

Nepal needs more homework on foreign investment law: Business Experts

KATHMANDU, May 26 (Xinhua) -- While the interim election government in Nepal is preparing to bring new Foreign Investment and Technology Transfer Ordinance 2013 in this fiscal year that will allow its citizens to invest abroad, experts and business leader here said it needs more homework. The experts from various quarters on Sunday displayed their concerns regarding the ambiguity in various provisions in the draft ordinance. The draft bill has provision to allow Nepali companies invest up to one million U.S. dollars at one time with the permission from the central bank. But there are many questions unanswered. The first ever billionaire of Nepal, industrialist Binod Kumar Chaudhary is exited with the idea of paving the way for Nepali investors to invest abroad, he told, there are many issues to be clear in the draft. "There are still some confusion regarding the minimum threshold and specific sectors to attract foreign direct investment in the draft bill such as provision to allow foreigners to open only the 3 stars or better quality hotels seem unreasonable," he said. The minimum threshold of 200,000 U.S. dollars for the foreign direct investment in Nepal will bar the foreigners to run small but innovative enterprises with newer technologies in the opinion of billionaire Chaudary, who is also the President Emeritus of Confederation of Nepalese Industries (CNI). Likewise the draft bill should have clear provisions to allow Nepalese to invest beyond the country and there should not be wall between resident and non resident Nepali, he opined. "We will certainly bring the ordinances to set provisions on foreign investment and technology transfer, industrial enterprises, accreditation and special economic zone by the end of 2012/13," Minister for Finance, Industry, Commerce and Supplies, Shankar Prasad Koirala informed. The government will also approve separate policies on foreign direct investment and intellectual property before bringing a number of ordinances. The draft bill on foreign investment and technology transfer prepared by a non-governmental organization, NEAT activity with funding of USAID, the donor agency of United States of America. Experts said, is owned by Nepal Government without proper homework. "There is no clear statutory provision on what scientific ground the central bank will evaluate the proposal of aspirant companies to invest abroad," Dr. Ramesh Chitrakar, project director of Management at Center for Economic Development and Administration (CEDA), a research wing of Tribhuvan University commented. Likewise, it is not clearly stated in the draft, how many times and how much amount a company can take beyond the boundary of Nepal for investment purpose, which could result in capital flight, Dr. Chitrakar added. Senior Economic Advisor of the Finance Ministry, Dr. Chiranjivi Nepal said that proper revision of the existing foreign investment law should be done time to time. But he expressed his reservation on some clauses of draft bill about foreign investment share allowed in the industry related with basic services like health, education and transportation. The draft bill has proposed to allow foreign investment up to 51 percent in those industries whereas some 80 percent of foreign investment in the media sector. "Without proper research, we cannot say how much foreign

investment should be allowed in which sector and to secure the national interest, industry dealing with basic services and media should not be handed over to foreigners," Dr. Nepal told. Senior Advocate Pawan Ojha is hesitant towards the proposed provision to allow foreign investors collect internal debt in Nepali market issuing bond and debentures in foreign currencies. "We need foreign investment to finance larger projects and productive industry rather than to collect debt from Nepali market, this loophole will possibly be used to drain capital from Nepal," he said. He urged the government not to increase the minimum threshold of foreign investment from existing 50,000 U.S. dollars to proposed 200,000 U.S. dollars owing to the possibility of hindering investment in small medium enterprises. According to Ojha, the proposal of exemption of income tax for 15 years in case of the investment in hydro power and infrastructure sector will discriminate the Nepali investors as there is no such provision for domestic investors in existing Income Tax Act 2002.