

Nepal fiscal policy 2020-12-13

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This note presents a brief analytical report covering the country's fiscal policy in the current COVID-19 pandemic context.

Nepal belongs to a group of five Asian countries, along with Bangladesh, Kirgizia, Myanmar, and Tajikistan, which are a subset of 32 countries classified by the United Nations as Low/Lowest Income Countries (LIC).¹ Within the LIC countries, Nepal is one of the best performers in diverse international economic surveys. In particular, Nepal is ranked 94th among 190 economies in the World Bank Ease of Doing Business survey. The 2020 Nepal's rank significantly improved from the 110th position in 2019.²

1. GDP, enterprises, labor

In 2018, the country's total gross domestic product (GDP) amounted to 3,045 billion Nepalese rupees (NPRs), or US\$ 29 billion (1,030 US\$/capita). According to official statistics, Agriculture contributed one-quarter to the Nepalese GDP (Table 1 and Figure 1). This contribution is possibly even greater, since most of this sector belongs to the economy's unofficial segment, and the estimates may undercount the total agricultural output. The GDP share of Agriculture has been gradually shrinking: from 38.2% in 2000 to 24.3% in 2019. The other large GDP contributors are Trade, Finance, and Other services (Administration, Healthcare, Education, and Other).

Table 1 Structure of the Nepalese economy: GDP and labor, 2018	GDP		Employees		Productivity
Sector	Billions of NPRs	%	Thous and	%	NPRs/Employee
Total	3,045	100.0%	7,086	100.0%	429,710
Agriculture, forestry, and fishing	784	25.8%	1,523	21.5%	515,097
Mining and quarrying	17	0.5%	59	0.8%	282,130

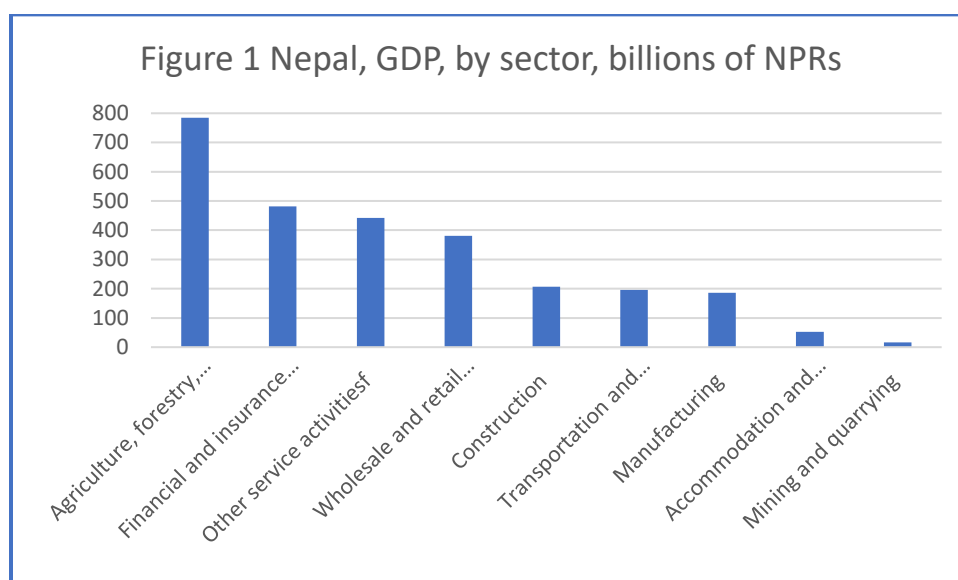
¹ Country classification, 2014,

https://www.un.org/en/development/desa/policy/wesp/wesp_current/2014wesp_country_classification.pdf

² <https://www.doingbusiness.org/content/dam/doingBusiness/country/n/nepal/NPL.pdf>

Manufacturing	185	6.1%	1,148	16.2%	161,560
Construction	206	6.8%	978	13.8%	210,854
Wholesale and retail trade; repair of motor vehicles	381	12.5%	1,240	17.5%	307,311
Accommodation and food service activities	52	1.7%	371	5.2%	141,273
Transportation and storage	196	6.4%	322	4.5%	609,231
Financial and insurance activities	482	15.8%	215	3.0%	2,240,254
Other service activities	442	14.5%	1,230	17.4%	359,064
All other	299	9.8%			
Source: Asian Development Bank					

Interestingly, according to the data published by the Asian Development Bank (ADB), the productivity of Agriculture (GDP/Employee) exceeds the national average. Apparently, total employment in Agriculture is at least twice as large as the one reported by the ADB. The non-accounted workers are family members, which are not included in the data. According to some sources, in 2015, Agriculture employed more than two-thirds of the country's labor force.³



Source: Asian Development Bank

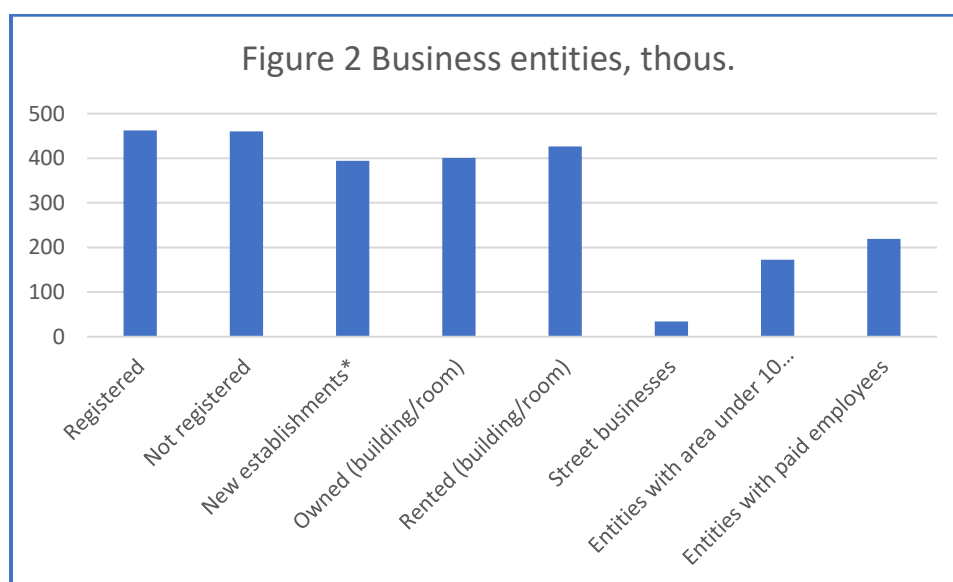
According to the recent National Economic Census, in 2018, there were 923.4 thousand business entities, including 462.6 thousand registered companies (Table 2 and (Figure 2)).⁴

Table 2 Results of the National Economic Census, 2018		
Number of business entities, thousands	923.4	100.0%
Registered	462.6	50.1%
Not registered	460.4	49.9%

³ Ecorys/Nathan, *Roadmap to Post-Covid Recovery for Nepal's SMEs*, August 2020, <https://www.cia.gov/library/publications/the-world-factbook/geos/np.html>

⁴ Nepal Central Bureau of Statistics, *National-Economic-Census-2018-National-Report-3-1; National-Economic-Census-2018-National-Report-3-1-Tables*

New establishments*	394.2	42.7%
Owned (building/room)	400.8	43.4%
Rented (building/room)	426.4	46.2%
Street businesses	34.1	3.7%
Entities with an area under ten sq. m.	173.0	18.7%
Entities with paid employees	219.3	23.8%
Persons engaged, millions	3.2	
Persons per entity	3.5	
Paid employees, million	1.7	
Average monthly wage, NPRs**/	20,583	
*/ Started business between April 2015 and April 2018		
**/ About US\$ 200		
Source: Nepal Central Bureau of Statistics, National-Economic-Census 2018		



Source: Nepal Central Bureau of Statistics, National-Economic-Census 2018

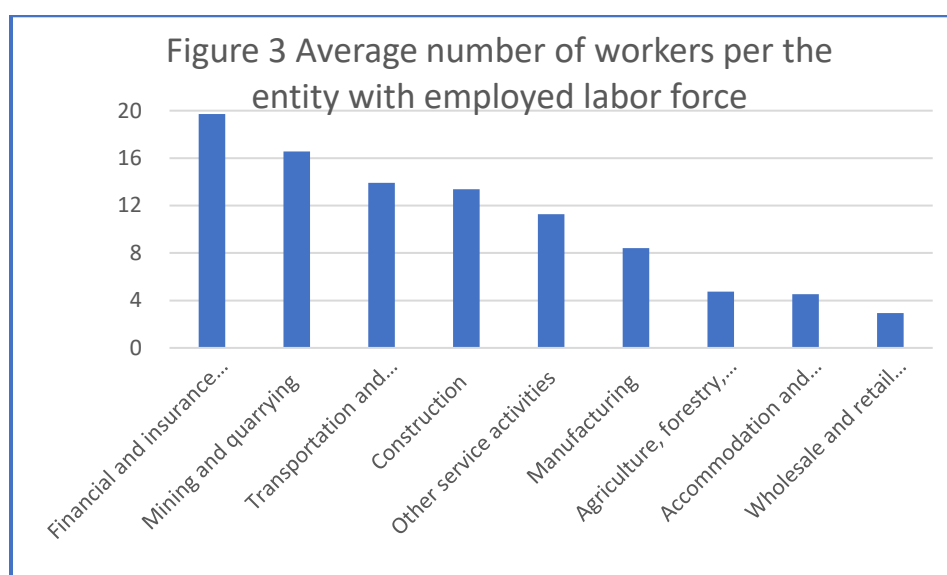
The share of micro, small, and medium enterprises (MSMEs), or simply small and medium enterprises (SMEs), depends on their definitions. E.g., in the European Union's (EU) terminology, a micro-company employs up to 10 workers. A company with 11-50 employees is classified as a small enterprise. A medium-sized business is one with 51-250 employees.⁵ If to apply these specifications, almost all of Nepal's businesses would be classified as MSMEs (Table 3 and Figure 3).

Table 3 Business entities, employees and self-employed	Entities with Paid Employees	GDP/Entity	Employees	Employees / Entity	Non-employees (self-employed)	Share of self-employed in Total
	Businesses					

⁵ <https://www.investopedia.com/terms/s/smallandmidsizeenterprises.asp>

Sector	Entities	%	Millions of NPRs	Persons Thous.	%	Persons	Persons Thous.	%	%
Total	219,303	100.0%	13.88	1,709	100.0%	7.8	5,377	100.0%	75.9%
Agriculture, forestry, and fishing	9,008	4.1%	87.09	43	2.5%	4.7	1,480	27.5%	97.2%
Mining and quarrying	394	0.2%	42.25	7	0.4%	16.6	52	1.0%	88.9%
Manufacturing	41,197	18.8%	4.50	347	20.3%	8.4	801	14.9%	69.8%
Construction	874	0.4%	235.94	12	0.7%	13.4	966	18.0%	98.8%
Wholesale and retail trade; repair of motor vehicles	64,107	29.2%	5.94	188	11.0%	2.9	1,052	19.6%	84.8%
Accommodation and food service activities	22,042	10.1%	2.38	100	5.8%	4.5	271	5.0%	73.1%
Transportation and storage	1,072	0.5%	183.00	15	0.9%	13.9	307	5.7%	95.4%
Financial and insurance activities	10,519	4.8%	45.79	207	12.1%	19.7	8	0.1%	3.6%
Other service activities	70,090	32.0%	6.30	791	46.3%	11.3	439	8.2%	35.7%

Source: Nepal Central Bureau of Statistics, National-Economic-Census 2018



Source: Nepal Central Bureau of Statistics, National-Economic-Census 2018

In Nepal, enterprises' definitions are stipulated by the Industrial Enterprise Act 2016 (Table 4). Only, in the case of micro-enterprises, the number of employees is used as one of the criteria for the classification. According to these definitions, MSMEs contribute an estimated 22% to GDP while creating employment for 1.7 million people.⁶ Several other reports confirm the 22% contribution to GDP but quote a larger employment figure: 2.36 jobs. An estimated 33% of MSMEs fund their initial capital from the ancestral property, 26% use their proprietor's savings, while only 16% is financed through bank loans.⁷

⁶ What are the Challenges for Nepali SMEs Amidst COVID-19 Crisis, April 2020, <https://bfconsulting.com/what-are-the-challenges-for-nepali-smes-amidst-covid-19-crisis/>; SMEs Financing in Nepal: Five key findings of the report, September 2019, <https://nepaleconomicforum.org/neftake/smes-financing-in-nepal-five-key-findings-of-the-report/>

⁷ A roadmap to post-COVID recovery for Nepal's agri and tourism SMEs, August 2020, <https://www.ecorys.com/united-kingdom/latest-news/roadmap-post-covid-recovery-nepals-agri-and-tourism-smes>, <https://beamexchange.org/resources/1383/>, September 2020; SMEs face procedural hassles on receiving loans from banks,

Table 4 Nepalese classification of enterprises	
Micro-enterprise	▪ Fixed capital up to 5 lakhs (1 lakh = 100,000 NPRs) ▪ The capacity of equipment applying electrical energy lower than 20 kilowatts ▪ Run by the proprietor himself ▪ Not exceed nine employees, including the proprietor ▪ Annual turnover lower than fifty lakhs
Cottage enterprise	▪ Use of traditional skill and technology and culture, use of local resources, labor-intensive ▪ The capacity of equipment or applying electrical energy lower than 10 kilowatts
Small enterprise	▪ Company other than micro-enterprise and cottage enterprise, with fixed capital up to 10 crores (1 crore =10,000,000 NPRs)
Medium enterprise	▪ Company with fixed capital of 10-25 crores
Large enterprise	▪ Company with fixed capital greater than 25 crores
Source: Industrial Enterprises Act (IEA) 2016, http://www.bpaca.com.np/2018/06/industrial-enterprises-act-iea-2016.html	

The National Economic Census data show that only less than one-quarter of entities employed a paid labor force (Table 2). It can be assumed that the remaining three quarters were small businesses in terms of the colloquial sense of this term. Moreover, the average number of employees in the companies with paid labor force was 7.8 persons. In Agriculture, Trade, and Accommodation, this indicator was lower than five persons (Figure 3). Hence, a large number of these businesses can also be classified as MSMEs.

Once the numbers of employees are broken down into (i) those working in the companies employing workers, and (ii) all others, the composition of employment by sector looks differently from the census figures. In particular, the share of workers employed by the formally registered agricultural companies is only 2.8% (0.043 million persons), while 97.2% (1.480 million) are self-employed and/or working informally. Other service activities (including Public administration, Education, and Healthcare) and Finance are the only two sectors where the numbers of employees are greater than those of self-employed.

According to one source, Nepal's informal sector alone employs around 62% of its total labor force, nearly 4.4 million people.⁸ However, it is not clear who precisely is defined as an informal worker. If these numbers are accurate, the Nepalese economy's total number would be 7.1 million (same as the figure displayed by the ADB). However, the CIA Factbook estimates the total labor force at 16.81 million and the unemployment rate at 3% (2017).⁹ The latter indicator must have become several times greater during the COVID-19 pandemic. Table 5 shows our re-calculation of the labor force in Nepal. Most of the persons included in the "All other" category are family members working in smallholder farms.

Table 5 Labor force	Million persons	%
Labor force*/	16.81	100.0%
Unemployed*/	0.50	3.0%
Employed*/	16.31	97.0%
Agriculture	11.25	66.9%

⁸COVID-19 pandemic has devastated the economy. But there is still time to save it from total collapse, September 2020, <https://myrepublica.nagariknetwork.com/news/covid-19-pandemic-has-devastated-the-economy-but-there-is-still-time-to-save-it-from-total-collapse/>

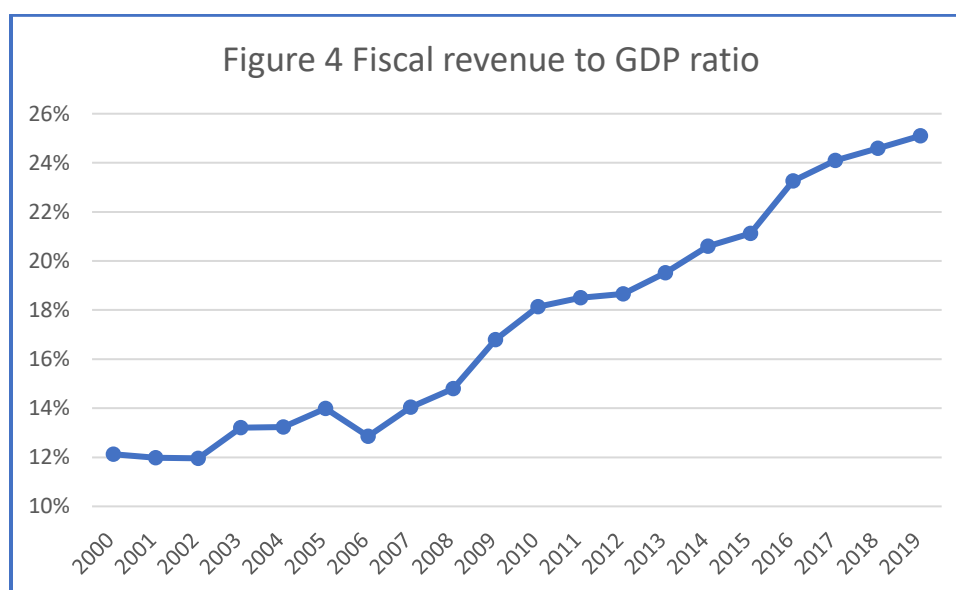
⁹ The CIA Factbook, Nepal, 2017, <https://www.cia.gov/library/publications/the-world-factbook/geos/np.html>

Manufacturing	1.96	11.6%
Services	3.10	18.4%
Engaged into economic activity**/	3.23	19.2%
Paid employees, million**/	1.71	10.2%
Formally employed***/	2.70	16.1%
Informal employees***/	4.40	26.2%
All other	9.21	54.8%
*/ CIA Factbook, 2017		
**/ National-Economic-Census 2018		
***/ https://bfconsulting.com/what-are-the-challenges-for-nepali-smes-amidst-covid-19-crisis/		

To recapitulate, it seems safe to affirm that almost all businesses are small in Nepal except for a few. A policy aimed at providing support for SMEs is practically a socio-economic policy to support nearly the entire economy and its labor force.

2. Pre-COVID-19 fiscal policy

Nepal serves as a role model for other low-income countries in enhancing tax collection (Figure 4).¹⁰ Between 2002 and 2019, it managed to more than double its Revenue-to-GDP ratio. Nepal has adeptly used multiple tax policy instruments to boost tax collection (for instance, reducing tax exemptions, raising excise taxes, and increasing the value-added tax (VAT) threshold). The 2019 GDP ratio (25%) is already quite elevated – one of the highest in the group of low-income countries. Further increases may harm the economic growth of the country.



¹⁰ *Mission Impossible? Can Fragile States Increase Tax Revenues?*, September 2020, <https://blogs.imf.org/2020/09/25/mission-impossible-can-fragile-states-increase-tax-revenues/>

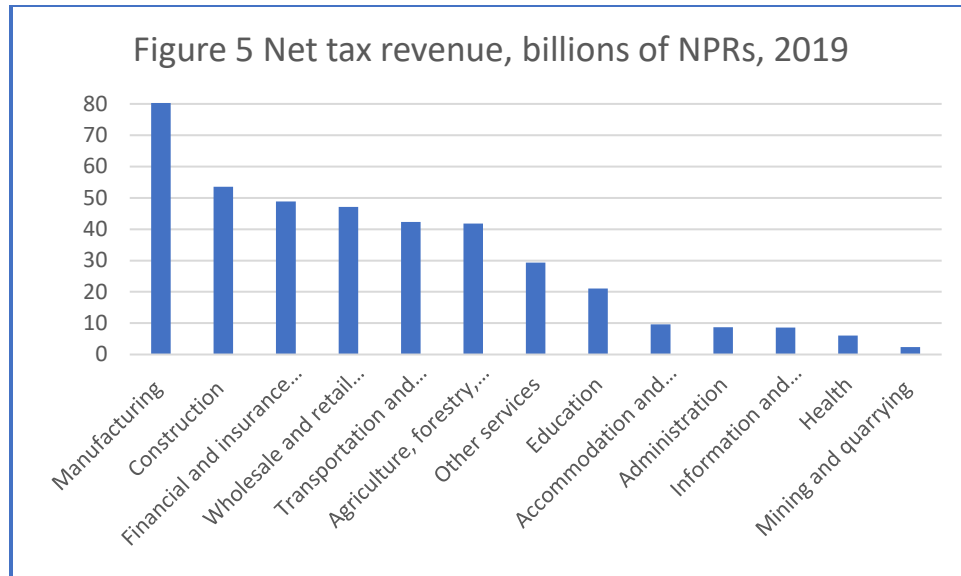
Source: Asian Development Bank

Manufacturing is the largest contributor to the Nepalese budget (Table 6 and Figure 5). In 2019, its share was one-fifth of total revenue. The revenue is collected predominantly by the indirect taxes levied on the consumer goods produced by this sector. Three-fourths of the gross revenue (tax revenue net of subsidies) is provided by indirect taxes, mostly by the VAT. The contribution of the personal income tax (PIT) is low: 3.1% of gross tax revenue. However, the revenue derived from corporate income taxes is relatively high: 23.8% of total gross revenue or 5.8% of GDP. The statutory corporate income tax (CIT) rate is 25%, higher than the average for the most high-income countries-members of the Organization for Economic Co-operation and Development (OECD).¹¹ In the OECD tax database, the average CIT rate for 111 countries is 20.9%. The rates in most countries, including the LICs, are lower than 25%.

Table 6 Tax revenue, 2019 estimates Billions of NPRs	Net taxes	PIT	CIT	Domestic VAT	Import taxes	Other taxes	Subsidies
Total	400.2	23.1	177.4	398.7	138.6	6.9	-344.5
Agriculture, forestry, and fishing	41.8	1.2	8.9	101.8	14.0	1.4	-85.5
Mining and quarrying	2.4	0.2	1.5	2.7	0.7	0.0	-2.8
Manufacturing	80.7	4.5	16.1	28.4	39.8	1.2	-9.3
Construction	53.5	3.9	17.7	31.2	29.0	0.8	-29.0
Wholesale and retail trade; repair of motor vehicles	47.1	4.9	34.6	60.9	3.3	0.7	-57.3
Accommodation and food service activities	9.7	1.5	4.0	7.1	3.3	0.2	-6.4
Transportation and storage	42.3	1.3	12.8	22.6	29.5	0.5	-24.3
Information and communications	8.6	0.2	3.9	6.9	3.7	0.2	-6.4
Financial and insurance activities	48.8	0.5	34.0	59.9	4.6	0.8	-51.1
Other service activities	65.2	4.9	43.8	77.2	10.6	1.1	-72.4
Administration	8.7	0.6	6.3	11.0	0.8	0.1	-10.2
Education	21.1	1.6	16.4	29.0	0.9	0.3	-27.1
Healthcare	6.1	0.5	3.6	6.3	3.2	0.1	-7.6
Other	29.3	2.2	17.6	30.9	5.6	0.5	-27.5

Source: Asian Development Bank

¹¹ Corporate tax statistics, <http://www.oecd.org/tax/beps/corporate-tax-statistics-database.htm>



Source: Asian Development Bank

3. The COVID-19 pandemic

Between January 23 and October 3, 2020, in Nepal, 82,450 coronavirus cases were recorded, out of which there were 57,389 recoveries and 520 deaths.¹² Given these figures, Nepal belongs to a group of countries with relatively low numbers of infections and fatalities. The country's indicators (2,817 cases and 18 deaths per million population) are solidly below the world averages (4,469 cases and 133 deaths).

The government deserves a lot of credit for its policies.¹³ At the end-March, the authorities imposed a nationwide lockdown, a ban on domestic and international flights, and a closure of land border crossings. Since then, the restrictions have been gradually lifted.

Nepalese fiscal policy interventions during COVID-19

- ☐ Increased healthcare spending
- ☐ Daily food rations for the most vulnerable persons
- ☐ Subsidized utility bills for small-usage customers
- ☐ Extensions of tax-filing deadlines
- ☐ Partial compensations for persons who lost wages in the formal sector
- ☐ Public-works projects, for a subsistence wage, for persons who lost wages in the informal sector, or 25% of local daily salary for those of them who choose not to participate in the projects
- ☐ Business-support: a lending program for cottage and tourism sectors, also for some other SMEs
- ☐ Job-creation: labor-intensive jobs in the construction sector

¹² COVID-19 CORONAVIRUS PANDEMIC, October 2020, <https://www.worldometers.info/coronavirus/#countries>

¹³ Policy Tracker, September 2020, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

- ❑ Vocational training for work in the manufacturing and services sectors
- ❑ Monetary and macro-financial policy measures
 - The Nepal Rastra (Central) Bank (NRB) reduced the policy interest rates; directed banks to apply lower interest rates; provided additional liquidity support for banks[relaxed some of the regulatory banking restrictions; provided subsidized funding for banks willing to lend at a concessional rate to priority sectors: SMEs, including cottage businesses, agriculture, tourism energy/hydro, education, export, social infrastructure, medicine, cement, and garment industries.¹⁴

4. Post-COVID-19 policy interventions

Our recommendations and comments:

- ❑ Follow the principal policy guidelines that can help overcome the current pandemic crisis:¹⁵
 - Promotion of inclusive growth
 - Good governance, transparency, and accountability
 - Effective regulation and supervision
 - Sound macroeconomic strategy
 - Creation of fiscal space and building buffers against external shocks
 - All-encompassing debt management
 - Tackling corruption and money laundering
 - Continuation of practicing a counter-cyclical policy
- ❑ Continue fiscal support provided to SMEs
 - Since access to capital will continue being tight, government stimuli will be the main factor that businesses will look to for their survival and recovery
 - Fiscal business support consists of direct business cash support, particularly for the health sector, tourism, and SMEs
- ❑ Undertake a comprehensive analysis of revenue effects of the current tax rates (tax expenditures, tax compliance gaps, marginal effective tax rates, micro-simulation models, fiscal incidence models, sectoral impact models, cost-benefit analysis, and others); consider restructuring some of the rates, cutting statutory rates while curbing some exemptions (the revenue foregone due to special provisions such as exclusions, deductions, deferrals, credits, and tax rates that benefit specific activities or groups of taxpayers); target high potential revenue sectors, e.g., consumption financed by large receipts of remittances; analyze compliance gaps to develop improvements in tax collection; formulate and implement a strategy aimed at formalizing jobs in the informal sector which according to some estimates amount to 80% of the labor force (Table 5)
 - Over the last two decades, Nepal has greatly improved its tax policy and administration. However, more efforts are needed. Most of Nepal's scores in the World Bank's Ease of Doing Business (which is focused predominantly on

¹⁴ Priority Sector Lending In Nepal: Importance and Complication, October 2020, <https://www.investopaper.com/news/priority-sector-lending-in-nepal/>

¹⁵ Nepal request for disbursement under the rapid credit facility, May 2020, <file:///C:/Users/User/Downloads/1NPLEA2020003.pdf>

mid-sized enterprises) are good (the overall rank = 94 out of 190 countries). However, among the ten main criteria used by the survey, Nepal's worst rank is in "Paying taxes" (rank = 175). An in-depth analysis of the reasons for this unsatisfactory performance, based on best international experiences, should advise policymakers on improving this policy sector.¹⁶

- The OECD has estimated that, on average, even a modest 1% increase in the tax rate results in a 3.7% decrease in foreign direct investment (FDI) after adjusting for variations based on the country and type of industry.¹⁷

- ❑ Provide help to protect, retain, and create jobs; consider co-financing employment guarantee schemes; take advantage of best international practices applied in the low-income countries
 - According to a United Nations Development Program's (UNDP) study, in Nepal, three in every five employees in both formal and informal MSMEs have lost their jobs due to the pandemic. Those still employed are facing pay cuts. Tens of thousands of others working in the informal sector are unaccounted for.
 - International Labor Organization (ILO) has estimated that 2.5 million jobs are required in Nepal if the COVID-19 pandemic continues. Nearly 500,000 youths enter the job market every year.¹⁸
 - In July, the NRB showed that 22% of people employed in the industrial sector had already lost their jobs. With no external support, most MSMEs have already started further laying-off their workers.¹⁸
 - According to the results of a survey of the International Finance Corporation (IFC) conducted between May 25 and June 10 among 540 representatives of MSMEs, over 80% of Nepal's MSMEs suffered from a slump in sales amid the COVID-19 pandemic; 45% of the firms had granted a leave of absence to employees, and 27% had reduced working hours. Over half of MSMEs faced the risk of permanently closing their operations.¹⁸
 - Another survey conducted by the NRB in August 2020 also revealed the difficult condition of MSMEs, with the majority being closed completely compared to bigger enterprises. Over 95% of small and cottage industries had responded, saying that their business went down by over 73%.¹⁹
- ❑ Further develop safety nets, social protection measures to sustain the livelihood of the people: continue supporting temporary work programs for the unemployed migrant workers and enhancing debt relief measures for businesses and individuals, provide social assistance to the population
 - The World Bank: the impact of the pandemic will hit low-income people hard, especially the informal workers in hospitality, retail trade, and

¹⁶ Tax reductions, tax exemptions, exemptions from Social Security contributions in many emerging market economies, including: Angola, Benin, Cambodia, Cameroon, Egypt, El Salvador, Honduras, Kenya, Kyrgyzstan, Laos, Madagascar, Malawi, Mali, Mongolia, Mozambique, Chad, Niger, Pakistan, Dominican Republic, Rwanda, Thailand, Uganda, Vietnam, *Policy Tracker*, September 2020, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

¹⁷ *Delaying In Implementation Of Public Private Partnership Act Hinders Foreign Investment*, September 2020, <https://www.spotlightnepal.com/2020/09/22/delaying-implementation-public-private-partnership-act-hinders-foreign-investment/>

¹⁸ *COVID-19 pandemic has devastated the economy. But there is still time to save it from total collapse*, September 2020, <https://myrepublica.nagariknetwork.com/news/covid-19-pandemic-has-devastated-the-economy-but-there-is-still-time-to-save-it-from-total-collapse/>

¹⁹ *Small, medium enterprises in Nepal severely impacted by COVID-19 pandemic: survey*, September 2020, http://www.xinhuanet.com/english/2020-09/23/c_139391562.htm

transport sectors who have limited or no access to healthcare and social safety nets.¹⁸

- Many countries with a similar situation, such as Vietnam, Thailand, and Fiji, have taken several policy and support measures, such as refinancing programs to facilitate credit to SMEs and mitigate the harmful effects of COVID-19 shocks, targeted job retention program to support firms and employment in the country, delivered direct compensation to MSMEs to save jobs and support livelihoods of people who are hard hit by the pandemic. These countries have massively expanded social protection measures, such as conditional and unconditional cash transfer for subsistence, waiver or postponement of utility and financial obligation, universal one-off cash, childcare support, and social pensions.¹⁸
- ❑ Support gender-responsive market development to ensure women safety and dignity in the marketplace; promote employment opportunities for women
- ❑ Provide the funding for the flow of information available to SMEs, activate information channels enabling the smallholders to account for market conditions in their business decisions: information on demand, prices, market disruptions, gaps in supply, public health, etc.
 - Currently, there occur high levels of uncertainty about which crops to grow (planting staples versus pricy commodities) with a significant impact on cash forecasting.
 - The survey carried out by the NRB in 2019 on SME financing had shown that the majority of SMEs were unaware of programs launched by the government and the NRB. This resulted in low uptake of subsidized or concessional finance. Under these circumstances, even when the government launches stimuli and relief packages, the lack of awareness amongst SMEs will curtail these measures' effectiveness. As 85% of SMEs take loans from commercial banks, it becomes crucial that there is clear communication with businesses on how to benefit from government programs or to explore options for loan restructuring, based on the projected revival of particular firms to keep businesses afloat during the crisis and after the crisis.²⁰
- ❑ Undertake an international marketing campaign for the country advertising Nepal as a world-class, safe, and environmentally responsible tourism destination; promote recovery and sustainability of tourism; continue research of the tourism sector and compilation of databases; also foster domestic tourism digitalization of the sector²¹
 - Nepal's tourism sector contributes just 2.1% to GDP. The sector employs over 500,000 people.¹⁸ While the current GDP share of tourism is modest, the sector is considered one of the country's significant comparative advantages, possessing great potential. The promotion of FDI and fostering public-private partnerships in capital investments into tourism infrastructure would stimulate SMEs' further development in this sector.
- ❑ Expand public capital investments
 - Examples of important investment projects include:

²⁰ What are the Challenges for Nepali SMEs Amidst COVID-19 Crisis, Are there any silver linings emerging? What can SMEs do next?, April 2020, <https://bfconsulting.com/what-are-the-challenges-for-nepali-smes-amidst-covid-19-crisis/>

²¹ Nepal Tourism Board slashes budget for current fiscal, August 2020, <https://thehimalayantimes.com/business/nepal-tourism-board-slashes-budget-for-current-fiscal/>

- Development of road infrastructure (ensuring that this does not affect natural habitats or increase the potential for landslides)
 - Improved waste management systems (toilet facilities, litter collection)
 - Health facilities
 - Environmental protection
 - Improvements in e-commerce logistics and reliability of electricity (without which the internet cannot function)
 - Digital financial infrastructures
- An increase in public investment is seen as an alternative or supplement to the "helicopter money" (a large sum of new money that is printed and distributed to the public to stimulate the economy during a recession)
- ❑ Implement the Public-Private Partnership and Investment Act (PPPIA) 2019
 - Quick implementation of this law will help in financing infrastructure projects.²²
- ❑ Support digital transformation
 - SMEs need to adopt digital solutions to remain competitive and survive. Priority should be given to removing barriers to competition and increasing investment in information and communications technology to ensure universal access to affordable high-speed internet.
 - Educational and labor market reforms are needed to reduce the digital skill gaps, develop digital literacy and awareness programs.

²² *Delaying In Implementation Of Public Private Partnership Act Hinders Foreign Investment*, September 2020, <https://www.spotlightnepal.com/2020/09/22/delaying-implementation-public-private-partnership-act-hinders-foreign-investment/>