

Investment abroad to be deregulated

The government is planning to amend the Foreign Exchange (Regulation) Act, 1962, to partially deregulate investment abroad.

“We have concluded that restricting investment in foreign countries has been preventing the growth prospects of certain sectors that have the potential of reaping benefits by investing abroad,” said Revenue Secretary Shishir Kumar Dhungana.

The initial draft of the bill to amend aforementioned law has listed banking, insurance, noodles, footwear, construction and hotel/hospitality sectors as potential sectors for deregulation.

Nepalis were barred from investing abroad to curb capital flight from the country. “However, barring investment abroad does not necessarily translate to increased investment within the country,” said Dhungana. “For example, local noodles manufacturers have to pay 80 per cent customs duty to export noodles to Bangladesh, but if we allow a Nepali manufacturer to invest in Bangladesh, he or she will get local treatment there and can be competitive in Bangladeshi market.”

Dhungana added that the government would permit outward direct investment after cross-checking the sector, the market potential, commitment to repatriate profit back home and investment in priority sector defined by the government.

“Allowing ODI does not necessarily mean allowing investors to take away capital as they wish. The investment will be opened for institutional investors following their commitment to return the profit earned by investing in the sector of their expertise to Nepal,” said Dhungana.

The Foreign Investment and Technology Transfer Policy has already stated that doors would be opened for investment to real investors on the basis of proper regulation.

Bhishma Raj Dhungana, executive director of the Foreign Exchange Management Department under Nepal Rastra Bank, said it was prudent to legally allow investors to invest abroad in certain sectors, especially as they have been resorting to illegal channels at present.

Private sector players have welcomed the government’s plans. “As we readily welcome foreign investment into Nepal, Nepalis should also be allowed to invest abroad in sectors of our expertise,” said Shekhar Golchha, senior vice president of the Federation of Nepalese Chambers of Commerce and Industry. He added that apart from enhancing the capacity of Nepali entrepreneurs, the move will expand the empire of Nepali businesses across the globe.

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