

**BUSINESS CLIMATE SURVEY**  
**Green Resilient  
Agricultural Productive  
Ecosystems (GRAPE)**  
**A tool to facilitate LRED**

## About the Tool

Business Climate Survey (BCS) is a tool to measure a territory's economic development progress and economic governance. In the case of GRAPE, it is applied at the municipality level.

BCS, as a **monitoring tool**, helps to:

- provide suitable indicators to track the development status of a location or a project; and
- measure development progress by comparing economic indicators over time.

BCS, as a **development tool**, also:

- enables inter-territorial benchmarking with other areas; and
- fuels competition among locations and, thus, accelerates development progress.

The BCS, as a **dialogue tool**,

- feeds survey results into policy dialogue and formulation.

## The Evolution of a climate smart BCS

The Green Resilient Agricultural Productive Ecosystems (GRAPE) project conducted its first BCS in 2020/21 to assess economic governance and business sentiments in eleven municipalities in the three provinces of Lumbini, Karnali, and Sudurpashchim.

The project redesigned the BCS in 2021, including an additional set of indicators assessing municipal performance in dealing with climate change and developing climate-resilient governance solutions at the level of municipalities, particularly in the agricultural sector.

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## GRAPE Framework and BCS

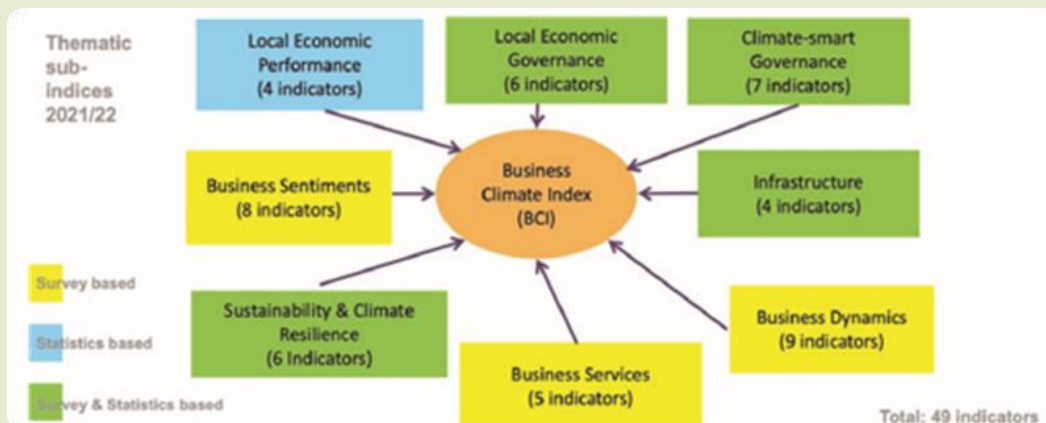
GRAPE's development goal is to promote climate-resilient, green economic growth in Karnali and Sudurpashchim provinces. Measuring economic governance is one of the project's core processes that contributes to achieving this goal. This core process helps municipalities shape an enabling business environment at the local level, with a specific focus on climate change resilience.

The diagnosis of the results of a regularly conducted climate smart BCS aims to recognise and understand the current strengths and weaknesses of each municipal governance system and generate recommendations for actions to address them.

Within GRAPE, BCS feeds into the identification of public action to be integrated in the respective municipalities' yearly planning.

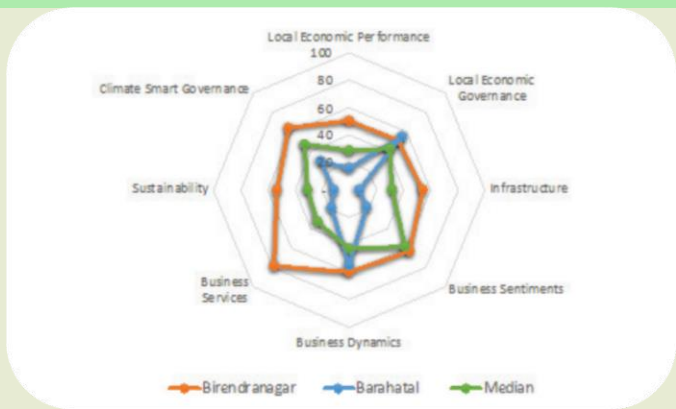
## Methods and Analytical Framework

The second BCS edition in 2021/2022 was a telephone-based survey with 5,690 enterprises from 42 municipalities. This is a representative sample of the actual economic structure in the respective municipalities. The analysis included establishing a baseline for a Business Climate Index (BCI) consisting of 49 indicators in 8 sub-indices based on survey results and statistics.



## Key Results

The median score for the BCI 2021/22 is 40 on a 1-to-100 scale. Birendranagar Municipality, with an average score of 59, stands ahead of the other 41 municipalities in the BCI. Siddharthanagar Municipality and Lamahi Municipality ranked 2<sup>nd</sup> and 3<sup>rd</sup> in 2021/2022. Barahatal Municipality ranked 42<sup>nd</sup> among all municipalities, with the lowest score of 26.



Rajapur Municipality is the best performer in Local Economic Performance, while Rutwal Municipality excels in Local Economic Governance. Lamahi

Municipality has a better-developed basic and economic Infrastructure compared to other municipalities. The Business Sentiments are most optimistic in Himali, while Dhangadhi shows the highest level of Business Dynamics. Enterprises in Birendranagar have the most optimistic assessment of the accessibility and quality of Business Services. Local actors in Nepalgunj most widely implement the concepts of Sustainability and Climate Resilience. The mountainous Simkot Municipality has reached the highest level of climate-smart governance performance.

## Use and Implications

BCS is a promising tool to assess Nepal's overall economic governance and development dynamics. The methodology is internationally tested, but it was tailored to the Nepali context and adapted to local circumstances and requirements.

In the future, the BCS and its BCI calculation will be transferred to partner organisations in Nepal for replication and upscaling.

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