

## Nepal

Exchange rate: US\$1.00 equals 73.85 rupees.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First and current laws:** 1962 (provident fund); and 1994 (old-age allowance), with 1995, 1996 (widow's allowance and disability pension), and 2002 (eliminating drawdown payment) amendments.

**Type of program:** Provident fund and social assistance system.

#### Coverage

**Provident fund:** Compulsory coverage for government employees.

Voluntary coverage for any organization with 10 or more employees.

Exclusions: Self-employed persons, temporary workers, part-time workers, and domestic servants.

Special system for civil servants.

**Social assistance:** Nepalese citizens aged 75 or older, aged 60 or older and a widow, or aged 16 or older and assessed as disabled.

#### Source of Funds

##### Provident fund

**Insured person:** 10% of monthly earnings.

**Self-employed person:** Not applicable.

**Employer:** 10% of monthly payroll. (Additional voluntary contributions may be made by employers on behalf of employees.)

There are no maximum earnings for additional voluntary contributions.

**Government:** None.

##### Social assistance

**Insured person:** None.

**Self-employed person:** None.

**Employer:** None.

**Government:** The total cost.

#### Qualifying Conditions

**Old-age benefit (provident fund):** Paid on retirement or the termination of employment. The legal retirement age is

age 55; retirement may be deferred in certain instances until age 60.

**Additional benefit scheme:** Paid at retirement age.

**Loan scheme (provident fund):** Loans are provided from the fund member's own account to help finance the cost of housing, education, and other needs. The qualifying conditions vary according to the nature of the loan.

**Old-age allowance (social assistance):** Paid to Nepalese citizens aged 75 or older.

**Personal accident insurance (provident fund):** Paid in the event of the partial or permanent disability or the accidental death of the fund member.

**Disability pension (social assistance):** Paid to disabled Nepalese citizens aged 16 or older. The person must be assessed as blind or having lost the use of feet or hands.

**Survivor benefit (provident fund):** Paid for the death of the fund member.

**Funeral grant (provident fund):** Paid for the death of the fund member.

**Survivor allowance (social assistance):** Paid to Nepalese widows aged 60 or older who satisfy a means test (no personal income, not receiving family support, and not receiving a pension on behalf of a deceased husband).

#### Old-Age Benefits

**Old-age benefit (provident fund):** A lump sum is paid equal to employer and employee contributions plus 5.25% interest a year.

**Additional benefit scheme:** A lump sum calculated on the basis of the value of the old-age lump-sum benefit times 0.75% times the number of years of contributions, up to a maximum.

**Loan scheme (provident fund):** The maximum amount that may be borrowed and the maximum borrowing period vary according to the nature of the loan.

Government employees also receive a monthly pension, up to a maximum of 100% of basic earnings.

**Interest rate adjustment:** The Board of Directors of the Provident Fund decides the rate of interest on the basis of the fund's annual income.

**Old-age allowance (social assistance):** 250 rupees a month is paid.

#### Permanent Disability Benefits

**Personal accident insurance (provident fund):** A lump sum of 55,000 rupees is paid for a permanent disability.

**Partial disability:** A lump sum ranging from 10,000 rupees to 25,000 rupees is paid, according to the assessed degree of disability.

**Disability pension (social assistance):** 250 rupees a month is paid.

### **Survivor Benefits**

**Survivor benefit (provident fund):** 100% of the lump sum payable to the deceased is paid to a named survivor or to the deceased's heirs. In the case of more than one named survivor, the amount is split equally.

The surviving spouse of a deceased government employee also receives a pension for up to 7 years, up to a maximum of 100% of basic earnings.

Interest rate adjustment: The Board of Directors of the Provident Fund decides the rate of interest on the basis of the fund's annual income.

**Funeral grant (provident fund):** A lump sum of 5,000 rupees is paid.

**Personal accident insurance (provident fund):** A lump sum of 55,000 rupees is paid.

**Survivor allowance (social assistance):** 150 rupees a month is paid.

### **Administrative Organization**

**Provident fund:** Employees' Provident Fund is an autonomous body operating under the general supervision of the Ministry of Finance.

Managed by a board of directors, the Employees Provident Fund (<http://www.epfnepal.com>) administers the program.

**Social assistance:** Ministry of Local Development administers the program.

Benefits are administered at the local level by Village Development Committees.

### **Sickness and Maternity**

#### **Regulatory Framework**

No statutory cash benefits are provided.

The 1993 Labor Code requires private-sector employers to pay 50% of wages for sick leave for up to 15 days each year, provided the employee has been continuously employed by the same employer for at least a year.

The 1992 Civil Servant Act provides for maternity leave to employed women for up to 60 days before or after childbirth, for up to two births.

The 1983 Employment Act requires employers to pay 100% of wages for maternity leave of up to 52 days before or after childbirth. Maternity leave may be paid for up to two births. If both children subsequently die, the woman may take maternity leave for the birth of two more children.

Free medical treatment is provided to older persons through government hospitals.

The 1974 Bonus Act requires private-sector enterprises to provide employees and their dependents with basic medical benefits.

### **Work Injury**

#### **Regulatory Framework**

**First law:** 1959.

**Current law:** 1992 (work injury), with 1993 amendment.

**Type of program:** Employer-liability system, involving compulsory insurance with a private carrier.

#### **Coverage**

Employees of establishments with 10 or more workers.

Exclusions: Self-employed persons and domestic servants.

Special system for miners.

#### **Source of Funds**

**Insured person:** None.

**Self-employed person:** Not applicable.

**Employer:** The total cost is met through the direct provision of benefits or the payment of insurance premiums.

**Government:** None.

#### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period.

#### **Temporary Disability Benefits**

The benefit is equal to 50% of earnings; 100% of earnings if hospitalized. The benefit is paid from the first day of incapacity for up to a year.

The degree of disability is assessed by a recognized doctor, according to the schedule in law.

#### **Permanent Disability Benefits**

For a total disability (100%), a lump sum is paid equal to 5 years' earnings.

Partial disability: A percentage of the total disability lump sum is paid according to the assessed degree of disability.

The degree of disability is assessed by an authorized doctor, according to the schedule in law.

#### **Workers' Medical Benefits**

The total cost of necessary treatment.

The nature of necessary treatment is assessed by an authorized doctor, according to the schedule in law.

### ***Survivor Benefits***

A dependent survivor receives a lump sum equal to 3 years of the deceased's earnings.

### ***Administrative Organization***

Labor and Employment Promotion Department enforces the law.

### ***Unemployment***

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### ***Regulatory Framework***

No statutory unemployment benefits are provided.

The 1992 Labor Act requires employers to pay lump-sum severance benefits to laid-off employees equal to 1 month's wages for each year of service in all establishments employing 10 or more workers.

The 1993 Labor Rules require employers in establishments with 10 or more workers to pay a cash benefit to workers with at least 3 years' employment when they retire or resign, as follows: 50% of monthly wages for each of the first 7 years of service, 66% of monthly wages for each year between 7 and 15 years, and 100% of monthly wages for each year of service exceeding 15 years.

The employee may choose to receive the cash benefit or the severance lump sum.