Foreign Direct Investment in Nepal

A case study of FDI in telecommunication sector 'TELIASONERA'

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Abstract:

The motto of this study was to define FDI environment in Nepal tracing out vital investment sectors for foreign investors. Another main aim was to lure Finnish investors for future investment in Nepal. A case study on telecommunication sector 'TELIASONERA' further explained the success by the foreign investor. The study literature mainly focused on the FDI theories concerning perfect market and imperfect market; which aimed to construct a vivid understanding for readers in implementing inward FDI in Nepal. The report primarily focused on FDI scenario in Nepal with significant investment sectors. A SWOT analysis of 'investment in Nepal' further constructed site knowledge for foreign investors. This study undertakes qualitative research method, which browsed several secondary researches on the related topic including article and news on an internet. Thus, the entrepreneurial experiences and motivating factors for investment in Nepal concluded by interviewing TELIASONERA'S CEO (Nepal based). The results of this study were that the political conflict and Nepal's long decade insurgency period were the crucial factors that deluded FDI. The country's improving political situations might lure various foreign investors in the near future. At the end, the reader gets a vivid knowledge about establishing a business in Nepal including significant investment sectors.

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ABBERIVATIONS:

CEO	CHIEF EXECUTIVE OFFICER
FDI	FOREIGN DIRECT INVESTMENT
GDP	GROSS DOMESTIC PRODUCT
IMF	INTERNATIONAL MONETARY FUND
MNC	MULTINATIONAL CORPORATIONS
NEA	NEPAL ELECTRICITY AUTHORITY
NRS	NEPALESE RUPEES
NTCDB	NATIONAL TEA AND COFEE DEVELOPMENT BOARD
NTC	NEPAL TELECOMMUNICATION CENTRE
NCELL	NEPAL'S TELESONERA INVESTMENT
OECD	ORGANIZATION FOR ECONOMIC COOPERATION & DEVELOPMENT
SWOT	STRENGTH WEAKNESS OPPORTUNITIES & THREAT
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE & DEVELOPMENT

1 INTRODUCTION:

1.1 Background:

The home of mountains, sheltering the world biggest mountain “Mount Everest”, with Birthplace of Light of Asia “Siddhartha Gautama Buddha” is a typical introduction to NEPAL. Despite of acquiring world eight out of tenth biggest mountain; filled with plenty of medicinal herbs; it has failed to attract enormous foreign investors. A country equipped with enormous natural beauties, and all-time favorable climate is desperately lacking a term ‘Foreign Direct Investment’.

FDI is rapidly growing in developing countries. The theoretical study highlights the perfect market theory and imperfect market theories of FDI. FDI is an important source for the developing countries, which has plenty of resources but is economically weak with a deficiency in finance, technology and competitive management. FDI introduces new technology, knowledge, skills, new management practices, etc to the recipient economy.

Based on Investment across borders reports (2010), world bank points the benefits of FDI as, *”A global network of 80,000 multinational corporations and 800,000 foreign affiliates have helped create millions of jobs, transferred technology, modern skills, fostered competition, and contributed to the fiscal standing of many economies”.*

Several early literatures on FDI have proved that FDI is an essential asset for country’s economic growth. Fortanier & Van Wijk(2010) has explained that FDI (inward) creates employment opportunities, which henceforth could benefits developing countries, such as Nepal. FDI plays as a matchmaker in the economic development of countries.

Foreign direct investment has not been widely practiced in Nepal. With the settlement of political conflicts, a growing number of international projects are willing to assure in Nepalese economy. Few years ago, a Finnish firm ‘TELIASONERA'; the first and only private telecommunication firm; has implied its business in mountain land. The firm's business experiences in the case study build a quick frame of business analysis for foreign investors. FDI tends to increase in the near future in Nepal. A further SWOT analysis of investment environment in Nepal established a solid foundation for foreign investors.

The investment policy reforms and BIPPA agreements by the government of Nepal have boosted up the confidence of foreign investors. Nepal is a paradise offering several business opportunities that the globe is unaware. The author's keen interest in his country and the improving political conflict within the country has highly motivated to pour words on the selected topic.

Concisely, this thesis aim to provide a complete framework of foreign investment in Nepal. From a small entrepreneur to multinational organization, each suspect benefits upon browsing this thesis.

1.2 Research Objectives:

The primary objective of this study was to explore investment opportunities for foreign investors in Nepal. It defines FDI environment in Nepal. The Nepalese economy lacks a healthy investor. Finnish investors will find numerous opportunities to play in mountain land. Through this study, the reader will acquire the basic knowledge of setting business in Nepal to Understanding business climate in Nepal along with knowledge of pros and cons of investing in Nepal. The capital investment sectors focused are Agriculture sector; Hydroelectricity; Tourism; trade; etc.

The second and the most relevant target of this thesis was to make aware Finnish investors that their investment is safe and secure as Nepal and Finland has signed a BIPPA agreement (see table 4.2) which is effective as of 28th jan,2011. Nepal had suffered a decade long civil war due to Maoist protest against the government. The country passed through several economic suffering during the period. Riots, strikes, protests were ruling then. However, with the end of King Monarchy and cooperation of Political parties the country has entertained a peaceful environment, which has created a safe environment for foreign investors to jump into Nepalese soil.

1.3 The research question:

- Despite of enormous resources, Nepal is lacking inward FDI. What factors are affecting Nepal's FDI?

1.4 Research Methodology:

This study undertakes qualitative research methods. This method is flexible with interviews, survey, etc. As quoted in Encyclopedia of leadership, Shank (2002, p5) *defines qualitative research as "a form of systematic empirical inquiry into meaning". Where systematic refers to "planned, ordered and public", following rules agreed upon by members of the qualitative research community. By empirical, he means that this type of inquiry is vital in the world of experience. Inquiry into meaning says researchers try to understand how others make sense of their experience.*

This study also undertakes various secondary data. The study slightly depends on the interview of TELIASONERA'S CEO (Nepal based) and others several secondary data available. Various articles and news on internet instantly supported the writing.

1.4.1 Data Collection:

The study primarily depends on several researches published previously on the selected topic. The research browsed were academic research on FDI, Online articles and news concerning FDI, trends of FDI, etc. The phone interview undertakes with the CEO of TELIASONERA to examine Investor experiences throughout Nepal.

1.4.2 Limitations of the study:

As FDI is a vast topic and has various fields to study on, this study merely defines the perfect and imperfect market theory of FDI in the literature review. The study further explains the major investment sectors in Nepal. Lack of resources and distance has limited the study, in a single interview as the author was writing in Finland and it was hard to reach physically in Nepal.

Thus, the study mainly focused on FDI theories and its effect on Nepalese soil. This study provides a deep understanding on setting business in Nepal to understanding the business environment and possible investment sectors.

1.5 Structure of the study:

This structure of this thesis is precisely designed among nine parts. It starts introducing the background, aim of the study and a suitable research question along with a brief geographic description of Nepal.

The second section presents a brief description on the selected topic 'Foreign Direct Investment'. The definition extends in the third section with the relevant theories of FDI assuming perfect market and imperfect market. The fourth part further explains the summary of theories of FDI.

Furthermore, the fifth section defines the FDI environment concerning Nepal. The sixth section defines the TELIASONERA's investment experience in Nepalese soil. The seventh part describes the BIPPA Agreement. The seventh part answers the research question.

Finally, the last section ends up with the findings, conclusion and recommendation for further studies.

2 FOREIGN DIRECT INVESTMENT:

Normally investment is regarded as imperative factors of aggregate demand, which eventually affects the level of aggregate supply in the economy. An investment is usually done to accelerate the available resources aiming a future returns (See Andrew Gillespie p319).

According to Andrew Gillespie (2007), foreign investments are classified in the form of either foreign portfolio investment or a direct investment. Foreign portfolio investment or the indirect investment is a mere investment in equity of enterprises, which eliminates management practices. On the other hand, Foreign Direct Investment (FDI) is a direct investment in an economy (other than investors) where the investors practices management skills along with the inclusion of technology, resources and skilled work force.

According to The World Bank, "Foreign Direct Investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor". Here, a lasting management interest reflects the long-term relationship between the investor and the investing enterprises with an active involvement of investor in the management of enterprises.

FDI is not just about buying equity rather it is about management practices utilizing the resources with the inclusion of a technology in a foreign economy. FDI in least developed countries is usually practicing 80%-100% ownership. The International Monetary Fund's Balance of Payments Manual (IMF) defines FDI as *"an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise".* FDI is indicated as an important source for the developing countries, which has plenty of resources but is economically weak with a deficiency in finance, technology and competitive management. FDI plays a significant role in the growth of emerging economies.

The United Nations (1999) World Investment Report (UNCTAD, 1999) defines *FDI as "an investment involving a long term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or patent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise, affiliate enterprise or foreign affiliate)".*

Economy-watch defines *FDI, as "Foreign Direct Investment, or FDI, is a type of investment that involves the injection of foreign funds into an enterprise that operates in a different country of origin from the investor. Investors are granted management and voting rights if the level of ownership is greater than or equal to 10% of ordinary shares. Shares ownership amounting to less than the stated amount is termed portfolio investment and is not categorized as FDI".*

FDI is not a new topic in the global economy. The concept of FDI originally introduced in the early Nineteenth century. The study perceived by Steven Hymer, in his thesis in 1960's, tends to be the first introduction of foreign direct investment to the global economy (Magnus Blömstrom, 2002 see page 2). In the early stage, FDI faces a toll of problems as it hails to face the local competitors who possess better knowledge of the local economy. With the end of the Second World War, as peace flattens around the globe, FDI vigorously penetrates the global economy.

However, the growth of FDI was modest until mid 1980's, the graph accelerated in the mid 1990's. The development of modernization and globalization of business with the advancement of technology has widely spread the applications of FDI in the global economy (Andrew Gillespie, 2007). The cheap labor costs with low risk factors have probably lured investors in developing countries. The cross border problem within Asian countries and the economic crisis gradually declined the FDI in the late 90’s.

The following figure explains the graph of FDI in developing countries and south Asia.

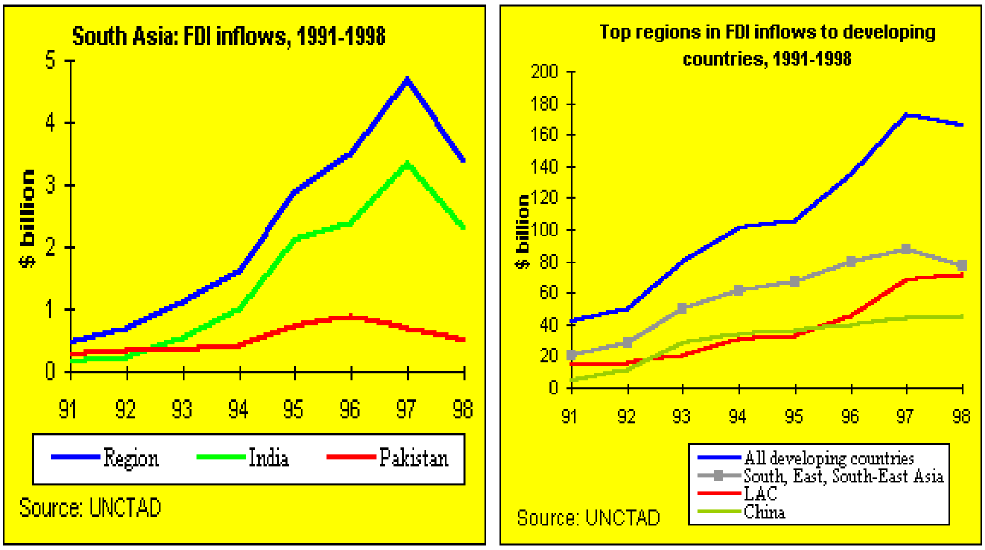

Figure 1: FDI inflows in South Asian and developing countries during 1990's.

Source: “Globalization and Workers’ Rights”

A FDI is much more than just investing in a stock market. A foreign investment does not necessarily be an FDI. Buying shares of Nokia staying in Nepal does not fit in the definition of FDI. Moosa(2002) defines FDI as direct investment made in an economy other than that of investors which eventually entertains the management practices introducing advanced technology to the economy. According to “Globalization and Workers’ Rights’’, FDI definitions mainly quote about ‘interest’ and ‘controlling interest’, which make FDI separated from other investment. The minimum 10% involvement of voting rights procures investors in management policies and decision-making process. Rajin (1999b) argues, “That the element of control gives direct investors an informational advantage over foreign portfolio investors and domestic savers”. A lump of firm usually circulates FDI when the ownership right excludes 51%, which henceforth serve as a superior power of the firm. MNCs become highly attracted when the ownership rights exceeds 80% or more. Normally many firms prefer to invest where the controlling interests and management rights exceeds than that of a host investor.

3 THEORIES OF FOREIGN DIRECT INVESTMENT (FDI):

Eventually after the end of Second World War, FDI developed gradually with the passage of time and technological development. The theories on FDI widened rapidly in the past six decades and published explaining MNCs applying FDI, determinants of FDI, trends of FDI, FDI’s effects and surplus to the host country and economy, etc, etc. There is not a single universally applicable theory of FDI. It differs in terms of factors and variable, which originate different theories and make them stand. Macro factors, micro factors, strategic factors, etc play a vital role in determining FDI. Morris (1991) explains that the macro factors study FDI as the capital flows across borders from origin country to the host country in terms of balance of payment. On the other hand, micro factors, explain the motivation for investment.

Moosa (2002) has briefly explained the theories of FDI into four different categories. The different theories on FDI construct a theoretical understanding of foreign direct investment. The main theories are:

1. Theories assuming perfect market.
2. Theories assuming imperfect market.
3. Other theories.
4. Theories based on other variable.

Among these four theories, the study mainly focuses on the theories about perfect and imperfect market. The investors get a vivid understanding on different types of foreign direct investment (FDI) in the corresponding markets. A study on the market size is necessary before commencing investment in a foreign economy.

3.1 Theories assuming perfect market:

The three hypotheses lie under this heading: Moosa(2002) categorizes the theories as the differential rates of return hypothesis, the diversification hypothesis and output and market size hypothesis. A perfect market theory explains how the capital flows, marginal returns, risk assessment and market size affects foreign direct investment.

3.1.1 The differential rates of return hypotheses:

This hypothesis pretends to be one of the first attempts to explain FDI flows. This hypothesis explains that FDI is a result of capital flowing from countries with low rates of returns to high rates of return expecting a marginal return with the marginal cost of capital (Morris 1991, p68). It assumes that Marginal return is the only variable factors in this approach, and when marginal returns are higher than at home where marginal cost of capital is constant at both investments(home & abroad), it is wise to invest abroad.

This theory went viral in the late 1950's, when America (USA) invested in Europe. Agarwal (1980) explains that most of the empirical studies based on this approaches failed to provide strong supporting evidences. As the theory primarily stands on marginal returns or the expected profits and the actual profit always differs than the reported profit, this theory could not precisely describe the determinants of FDI flows (Morris 1991, p69).

3.1.2 The diversification Hypothesis:

As the differential rates of return hypothesis failed to provide an adequate explanation to FDI considering risk factors, the phenomenon moved to Diversification hypothesis to describe FDI. The investment simply does not depend upon the marginal returns; risk is also equally equated before doing any investment. The projects, therefore, supplemented by both expected returns and the risk factors. Tobin (1958) and Markowitz (1959) have led to the theoretical definition of this hypothesis under the theory of portfolio selection. Morris (1991) explains, *"A firm can reduce its risk by investing in various countries as the returns on individual countries are likely to have less than perfect correlation".*

Various attempts undertook to test this theory. One way to test this approach was to determine the share of FDI going to a group of countries in context to the average return on those investments and to the risk associated with that investment, and risk as measured by the variance or the standard deviation of the rate of return (Morris 1991, see page 69). Agarwal (1980) and Hufbauer (1975) further criticizes that the empirical testing of this approach provides only weak support for portfolio diversification theory. This theory failed significantly, as sometimes the favorable condition for a group of countries was unfavorable for individual country. However, this empirical definition contains many theoretical problems it was superior to the theories of returns. According to Morris (1991), "*The portfolio diversification theory is an improvement over the differential rates of return theory, in the sense that, the inclusion of risk factor can account for countries experiencing simultaneously inflows and outflows of FDI".*

3.1.3 Market size hypothesis

Moosa (2002) has defined market size hypothesis as *"the volume of FDI in the host country depends on its market size, measured by the sales of an MNC in that country, or by the country's GDP (that is, the size of the economy). This is particularly so for the case of import- substituting FDI. As soon as the size of the market of a country has grown to a level warranting the exploitation of economies of scale, the country becomes a potential target for FDI inflows".*

The output of FDI can be derived from the models of neoclassical domestic investment theory. This theory is more popular and enlisted in many empirical findings. This theory undertakes empirical testing in a number of ways. One way to test it as explained by Moosa (2002) is *"to find out whether or not the share of FDI of a given country going to a group of host countries correlated the individual income level of the host country".*

This theory assumes that size and growth of a host's market affects FDI. Host country's income, level of sales by a foreign subsidiary etc result in higher FDI. Despite of popularization of this theory, Agarwal (1980) points out the hazards of implanting this theory. One of the Problems with this theory was the decision of a firm regarding FDI based on the various considerations depending upon whether the FDI is initial or explanatory (Morris 1991, p.70).

3.2 Theories assuming Imperfect market

The earlier theories lacked the information on market failures. Hymer (1976) was the first analyst to mark out that the structure of a market, and the characteristics of a firm play a vital role in defining FDI (Morris 1991). This theory focuses on the industrial organization hypothesis, the internalization hypothesis, the location hypothesis, the eclectic theory, the product life cycle hypothesis and the oligopolistic reactions hypothesis. Among these six factors of imperfect market theory, this study primarily focused on the crucial four theories (The industrial, the internalization, the eclectic and the product life cycle theory).

3.2.1 The industrial organization hypothesis:

According to Moosa (2002), *"Hymer (1976) developed the industrial organization hypothesis. Kindleberger (1969), Caves (1982) and Dunning (1988) further extended the theory. This theory assumes that the firms when it establishes a business in another* *economy it passes through several disadvantages in comparison to local investors. The cultural sectors, languages, legal system and other factors play a vital role in determining FDI".* This theory explains about why firms invest in foreign countries but fails to explain the motivation for choosing; which the Location hypothesis fulfills. This theory benefits in terms of capital, management, technology, marketing, and access to raw materials, economies of scale and bargaining and political power. The firm gets many facilities and several offers by the host government.

3.2.2 The internalization theory:

This theory tends to be the general theory of FDI. Morris (1991explains that almost all of the hypotheses of FDI are cases of this general theory. Moosa (2002) explained this theory as "FDI arises from efforts by firms to replace market transaction with internal transactions". This theory explains about firms using FDI regarding export and import from foreign countries. Buckley and Casson (1976) suggest, *"If markets in intermediate products are imperfect, firms have an incentive to bypass them by creating internal markets, such that the activities linked by the markets brought under common ownership and control".* As this theory was general, Buckley (1988) pointed that it cannot be tested directly but can be sharpened to obtain 'relevant testable implications' (Morris 1991). According to Moosa (2002), *"Buckley also cited evidence showing that the pattern of FDI across industries and nationalities is broadly consistent with the theory's predictions, but he emphasized that tests need to be more precise and rigorous to increase confidence in the theory".*

3.2.3 An Eclectic approach

Dunning (1988) developed the eclectic theory. He introduces this theory integrating the industrial organization theory, the internalization theory and the location theory. This three theories need to be acquired if the firm tends to practice foreign direct investment. He further argues that the following three conditions must be fulfilled to involve in FDI.

1. Ownership advantages (includes the right to technology, monopoly power and size, access to raw materials and access to cheap finance).
2. Use of these advantages rather than selling or leasing to other firms.
3. Must be beneficial to use these advantages with at least some factor inputs located abroad. Therefore, it makes location advantages else, it is an export job.

Thus to practice FDI the firm must have ownership advantages and internationalization advantages along with the location advantages than the firm's home country. Moosa (2002) has clearly defined FDI into following three possibilities:

1. If there are no internalization gains, the firm will license its ownership advantage to another firm, particularly if location factors favor expansion abroad.
2. If there are internalization gains and if location factors favor home expansion, the firm expands at home and exports.
3. If there are internalization gains and, if location factors favor foreign expansion, FDI will take place and an MNC will emerge.

This theory suggests that all forms of FDI can be defined with reference to its condition. It also further explains that these advantages are not likely to be uniformly spread among countries, industries, and enterprises and are likely to change over time (Morris 1991).

3.2.4 The product life cycle hypothesis

Vernon developed this theory in 1966 to explain various types of FDI made by US companies in Western Europe after the Second World War in the manufacturing industry (European Journal of Interdisciplinary Studies). Vernon(1966) claims that a product goes through four stages: Innovation, growth, maturity and decline. Moosa (2002) has explained that the products initially introduced as innovation. According to Moosa

(2002), “the product life cycle hypothesis predicts that the home country where the innovative product first appeared switches from an exporting to an importing country. This prediction is consistent with the pattern of dynamic changes observed for many products”.

3.3 Other theories:

According to Moosa(2002), four hypotheses fall under this heading.

3.3.1 The Internal Financing Hypotheses:

It refers to the utilization of profit by a MNC to finance the expansion of FDI in the same host country. Initially modest investments, while subsequent expansions incurred by reinvesting profit generated by a subsidiary in the host country.

3.3.2 The currency areas hypothesis and the effect of the exchange rates:

It relies on the assumption that MNC provides diversification opportunities and barriers to capital flows.

3.3.3 The Kojima Hypothesis:

It relies on two sections; trade oriented and anti trade oriented. The former establishes welfare improvement and promotes trade in both countries while the latter promotes unfavorable restructuring and has an adverse effect on trade in both countries.

3.4 Theories based on other variable:

Moosa(2002) further explains three theories of foreign direct investment. These factors play a crucial role in understanding the business environment and choosing host economies.

3.4.1 Political Risk and Country Risk:

This factor plays a vital role in discouraging FDI inflow. Political instability has an adverse effect on FDI. A country's economic and geographic measurement widely affects FDI inflows.

3.4.2 Tax Policy, Trade Barriers and Government regulations:

Foreign direct investment closely relates toward these factors. The tax policy of the host country severely affects FDI. Trade is an alternative to FDI, which implies open economies receive fewer FDI flows. Government regulations are either effective or defective in attracting or distracting FDI. They offer incentives on one hand and put restrictions on the activities of MNCs on the other which eventually encourages and later discourages inward FDI.

3.4.3 Strategic and Long - Term Factors:

Moosa(2002) explains that a further set of strategic and long term factors sum up together to describe FDI. Desire to defend existing competitors (local and foreign), and build a strong base for longer term, involvement of technology for longer periods, maintaining a parent-subsidiary relationship, etc are factors often considered being the instrumental for decision making to invest abroad.

4 SUMMARY OF THEORIES OF FDI

In reference to above-mentioned theories of FDI, we can clearly assume that theory on FDI has been changing accordingly. FDI, which introduced to entertain mere 10% or more ownership right, has dramatically changed to 90-100% ownership right. Foreign direct investment is increasing these days. However, developing countries ranks highest in terms of inward FDI. The FDI theories were more concentrating on export and FDI in 1960s.

The perfect market theory and imperfect market theories of FDI are vital for entrepreneurs in terms of foreign investment. These theories build a strong base on choosing the location and setting business in an unknown economy.

The below figure summarizes the theory of FDI.

Foreign Direct Investment Theories:

Market imperfections theory	*Firm's decission to invest overseas is explained as a strategy to capitalize on certain capabilities not shared by competitors in foreign countries*	*Hymer 1970*
International Production theory	*The propensity of a firem to initiate foreign production will depend on specific attractions of its home country compared with resources implications and advantages of locating in another country*	*Dunning 1980 Fayerweather 1982*
Internalization theory	*It concerns extending the direct operations pf the firm and bringing under common ownership and activities conducted by intermediate markets that link firm to customers.*	*Buckley (1982,1988) Buckley and Casson (1976 , 1985)*

Figure 2: FDI main theories *Source: Moosa(2002)*

5 FOREIGN DIRECT INVESTMENT SCENARIO IN NEPAL:

The FDI in Nepal is not at the peak, as it needs to be. The flow of inward FDI was at peak during mid 1990's and thereafter declined due to country's civil war of Maoist insurgency. However, as Maoist ended up the decade's civil war and joined the Government, Presently Nepal is creating a peaceful environment for the Foreign Investors. The political disputes are cooling, and several foreign investors are keeping an eye to Nepal.

Nepal's FDI projects include mostly in manufacturing, hydropower, mineral exploitation, construction, agro based, chemicals, tourists hotels and restaurants, specialized services and in food and beverage industries. By the year 2005, Hotel & Resorts (see Appendix 1) undertook 440 projects under manufacturing industries followed by 227 projects.

In context to approved FDI projects, more than 40% of investment comes from India; and the rest comes from USA, Norway, Japan, Singapore, Bermuda, China, U.K., South Korea, Italy, Netherlands, Thailand, Philippines, Germany, Switzer-land, France, Taiwan, Bangladesh, Pakistan, Australia, British Virgin Island, Canada, Malaysia, Finland, etc.

Nepal has been widely entertaining most of its FDI in Manufacturing industries. The low labor cost might have pursued it. More than 32% of its total investment has been only in Manufacturing projects. Some of globally renowned companies operating are 'British American Tobacco (BAT)', Unilever and Coca-Cola.

The following figure shows the foreign investment in Nepal until 15 Jan 2005:

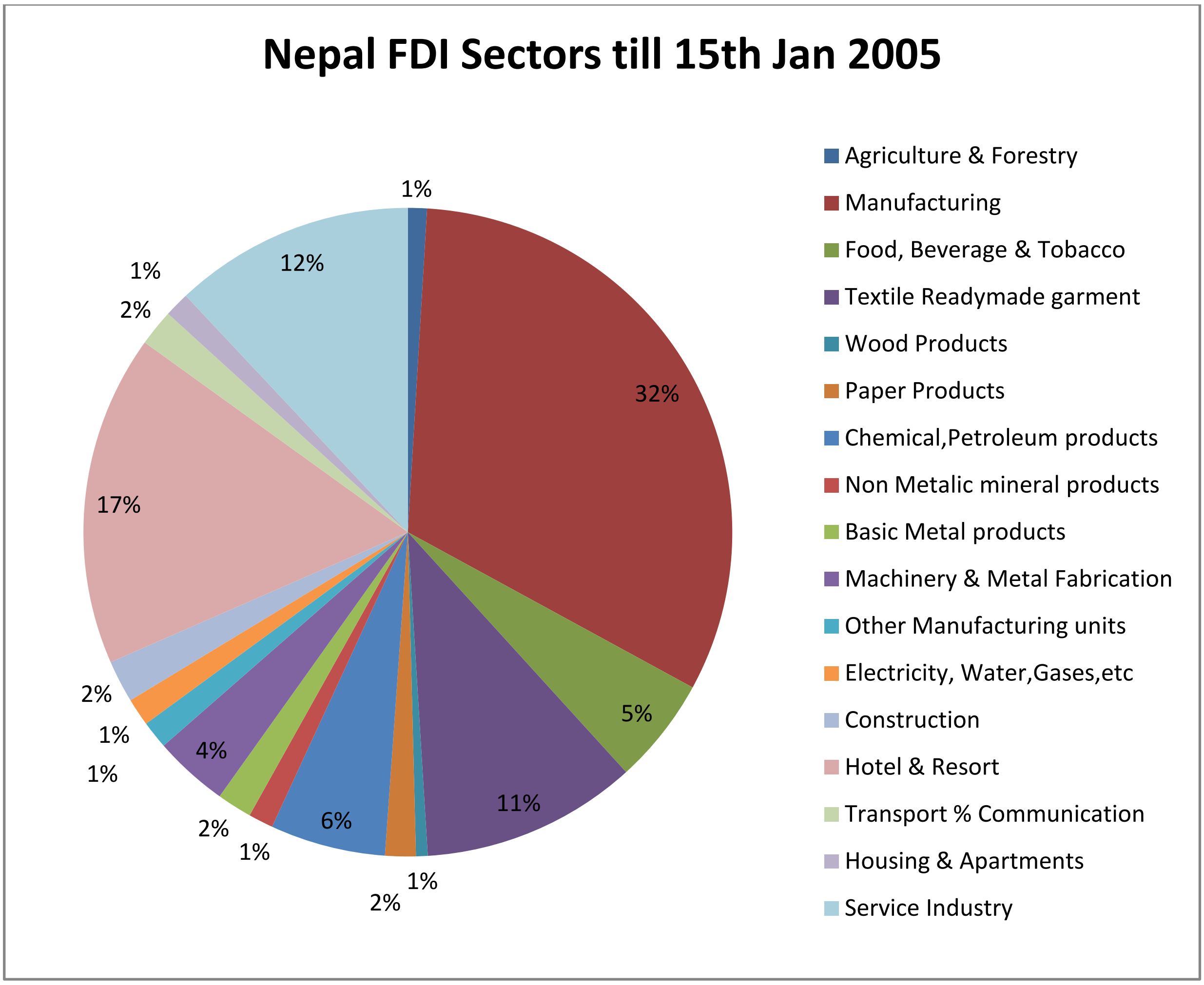

Figure 3: Foreign investment climate in Nepal

'Agriculture and forestry' rank tops with 32% of total foreign investment; followed by 'Hotel & resort' amounting 17% of total investment. Many other sectors still require a massive investment. The telecommunication investment (TELIASONERA) does not exist as the foreign investment in telecommunications sector commenced after 2005. Considering the data, MNCs entails moderate number of risks in terms of investment, as the fear of competitors is low.

5.1 Foreign Investment Policy Nepal:

Government of Nepal has adopted an open and liberal policy to lure foreign investors. The industrial policy and the Foreign Investment and Technology act, 1981 initially paved the way towards inward FDI throughout Nepalese economy. Khanal(2009) stated more emphasizes went to industry and trade sectors aiming private sectors to entertain a dominant role. Government would act merely as a mediator providing infrastructure and productive environment for investment.

The FDI act 1981 does not seem to be productive as only few countable investments were procuring. The government then reformed the act in 1992 formulating Foreign Investment and One Window Policy. Hence, the Foreign Investment and Technology Act 1992 and Industrial Act, 1992 introduced. The policy liberalization of 1992 and a renewed trade treaty with India during 1996 dramatically increase the proportion of FDI to Nepal (see Fig 4).

The foreign investment and technology transfer act of Nepal (1992) provides detail information on Foreign investment (see table 1). The act opened up investment in various sectors including hydropower projects and offering 100% ownership.

The following table displays the forms of Foreign Investment as per the Act 1992. The table splits into two parts where 'Forms of Foreign Investment' entitles for available investment and 'Not to be granted Foreign Investment' contains elements, which fails (not accepted) as a foreign investment.

Table 1: Government of Nepal Foreign Investment act, Forms of FDI

Forms of Foreign Investment	Not to be granted Foreign Investment
• Investment in share(equity) • Reinvestment of the earnings derived from the investment. • Investment made in the form of loan or loan facilities. • Use of any technological right, specialization, formula, process, patent or technical expertise of foreign origin. • Use of any trademark or foreign ownership. • Acquiring any foreign technical, consultancy, management and marketing service.	• Cottage Industries. • Personal Service Business (Business such as Hair Cutting, Beauty Parlor, • Tailoring, Driving Training etc.) • Arms and Ammunition Industries. • Explosives, Gunpowder • Industries related to Radio-Active Materials. • Real Estate Business (Excluding Construction Industries) • Motion Pictures Business (Produced in national languages and the language of the nation) • Security Printing • Currencies and Coinage Business • Retail Business , Travel Agency • Trekking Agency, Water Rafting • Pony Trekking ,Horse Riding • Cigarette, Bidi (Tobacco), Alcohol (excluding those exporting more that 90%

Source: UNCTAD, Investment Policy Review Nepal

5.2 FDI trends in Nepal:

The flow of inward FDI in Nepal is at modest compared to other south Asian countries. FDI Inflows to Nepal were the second lowest in South Asia in 2010 (Telegraph Nepal). The total numbers of foreign investment projects registered were around 1067 by the end of March 2006 amounting NRS 92.83 billion. The following figure describes FDI inflows from 1991 to 2010.

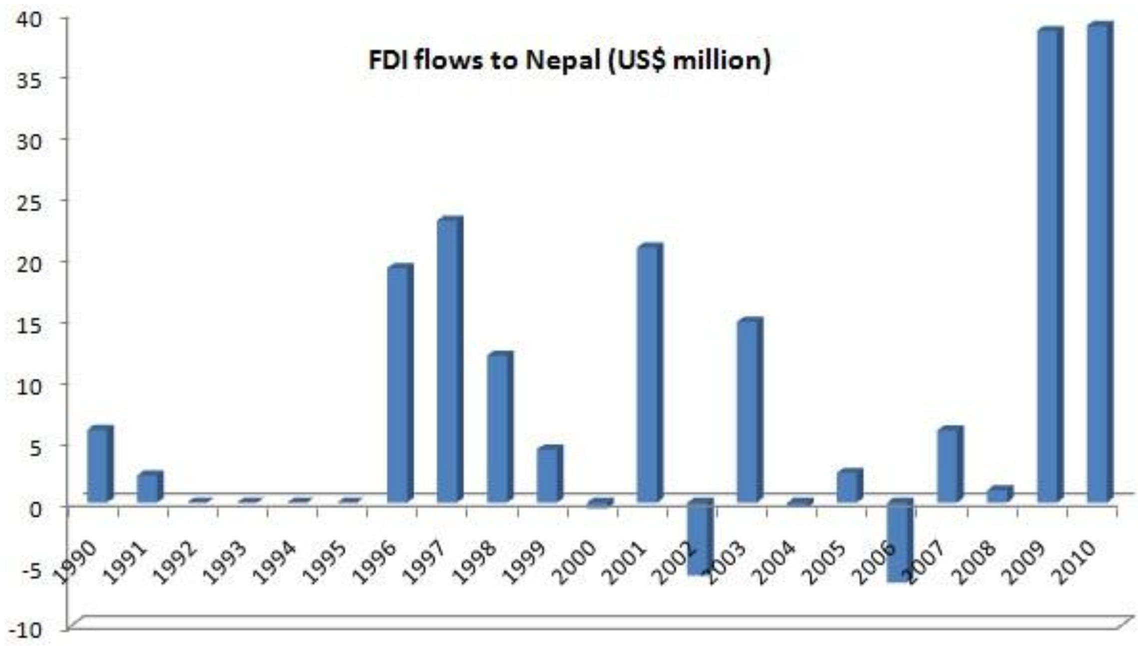

Figure 4: FDI inflow to Nepal

Source: Sapkota blog (http://sapkotac.blogspot.com/2011/08/fdi-inflows-to-nepal-1990-2010.html)

The figure explains the FDI was at its peak during 1996-1998. Reformation of the act lured a number of investors at that period. The FDI gradually decreased and reached negative level during 2004-2008, due to country's insurgency period and political disputes. Where the FDI was 1 million in 2008 and reached over 35 million in 2010, this shows the graph-increasing trend of inward FDI.

Nepal has not yet lured investors towards it comparing to other South Asian countries. India, Pakistan, Bangladesh, etc have more inward FDI than Nepal. Despite of having enough natural resources and scenic beauty, Nepal has failed to put attention to foreign investors. Nepal has not been able to attract inward FDI to its length in comparison to its neighboring South Asian countries. A mere 0.4% FDI was in Nepal's plot (see fig 2).

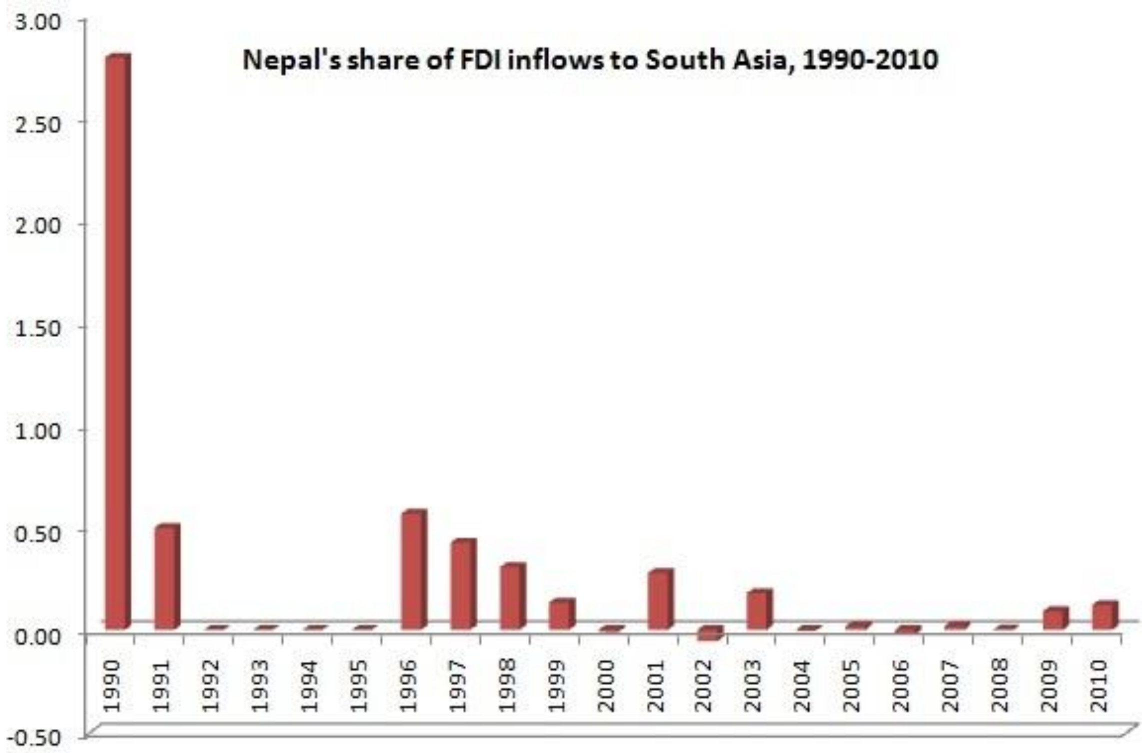

Figure 5: Nepal's share of FDI inflows to south Asia

Nepal received nearly 3 percent of shares (South Asia) in 1990, which is the highest of all time. Though it declined from 1992, the graph stood slowly in the mid 1990's. After 2003, the graph slinked as the country smudged in civil disputes surrounding unsuitable and loud environment. However, with the betterment of the political environment FDI graphs are slowly awakening from zero level. In 2010, Nepal's received 0.4 percent of South Asian FDI share.

5.3 Key factors for foreign investor:

Nepal has many potential factors to flourish foreign investors. With its scenic beauty and a dense population, Nepal provides several other financial features to foreign investors. The SWOT analysis of Nepal in relation to investment provides basic information on ensuring investment. The following table draws the SWOT analysis as it appears in UNCTAD.

Table 2: SWOT analysis of Nepal

Strength: • Location between the two potentially largest markets in the world: China and India • Macroeconomic stability and a relatively liberal economy • Trainable and low-cost workforce • Substantial natural and cultural assets • Small and accessible bureaucracy and a generally business-friendly Government	***Opportunities***: • Tourism, including sports and adventure tourism, health tourism and cultural tourism • A variety of niche agricultural and agro-business activities • Hydropower generation and infrastructure development generally • IT-based services
Weakness: • Landlocked country • Poor infrastructure and mostly unskilled workforce • Rigid and intrusive labor legislation • Political instability, weak implementation and persistent corruption	Threats: • Ongoing Maoist insurgency

Source: UNCTAD *(Note: The data is based on 2003, currently Maoist joined government and the country is entertaining peaceful environment)*

5.4 Possible investment sectors: Areas of opportunities:

Nepal a country with an area of 147,181 Sq km has a population around 28 million populations (census 2010). It can play as a trade bridge between world’s two largest economy India and China. Nepal has several features to lure Foreign Investors. Despite of having more than 80% of cultivate geography, it fails to attract foreign investors on agriculture sectors. Along with it, with a hydropower capacity of Eighty thousand megawatt of electricity, it has been able to produce a mere Eight hundred megawatt of energy. Tourism, industrial, technical, manufacturing, etc is other sectors where investors can jump. Based on UNCTAD article, the crucial areas for opportunities are agriculture & related industries, Hydroelectricity, Tourism, Internet & Telecommunication, etc.

- **Agriculture and related industries:** This sector has great international demand. Nepalese soil is favorable to many agricultural products. Rice, wheat, paddy, Millet and barley are the main food crops and mustard and rapeseed as the major oil seed (UNCTAD, Investment policy review Nepal). Other vital agricultural products as printed by (NRN association) are "sunflower, sesame and groundnut in oilseeds; asparagus, French beans, green peas, snow peas, chick peas, pigeon peas, black gram and grass peas; okra, lettuce, onion, garlic, ginger, cauliflower, broccoli, cabbage, sweet peppers, mushrooms and tomatoes in vegetables; roses, carnations, orchids, chrysanthemums and ornamental plants in floriculture. Apple, pear, walnut, peach, plum, apricot, persimmon, pomegranate and almond are the major winter fruits, while mango, banana, guava, papaya, jackfruit, pineapple, lychee and coconut are the major summer fruits, in addition to citrus, which includes orange, sweet orange, lime and lemon". Sheep farming is another relevant investment as the raw wool is a high demand for carpet industries. Nepal has suitable climate condition to various types of fruits, crops, vegetables. Thus, implementing technology and skills in the sectors, foreign investor can make a handsome business.

- **Hydro Electricity:** Nepal is the second richest country in terms of hydro resources. It holds the capacity to generate Eighty three thousand megawatt of electricity. Despite of having Forty four thousand megawatt of electricity economically feasible, Nepal has been able to produce mere Five hundred twenty eight megawatt (UNCTAD, Investment Policy Review Nepal). This sector could be a significant investment as the demand of electricity is high in Nepal and India. The government is highly encouraging foreign investors to jump into Hydropower as it has potential benefits. The following table describes the current hydropower projects in Nepal.

Table 3: Nepal Hydropower Projects:

Sectors	***Capacity(Kw)***
Total major Hydro grid Connected	472994
Total Small Hydro Isolated Total Hydro NEA	4536 477530
Total Hydro IPP	158315
Total Hydro – Nepal	635845
Total thermal (NEA)	53410
Total Solar(NEA)	100
Total Installed Capacity (including Private and others)	***689355***

Source: Nepal Electricity Authority

- **Tourism:** Tourism is the second largest employment sector after agriculture (Telegraph Nepal). The scenic beauty with several religious monuments and a home to the highest peak of the world has infinite resources that could attract tourist. Mountains, hills, lake, springs, caves, etc have equipped Nepal as one of the most beautiful places of the world. Lumbini, the birthplace of Buddha, attracts thousands of Buddhist pilgrimage every year. There are several such historic places, which can be further developed and used as tourists' means.

- **Internet and telecommunications:** This sector possesses significant influence to foreign investors. Nepal telecommunication has been entertaining the monopoly market for decades. However with the introduction of UTL and Spice Nepal (which later TELIASONERA bought), NTC has lost its single monopoly over the market. A country with a population of 28 million seeks massive investment in this sector. 'NCELL', which is an investment by TELIASONERA group of Finland, is climbing a ladder of success these days. Nepal still lacks high-speed internet facilities.

5.5 Doing business in Nepal:

Nepal Government has been liberal to foreign investors. Rules, regulation, criteria are easily accessible to foreign investors. Commencing business procedure is convenient and easy in Nepal. An economic overview based on OECD data is as follows:

Table 4:Business Indicator Nepal

Country	NEPAL
Region	South Asia
Income Category	Low Income
Population	29,852,682
GNI per capita(us$)	490.00
Doing business 2012 rank	107 (moved 3 steps upward than 2011)

Source: OECD , Doing business in Nepal.

Nepal rank as 100th countries for easily starting a business. In about a month, an investor can start a business in Nepal. Several rules and criteria arouse on the way, which an entrepreneur carefully needs to surpass it. The procedure for starting a business as defined by the World Bank is as follows:

Table 5: Starting Business Nepal

NO:	Procedure	Time to complete	Associated Costs(Nrs)
	Verify the uniqueness of the proposed company name	1 day	5
	A professional verifies and certifies the memorandum and articles of association.	5 days	10,000 (as per professional's charges)
	A stamp for the form	1 day	5

	File documents with the company registrar's office, department of industry.	15 days	4,500
	Make a company rubber stamp	1 day	275
	Register for VAT and income tax with the inland revenue office, the ministry of Finance	5 days	No charge
	Enroll the employees in the provident fund.	1 day	No charge
Total		***29 days***	***14785***

Source: World bank, Starting a Business

As described by World Bank, the procedure for establishing a business for foreign enterprises takes merely a month. Government is flexible to foreign entrepreneurs and is al-ways pursuing several offers to lure inward FDI towards Nepal.

6 TELIASONERA'S (NCELL) INVESTMENT IN NEPAL:

6.1 Background:

6.1.1 TELIASONERA in Brief:

The telecommunication giant 'TELIASONERA' founded in 1853 is Europe's fifth larg-est telecom operator. With more than 147.6 million subscriptions as of 2009, TELIA-SONERA has been serving in 20 markets with close to 460 million inhabitants. The firm's largest shareholder is Swedish State with 37.3 percent of the shares and votes and the Finnish state with 13.7 percent. Lars Nyberg is the acting president and CEO of the firm, which provides network access, and telecommunication services helping people and companies communicate in an easy, efficient and environmentally friendly way. The firm operates in three international business areas:

- **Mobility services:** Mobile operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.

- **Broadband Services:** operation in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and international carrier operations

- **Eurasia:** Mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. Further responsible in developing shareholding in Russian 'MEGAFON' and Turkish 'TURKCELL'.

The firm's major priority at present is to expand its business in Eurasia. A market of combined 380 million populations with modest access to internet/telecommunication services has driven 'TELIASONERA' to jump to Eurasia market. The firm is establishing its brand in local markets and is entertaining the ladder of success. The total number of subscriptions increased by 1.2 million during the third quarter(2011) where Nepal, Kazakhstan and Tajikistan shared the largest rises with an increase of 0.6 million, 0.4 mil-lion and 0.1 million respectively.

6.1.2 TELIASONERA operation in Nepal: NCELL

NTC has been entertaining a monopoly of telecommunication and internet services for a long decade. It was the only sector, which has been servicing Nepalese customers throughout decades. This monopoly of NTC came to an end When Spice Nepal Private Ltd. established in 2004 as the first private mobile operator in Nepal. The firm launched its services during September 2005 under 'Mero Mobile' brand. In the year 2008, TELIASONERA, a leading European telecommunication company acquired a controlling interest in ‘Spicenepal’ and since then the company has been providing services to consumer under the leadership of CEO Pasi Koistinen.

With the controlling interest of 80% ownership, ‘Spicenepal’ started operations under NCELL brand as of march 12, 2010. The rebranding was as a part of company’s strategy to strengthen its position on Nepal’s mobile telecommunication services markets. “Telecommunication services drive growth, competitiveness and transition to a knowledge-based society. These services strongly encourage and promote economic, social and environmental benefits across industries, driving domestic and foreign investments. Development of telecommunication infrastructure and services is essential for the future prosperity of Nepal. People, who previously have never had access to telecommunication services, will inevitably gain from increased possibilities to connect to others and access information. Therefore, I am excited about launching the new NCELL brand, marking a new chapter in the company’s history,” says Mr. Pasi Koistinen.

NCELL today is the leading mobile services provider of Nepal covering more than 60 per-cent of Nepal’s population. NTC is the only competitor of NCELL.

6.1.3 Interview NCELL’s CEO:

A phone interview (see Appendix 3) undertook with the CEO of TELIASONERA Mr. Pasi Koistinen (Nepal Based). The author was writing in Finland, which resulted in a phone interview, because it was difficult to reach Nepal during the writing process. The interview was essential gathering information on current market position and business experience faced by the firm.

6.2 Factors driving TELIASONERA'S interest in Nepal's FDI:

TELIASONERA, a leading mobile telecommunication giant in Europe are entertaining a pillar of success in mountain land' Nepal'. Based on the interview and published article, the following factors and theories of FDI provoked TELIASONERA in setting business in Nepal.

6.2.1 The eclectic paradigm:

This theory of imperfect market by Dunning has an impact on TELIASONERA's investment in Nepal. The Industrial advantage, internalization advantage and the locational advantage have lured the investor. Telesonera entertains 80% of controlling interest. TELIASONERA entertains several facilities by Government of Nepal under industrialization hypothesis.

6.2.2 The currency area hypothesis and the effect of the exchange rates:

TELIASONERA operates in Europe with euro being its principal trade currency. Nepalese currency is hundred times weaker than euro (1€=NRS 106, stock exchange). This hypothesis attracts TELIASONERA investing in Nepal as with the smaller amount a handsome investment occurs.

6.2.3 Tax policy, and Government regulations:

Taxation policy is remarkably liberal to foreign investors. Income tax, custom duties, excise and value added tax (vat) is reasonable. The BIPPA agreement between Finland and Nepal is a milestone for 'TELIASONERA' as the business has no fear of non-commercial losses. Pasi Koistinen (NCELL CEO) explains that BIPPA has boost up their investment.

6.2.4 Low risk:

NTC is the only competitor of TELIASONERA in Nepal. The monopoly market shattered with the introduction of TELIASONERA. The single monopoly market of NTC and difficulty in subscribing NTC services has highly motivated TELIASONERA’s investment. Ncell subscription is much more convenient and easy to gain than NTC subscription.

6.2.5 Market size hypothesis:

Nepal is a densely populated country with around 28 million populationS. The economy is improving, and poverty is declining. Moosa(2002) explains that when the size of market grows to a level warranting the exploitation of economies of scale, FDI inflows is inevitable. The improving economy and a widely dense population have lured TELIASONERA for its investment in Nepal.

6.3 Summary of TELIASONERA investment:

NCELL is entertaining a fair business in Nepal. NCELL subscription has surpassed the NTC customers list. Today NCELL is a leading telecommunication firm in Nepal. It is often introducing newest technologies to make customer entertain safe, fast and easy internet and mobile services. Nepal’s cheap labor cost, low competitors, Government taxation policies, large market, etc have highly motivated TELIASONERA'S investment in Nepal. NCELL is expanding its business widely throughout Nepal.

7 NEPAL’S BILATERAL RELATION (BIPPA AGREEMENT)

BIPPA stands for Bilateral Investment Promotion and Protection Agreement. It is a legal agreement insured between the two economies (host country and home states); which establishes a secure investment for the investors (Republica)? The primary objective of this agreement is to safeguard foreign investors from non-commercial losses where the investors entertain equal right as of the local investors in the host country. Here, Non-commercial losses refer to riots, terrorist attack, war, armed conflict, insurrection or the state of emergency, etc. However, losses from workers strike are not a part of it; the state only pays remuneration for the investors occurring from non-commercial losses as mentioned above. BIPPA is the most relevant way to lure foreign investors for the host countries.

Nepal is progressively heading towards economic development. The country's political dispute settlement results in peaceful business environment. BIPPA is the limelight for Nepal's foreign investment (inward). Nepal government should sign more BIPPA with more countries in the world.

BIPPA agreement is beneficial for both countries. The host country receives investment that creates several employment opportunities; and the other benefits by the amount of profit transferred to their economy. As quoted in a news article ‘Republica’, more than 2600 BIPPA agreements exist between states globally and the number is increasing. The below figure describes a brief knowledge about BIPPA agreement.

Figure 6: BIPPA definition and Pros

Source: TELEGRAPH NEPAL, BIPPA

Nepal has been practicing such agreement with six countries until the date. Recently on Oct 21, 2011, Nepal signed a BIPPA agreement with INDIA (Republica). Nepal has already signed a BIPPA with FINLAND in February 3, 2009, which came into force on 28 Jan 2011. The following table defines Nepal's BIPPA agreement as listed in UNCTAD records.

Table 6: BIPPA treaties by Nepal

Reporter	Partner	Date of Signature	Entry into force
NEPAL	***FINLAND***	***03-FEB-09***	***28-JAN-11***
	FRANCE	02-MAY-83	13-JUN-85
	GERMANY	20-OCT-86	7-JUL-88
	MAURITIUS	03-AUG-99	……
	ENGLAND	02-MAR-93	2-MAR-93
	INDIA	OCT-21-2011	……

Source: UNCTAD, Investment Policy Review Nepal

The table explains Nepal has already signed BIPPA with Finland, and it came to force already; Thus, Finnish investors can recklessly invest in Nepal without any risk of insecurities arising through non-commercial disputes. The investors entertain equal right as local entrepreneurs. Furthermore, Government assures full compensations including interests in case of losses resulting from disputes as mentioned in the agreement.

8 FACTORS AFFECTING NEPAL'S FDI

Geographically Nepal possesses enormous natural beauties. Despite of acquiring numerous medicinal herbs, mines, water resources, agricultural land, etc, it has been failing to attract foreign investors. As explained earlier in theories of FDI (see section3); Country and political risk, seem to be the crucial factors discouraging FDI inflows in Nepal. On the other hand, the incentives (investment policy reforms, see section 5) have highly attracted FDI (see FIG4). The following factors are responsible for deluding FDI in Nepal.

- **Political disputes:** Nepal has been suffering states insurgency for a decade. Maoists were responsible for the unpleasant environment, which according to them were fighting against the king's monopoly rule. Several strikes, civil war, riot, etc reluctantly occurred during this period. Thus, political disputes and loud environment may have been the vital reason to delude foreign investors. The country's political dispute during (2000-2007) severely affected the inward flow of investment. The FDI flow was nil during this period (see Figure 3).

- **Geographical distribution:** Nepal is a landlocked country. The country possesses mountains, hill, river, lakes. Investment in hills or mountain region required more manpower and efficient technology. The geographical distribution of countries might have hindered investors attraction excluding tourism sec-tor. Road transportation and airways are the only means to flow goods.

- **Lack of skilled Manpower:** This is another vital reason, why Nepal is lacking FDI. A country with a population of almost 30 million has a majority of un-skilled worker. Vocational colleges and institute providing or training people are exceptionally rare in the country. A lump of workers is uneducated, unskilled and possesses no knowledge about technical work.

- **Infrastructure:** This is another sector where Nepal fails. Many villages of Nepal are still untouchable to infrastructure facilities such as road, electricity, health. A lump of villages has substantial resources, but due to lack of road facilities, many investors turn around. For example, due to lack of road transportation in a remote village Jumla, Hundreds of quintals of Apple exploit every year.

9 CONCLUSION AND RECOMMENDATION:

Since, the aim of the thesis was to outline Nepal's investment sectors and lure foreign investors targeting Finnish entrepreneurs, the author mainly focuses on the article concerning Nepal's FDI environment. The author's selection of TELIASONERA (NCELL) company as a case study was to aware Finnish entrepreneur that Finnish entrepreneurs already are entertaining a profitable business in the mountain land. A BIPPA agreement between Nepal and Finland is already in force, which safeguards Finnish investors from non-commercial losses.

Nepal's political environment is cooling down. It has been able to create a peaceful environment for investors in the last few years. FDI has always been a key priority for Nepal government. The FDI policy revised in 1992(as mentioned above) and several efforts by Government to attract FDI have proved the relevance of FDI to Nepal. FDI has created several employment opportunities to Nepalese economy.

A lump of investment opportunities is available for the investors. Some of them highlighted by Nepal Government Investment Promotional department are medicinal and aromatic plants, mushroom cultivation, vegetable and flower seed production, tea and coffee development. Also, it emphasizes investment on processing of spices, readymade garment, hydropower production, textile industry, electronic industries, mineral exploration and exploitation, tourism and hotels, domestic air services, etc.

Mostly tea and coffee production has been in considerable importance today. Nepal's coffee entails high demand in the international market. According to NTCDB, the annual demand of Nepa-lese coffee is 4000 tones while production stands mere at 400 tones. This sector could be most profitable sectors as currently Nepal can supply only 10% of demand.

As discussed earlier in section three, FDI is a relevant factor in the economic growth of a nation, several FDI projects running already in Nepal have contributed a lot to Nepalese economy. NCELL (case company) is now a leading telecommunication company with millions of customer. NCELL has created employment opportunities for hundreds of employees.

As explained in earlier chapters, Nepal's failure to attract FDI, was mainly because of political disputes. The country's insurgency period has hindered several investors from entering Nepalese market. Other factors deluding FDI were lack of infrastructure facilities, unskilled work force, landlocked economy and political instability.

Finally, Nepal's business environment is getting better. Government has made several efforts promoting FDI. To attract investor Government has declared year 2012 as 'Nepal investment Year'.

9.1 Suggestions:

Nepal's economy is stepping forward. With the settlement of political disputes, several investors are keeping an eye to Buddha's land. The government should implement more strategies and plan to attract foreign investors. The below listed factors are crucial for promoting FDI.

- Created a peaceful environment and maintain political stability.
- More emphasize on marketing of different investment sectors.
- Vocational and training institute should be developed rapidly to produce technically skilled labor.
- Development of infrastructure facilities.
- Issue an international tender on construction of roads and hydropower projects.
- More BIPPA agreement should be signed.

9.2 Recommendation for further research:

This study explains the FDI environment in Nepal and favorable investment sectors. It summarizes the FDI trends in Nepal and Nepal's bilateral relation. A furthermore detailed research can be undertaken on the specified investment sectors for future business. For example, a research on Hydro project or Tea production and its market overseas can be organized.

This study stands as a base to further research on means to attract FDI in Nepal or similar topic concerning Nepal's investment.

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APPENDICES:

Appendix 1:

Summary Sheet of Foreign Investment in Nepal - Sector-wise

From the beginning to 15th Jan, 2005 (Rupees in Millions)

Type of industries	No	Total Project Cost	Total Fixed Cost	Foreign Investment	Employment
Agriculture & Forestry	13	1670.05	1511.27	454.19	813
Manufacturing	440	35554.35	25997.37	10000.72	60619
Food, Beverage & Tobacco	73	9171.99	7962.49	2198.92	9084
Textile, Readymade Garment	148	8465.27	5341.88	2940.43	32873
Wood & Wood Products	8	116.36	89.85	41.52	1440
Paper & Paper Products	21	1796.98	1527.43	318.90	892
Chemical, Petroleum Products	79	6368.40	4722.27	1969.27	6563
Non-Metallic, Mineral Prod-	17	3567.26	2157.47	869.16	2928
ucts	24	2169.98	1434.62	670.50	1907
Basic Metal Products	51	3042.41	2146.75	795.64	3568
Machinery & Metal Fabrica-	19	855.70	614.62	196.38	1364
tion	19	19686.77	17969.09	3299.56	4950
Other Manufacturing units	29	1578.99	1253.85	998.83	1716
Electricity, Water, Gas etc	227	15706.28	14907.60	4474.21	14585
Construction	25	4095.70	2818.55	1618.96	5039
Hotel & Resort	17	256.43	105.21	145.51	1509
Transport & Communication	165	10355.70	9451.7	4689.69	8793
Housing & Apartment					
Service Industry					
Total	935	88904.27	74014.69	25681.66	98024

Source: Deaprtment of Industries, Nepal

Appendix 2:

Summary sheet of Foreign investment in Nepal Year wise

Fiscal year	No	Total Project Cost	Total Fixed Cost	Foreign Investment	Employment
Up to 15 July 1989	60	5440.00	4595.51	466.84	10604
1989-90	30	2438.19	2139.60	398.51	9515
1989-91	23	863.56	690.74	406.28	2974
1991-92	38	3508.17	2902.10	597.84	5615
1992-93	64	17886.22	16210.81	3083.67	13873
1993-94	38	3733.23	3175.66	1378.76	4734
1994-95	19	1627.28	1247.85	477.59	2386
1995-96	47	10047.47	9398.54	2219.86	8032
1996-97	77	8559.25	6692.15	2395.54	9347
1997-98	77	5569.38	5142.32	2000.28	4336
1998-99	50	5324.42	4380.17	1666.42	2146
1999-2000	71	2669.09	1910.24	1417.61	4703
2000-01	96	7917.62	6122.49	3102.56	6880

2001-02	77	3318.53	1559.59	1209.65	3731
2002-03	74	4921.82	3608.25	1793.77	3572
2003-04	77	4309.65	3762.17	2755.40	2144
2004-05 Till 15 Jan	17	770.39	476.52	311.08	3432
Total	935	88904.27	74014.69	25681.66	98024

Source: Department of Industries

Appendix 3:

A phone interview with NCELL CEO Mr. Pasi Koistinen