



IMPROVING BUSINESS ENVIRONMENT AT SUB-NATIONAL LEVEL

A Diagnostic Study of Birgunj

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ABBREVIATION AND ACRONYMS

APM	All-Party Mechanism
ADB	Asian Development Bank
BICCI	Birgunj Chamber and Commerce and Industries
BMC	Birgunj Metropolitan City
BFI	Banks and Financial Institutions
CO	Commerce Office
CSC	Common Service Centers
EBPS	Electronic Building Permit System
EPZ	Export Processing Zones
EXIM	Export Import
FNCSI	Federation of Nepalese Cottage and Small Industries
GST	Goods and Services Tax
ILO	International Labor Organization
KII	Key Informant Interview
LGU	Local Government Unit
MoFALD	Ministry of Federal Affairs and Local Development
MoPIT	Ministry of Physical Infrastructure and Transport
MoU	Memorandum of Understanding
NEA	Nepal Electricity Authority
NRB	Nepal Rastra Bank
NUDS	National Urban Development Strategy
NYEF	Nepal Young Entrepreneurs' Forum
OCSI	Office of Cottage and Small Industry
PAN	Permanent Account Number
PEA	Political Economic Analysis
PPP	Public Private Partnership
SEZ	Special Economic Zone
TDS	Tax Deducted at Source
VAT	Value Added Tax



EXECUTIVE SUMMARY

Birgunj Metropolitan City (BMC), the 'Gateway to Nepal' continues to boast bustling manufacturing and trading industries and is also the largest land port of Nepal. Being the only metropolitan city in Province 2, Birgunj holds significant economic clout in the region. The city has experienced its fair share of economic slowdown, especially due to the political unrest given the Madesh Andolans. In addition to a large portion of its businesses operating in the shadow economy, enterprises in Birgunj face several challenges.

Despite being a major economic hub and having high potential for growth it has not been able to grow at the desired pace because of the overarching macroeconomic indicators and regulatory barriers that pose a serious threat to the city's economic development. The focus has to be put on promoting enterprises that host the highest potential for growth by creating a conducive business environment also becomes extremely vital.

In a changed federal structure, local governments now, for the first time, have an immense influence over their jurisdiction in terms of legislative and executive powers. The local government now has the power to design its plans, programs, and policies to guide their city to new heights of prosperity. Thus, this is the perfect moment for the BMC to work actively in its role to further stimulate growth in the region.

Keeping in mind the new responsibilities that the local government has, this diagnostic study, through primary and secondary research and numerous key informant interviews (KIs) and consultation meetings with the stakeholders studies the macroeconomic indicators of Birgunj, existing regulatory barriers to doing business in the city and the challenges faced by fastest-growing industries that can be resolved by local representative bodies.

A major development challenge that Birgunj faces at present is the lack of skilled human resource. Though numerous skill training centers exist in the city, majority of them are focused on sending their students abroad for employment. Lack of proper roads has been major problem for the residents of Birgunj and it has also affected their health. High cost of land has made it nearly impossible for industrialists to set up factories. Shortage of electricity has halted production in the factory and has also increased the operation cost of these factories. Regulatory barriers to business entry and exit have been a big challenge to the entrepreneurs of Birgunj and this has left many people unemployed. These are some of the problems that the local government can look into.

The researchers have identified medical supplies, agriculture and animal husbandry, liquor and tobacco industry, aluminum, iron and steel manufactures, construction materials, and hardware and plastic industries as major developing sectors of Birgunj. In this paper, we have discussed the problems faced by these sectors and have proposed reforms that the local, state, and federal governments can adopt to resolve the problems and improve the business environment of Birgunj.

1. INTRODUCTION

Birgunj Metropolitan City (BMC), the 'Gateway to Nepal' continues to boast bustling manufacturing and trading industries and is also the largest land port of Nepal. Being the only metropolitan city in Province 2, Birgunj holds significant economic clout in the region. The city has experienced its fair share of economic slowdown, especially due to the political unrest given the Madesh Andolans. In addition to a large portion of its businesses operating in the shadow economy, enterprises in Birgunj face several challenges. The adoption of a federal governance system in Nepal, following the promulgation of the Constitution 2015 gives BMC ample opportunity to work towards stimulating economic activity and growth in the region. The local government now for the first time has significant legislative and executive powers to exert influence over its jurisdiction. Thus, it is the opportune moment to unleash the city's true potential. As the city moves forward under the leadership of its newly elected mayor and his team, promoting a conducive business-friendly environment should be the key priority.

2. METHODOLOGY

Phase 1: Secondary Research and Stakeholder Mapping

The study commenced with the objective of identifying some of the fastest growing sectors in Birgunj Metropolitan City. The research team started out by conducting desk research and analyzing available secondary data. The research sources included the Department of Industry's Industrial Statistics; Central Bureau of Statistics' National Census of Manufacturing Establishment; Ministry of Commerce, Trade and Export Promotion Centre's Export Promotion Manual as well as Birgunj Metropolitan City's official website. This process allowed the team to identify those businesses that showed the highest growth potential under each sector and map out the key private stakeholders involved. The stakeholder mapping also extended to business associations, regulators, elected representatives, and Morang Chamber of Commerce.

Phase 2: Key Informant Interviews (KIIs) and Stakeholder Engagement

The next phase of the study involved primary research. Members of the research team visited BMC and carried out interviews and an interaction program called "Improving Business Environment in Birgunj Metropolitan City" with entrepreneurs in the previously identified fields. A conscious effort was made to make sure that apart from being successful business owners, most of the entrepreneurs selected were also influential and active members of their respective associations.

This way, the consulted individuals would be able to give us more informed views on the current situation, challenges, and prospects of their businesses and the sector in general. Furthermore, interviews and consultation meetings with the newly elected Mayor of Birgunj, government officials and regulators were also carried out.

This helped the team deliberate over what role the local government could play to resolve those policy issues - from laying down new policy infrastructures where necessary and breaking barriers where policy hurdles exist to creating a more conducive business environment at the local level.

Phase 3: Sector Specific Data Procurement and Analysis

After returning with new clarity on the selected industries and data from the field visits, the researchers worked once again to examine the collected information. The data was filtered and the researchers, after studying sector-wise periodic growth trends from the Office of Cottage and Small Industries (OCSI) identified hotel business, food product industry, chemicals, garment, and spices to be the fastest-growing industries in the last five years.

At this point, researchers were equipped with anecdotes and qualitative evidence, but they needed more data-driven evidence to confirm the viability of the selected options. They also required more information on the overall economic health of the metropolitan city to better understand the local challenges as well as feasible policy interventions. Since most of the data required was not available at the local municipal offices, a checklist was designed asking for the same information from the business associations. This alternative method helped the researchers

get the data needed. Researchers also conducted further secondary research to collect general economic data on BMC. Moreover, they researched case studies on best practices in other cities and countries to learn from their experiences.

Phase 4: Organizational Mapping and Report Preparation

In this final phase, researchers worked on gathering the last leg of information required in terms of institutional capacity analysis and organizational mapping as well as occasional supporting data still needed during the writing process. Infographics and box cases were also designed. This phase culminated with the preparation of this diagnostic study of BMC.

3. LIMITATIONS

Despite their best efforts, researchers faced some limitations in regards to getting the most relevant data:

- Firstly, the municipal offices lacked majority of the sectorial data that was required for analysis. Therefore, researchers relied upon sector-specific associations to obtain the data used for industry study.
- Secondly, the staff at municipal offices were extremely busy due to the recent structural changes in the government throughout the study. Therefore, researchers were not able to schedule a lot of engagements with the municipal team. Additionally, they were unable to meet some government stakeholders as they were not in their offices even during multiple visits.
- Lastly, the report could have benefitted from a more thorough study of BMC's macroeconomic indicators. Due to limitations of readily available data at the municipal level, researchers have in some instances used wider district-specific or country-specific indicators in the analysis. Additionally, researchers were unable to include a robust institutional capacity analysis of Birgunj due to the same reasons specified above.

4. SNAPSHOT OF BIRGUNJ

Birgunj Metropolitan City is situated in Province 2 and lies in the Terai plains in the South-Central part of the country. It shares a border with Raxaul city in the Indian state of Bihar and lies 89 km south of Kathmandu. Birgunj was declared a Metropolitan City on 22nd May 2017. It is the second-largest city in the Terai region of Nepal (after Biratnagar) and is the sixth most populated metropolis in the nation. Being an entry point of goods from Patna and Kolkata, Birgunj is known as the gateway to Nepal. In 1956 A.D, with the establishment of various industries, the city was developed as an industrial hub. The construction of Tribhuvan Highway further aided in the city's expansion since the road connectivity helped businesses.

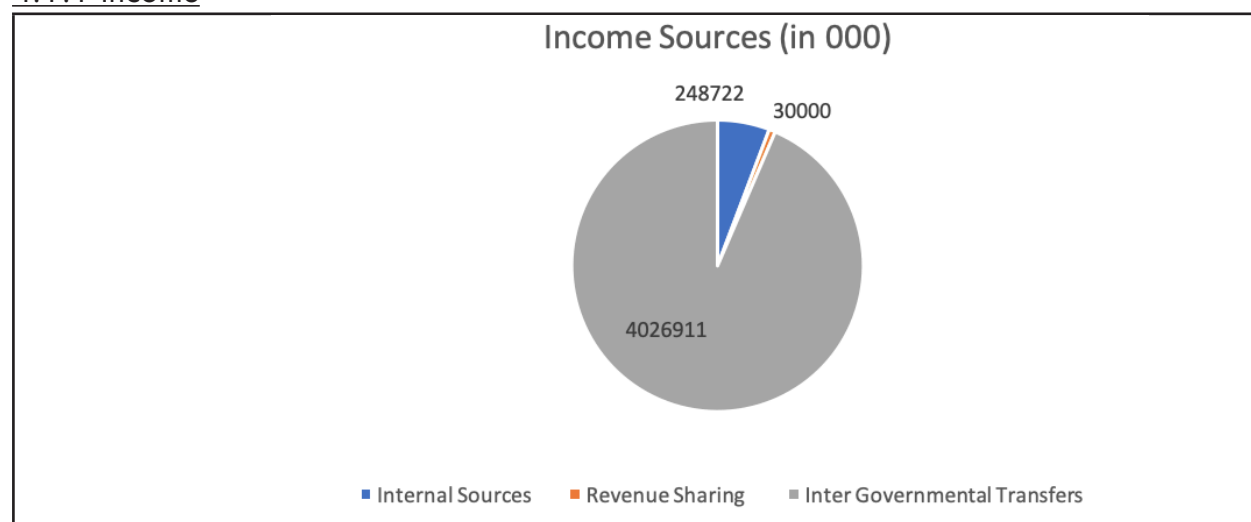
BMC has adopted the following major city development policies according to the Annual Governance Status Report, 2014/15:

- To develop the city as a "Clean, Beautiful and Prosperous city" through the dissemination of necessary and modern facilities to meet objective through sustainable economic, social and physical development
- Reduce poverty by creating opportunities for people to participate in community-level programs
- Identify new sources of revenue and operate prevailing ones effectively, to establish as an independent city
- Create employment opportunities through establishment of well-equipped factories and industries
- Conduct a preliminary assessment to run Chakrapath Yatayat which connects different places of the city
- Conduct programs for infrastructure development, waste management, and other similar activities
- Inclusiveness of people regardless of their caste, gender, age and ability

4.1 Budget

To ensure the successful implementation of the aforementioned policies and programs (also to be discussed further in subsequent sections) the government has the following budget strategy for the fiscal year 2074/75.

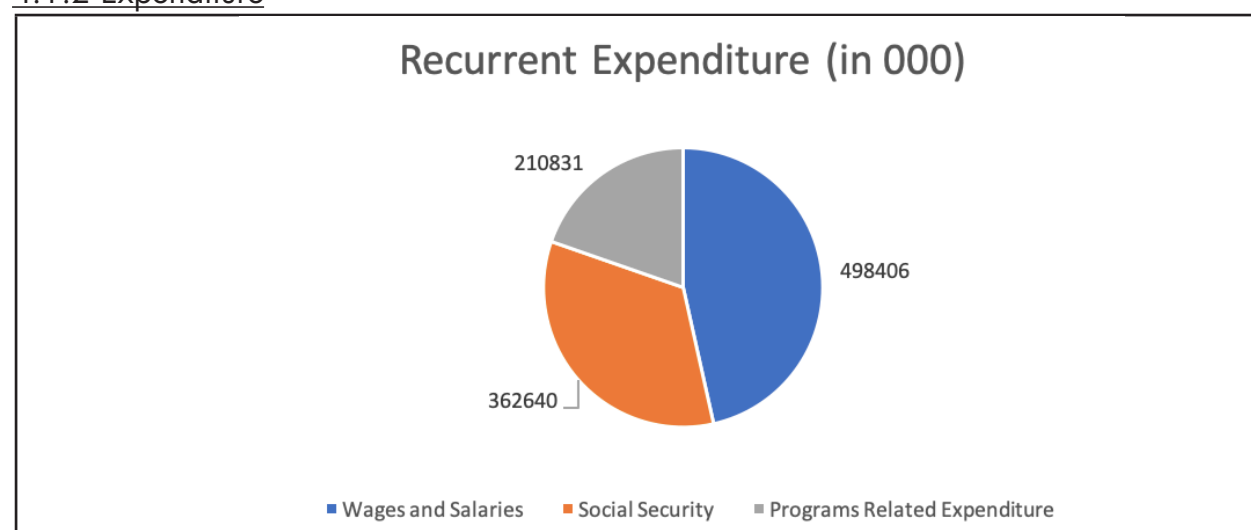
4.1.1 Income



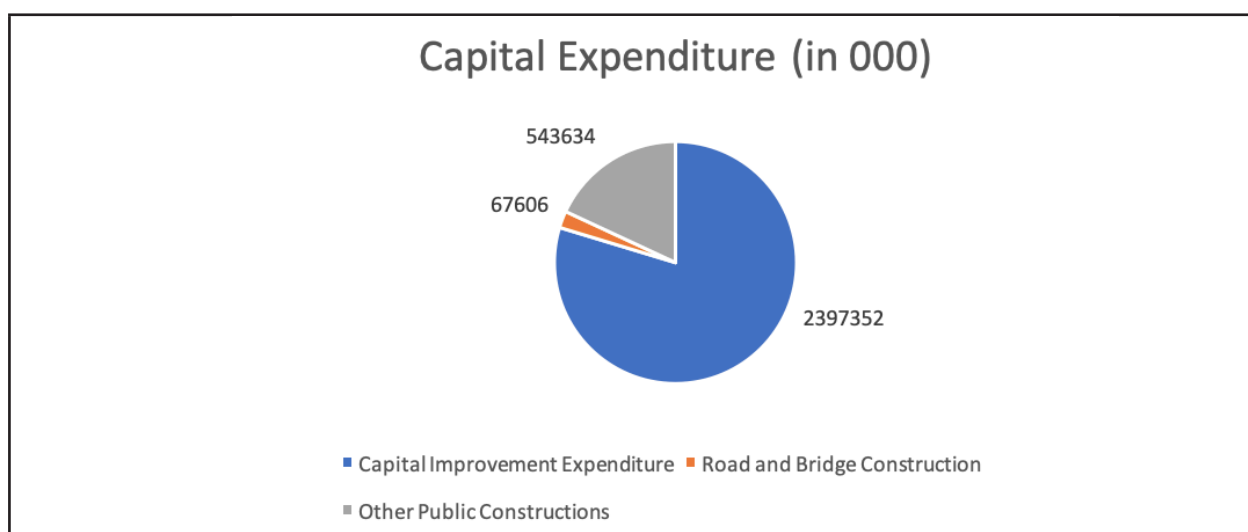
Source: Appropriation Act, Birgunj Metropolitan City, 2018/19

BMC has estimated NRs 4,305,633,000 income. NRs 24,722,000 from various internal tax and non-tax sources such as house rent tax, integrated wealth tax, and municipal building permit process. NRs 30,000,000 from revenue shared between different tiers of the government and NRs 4,026,911,000 is to be received from internal governmental fiscal transfers (fiscal equalization grant and conditional grant)

4.1.2 Expenditure



Source: Appropriation Act, Birgunj Metropolitan City, 2018/19



Source: Appropriation Act, Birgunj Metropolitan City, 2018/19

The total expenditure is estimated to be NRs 4,305,633,000. NRs 1,281,185,000 is estimated for recurrent expenditure and NRs 3,024,448,000 for capital expenditure.

4.2 Human Resource Capital

The city houses a population of 135,904. The region is extremely diverse and is home to a number of castes, languages, religions, and cultures; Muslim, Kurmi, Tharu, Chamar, Yadav, Teli, Pasi, khushuwa, Dusadh, Chettri, Koiri, Paswan and Harijan.

As of the year 2011, 77.2 per cent can read and write, 20.3 per cent are not literate and 2.5 per cent can only read in Parsa District. Out of which 68 per cent of females and 85 per cent of males can read and write, 29 per cent of females and 13 per cent of males are not literate and 3 per cent of females and 2 per cent of males can only read. 31.1 per cent of the total population of Birgunj has passed the primary level of education, which in numbers is 30,054. 12 per cent have passed the secondary level, 11.7 per cent have passed the School Leaving Certificate and intermediate level. 8.4 per cent did their graduation and only 2.2 per cent have passed the post-graduation and above. The focus in education has been drawn from the different governmental and non-governmental institutions by providing scholarships. (Nepal Census , 2011)

There are abundance of programs focusing on the skill trainings and development like the recent training 'Innovation Summit' focused on development, entrepreneurship, and technology and trainings on the concept of 'Smart Cities' - the idea of putting the public places, hospitals, roads, bus parks, school, colleges and major other important places of Birgunj Metropolis in the Google map as well as the process of facilitating online payments in the metropolis. Despite these efforts, impactful change has not been achieved as the trained and skilled human resources have not been properly utilized. (Glocal Khabar , 2017)

The BMC has laid out the following plans according to the Annual Governance Status Report, 2014/15 in terms of human capacity building:

4.2.1 Employment

- Develop and implement different strategies to enhance the skills of youths and empower them
- Provide training to children who are exploited and deprived of education
- Coordinate with concerned organizations to encourage youth to participate in journalism, especially women

4.2.2 Education

- To mandatorily run schools in English medium
- Provide scholarships to needy and diligent students and reward those who excel in higher secondary level from community schools
- Legally monitor and manage private schools
- Cooperate and coordinate in enhancing education and infrastructure of community schools
- Initiate the establishment of a university in the city
- Establish institutions for technical education to produce skilled human resources
- To reward the best teachers and students of community schools for encouragement
- Provide informal education for children

4.2.3 Health

- Ensure access to health facilities through different programs relating to health, regardless of any caste, sex, religion and economic status and establishment of health centers
- Conduct different programs for the provision of free medicines and primary health check-up facilities to elderly, poor and women
- Discourage the production of food products with harmful chemicals
- Assess vehicles to minimize harmful emission and lower the sound of honks to reduce noise pollution
- Allocate biodegradable and non-biodegradable containers and bins to manage waste

4.3 Land

The need for the industrial area to be separated from the residential area is one of the most highlighted issues in the city and has created conflict between the residents and industrial groups. Most of the fertile agricultural fields are rapidly converting into residential and commercial areas. Moreover, the scarce land resource has led to high land and rent prices.

The BMC has laid out the following plans according to the Annual Governance Status Report, 2014/15 in terms of land management:

- Create and implement Spatial Growth Plan, Land Use Plan, Economic Development Plan, Social Development Plan, Environmental Development Plan, Institutional Development Plan, and Revenue Improvement Action Plan
- Conduct integrated land development and settlement development programs
- Create and implement Urban Transport Network Plan
- Develop cities of Birgunj as "Satellite City" separately and contributing to their development
- Implement Electronic Building Permit System (EBPS)

4.4 Infrastructure

In 1956 A.D, with the establishment of various industries, Birgunj was developed as an industrial city. After the construction of Tribhuvan Highway, the city was further expanded as the road connection made it easier for the businesses. However, there are problems with road connectivity between the newer wards and villages to the main city area. Additionally, environmental deterioration resulting from inadequate sanitation and drainage and mounting traffic congestion mainly on the main road has led to poor air quality in the city. (Birgunj Municipality , 2013)

There are neither publicly centralized sewerage network systems for sewage collection nor sewage treatment plants for sewage disposal in Birgunj. The open drains have been used for wastewater collection and disposal. Interrupted power supply is another major hindrance for businesses.

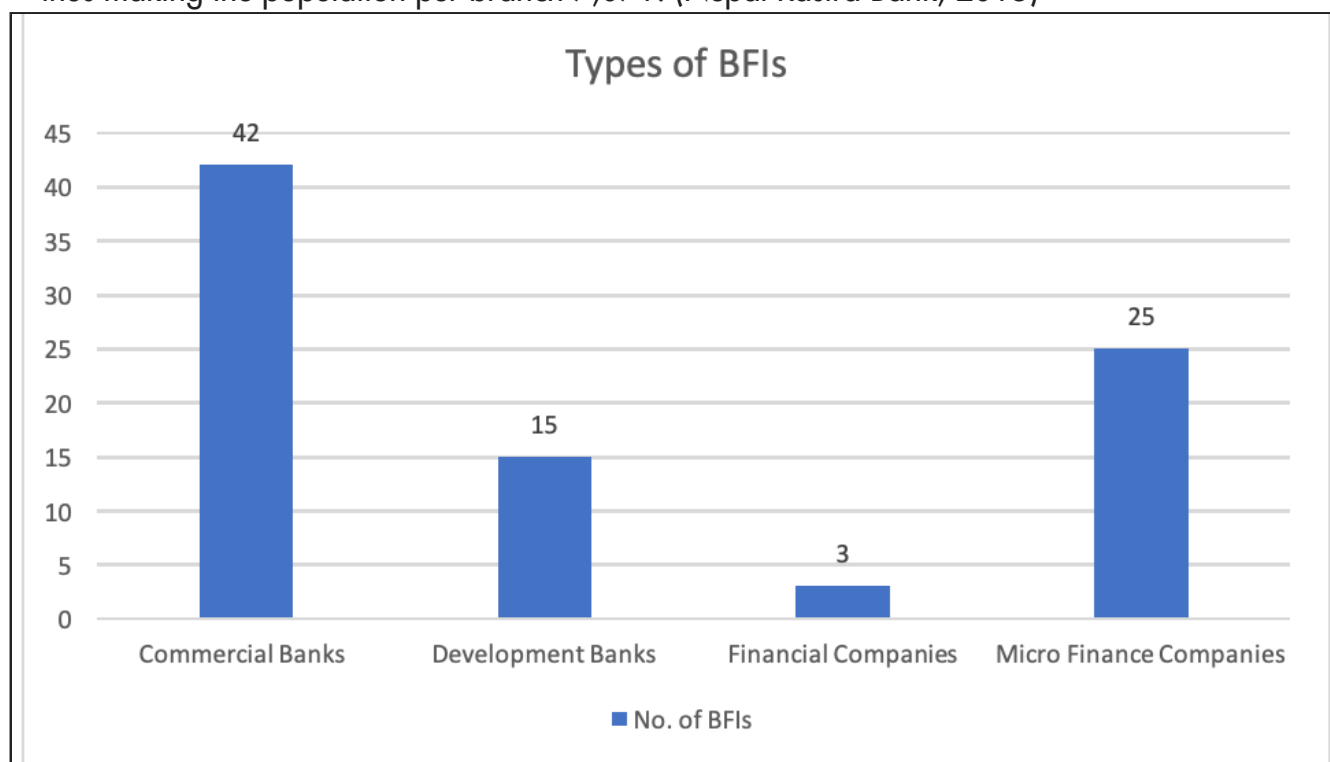
BMC has laid out the following plans according to the Annual Governance Status Report, 2014/15 in terms of infrastructure:

- Facilitate infrastructure like road, electricity, drainage system and drinking water in a sustainable manner
- Connect all places through transportation facility and establishment of parking facility of the vehicles
- Build earthquake-resilient buildings and check other essential requirements to be fulfilled for buildings
- Install surveillance cameras and traffic islands in main areas for the efficient running of vehicles and their security
- Conduct different programs to uplift the education and health sectors
- Build Sirsiya Corridor taking into consideration the development of economic, tourism and environment sectors
- Establish different hotels and parks and conduct entertaining programs along the side of Bedaha Lake
- Use Geographic Information System (GIS) to get information about all geographic data to develop different infrastructures
- Encourage investment in industries, school, ayurvedic medicals, and hospitals contributing towards the development of infrastructures
- Develop infrastructures for tourism development and preservations of historical places, temples, parks, and buildings
- Install solar lights in streets and tower lights in main places to add to the beauty of the city
- Construct hand pump in areas where Nepal Drinking Water Supply Birjung could not reach
- Work for zero waste management with the idea of 3R; Reduce, Reuse and Recycle
- Install the wastewater treatment plant
- Attract local, national and international tourists through conservation and promotion of historic temples, parks, and other touristic places
- Establish a tourism board, big hotels, restaurants, and parks, in collaboration with private and public sectors.
- Provide the National Building Code to buildings

- Build a storage facility for agricultural products in collaboration with public and private sectors
- Distribute soil health card for farmers to enhance agricultural produce
- Identify and manage the proper market for street vendors
- Manage land for proper marketing of agricultural products and fruits
- Install the sewerage pipeline and form a taskforce for landfill site based on Public Private Partnership (PPP) model

4.5 Access to Finance and Banks

As of July 2015, there were branches of 42 commercial banks, 15 development banks, three finance companies and 25 micro-finance institutions making up a total of 85 Banking and Financial Institutions (BFIs) in Parsa district. They collectively served a total population of 601,017, thus making the population per branch 7,071. (Nepal Rastra Bank, 2015)



Source: Banking and Financial Statistics, Nepal Rastra Bank, 2015

Haphazard increment in interest rates stands to sour the relationship between businesses and banks. Additionally, the process of taking a loan itself is extremely time-consuming and cumbersome. Therefore, people prefer taking loans from friends and families or even independent money lenders at higher rates, instead of approaching banks or financial institutions.

4.6 Efforts to Support Businesses and Industries

BMC conducts different schemes and programs to target different groups of people. The governmental and non-governmental organizations conduct various programs in coordination with the Local and District Development Office. Some of the policies and programs are as follows:

- Create and implement Revenue Improvement Action Plan
- Conduct programs relating to the Integrated Property Tax

- Use the e-banking system to collect tax
- Collect and manage public parking tax
- Collect entertainment tax from cinema halls
- Require permission from the municipality to conduct any programs by non-governmental organizations
- Reward large, medium and small-scale industries who pay taxes every fiscal year in order to increase tax compliance
- Encourage the establishment of the industries, malls, hospitals, and educational institutions
- Conduct different programs to encourage tax payers with the slogan: 'Local Tax for Local Development, City Service for the Tax Payer'
- Collect transportation-related taxes at the municipality

5. MADHESH ANDOLAN

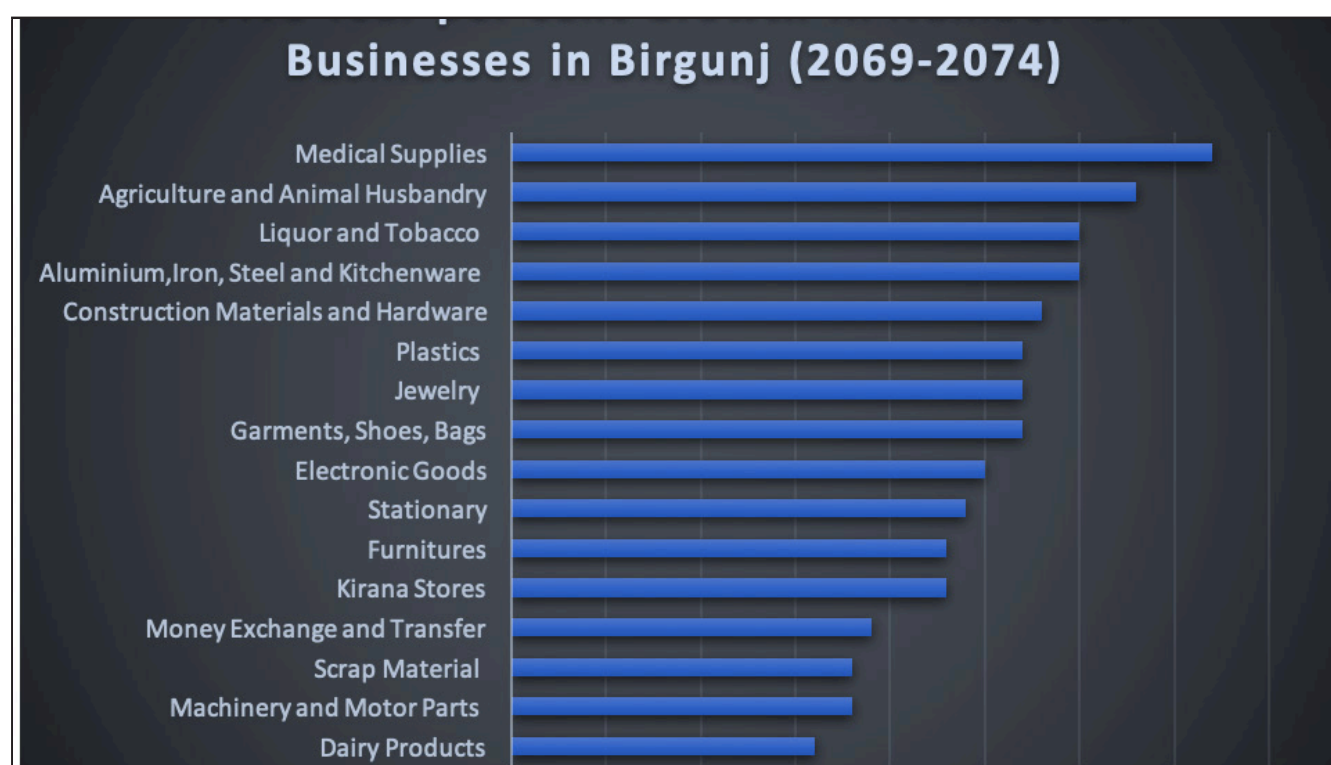
Nepal abolished monarchy through various major social and civil revolutions which led to the formation of an interim constitution of federal Nepal. Approximately 45 people lost their lives in the violent protests staged over Nepal's new constitution, 2015 during the months of August and September in the Terai Plains. Madhesi and Tharus, who represent 50 per cent of the population of Nepal, protested against the discrimination by the social elites of the hilly region and by the successive governments. Other objections included the unequal distribution of parliamentary constituencies and restrictions on the rights of women to pass citizenship to their children. Though the government insists that the constitution guarantees "inclusion", protesters believed that it failed to address their marginalization. (Jha, 2015)

Protesters vandalized a number of vehicles and buildings. For more than one-and-half months, life in the Terai region was paralyzed. The strikes, curfew orders, and prohibited zones declared by the government crippled all educational institutions, hospitals, government offices, industries, banks, shops, agricultural activities, and transport services. Ninety percent of the industries in the Terai region remained closed and it was estimated that the country was losing Rs.2 billion (USD 19 million) every day at that time. Also, the total trade came down by one-third compared to the same period in the previous year of 2014. The subsistence like grains was short in supply. Those who depend on daily wages for their livelihood suffered the most. In Birgunj, there was a considerable slowdown of growth in the industrial sector between 2062-2072 partly due to the Madesh Andolan. (Human Rights Watch , 2015)

6. HIGHEST GROWTH POTENTIAL INDUSTRIES IN BIRGUNJ METROPOLITAN CITY

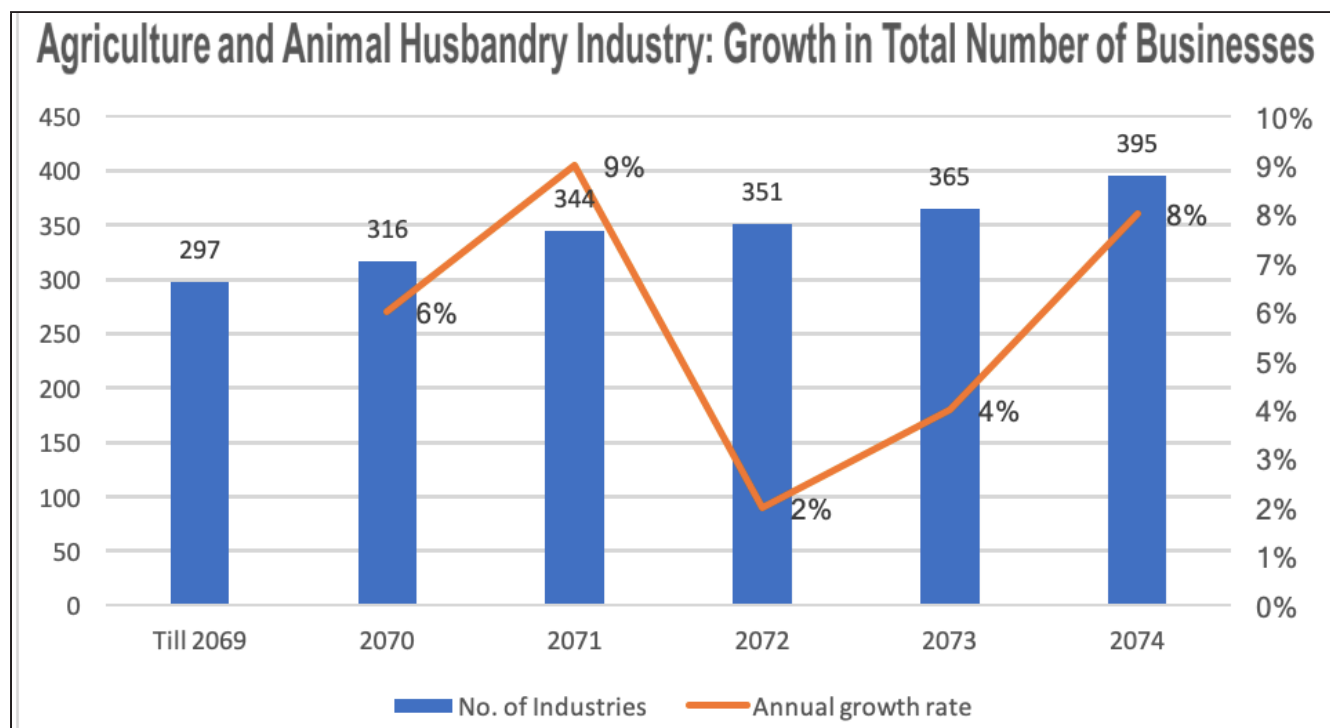
Our primary research in Birgunj showed that trading and manufacturing industries are the fastest growing sectors in the city. Through conversations with local business owners and influencers in the region as well as through first-hand observations, our researchers gathered that businesses related to pharmaceuticals, food products, mills, plastics, readymade garments, textiles, metals, paper, and stationery products are the growing sectors in Birgunj. Additionally, the liquor business was also seen as an attractive venture, since the alcohol ban in Bihar encourages people to visit Birgunj to indulge in drinking. Furthermore, warehousing is prominent in the region.

According to the Commerce Office, the medical supplies industry showed the largest amount of growth of 37 per cent in the past five years in Birgunj. Agriculture and animal husbandry (33 per cent), liquor and tobacco (30 per cent), aluminum, iron, steel, and kitchenware (30 per cent), construction materials and hardware (28 per cent), plastics (27 per cent), jewelry (27 per cent), garments, shoes, and bags (27 per cent), electronics (25 per cent), stationery (24 per cent), furnitures (23 per cent) and kirana Stores (23 per cent) were also areas that showed considerable growth over the same period.

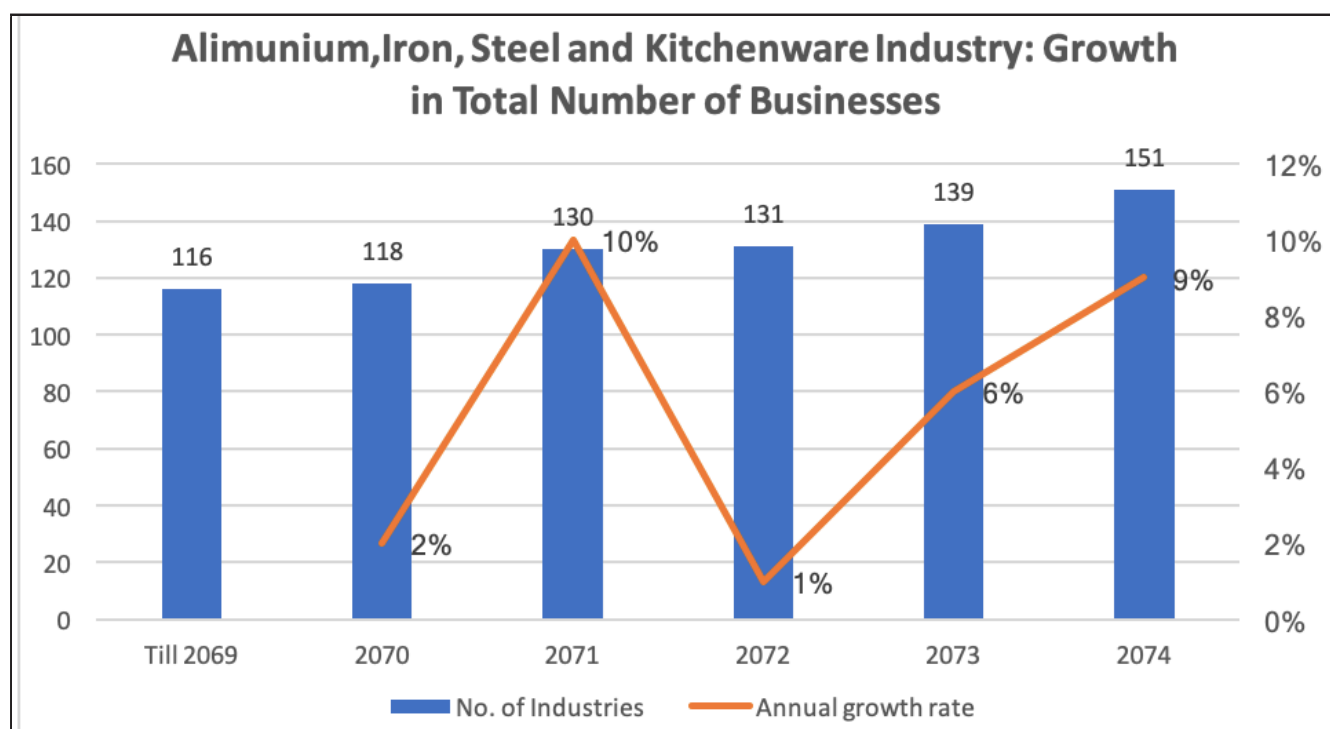


Source: Commerce Office, Parsa

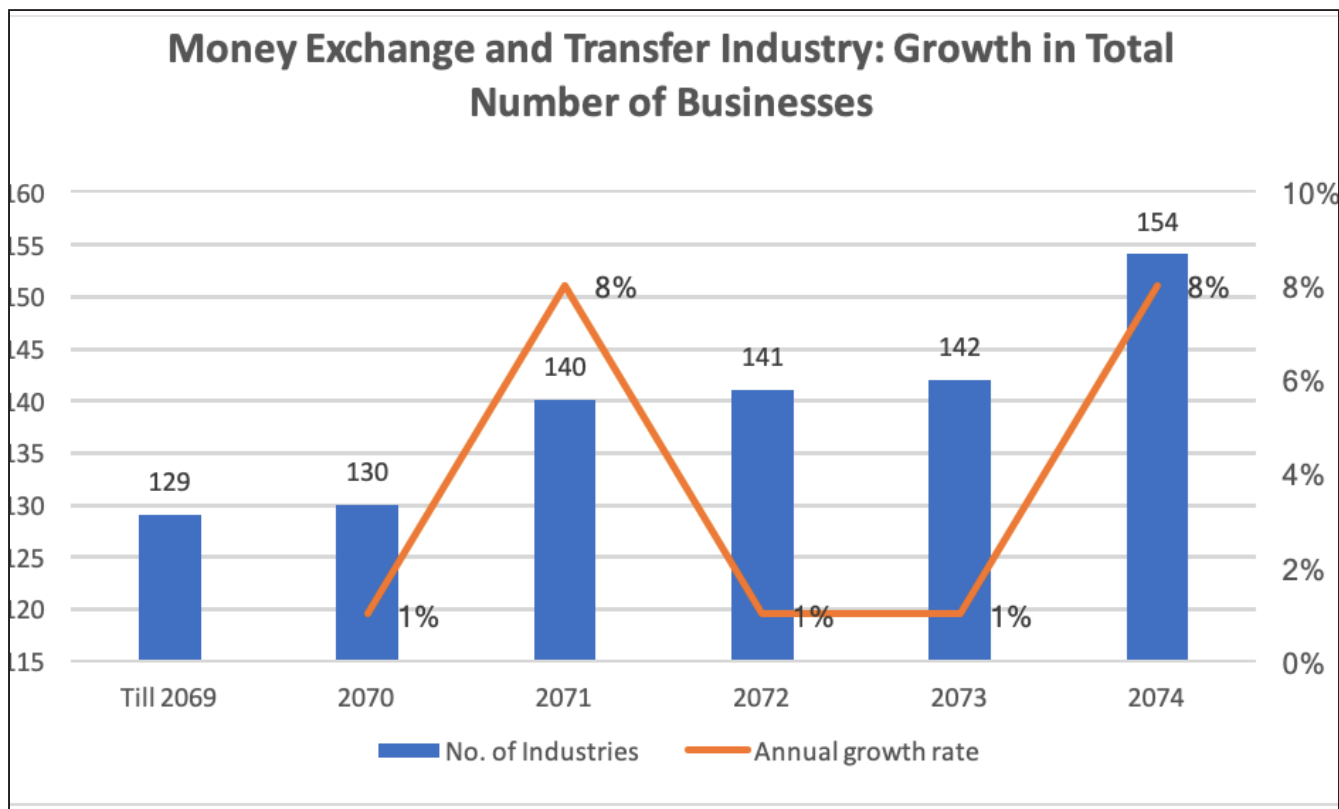
Below are data on some pertinent industries; the number of businesses registered and annual growth patterns over a five year period between 2069 and 2074.



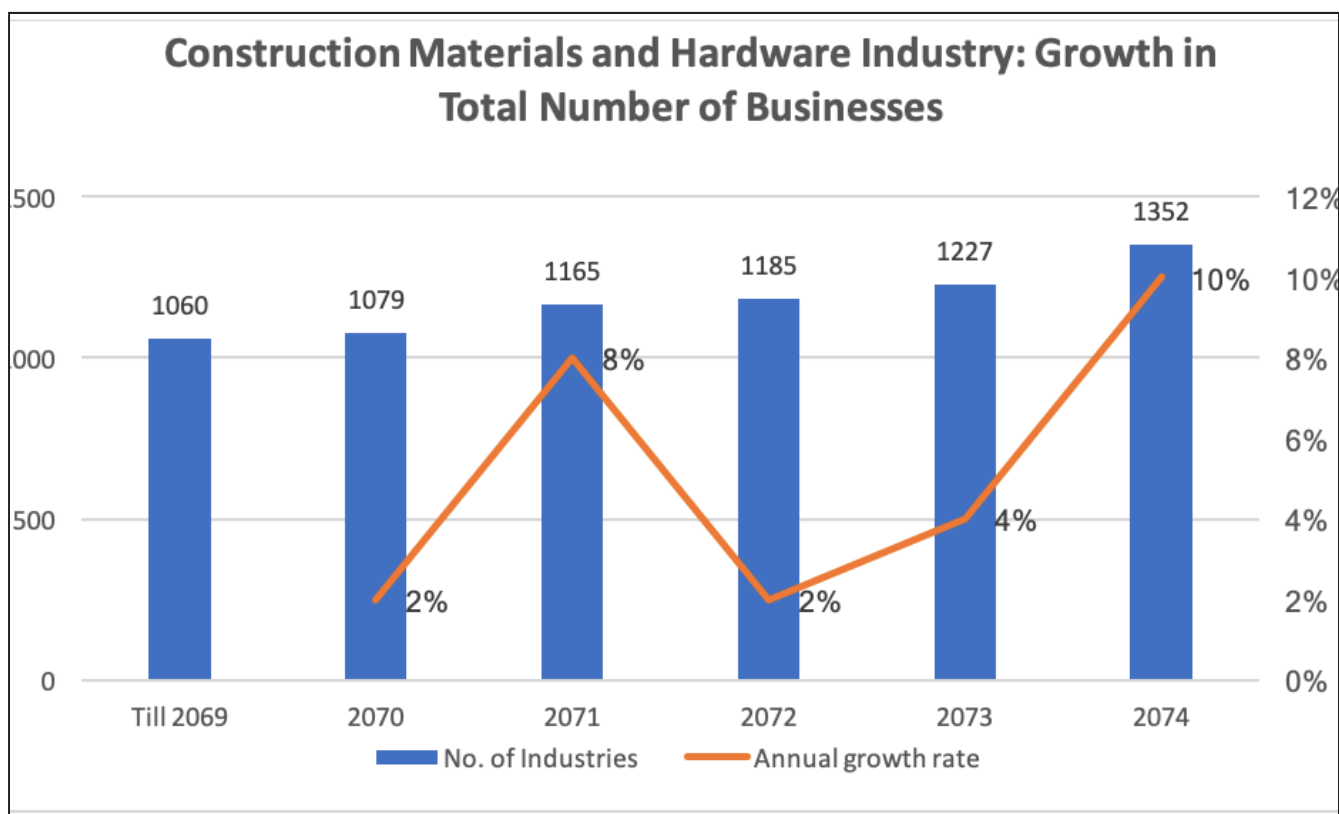
Source: OCSI, Parsa



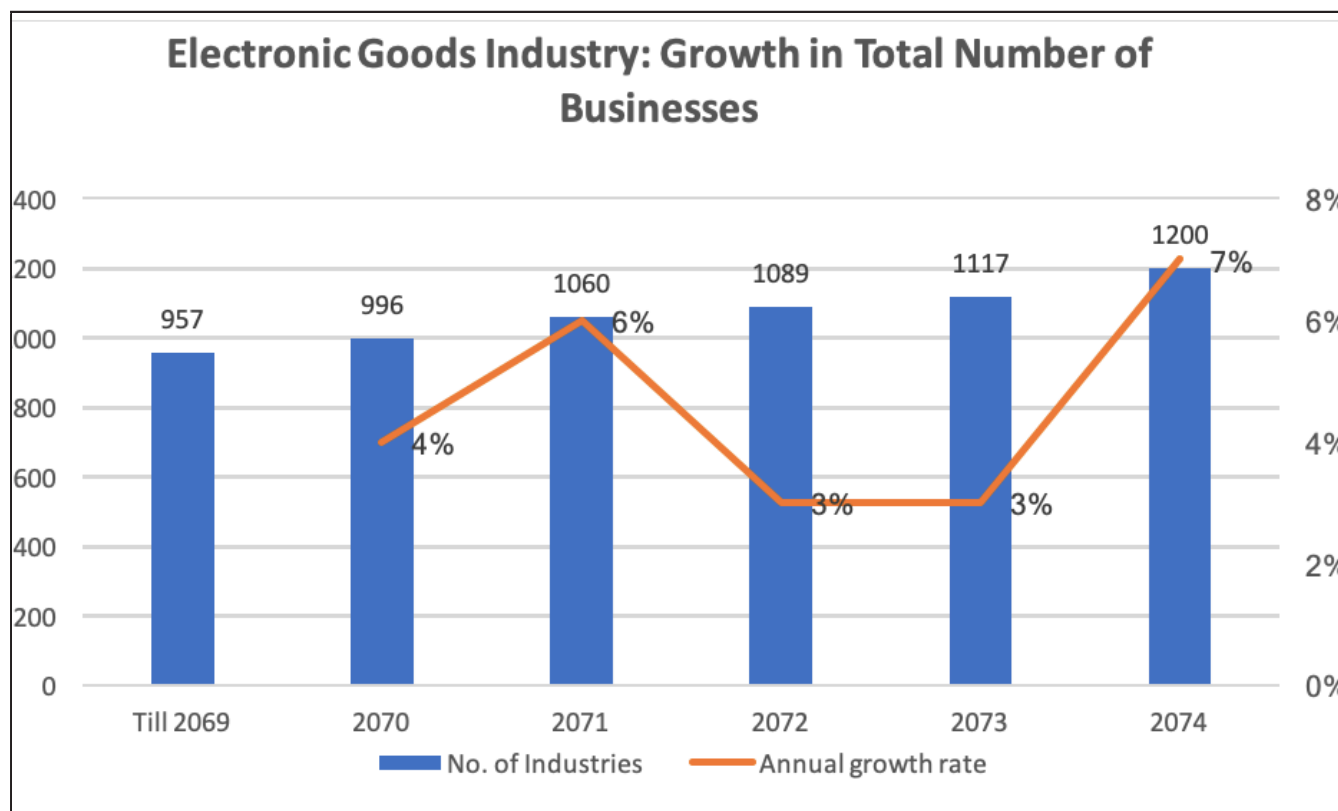
Source: OCSI, Parsa



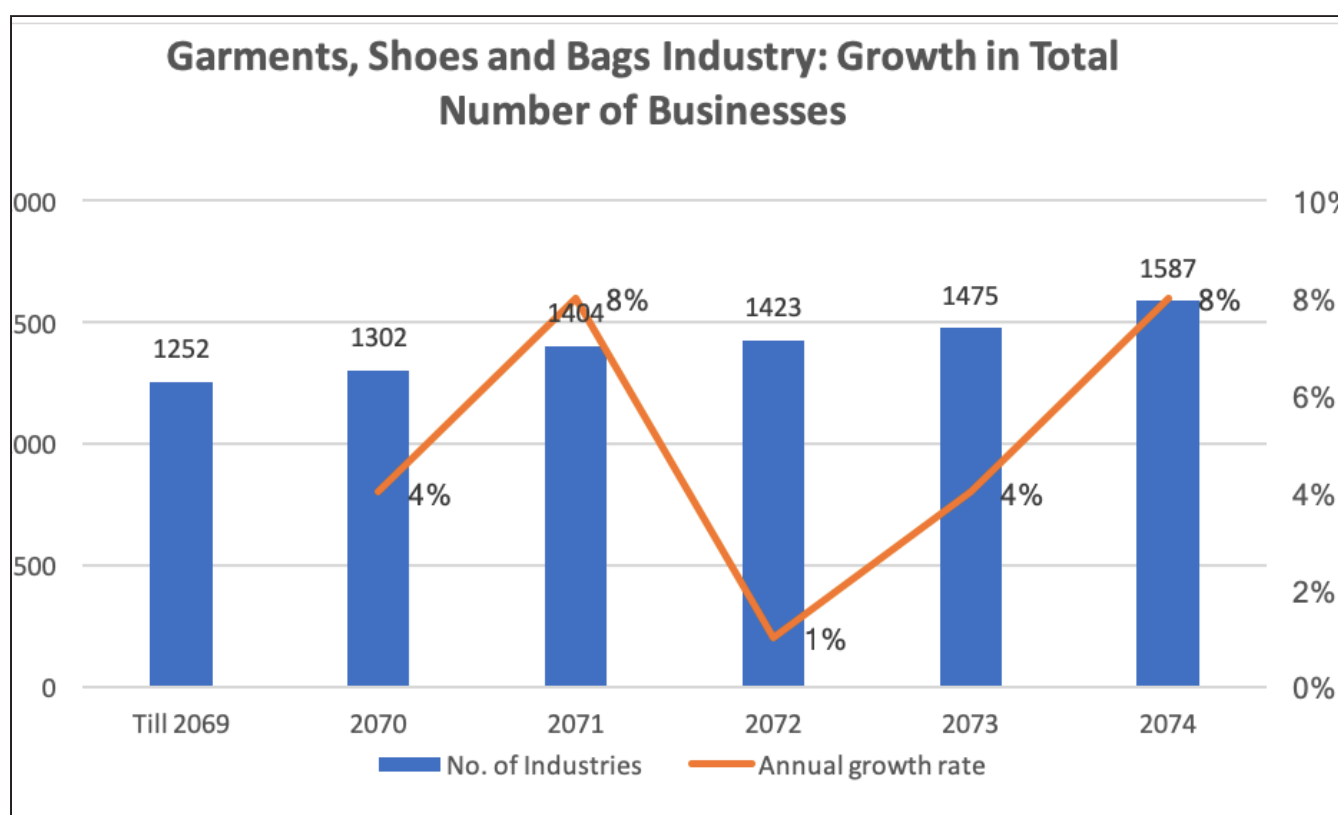
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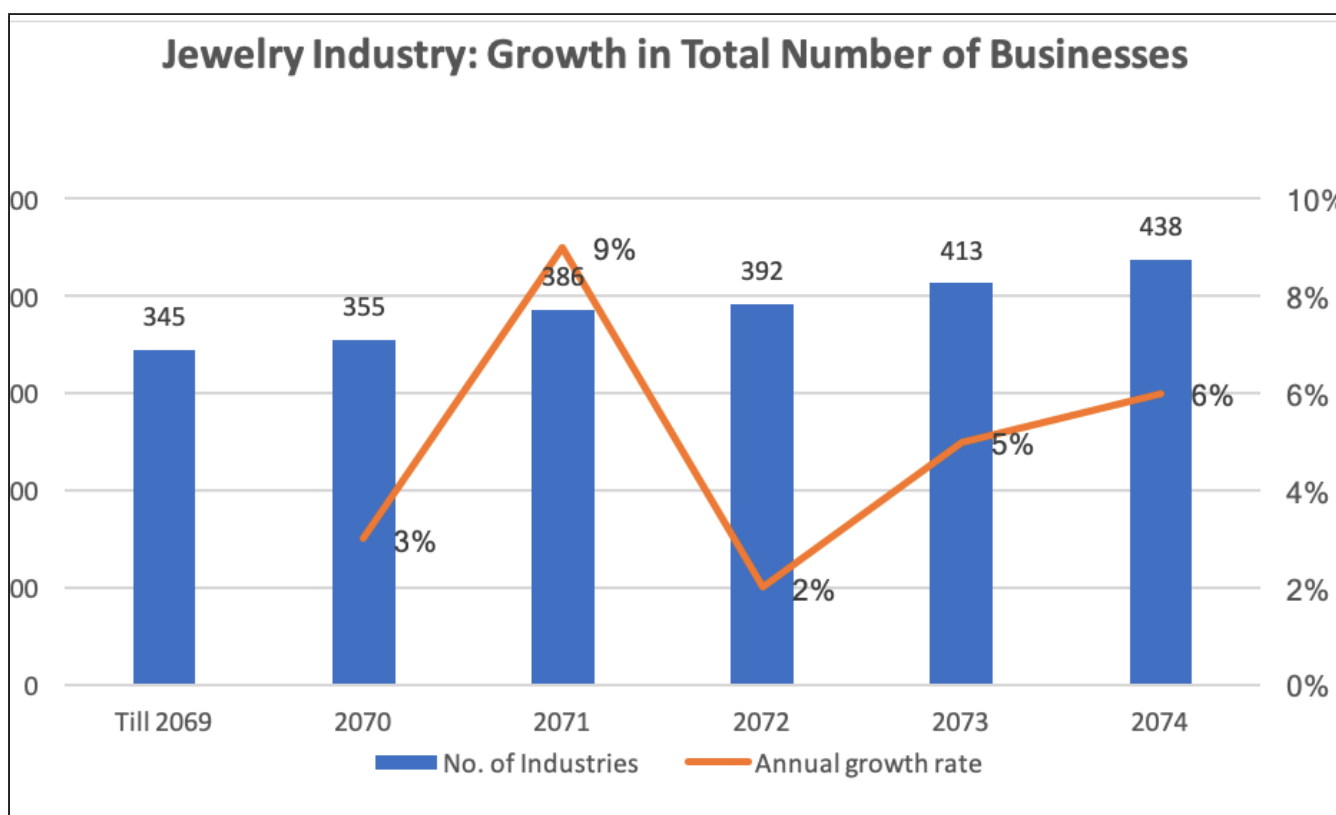
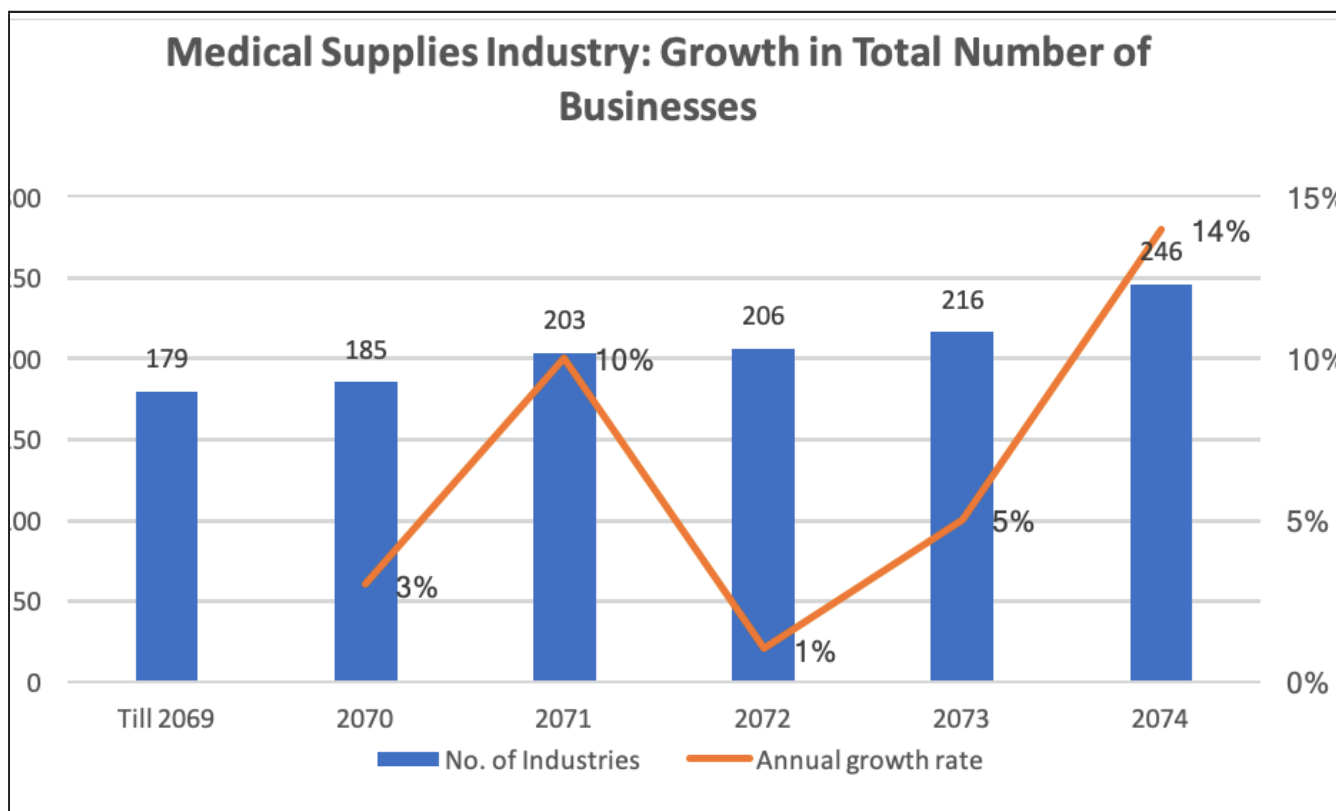
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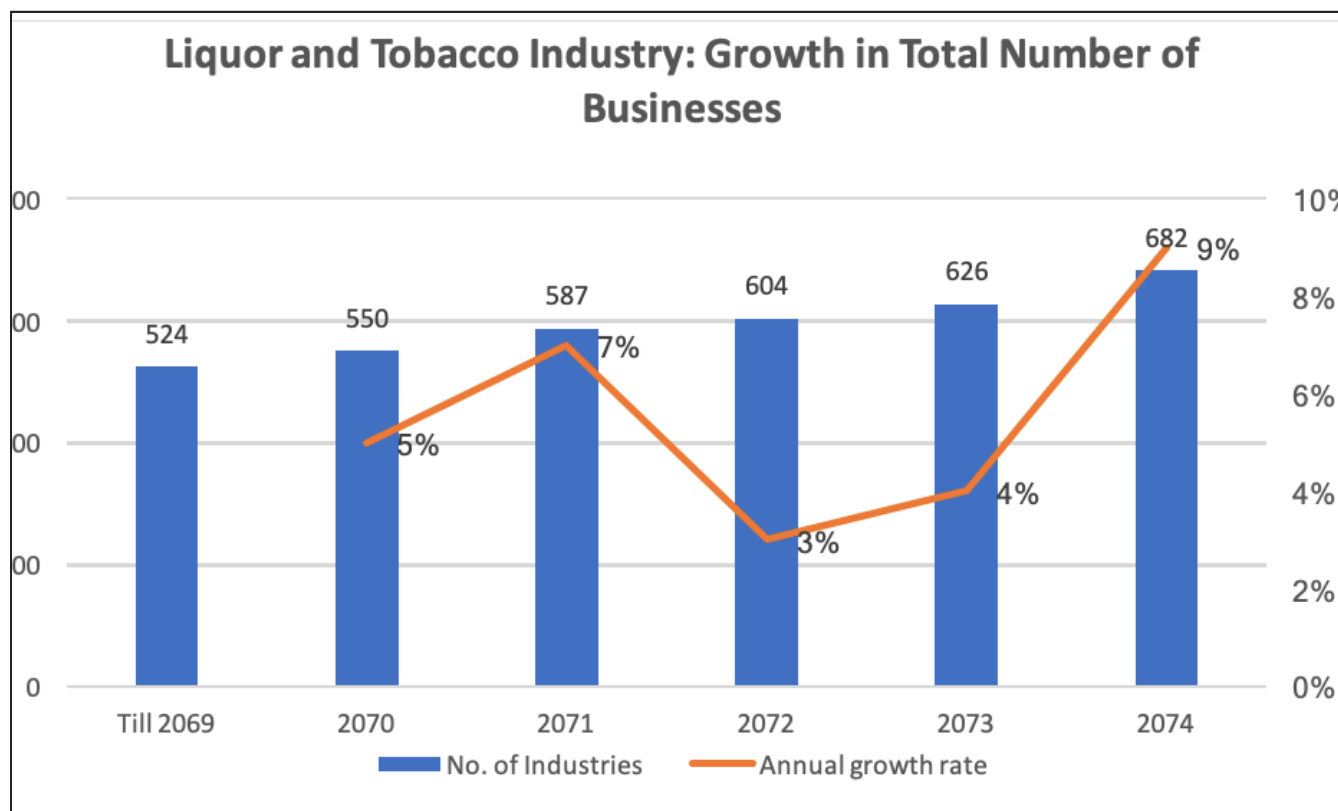


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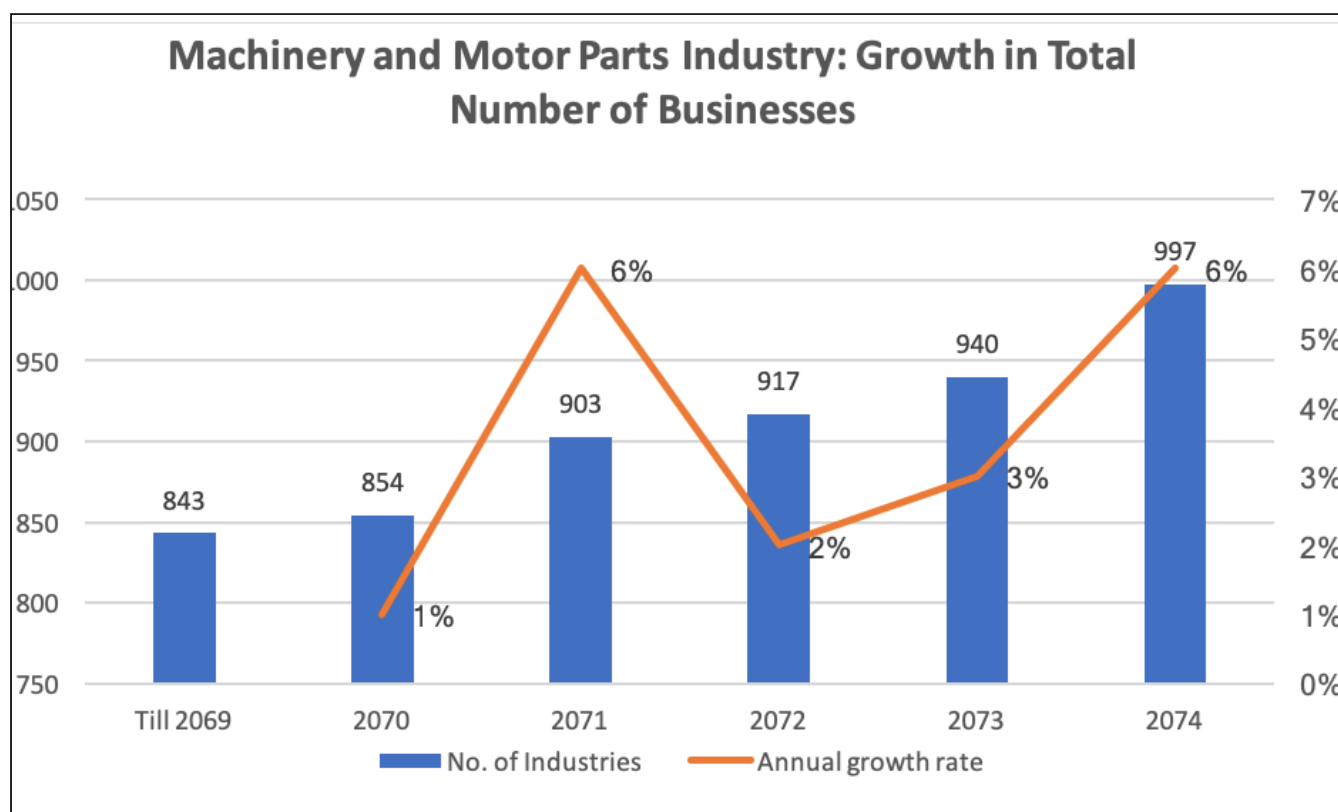


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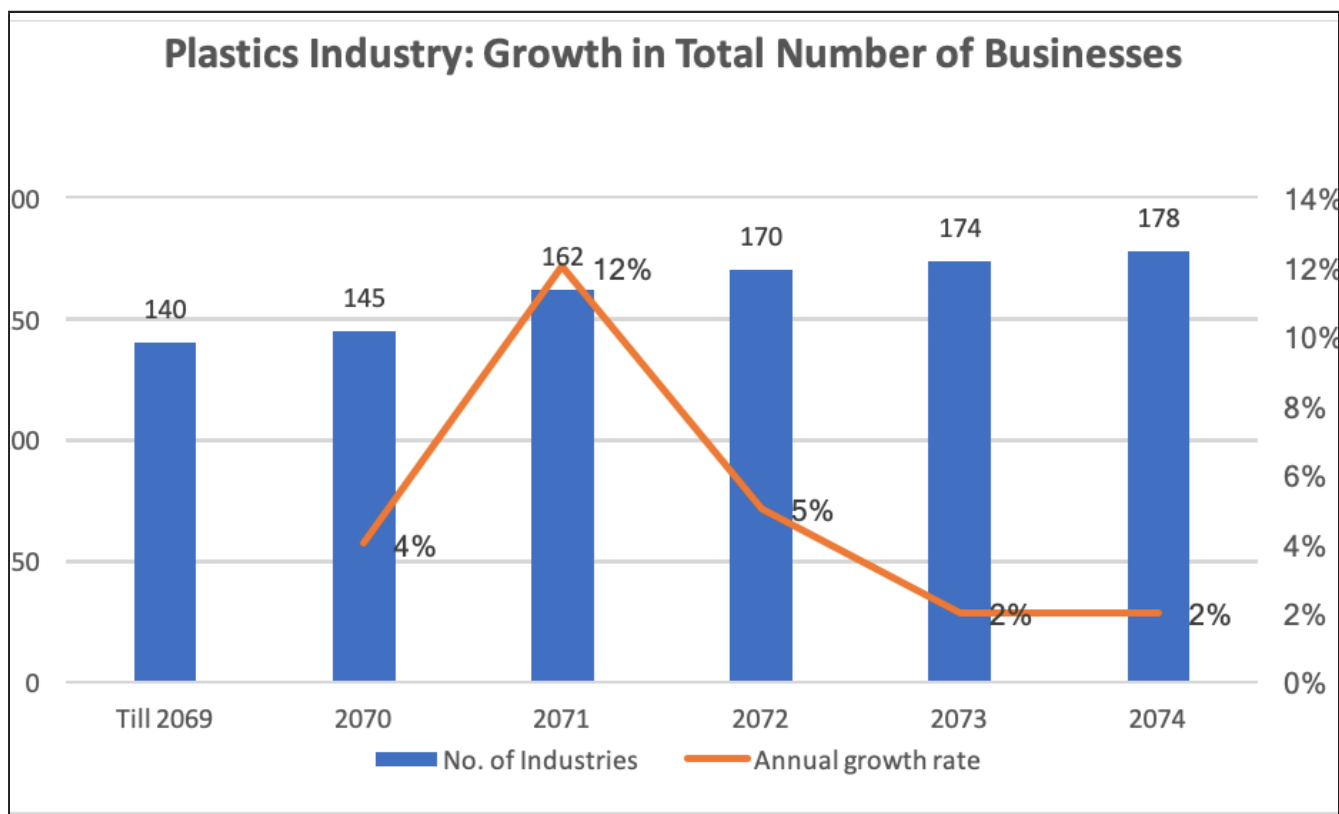




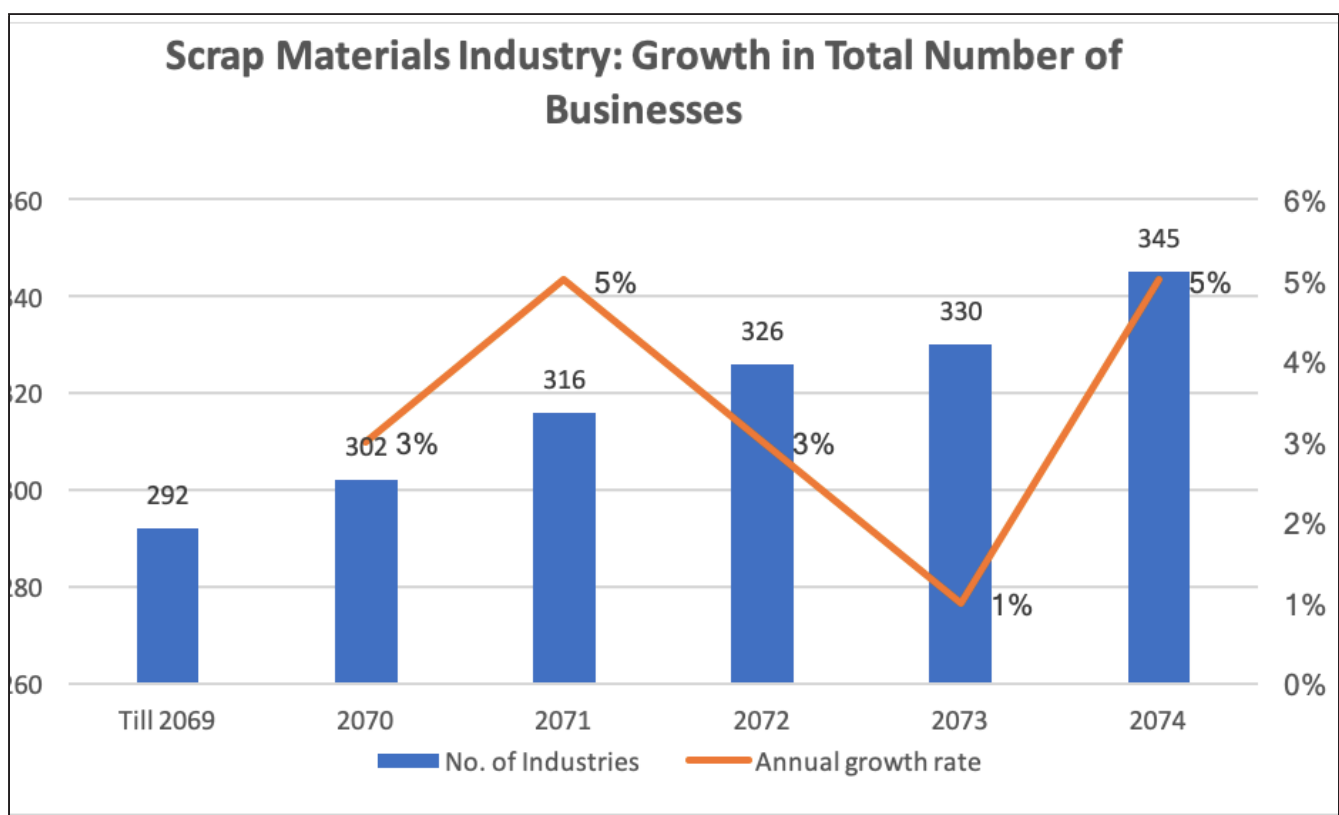
Source: OCSI, Parsa



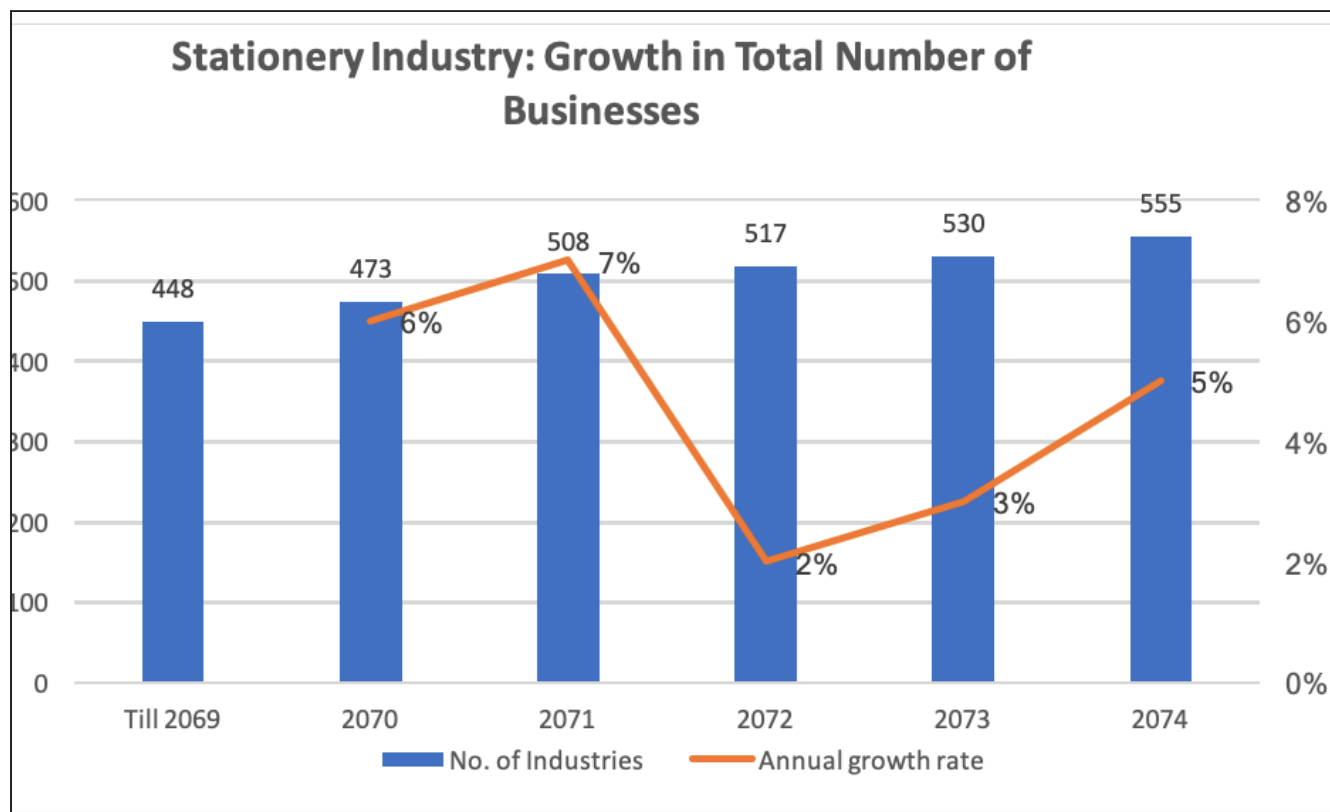
Source: OCSI, Parsa



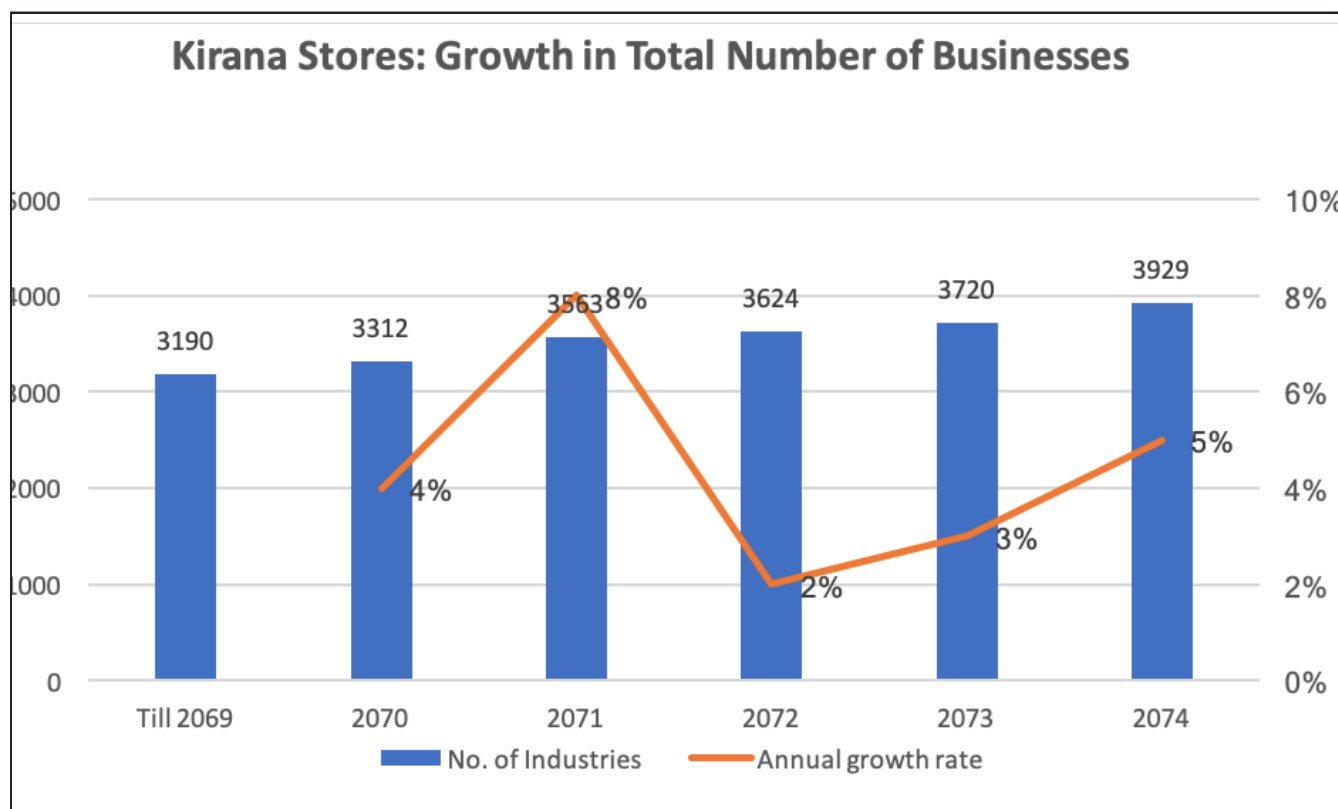
Source: OCSI, Parsa



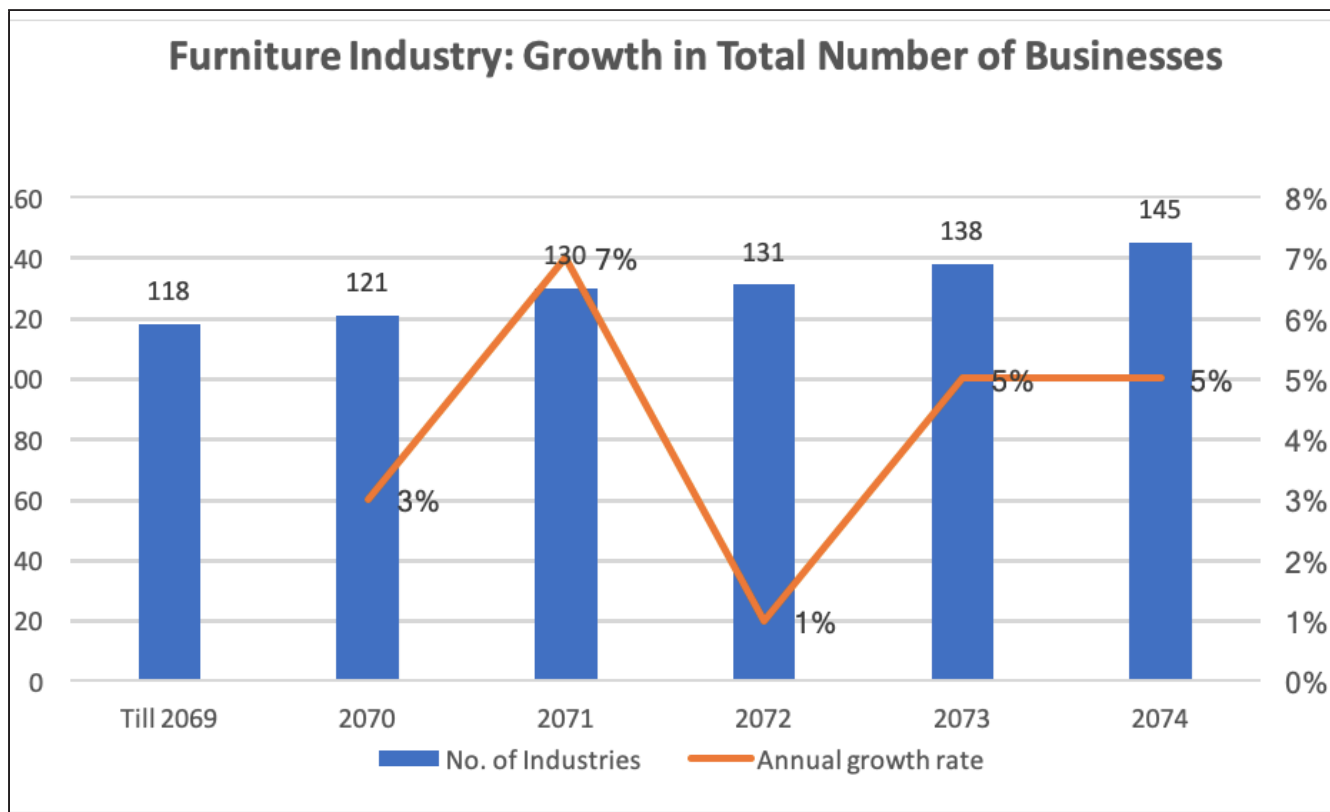
Source: OCSI, Parsa



Source: OCSI, Parsa



Source: OCSI, Parsa



Source: OCSI, Parsa

It is important to remember that the data only represents the formal economy, which is a fraction of the total economy in Birgunj. Moreover, the labeling inconsistencies in data might have caused some misrepresentations. Nonetheless, some inferences can be drawn from the data, though caution must be observed.

7. CHALLENGES AND OPPORTUNITIES ACROSS INDUSTRIES IN BIRGUNJ

Through extensive desk research, consultations with local entrepreneurs and regulators during field visits, researchers have been able to establish that businesses in Birgunj face several similar problems that span across the promising industries in the city. Our research and discussions have recognized the following challenges and opportunities, as detailed below, which if addressed well can reap enormous benefits for local businesses. Since federalization has empowered local governments, BMC can work directly towards resolving some of these issues. We recognize that some issues will require interventions at the state and federal level and recommend that the local government play the role of a liaison by presenting the problems faced by their local entrepreneurs to the relevant state or federal agencies.

7.1 Land Related Problems

Scarce land resources like in other metropolitan cities is a pressing problem in Birgunj. This has led to high land and rental prices which continue in an increasing trajectory. This makes the cost of establishing, operating and expanding businesses significantly high. Currently, businesses have not been able to expand their production due to the lack of land near the operating plants. A thousand acres of land of the sugar factory in the industrial corridor, which is not in use right now should be put to productive use. The land should be leased out to establish new factories, develop industries, or expand existing businesses. Moreover, BMC should map all public land under its jurisdiction and further identify those that are sizeable enough to be leased out to local businesses.

Land and property tax is another issue that industrialists face. There should be a distinction in property tax rates for personal and business use. Since industries require large amounts of land, taxing them at the same rate will largely increase the cost of doing business for them.

7.2 Electricity

The unreliable power supply is a huge problem with massive cost implications for business owners. Currently, power grids are unable to handle high loads which cause a sudden break in electricity supply. A half-hour power cut will lead to a 30 per cent increase in costs for the day in the plastic industry and 10 to 12 per cent increase in costs for iron and steel industries. Machines need to maintain heat at a fixed temperature of 300 degrees. When the power supply is interrupted mid-process, some raw materials are damaged beyond salvation. The costs of power outages include the effects of lost time, having to repeat work processes, wasted material as well as back to schedule costs. Sudden power outages are worse than scheduled load shedding because businesses do not have the opportunity to prepare and are caught off guard which increases costs by many folds. These outages also affect production timeline and subsequently result in late deliveries which affect the businesses' reputation and future order prospects. On average, energy cutoffs increase production costs in furniture and plastic industries by 12 per cent and 30 per cent respectively.

BMC should initiate collaborative efforts with the Nepal Electricity Authority (NEA) as soon as possible to investigate the reasons for unreliable power supply in the city. It should also work together with NEA to ensure uninterrupted electricity so industries, especially manufacturing, will be able to efficiently complete their production process with lesser bottlenecks and costs.

7.3 Lack of Skilled Labor

The lack of skilled manpower is a problem that was highlighted by a number of businessmen we consulted. This can be attributed to the lack of quality education in the city. Initiatives like “Beti Bachau, Beti Padhao” are steps in the right direction but more needs to be done. It is essential that the local government takes an active role in understanding the demand dynamics of required skillsets for the city’s industries and investing in quality education and skill-building in those areas. Sano Paila, a local non-governmental organization, has been providing security service training to youths from their rehabilitation centers to create new job opportunities. The local government could support such initiatives.

Several employers voiced their concern that an entity like the International Labor Organization (ILO) stands to create more labor-related problems instead of solving them. This is based on the assumption that there will always be labor problems until there is an organization like ILO whose survival relies solely on the existence of said problems. It is important to take this argument with a grain of salt since the government must look after the interests of both business owners as well as laborers. Conclusions about the credibility and importance of such institutions can only be reached after thorough, unbiased analysis.

It is possible that the negative sentiments among employers also arises from the frustration about the politicisation of some trade unions. It was reported that laborers are often absent without any notice and when questions are raised about such behaviors, employers are harassed with the help of unions and goons. It is imperative that the police force is able to provide ample security to ensure that the rule of law is honored.

7.4 Access to Finance

The problems of access to finance that entrepreneurs in Birgunj face are very similar to those experienced throughout the country. Like everywhere else, borrowers complain of high, haphazard increases in interest rates. Additionally, banks only provide loans up to 30 per cent of the total collateral amount/paid-up capital. Most business people believe that it is much easier to borrow from an independent individual at a higher interest rate than to get a loan from banks. This can be attributed to cumbersome documentation requirements and a lengthy loan disbursement process. Furthermore, the line in banks are extremely long and time-consuming which is a clear indication of a need for more bank tellers and expansion.

BMC should start a dialogue with financial institutions in the area as well as NRB to solve these problems. Additionally, the local government should work towards updating land valuation at market rates regularly. This step will not only allow business owners to get a fair valuation on their land collateral but also reduce the risks for financial institutions. It might subsequently improve the likelihood of the approval for higher amounts of business loans with the same amount of collateral. Furthermore, BMC should work with financial institutions and local entrepreneurs to search for alternate forms of collateral.

7.5 Regulation, Taxes, and Corruption

A large number of businesses in Birgunj operate in the shadow economy. It is a big challenge to bring these businesses into the formal economy. Easing business registration and regulation procedures as well as reducing tax burdens might help mitigate the extra costs of formalization

and encourage people to participate in the formal economy. The focus should not be on increasing the tax burden for existing businesses to increase revenue, but rather on increasing the tax base which will not only be more beneficial to the government coffers but also business owners. This will also indirectly help reduce corruption, improve productivity, efficiency, and innovation, create fair market competition, and benefit the community as a whole.

Currently, the 'byevasaya kar' makes it hard to establish a business, as they have to pay tax before registration. Moreover, the cost of production is high as a result of high taxes on inputs. On each import of raw materials, business owners have to pay 13 per cent Value Added Tax (VAT) + five per cent customs charge. Inconsistencies and discrepancies in policies and procedures are also problematic. For example, those manufacturers paying their taxes through VAT have a cost of production that is higher than those who pay through PAN by NRs 6.5. Additionally, some tax-exempts for industrialists are reflected in the Industrial Act but not in the Finance Act and are therefore not implemented in practice.

Easing regulations also includes making it easy for the local businesses to follow regulations, for which proximity is a huge factor. The Office of Food Technology and Quality Control Office have been shifted to the capital of the state where there are no industries. Therefore, it is difficult for industrialists to go all the way to Janakpur to get their product tested. Likewise, some entrepreneurs (taxpayers who pay more than NRs 4,000,000) have to go all the way to Kathmandu to pay their Tax Deducted at Source (TDS). The local government should work with other levels of governments where required to establish government offices related to industries near the actual industries to make it easier and cheaper for entrepreneurs to comply with regulations.

Lastly, competition from India, more particularly Bihar is a huge concern for a lot of business owners. Entrepreneurs believe that ensuring lower taxes than Goods and Services Tax (GST) implemented in India is the only way they will be able to survive since open borders enable customers to walk across the border and get goods at a much cheaper rate. Creating a task force with the involvement of provincial and federal government to calculate appropriate tax amounts might be a way to approach this problem.

7.6 EXIM Codes

Numerous entrepreneurs have complained that the Export-Import (EXIM) codes only favor large businesses and are threatening to kill smaller ones by introducing burdensome capital requirements. EXIM codes were introduced on International Customs Day on January 26, 2017. Initially, traders with imports of each consignment over NRs 25,000 had to mandatorily get an EXIM code. This required a paid-up capital of NRs two million and a bank guarantee of NRs one million. The paid-up capital requirement has since been reduced to NRs one million and a bank guarantee to NRs 300,000. However, small and medium traders still believe that this will hamper their businesses. Small importers can now no longer import as freely as before. They will either have to freeze the already limited capital they have, to keep their EXIM code valid or they will have to get the help of middlemen or large importers to get their consignments through them. This will increase transaction costs.

Small traders believe that the burdensome paid up capital and bank guarantee requirements only serve large traders who have no difficulty fulfilling the requirements. This will disproportionately hit smaller traders and might also force them to go out of business. That being said, properly

implemented EXIM codes can have benefits in regulation, monitoring, and standardization of customs documentation. Therefore, it is very important that the Department of Customs properly analyze what the optimal thresholds would be for minimum consignment amount, paid-up capital and bank guarantee, to get maximum benefits of introducing EXIM codes without marginalizing importers of certain sizes. This can only be done through thoughtful consultations with relevant stakeholders that represent the interest of all sizes of traders. BMC can play a critical role in facilitation between local traders and relevant state and federal agencies.

7.7 Reference Prices

The reference prices list maintained by the government does not reflect accurate prices. Local importers we talked to complained that the prices listed for goods at the customs office were higher than the actual prices they paid when they bought their goods. This means that traders are forced to unfairly pay higher taxes on the goods with actual values less than the reference prices.

References prices exist to guard against fraudulent invoices and subsequent tax evasions. It is however critical, that they do not unjustly put traders at a disadvantage. Therefore, it is imperative that the reference lists are updated regularly to reflect actual market prices instead of inflated prices which harm business owners.

7.8 Infrastructure

Proper infrastructure is crucial for an industrial city like Birgunj. The absence of appropriate roads has posed significant challenges to the city. Lack of proper transport and road facilities from Piprakoti, Bihar to Birgunj, have caused daily losses of millions of rupees. Birgunj is a city of warehouses, so roads and transportation routes have to be properly managed in order to capitalize on it. Currently there are no proper roads connecting the new wards of the metropolitan city or the nearby villages which has made the cost of agricultural products very high.

Additionally, the main road between Ghantaghar to Bhansar is very compressed and is a huge reason for traffic jams. There seem to be two types of approaches when it comes to solving the major road infrastructure problem in the city. Citizens are split between 1) wanting to clear the existing old market and houses to expand the road so access within the city is much easier, especially for huge transport vehicles and 2) preserving the existing area and repairing and maintaining the existing roads, as well as finding alternate routes including potential flyovers.

Moreover, the only dry port of Nepal is in Birgunj which is the closest city to Calcutta (700 km). It lies in the center of the country which makes it easy to supply goods all over the country at a minimum cost. 70 per cent of the country's total cargo crosses through Birgunj and more than 50 per cent of custom revenue is collected in the city. Therefore, the maintenance and expansion of the port are critical.

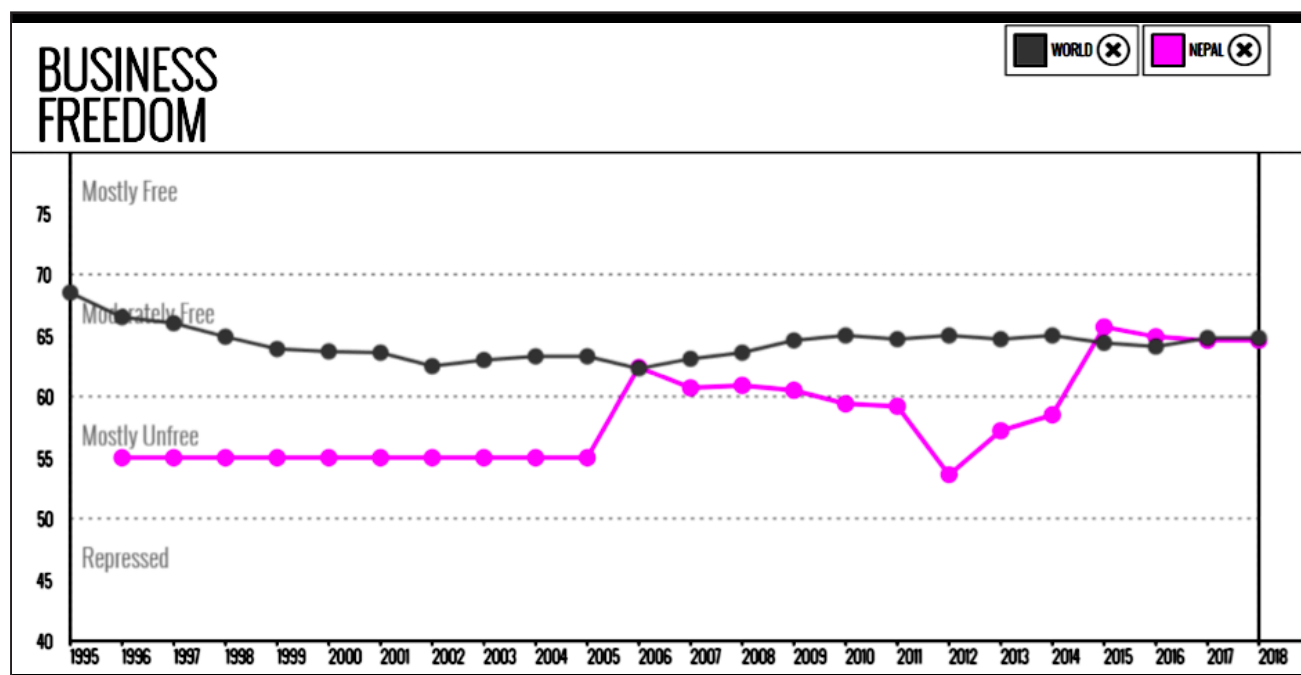
Further, e-commerce should be encouraged. However, the city lacks a proper mailing system and city mapping for such ventures to be successful. Therefore, the local government should explore a PPP model for creating an efficient mapping and mailing system. Additionally, the option of opening a food court in the Purano Bus Park area near the industrial corridor could be explored. This would organize the haphazard spread of street vendors, help with traffic management as well as create opportunities for new businesses in the food sector.

Also, there are no means for proper entertainment in Birgunj and people have to go to other cities like Hetauda and Simara. Therefore, the local government should encourage the creation of a sports club, bars, and parks along with a suitable business environment so more people will be motivated to invest in Birgunj.

Lastly, it should fulfill its responsibilities by addressing the following: properly managing drainage and waste, ensuring traffic and parking management, maintaining and repairing roads and footpaths, providing enough public toilets, installing street lights so people can work smoothly at night as well as to promote nightlife and business in Birgunj and finally, installing CCTVs throughout the city for added security.

8. REGULATORY PROBLEMS IN THE COUNTRY AND LESSONS FROM THE WORLD

8.1 Economic Freedom



Source: Index of Economic Freedom 2017, Heritage Foundation

Heritage Foundation's Index of Economic Freedom, 2017 ranks Nepal 127 out of 180 countries. Even though the graph might show that Nepal fares on par with the World average on Business Freedom, it cannot be complacent. In fact, both the world average and Nepal are only moderately free, with Nepal more recently on a declining trend since 2015. More business freedom means fewer regulatory hurdles and lesser avenues for disruption. For example, the more signatures entrepreneurs require to get approval, higher their odds are for processes to get delayed due to the unavailability of certain officers or being the victim of rent-seeking behavior.

World Bank's Ease of Doing Business ranks Nepal at the 105th position out of 190 countries. It currently takes 17 days just to register a company. This is without accounting for the time taken to acquire various licenses and permits from different agencies before even being eligible to start a business in Nepal. Furthermore, Fraser Institute's Economic Freedom of the World, 2015 report ranked Nepal 107 out of a total of 159 economies. The same report gave Nepal a score of 4.9 out of 10 in terms of Bureaucratic Costs. Our poor performance in the ranking is justified when considering ground realities in BMC.

Aspiring entrepreneurs need to make rounds to a number of government agencies just to register their business. Some of these agencies (like the Office of Company Registrar, Department of Industries) are still centralized and one has to travel all the way to the capital city of Kathmandu

to get works done through them. Additionally, entrepreneurs still need to register at both the OCSI and the municipal office. Now that OCSI has come under the Municipality, the need to register at both places should not exist anymore. Unnecessary visits to multiple offices rob aspiring entrepreneurs of the time they could have spent in actually building their businesses.

Box Case 1: Common Service Centers in Rural India

In India, Common Service Centers (CSC) was conceptualized as the front end service delivery outlets enabling smooth and transparent governance to citizens of the country. It was envisaged that CSCs will function as a one-stop shop for availing multiple government services, especially in the rural parts of India. Citizens can simply walk to a nearby CSC and avail public services of multiple departments at a single center thus saving time, cost and effort. It is also important to note that the CSCs were not merely considered as an extension counter for the government. Rather, CSCs positioned as a change agent in a major government transformation program aimed at public service delivery reforms and this network of CSCs will promote the rural entrepreneurship, build rural capacities and livelihoods, and will enable community participation and effect collective action for social change.

Key Impact

- Separation of the front office and back office operations (albeit integrated at the back-end through a common application) providing quick and easy service access to services
- Avail multiple services of different departments at a single place and avoid visits to multiple government offices
- Save direct and indirect costs incurred for availing a service
- Transparent process with status tracking facility
- Improved service delivery time
- Promoting village-level entrepreneurship and capacity building at the grass root level

Source: Best Practice Report, United Nations Development Programme, 2015

8.2 Procedural Hassles

Fraser Institute's Economic Freedom of the World, 2015 report scores Nepal a mere 3.5 out of 10 on the administrative requirement and 2.8 out of 10 on extra payments. A World Bank study shows that Nepal is the most expensive place in South Asia to register a business where the cost of starting a business is 25 per cent of the per capita income. This is just the direct seen cost. It is no secret that under the table payments are a common occurrence, and so a disgracefully low ranking of 131 out of 176 in Transparency International's 2017 Corruption Perception Index

should come as no surprise. All of these procedural hassles not only drain resources that could be invested in the business itself but also stand to create frustration amongst enterprising individuals who may be discouraged from taking the plunge into starting their businesses in the country.

Box Case 2: Project 30

According to the World Bank's 2010 Doing Business report, which assesses business conditions across the global economy, it took, on average, 94 days and 12 administrative procedures to start a business in Vietnam – considerably longer and more cumbersome than other Asian economies. This systemic red tape fostered corruption, inhibited the delivery of essential goods and services, and slowed the disbursement of investment capital. The government, in collaboration with domestic and foreign partners developed a comprehensive streamlining and reform plan known as Project 30 to address these issues. The plan known as "Project 30" (because it aims to reduce compliance costs for businesses and citizens by 30 percent), aspires to create a simpler, more efficient, and more transparent administrative system. Project 30 has been welcomed across Vietnamese society and by Vietnam's development partners as a promising and ambitious solution to a longstanding set of structural impediments.

During the first phase (which took place between January 2008 and June 2009) hundreds of civil servants representing every level of the government created the first ever comprehensive inventory of administrative procedures, which was made into a searchable electronic database and posted to the government website. Almost 6,000 administrative procedures were added to the database, which allows users to locate every administrative procedure and download printable versions of every administrative form.

During the second phase (which took place between June 2009 and May 2010) a "Special Task Force" consisting of government officials, citizens, non-governmental organizations and business associations in a sweeping review of the entire administrative procedure database. To this end, the government created dossiers designed to enable business associations, citizens, and individual enterprises to (a) identify problematic administrative procedures; (b) explain why those procedures were unnecessary, unreasonable, overly expensive, or inconsistent with existing regulations, and; (c) recommend solutions – typically, abolishment or revision – which would make the process simpler and more efficient.

Implementation of the final phase of Project 30 began in early June 2010, a pilot package consisting of 258 administrative reforms were introduced. Ministries and State agencies were made to implement the reforms, which were expected to produce more than \$300 million a year in savings for businesses and citizens.

8.3 Paying Taxes

The Ease of Doing Business ranks Nepal 146th out of 190 nations in paying taxes and the Economic Freedom of the World, 2015 report gives Nepal a score of 6.2 out of 10 on tax compliance. The time spent on paying taxes is a whopping 339 hours annually. That is time a business could have spent on actually doing business and creating wealth.

Furthermore, businesses even suffer from double taxation. Since businesses are registered at both OCSI and the municipality, they need to pay taxes - business tax at municipality and renewal fee at OCSI - at both places. Both these institutions represent the same local government; thus, many entrepreneurs look at this as a case of double taxation.

Box Case 3: Tax Administration Reform in Georgia

Georgia, a small country situated in Eurasia, strengthened tax collection by simplifying redundant procedures and reforming the administration procedure. The government understood the importance of tax administration reforms for increasing the revenues and a modern simplified tax system was envisaged which was conducive to business development and economic growth. The credibility was established through strict action against the identified corrupt officials which sent a positive message across the various categories of stakeholders. Inputs were sought from global multi-donor agencies involved with government reforms which helped in the development of the modern tax framework along with adoption of technology solutions to improve efficiency, transparency and accountability within the system.

A five-pronged approach was adopted by the government which focused on altering the mindset, changing staff incentives, broadening the tax base, simplifying the tax legislation, and streamlining tax administration. The new tax code in 2005 simplified the tax system which brought about the following changes:

- Reduced tax rates
- Elimination of a number of taxes such property transfer, gambling, tourism, advertisement, and other minor local taxes, which had been bringing in almost no revenue
- Usage of electronic cash registers which recorded the VAT for every transaction was mandated for the commercial establishments

Along with simplifying the tax code, the government undertook measures to make it easy to file and pay taxes as the next step to improve the business environment and reduce corruption. In November 2009, the ministry unofficially stopped accepting hard copies of the tax declarations and introduced the electronic tax registration system. This was complemented by the following steps:

- Simplification of the documentation requirements for VAT payments
- Streamlining of the tax payments through the banks which helped in faster payments and accurate reconciliation with the revenue service database; allowed the taxpayers to access their respective account details online
- Introduction of risk-based management of tax audits

Key Benefits and Impact

The tax administration reforms undertaken by the Government of Georgia has resulted in a number of positive outcomes and benefits including:

- Increased tax compliance thereby higher tax revenue
- Reduction in corruption
- Growth of business start-ups

Source: OECD, 2015

8.4 Environmental Standards

When industries open in certain areas and create new employment opportunities, new settlements form around them. However, the same settlements are then affected by the noise, odor, and waste produced by these industries. As a result, residents of these neighborhoods file a complaint at the local government and the investors are asked to shift their business elsewhere. This has been a nightmare for businesses. The recognition of industrial states that provide basic securities to businesses should be considered, to protect industries from such problems.

9. LEGAL MANDATE FOR BIRGUNJ METROPOLITAN CITY

The enactment of the Constitution of 2015 paved the way for the federal organization of government design in Nepal from an erstwhile model of a unitary system. This not only affected the administrative divisions in the country but also introduced a separate jurisdictional control of territories with sub-regional entities. Sub-regional entities existed in the previous unitary format in the form of development regions or administrative zones and village development committees or cities at two separate hierarchies. However, both these entities did not have a constitutional entrenchment and were subject to power devolved by the central government. In the current format, all previous government structures have been reorganized to give rise to seven states and seven hundred and fifty-three local bodies. While the states gain their legitimacy from the constitution itself via Schedule 4, the number and size of local bodies were set forth by the Local Body Restructuring Commission formed by the transition government.

Local bodies derive their constitutional legitimacy in terms of structure, power, and responsibilities through Parts 4, 17, 18, 19, and 20 of the Constitution of Nepal. These detail out the structure of the Nepali State, legislative procedure, executive control, fiscal structure, and the terms of intergovernmental relations between the three orders of government, respectively. Part 4 clearly marks the local bodies as a constitutional government with a defined mandate and powers detailed in Schedules 8 and 9 while the process and functioning procedures are outlined in Chapters 17 to 19. Further dissemination is also outlined in the cabinet Unbundling report published by the Ministry of Federal Affairs and General Administration (MOFALD).

Apart from the Constitution itself, the Local Governance Act of 2017 passed by the transition government in power also sheds light on the structure, type, and form of local governments. A first categorization is between generic rural and urban centers wherein rural local bodies are referred to as village municipalities (460) whereas the urban local bodies are referred to as municipalities (293). The urban municipalities are further categorized as metropolitan cities (6), sub-metropolitan cities (11) and municipalities (276). The distinct features of the same are found in the Act. Furthermore, based on the geographical terrain these bodies lie on; given Nepal is divided into separate geographical zones, local bodies are also categorized on the basis of the region they lie in: Himal (mountains), Pahad (hills), Bhitri Madesh (Inner plains) and Madesh (plains). Thus, considerations and criteria of population and area differ while categorizing municipalities accommodating these terrain differences.

Lastly, the Intergovernmental Fiscal Arrangements Act of 2017 also allocates a 15 per cent share of revenues from the common government tax coffer to local governments and another 15 per cent share from the royalty procured through natural resources. However, this would change given the pending report of the Fiscal Commission that is yet to finalize these details.

10. OBSERVATIONS OF THE RESEARCHERS

This exercise of identifying the highest-potential carrying growth sectors in BMC and conducting targeted engagements with stakeholders – the regulators, the business operators, and local government representatives has helped identify some of the local challenges, resolving which can unlock the city's vast economic potentials. The targeted engagements have also helped researchers identify some of the potential way-forwards that can be worked upon. In this exercise, researchers have identified links between these potential way-forwards and the newly-elected local government's mandate to work upon those solutions. Under ideal circumstances, an elected leader could pick these issues up, one (or a few) at a time, design dedicated and well-thought-out intervention plans, and implement these solutions towards unlocking the city's potentials and harnessing the rich dividends the city stands to offer. Yet, multiple other factors that could likely affect whether or not these fall under the priority economic agendas of the local government(s), and whether or not they will be implemented.

- a) To begin with, there is a lack of a clear legal framework for the enforcement of some of the powers of the local government over these areas. While Schedule 8 of the Constitution of Nepal, 2015 guarantees that the growth sectors identified by the study fall under the prerogative of the local governments and Local Government Operation Act, 2017 further elaborates on the local government's specific powers over these industries, clear directives and guidelines that enable the local governments to employ their powers towards improving business-environment at the sub-national level are missing.
- b) Secondly, the fact that the local government machinery had been non-existent for almost two decades and All-Party Mechanisms (APMs) had assumed the functions of the local governments means that now, on one hand, the new local governments need to build their capacities and strengths again to efficiently deliver their functions, and on the other hand (and presumably more importantly) strike a balance with the political beneficiaries of the APMs. A successful transition towards elected local governments also implies that some of the economic rents that the APM members and its beneficiaries had exclusive access to will be cut off.
- c) As evidenced by many of the engagements with local stakeholders, there are immense expectations from the local governments. But citizens also understand that the newly elected officials are not necessarily experts in many of the areas where the municipality is struggling. Furthermore, as new structures are being built at the local level (for example, bringing in OCSI under the Municipality as Industrial Development Section), there is room for a potential mismatch between the interests and capacities of these formerly central government's functional units at district levels. This means that the local governments will have to leverage on as much of the local knowledge and expertise as it can borrow from the local sectoral experts and other relevant stakeholders.

- d) There are conflicting interests between some of the important actors within the growth sectors as well, mitigating which will be one of the top priorities for the current local government (and governments to come) before the municipality can harness more from its potentials.

10.1 Required Action

These observations point to the situation that many of the recommendations for reform (including those identified by this very study, and beyond) will face varying degrees of resistance from various stakeholders. As such, a practical way forward would be to form a team of local experts and relevant stakeholders who will engage in deliberations over what should be the priority reform agendas for BMC going forward. Many of the issues identified by this very study and others will lend important insight into these deliberations. Researchers have, in this study, identified a bank of reform agendas that can be picked up.

Deliberations over these issues will ensure that there is ownership of all local stakeholders towards these ideas. It can also be expected is that these deliberations will add local contexts to some of the potential solutions identified here and create local solutions to the problems.

One of the most important activities during this process would be identifying stakeholders related to the picked reform issues and mapping their interests—Political Economic Analysis of the reform agenda. What does Birgunj stand to gain as a result of the reform and where does it have to make adjustments to enable those gains? Who are the key actors involved? What do they stand to gain or lose? How does Birgunj create a win-win for all stakeholders that will be affected by the reform? These are some of the questions that the PEAs should look to find answers to.

11. POLICY OPTIONS FOR CREATING A CONDUCTIVE ENVIRONMENT FOR GROWTH IN BIRGUNJ

- 1) The thousands of acres of land of the Sugar Factory in the industrial corridor should be put to productive use. The land should be leased out for the purposes of establishing new factories, developing industries or expanding existing businesses. Moreover, the BMC should map all public land under its jurisdiction and further identify those that are sizeable enough to be leased out to local businesses.
- 2) There should be a distinction in property tax rates for personal and business use. Since industries require large amounts of land, taxing them at the same rates will largely increase the costs of doing business for them.
- 3) BMC should initiate collaborative efforts with the Nepal Electricity Authority (NEA) as soon as possible to investigate the causes of unreliable power supply in the city. It should also work together with the NEA to ensure uninterrupted electricity so the industries, especially manufacturing, will be able to efficiently complete their production process with fewer bottlenecks and costs.
- 4) It is essential that the local government takes an active role in understanding the demand dynamics of required skillsets for the city's industries and investing in quality education and skill-building in those areas. It should also partner with the private sector and local NGOs to offer skill development trainings and introduce technical vocational schools that reflect the current need of employers.
- 5) The police force should be empowered to provide ample security to safeguard employers against harassment by goons and ensure that the rule of law is honored.
- 6) The BMC should start a dialogue with financial institutions in the area as well as NRB to solve problems of unreasonable increases in interest rates, cumbersome documentation requirements, and lengthy loan disbursement process. Additionally, the local government should work towards updating land valuation at market rates regularly. The BMC should also work with financial institutions and local entrepreneurs to search for alternate forms of collateral. Moreover, the local branches of banks and financial institutions should increase the number of bank tellers to ensure faster service delivery.
- 7) The local government should work with other levels of governments where appropriate to establish government offices related to industries near the actual industries to make it easier and cheaper for entrepreneurs to comply with regulations. In particular, the Office of Food Technology and the Quality Control Office should be relocated to Birgunj.

- 8) It should be ensured that all policies and procedures are consistent. The discrepancies in tax payment through VAT and PAN should be removed. Additionally, the Industrial Act and the Finance Act should have consistent tax exemption policies so that there are no problems during implementation.
- 9) A task force should be created with the involvement of provincial and federal government to calculate appropriate tax amounts that can help local retailers compete with their Indian counterparts who pay GST.
- 10) Business registration and regulation procedures should be eased and tax burdens should be reduced to mitigate the costs of formalization and encourage people to participate in the formal economy. The focus should not be on increasing the tax burden for existing businesses to increase revenue, but rather on increasing the tax base which will not only be more beneficial to the government coffers but also to business owners.
- 11) The local government should eliminate loopholes in their systems and reduce opportunities for discretion by officers to reduce corruption. Other mechanisms to reduce extortion and bribery should also be explored.
- 12) BMC can play a critical role in facilitation between local traders and relevant state and federal agencies. The Department of Customs needs to properly analyze optimal thresholds for minimum consignment amount, paid-up capital and bank guarantees, to get maximum benefits of introducing EXIM codes without marginalizing importers of certain sizes. This can only be done through thoughtful consultations with relevant stakeholders that represent the interest of all sizes of traders.
- 13) Reference lists should be updated regularly to reflect actual market prices instead of inflated prices which harm business owners.
- 14) BMC should invest in infrastructure in the following ways:
 - Development of roads that connect the new wards of the metropolitan city and the nearby villages to reduce the cost of agricultural products and ensure proper transportation routes to warehouses
 - Regular maintenance and expansion of the dry port
 - Exploration of the option of opening a food court in the Purano Bus Park area near the industrial corridor
 - Provision of facilities like a sports club, bars, parks along with the suitable business environment, so people will be motivated to invest in Birgunj
 - Proper management of drainage and waste
 - Installation of CCTVs all around the city for increased security
 - Maintenance and repair of roads and footpaths for smooth transportation
 - Installation of street lights so people can work smoothly at night and promote nightlife and businesses in Birgunj
 - Building adequate public toilets around the city
 - Proper traffic and parking management

12. CONCLUSION

The new constitution and the country's recent move to federalism provide the mayor and the municipal team the perfect opportunity to rebuild Birgunj as an industrial hub. Our research has shown considerable promise in the sectors of manufacturing and trading especially in medical supplies, agriculture, plastics, liquor, readymade garments, construction materials, and stationery. Through the study, we have identified numerous common areas of challenges including but not limited to corruption, inconsistent policies, burdensome taxes as well as lack of skilled labor, access to finance, land resources, proper infrastructure, and public service delivery such as electricity that hamper the business environment for local entrepreneurs. Moreover, issues such as EXIM code thresholds that disproportionately pose disadvantages to small and medium businesses and faulty reference lists are also hindrances to conducive economic activity. A wide range of recommendations have been proposed in the section above to help the municipal team deal with the challenges and leverage areas of opportunity. Formation of task forces to address the recognized problems and recommendations by seeking the advice and help of sectoral experts has been recognized as an effective way to spearhead the reform process. It is crucial that the mayor and the municipal team take advantage of their recent victory and collectively work with concerned stakeholders to take the city to greater heights of economic growth.

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Annex I: Stakeholders Consulted during Birgunj Field Visit

S.No	Name	Position/Organization
1	Kuber gupta	Shiv Sagar Industry
2	Pawan Kr. Poddar	Kanchan Plastic Industry
3	Binay Kr. Nepal	Kamana Plastic Industry
4	Pawan Kr. Agrawal	Bhawani Plastic Udhyog
5	Kuber Khatiwada	Om Sai Engineering and Furniture
6	Ghanshyam Dahal	Shree Krishna Steel and Furniture
7	Pradeep Kadia	Asian Metals
8	Bharat Thakur	Sharad Metal Udhyog
9	Rahul Kr. Agrawal	Nepal Copy Udhyog
10	Sunil Kr. Khetan	Himal Stationery and Paper
11	Shubodh Kr. Gupta	Rajesh Rice Mills
12	Arun Sarawagi	D.D Food Products
13	Narendra Aryal	Diamond Chips
14	Ravi Kumar Lath	Mateshree Readymade
15	Sunil Mishra	Ankita Textiles
16	Binay Kr. Sah	Prestige Loopmat/ Nobel Textiles
17	Premshankar Sharma	Yesh Baba Packaging
18	Hemanta Chaurasiya	Triveni Groups

Government Agencies Consulted during Birgunj Field Visit

S.No	Organization
1	Office of Cottage and Small Industries, Birgunj
2	Birgunj Chamber of Commerce and Industries, Birgunj
3	Liasion office (MoFALD)
4	Commerce Office, Birgunj
5	District Coordination Committee
6	Labor Office, Birgunj
7	Birgunj Municipality Office