Role of Special Economic Zone in development: Status of Nepal

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Abstract

Nepal initiated the concept of Special Economic Zone (SEZ) since 1980s. However, the process of construction of infrastructure development and operation of such zone is very slow. Now there is only one SEZ is in operation partially and one is ready for operation. SEZ can play an important role to uplift the economic condition of Nepal as it is in the process of graduating to developing country from least developed countries (LDCs) in near future and meeting the 2030 agendas of SDGs. Investment in productive sector increase the production and productivity that leads towards the import substitution and export promotion. To attract both foreign and domestic investment SEZ is an important mechanism. This article has focused on how the role of economic zone can be enhanced in development of Nepal. It has identified some challenges to be addressed and the opportunities that need to be grasped.

Based on the analysis of the status of SEZ in Nepal this study has recommended some areas of reforms for effective operation of on-going SEZ and upcoming SEZ in Nepal. Reforms of existing legal, institutional and procedures mechanism related to SEZ are required to create conducive environment to attract domestic, foreign and multinational companies inside the zone. Adequate research and development on the sector of comparative advantage and competitiveness is necessary and at the same time, public private dialogue and international networking in this regard is also equally important.

Keywords: Economic Development, Infrastructure, Incentives, Services, Investment

1. Background

Special Economic Zone has become an important reforms tool for economic development worldwide since 1960s by different names like Special Economic Zone (SEZ), Garment Processing Zone (GPZ), Export Processing Zone (EPZ) Free Trade Zone (FTZ), High Industrial Development Zone (HIDZ), Information and Communication Technology Park(ICT).With the concept of providing special package of incentives including the strategic location for trade and manufacture with modern industrial infrastructure facilities to investors inside the zone initially such Economic Zones were established and operated by the government worldwide. Gradually it started to develop and operate in

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different modality, such as by the government, private sector, in Public Private Partnership, Government to Government and in multinational partnership so on.

Creating additional economic activities, modern infrastructure development, promotion of domestic and foreign investment, production, and productivity increment, import substitution and export promotion are some of the important economic traits of such zone. Similarly creation of large number of employment opportunities, transfer of technology, knowledge and skill, promotion of industry and international trade relation and networking are some of the importance of setting up SEZ across the world. There are almost 5,400 SEZs today in world economics. (World Investment Report, 2019, UNCTAD) As an important instrument for economic development establishment of SEZ was increased aggressively basically with the emergence of the economic liberalization after 1980s worldwide. From 97 SEZs in 29 economies in 1975 it has accelerated to 5400 in 47 economies in 2018. (Figure No. 1)

The concept of SEZ in Nepal was conceived during the late 1980s to develop Export Processing Zones. However, the concept was first institutionalized through the Special Economic Zone Formation Order by establishing SEZ Development Committee in 2012. The enactment of Special Economic Zone Act, 2018 and Regulation, 2019 opened door to establish Special Economic Zone Authority in Nepal. The main objective of setting up SEZ in Nepal was sustainable and planned industrial development by creating an investor friendly trade and investment environment, focusing to attract investment and modern technology, generating local employment opportunities, and promoting local value addition and export thereby contribute to reduce the overall national trade deficit. The progress of infrastructure development, and operation of SEZ in Nepal remained very slow. Now only one SEZ is in operation partially (Bhairahawa Special Economic Zone). Another one is Simara Special Economic Zone, which had been developed as a Garment Processing Zone and yet to be operated. Few of others are under construction and some of them are in the process of DPR. Some of them are in pipeline for infrastructure development.

2. Historical Background of Special Economic Zone

Most of the SEZ are established as export-oriented zones, have a long history started with the concept of free ports dates back many centuries, with traders operating off ships, moving cargoes and re-exporting goods with little or no interference from local authorities. Modern zones are connected to seaports or airports or along border corridor or cross border. (UNCTAD, World Investment Report, 2019). The first modern zone is said to have been established in Brooklyn, New York’s Navy Yard in 1937 located on the East River side of New York Harbor. The following table shows the historical evolution of SEZ in different economies with different time of period.

<table>
<thead>
<tr>
<th>Economies</th>
<th>Year</th>
<th>Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA/Brooklyn</td>
<td>1937</td>
<td>Newyork's Navy Yard</td>
</tr>
<tr>
<td>Europe/Ireland</td>
<td>1959</td>
<td>Shannon Free Zone</td>
</tr>
<tr>
<td>Latin America/Colombia</td>
<td>1964</td>
<td>Barranquilla Zone</td>
</tr>
<tr>
<td>Dominica Republic</td>
<td>1965</td>
<td>La Raomana Zone</td>
</tr>
<tr>
<td>India</td>
<td>1965</td>
<td>Kandla Zone</td>
</tr>
<tr>
<td>South Koria</td>
<td>1970</td>
<td>Masan Zone</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1971</td>
<td>Sungei Way Zone</td>
</tr>
<tr>
<td>Economies</td>
<td>Year</td>
<td>Zone</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------</td>
<td>----------------------------------------------</td>
</tr>
<tr>
<td>Philippines</td>
<td>1972</td>
<td>Battan Zone</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1973</td>
<td>Tajun Priok Zone</td>
</tr>
<tr>
<td>China/Guandgdong</td>
<td>1979</td>
<td>Shenzhen/Jhuai/Shantou Economic Zone</td>
</tr>
<tr>
<td>Turkey</td>
<td>1985</td>
<td>Free Zone</td>
</tr>
<tr>
<td>Africa/Mauritius/Ghana/Liberia/Senegal</td>
<td>1970</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>Cambodia</td>
<td>2005</td>
<td>Specialized SEZ/Electronics &amp; Automobile</td>
</tr>
<tr>
<td>Bangaladesh</td>
<td>2015</td>
<td>Garment Processing Zone</td>
</tr>
</tbody>
</table>

*Sources: World Bank (2017)*

The following figure 1 and 2 shows the global and regional trend of SEZ respectively.

**Figure 1**

**Figure 2**
3. Special Economic Zone in Nepal

The concept of special Economic Zone was formally introduced in Nepal as an export-oriented trade through eighth five years periodic plan (1992-1997). From tenth five-year plan, feasibility studies started to be carried out to establish Special Economic Zones. During the 11th three-year plan (2007-2010) at initial stage some technical support has been provided by International Finance Cooperation (IFC), World Bank group for feasibility study and to prepare the master plan of Bhairahawa and Simara special Economic Zone. Later on, all these responsibilities were taken by the government, the SEZ Development Committee which has been converted as SEZ Authority after the enactment of SEZ act, 2018. From 12th three-year plan (2010-2013) the land acquisition and the infrastructure Development process in Bhairahawa and Simara was started by SEZ Development committee.

The main objective of setting up SEZ in Nepal was sustainable and planned industrial development by creating an investor friendly trade and investment environment, focusing to attract investment and modern technology, generating local employment opportunities, and promoting local value addition and export thereby contribute to reduce the overall national trade deficit. Eighteen places have been identified to establish SEZs. However, the progress of infrastructure development, establishment, and operation of SEZ in Nepal remained very slow. Now only one SEZ is in operation partially in Nepal (Bhairahawa Special Economic Zone) Another one is Simara Special Economic Zone, which had been developed as an Garment Processing Zone and yet to be operated. Few of others are under construction and some of them are in the process of DPR. Some of them are in pipeline for infrastructure development. After completion of basic infrastructure and with the approval of operational guideline for BSEZ private sector were invited by SEZA through public notice to invest inside the zone in BSEZ. BSEZ was came into operation as a first SEZ in Nepal from 2018 starting production by Shakti mineral industry.

![Special Economic Zones in Nepal](image-url)
Table No. 2: Summary of the existing proposed SEZ in Nepal

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Project Location</th>
<th>Site Area</th>
<th>Potential Industries</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bhairahawa EPZ</td>
<td>Rohini Rural Municipality</td>
<td>38.8 Ha</td>
<td>Herbals, fruit and vegetables</td>
<td>Operation</td>
</tr>
<tr>
<td>2. Simara GPZ</td>
<td>Jitpur Simara Sub Metropolitan City</td>
<td>833 Bigha (A,B,C,D,E) 120.34 Ha (Block A)</td>
<td>Worn readymade Garment</td>
<td>Infrastructure development near to completed</td>
</tr>
<tr>
<td>3. Panchkhal SEZ</td>
<td>Panchkhal Municipality</td>
<td>50 Ha</td>
<td>Milk and Milk products</td>
<td>Construction Ongoing</td>
</tr>
<tr>
<td>4. Biratnagar SEZ</td>
<td>Sunsari and Morang District, Amaduwa VDC And Biratnagar Metropolitan City</td>
<td>200 Ha</td>
<td>Food Products, Handicraft, Leather goods, Herbs Processing, Incense Sticks, Automobile Spare parts</td>
<td>DPR completed</td>
</tr>
<tr>
<td>5. Nuwakot SEZ, June 2017</td>
<td>Bidur Municipality</td>
<td>70 Ha</td>
<td>Forestry, Agro and Livestock, Electronics, Metal based and Manufacturing.</td>
<td>Completed Feasibility Study</td>
</tr>
<tr>
<td>6. Nepalgunj SEZ, June 2017</td>
<td>Rapti Sonari Rural Municipality</td>
<td>348 Ha</td>
<td>Natural and herbal medicine, Agarbatti, Paper Industry, Fruits and Juice Industry etc.</td>
<td>Completed Feasibility Study</td>
</tr>
<tr>
<td>7. Rautahat SEZ</td>
<td>Yamunamai Rural Municipality</td>
<td>55 Ha</td>
<td>Leather Industries, Noodles Industries, Dairy Product, Baby Food Industries, Sugar and Distillery Industries, etc.</td>
<td>DPR completed</td>
</tr>
<tr>
<td>8. Gorkha SEZ</td>
<td>Gorkha Municipality</td>
<td>60 Ha</td>
<td>Copper or aluminium utensils, Decorative Goods, Electrical Goods, Fruit Juice, Garment, handmade dress materials, Herbs, Hide and skins, Incense sticks and candles etc.</td>
<td>Completed Feasibility Study</td>
</tr>
<tr>
<td>9. Siraha SEZ</td>
<td>Lahan Municipality</td>
<td>106 Ha</td>
<td>Diamond and gems cutting, Electronic goods (TV, computer, Recorders, Air Conditioners, Refrigeration equipment), Telecom and Accessories (Wire, Poles, Cabinet boxes), Silver Jewellery,</td>
<td>DPR completed</td>
</tr>
<tr>
<td>Name of Project</td>
<td>Project Location</td>
<td>Site Area</td>
<td>Potential Industries</td>
<td>Current Status</td>
</tr>
<tr>
<td>-----------------</td>
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</tr>
<tr>
<td>10. Dhangadi SEZ</td>
<td>Godhawari Municipality</td>
<td>180 Ha</td>
<td>Copper/Bronze/Brass Products, Iron and steel products etc.</td>
<td>DPR ongoing</td>
</tr>
<tr>
<td>11. Dhanusha SEZ, June 2014</td>
<td>Dhanushadham Municipality</td>
<td>55 Ha</td>
<td>Diamond and gems cutting, Electronic goods (TV, computer, Recorders, Air Conditioners, Refrigeration equipment), Telecom and Accessories</td>
<td>Completed Feasibility Study</td>
</tr>
<tr>
<td>13. Jhapa SEZ</td>
<td>Kamal Rural Municipality</td>
<td>200 Ha</td>
<td>Leather Processing, Pashmina Industry, Medicinal and Aromatic Plants, Honey Processing, Apple Processing, Local Paddy etc.</td>
<td>Feasibility Study completed</td>
</tr>
<tr>
<td>14. Bardiya SEZ</td>
<td>Rajapur Municipality</td>
<td>155.24 Ha</td>
<td>Agro-Forestry Industries</td>
<td>Completed feasibility study</td>
</tr>
<tr>
<td>15. Chandrapur SEZ</td>
<td>Chandrapur Municipality</td>
<td>169 Ha</td>
<td>Agriculture based, handicraft minerals based etc.</td>
<td>Completed feasibility study</td>
</tr>
<tr>
<td>16. Mohattari SEZ</td>
<td>Bardibaas Municipality</td>
<td>113 Ha</td>
<td>Agro and forest based, assembling industries etc.</td>
<td>Completed pre-feasibility study</td>
</tr>
<tr>
<td>17. Saptari SEZ</td>
<td>Khadak Municipality</td>
<td>114 bigha</td>
<td>Agriculture, Forest products, Minerals</td>
<td>Completed feasibility study</td>
</tr>
<tr>
<td>18. Chitwan SEZ</td>
<td>Khaireni Municipality</td>
<td>54.87 Ha</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Special Economic Zone Authority*

Among the proposed SEZ only one is in operation partially, one is ready to operate and only one under construction. The following figure shows the status of them.
Simara SEZ, infrastructure in block A have been already completed and ready to operate.

3.1 Legal and Institutional Mechanism to Develop and Operate Special Economic Zone

Initially SEZ Development Committee was formed by the cabinet through SEZ Development Committee order to start all preparatory activities about SEZ. Pre-feasibility and feasibility study of different areas of the country was conducted by the SEZ Development committee. In 2018 SEZ act was approved by the parliament with the special provision of incentives, tax rebate and other facilities to the industries inside the zone. With the enactment of SEZ act Special Economic Zone Authority (SEZA) was established by replacing SEZ Development Committee in 2019. SEZ regulation is in implementation. Foreign Investment and Technology Transfer Act, 2019 (FITTA) and Public Private Partnership and Investment Act, 2019 are related legal framework specially to approve the foreign direct investment. Similarly, Investment Board Nepal and Department of Industry are the institutional mechanism that approves the FDI project based on the threshold. There is separate guideline for the operation of BSEZ. Centre office of SEZA is in Kathmandu and there is a field office in BSEZ to manage the BSEZ.

3.2 Development and Operational Modality of SEZ

According to the SEZ act there are three types of modalities to develop SEZ. By the government, by the private sector and through public private Partnership also multinational or foreign company can invest inside the zone as per the existing FITTA and Public Private Partnership and Investment Act. Till now SEZA has developed BSEZ and it is partially in operation, in Simara SEZ, out of five blocks, construction of basic infrastructure of one block (A) has been completed and it is ready to operate.
3.3 Incentives to industries inside the Zone.

Financial Incentives
Special Economic Zone Act and Tax Act have provided the extra financial and non-financial benefits to the industries to be established inside the zone. Investor inside the SEZ will enjoy 100% tax exemption for first 5 years and thereafter 50% for remaining period of contract. In Hilly or Mountain District 100% tax exemption for first 10 years and thereafter 50% for the remaining period of contract. Similarly, foreign investors investing in foreign currency inside Zone to establish industries get almost 100% repatriation on amount received from the sale of some or all shares of foreign investment, profit or dividends from such foreign investment, payment of foreign capital loan or interest. The investor shall repatriate the currency prescribed in the agreement. Zero VAT on export or sales to other industries inside SEZ. Customs duty exemption on import of P/M, tools & spare parts, raw materials, and axillary raw materials, packing materials and up to 3 vehicles, they will get duty drawback facilities. Rebate on land rent as 50%, 40% & 25% in 1st, 2nd & 3rd years respectively.

Other Facilities
Non-tourist visa will provide for 6 months for feasibility study, business visa for foreign investors, staffs, or dependant. Similarly, residential visa will provide if investment is of 10 million USD or equivalence in convertible currency till the period of foreign investment in the industry. Bonded warehouse facility, sub-contracting within SEZ, depreciation at accelerated rate will be provided.

Concept of one stop service centre
Investor supposed to receive all required services and provided facilities inside the Zone such as Industry and company registration, IEE and EIA approval, Tax registration, Banking, Insurance, Freight forwarding Immigration facilities.

Readymade Infrastructure
Investors will get the land for investment along with other facilities such as Suitable industrial plots, Internal roads, Power supply, water supply, drainage system, wastewater treatment plant, Fuel station, weigh bridge, recreation zone, childcare centre, first aid services, cafeteria.

Liability investor
Investors inside the zone should have follow a rules and regulations of SEZA. 60% of manufactured product is mandatory to be exported to receive the incentives of the zone.

3.4 Bhairahawa Special Economic Zone

Bhairahawa SEZ is in Rupandehi district Rohini Gaupalika of Lumbini Province. It is about 280 kilometres far from Kathmandu, 10 km from the Bhairahawa airport and 3 km far from the boarder of India. Government of Nepal has acquired 36.8 ha of land with the purpose of establishment Export Processing Zone (EPZ) and initiated the construction for physical infrastructure development. A study was conducted on the prospects of potential industries to be set up inside the zone. Management and Operation modality of zone was also prepared. This study has identified 15 types of potential industries that can be set up inside the zone such as food products, herbal products, leather products, garments, handmade paper products, handicrafts, metal products, sports wears, jewellery, plastic products, hosiery products, assembled electrical and electronics products, electrical/electronic parts and components and IT. Moreover, the products identified by Nepal Trade integrated Strategy (NTIS) like ginger, instant noodles also included.
**Completed Industrial Infrastructure**

Basic infrastructure like roads, electricity, water supply, bank, administrative Building, service centre, fuel station, cafeteria, 68 suitable industrial plots, drainage system, wastewater treatment plant, weighbridge, recreation zone, childcare centre, first aid services are available inside the zone. Some other facilities like complete one stop service centre yet to be started. BSEZ was supposed to provide direct employment to 2000 people while it comes in full operation.

**Status of the operation of the zone**

Out of total 68 plots only 19 plots are in operation. There are 24 plots already leased out but not operated so far, that means only 27 percent of plots are in operation.

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Operation of the Zone</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Plots in operation</td>
<td>19</td>
</tr>
<tr>
<td>2.</td>
<td>Unused /Unleased plots</td>
<td>25</td>
</tr>
<tr>
<td>3.</td>
<td>leased out plots</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td><strong>Total Plots</strong></td>
<td><strong>68</strong></td>
</tr>
</tbody>
</table>

**Production and Export status of Bhairahawa Special Economic Zone**

Bhairahawa SEZ was came into operation in 2019 with the operation of 5 industries such as Shakti Minirals, Brillent lightings, Vistaar Global, Panchakanya S.S. Export and Namobudda Metals. Now, 150 people are working inside the zone. In fiscal year 2019/20, the total production of these industries was equals to one billion rupees while during the four months of this fiscal year is more than 58 crores.

**4. Challenges and Prospective of SEZ in Nepal**

As an important instrument for economic development SEZ has both opportunities and challenges to the country like Nepal.

**4.1 Challenges/ Problems of SEZ in Nepal**

*a. lack of policy clarity to declare as SEZ*

There is no clear guideline or the procedures to declare SEZ. Comprehensive study of its possibility with the perspective of raw materials, labour force, infrastructure, transportation connectivity, electricity, international access to trade and other factors related to production and trade should be considered before to declare them.

*b. Industrial Districts/Park Vs SEZ*

There are no distinct differences between special economic zone and industrial park/district/state except the facilities inside the zone. There are 10 industrial districts in operation already and the large industrial estate in all provinces are under construction. At the same time there is a concept of industrial village in each local level too. There is no clear strategy and planning to manage such industrial estate/park/ village and coordination and networking among them to create synergy.

*c. Contradiction and overlapping of the policies and Institutions among the government*

As the investment is a cross cutting issues, many organizations should be involved on it. Similarly, there are many laws to be followed in every step of investment such as for registration, Investment
approval, taxation, IEE, EIA, Visa, FDI approval, repatriation. There is some duplication on policies and role of the institutions. Similarly, sometime there is contradictions among the policies for the same issues, so it is difficult to implement.

d. Lack of one stop service centre to deal with investment related cross cutting issues
The concept of one stop service inside the zone is there but it is not in implementation. investors are not getting their facilities and the required services to them from zone. Even in BSEZ investors are not getting all services from the spot. BSEZ is also not fully operated. To approve FDI there are various layer they have to cross like DOI, IBN.

e. private sectors are not transparent.
There is no harmonious relationship between government and private sectors. Sometime private sectors suspect over the government's policy and there is problem of compliance from private sector.

f. Lack of adequate research and Development on comparative advantages and competitiveness
In BSEZ the infrastructure development process seems to be very slow due to the problem of procurement to the contractor. In this global competition if we could not identify our areas of comparative advantages, it is difficult to carry out and sustained. in our cases there are very few research on the potential of our countries.

4.2 Prospects of SEZ in Nepal.
As some of the sectors with comparative advantages have been identified to invest by research and also by NTIS, there are potential to establish different types of SEZ in Nepal. Agro processing, enterprises, Manufacturing, mine mineral based, pharmaceutical, Energy based, hotel and tourism based, IT based, and service-oriented industries have prospects in Nepal to invest. There are some positive aspects so that establishment of such zones can have potential to attract foreign as well as domestic investment. Some of the positive factors are as follows.

a. Policies, Institutional and procedure Reforms
Some of new and more than one dozen laws related to economic sector including SEZ law have been amended few years back as a second-generation reform of law after 1992 to make them more investment friendly. FITTA, IEA, PPPAIA, Labour act are some of them. There are dedicated institutions to facilitate to approve and operate of the zones like SEZA, IBN, DOI, MOI. Steps of approval of investment has been reduced through its procedural reforms. one stop

b. Access to Market
As Nepal is situated in a strategic location between India and China, both economies can be our biggest market for trade of production. We are in regional and international trade ties such as WTO, SAARC, BIMISTEC. we have duty free access to India and China. In China we have access for over 7787 products. Everything but Arms (EBA) Arrangement for market access to EU Duty & quota-free market access on textile items to US through TIFA are some instruments to explore our investment and trade in international market.

c. Few competitions among the investors and vibrant market
There is limited competition among the investor due to few prominent foreign players and consumer base market is growing rapidly that is the positive aspect to invest in zone.
d. Young and energetic Human Resources
We have young, energetic, educated & trained work force available at market where 61% of population is between ages of 15 to 65.

e. Infrastructure Development
Industrial infrastructure has been developing like road, power sufficiency, new power projects are under progress. Cross Border Economic Zones, Industrial Districts, Industrial Village, Industrial Corridors and Product Specific Industrial area being developed that can be useful for subcontracting and clustering among the industries and it also supports to attract FDI and promotes international trade as well.

f. Double Taxation Avoidance Agreement (DTAA) AND Bilateral Investment Promotion and Protection Agreement (BIPPA)
We have DTAAs with 11 Countries, BIPPAs with 6 Countries and additional agreements with Potential countries are in pipeline. These agreements are to be considered as an important tool to attract FDI inside the zone.

g. Trade Connectivity
Existing Port facility with India and China, exploring additional connectivity and port facility has open the avenue for trade facilitation. Railways and water ways, mode of transportation is under Progress, Transport transit agreement with China, MOU on BIMSTEC grid inter connection on power trade with Bangladesh, transhipment procedural using electronic cargo tracking system on third country consignment via India are some positive aspects to promote the international trade.

h. Incentives and facilities to FDI and export-oriented industry
The provision of investment up to 100% foreign ownership in almost all sectors and easy repatriation of investment and profit, easy entry, operation and exit of Investment are also the positive aspect of doing business in Nepal. National treatment, provision of no nationalization and due process for expropriation, extra incentives and facilities inside the zone including financial and non-financial are some attractions of investment inside the zone.

i. Easy access to Visa
There is provision of non-tourist visa of 6 months for study, research & survey for potential foreign investors and business visa to foreign investors, representatives, and their family members during investment period.

j. Creating Conducive environment within the country
Federal and local level government are also focusing on economic development with competing each other for their own local level and provincial level development offering attractive package of incentives that creates conducive environment to investor.

5. Recommendation to Enhance the Role of SEZ in Economic Development of Nepal.

Based on the analysis and the findings of the study some recommendations have been mentioned as below.

- We need to operate BSEZ in full capacity.
Other feasibility studies should be reviewed based on the comparative advantages before to start the construction.
Provision of SEZ act should be implemented effectively.
One stop service to the investors should be provided effectively inside the zone.
Overlapping and the contradictory provisions on different law should be reviewed
SEZ Act should be considered as an umbrella act with all provisions regarding SEZ.
There should be only one institution to deal with the investment inside the zone
Enhance the capacity of SEZA with all resources including capable human resources.
SSEZ should come in operation soon
Remaining infrastructure development in other SEZ should be expedited
Networking and sub-contracting with industrial estate /park should be explored and enhanced.
The mandatory provision of 60% export of production seems to be revised after the consultation with private sectors.

6. Conclusion

SEZ can be an important instrument of economic development to attract foreign and domestic investment, capital formation, employment generation, transfer of knowledge, skill, and technology. Similarly, infrastructure development within the country and industrialization will enhance the trade efficiency of domestic enterprises which increase import substitution and export promotion that directly supports to reduce the trade deficit of country at large. At the same time, it supports to manage the liquidity crisis of market and balance of payment. In this regard process of construction and operation of SEZ should be expedite with the revision of existing legal framework and the role of the institution to making them more friendly to invest so as the role of SEZs to contribute to economic development of Nepal can be enhanced.

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