

Survey Report on **Foreign Direct Investment in Nepal** (2022/23)



Nepal Rastra Bank
Economic Research Department

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Foreword

Global Foreign Direct Investment (FDI) inflows decreased marginally in 2023. United Nations Conference on Trade and Development (2024) reported a decline in global FDI by 1.8 percent in 2023. Developing economies experienced a significant reduction in such inflows compared to developed countries. South Asian countries witnessed an even greater decline. However, Nepal observed an increase in these inflows. The significance of FDI remains crucial for capital formation and investible resources in Nepal, but its importance also extends to the transfer of technology, skills, and managerial as well as organizational practices it introduces.

The Foreign Direct Investment Survey (2022/23) is carried out to disseminate the status of FDI in Nepal to all the concerned stakeholders. The survey report presents the trend of FDI, and FDI stock by sectors and countries providing invaluable information for policymakers to assess the current situation, formulate policies, and implement reforms in this sector.

I would like to extend my sincere gratitude to all the respondent FDI enterprises of this survey, and other stakeholders participating in the survey. Further, I would like to thank the team of the Economic Research Department comprising Acting Director Dr. Birendra Bahadur Budha, Deputy Director Ms. Sona Rana, and Assistant Director Mr. Rolendra Bikram Jabegu for their valuable efforts in designing and administering the survey, analyzing data, and preparing the report to this form. I would also like to thank Deputy Director Mr. Medani Prasad Pokhrel, Assistant Directors Mr. Anil Lama, Mr. Ram Chandra Acharya, Ms. Merina Shrestha, Mr. Udaya Raj Paudel, Mr. Madhu Bhandari, Mr. Laxman Khatiwada, Head Assistant Mr. Yugesh Nakarmi and Assistants Mr. Sharish Man Joshi and Mr. Amar Khatri for their contribution in administering this survey. Likewise, I would like to appreciate the efforts of Mr. Ram Kumar Thapa in formatting the electronic questionnaire and this report.

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Table of Contents

Foreword.....	ii
Executive Summary.....	v
Chapter I: Introduction.....	1
Background.....	1
Objectives.....	2
Methodology.....	2
<i>FDI Compilation Method</i>	3
Limitations.....	4
Chapter II: Trend of Foreign Direct Investment.....	5
Global and Regional Trends in FDI Flows.....	5
FDI Inflows to Nepal.....	6
Dividend Repatriation.....	7
Chapter III: Foreign Direct Investment in Nepal: Survey Results.....	8
FDI Stock.....	8
FDI Stock by Sectors.....	9
FDI Stock by Countries.....	10
Province-wise FDI Stock.....	11
Foreign Loans.....	12
Capacity Utilization.....	12
Sales from Operation and Profitability.....	13
Chapter IV: International Investment Position of Nepal.....	14
References.....	16
Appendix I: FDI Inflows in South Asia.....	17
Appendix II: Foreign Investment Approval and Realization in Nepal.....	18
Appendix III: Sector-wise Stock of FDI.....	19
Appendix IV: Country-wise FDI stock in Nepal.....	20
Appendix V: Country-wise and Sector-wise Composition of FDI stock.....	21
Appendix VI: International Investment Position (IIP) of Nepal.....	22

List of Tables

Table 1 : Number of Survey Respondents	3
Table 2 : FDI Inflow Trends by Region	5
Table 3 : Dividend Repatriation.....	7
Table 4 : FDI Stock.....	8
Table 5 : FDI Stock by Components (Share in total)	8
Table 6 : FDI Stock by Major Sectors	9
Table 7 : FDI Stock by Major Countries	10
Table 8 : FDI Stock by Major Sectors (India)	11
Table 9 : FDI Stock by Major Sectors (China).....	11
Table 10: Province-wise FDI Stock.....	12
Table 11: Outstanding Foreign Loan of FDI Enterprises	12
Table 12: Foreign Assets and Liabilities of Nepal	14

List of Figures

Figure 1 : Net FDI Inflows.....	6
Figure 2 : Approved FDI and Actual Net FDI Inflows.....	7

Executive Summary

1. The inflow of Foreign Direct Investment (FDI) plays an important role in job creation and development of human capital, growth in exports, and ultimately economic growth of the recipient economy. Nepal began emphasizing inward foreign investment since its sixth plan during the fiscal year (FY) 1980/81. Since then, significant reforms have been carried out with various legal and institutional frameworks established to govern foreign direct investment in Nepal.
2. Nepal Rastra Bank (NRB) conducts survey among FDI enterprises annually to update and compile the FDI stock of Nepal by counterpart economies and economic activities. These surveys also contribute to compiling the liabilities component, particularly the FDI stock, of Nepal's International Investment Position (IIP) statement.
3. This survey was conducted primarily through structured questionnaire among enterprises that had obtained approval from NRB to bring in FDI. Out of 754 active enterprises that had obtained FDI approvals from NRB till 2022/23, 238 enterprises responded to the survey. The details on FDI stock obtained from the structured questionnaire was supplemented by information from the financial statements of the surveyed enterprises. The FDI stock was valued using the company's value appearing in the statement of financial position as shareholder's equity and debt as well as payables (except trade credits) from foreign direct investors.
4. The survey results show that the stock of FDI in Nepal increased by 11.8 percent to Rs.295.50 billion at the end of 2022/23. Paid-up capital is the major component in FDI stock as it accounts for 52.8 percent of total FDI stock whereas the reserves and loans in total FDI stock account for 33.7 percent and 13.5 percent respectively.
5. Electricity, gas, steam, and air conditioning sector stands the highest with 30 percent of total FDI stock, followed by the manufacturing sector with 29.4 percent. Both are included in the industrial sector which accounts for 59.7 percent of total FDI stock.
6. About 40.2 percent of total FDI stock is in the service sector. Of which, the financial and insurance services sector constitutes 26 percent, information and communication

sector 6.7 percent, and the accommodation and food services sector 6.3 percent of the total FDI stock.

7. Nepal has received foreign investment from 58 different countries as of mid-July 2023. In terms of total FDI stock, India ranks top position with Rs.103.5 billion followed by China (Rs.35.5 billion), Ireland (Rs.22.6 billion), Australia (Rs.19.1 billion), and Singapore (Rs.18.8 billion).
8. As of mid-July 2023, the outstanding foreign loans (excluding direct loans from foreign direct investors) of FDI enterprises stood at Rs.60.3 billion. The enterprises in the hydropower sector have utilized most foreign loans as the outstanding loan of this sector stood at Rs.29.3 billion in mid-July 2023.
9. The capacity utilization of surveyed FDI enterprises in manufacturing stands at 60.69 percent, whereas the profitability of surveyed FDI enterprises remains at 11.61 percent in 2022/23.

Chapter I: Introduction

Background

- 1.1. Foreign Direct Investment (FDI) is an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate) (United Nations Conference on Trade and Development [UNCTAD], 2023).¹ The inflow of FDI plays an important role in job creation and development of human capital, technology transfers, growth in exports, and ultimately economic growth of the recipient economy.

- 1.2. Since 1980/81, Nepal has placed emphasis on foreign investment as outlined in its sixth plan (National Planning Commission, 1980). Foreign Investment and Technology Transfer Act was promulgated in 1981 and subsequently revised in the later years. In recent decades, Nepal has initiated various institutional and legal reforms to promote FDI in the country. Various legal and institutional frameworks guiding foreign direct investment as well as some recent reforms in Nepal are listed below:
 - a) Foreign Investment Policy, 2015,
 - b) Foreign Investment and Technology Transfer Act, 2019 (FITTA),
 - c) Public-Private Partnership and Investment Act, 2019,
 - d) Industrial Enterprises Act, 2020,
 - e) Nepal Rastra Bank Foreign Investment and Foreign Loan Management By-law, 2021 (Third Amendment),
 - f) Institutional reforms such as the establishment of One Stop Service Center to facilitate foreign investment,

¹ *This definition is based on OECD Benchmark Definition of Foreign Direct Investment, third edition (Organization for Economic Cooperation and Development [OECD], 1996) and IMF Balance of Payments Manual, fifth edition (International Monetary Fund [IMF], 1993) and Balance of Payments and International Investment Position Manual, sixth edition (IMF, 2009).*

g) Automatic route for foreign investment for seven industrial sectors for investment ceiling of up to NPR 500 million, and

h) Waiver of minimum threshold of NPR 20 million for foreign investment in IT sector.

1.3. Besides analyzing the trends of direct investments, the understanding of sources and destinations of such investments is highly valuable to policymakers. Equally significant is the type and sector of investment involved. NRB conducts FDI survey to update the realized FDI addition to the existing FDI stock in the particular fiscal year.

Objectives

1.4. The specific objectives of the survey are:

- To update and compile the FDI stock of Nepal by counterpart economies and economic activities, and
- To compile the liabilities component (particularly FDI stock) of the International Investment Position (IIP) statement of Nepal.

Methodology

1.5. This survey was conducted primarily through structured questionnaire among enterprises² that have obtained approval from NRB to bring in FDI.

1.6. As of mid-July 2022, 689 enterprises were found to have taken approval for FDI and also reported active status. In addition, 65 enterprises recorded FDI inflow in 2022/23. Thus, a total of 754 enterprises were considered for the survey. Previous 689 enterprises were classified into three groups based on the capital size in mid-July 2022 (Table 1) for survey purposes while for new enterprises, classification was done on the basis of size of the inflow.

² The list published by Department of Industry shows a larger number of enterprises registered for foreign investment but a considerable number of such registered enterprises have not brought in FDI during the time frame of this survey.

Table 1: Number of Survey Respondents

Group	Criteria (Size of Capital)	Number of Enterprises		
		Total	Number of Respondents	Share (%)
Large	$\geq 500,000,000$	56	49	87.5
Medium	$< 500,000,000$ & $\geq 150,000,000$	44	34	77.3
Small	$< 150,000,000$	654	155	23.7
Total		754	238	-

- 1.7. The survey was conducted across the three groups. In total, 238 enterprises responded to the survey (Table 1). As such, the survey covered 87.5 percent of large-size enterprises, 77.3 percent of medium-size enterprises, and 23.7 percent of small-size firms.
- 1.8. The FDI stock is valued using the company's value in the statement of financial position as shareholder's equity and debt from as well as payables (except trade credits) to foreign direct investors.
- 1.9. This survey was administered by email using electronic fillable forms and facilitated by enterprise visits. In addition, the respondents were required to submit financial statements for verification of data and information collected.
- 1.10. To prepare the report of this survey, data and information from published reports of various government and non-government agencies, as well as international organizations have been utilized. Meanwhile, the data collected from this survey has been analyzed descriptively.

FDI Compilation Method

- 1.11. Organization for Economic Cooperation and Development (OECD, 2008) disaggregates FDI stock or position into equity and debt. Equity positions of FDI stock cover all components of shareholders' funds (proportionate to the percentage of shares held by foreign direct investors). Therefore, it includes equity, contributed surplus, reinvestment of earnings, revaluations, as well as any reserve accounts. Debt

positions of FDI stock include loans³ and borrowings, and debt from foreign direct investors.

1.12. This survey distinguished the equity portion of FDI stock under paid-up capital and reserves headings, and the debt portion of FDI stock under loans heading⁴ and disaggregated FDI stock by major industry sectors based on International Standard Industrial Classification (ISIC)⁵.

1.13. The final FDI stock reported in this survey consists of two parts: aggregation of FDI stock as reported by the surveyed enterprises and estimation of FDI stock for other non-surveyed enterprises. The estimation was made based on the ratio derived from the FDI stock value reported by surveyed enterprises with respect to their approved amount for investment:

$$x = \frac{\sum r_i}{n}$$

where n is the number of surveyed enterprises, r_i is the ratio of realized capital to approved capital of an individual enterprise covered by the survey, and x is the average ratio of realized capital to approved capital. FDI stock was estimated by multiplying this ratio with the approved FDI amount.

Limitations

1.14. This survey is solely based on the list of industries that have taken FDI approvals from NRB which differs in number from those registered in the Department of Industry (DOI).

1.15. The survey report is limited to descriptive analysis of FDI statistics only.

³ The procedure for taking approval to obtain foreign loan by any Nepalese individual, firm, company, bank and financial institutions or other associations has been clarified by Nepal Rastra Bank Foreign Investment and Foreign Loan Management by-law, 2021 (Third Amendment).

⁴ Other capital (share application money, share premium) as well as payables (except trade credits) attributed to foreign direct investors are also accounted under this heading.

⁵ Revision 4

Chapter II: Trend of Foreign Direct Investment

Global and Regional Trends in FDI Flows

- 2.1. The World Investment Report 2024 published by UNCTAD shows that global FDI flows decreased marginally by 1.8 percent to USD 1,331.8 billion in 2023 from USD 1,355.7 billion in 2022. Excluding the effect of a few European conduit economies, global FDI flows decreased by more than 10 percent in 2023.
- 2.2. FDI in developed economies increased 9 percent to USD 464.4 billion in 2023 from USD 426.2 billion in 2022. However, inflows to developing economies decreased 6.7 percent to USD 867.4 billion in 2023 from USD 929.6 billion in 2022.

Table 2: FDI Inflows by economy and region ⁶

(USD billion)

Year	2018	2019	2020	2021	2022	2023	Percent Change
	2023						
World	1,376.1	1,729.2	984.6	1,621.8	1,355.7	1,331.8	-1.8
Developed economies	674.8	1,024.8	337.6	731.8	426.2	464.4	9.0
Developing economies	701.4	704.5	647.0	890.0	929.6	867.4	-6.7
Asia	501.9	497.8	513.1	666.5	677.8	621.1	-8.4
China	138.3	141.2	149.3	181.0	189.1	163.3	-13.7
Singapore	73.1	97.5	74.9	126.7	141.1	159.7	13.1
Hong Kong-China	104.2	73.7	134.7	140.2	109.7	112.7	2.7
South Asia	52.3	59.1	71.0	52.7	57.5	36.0	-37.5

Source: UNCTAD (2024)

- 2.3. FDI inflows to Asia decreased 8.4 percent from USD 677.8 billion in 2022 to USD 621.1 billion in 2023. The region remains the largest recipient of FDI, accounting for 46.6 percent of global FDI. However, the inflows are highly concentrated among its largest recipients: China (USD 163.3 billion), Singapore (USD 159.7 billion), and Hong Kong-China (USD 112.7 billion).
- 2.4. Following the global trend, FDI inflows to South Asia decreased 37.5 percent to USD 36 billion in 2023. FDI in India, the largest FDI recipient of the sub-region,

⁶ FDI Data may differ from previous report as data are continuously updated by relevant national authorities.

decreased 43 percent with inflows of USD 28.2 billion in 2023. The trend of FDI inflows to the sub-region is presented in *Appendix I*.

FDI Inflows to Nepal

2.5. In line with the global trend, gross FDI inflows decreased 59.6 percent to Rs.7.8 billion in 2022/23. The divestment of foreign investment (repatriation of investment) during 2022/23 remained at Rs.1807.3 million which is around 23.3 percent of gross FDI inflows (NRB, 2023a).

2.6. Net FDI inflows to Nepal decreased 67.9 percent to Rs.6.0 billion in 2022/23 (Figure 1).

Figure 1: Net FDI Inflows

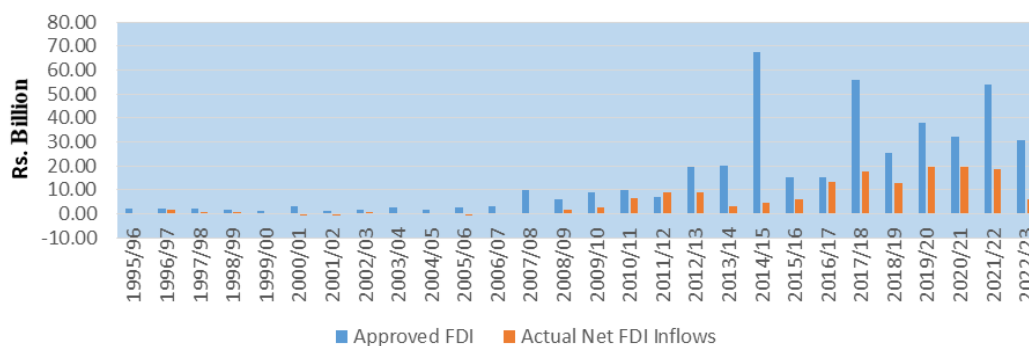


Source: NRB (2023a).

2.7. There is a significant gap between approved FDI and actual net FDI inflows in Nepal. Figure 2 presents the approved FDI and actual net FDI inflows over the period. Between 1995/96 and 2022/23, the total actual net FDI inflow stood at around 35.0 percent of total FDI approval (Appendix II). The FDI approval may simply indicate an intended investment (the approved investment may not actually take place) or there may be significant time lags between approval and actual investments. In some instances, the realization of the approved investment may take

place over several years as usually seen in projects with longer gestation periods. As a result, there exists a gap between FDI approval and actual net FDI inflows.

Figure 2: Approved FDI and Actual Net FDI Inflows



Source: DOI (2023), and NRB (2023a).

Dividend Repatriation

2.8. In 2022/23, Rs.17.33 billion was approved for dividend repatriation by FDI enterprises. The highest dividend repatriation approval was for the manufacturing sector followed by the information and communication sector (Table 3).

Table 3: Dividend Repatriation

		(Rs. million)		
	Sectors	2020/21	2021/22	2022/23
1	Agriculture, Forestry and Fishing	-	3.0	-
2	Construction	-	52.2	-
3	Electricity, gas, steam, and air conditioning	3,816.2	1,678.1	130.1
4	Manufacturing	6,747.7	7,315.5	8,847.6
5	Mining and Quarrying	-	-	-
6	Accommodation and food services	-	1.9	22.8
7	Education	303.0	-	-
8	Financial and Insurance Services	868.3	1,089.3	3,500.0
9	Human Health and Social Work	-	-	2.8
10	Information and Communication	13,984.1	5,402.8	3,673.5
11	Transport and Storage	-	25.7	42.9
12	Other	357.3	106.6	1,115.0
	Total	26,076.6	15,675.2	17,334.7

Source: Approval provided for dividend repatriation by NRB up to FY 2022/23.

Chapter III: Foreign Direct Investment in Nepal: Survey Results

3.1. This chapter summarizes the results of the survey related to FDI stock in Nepal as of mid-July 2023. The comparison across the previous survey reports needs to consider the change in coverage due to the addition and removal of FDI enterprises.

FDI Stock

3.2. The stock of FDI has increased by 11.8 percent during 2022/23 and stood at 295.50 billion as of mid-July 2023 (Table 4). The paid up capital, reserves, and loans have increased 9.8 percent, 18.9 percent, and 3.5 percent respectively.

Table 4: FDI Stock

(Rs. million)

S.N.	Components	As of Mid-July				Percent Change	
		2020	2021	2022	2023	2021/22	2022/23
1.	Paid-up Capital	108,072.3	122,885.5	141,962.5	155,909.6	15.5	9.8
2.	Reserves	67,071.9	71,982.1	83,786.1	99,662.4	16.4	18.9
3.	Loans ⁷	23,376.6	33,079.3	38,581.0	39,924.6	16.6	3.5
	Total FDI stock	198,520.8	227,946.9	264,329.5	295,496.6	16.0	11.8

Source: Survey Estimates.

3.3. Paid-up capital is the major component in FDI stock accounting for 52.8 percent of total FDI stock (Table 5). The share of reserves and loans in total FDI stock stood at 33.7 percent and 13.5 percent respectively. In 2021/22, paid-up capital, reserves, and loans accounted for 53.7 percent, 31.7 percent, and 14.6 percent of total FDI stock respectively.

Table 5: FDI Stock by Components (Share in Total)

S.N.	Components	As of Mid-July			
		2020	2021	2022	2023
1.	Paid-up Capital	54.4	53.9	53.7	52.8
2.	Reserves	33.8	31.6	31.7	33.7
3.	Loans	11.8	14.5	14.6	13.5
	Total FDI stock	100.0	100.0	100.0	100.0

Source: Survey Estimates.

⁷ Only direct loan from the parent company and fellows (between subsidiaries or associates of the same parent company), other capital (share application money, share premium) and payables (except trade credits) attributed to foreign direct investors are accounted.

FDI Stock by Sectors

- 3.4. The electricity, gas, steam, and air conditioning sector holds the highest FDI stock at Rs. 88.61 billion, followed by the manufacturing sector at Rs. 86.77 billion, and the financial and insurance services sector at Rs. 76.75 billion (Table 6).
- 3.5. The industrial sector accounts for 59.7 percent of total FDI stock (Appendix III). It includes electricity, gas, steam, and air conditioning sector and manufacturing sector (the top two highest sectors discussed above) along with the construction sector and the mining and quarrying sectors, the latter two sectors with minimal FDI stock.

Table 6: FDI Stock by Major Sectors⁸

(Rs. million)

S.N.	Sectors	As of Mid-July				Percent change (%)	
		2021	2022	2023		2021/22	2022/23
				Amount	Share in Total (%)		
1.	Electricity, gas, steam and air conditioning	70,147.3	86,852.6	88,611.8	30.0	23.8	2.0
2.	Manufacturing	67,352.0	77,928.7	86,774.6	29.4	15.7	11.4
3.	Financial and Insurance Services	61,399.5	67,780.5	76,752.2	26.0	10.4	13.2
4.	Information and Communication	10,858.2	12,733.0	19,741.4	6.7	17.3	55.0
5.	Accommodation and food services	12,975.9	13,884.1	18,546.2	6.3	7.0	33.6
6.	Education	1,926.4	2,074.7	1,697.2	0.6	7.7	-18.2
7.	Human Health and Social Work	338.9	735.4	1,077.6	0.4	117.0	46.5
8.	Construction	492.0	623.3	855.7	0.3	26.7	37.3
9.	Agriculture, Forestry and Fishing	240.9	267.9	302.6	0.1	11.2	12.9
10.	Mining and Quarrying	- 2.9	36.1	83.5	0.0	-	131.1
11.	Transport and Storage	- 6,515.9	-7,678.8	-7,840.1	-2.7	17.8	2.1
12.	Other	8,734.7	9,092.1	8,894.0	3.0	4.1	-2.2
	Total	227,946.9	264,329.5	295,496.6	100.0	16.0	11.8

Source: Survey Estimates.

- 3.6. The service sector makes up 40.2 percent of the total FDI stock, of which, the financial and insurance services sector constitutes 26 percent, the information and communication sector constitutes 6.7 percent, and the accommodation and food services sector constitutes 6.3 percent of the total FDI stock.

⁸ The classification of major sectors is based on International Standard Industrial Classification, Fourth Revision (ISIC Rev. 4).

FDI Stock by Countries

3.7. As of mid-July 2023, Nepal has attracted foreign investment from 58 different countries (Appendix IV). India remained in the top position with Rs.103.5 billion FDI followed by China (Rs.35.5 billion), Ireland (Rs.22.6 billion), Australia (Rs.19.1 billion), and Singapore (Rs. 18.8 billion) (Table 7).

3.8. In terms of paid-up capital, India ranked top position with Rs.52.6 billion followed by China (Rs.28.5 billion), South Korea (Rs.13.9 billion), and Ireland (Rs.10.7 billion).

Table 7: FDI Stock by Major Countries

S. N.	Country	As of Mid-July 2023				(Rs. million)
		Paid-up Capital	Reserves	Loan	FDI Stock	Share in Total FDI Stock (%)
1.	India	52,608.1	43,706.5	7,137.6	103,452.3	35.0
2.	China	28,465.3	-10,314.2	17,310.4	35,461.5	12.0
3.	Ireland	10,681.6	11,770.0	172.7	22,624.2	7.7
4.	Australia	10,140.9	8,904.3	11.6	19,056.7	6.4
5.	Singapore	7,089.6	11,200.9	518.0	18,808.4	6.4
6.	West Indies	80.0	14,314.6	1.1	14,395.7	4.9
7.	South Korea	13,907.0	-1,067.7	1,038.5	13,877.8	4.7
8.	United Arab Emirates	891.6	11,037.3	355.1	12,284.1	4.2
9.	United States of America	3,227.0	4,004.8	4,996.0	12,227.8	4.1
10.	Hong Kong-China	6,590.3	-459.9	1,104.9	7,235.3	2.4
11.	Others	22,228.3	6,565.8	7,278.7	36,072.8	12.2
	Total	155,909.6	99,662.4	39,924.6	295,496.6	100.0

Source: Survey Estimates.

3.9. The majority of India's FDI stock is concentrated in three sectors – manufacturing (38.4 percent), electricity, gas, steam, and air conditioning (34.5 percent), and financial and insurance services (20.6 percent). In terms of paid-up capital, the investment in electricity, gas, steam, and air conditioning remains the highest (Table 8).

Table 8: FDI Stock by Major Sectors (India)

(Rs. million)

Component	Paid-up Capital	Reserves	Loan	FDI Stock	Share in India's FDI Stock (%)
Manufacturing	5,455.1	32,264.1	2,009.1	39,728.3	38.4
Electricity, gas, steam and air conditioning	34,511.2	797.2	420.5	35,728.9	34.5
Financial and Insurance Services	9,286.4	7,840.2	4,145.1	21,271.6	20.6
Accommodation and food services	1,175.3	2,903.1	258.0	4,336.4	4.2
Others	2,180.1	-98.0	305.0	2,387.1	2.3
Total	52,608.1	43,706.5	7,137.6	103,452.3	100.0

Source: Survey Estimates.

3.10. China's FDI stock is mostly concentrated in electricity, gas, steam, and air conditioning (77.6 percent), followed by the manufacturing sector (38 percent) (Table 9).

Table 9: FDI Stock by Major Sectors (China)

(Rs. million)

Component	Paid-up Capital	Reserves	Loan	FDI Stock	Share in China's FDI Stock (%)
Electricity, gas, steam, and air conditioning	12,410.8	-1,110.3	16,209.1	27,509.7	77.6
Manufacturing	13,348.9	-289.1	425.5	13,485.3	38.0
Information and communication	231.4	179.1	531.4	942.0	2.7
Accommodation and food services	780.3	-15.7	131.1	895.8	2.5
Others	1,693.8	-9,078.3	13.2	-7,371.2	-20.8
Total	28,465.3	-10,314.2	17,310.4	35,461.5	100.00

Source: Survey Estimates.

Province-wise FDI Stock⁹

3.11. Bagmati province constitutes the highest share of FDI stock (59.7 percent) whereas Lumbini, Karnali, and Sudur Paschim Province account for less than 1.0 percent of total FDI stock (Table 10).

⁹ Province-wise FDI are classified based on location of projects, production units and head offices.

Table 10: Province-wise FDI Stock

(Rs. million)

Province	FDI Stock	Share in Total (%)
Koshi	43,451.8	14.7
Madhesh	25,960.2	8.8
Bagmati ¹⁰	176,430.6	59.7
Gandaki	44,644.2	15.1
Lumbini	2,238.9	0.8
Karnali	52.5	0.02
Sudur Paschim	2,718.4	0.9
Total	295,496.6	100.0

Source: Survey Estimates

Foreign Loans

3.12. As of mid-July 2023, the outstanding foreign loans (excluding direct loans from foreign direct investors) of FDI enterprises stood at Rs.60.3 billion. Such loans were Rs. 68.7 billion a year ago (Table 11). The enterprises in the hydropower sector have utilized the most foreign loans as the outstanding loan of this sector stood at Rs.29.3 billion in mid-July 2023.

Table 11: Outstanding Foreign Loan of FDI Enterprises

(Rs. million)

Sectors	2021	2022	2023
Electricity, gas, steam and air conditioning	20,427.3	28,428.4	29,264.4
Manufacturing	10,265.8	16,077.8	17,044.4
Accommodation and food services	139.4	140.2	-
Financial and Insurance Services	7,508.5	22,034.4	11,915.6
Information and Communication	530.6	2.9	-
Transport and Storage	1,866.4	1,998.5	2,055.6
Other	-	-	-
Total	40,737.9	68,682.3	60,280.1

Source: Survey Estimates.

Capacity Utilization

3.13. The survey also captures the capacity utilization of FDI enterprises in manufacturing sector. The capacity utilization stood at 60.69 percent on average¹¹ during 2022/23 which was 71.1 percent a year ago.

¹⁰ FDI enterprises under service sector along with BFIs having corporate and head offices in Bagmati province are included in Bagmati Province.

Sales from Operation and Profitability

3.14. The survey also includes data on sales from the operation of FDI enterprises. The total sales of surveyed enterprises during 2022/23 stood at Rs.450.23 billion which was Rs. 445.4 billion a year ago. Similarly, the average¹² return on equity (ROE) of surveyed FDI enterprises stood at about 11.61 percent for 2022/23, which was around 14.3 percent a year ago.

¹¹ Weighted average of capacity utilization is calculated by taking weights based on sales of individual enterprises compared to the total sales of surveyed enterprises.

¹² Weighted average of ROE is calculated by taking weights based on equity of individual enterprises compared to the total equity of surveyed enterprises.

Chapter IV: International Investment Position of Nepal

- 4.1. The international investment position (IIP) is the statistical statement that shows the value and composition of financial assets of residents at a point in time which are claims on non-residents and liabilities of residents of an economy to non-residents.¹³
- 4.2. As of mid-July 2023, the foreign assets increased 24.3 percent to Rs.1,654.5 billion against a decrease of 10.2 percent in the previous year. The foreign liabilities increased 8.0 percent to Rs.1,729.4 billion compared to an increase of 14.3 percent in the previous year (Table 12). Consequently, net IIP remained negative of Rs.74.9 billion in 2022/23 compared to the negative of Rs.271.3 billion in the previous year.

Table 12: Foreign Assets and Liabilities of Nepal

(Rs. million)

Description	As of Mid-July			Percent Change	
	2021 ^R	2022 ^R	2023 ^P	2021/22	2022/23
Assets	1,481,123.9	1,330,654.4	1,654,496.9	-10.2	24.3
Liabilities	1,401,003.4	1,601,991.7	1,729,394.5	14.3	8.0
o/w Direct Investment	227,946.9	264,329.5	270,290.8	16.0	2.3
Net International Investment Position (IIP)	80,120.5	-271,337.2	-74,897.6	-	-

Source: NRB (2023a).

- 4.3. The foreign assets are comprised of direct investment, portfolio investment, official reserve assets, and other investments, which include other equity, currency and deposits, loans, trade credit and advances, and other account receivables. Official reserve assets constitute the highest share of foreign assets (87 percent) followed by other account receivables (7.5 percent) and currency and deposits (4.1 percent) (Appendix VI).
- 4.4. As of mid-July 2023, the official reserve assets increased 25.8 percent to Rs.1,440.1 billion against a decrease of 11.9 percent in the previous year. Other account receivables increased 73.6 percent while currency and deposits under foreign assets decreased 21.0 percent in the review year (Appendix VI).

¹³ This definition is based on Balance of Payments and International Investment Position Manual, sixth edition (IMF, 2009).

- 4.5. The foreign liabilities cover direct investment, portfolio investment, and other investments, which include other equity, currency and deposits, loans, trade credit and advances, other account payables, and special drawing rights. Loans constitute the highest share of foreign liabilities (70.5 percent) followed by direct investment (15.6 percent) and trade credit and advances (7.4 percent) (Appendix VI).
- 4.6. As of mid-July 2023, foreign loan liabilities increased 8.4 percent to Rs.1,218.43 billion compared to an increase of 13.7 percent in the previous year. Direct investment and trade credit and advances under foreign liabilities increased 2.3 percent and 8.0 percent respectively in the review year (Appendix VI).

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Appendix I: FDI Inflows in South Asia

(USD billion)

Year	2018	2019	2020	2021	2022	2023	% Change (2023)
South Asia	52.3	59.1	71.0	52.7	57.5	36.0	-37.5
Afghanistan	0.1	0.0	0.0	0.0	0.0	0.0	-
Bangladesh	3.6	2.9	2.6	2.9	3.5	3.0	-13.7
Bhutan	0.0	0.0	0.0	0.0	0.0	0.0	19.9
India	42.2	50.6	64.1	44.8	49.4	28.2	-43.0
Maldives	0.6	1.0	0.4	0.6	0.7	0.8	4.0
Nepal	0.1	0.2	0.1	0.2	0.1	0.1	13.4
Pakistan	1.7	2.2	2.1	2.1	1.5	1.8	24.4
Sri Lanka	1.6	0.7	0.4	0.6	0.9	0.7	-19.5

Source: UNCTAD (2024).

Appendix II: Foreign Investment Approval and Realization in Nepal

(Rs. million)

Fiscal Year	Approved FDI*	Actual Net FDI Inflow**	Actual Net FDI Inflow as a Percentage of Approved FDI
1995/96	2,219.9	388.0	17.5
1996/97	2,395.5	1,621.0	67.7
1997/98	2,000.3	685.0	34.2
1998/99	1,666.4	578.0	34.7
1999/00	1,417.6	233.0	16.4
2000/01	3,002.6	-33.0	-1.1
2001/02	1,209.7	-282.3	-23.3
2002/03	1,793.8	961.4	53.6
2003/04	2,764.8	-	-
2004/05	1,635.8	136.0	8.3
2005/06	2,606.3	-469.7	-18.0
2006/07	3,186.0	362.3	11.4
2007/08	9,812.6	293.9	3.0
2008/09	6,255.1	1,829.2	29.2
2009/10	9,100.0	2,852.0	31.3
2010/11	10,053.2	6,437.1	64.0
2011/12	7,138.3	9,195.4	128.8
2012/13	19,818.7	9,081.9	45.8
2013/14	20,132.4	3,194.6	15.9
2014/15	67,455.0	4,382.6	6.5
2015/16	15,254.3	5,920.9	38.8
2016/17	15,206.5	13,503.9	88.8
2017/18	55,760.5	17,504.6	31.4
2018/19	25,484.4	13,065.2	51.3
2019/20	37,805.8	19,478.70	51.5
2020/21	32,172.8	19,512.70	60.6
2021/22	54,158.9	18,560.31	34.3
2022/23	30,699.4	5,961.30	19.4
Total	442,206.7	154,954.01	35.0

Source: *DOI (2023).

**NRB (2023a).

Appendix III: Sector-wise Stock of FDI

(Rs. million)

Sectors	Mid-July 2022					Mid-July 2023				
	Paid-up	Reserves	Loan	Total	Share in Total FDI (%)	Paid-up	Reserves	Loan	Total	Share in Total FDI (%)
1. Agriculture	289.5	-21.6	-	267.9	0.1	289.1	-26.0	39.4	302.6	0.1
<i>Agriculture, Forestry and Fishing</i>	289.5	-21.6	-	267.9	0.1	289.1	-26.0	39.4	302.6	0.1
2. Industry	83,292.0	51,776.9	30,371.8	165,440.6	62.6	92,603.4	59,275.3	24,446.8	176,325.6	59.7
<i>Construction</i>	701.0	-143.9	103.8	660.9	0.3	785.6	38.9	31.2	855.7	0.3
<i>Electricity, gas, steam and air conditioning</i>	59,391.3	-123.0	27,546.7	86,815.0	32.8	66,603.1	663.1	21,345.6	88,611.8	30.0
<i>Manufacturing</i>	23,129.7	52,077.8	2,721.2	77,928.7	29.5	25,061.0	58,643.6	3,070.0	86,774.6	29.4
<i>Mining and Quarrying</i>	70.0	-33.9	-	36.1	0.01	153.8	-70.3	-	83.5	0.03
3. Services	58,381.0	32,030.8	8,209.2	98,621.0	37.3	63,017.0	40,413.1	15,438.4	118,868.5	40.2
<i>Accommodation and food services</i>	10,633.0	1,720.2	1,530.8	13,884.1	5.3	12,435.1	5,243.0	868.1	18,546.2	6.3
<i>Education</i>	1,064.8	416.7	593.2	2,074.7	0.8	1,045.9	63.0	588.3	1,697.2	0.6
<i>Financial and Insurance Services</i>	32,915.5	33,598.8	1,266.2	67,780.5	25.6	35,649.8	35,588.6	5,513.7	76,752.2	26.0
<i>Human Health and Social Work</i>	679.4	-125.4	181.4	735.4	0.3	1,023.8	-182.1	236.0	1,077.6	0.4
<i>Information and Communication</i>	4,097.7	4,329.3	4,306.1	12,733.0	4.8	2,804.5	9,270.9	7,666.1	19,741.4	6.7
<i>Transport and Storage</i>	873.1	-8,551.8	-	-7,678.8	-2.9	1,118.5	-9,199.9	241.4	-7,840.1	-2.7
<i>Other service</i>	8,117.6	642.9	331.5	9,092.1	3.4	8,939.5	-370.3	324.9	8,894.0	3.0
Total	141,962.5	83,786.1	38,581.0	264,329.5	100.0	155,909.6	99,662.4	39,924.6	295,496.6	100.0

Source: Survey Estimates.

Appendix IV: Country-wise FDI stock in Nepal
(mid-July 2023)

(Rs. million)

S.N.	Countries	Paid Up	Reserves	Loans	Total	Share in Total (%)
1	India	52,608.1	43,706.5	7,137.6	103,452.3	35.01
2	China	28,465.3	-10,314.2	17,310.4	35,461.5	12.00
3	Ireland	10,681.6	11,770.0	172.7	22,624.2	7.66
4	Australia	10,140.9	8,904.3	11.6	19,056.7	6.45
5	Singapore	7,089.6	11,200.9	518.0	18,808.4	6.37
6	West Indies	80.0	14,314.6	1.1	14,395.7	4.87
7	South Korea	13,907.0	-1,067.7	1,038.5	13,877.8	4.70
8	United Arab Emirates	891.6	11,037.3	355.1	12,284.1	4.16
9	United States of America	3,227.0	4,004.8	4,996.0	12,227.8	4.14
10	Hong Kong-China	6,590.3	-459.9	1,104.9	7,235.3	2.45
11	United Kingdom	3,131.9	3,643.7	82.4	6,858.1	2.32
12	Netherlands	3,156.8	2,683.7	92.8	5,933.2	2.01
13	Bangladesh	2,147.1	2,352.2	-	4,499.4	1.52
14	Pakistan	2,808.3	1,548.2	-	4,356.5	1.47
15	Mauritius	1,369.3	-263.4	2,242.3	3,348.2	1.13
16	Bermuda	385.9	2,674.8	-	3,060.7	1.04
17	Taiwan	1,335.5	91.3	641.7	2,068.6	0.70
18	Japan	2,466.4	-811.2	314.3	1,969.5	0.67
19	Sri Lanka	1,315.9	-19.0	173.4	1,470.4	0.50
20	Norway	598.8	825.4	32.4	1,456.6	0.49
21	Malaysia	820.5	432.1	8.5	1,261.1	0.43
22	British Virgin Island	564.7	-20.6	126.1	670.2	0.23
23	Switzerland	299.3	-4.1	151.6	446.8	0.15
24	Denmark	182.1	187.5	-	369.6	0.13
25	Cayman Islands	97.0	270.2	-	367.2	0.12
26	Italy	144.1	56.1	-	200.2	0.07
27	Canada	218.8	-50.3	6.6	175.1	0.06
28	Sweden	110.5	-0.4	4.4	114.4	0.04
29	Germany	110.5	-10.5	10.1	110.1	0.04
30	Indonesia	98.1	-	-	98.1	0.03
31	Brunei	94.9	-	1.7	96.7	0.03
32	Russia	133.9	-44.5	-	89.4	0.03
33	France	65.0	-4.4	1.4	62.0	0.02
34	Turkey	45.2	6.7	0.7	52.6	0.02
35	Belgium	61.4	-11.2	-	50.2	0.02
36	Bahrain	53.2	-8.0	2.5	47.6	0.02
37	Bhutan	7.5	38.5	-	46.0	0.02
38	Malta	45.0	-	-	45.0	0.02
39	New Zealand	33.8	2.9	-	36.7	0.01
40	Vietnam	49.0	-12.7	-	36.4	0.01
41	Austria	23.2	-0.2	-	23.0	0.01
42	Tajikistan	16.2	-	-	16.2	0.01
43	South Sudan	10.2	-0.2	-	10.0	0.00
44	Mexico	6.9	-	-	6.9	0.00
45	Israel	6.7	-	-	6.7	0.00
46	Azerbaijan	5.2	-	-	5.2	0.00
47	Samoa	145.0	-139.9	-	5.1	0.00
48	Finland	5.0	-	-	5.0	0.00
49	South Africa	5.0	-	-	5.0	0.00
50	Kazakhstan	4.1	-	-	4.1	0.00
51	Philippines	4.1	-	-	4.1	0.00
52	Poland	3.2	-0.2	0.0	3.0	0.00
53	Belarus	2.3	-	-	2.3	0.00
54	Spain	7.4	-5.7	-	1.7	0.00
55	Belize	1.7	-	-	1.7	0.00
56	Brazil	1.6	-0.7	-	0.9	0.00
57	Cyprus	4.6	-4.0	-	0.7	0.00
58	Seychelles	25.6	-6,836.6	3,385.7	-3,425.3	-1.16
	Total	155,909.6	99,662.4	39,924.6	295,496.6	100.0

Source: Survey Estimates.

* FDI from International Finance Corporation (IFC) has also been included into United States of America

**Appendix V: Country-wise and Sector-wise composition of FDI stock
(mid-July 2023)**

						(Rs. million)
S.N	Countries	Agriculture	Industry	Services	Total	Share in Total (%)
1	India	22.0	75,710.9	27,719.4	103,452.3	35.0
2	China	-	41,381.2	-5,919.7	35,461.5	12.0
3	Ireland	-	5.4	22,618.9	22,624.2	7.7
4	Australia	-2.0	818.4	18,240.3	19,056.7	6.4
5	Singapore	-	17,713.1	1,095.3	18,808.4	6.4
6	West Indies	-	-	14,395.7	14,395.7	4.9
7	South Korea	52.5	13,251.4	573.9	13,877.8	4.7
8	United Arab Emirates	-	12,229.6	54.5	12,284.1	4.2
9	United States of America	55.5	535.5	10,741.5	11,332.5	3.8
10	Hong Kong-China	-	2,358.0	4,679.0	7,037.0	2.4
11	United Kingdom	8.3	1,001.8	5,848.0	6,858.1	2.3
12	Netherlands	111.2	220.6	5,601.5	5,933.2	2.0
13	Bangladesh	-	-	4,499.4	4,499.4	1.5
14	Pakistan	-	8.1	4,348.4	4,356.5	1.5
15	Mauritius	-	2,832.4	515.8	3,348.2	1.1
16	Bermuda	-	3,060.7	-	3,060.7	1.0
17	Taiwan	-	-	2,068.6	2,068.6	0.7
18	Japan	26.2	792.0	1,151.3	1,969.5	0.7
19	Sri Lanka	-	852.3	618.1	1,470.4	0.5
20	Norway	5.0	1,447.5	4.0	1,456.6	0.5
21	Others	23.8	2,106.7	14.8	2,145.3	0.7
	Total	302.6	176,325.6	118,868.5	295,496.6	100.0

Source: Survey Estimates.

Appendix VI: International Investment Position (IIP) of Nepal*
(mid-July)

(Rs. million)

Description	2021 ^R	2022 ^R	2023 ^P	Share in Total (%)	Percent Change	
					2021/22	2022/23
Assets	1,481,123.9	1,330,654.4	1,654,496.9	100.0	-10.2	24.3
Direct Investment	-	-		-	-	-
Portfolio Investment	-	-		-	-	-
Other Investments	182,220.7	185,975.1	214,353.7	13.0	2.1	15.3
<i>Other Equity</i>	13,193.7	12,809.3	12,495.8	0.8	-2.9	-2.4
<i>Currency and Deposits</i>	75,391.7	86,132.1	68,022.1	4.1	14.2	-21.0
<i>Loans</i>	861.7	1,024.4	1,568.4	0.1	18.9	53.1
<i>Trade credit and advances</i>	15,881.7	14,255.6	7,704.1	0.5	-10.2	-46.0
<i>Other Account Receivables</i>	76,891.8	71,753.8	124,563.4	7.5	-6.7	73.6
Official Reserve Assets	1,298,903.2	1,144,679.3	1,440,143.2	87.0	-11.9	25.8
Liabilities	1,401,003.4	1,601,991.7	1,729,394.5	100.0	14.3	8.0
Direct Investment**	227,946.9	264,329.5	270,290.8	15.6	16.0	2.3
Portfolio Investment	-	-		-	-	-
Other Investments	1,173,056.5	1,337,662.1	1,459,103.7	84.4	14.0	9.1
<i>Other Equity</i>	-	-		-	-	-
<i>Currency and Deposits</i>	55,851.2	58,217.3	72,858.8	4.2	4.2	25.1
<i>Loans</i>	988,754.0	1,124,347.6	1,218,434.2	70.5	13.7	8.4
<i>Trade credit and advances</i>	116,853.4	118,482.6	127,998.7	7.4	1.4	8.0
<i>Other Account Payables</i>	35.3	53.6	905.4	0.1	51.7	-
<i>Special Drawing Rights</i>	11,562.6	36,561.0	38,906.6	2.2	216.2	6.4
Net IIP	80,120.5	-271,337.2	-74,897.6	-	-	-

Source: NRB (2023a).

* Based on residents and non-residents

**Direct Investment based on survey.

^R: Revised

^P: Provisional