

CHAPTER ONE

INTRODUCTION

1.1 Background

Nepal started planned programs of economic development as early as mid fifties with the launching of first five-year plan in 1956. The Tenth Plan is now being implemented since mid July 2002. The Plan seeks to achieve a higher rate of sustained economic growth of 8.1 percent per annum by enhancing the competitive capability of industry and commerce sector. To achieve this target, greater emphasis has been given to the participation of private sector and the involvement of people at community level. The Plan takes account of the need to attract foreign investment to meet the five-year capital requirement. The following policies have been spelt out, among others, for the industrial sector in the Tenth Plan:

- Set up the mechanism to ensure easy availability of financial resources, through financial institutions, to establish industries.
- Investment will be channelised to undeveloped or underdeveloped regions of the country, on the basis of national importance, to ensure regional balance.
- Industrial security system will be made effective.
- Foreign investments will be encouraged in those areas where the country has comparative advantage.
- Local and newly developed technologies will be encouraged for industrial development.

Government of Nepal (GON) has adopted an open and liberal policy to pave the way for the accelerated economic and social development of the country. Especially in the field of industry and trade, the government policy is aimed at giving the private sector a dominant role. The private initiatives and enterprises are expected to increase efficiency and productivity. The government's role will be that of a facilitator providing infrastructure and conducive environment for investment.

Although there were a few cases of foreign investment and technology transfer prior to 1981, the industrial policy and the Foreign Investment and Technology Act, 1981 paved the way for regular inflow of foreign investment and technology transfer into the country. Solidarity Ministerial meeting was held in 1982 and an Investment Promotion meeting was held in 1984 for the promotion of foreign investment and for creating awareness of the investment opportunities in the country. Subsequently,