparent, easier and to regulate monitoring system to address problem of foreign investment based industries. The eleventh plan had the following policies and implementation strategies about foreign investment

1. To solve the problems encountered by industries with foreign investment, arrangement will be made for regular monitoring.
2. The process of inflow of foreign investment will be made simple, easy and transparent.
3. Measures will be adopted to resolve the problems relating to the export oriented industries.
4. FITTA, 1992, IEA, 1992 and the existing labor law etc. will be reviewed to make investment environment more conducive.

5. The Board of investment constituted by GON will be strengthened and made effective to supervise, monitor, and coordinate the investment promotional programme and also to provide necessary guidance.
6. Effective management will be made so that the investors can receive incentives and infrastructure services as provisioned from one specified place.
7. One window committee will be activated, strengthened and procedures simplified.
8. The system of investment withdrawal will be made simple and transparent.
9. To make investment promotional programmed competitive and the processes needed will be made easy simple and transparent by providing attractive incentives to the investors.
10. Labor act will be made more flexible.
11. Information materials supportive to investment promotion will also be provided as deemed necessary.
12. Foreign based Nepalese Diplomatic missions will be involved in encouraging, entrepreneurs, businessmen and investors of respective countries to make foreign investment in Nepal.

#### **4.1.14 . The Interim Plan (2067/068-2069/70)**

The interim three-year plan which is to be implemented from 2007/08 fiscal year has set a target of spending Rs. 527.1 billion and achieving an average annual growth rate of 5.5 percent .

Proposed Macroeconomic framework being discussed among the planning experts at the National Planning Commission (NPC) expected that the plan would see a growth of 4.5 percent while the economy, in the remaining two consecutive years, would grow by 5.5 percent and 6.5 percent respectively.

Employment oriented and inclusive economic growth has been supposed as one of its key strategies of the plan. The plan has aimed to achieve average growth of 3.3 percent in the agriculture sector, which contributes around 40 percent to the GDP.

Likewise, the government also set a goal of achieving an average growth of 6.93

percent in the non-agriculture sector as against the 4.11 percent set for the Tenth Plan. The annual average inflation rate during the period is expected to stand at 5.6 percent.

Of the total expenditure planned for the period, Rs. 295.5 billion has been allocated for the purpose of meeting recurrent expenditures plus serving principal repayments while the remaining Rs. 231.6 billion will go for financing capital expenditures, mainly for supporting development activities.

The interim plan is expected to mobilize revenue of Rs. 338.5 billion in the period and the GDP-revenue ratio is planned to remain at 14.1 percent. The Eleventh Plan has set a target of achieving 14 percent GDP-revenue ratio but the actual achievement, which has not yet been made public, is likely to remain less than target.

Similarly, the plan has a target of mobilizing foreign aid of Rs. 153.7 billion during the period to finance both the capital as well as recurrent expenditures. Of the total expected foreign aid, the plan has anticipated Rs. 87.4 billion in grants and remaining Rs. 66.4 billion in the form of net loans.

A net outstanding deficit of Rs. 34.8 billion is expected to be met through domestic borrowing. The planned mobilization of internal borrowing will remain at 1.47 percent of the GDP, higher than the ceiling of less than one percent set by International Monetary Fund for Nepal.

## **4.2. Position and Trend of Foreign Investment**

The overall structure of Foreign Direct Investment inflow to Nepal from beginning to F.Y.2066/067 has been analyzed. This is grouped on the basis of scale, sector, category, country, district and year.

### 4.2.1 Number of Industries Approved for Foreign Investment by Category (from the beginning to F.Y.2066/067)

There are seven categories of industries that include Agriculture, Construction, Energy based, Manufacturing Mineral, Service and Tourism. The categories are given below in the table consisting how total project cost, total fixed cost and foreign investment were made. No. of industries approved and creation of employment according to category-wise flow of foreign investment in Nepal has been present in Table no. 4.1.

**Table No. 4.1**

#### Category-wise flow of FOREIGN INVESTMENT in Nepal (2046-2067)

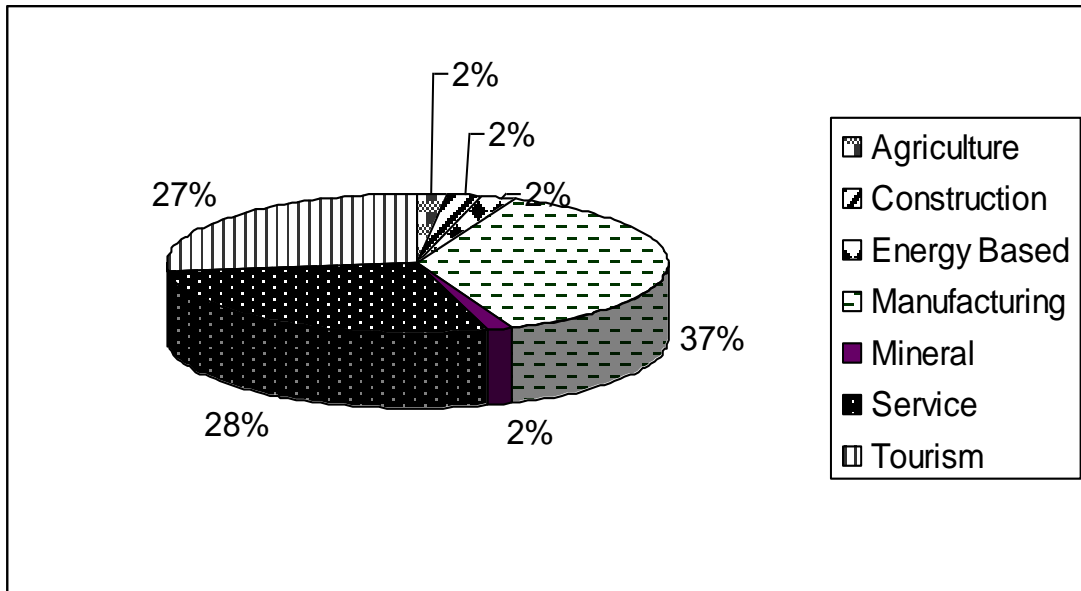
(Rs. in million)

Category	No. of Industries	%	Total Project Cost	%	Total fixed cost	%	Foreign Investment	%	Employment	%
Agriculture	37	1.95	1201.05	0.84	702.58	0.59	526.18	0.91	2160	0.15
Construction	41	2.16	3455.34	2.42	2563.10	2.14	2612.81	4.50	2926	0.20
Energy Based	41	2.16	40641.24	28.45	38643.02	32.17	13291.77	22.92	7370	0.51
Manufacturing	673	35.46	48342.17	33.85	35220.04	29.41	19459.95	33.55	75097	5.20
Mineral	31	1.63	5049.02	3.54	4121.00	3.44	2836.70	4.89	5128	0.35
Service	561	29.56	24931.98	17.46	20435.16	17.07	12054.24	20.78	28540	1.97
Tourism	514	27.08	19208.25	13.45	18054.33	15.08	7216.02	12.44	23292	1.61
<b>Total</b>	<b>1898</b>	<b>100</b>	<b>142829.06</b>	<b>100</b>	<b>119739.22</b>	<b>100</b>	<b>57997.66</b>	<b>100</b>	<b>1445131</b>	<b>100</b>

(Source: Industrial Statistics issued by DOI April, 2010)

**Figure No. 4.1**

#### Category-wise flow of FOREIGN INVESTMENT in Nepal



The record obtained from the Department of Industry (DOI) reveals that the manufacturing industries occupies the highest position in terms of number of industries, total project cost, total fixed cost, foreign investment and employment generation. Table 4.1 and figure 4.1 reveals that manufacturing industry occupies 33.55 percent of total foreign investment inflow. This sector of industry alone contributed 5.20 percent of employment opportunity. Service industry contributed the second position in terms of number of industries established, foreign investment inflow and employment generation with the percentage weight of 29.56 percent against 27.08 of tourism, 20.78 percent against 12.44 percent of tourism and 1.97 percent against 1.61 percent of tourism industry respectively. Energy-based industry is headed second position in terms of total project cost, and total fixed cost invested. Service sector is dominated to tourism sector in terms of all figures. Up to April 2010 total fixed cost invested in service was greater than tourism sector. From this view point we can conclude that service sector is increasing.

The agriculture is considered as the backbone of the developing economy like that of Nepal. The rapid and sustainable socio-economic development of the country is possible only through the modernization of agriculture sector, which naturally requires a huge amount of foreign investment inflow in this sector. foreign investment that comes in service sector are not based on local resource but attracted by policy incentives, cheaper labour and Indian market. The commitment of peace by Maoist



and Nepal Government has provided an input to the service and tourism sectors. Lack of sufficient infrastructure, Government Instability and inconsistent policies have contributed the low level of foreign investment.

#### **4.2.2. Year-wise Flow of Foreign Investment in Nepal (2046/047-2066/067)**

The trends of year wise flow of foreign investment are irregular and unpredictable. Year-wise flows of foreign investment have been given in the following table.

**Table No. 4.2**

#### **Year-wise flow of FOREIGN INVESTMENT in Nepal (2046/47-2066/o67)**

(Rs. million)

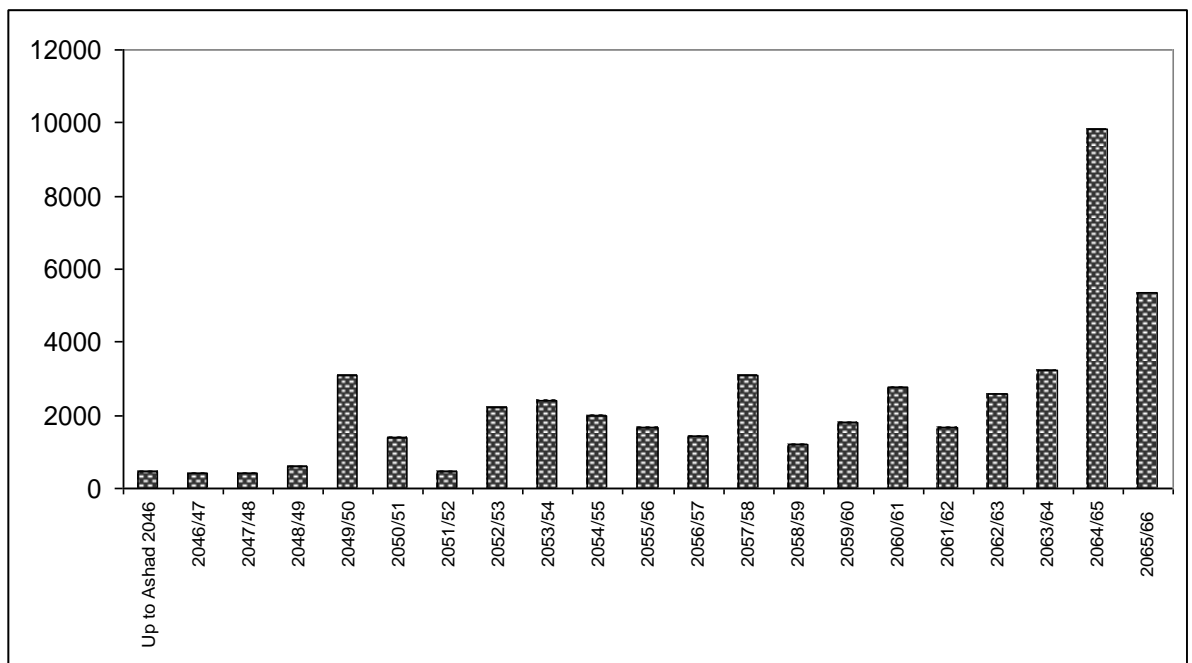
<b>Fiscal Year</b>	<b>No. of Industries</b>	<b>Total Project Cost</b>	<b>Total Fixed Cost</b>	<b>Foreign Investment</b>	<b>Total No. of Employment</b>
Up to Ashad 2046	58	5102.80	4271.60	449.56	10586
2046/47	30	2438.19	2139.60	398.51	9515
2047/48	23	863.56	690.74	406.28	2974
2048/49	38	3508.17	2902.10	597.84	5615
2049/50	64	17886.22	16210.81	3083.67	13873
2050/51	38	3733.23	3175.66	1378.76	4734
2051/52	19	1627.28	1247.85	477.59	2386
2052/53	47	10047.47	9398.54	2219.86	8032
2053/54	77	8559.25	6692.15	2395.54	9347
2054/55	77	5569.38	5142.32	2000.28	4336
2055/56	50	5324.42	4380.17	1666.42	2146
2056/57	71	2669.09	1910.24	1417.61	4703
2057/58	96	7917.62	6122.49	3102.56	6880
2058/59	77	3318.53	1559.59	1209.65	3731
2059/60	74	4921.82	3608.25	1793.77	3572
2060/61	78	4323.74	3775.86	2764.80	2144
2061/62	64	1801.10	1150.89	1639.52	5576

2062/63	116	4121.08	3296.95	2606.31	7358
2063/64	188	3425.57	2650.56	3226.79	7389
2064/65	212	20403.88	16896.27	9811.00	10677
2065/66	231	9417.89	7530.02	6255.09	11108
2066/67	171	15853.78	14987.98	9100.00	7848
<b>Total</b>	<b>1898</b>	<b>14829.06</b>	<b>119739.22</b>	<b>57997.66</b>	<b>144513</b>

(Source: industrial statistics issued by DOI April, 2010)

Figure No. 4.2

**Year-wise flow of FOREIGN INVESTMENT in Nepal**



The table 4.2 and figure 4.2 plotted with the investment flows as per the record of DOI up to fiscal year 2064/065 reveals such oscillatory trends. According to data of DOI records, the highest foreign investment flow was found to be Rs. 9811.00 million in 2064/065 followed by Rs. 3226.79 million in 2063/064. The second highest position in terms of fixed cost and total project cost was found to be in 2049/050 with the amount of Rs. 17886.22 and 16210.81 million respectively. Out of these investments undertaking the highest number of creation of job opportunities was expected to be in 2049/50. This year's foreign investment had expected to employ 14565 local peoples. Subsequently, the foreign investment flow of 2064/065 had

provided job opportunities for 10677 people. In the terms of number of industries the year 2065/66 recorded the highest industries.

After the restoration of multiparty democratic system in Nepal, Government of Nepal, has initiated economic reform to create the environment conducive to increase the private sector participation. The Government of Nepal has announced IEA 1992, FITTA-1992 and Foreign Investment and One Window Policy 1992 have been also brought to encourage it. Figure and table shows that the trend of foreign investment in Nepal is not smooth. The flows are fluctuated, irregular and unpredictable. The record of industries in the beginning period was encouraging. Favourable political condition, economic and policy reform were the primary causes of the growth of industries.

The period 2054/55-2060/62, the political commitment and continuity of policy reform proved fruitful in term of foreign investment projects. Although same period witnessed the Maoist's people war. These might be effects of Maoist insurgency that subsequently give rise to the growth of insecurity, stops the growth rate of Foreign Investment. By the peace commitment of Government and Maoist, it is hoped that the foreign Direct Investment will be increased incoming year.

### **4.2.3 Plan-wise Flow of FOREIGN INVESTMENT in Nepal**

Table 4.3 reveals that the foreign investment is observed fluctuating in different plan. Before eighth plan, there were only 150 industries registered with authorized capital of Rs. 12235.84. Before eighth plan 1869.47 total foreign investments were made.

The eighth plan had 245 industries with the authorized capital of Rs. 41853.45 millions and the total foreign investment Rs. 9510.42 millions. In the ninth plan period, 371 new industries with authorized capital Rs. 27799.04 million and the total foreign investment Rs. 9396.52 million were approved. Similarly in the tenth plan 301 industries are registered with authorized capital Rs. 13442.36 millions and the total foreign investment Rs.7756.43 millions.

**Table No. 4.3**

**Plan wise flow of FOREIGN INVESTMENT in Nepal (up to FY 2065/066 FNM)**

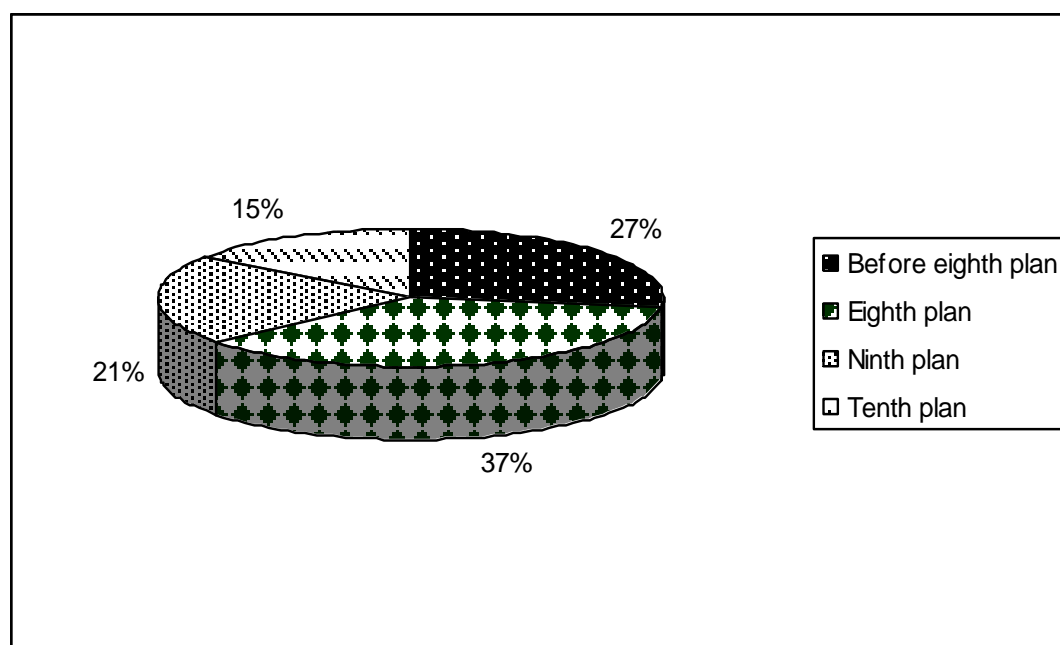
(Rs. in million)

Period	No. of industries	%	Authorized capital	%	Total foreign investment	%	Employment	%
Before eighth plan	150	14.06	12235.84	13.18	1869.47	6.55	28690	27.34
Eighth plan	245	22.96	41853.45	43.09	9510.42	33.33	38372	36.56
Ninth plan	371	34.77	27799.04	29.94	9396.52	32.93	21796	20.77
Tenth plan	301	20.21	13442.36	11.79	7756.43	27.19	16094	15.33
<b>Total</b>	<b>1067</b>	<b>100</b>	<b>92830.68</b>	<b>100</b>	<b>28532.84</b>	<b>100</b>	<b>104952</b>	<b>100</b>

(Source: Industrial Statistics issued by DOI, July 2007)

**Figure No. 4.3**

**Plan-wise flow of FOREIGN INVESTMENT in Nepal**



During the eighth plan (1992-97), 245 industries were registered. It is 22.96% of industries registered till June 2006. Their total authorized capital investment stood at Rs. 41853.45 Million, foreign participation being Rs. 9510.42. It created 38372 jobs. Similarly, in ninth plan 371 industries were established. The total authorized capital

investment was Rs. 24799.04 Million out of which foreign proportion stood at Rs. 9396.52 Million. Almost twenty eight thousand jobs were expected to be created. About three hundred projects (28.21% of the registered projects) were set up during the current tenth plan. The project expected to mobilize the total authorized capital investment and foreign investment equivalent to Rs. 13942.36 and Rs. 7756.43 Million respectively. Subsequently, these projects if brought into operation would create job opportunity to 16094 people, which is 15.33 percent of employment opportunity till June 2006.

From the table and figure of plan-wise flow of foreign investment in Nepal, the intensity of foreign direct investment in terms of total authorized capital investment as well as foreign participation and the employment generation is concentrated in the Eighth Plan period although more industries were registered in Ninth Plan. This is an indication that political stability, national consensus and maintenance of peace and security are the foremost preconditions for the foreign direct investment flow in the country. It can be hoped that in the coming year flow of Foreign Direct Investment is expected to increase. In this context all the political parties must come to a consensus that no activities or policies detrimental to the economic prosperity of the nation would be undertaken.

#### **4.2.4 Number of industries Approved for foreign investment by country of origin (2046/047-2066/067)**

The following table gives the data of number of industries approved for foreign investment by country of origin.

**Table No. 4.4****Number of industries approved for foreign investment by country of origin**

(Rs. mln)

S.N.	Country of Origin	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	%	Total No. of Employment
1	Australia	29	425.51	365.51	356.82	0.61	826
2	Austria	15	205.65	158.46	81.36	0.14	561
3	Azerbaijan	2	9.90	8.60	9.90	0.02	50
4	Bangladesh	23	505.35	251.80	254.86	0.44	4033
5	Belgium	9	35.27	26.20	29.74	0.051	287
6	Bermuda	6	1995.25	1694.03	118.27	0.20	1474
7	Bhutan	3	27.26	20.58	3.61	0.006	98
8	Brazil	3	521.07	495.50	504.43	0.87	471
9	Bri.Virg.Is	3	2739.79	2636.19	961.43	1.65	1018
10	Canada	21	5048.37	4866.28	2133.04	3.67	1795
11	China	332	12327.54	9968.39	5848.77	10.08	20259
12	Colombia	1	2.40	1.50	2.40	0.004	7
13	congo	1	2.50	2.10	2.50	0.004	28
14	Croatia	1	2.50	2.10	2.50	0.004	15
15	Cyprus	1	1000.00	974.00	304.00	0.52	235
16	Czech Republic	1	3.50	2.50	3.50	0.006	12
17	Denmark	18	640.69	559.66	144.36	0.25	846
18	dutch	1	18.90	13.90	18.90	0.03	80
19	Egypt	2	20.00	14.50	12.00	0.02	98
20	Finland	5	25.00	19.76	14.55	0.02	149
21	France	43	552.85	460.67	271.30	0.47	1829
22	Germany	75	2331.81	2096.25	898.82	1.55	3759
23	Ghana	1	6.50	6.18	1.95	0.003	0
24	Guatemala	1	10.00	5.00	2.50	0.004	84
25	Holand	1	7.00	0.00	1.79	0.003	0
26	Hong Kong	18	1813.54	1414.34	692.84	1.19	2554
27	India	462	5674.00	44561.08	25381.45	43.76	53101
28	Hungery	1	10.00	8.90	5.00	0.008	29

29	Iran	6	21.70	13.30	17.20	0.03	120
30	Ireland	5	714.90	673.60	331.97	0.57	303
31	Israel	10	664.40	551.09	122.95	0.23	340
32	Italy	18	1421.19	1298.45	263.01	0.45	494
33	Japan	146	3153.87	2681.43	1140.49	1.97	6450
34	Kazakastan	2	13.40	11.43	13.40	0.02	42
35	Kyrgystan	4	36.50	32.05	22.50	0.04	175
36	Lebnon	2	7.00	5.50	7.00	0.01	49
37	Libiya	1	5.00	2.80	5.00	0.008	80
38	Malaysia	11	539.14	503.52	93.08	0.16	355
39	Mauritius	3	2580.00	2520.87	2445.00	4.21	723
40	Mexico	2	17.93	16.35	15.33	0.02	35
41	N. Korea	3	64.82	58.80	32.55	0.06	147
42	Netherlands	32	1219.01	1019.54	526.12	0.90	2584
43	New Zealand	9	296.63	239.71	30.07	0.05	2069
44	Norway	11	8110.59	6761.70	1129.83	1.94	676
45	Pakistan	15	2169.45	1883.77	149.73	0.25	2403
46	Panama	1	83.28	65.17	24.98	0.04	121
47	Philippines	10	1171.12	1000.68	87.28	0.15	1598
48	Poland	5	99.72	93.55	17.39	0.03	124
49	Portugal	1	2.50	2.00	2.50	0.004	23
50	Russia	17	209.80	154.19	103.28	0.17	648
51	S. Africa	5	47.30	37.84	47.30	0.08	137
52	S. Korea	131	8267.01	7779.21	4245.34	7.32	5863
53	Singapore	21	2372.32	2283.34	961.39	1.66	1687
54	Slovenia	1	4.19	3.94	4.19	0.007	0
55	Spain	13	154.02	103.04	107.23	0.18	365
56	Sri Lanka	3	79.15	55.90	37.41	0.06	83
57	Sweden	7	28.00	21.56	25.20	0.04	188
58	Switzerland	30	724.48	6555.35	324.85	0.56	605
59	Taiwan	9	414.75	360.43	174.62	0.30	596
60	Tchad	1	2.50	1.87	2.50	0.004	18
61	Thailand	9	956.37	815.29	93.29	0.16	1122
62	Turkey	6	30.70	23.22	43.20	0.07	129
63	UAE	4	1601.74	701.74	883.37	1.52	661
64	UK	94	4586.08	4076.05	1479.04	2.55	7609

65	Ukraine	2	91.70	83.25	16.40	0.03	52
66	USA	166	13798.16	12481.46	4874.50	8.42	12034
67	Uzbekistan	1	10.00	7.50	10.00	0.02	52
68	Vietnam	2	24.60	22.80	24.60	0.04	55
<b>Total</b>		<b>1898</b>	<b>142829.06</b>	<b>119739.22</b>	<b>57997.66</b>	<b>100</b>	<b>144513</b>

(Source: Industrial statistics of DOI, April, 2010)

The above table of number of industries approved for foreign investment by country of origin show that India approved highest number of industries i.e. 462 and the second is China with 332 industries. U.S.A. is in third position in terms of number of industries following Japan but in second position in terms of total project cost. India contributed 43.76% of foreign investment. Contribution of China and U.S.A. were 10.08% and 8.42% respectively. Again India dominated all countries to create employment opportunities. India is created employment opportunities to 53,101 people. China and USA are in second and third position. They create employment opportunity to 20,259 and 12,034 people respectively.

From the above table, 68 countries have made investment in Nepal. Among them, India stands at the first position. China, USA and Japan are in good position in terms of no. of industries approved. Azerbaijan, Colombia, Croatia, Cyprus, Czech Republic, Egypt, Ghana, Guatemala, Holand, Libiya, Mauritius, Panama, Portugal, Slovenia and Vietnam approved only one industry for Foreign Investment.

The number of foreign collaborations invested by different countries has not been evenly. The neighbouring economies, India and China have shown great interest in investing in Nepal from the given table. Table exhibits the heavy concentration of few countries on foreign investment inflow, which is not a positive signal for investment diversification. This implies the need to offer more incentives, proper infrastructure, political stability, and implementation of laws, acts and provision and so on to these countries to make greater investment as they have already chosen Nepal as their investment destination.



#### 4.2.5 Scale-wise Flow of FOREIGN INVESTMENT in Nepal

**Table No. 4.5**

**Scale-wise Flow of FOREIGN INVESTMENT in Nepal (2046/047-2066/067)**

Category	No.of industries	Total project cost	Total fixed cost	Foreign investment	Employment
Large	170	108870.13	97028.44	39898.47	40341
Medium	231	16875.88	11715.67	7369.60	29835
Small	1497	17083.05	10995.11	10729.60	74337
total	1898	14282.06	119739.22	57997.66	144513

(Source: Industrial statistics of DOI, April,2010)

**Figure No. 4.4**

Scale-wise Flow of FOREIGN INVESTMENT in Nepal (2046/047-2066/67.)

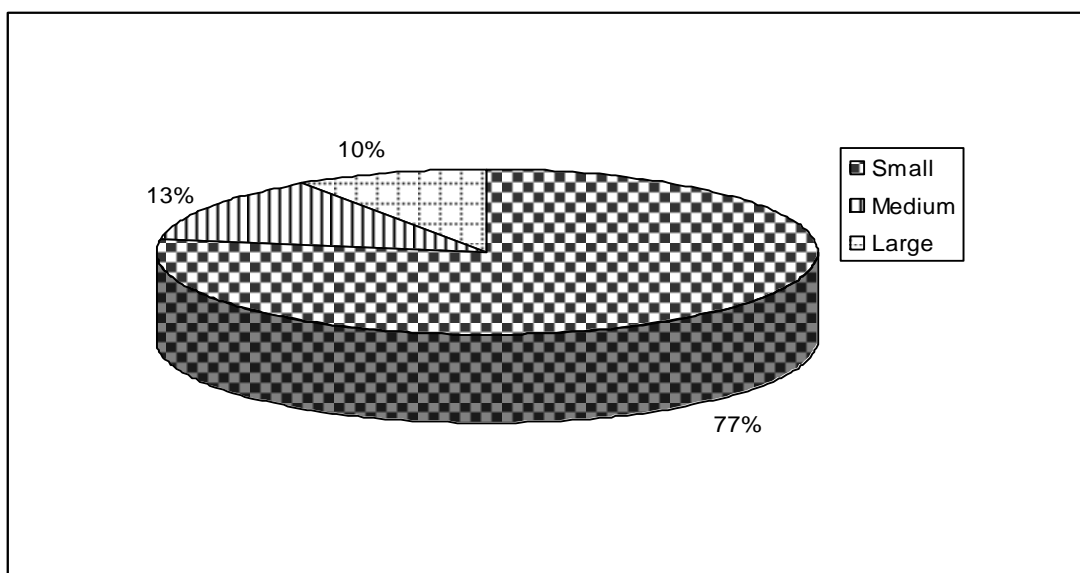


Table and figure above indicates the inflow of foreign investment has mostly been concentrated in small scale industries in which there are 1497 total industries, which is equivalently equal to 78.87 percent. The medium and large scale industries occupy

second and third respectively by apprehending 231 and 170 number of industries. In terms of total project cost, total fixed cost and foreign investment. Large scale industries is in first position and then after small scale industries is in second position. In term of total project cost and total fixed cost medium scale industries is in second position.

Large scale industries score highest position in term of foreign investment with 39898.47million and then after small scale industries and medium scale industries are respectively.

#### **4.2.6. Number of Industries Approved for Foreign Investment by District (2046/047-2066/067)**

**Table No. 4. 6**

#### **FOREIGN INVESTMENT in Nepal-District-wise (Up to F.Y. 2064/65 FNM)**

The following table gives the data of district-wise foreign investment in Nepal.

(Rs. in million)

S.N.	Country of Origin	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	%	Total No. of Employment
1	Dhankuta	1	46.62	37.62	0.00	0.0	120
2	Jhapa	11	986.14	631.90	228.35	0.39	3096
3	Morang	23	2088.85	1507.48	346.48	0.59	4733
4	Okhaldhunga	1	250.00	245.00	19.00	0.03	122
5	Sankhuwasabha	1	500.00	488.00	500.00	0.86	250
6	Saptari	2	410.00	384.00	282.40	0.48	144
7	Siraha	2	694.00	660.07	113.20	0.19	508
8	Solukhumbu	9	2959.17	2856.59	926.13	1.59	198
9	Sunsari	15	2114.17	1559.77	1047.25	1.80	2897
10	Taplejung	1	2.10	1.04	1.90	0.003	0
11	Bara	42	7257.05	5747.20	2063.78	3.55	4401

12	Bhaktapur	40	1824.48	1092.37	694.41	1.20	3581
13	Chitwan	47	3430.17	2743.25	1118.36	1.93	7545
14	Dhading	9	2405.89	2351.70	2171.00	3.74	721
15	Dhanusha	2	84.56	61.70	62.28	0.11	167
16	Dolkha	4	5600.20	5086.03	1305.73	2.25	225
17	Kathmandu	1051	49248.81	40663.21	19848.52	34.22	61850
18	Kavre	48	128594	1082.29	626.92	1.08	4190
19	Lalitpur	226	9651.62	7599.60	6615.82	11.40	12479
20	Makawanpur	45	4405.88	3357.30	2007.23	3.46	4087
21	Nuwakot	7	210.58	184.75	105.70	0.18	631
22	Out of valley	1	24.34	21.22	24.34	0.04	70
23	Parsa	39	2831.77	2137.75	1491.35	2.57	5532
24	Ramechhap	1	291.34	237.89	262.21	0.45	200
25	Rasuwa	5	2622.40	2522.28	1236.43	2.13	176
26	Rautahat	1	559.18	509.18	44.06	0.07	589
27	Sindhuli	1	9.00	7.70	9.00	0.02	105
28	Sindhupalchowk	8	6832.73	6603.59	1292.08	2.22	2892
29	Terai Region	1	60.00	55.00	16.00	0.03	97
30	Arghakhachi	2	1342.09	199.27	449.60	0.77	331
31	Gorkha	4	704.09	648.32	75.23	0.13	758
	Kalikot	1	1900.00	1800.00	1520.00	2.62	125
32	Kapilbastu	8	411.71	197.32	297.81	0.51	269
33	Kaski	108	12226.56	11593.96	4054.58	6.99	4876
34	Lamjung	5	343.93	311.25	124.15	0.21	513
35	Manang, Tanah	1	75.00	69.75	47.01	0.08	635
36	Mustang	2	461.74	449.11	1.07	0.001	115
37	Nawalparasi	20	2762.68	2366.76	505.40	0.87	2884
38	Palpa	1	30.00	23.38	4.90	0.008	24
39	Parbat	1	1100.00	1089.00	1.50	0.002	2614
40	Rupandehi	29	5630.09	4603.14	2958.59	5.10	3104
41	Tanahu	3	89.02	73.20	37.50	0.06	237
42	Banke	16	513.83	404.44	152.43	0.26	1393

43	Bardiya	6	51.88	45.56	23.14	0.03	234
44	Dang	7	257.50	216.45	197.50	0.34	1057
45	Humla	5	41.00	37.20	19.24	0.03	96
46	Rolpa	3	32.22	28.31	29.00	0.05	156
47	Surkhet	2	3587.00	2819.40	2187.00	3.77	229
48	Achham	4	571.18	550.68	418.18	0.72	411
49	Baitadi	2	20.00	16.80	20.00	0.03	202
50	Doti	1	10.00	7.20	10.00	0.02	33
51	Kailali	3	919.04	868.81	192.80	0.33	929
52	Kanchanpur	13	776.37	695.11	147.72	0.25	1466
53	Kavrepalanchok	1	30.00	28.00	20.40	0.04	40
54	Undefined	3	251.67	154.37	37.00	0.06	146
<b>Total</b>		<b>1898</b>	<b>14289.06</b>	<b>119739.22</b>	<b>57997.66</b>	<b>100</b>	<b>144513</b>

(Source: Industrial statistics of DOI, April, 2010)

Foreign Investment has been set up in different districts of the country. The total number of districts having foreign investment industry has marked 56. Kathmandu has succeeded in attracting the highest number of foreign investment industries of 1051, which is followed by Lalitpur with 226. Kaski stands at the third place having 108 industries. Kaski stand at the third place with for less number of 118 industries than Lalitpur. 30 districts have less than five industries approved for foreign investment.

Kathmandu is blessed with almost half of the total number of projects, which has portrayed a heavy concentration of foreign investment projects in the urban area only, confining overall economic advantages to the limited area. Moreover, this will have less impact in uplifting the life standard of the rural people. As a matter of fact, the country needs to make planning and policies so as to encourage foreign investors in rural and sub-urban area through the infrastructure development so that the concept of balanced socio-economic development could be achieved.

Hence the economic opportunities should be offered to the people of the country, not only of the urban area but also the rural area. The country should create such an

environment so that foreign investment projects will get diversified across the country.

#### 4.2.7 Type-wise Flow of FOREIGN INVESTMENT in Nepal

The trend of type-wise flow of foreign investment in Nepal has been presented in the following table and figure.

**Table No. 4.7**

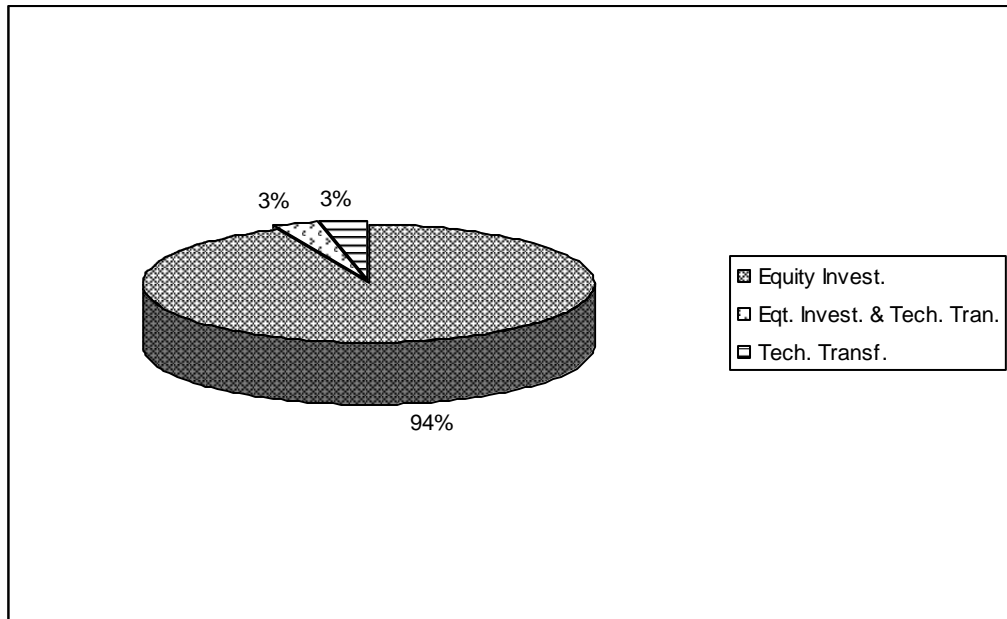
**Type-wise flow of FOREIGN INVESTMENT in Nepal (2046/47-2066/67)**

Category	No. of Industries	%	Equity Invest.	%	Eq. Invest. & Tech. Tran.	%	Tech. Transf.	%
Manufacturing	673	35.45	592	33.09	41	77.36	478	31.93
Agro Based	37	1.95	36	2.01	0	0	31	2.02
Energy Based	41	2.16	40	2.23	0	0	4	0.27
Construction	41	2.16	39	2.17	2	3.77	23	1.54
Mineral Based	31	1.63	30	1.67	0	0	24	1.60
Service	561	29.55	550	30.74	4	7.54	487	32.53
Tourism	514	27.08	502	28.06	6	11.32	450	30.06
<b>Total</b>	<b>1898</b>	<b>100</b>	<b>1789</b>	<b>100</b>	<b>53</b>	<b>100</b>	<b>1497</b>	<b>100</b>

(Source: Industrial statistics of DOI, April, 2010)

**Figure No. 4.5**

**Type-wise flow of FOREIGN INVESTMENT in Nepal**



Type-wise flow of foreign investment consists in the form of equity investment, equity investment and technology transfer, and technology transfer only. Above table and figure reveals that inflow of foreign investment in Nepal has mostly in the form of equity investment in 1789 industries. Out of which 592 are related manufacturing, 36 Agro based 40 energy based 39 construction, 30 mineral based, 550 services and 502 tourism.

Equity investment in service industries contributes 97.79% whereas the share of equity investment and technology transfer, and technology transfer only is negligible with 0.60% and 1.54% respectively.

By the above table and figure we can conclude that Nepal always expects higher rate of technology transfer from developed countries for efficiency and productivity from manufacturing sector. The policy preference is towards it. Therefore the government efforts and policies should be towards higher rate of technology transfer preferring the institutional foreign investment.

### **4.3. Foreign Direct Investments and Economic Development of Nepal**

Nepal has given high priority to encourage foreign investment. The FITT Act, 1992 lays down the basic law governing foreign investment in the country. The FITTA has undergone its first amendment in 1996 aiming at making the environment of industrial investment more congenial, straightforward, encouraging and transparent. The IP of 1992 identifies foreign investment promotion as an important strategy in achieving the objectives of increasing industrial production to meet the basic needs of the people, create maximum employment opportunities and pave the way for improvements in the balance of payments, foreign investment is expected to supplement domestic private investment through foreign capital flows, transfer of technology, improvement in management skills and productivity access to international markets. In this context, Government of Nepal is encouraging foreign investment in Nepal. Ultimately foreign investment leads to increase economic development of Nepal.

Mostly in the under developed countries like Nepal, domestic resource are inadequate to meet the financial requirements for the economic development. Capital is the most important factor affecting the economic development. Economic development is achieved through the productive employment of labour and the full utilization of natural resources. It depends on capacity to invest and make efficient and productive use of its resources.

Foreign Direct Investment has social benefit as well. Since foreign investment leads to the establishment of new industries, utilization of natural resources, development of new areas and infrastructure, it promotes employment opportunities. It leads to an increase in productivity and National Income and the living standard of the people, which helps in the alleviation of poverty.

Foreign Direct Investment confers maximum benefits to the host country's development programs, including increase in output and income, higher employment and productivity, transfer of management and production techniques and the

expansion of exports and tax revenues. From the above points we can conclude that foreign investment is necessary for the economic development of the country. Foreign investment is a package, which not only contains capital but also management, technology, technical skill and marketing network in international trade and commerce.

According to data of DOI up to F.Y. 2064/65 FNM records, the highest foreign investment flow was found to be Rs. 9811 million in FY 2064/065 followed by Rs. 3226.79 million in 2063/064. The second highest position in terms of fixed cost and total project cost was found to be in 2049/050 with the amount of Rs. 17886.22 and 16210.81 million respectively. Out of these investments undertaking the highest number of creation of job opportunities was expected to be in 2049/50. This year's foreign investment had expected to employ 14565 local peoples. Subsequently, the foreign investment flow of 2064/065 had provided job opportunities for 10677 people. In the terms of number of industries the year 2064/65 recorded the highest industries.

#### **4.4 Major Findings of the Study**

- Manufacturing industries occupies highest percentage (i.e., 34.59%) of total foreign investment inflow.
- Service sector is dominated to tourism sector which means foreign investment is increasing in service sector.
- The highest foreign investment flow was Rs. 9811 million in FY 2064/065. in terms of job opportunity creation, FY 2049/050 is in highest position. Similarly, in terms of no. of industries established by foreign investment, FY 2064/065 is in highest position.
- The intensity of foreign investment interme of total authorized capital investment as well as foreign participation and the employment generation is concentrated in the eighth plan period although more industries were registered in the Ninth plan.



- 68 countries have made investment in Nepal. Among them, India stands at first position. China, U.S.A. and Japan are in good position in terms of no. of industries approved.
- foreign investment has mostly been concentrated in small scale industries. Medium and large scale industries occupy second and third position respectively.
- Kathmandu has succeeded in attracting the highest no. of foreign investment industries. Lalitpur and Kaski stand at the second and third position respectively.
- The inflow of foreign investment in Nepal has mostly in the form of equity investment. Investment. Equity investment and technology transfer only are in equal basis.
- foreign investment has played an important role on economic development of the country.

# **CHAPTER - V**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

The importance of foreign investment in economic development of Nepal in general and industrial development in particular has been realized not only by developing capitalist countries but also by socialist countries. Foreign investment plays a significant role for economic development of the nation. Therefore an increasing number of developing countries are, now trying to attract foreign investment and technology transfer. Investment made by foreign entrepreneur or institution in any country is known as Foreign Direct Investment. The terms of foreign investment are generally defined under governing legislation of foreign investment in national and international level. Foreign investment is one of the distinct features of the worldwide wave of globalization and liberalization. Foreign investment is considered as a means to meet the growing demand for capital, technology and skills in host country. An essential element of foreign investment is a continuing substantial interest and effective voice in managing the real asset of a foreign affiliated entity.

Nepal emphasized on foreign investment very lately. Nepal has started its efforts to attract foreign investment since the sixth plan (1980-85). The constitution of the kingdom of Nepal 1991 has adopted the policy of attracting foreign capital and technology in the country. Foreign Investment and Technology Transfer Act 1992, Industrial Policy and Industrial Enterprises Act 1992, and Foreign Investment and One Window Policy, 1992 have created a favourable environment for foreign investment in Nepal. Realizing the significant role of foreign investment in economic development, share investment, loan investment, technology transfer, management services, registration and licensing procedures are made simple, easy and transparent. The policies ensure the protection against nationalization.

Later on, during the eighth plan the flow of foreign investment was highest in terms of total project cost, total foreign investment and employment generation. However, the number of industries during the tenth Plan was highest of 301, which is 28.21% of total industries approved.

According to data of DOI up to F.Y. 2064/65 records, the highest foreign investment flow was found to be Rs. 9811 million in FY 2064/065 followed by Rs. 3226.79 million in 2063/064. The second highest position in terms of fixed cost and total project cost was found to be in 2049/050 with the amount of Rs. 17886.22 and 16210.81 million respectively. Out of these investments undertaking the highest number of creation of job opportunities was expected to be in 2049/50. This year's foreign investment had expected to employ 14565 local peoples. Subsequently, the foreign investment flow of 2064/065 had provided job opportunities for 10677 people. In the terms of number of industries the year 2064/65 recorded the highest industries.

Category-wise flow reveals that the manufacturing industry occupies the highest position in terms of number of industries, total project cost, total fixed cost, foreign investment and employment generation. This sector of industry alone contributed 5.20% of employment opportunity. Service industry contributed the second position in terms of number of industries established, foreign investment, and employment generation with the percent weight of 20.56% percent against 27.08% of tourism, 20.78% against 12.44% of tourism and 1.97% against 1.61% of tourism industry, respectively.

Number of industries approved for foreign investment by country of origin reveals that India approved highest number of industries i.e. 462 and the second is China with 332 industries. U.S.A. is in third position in terms of number of industries but in second position in terms of total project cost. India contributed 43.76% of foreign investment. Contribution of China and U.S.A. were 10.08% and 8.42% respectively. Again India dominated all countries to create employment opportunities. India is created employment opportunities to 53,101 people. China and USA are in second

and third position. They create employment opportunity to 20,259 and 12034 people respectively.

On the other hand district- wise foreign investment indicates that Kathmandu has succeeded in attracting the highest number of foreign investment industries of 1051, which is followed by Lalitpur with 226. Kaski stand at the third place with far less number of 118 industries than Lalitpur.

Types-wise flow indicates that out of 1789 industries 592 are related manufacturing, 36 agro based, 40 energy based, 39 construction, 30 mineral based, 550 service and 502 tourism. The inflow of foreign investment has mostly been concentrated in small scale industries on which there are 1497 total industries. The medium and large scale industries occupy second and third position having 231 and 170 number of industries respectively.

To attract foreign investment in Nepal, HMG has made various laws, Acts and Provisions. IP- 1992, FITTA-1992, Trade Policy-1992, Company Act- 1997, One Window Policy are some of them. HMG has made business visa easily available for those who want to invest in Nepal. Nepal has signed agreement for avoidance of double taxation and the protection of fiscal evasion with respect to taxes on income. These all policies and provisions have treated attractive environment for FI in Nepal. The foreign investors are found to be motivated by commercial and non-commercial objectives. Income tax facility, facility of convertible foreign currency, low production cost and low labour cost are other motivating factors. But we have still found many problems for foreign investment promotion like less market opportunity, political instability, government bureaucracy, undeveloped infrastructure, difficult to get incentives, procedural delays, landlocked geographic state, and fear of currency devaluation.

## **5.2 Conclusion**

From the above findings, as a matter of fact HMG need to make planning and policies so as to encourage foreign investors in rural and sub-urban area through clear vision on foreign investment policy, utilization of economic diplomacy, rapid development of infrastructures, setting up more export processing zones and special economic zones, establishments of more research and development institutions, integration of the national economy with global economy, carrying out the liberalization of the economy in faster pace and more attractive and timely incentives packages to the foreign investors through legal improvements, so that the concept of balanced socio-economic development could be achieved.

## **5.3 Recommendations**

Even though a number of facilities and concessions are granted to attract foreign investment in Nepal, it is clear from our foregoing analysis that we have not been successful in this area. Nepal still faces some problems in its promotion. Thus, we recommend the following in order to address the promotion of foreign investment for the economic development of Nepal.

- **Clear Policy and Effective Implementation**

To attract foreign investment, the policies and Act should be made transparent. One window policy should be made more effective in providing services and facilities to foreign investors. Tax rate should be minimized to the remote areas investment. Visa requirement should be made simplified and visa fees should be minimized. There should be a provision of consultancy firms for attracting private foreign investment. The existing other laws, regulations and policies relating to foreign investment must be made consistent with FITTA 1992. There should be strict implementation of the proposed policies, facilities and incentives.

- **Develop Infrastructure**

Infrastructure plays a vital role in attracting foreign investment. All efforts should be made to improve the infrastructure facilities. Infrastructure development should be spread all over the country and the facilities should be extended to the remote area too.

- **Establish Research and Development Institutions**

Nepal does not possess separate institutions for research and development. To attract Foreign Investment as well as for the upliftment of the country research and development of utmost important. So the establishment of R and D institutions is a prerequisite if Nepal's all round development is to be achieved at a faster pace.

- **Flexible and Relevant Labour Act**

Although labour is cheap in Nepal, labour productivity is very low. The prevailing labor Act, considered to be a hindrance to the utilization of the vast Labour-force, should be reviewed so as to make it more flexible and investment friendly.

- **Availability of Trained Human Resource and Technical know-how**

Nepal has very poor human resource that led the scarcity of technical and experience personnel. Availability of trained manpower and technical know-how is crucial in promoting the foreign investment. Hence, country should evaluate its educational and vocational training and other dimensions for the betterment of skilled personnel. So, effort should be made to produce skilled and honest human resource by investing human capital.

- **Decrease the Fear of Currency Devaluation**

The fear of currency devaluation and frequent changes in policies are adversely affected decision on investment in Nepal. Therefore government should take possible measures to gain people's confidence in the Nepalese currency and also not make frequent changes in policies.

- **Conduct Workshops and Seminar**

Sufficient information about chance of investment and areas of investment in Nepal should be notified to all over the world. The HMG should bring a whim into all over the world for getting attention of foreign investors. For this it is necessary to conduct workshops and seminar among foreign and domestic investors.

- **Integrate and Liberalization of the Economy**

Economic integration is the advance measure of attracting foreign investment. For this Nepal should be selective not pervasive while liberalizing and privatizing the economy. Nepal can not remain in isolation in the present age of globalization. That is why Nepal has been adopting the policy of liberalization. As the liberalization policy is found to make a great role in attracting more Foreign Direct Investment. Hence integration and liberalization of the economy should be followed with a greater speed.

- **Policy Improvement and Stability**

Timely changes and reforms in various laws, acts, policies, rules, and regulations relating to foreign investment is necessary. There should be policy improvement and consistency in acts and policies in order to get confidence of foreign investors.

- **No Political Intervention to the FOREIGN INVESTMENT**

The political stability and consensus among the major political bodies are extremely essential so that the frequent change in government would not bring change of policy. The government should avoid exercising any sort of political intervention in the

foreign investment industry to create the conducive business environment in the economy.

- **Simplification of the Entry and Exit Policy**

As per the complaints of the foreign investors, the government should simplify the entry and exit policy for an foreign investment industry.

#### **5.4 Need for Further Study**

Foreign Direct Investment is a vast area for the purpose of study. The present study is mainly concerned with the general analysis of overall foreign investment inflow to Nepal. This study's further concern is to examine the existing legal provisions and policies offered for foreign investment in Nepal and to analyze the effect of foreign investment in economic development in Nepal. However the present study is a kind of preliminary study carried out with limited time and resources and covering only a limited number of foreign collaborators. Therefore a comprehensive follow-up study should be carried out in future covering various aspects of foreign investment in Nepal.



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## APPENDIX

**Table 1: Number of Industries Approved for Foreign Investment by Category (Up to F.Y. 2065/066 FNM)**

(Rs. million)

Category	No. of Industries	Total Project Cost	Total fixed cost	Foreign Investment	Employment
Agriculture	37	1201.05	702.58	526.18	2160
Construction	41	3455.34	2563.10	2612.81	2926
Energy Based	41	40641.24	38643.02	13291.77	7370
Manufacturing	673	48342.17	35220.04	19459.95	75079
Mineral	31	5049.02	4121.00	2836.70	5128
Service	561	24931.98	20435.16	12054.24	28540
Tourism	514	19208.25	18054.33	7216.02	23292
Total	1898	142829.06	119739.22	57997.66	144513 1

**Table 2: Number of Industries Approved for Foreign Investment by Fiscal Year (Up to F.Y. 2065/066FNM)**

Fiscal Year	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	Total No. of Employment
Up to Ashad 2046	58	5102.80	4271.60	449.56	10586
2046/47	30	2438.19	2139.60	398.51	9515
2047/48	23	863.56	690.74	406.28	2974
2048/49	38	3508.17	2902.10	597.84	5615
2049/50	64	17886.22	16210.81	3083.67	13873
2050/51	38	3733.23	3175.66	1378.76	4734
2051/52	19	1627.28	1247.85	477.59	2386
2052/53	47	10047.47	9398.54	2219.86	8032

2053/54	77	8559.25	6692.15	2395.54	9347
2054/55	77	5569.38	5142.32	2000.28	4336
2055/56	50	5324.42	4380.17	1666.42	2146
2056/57	71	2669.09	1910.24	1417.61	4703
2057/58	96	7917.62	6122.49	3102.56	6880
2058/59	77	3318.53	1559.59	1209.65	3731
2059/60	74	4921.82	3608.25	1793.77	3572
2060/61	78	4323.74	3775.86	2764.80	2144
2061/62	64	1801.10	1150.89	1639.52	5576
2062/63	116	4121.08	3296.95	2606.31	7358
2063/64	188	3425.57	2650.56	3226.79	7389
2064/65	212	20403.88	16896.27	9811.00	10677
2065/66	231	9417.89	7530.02	6255.09	11108
2066/67	171	15853.78	14987.98	9100.00	7848
<b>Total</b>	<b>1898</b>	<b>142829.06</b>	<b>119739.22</b>	<b>57997.66</b>	<b>144513</b>

**Table 3: Number of Industries Approved for Foreign Investment by Country of Origin (up to F.Y. 2065/066 FNM)**

(Rs. million)

S.N.	Country of Origin	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	Total No. of Employment
1	Australia	29	369.26	317.81	307.18	648
2	Austria	15	198.06	151.81	73.86	515
3	Azerbaijan	2	7.40	6.70	7.40	27
4	Bangladesh	23	485.35	234.80	242.41	3941
5	Belgium	9	35.27	26.20	29.74	287
6	Bermuda	6	1995.25	1694.03	118.27	1474
7	Bhutan	3	27.26	20.58	3.61	98

8	Brazil	3	521.07	495.50	504.43	471
9	Bri.Virg.Is	3	2739.79	2636.19	961.43	1018
10	Canada	21	1049.92	908.69	729.64	1705
11	China	332	11320.99	9205.77	4857.72	16634
12	Colombia	1	2.40	1	2.40	7
13	Croatia	1	2.50	2.10	2.50	15
14	Cyprus	1	1000.00	974.00	304.00	235
15	Czech Republic	1	3.50	2.50	3.50	12
16	Denmark	18	613.32	539.62	116.99	635
17	Dutch	1				
18	Egypt	2	10.00	8.50	2.00	0
19	Finland	5	22.50	17.76	12.05	134
20	France	43	530.35	440.31	250.55	1743
21	Germany	75	2203.81	1980.30	844.22	3522
22	Ghana	1	6.50	6.18	1.95	0
23	Guatemala	1	10.00	5.00	2.50	84
24	Holand	1	7.00	0.00	1.79	0
25	Hong Kong	18	1373.54	1119.44	525.24	2300
26	Hungeri	1				
27	India	462	48747.24	37045.46	21229.55	50917
28	Iran	6	21.70	13.30	17.20	120
29	Ireland	5	714.90	673.60	331.97	303
30	Israel	10	649.60	540.09	108.15	192
31	Italy	18	1261.19	1142.45	213.01	439
32	Japan	146	3072.37	2619.88	1089.51	6196
33	Kazakastan	2				
34	Kyrgystan	4	36.50	32.05	22.50	175
35	Lebon	2				
36	Libiya	1	5.00	2.80	5.00	80
37	Malaysia	11	536.64	501.37	90.58	333
38	Mauritius	3	500.00	490.00	365.00	389
39	Mexico	2	17.93	16.35	15.33	35

40	N. Korea	3	64.82	58.80	32.55	147
41	Netherlands	32	1187.71	993.84	500.42	2467
42	New Zealand	9	283.63	228.66	17.07	1994
43	Norway	11	8100.59	6753.00	1125.83	653
44	Pakistan	15	2159.45	1874.77	144.73	2386
45	Panama	1	83.28	65.17	24.98	121
46	Philippines	10	946.12	866.46	60.38	1466
47	Poland	5	97.22	91.35	14.89	99
48	Portugal	1	2.50	2.00	2.50	23
49	Russia	17	191.80	139.09	89.78	586
50	S. Africa	5	47.30	37.84	47.30	137
51	S. Korea	131	8057.67	7631.19	4052.89	5066
52	Singapore	21	2345.02	2263.04	939.09	1583
53	Slovenia	1	4.19	3.94	4.19	0
54	Spain	13	141.42	91.94	99.63	332
55	Sri Lanka	3	79.15	55.90	37.41	83
56	Sweden	7	11.50	7.56	11.50	128
57	Switzerland	30	722.48	655.95	322.85	596
58	Taiwan	9	414.75	360.43	174.62	596
59	Tchad	1				
60	Thailand	9	956.37	815.29	93.29	1122
61	Turkey	6	18.20	12.12	30.70	86
62	UAE	4	1101.74	257.24	483.37	537
63	UK	94	4554.08	4052.29	1452.54	7434
64	Ukraine	2	91.70	83.25	16.40	52
65	USA	166	13686.81	12397.08	4781.16	11456
66	Uzbekistan	1	10.00	7.50	10.00	52
67	Vietnam	2	15.00	14.20	15.00	28
<b>Total</b>		<b>1898</b>	<b>125462.59</b>	<b>103685.01</b>	<b>47998.12</b>	<b>133862</b>

**Table 4: Approved Project for Foreign Investment and Technology Transfer by Type & Scale (F.Y. 2065/066 FNM)**

Category	No. of Industries	Type		
		Equity Invest.	Eq. Invest. & Tech. Tran.	Tech. Transf.
Manufacturing	46	46	0	0
Agro Based	6	6	0	0
Energy Based	9	9	0	0
Construction	5	5	0	0
Mineral Based	22	22	0	0
Service	61	61	0	0
Tourism	74	74	0	0
<b>Total</b>	<b>223</b>	<b>223</b>	<b>0</b>	<b>0</b>

**Table 5: Approved Project for Foreign Investment and Technology Transfer by Type & Scale (Up to 2065/066 FNM)**

Category	No. of Industries	Type			Scale		
		Equity Invest.	Eq. Invest. & Tech. Tran.	Tech. Transf.	Small	Medium	Large
Manufacturing	618	538	39	41	433	120	65
Agro Based	30	29	0	1	24	5	1
Energy Based	35	35	0	0	4	6	25
Construction	40	38	2	0	22	13	5
Mineral Based	27	21	4	2	20	3	4
Service	454	444	3	7	391	38	25
Tourism	442	430	6	6	382	28	32
<b>Total</b>	<b>1646</b>	<b>1535</b>	<b>54</b>	<b>57</b>	<b>1276</b>	<b>213</b>	<b>157</b>

**Table 6: Number of Industries Approved for Foreign Investment by District (Up to F.Y. 2065/066 FNM)**

(Rs. in million)



S.N.	Country of Origin	No. of Industries	Total Project Cost	Total Fixed Cost	Foreign Investment	Total No. of Employment
1	Dhankuta	1	46.62	37.62	0.00	120
2	Jhapa	11	986.14	631.90	228.35	3096
3	Morang	23	2088.85	1507.48	346.48	4733
4	Okhaldhunga	1	250.00	245.00	19.00	122
5	Sankhuwasabha	1	500.00	488.00	500.00	250
6	Saptari	2	410.00	384.00	282.40	144
7	Siraha	2	644.00	625.07	97.20	452
8	Solukhumbu	8	1059.17	981.59	26.13	95
9	Sunsari	15	2114.17	1559.77	1047.25	2897
10	Taplejung	1	2.10	1.04	1.90	0
11	Bara	42	7257.05	5747.20	2063.78	4401
12	Bhaktapur	39	1819.48	1092.37	694.41	3554
13	Chitwan	42	3349.67	2679.65	1062.76	7342
14	Dhading	9	2405.89	2351.70	2171.00	721
15	Dhanusha	2	84.56	61.70	62.28	167
16	Dolkha	4	5600.20	5086.03	1305.73	225
17	Kathmandu	887	42679.66	34692.58	16364.34	55229
18	Kavre	44	1070.29	873.59	598.27	4062
19	Lalitpur	180	7073.58	5236.95	4071.38	10513
20	Makawanpur	45	4405.88	3357.30	2007.23	4087
21	Nuwakot	6	202.58	177.95	97.70	601
22	Out of valley	1	24.34	21.22	24.34	70
23	Parsa	37	2720.04	2067.55	1379.61	5390
24	Ramechhap	1	291.34	237.89	262.21	200
25	Rasuwa	5	2622.40	2522.28	1236.43	176
26	Rautahat	1	559.18	509.18	44.06	589
27	Sindhuli	1	9.00	7.70	9.00	105
28	Sindhupalchowk	8	6832.73	6603.59	1292.08	2892

29	Terai Region	1	60.00	55.00	16.00	97
30	Arghakhachi	2	1342.09	199.27	449.60	331
31	Gorkha	4	704.09	648.32	75.23	758
32	Kapilbastu	8	411.71	197.32	297.81	269
33	Kaski	94	9992.46	9406.67	3048.89	4401
34	Lamjung	4	243.93	217.25	89.15	450
35	Manang, Tanah	1	75.00	69.75	47.01	635
36	Mustang	2	461.74	449.11	1.07	115
37	Nawalparasi	20	2762.68	2366.76	505.40	2884
38	Palpa	1	30.00	23.38	4.90	24
39	Parbat	1	1100.00	1089.00	1.50	2614
40	Rupandehi	27	4484.29	3567.84	2839.29	2995
41	Tanahu	3	89.02	73.20	37.50	237
42	Banke	14	478.83	377.84	137.73	1276
43	Bardiya	6	51.88	45.56	23.14	234
44	Dang	5	77.50	63.45	77.50	732
45	Humla	3	11.00	9.94	11.00	63
46	Rolpa	3	32.22	28.31	29.00	156
47	Surkhet	2	3587	2819.40	2187.00	229
48	Achham	4	571.18	550.68	418.18	411
49	Baitadi	2	20.00	16.80	20.00	202
50	Doti	1	10.00	7.20	10.00	33
51	Kailali	3	919.04	868.81	192.80	929
52	Kanchanpur	13	776.37	695.11	147.72	1466
53	Kavrepalanchok	1	30.00	28.00	20.40	40
54	Undefined	2	31.67	24.37	15.00	48
<b>Total</b>		<b>1646</b>	<b>125462.59</b>	<b>103685.01</b>	<b>47998.12</b>	<b>133862</b>