

Nepal's FDI Landscape: Promise vs Reality

Organization for Economic Cooperation and Development (OECD) has defined **FDI** as a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest (10 percent or more of voting stock) in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor.

Foreign Direct Investment (FDI) in Nepal started in 1990's after economic liberalization. For developing economies, FDI bridges the gap to fund productive sectors and utilize economic resources. Singapore and South Korea, both colonized and countries that were poorer than Nepal, now boast **GDP(Gross Domestic Product)** **60** and **24** times more than that of Nepal in current times. The massive growth achieved due to FDI, along with strategic planning and execution of the leaders.

Nepal situated in the Himalayas and in between two giant economies sits atop of vast amounts of natural resources. It boasts the potential of **42000 MW** of commercial energy which could light up the entire South Asia. With **8** out of **10** highest peaks in the world; home to the light of Asia, Gautam Budhha and having the diversity of 123 ethnicities, Nepal is rich in culture and diversity.

According to Nepal Rastra Bank, Nepal received a record high of foreign investment commitment of **Rs. 64.96 billion**, but less than **one-fifth** of the promised amount of **Rs. 12.02 billion** flew in the Nepali economy in the last fiscal year. Similarly, data from the Department of Industry shows that over the past 30 years, there have been investment commitments worth **Rs. 450 billion**, but only **36.2%** of commitments actually flew into the economy.

What should have become an investment hub, now has growth of **2.1%** from **2.9%** as forecasted by IMF lowest in South Asia after recent events. The inciting factors are unstable government (10 governments in the last 15 years), administrative delay (takes up to 18 days to register a company in Office of Company Registrar) and weak institutional capacity.

To overcome such hurdles, policies must not only remain on paper but should be executed. **Commitments** stated publicly by the leaders must only be limited to words alone, there must be **accountability** for what is promised. With Nepal in the grey zone, policy makers should focus on transparency, good governance, structural reform and stable policy to move out of it and transfer the country into a highly desired investment destination.

