

Nepal Doing Business 2020
Status Update
April 18, 2019

- This note seeks to provide an update on the status of Doing Business (DB) Reforms in Nepal.
- The November 2018 DB mission identified (i) “immediate” reforms that could be completed by April 30, 2019, which is the cutoff date for reforms to be reflected in *the DB 2020* report to be published in October 2019, and (ii) actions to be undertaken over the medium term (Annex 2). Annex 1 summarizes the status of the “immediate” reforms on the basis of meetings held with Mr. Mahesh Bhattarai, Under Secretary, OPMCM, responsible for coordinating DB Reforms on behalf of the Government. Additional information on the status of the “immediate” reforms is expected by April 23, 2019, after OPMCM meets with officials from all the relevant agencies.
- According to the new DB process, the Government will have to use a new online system to officially report all the reforms accomplished during the May 1, 2018-April 30th, 2019, period. ***The deadline to submit this “reform update” communication to the DB team is May 31st, 2019.*** The advantage of using this system is that the Government will receive an official response from the DB team on each point that they submit. This *reform update* process is independent of the surveys that the Government of Nepal recently received and are currently being completed. It is important for the Government to gather detailed evidence on the reforms for a timely on-line submission by the May 31st, 2019, deadline.
- A DB mission will visit Nepal on May 2-3, 2019, to discuss the key findings of the DB memorandum with relevant government officials and hold consultations on the proposed institutional arrangements to implement the recommendations stemming from the report.

Annex 1: Status of Immediate Actions (Low Hanging Fruits)

Action to be completed		Achievements to date	Pending actions to complete by April 30, 2019
Improve transparency			
Getting Electricity	Update the Nepal Electricity Authority website to include information on tariffs, tariffs changes, procedures, fees and service standards.	<ul style="list-style-type: none"> Information on tariffs is online available at: https://nea.org.np/admin/assets/uploads/Consumer_Tar_rif.pdf Service Commitment (New Line Connection, Repair and Maintenance) available at: https://nea.org.np/ <i>Committee meeting of April 18 deliberated on additional improvements and shall share details next week.</i> 	Appears complete.
Registering Property	Publish statistics tracking the number of transactions and fee schedules at the Land Revenue Office. Publish statistics on the number of land disputes.	<ul style="list-style-type: none"> Fee schedules available at: http://dolrm.gov.np/office/118/newsevents/economic-bill Number of Transactions and other details information available online (but only for authorized person) at: http://dolrm.gov.np/admin <i>Committee meeting scheduled for April 19 (10.30 am – 12 noon) with officials of Land Management, Cooperatives and Poverty Alleviation, MoFAGA and Kathmandu Municipality.</i> 	<p>[Appears feasible] The information related to the number of transactions should be available to the public and not only for authorized people. Currently, for login purposes you need to have a username and password.</p> <p>Statistics on the number of transactions at the immovable property registration agency must be disaggregated by property transaction, by location and by year. It is important to ensure that they are updated periodically.</p>
	Establish a dedicated independent complaint mechanism for the land registry at the Land Revenue Authority and the cadaster	<ul style="list-style-type: none"> Complaint can be submitted electronically at: http://dolrm.gov.np/office/118/ujuri 	<p>A complaint mechanism should go beyond an electronic submission platform.</p> <p>The complaint mechanism should be a third-party mechanism or agency which operates independently and reviews complaints about problems that occurred at the agency in charge of immovable property registration. Clear guidelines governing the complaint mechanism should also be developed.</p>
Enforcing Contracts	Publish on the Supreme Court website performance measurement reports for each of the district and high courts to monitor court performance.	<ul style="list-style-type: none"> District Court Daily Performance at: http://www.supremecourt.gov.np/weekly_dainik/report/daily_court_report District Courts' Judge-wise Daily Performance at: http://www.supremecourt.gov.np/weekly_dainik/report/judge_report 	[Appears feasible] The court statistics should also be presented on a <u>monthly</u> and <u>yearly</u> basis showing change over time.

Action to be completed		Achievements to date	Pending actions to complete by April 30, 2019
		<ul style="list-style-type: none"> Committee meeting scheduled for April 22, 2019 (10:30 am - 12 noon) with officials of MoLJPA, Supreme Court (Information Department) and Kathmandu District Court. 	
Construction permits	<p>Publish information regarding i) key steps in the building permit process from beginning to end; ii) key agencies involved; iii) all required documents that need to be submitted for each approval; iv) the names of all certificates, permits and approvals required in the process and v) timeframes and fees associated with the various approvals.</p> <p>This information should be freely and easily accessible through the Kathmandu Metropolitan city website (http://www.kathmandu.gov.np) and through the websites and brochures provided through the local bodies of architecture and city planning.</p>	<ul style="list-style-type: none"> Building Permit Procedure, 2075 covering all information required is available at: http://www.kathmandu.gov.np/sites/kathmandu.gov.np/files/documents/bhawan%20nirman%20karyabidhi.pdf Committee meeting held on April 18 (1:00 pm – 2:30 pm) with officials of MoFAGA, Ministry of Land Management, Survey Department, Ministry of Urban Development, Nepal Water Supply Corp., Kathmandu Municipality and Kathmandu Valley Water Supply Ltd. Progress expected due to (a) single permission system (instead of 3 steps permission); (b) reduction of time reduced to 30 days (municipality); (c) time reduced in soil test from 32 days to 15 days; (d) time in topography map reduced from 5 days to 1 day, Cost from NPR 20,500 to NPR 1000 for digital copy, NPR 150 for hard copy); and (d) water connection from 14 days to 7 days. 	<p>Key evidence and data on improvements should be collected and analyzed to ensure full implementation.</p> <p>Details of the reforms and supporting evidence should then be submitted to the Doing Business team in Washington through the online portal before May 31st, 2019.</p>
Enhance tax administration			
Paying Taxes	<p>Ensure full operationalization of e-Payment so that taxpayers can both file and pay electronically and consider putting in place incentives for uptake in usage</p>	<ul style="list-style-type: none"> Taxpayer can file tax returns electronically Taxpayer can pay tax amount electronically up to NPR 100,000 GoN is working towards operating fully e-Payment by August 2019 Committee meeting scheduled for April 21 (1:00 pm – 2:30 pm) with officials of IRD/MoF, MoICS, Consumer Protection Department, and Kathmandu Municipality Following enactment of Payment & Systems Act (expected by May/June 2019), operationalization of e- 	<p>Note: If E-payment will be fully operational only in August 2019, this reform is likely to be counted only in the DB2021 report, and not the upcoming DB 2020 report. (Cutoff date for reforms this year is May 01, 2019).</p>

Action to be completed		Achievements to date	Pending actions to complete by April 30, 2019
		<i>payment expected to be fully implemented by August 2019.</i>	
	Combine municipal taxes on vehicles with the ownership renewal tax on vehicles into a single filing	<ul style="list-style-type: none"> Vehicle owner can pay Vehicle Tax and Ownership Renewal Tax at a same time at the same counter. No separate filing is needed; just need to present Vehicle Ownership Certificate. 	Key evidence and data on improvements should be collected and analyzed to ensure full implementation.
Strengthen Institutions			
Getting Credit	Increase coverage of the credit information bureau to at least 5% through better integration of microfinance institution (MFI) information.	<ul style="list-style-type: none"> GoN performed very well in this regard and have already achieved the target. Hopefully, it'll reach around 8% by the deadline (May 2019) <i>Committee meeting scheduled for April 19 (1:00 pm – 2:30 pm) with officials of MoF, NRB, CIB and Nepal Bankers' Association.</i> 	Key evidence and data on improvements should be collected and analyzed to ensure full implementation.
Enforcing Contracts	Dedicate specialized commercial judges at the district and high courts	<ul style="list-style-type: none"> Most of the Commercial Disputes are directly registered in the High Court where there is already dedicated specialized commercial bench Kathmandu District Court having 33 Benches is working towards fixing some benches dedicatedly to Commercial disputes only. <i>Committee meeting scheduled for April 22 (10:30 am – 12 noon) with officials of MoLJPA, Supreme Court and Kathmandu District Court</i> 	<p>A key difference to note: There are still no dedicated specialized commercial judges as recommended in the DB Reform memo.</p> <p>Instead, there are specialized benches, but the same judge (person) will sit on different benches and oversee cases from different benches in the course of the same month, sometimes even in the same day.</p> <p>District Court: the same point above also applies here.</p>

Annex 2: Short and Medium-Term Recommendations

Topics	Short-term reform recommendations	Medium to long-term reform recommendations
Starting a Business	<ol style="list-style-type: none"> 1. Introduce standardized company incorporation forms and articles of association and make them publicly available at the office of the Company Registrar and online, reducing the need for a professional to verify and certify registration documents. 2. Conduct a revenue impact study to assess whether introducing a lower flat registration fee not based on the company's registered capital would be possible. 3. Eliminate the requirement to obtain a stamp to be attached to the registration form. 	<ol style="list-style-type: none"> 4. Establish a one-stop shop for business registration. 5. Make the registration process through the existing online system paperless. 6. Introduce electronic and mobile payment options for company registration fees. 7. Introduce a unique business identification number for companies and develop interoperable ICT systems and a common database to transmit and share business information among all government agencies. 8. Eliminate the requirement of obtaining a company stamp and ensure that it is not required in practice. 9. Ensure good practice mechanisms to sustain the quality, reliability, and transparency of the business registry as the repository of business data. 10. Ratify the 1961 Hague Apostille Convention to recognize official documents from other countries.
Dealing with Construction Permits	<ol style="list-style-type: none"> 1. Provide easy and transparent access to information for the applicant through effective communication of existing construction permit requirements. 2. Develop service delivery standards for the agencies involved in the building permitting process, as well as systems to track compliance to such standards. 	<ol style="list-style-type: none"> 3. Streamline the process of obtaining the certificate of project completion. 4. Encourage the use of the Electronic Building Permit system. 5. Introduce a risk-based classification of buildings based on their intrinsic features and intended use. 6. Explore the possibility of implementing a third-party review system that ensures adequate professional qualifications and liability regimes. 7. Consider introducing mandatory insurance requirements to cover structural defects. 8. Establish a one-stop shop for all building-related permits and clearances. 9. Implement a robust GIS system at the Kathmandu Metropolitan City (KMC) 10. Provide continuous training with key stakeholder groups – e.g. architects, engineers, construction companies and public officials – to inform the construction sector practitioners on the new reforms.
Getting Electricity	<ol style="list-style-type: none"> 1. Update the Utility's website to increase transparency of information for new electricity connections, including service delivery standards and fees associated with the various approvals and introduce a cost calculator. 2. Introduce a tracking system for electricity connection applications. 	<ol style="list-style-type: none"> 3. Increase availability of transformers at the utility to reduce the time and cost to get a new electricity connection. 4. Create an online application portal for new electricity connections and encourage its use. 5. Implement automated power outage monitoring tools. 6. Speed up the creation of an independent regulator to monitor the utility's performance on reliability of power supply. 7. Introduce financial deterrents to limit power outages. 8. Introduce a program to rehabilitate and modernize the distribution grid and reduce power outages. 9. Modernize the Utility's complaint mechanism. 10. Introduce a Geographic Information System (GIS) for the electricity distribution network. 11. Provide continuous training to staff of the utility and inspectors.

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Registering Property	<ol style="list-style-type: none"> 1. Create and make publicly available service delivery standards for the cadaster. 2. Make publicly available official statistics tracking the number of transactions at the immovable property registration agency. 3. Improve transparency by expanding the access to information on land ownership, maps and boundaries which are now only limited to intermediaries and interested parties. 4. Assess feasibility of lowering fees at the Land Revenue Office instead of a percentage of the property price. 5. Review the certificate of access and building from the Municipality. 	<ol style="list-style-type: none"> 6. Offer standardized transfer deed documents and make them publicly available. 7. Convert all land titles from paper format into a digitized format. 8. Create an electronic platform for the Land Revenue Office offering the possibility of online property transfers; tracking registrations and checking all interests in land, including financial encumbrances. 9. Establish a computerized performance management case tracking system. 10. Establish a dedicated complaint mechanism for the land registry and the cadaster. 11. Introduce a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by land registry. 12. Reduce the time to obtain decisions on land disputes from the District Courts in Kathmandu. 13. Increase transparency of the land administration system by publishing statistics on land disputes. 14. Create a Census Register to verify the accuracy of identity documents. 15. Increase the geographic coverage of the Land Registry and the Cadaster.
Getting Credit	<ol style="list-style-type: none"> 1. Further standardize and integrate data with micro-finance institutions (MFIs). 2. Require and integrate positive and negative bill payment information from non-financial institutions (insurance, telecoms, utilities, and retailers). 3. Lower the threshold for reporting loans to CIB 	<ol style="list-style-type: none"> 4. Develop a credit scoring system complementing credit reports as an additional value-added service. 5. Consider regulating CIB under a discrete legislation. 6. Balance secured creditor and borrower rights by mandating an automatic stay on enforcement with effective limits. 7. Ensure that a secured creditor's priority is respected based on the principle of "first-in-time, first-in-right," while respecting other critical national policy objectives.
Protecting Minority Investors		<ol style="list-style-type: none"> 1. Require shareholder approval of large related-party transactions. 2. Provide shareholders with an independent review of large related-party transactions on which to base their decision on. 3. Require immediate disclosure of large related-party transactions to the public through the regulator. 4. Review the legal framework to strengthen provisions that allow for holding directors accountable for their actions. 5. Give courts or the registrar the companies authority to disqualify directors involved in prejudicial related-party transactions. 6. Allow the court to void a related-party transaction that is harmful to the shareholders. 7. Require shareholder approval of major transactions. 8. Separate the role of chairperson of the board from that of CEO. 9. Mandate that entities gaining control over a body corporate make a public offer to all remaining shareholders

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		<p>10. Allow shareholders representing 5% of the capital to put items on the general meeting agenda.</p> <p>11. Establish a clear separation of roles and functions of market supervision, clearing and trading in securities.</p>
Paying Taxes	<p>1. Strengthen taxpayer education and communication, particularly to SMEs about the process of filing and paying taxes.</p> <p>2. Conduct a taxpayer perception and cost compliance survey for SMEs.</p> <p>3. Combine municipal taxes on vehicles with the ownership renewal tax on vehicles.</p> <p>4. Collect and publish key performance indicators for measuring the efficiency of audits.</p> <p>5. Introduce a statutory time limit for completing a tax audit and issuing the final tax report.</p>	<p>6. Identify options to reduce delays of VAT refunds for all companies.</p> <p>7. Strengthen auditors' capacity to conduct audit efficiently through a mandatory extensive training program for auditors on tax matters and apply it systematically to all area offices.</p> <p>8. Streamline the current corporate income tax audit procedure and implement a robust risk-management system.</p> <p>9. Assess the feasibility of reducing the frequency of filing and paying of social security, CIT and VAT.</p> <p>10. Offer online filing and payment for social security contributions.</p> <p>11. Upgrade and optimize the online filing and payment systems.</p>
Trading Across Borders	<p>1. Identify opportunities to streamline documentation requirements for export and import.</p> <p>2. Develop an inventory of all fee schedules to identify possibilities for reducing the administrative costs linked to importing and exporting.</p> <p>3. Improve information availability, particularly on procedures and fees for trading across borders.</p> <p>4. Conduct an evaluation of the implementation of ASYCUDA World system to assess user uptake and the functionality of the system.</p> <p>5. Improve inter-agency coordination for border management.</p>	<p>6. Update customs legislation through a new consolidated Customs Act.</p> <p>7. Create a national single window for trade using ASYCUDA World as its platform.</p> <p>8. Encourage pre-arrival processing of all document requirements electronically.</p> <p>9. Adopt an effective Risk Management (RM) and Post-Clearance Audits (PCA) systems and promote the use of Trusted Traders and/or Authorized Economic Operators regimes.</p> <p>10. Provide continuous training to customs staff (and other government officials) in charge of the daily operations and educate trade operators on the new procedures and processes.</p> <p>11. Enhance cross-border cooperation with neighboring countries.</p>
Enforcing Contracts	<p>1. Publish all commercial laws and judgments at the District, High and Supreme Court-level.</p>	<p>2. Consider establishing a specialized commercial bench at the Kathmandu District Court and provide adequate training to judges hearing commercial cases.</p> <p>3. Collect and leverage internal statistics to identify and address underlying causes of delays.</p> <p>4. Collect and publish statistics on time to disposition, clearance rates, age of pending cases, and single case progress for every court.</p> <p>5. Use the data collected at the courts to introduce accountability measures and improve efficiency at the courts.</p> <p>6. Introduce the use of pre-trial conferences.</p> <p>7. Improve the flow of cases through stricter rules on time standards.</p> <p>8. Regulate the maximum number of adjournments and continuances that can be granted.</p> <p>9. Enhance automated case management systems at courts.</p>

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		<p>10. Consider the use of electronic systems for filing of summons, service of process and payment of court fees such as electronic filing, electronic service of process, and electronic payment of court fees.</p> <p>11. Enhance training for judges and judiciary officers</p>
Resolving Insolvency		<p>1. Raise awareness of the restructuring proceedings among stakeholders to increase their willingness to consider them as a viable option.</p> <p>2. Promote a smooth conversion from liquidation into reorganization proceedings.</p> <p>3. Adopt non-binding principles for out of court workouts for debtors and creditors.</p> <p>4. Enhance the institutional and judicial framework as it affects the timely review of insolvency cases.</p> <p>5. Enable the debtor and any of its creditors to be able to initiate collective insolvency proceedings of reorganization.</p> <p>6. Allow the continuation of contracts supplying essential goods and services to the debtor.</p> <p>7. Enable the setting aside of overly burdensome contracts that interfere with business survival.</p> <p>8. Divide the creditors into classes for the purposes of voting on the reorganization plan (with each class voting separately and with creditors in the same class treated equally).</p> <p>9. Ensure creditors have a say in the selection of inquiry officers and insolvency practitioners.</p> <p>10. Require creditor approval for the sale of substantial assets of debtor.</p> <p>11. Ensure creditors have the right to request, at any time, information from the insolvency representative on the debtor's business and financial affairs.</p> <p>12. Allow individual creditors to object to decisions accepting or rejecting their claims and that of other creditors.</p> <p>13. Invest in the capacity of the institutions handling insolvency cases, and in regulations and training for practitioners.</p> <p>14. Explore establishing an expedited framework for SME insolvency.</p> <p>15. Adopt the UNCITRAL Model Law on Cross-Border Insolvency.</p>