



# National Governance Symposium 2025

***'DOING DEVELOPMENT DIFFERENTLY'***

## Money : Rethinking Financial Mobilization for a Self-Reliant Nepal

STUDIO BRIEF





**L-R** (Dr. Pukar Malla, Ms. Sabrina Singh, Mr. Mahesh Bhattarai, Mr. Hari Bhakta Sharma, Dr. Ghanashyam Upadhyaya, Mr. Baikuntha Aryal, Ms. Preeti Adhikary, Mr. Sushant Vaidik )

## Executive Summary

Nepal's challenge in achieving self-reliant and inclusive economic growth is not the absence of capital, but the absence of trusted, structured, and investment-ready mechanisms that can effectively mobilize and deploy available financial resources. Despite sustained remittance inflows, growing entrepreneurial energy, and increasing interest from domestic and diaspora investors, capital remains fragmented, risk-averse, and weakly aligned with national development priorities.

Deliberations from the Money Policy Studio at the National Governance Symposium (NGS) 2025 highlight three systemic constraints. First, diaspora engagement remains largely unstructured and episodic, limiting the translation of remittances and goodwill into productive investment. Second, early-stage enterprises face high regulatory, procedural, and tax burdens, discouraging innovation, formalization, and risk-taking. Third, the state continues to operate primarily as a compliance enforcer, rather than as an enabler of investment, resulting in low capital absorption and missed growth opportunities.

This policy brief argues for repositioning the Government of Nepal from a gatekeeper of capital to an investment enabler, one that builds trust, reduces friction, and strategically crowds in private and diaspora finance. It proposes a coherent reform package centered on structured diaspora co-investment, streamlined entry and compliance for entrepreneurs, facilitative regulation, and blended financing aligned with national priorities.

## Rationale for Public Action

Nepal faces a persistent mismatch between available financial resources and productive investment opportunities. This gap is driven less by financial scarcity and more by governance, institutional, and behavioral constraints.

### 1. Weak Trust and Accountability in the Investment Ecosystem

Frequent policy changes, opaque procedures, and inconsistent implementation undermine investor confidence (Chaudhary, Adhikari, & Shakya, 2024). This trust deficit affects domestic investors, diaspora communities, and institutional partners alike, discouraging long-term and risk-tolerant investment.

## 2. High Regulatory and Procedural Friction

Entrepreneurs and investors must navigate overlapping approvals, multi-agency licensing, and lengthy compliance processes. These increase transaction costs, delay investment deployment, and disproportionately burden startups and innovative firms (Karki et al., 2025).

## 3. Underutilized Diaspora Capital

While remittances remain a cornerstone of Nepal's economy, their conversion into productive investment is constrained by the absence of neutral, government-endorsed platforms that enable co-investment, mentorship, and transparent risk-sharing (Karki et al., 2025).

## 4. Early-Stage Tax and Compliance Barriers

Uniform tax thresholds and compliance requirements penalize enterprises before revenue stabilization, discouraging formalization and innovation at precisely the stage where risk-taking is most critical (Mutual fund investment in Nepal, 2025).

## 5. Low Capital Absorption Capacity

Delays in land acquisition, environmental clearance, and procurement processes weaken project readiness and undermine investor confidence, particularly for medium- and long-term investments (Balami et al., 2024).

Together, these constraints justify a shift in public policy from fragmented oversight toward **coherent financial mobilization anchored in trust, facilitation, and strategic alignment**.

# Policy Recommendations

### 1. Enable Structured, Neutral Diaspora Engagement & Co-Investment

This platform would serve as a centralized, neutral space for coordinating diaspora engagement in both commercial and social investment initiatives.

**This step would** mobilize trust-based capital, crowds in investment, strengthens global-Nepali collaboration, but requires governance safeguards, data transparency, and institutional anchoring.

### 2. Streamline Regulatory and Entry Barriers for Entrepreneurs

Reform early-stage taxation, licensing, environmental approvals, and multi-agency registration to create simplified, digital, time-bound processes that lower compliance costs, including fees, administrative burden, and associated procedural expenses.

This would encourage domestic entrepreneurship, reduce outward migration push factors, accelerate enterprise formation but require revenue restructuring and coordinated reform sequencing.

### 3. Strengthen the State's Role as an Investment Enabler

Shift policy from restrictive oversight toward facilitation, risk-sharing pilots, and innovation-friendly procurement, particularly in priority sectors (IT, manufacturing, energy, agribusiness).

This step would increase capital absorption, support market development, and enhance institutional credibility but needs strong capacity, accountability, and monitoring mechanisms.

## Policy and Legal Alignment: Priority Reform Areas

### 1. Enable Structured, Neutral Diaspora Engagement and Co-Investment

- *Non-Resident Nepali Act, 2064 (2008)* grants diaspora rights to invest and repatriate income, but practical uptake remains limited.
- *Foreign Investment and Technology Transfer Act (FITTA), 2019* governs diaspora investment, with recent threshold reductions.
- *Nepal Development Fund (NRNA-Government initiative)* provides a foundation for co-investment but lacks scale and accessibility.

#### Reform Direction:

- Establish a **government-endorsed, non-partisan national diaspora investment platform** enabling regulated crowdfunding, pooled co-investment, mentorship, and tax-efficient giving.
- Clarify and operationalize **profit repatriation, exit, and dispute-resolution mechanisms** to reduce uncertainty.
- Align diaspora investment opportunities with **national priority sectors** such as energy, IT, agribusiness, manufacturing, and green industries.

### 2. Streamline Regulatory and Entry Barriers for Entrepreneurs

- *Company Act, 2063 (2006)* governs enterprise registration but requires multi-agency approvals.
- *One-Stop Service Centre (OSS) Guidelines* aim to simplify licensing, yet remain partially integrated.
- *Investment Board Act, 2053 (1997)* focuses largely on large-scale projects.

#### Reform Direction:

- Implement a **fully integrated single-window digital system** covering registration, licensing, environmental clearance, and basic compliance.
- Introduce **startup-friendly tax thresholds and phased compliance** during early years of operation.
- Harmonize multi-agency approval processes with **clear timelines and institutional accountability**.

### 3. Reposition the State as an Investment Enabler

- Public Procurement Act, 2063 and Rules emphasize procedural compliance over outcomes.
- National Industrial Policy, 2076 (2019) promotes private sector development but faces implementation gaps.
- Foreign Investment Policy Guidelines lack sector-specific facilitation tools.

#### Reform Direction:

- Reform procurement frameworks to allow **outcome-based and innovation-oriented contracting**.
- Use transparent, performance-based incentives to **crowd in private and institutional capital**.

### 4. Strategically Mobilize Capital through Blended Financing

- CSR Guidelines for Private Companies, 2077 mandate CSR contributions with potential for structured co-investment.
- Foreign Exchange Regulation Act, 2019 governs cross-border capital flows.
- Existing public financing instruments operate largely in silos.

#### Reform Direction:

- Have a compulsory provision to map **priority sectors and projects** suitable for blended financing.
- Create **regulated co-investment vehicles** combining public, private, CSR, diaspora, and development partner funds with clear governance standards.

Establish monitoring systems focused on **development outcomes and public value**, not only financial disbursement.

## Conclusion

Nepal's transition toward self-reliant development depends not on mobilizing more capital, but on **mobilizing capital more effectively**. By institutionalizing trust, reducing regulatory friction, and repositioning the state as an enabler of investment, Nepal can unlock entrepreneurship, harness diaspora potential, and crowd in private finance aligned with public priorities.

The Money Policy Studio highlighted that financial mobilization is fundamentally a **governance challenge**, one that requires coherence across policies, credibility in institutions, and collaboration between the state, markets, and the diaspora.

## References

Balami, S., Dhakal, H. C., Chalise, D. R., & Pradhan, B. L. (2024). Impact of foreign direct investment on the economic growth of Nepal. *Morgan Journal of Interdisciplinary Research Studies*, 1(1), 1-7.

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Karki, S. K., Ghimire, D. K., & Takagi, I. (2025). Impact of remittances on financial asset accumulation and business investment in Nepal. *Discover Sustainability*, 6, 1056.

Subedi, R. K. (2024). Foreign Direct Investment's impact on Nepal's economic progress. *GS Spark: Journal of Applied Academic Discourse*, 2(1), 22-31.

Relevant legal instruments: Non-Resident Nepali Act, 2064; FITTA, 2019; Public Procurement Act, 2063; CSR Guidelines, 2077; Foreign Exchange Regulation Act, 2019.

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## About National Governance Symposium

The National Governance Symposium (NGS) 2025 was convened on 12th December 2025 at the Nepal Administrative Staff College (NASC), Lalitpur, as a multi-stakeholder policy dialogue platform bringing together senior government officials, private sector leaders, civil society actors, researchers, and practitioners. Organized jointly by Governance Lab and NASC in collaboration with the Office of Prime Minister and Council of Minister, Ministry of Finance and National Planning Commission, the Symposium focused on the overarching question: **“How can we Do Development Differently?”**

The Symposium was structured around four interconnected Policy Studios: People, Money, Data, and Technology - reflecting the core resources required to strengthen public institutions and improve development outcomes in Nepal. Each studio, with their respective Knowledge Partner, combined practitioner presentations with moderated policy dialogue, emphasizing practical insights and implementable reforms rather than theoretical debate.

## About Money Session

### ***Rethinking Financial Mobilization for a Self-Reliant Nepal***

**Chair:** Dr. Ghanshyam Upadhyaya, Secretary, Ministry of Finance

**Moderator:** Mr. Sushant Vaidik, Daayitwa Fellowship Alumni/Former Economic Advisor to the Chief Minister of Lumbini Province

**Presenter:** Ms. Sabrina Singh, Daayitwa Fellow 2014 and Organizer, Mission Aasha

**Speakers:**

- Mr. Baikuntha Aryal, Former Chief Secretary, Government of Nepal
- Mr. Mahesh Bhattarai, Joint Secretary, Ministry of Finance
- Ms. Preeti Adhikary, Founder, The Great Nepali Diaspora & General Partner, Momo Venture Capital
- Mr. Hari Bhakta Sharma, Executive Director, Deurali-Janta Pharmaceuticals

## Knowledge Partner

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