

Investment Policy and Regulatory Framework in Nepal,



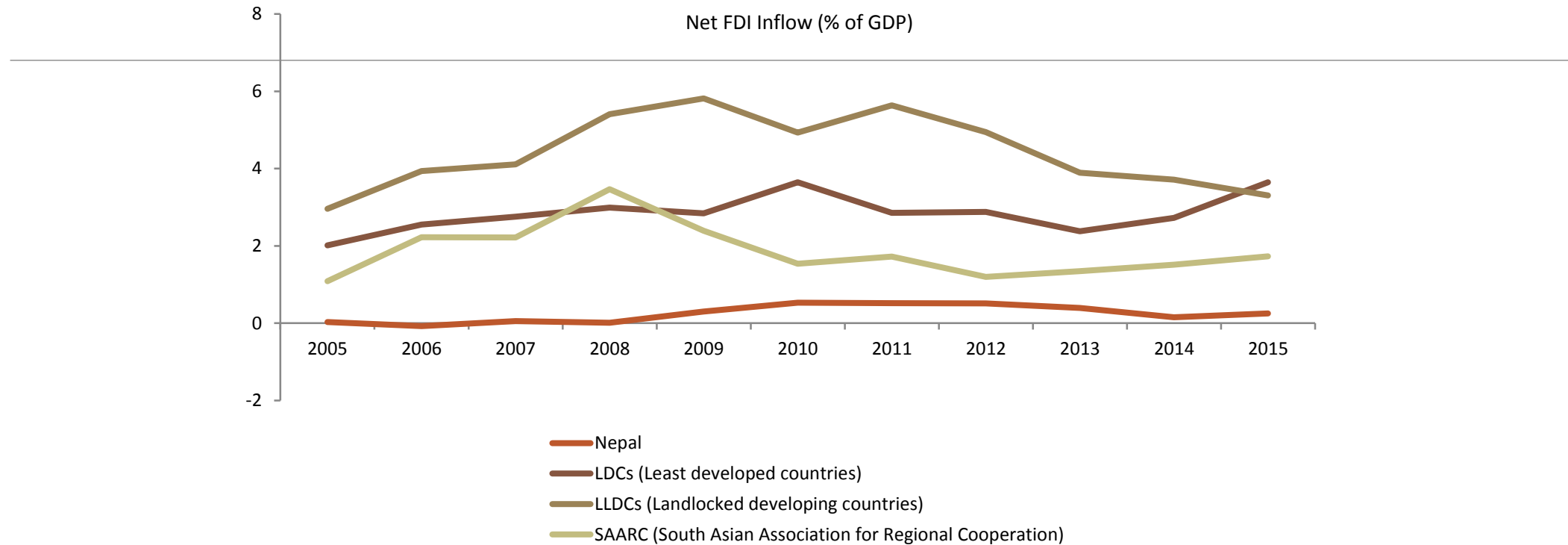
The Country



FDI and Nepal

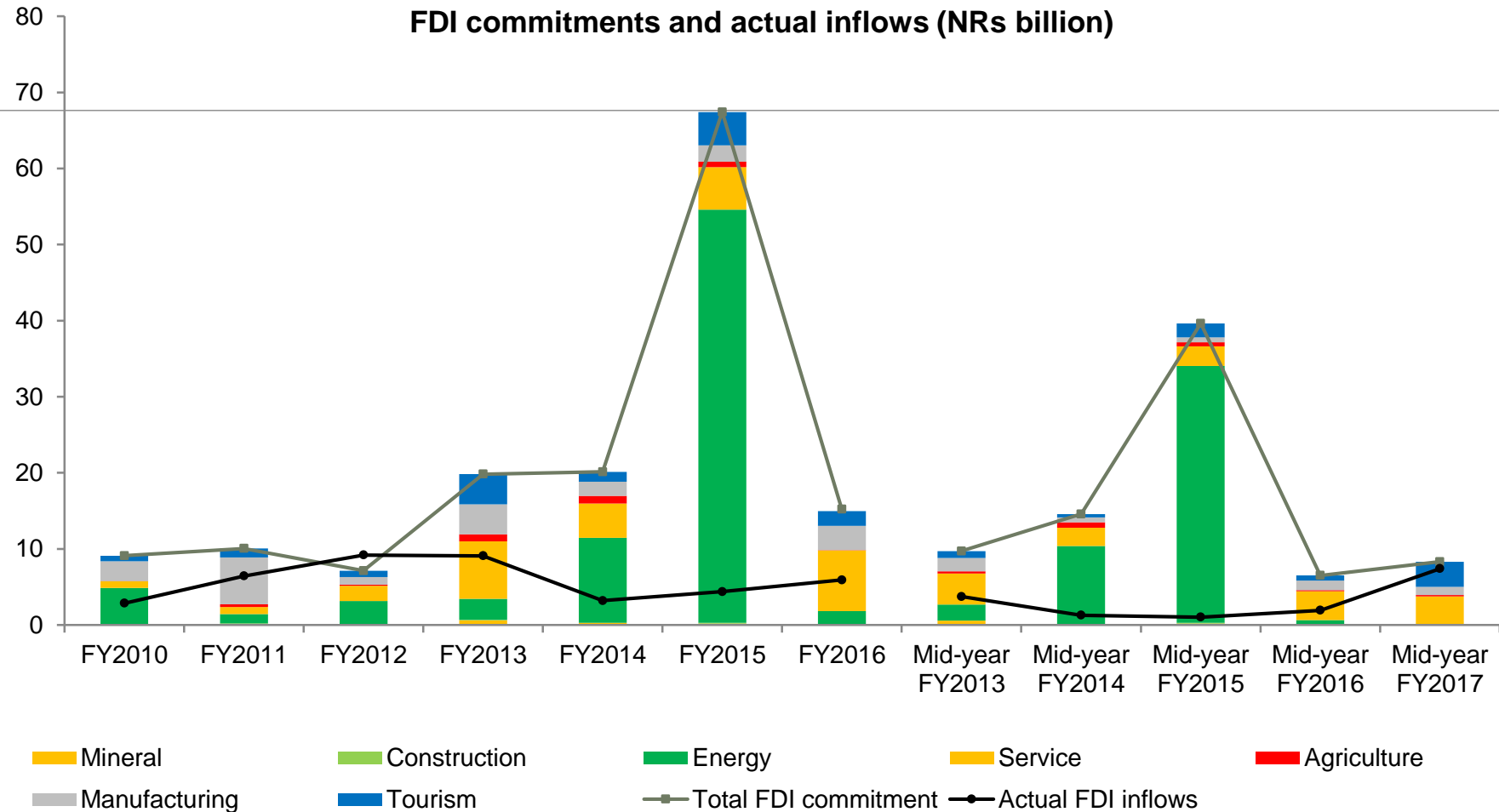
- Initiation from FITTA, 1981
- Liberal economic policies after political change in 1990
- Ranked as 124th (Out of 136) in Global Opportunity Index 2015 and ranked 88th (Out of 137) Global Competitive Index, 2017-18 , DBI in 2017- ranked 107th
- NPR 208 billion was approved but receipt of NPR 10.15 billion only (first eight months of FY 2016/17)
- India is the largest host of FDI in Nepal with 39.12% share followed by China, Hong Kong, South Korea and British Iceland

Nepal trails behind others in FDI



Stock of FDI (% of GDP) in 2015: Nepal (2.8%); Afghanistan (8.8%); Bangladesh (6.6%) ; India (12%) Ethiopia (27.9%); Rwanda (14.3%);

FDI pledges declined- GAP



Regulatory Framework

- **Constitution :**

encourage and mobilize foreign capital and technology investment for import substitution, export promotion and infrastructure development to suit its national interests

- **14th Development Plan:**

innovative, competitive and dynamic economy thorough the mobilization of foreign investment

- **Foreign Investment Policy, 2014 :**

making national economy competitive and dynamic through maintenance of trade balance by import substitution and export promotion attracting foreign capital, technology, skill and knowledge in national priority sectors

Legal Business Environment is Complex

Establish and Exit

Foreign Firm

Foreign Investment and Technology Transfer Act (FITTA)

- Foreign Exchange Regulation Act (FERA)
- Labor/Immigration Act

Operations (Domestic and Foreign Firm)

- Industrial Enterprise Act
- Electricity Act
- Environment Protection Act
- Land Acquisition Act
- Labor Act
- Water Resources Act
- Telecommunications Act
- Income Tax Act
- VAT Act
- Excise Duty Act
- Bonus Act
- Patent Design and Trademark Act
- Competition Promotion and Market Protection Act
- Consumer Protection Act
- Copyright Act
- Banks and Financial Institutions Act

Institutional Framework

- **Investment Board**

Investment approval of;

- **100 Million \$ +**
- 500 MW + Hydropower
- Hospital of 300 bed +
- Waste Mgmt
- Transport
- Aviation's etc

- **Industrial Promotion Board**

Approval of 20 + Million \$ to 100 Million

- **Department of Industry**

Approval of upto 20 Million \$

- **Other Institutions**

- Office of Company Registrar (OCR)
- Sector Agencies (e.g. Telecom, Airline, and Mining)
Department of Inland Revenue
- Central Bank

Priority Sectors



AGRICULTURE



FERTILIZER INFRASTRUCTURE TECHNOLOGY FINANCING SEEDS



ENERGY



HYDROPOWER WIND ENERGY SOLAR ENERGY BIOMASS GEOTHERMAL



ICT



BUSINESS PROCESS SOFTWARE INTERNET SERVICE ONLINE PAYMENT
OUTSOURCING DEVELOPMENT PROVIDER INFRASTRUCTURE DATA CENTER



MANUFACTURING



FMCG GARMENTS PHARMACEUTICAL AUTOMOTIVE PARTS



MINES AND MINERALS



METALLIC MINERALS NON-METALLIC MINERALS FUEL MINERALS GEMSTONES DECORATIVE STONES CONSTRUCTION MINERALS



TOURISM



HOTELS ADVENTURE TOURISM CULTURAL/RELIGIOUS TOURISM MICE (MEETINGS, INCENTIVES, CONFERENCES, EVENTS)



TRANSPORTATION



ROADS AIRPORTS RAILWAYS URBAN TRANSPORT

Opportunities

- Abundant natural resources- HYDROPOWER, CEMENT etc
- Cultural and biological diversities- TOURISM
- Economically strategic location between two giant economies- China and India
- Comparative low wages
- Incentives to foreign investors
- BIPPA and DTAA with major economies
- Political commitment for private investment

Challenges

- Political Instability leading policy inconsistency
- Power – Now no power Shading
- Weak labor relation
- Lack of skilled labor force and technological expertise
- Regulatory barriers
- Inadequate physical infrastructures
- Repatriation concerns
- Exchange rate variability

Resolving key Operational 3 Issues

Platform to generate reform agendas- one stop shop/one window system

- **Public Private Dialogue** (e.g. **Nepal Business Forum (NBF)**)
- Reviving NBF for a structure dialogue to generate, implement and sustain reforms of significance for domestic and foreign firms

Industrial Relations

- Labor flexibility and welfare protection to go hand-in-hand
- Amendment of Labor Act and legal measure for workers social safety
- **Emerging priority:** Addressing **labor shortage**

Industrial Promotion

- Various schemes offered through legislations
- Robust and timely evaluation needed (e.g. export cash incentive)

Way Ahead

- Update policy/law on the basis of rigorous consultation with stakeholders-FEDERAL
CONTXT
- Trade openness
- Explore quality and structure of the labor force
- Infrastructure development and upgrade
- Improvise Financial Services
- Credit Rating
- Vision 2030

Thank you!

