

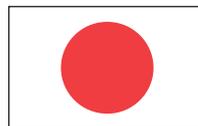


International
Labour
Organization

► Social protection responses to COVID-19 in Nepal



This Project is funded by
the European Union



ILO/Japan Fund for Building
Social Safety Nets in Asia
and the Pacific



▶ **Social protection responses
to COVID-19 in Nepal**

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► Preface

The COVID-19 pandemic has transformed the world of work, heavily impacting the well-being of workers and their families, exposing a number of sectors to the crisis and aggravating the existing inequalities in the labour market. While recognizing the immediate response and a range of measures introduced to mitigate the impacts of the COVID-19, the burning questions now are **what are the routes to the effective economic recovery and how do we adapt to the “new normal”**. Along with the aspirations for the urgency of change and response to the pandemic, the transformations in the economic and social contexts could be viewed as an **opportunity to revise the social protection system in order to formulate long-term sustainable solutions**.

The crisis once again reminded us of the importance of social protection systems, which are the key automatic stabilizers for the economy, contributing to higher resilience and accelerated recovery. At times when the concerns are growing around inclusively closing the coverage gaps and proving the necessary comprehensive protection to those most in need during and after the crisis, the importance of **the capacity of social protection systems to cover the “missing middle” has never been more relevant**. The “missing middle” is particularly visible in Nepal at the backdrop of the significant share of informal workers, who often are not covered by the existing social protection system due to lack of official labour contracts and a limited amount of earnings.

Accordingly, **the main question is how social protection systems can be reviewed and strengthened to fulfil their role as economic and social stabilizers during the crisis recovery and as integral elements of further economic growth**. To initiate a further dialogue in this regard, the key objectives of the paper include the following: providing an overview of impacts of the crisis on the world of work in Nepal, closely examining particularly affected sectors and categories of workers; analysing the social protection system in place, detecting major coverage gaps; formulating the measures theretofore announced to mitigate the impact of the pandemic; and, suggesting options for the social protection response Nepal can avail of to support workers as the crisis evolves.

It is equally important to underline that in addition to challenges related to closing the coverage gaps, there is a range of other core issues integral to building solid social protection systems, such as an adequate level of protection or sustainable and adequate financing. With this in mind, the focus of this paper lies predominantly and specifically on coverage gaps, without attempting to provide an exhaustive set of recovery measures, but rather concentrating on key social protection options in response to COVID-19. Therefore, the response measures and policy options were outlined through the lens of the protection of workers and their families in the medium and long term. This does not suggest that other needs could be disregarded, but, conversely, deserve separate consideration.



Richard Howard
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Executive summary

The gradual intensification and global spread of the COVID-19 pandemic have led to immense economic disruptions, labour market shocks and weighty impacts on public health. The devastating consequences of the COVID-19 crisis have the potential to transform into long-lasting negative impacts and require, thus, a long-term comprehensive response.¹ A combination of employment, labour market and social protection policies are necessary to facilitate the recovery process, address the vulnerabilities of less protected population groups, particularly those unequally hit by the crisis, diminish the transaction costs of structural changes in the future, and prepare for new crisis and for an extended duration of the COVID-19 pandemic as a second wave looms in Nepal.

Previous global crises demonstrated the undeniable importance of social protection in economic development and the recovery process. The key lesson learned: social protection is not only an important response mechanism and automatic social and economic stabilizer in times of crisis but is also an investment in human capital and labour productivity ensuring sustainable long-term growth and facilitating structural change.²

The systems approach to social protection is the key to recovery efforts. The current COVID-19 crisis has once again proved the importance of comprehensive and shock-responsive social protection systems in economic and social development. The combination of contributory and non-contributory schemes and programmes, interlinked in their design and function, have been generally recognized as the way forward to achieving universal social protection. Specifically, the International Labour Organization's (ILO) systems approach, aligned with international labour standards, previews basic guarantees to ensure at a minimum that, over the life cycle, *all in need* have access to essential health care and basic income security through establishing and maintaining social protection floors as a fundamental element of national social security systems, while progressively ensuring adequate and higher levels of protection.³

This paper provides an assessment of how social protection systems can be reviewed and strengthened to fulfil their role as economic and social stabilizers during the crisis recovery and as integral elements of further economic growth. To initiate a further dialogue in this regard, the key objectives of the paper include analysing the social protection system in place, formulating potential measures to mitigate the impacts of the pandemic; and suggesting options for the social protection response Nepal can adopt to support workers in both formal and informal sectors as the crisis evolves.

¹ ILO Monitor: COVID-19 and the World of Work. Fifth Edition, Updated Estimates and Analysis, June 30, 2020 - https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_749399.pdf

² International Labour Conference, 101st Session, 2012, Report IV (1), Social Protection Floors for Social Justice and a Fair Globalization, ILC.101/IV/1 - https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_secSOC_24781.pdf

³ ILO Social Protection Floors Recommendation, 2012 (No. 202) - https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:3065524:NO
Among other standards, ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) - https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312247:NO

Impact of the crisis on the world of work

COVID-19 has significantly affected the economy in Nepal, hitting specific sectors particularly hard, distorting supply chains, disrupting domestic demand and slowing down overall economic growth. 3.7 million workers earn their livelihoods in the sectors deemed most at risk to experience a significant (medium to high) reduction in economic outputs as a result of COVID-19.⁴ Large-scale disruption of jobs are expected in the wholesale and retail trade (disrupted jobs estimated nearly at 780,000), manufacturing sector (estimated at 446,000), and construction, transport and accommodation and food services (at 404,000, 211,000, and 62,000, respectively).⁵

Remittances and tourism, the major sources of foreign exchange earnings for Nepal, are expected to decline in 2020. Overall, travel receipts which supply about 2.0 to 3.0 per cent of GDP will decline this fiscal year, however, the extent of decline will depend on the persistence of the pandemic and is likely to impact more significantly the sector if the outbreak is prolonged.⁶ Remittances to Nepal are expected to decline by 14 per cent in 2020 considering that COVID-19 related travel restrictions will inevitably affect labour migration flows and the pandemic is likely to have a long-term impact on the remittances forecast in the following years as well.

The World Trade Organization (WTO) previews an increase in general inflation due to a drastic fall in imports from China during the pandemic which will lead to an increased reliance on imports from third countries and consequently on the growth of products' costs.⁷ This tendency will have an impact on a broader range of population groups affecting a general consumer purchasing power, not only those in disrupted jobs but also the low-income population in general. Additionally, as of mid-February 2020, food inflation in Nepal already increased by 9.8 per cent compared to a year earlier, with a significant increase in the prices of vegetables, spices, and alcoholic beverages. ADB estimates that the average annual inflation for FY2020 could be higher than anticipated if the situation further worsens due to the COVID-19 pandemic.⁸

Impact of the crisis on vulnerable groups

The crisis has had a disproportionate impact on some people more than others, depending on their life stage, employment, legal status, occupation or different life-cycle associated risks.

Age-specific and life-cycle related vulnerabilities:

- The crisis has proven to disproportionately impact **children**, aggravating child poverty and deteriorating access to essential services. Lack of access to health care, education, adequate housing or proper nutrition will not only have life-long negative implications for individuals but would also result in irreversible negative effects on the economy of Nepal.⁹

⁴ ILO, Covid-19 Labour Market Impact in Nepal, Briefing Note, May 21, 2020 - https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/briefingnote/wcms_745439.pdf

⁵ ILO, Covid-19 Labour Market Impact in Nepal, Op. cit.

⁶ ADB, Nepal Macroeconomic Update, Volume 8, No.1, Op. cit.

⁷ WTO, COVID-19 and its Effect on Nepal, Accessed 3 September 2020, https://www.wto.org/english/tratop_e/covid19_e/sawdf_nepal_e.pdf

⁸ ADB, Nepal Macroeconomic Update, Volume 8, No.1, Op. cit.

⁹ UNICEF, Child & Family Tracker, Tracking the Socio-Economic Impact of COVID-19 on Children and Families in Nepal, July 16, 2020 - <https://www.unicef.org/nepal/media/9451/file/COVID-19%20Child%20and%20Family%20Tracker.pdf>

- ▶ With the decreasing employment opportunities, **young people** (aged 15-24) are particularly vulnerable during the crisis, experiencing income losses, difficulties entering the labour market and disruptions in their education or training. The youth unemployment rate, standing at 23.9 per cent before the pandemic is likely to increase.¹⁰ The crisis is not only disproportionately affecting women in terms of income loss and access to social protection but has also exacerbated gender inequalities in the labour market.
- ▶ Another group that requires particular attention is persons with disabilities and/or chronic diseases, who are not only more vulnerable to the virus but are also generally more prone to be living in poverty and experience limitations accessing certain services.

Vulnerable groups in employment:

- ▶ **Informal workers** are particularly vulnerable to economic and labour market shocks. Approximately 5.7 million or 80.8 per cent of workers in Nepal have informal jobs and the major sectors in informal employment that expect to face the highest degree of disruption are construction – 97 per cent, trade – 74 per cent and manufacturing – 84 per cent.¹¹
- ▶ **Home-based workers** are another particularly vulnerable group, which accounts for approximately 1.4 million workers in Nepal, mainly women.¹² The main source of income for home-based workers relies on produced goods for export, the demand for which will be distorted in the long run, with a significant immediate drop due to stagnating global supply chains.
- ▶ The crisis has proven to have had a disproportionate impact on the **rural population**. Considering that agriculture is the largest contributing sector to the economy in Nepal, even small shocks will amplify the negative impact on a large number of people in rural areas as they tend to have lower incomes and are more prone to fall into poverty.

Vulnerabilities associated with legal status:

- ▶ **Nepalese working abroad** are particularly vulnerable to the impact of the COVID-19 crisis compared to the destination country's residents, which manifests both in their inability to access a range of social protection mechanisms in the host countries or the inability to return to their families in the country of origin. Overall, Nepal's COVID-19 Crisis Management Centre has estimated that, including those in India, there are 1.3 million Nepalis migrant workers who want to return home.¹³

¹⁰ ILOSTAT, SDG Indicator 8.5.2. – Unemployment rate (%) – Annual Nepal Labour Force Survey (2017), age band 15-24 - <https://www.ilo.org/shinyapps/bulkexplorer8/>¹¹ ILO, Covid-19 Labour Market Impact in Nepal, Op. cit. Covid-19 Labour Market Impact in Nepal, ILO, May 21, 2020 - https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/briefingnote/wcms_745439.pdf

¹² ILO, Covid-19 Labour Market Impact in Nepal, Op. cit.

¹³ Ibid

Emergency response and measures taken to mitigate the impact of COVID-19

The Government of Nepal has introduced a number of measures to mitigate the immediate and medium-term impact of the crisis.

- Health spending has been increased to ensure an adequate response to the health crisis to include free health care to those that have tested positive for COVID-10. Additionally, an insurance package of NPR 2.5 MM was provided to healthcare and security personnel involved in treating COVID-19 patients.
- Measures to ensure the viability of the Social Security Fund (SSF) have also been introduced. Employers have to pay the salaries of their workers during the lock-down period but can use their welfare fund, in return the government is temporarily depositing the contributions to the SSF normally deposited by employees and employers.
- In response to the spike in unemployment due to the COVID-19 crisis and given the absence of a statutory unemployment benefit, the government has been relying on the Prime Minister's Employment Programme (PMEP) which aims at providing 100-days of waged-employment to the unemployed, including returnee migrant workers and informal sector workers.¹⁴
- Measures for vulnerable and low-income households included the relief package introduced by the GON such as waivers of public utilities' fees and transportation costs.¹⁵
- Other immediate measures to mitigate the impact of COVID-19 on economic development and the labour market include tax deferrals, relaxation on repayment of loans for businesses, support for enterprises in the most affected sectors, such as tourism and transportation, as well as subsidized funding sustaining small and mid-size enterprises affected by the pandemic.¹⁶

Policy options for the response in Nepal

A mid- to long- term recovery response needs to be considered. Temporary relief measures and food distributions programmes for the poor and vulnerable are essential to maintain an adequate level of access to basic needs. At the same time, rapid social protection measures need to be combined with mid- and long-term approaches in building resilience to future shocks, all the while contributing to social and economic aspects of the economic recovery and development strategy.

Broader income support to workers affected the most by the crisis. In response to COVID-19 and growing concerns around employment protection, the GON has introduced several temporary job retention and income replacement measures in absence of unemployment insurance including temporary deposits by the government of the contributions to the SSF and expansion of public works projects. These efforts to implement temporary measures could offer a possibility to introduce broader income support to workers affected the most by the crisis and provide an opportunity to fill in the coverage gap in absence of statutory unemployment benefit.

¹⁴ MOLESS, Prime-minister Employment Program - https://moless.gov.np/?page_id=1351

¹⁵ "Nepal COVID-19 Relief Package", *Nepali Times*, March 30, 2020 - <https://www.nepalitimes.com/latest/nepal-covid-19-relief-package/>

¹⁶ Ibid

An unemployment insurance scheme building on a suggested employment protection scheme temporarily subsidized by the government. The major coverage gap of the working-age population is correlated with the absence of an unemployment insurance scheme. Experiences from different countries demonstrate that unemployment insurance has been critical in addressing the employment impacts of COVID-19 providing a rapid and substantial response to income losses of laid-off workers due to the pandemic.

Strengthen the new social insurance system under the Social Security Fund:

Measures focusing on already registered workers under the new social insurance could address the regularity of contributions with options of strategic planning towards building long-lasting and trusting relations with the members. These could include an assessment of root causes of the irregularity of contributions, evaluation of schemes' design in terms of benefit packages, replacement rates and level of contributions.

- Measures expanding the coverage and attracting new members to support the viability of the SSF are necessary. Introducing a new employment protection scheme with the perspective of transforming it into full-fledged unemployment insurance would consequently lead to a higher number of workers registered with the SSF. Other options for extending the coverage could also include a further harmonization of the operations between the EPF and SSF, extension of coverage to informal sector workers and revision of the contribution rates through an actuarial study.
- Measures expanding protection to own-account and informal workers would require particular attention given a high proportion of workers in Nepal concentrated in the informal sector, family-owned businesses, micro or small enterprises or being self-employed. A careful assessment of options expanding protection to these categories of workers is needed not to jeopardize the financial sustainability of the social insurance schemes in place.

Non-contributory schemes play a key role in ensuring a basic level of protection for all, in particular for those groups who do not have access to any other social protection mechanisms. The following options for the non-contributory schemes could be explored:

- **Universalization of child benefits to every child under five across all the 77 districts in the country.** Considering that households on average have 4.06 children, such a strategy, in case the scheme is universalized, would allow reaching at least one-third of all the households increasing their purchasing power and alleviating the impact of the pandemic on the families without protection.¹⁷
- **Revising qualifying criteria to reach larger vulnerable groups of the population and narrow the coverage gap.** Such options could be considered as harmonizing and lowering the qualifying conditions for old-age benefits or reviewing the registration process for and improving access to the disability allowance, given major coverage gaps of the disability allowance scheme.

¹⁷ CBS, Nepal Living Standards Household Survey, 2011 - https://cbs.gov.np/wp-content/uploads/2018/12/Statistical_Report_Vol1.pdf

- **Top up options could be envisaged in times of crises and during the recovery phase.** Focusing on the adequacy of the benefits to ensure substantial support to the poorest while offering additional security to workers and their families at risk of falling into poverty.

The systems approach to social protection is key to recovery efforts in the long-term.

Comprehensive social protection systems have proven to be powerful economic and social stabilizers in times of crises and an indispensable element of economic recovery and growth. The expected lengthy recovery from the pandemic requires building long-term strategies for the strengthening of the social protection system. Nepal has a possibility to create a long-term vision for the social protection system, building on a combination of contributory and non-contributory schemes towards achieving universal protection.¹⁸ Taking advantage of social dialogue to shape a sustainable recovery path and guided by international labour standards, such a long term and comprehensive vision of the social protection system would help to reduce fragmentation, close coverage gaps, facilitate the formalization process and address long-term structural adjustments.

While assessing possible options for a social protection response in Nepal, a few important aspects also need to be considered:

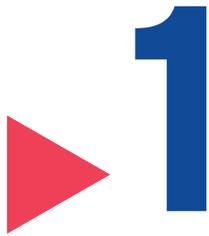
- The recovery process entails **greater adaptability of the social protection** schemes and programmes to the changing realities of the labour market and economic development, and where needed, the introduction of innovative approaches to ensure the effective coverage of the population;
- While closing the coverage gap, additional effort needs to be made in assessing the needs of the so-called **“missing-middle’ portion of the population**, often neither contributing to social insurance schemes nor benefiting from non-contributory options;
- The recovery strategy also needs to focus on the **sectors hit the most** of the economy and the **most affected by the crisis workers**. Often the vulnerabilities of certain population groups might be less visible and more difficult to assess, in particular when it comes to informal or migrant workers;
- Particular attention will need to be paid to **women** and **persons with disabilities**: Considering the diversity of life-cycle risks women face compared to men, there are already several additional barriers accessing social protection, including a greater burden of family responsibilities and unpaid care, specifically in relation to children and older persons, as well as interruptions and inequalities in paid work, reinforced by often precarious or the informal nature of jobs. The crisis is not only disproportionately affecting women in terms of income loss and access to social protection, but also exacerbates gender inequalities in the labour market.
- **Persons with disabilities and/or chronic diseases**, are not only more vulnerable to the virus but are also generally prone to be living in poverty and experience limitations accessing certain services.

¹⁸ ILO, Innovative Approaches for Ensuring Universal Social Protection for the Future of Work, Christina Behrendt and Quynh Anh Nguyen, ILO Research Paper Series, May 15, 2018 - https://www.ilo.org/global/topics/future-of-work/publications/research-papers/WCMS_629864/lang--en/index.htm

► Abbreviations

ADB	Asian Development Bank
CIT	Citizen Investment Trust
COVID-19	Corona Virus Disease 2019
EPF	Employees Provident Fund
FEPB	Foreign Employment Promotion Board
GDP	gross domestic product
GON	Government of Nepal
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
ISSA	International Social Security Organization
MIS	management information system
MOEST	Ministry of Education, Science, and Technology
MOF	Ministry of Finance
MOFAGA	Ministry of Federal Affairs and General Administration
MOHA	Ministry of Home Affairs
MOHP	Ministry of Health and Population
MOLESS	Ministry of Labour, Employment, and Social Security
MOWCSC	Ministry of Women Children and Senior Citizen
NLFS	Nepal Labour Force Survey
NLSS	Nepal Living Standard Survey
NPR	Nepalese Rupee
PMEP	Prime Minister Employment Programme
SSA	Social Security Allowance
SSF	Social Security Fund
TVET	technical and vocational education training
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNWPP	United Nations World Population Prospects
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization





COVID-19 economic and labour market impacts in Nepal

1.1 Context: Impacts of the crisis and prospects for the economy

Despite the initial assessment of the impact of COVID-19 on the population of Nepal, it was not alarming at the beginning of the pandemic compared to other countries in the region, however the total number of cases have been progressively increasing.¹⁹ Concurrently, COVID-19 evinced a significant impact on the economy, hitting specific sectors particularly hard, distorting supply chains, disrupting domestic demand and slowing down overall economic growth. The crisis is thus intertwined with inevitable labour market transformations in the context of new economic realities and would require a long-term recovery strategy, including a wide range of macroeconomic and social stabilizing measures to avoid long-lasting impacts on particularly vulnerable groups of the population.

Preceding the COVID-19 pandemic and overcoming a number of shocks, including post-conflict recovery and short-term emergencies related to natural disasters, the strong performance of the Nepalese economy was observed with 7.1 per cent Gross Domestic Product (GDP) growth in the fiscal year 2018-19 as estimated by the International Monetary Fund (IMF).²⁰ Yet the mid-term projections indicate an expected ease to 5.3 per cent in the mid-term without reflecting the recent implications of the pandemic, which are likely to amplify the uncertainty of economic stability.²¹

Correspondingly, the World Bank's projections do not expect a recovery until the Fiscal Year (FY) 2022, with the fall in economic growth fluctuating between 1.5 per cent and 2.8 per cent, mainly due to decreases in remittances, trade, tourism as well as a deceleration or contraction in services and industrial production and a range of other disruptions.²² The COVID-19 outbreak as the main factor in slowing down the economic growth has been also confirmed by the Asian Development Bank's (ADB) macroeconomic projections for Nepal.²³ Suggesting that growth could further contract conditional to the subsequent continuation of the pandemic. Estimated losses in constant prices could vary from MN 8555.1 Nepalese rupees (NPR) (scenario I) to NPR MN 16950.1 (scenario III) with the most affected sectors being industry, services and agriculture.²⁴

¹⁹ The number of cases at the time of preparation of the paper is 51,919 as of 11 September 2020. The most recent and updated data and situation reports can be consulted on the COVID-19 response portal of the Ministry of Health and Population of Nepal: <https://covid19.mohip.gov.np/>

²⁰ IMF, Country Report No. 20/96, April 6, 2020 - <https://www.imf.org/en/Publications/CR/Issues/2020/04/06/Nepal-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-Executive-49308>

²¹ Ibid.

²² World Bank, Country Overview (Nepal), April 12, 2020 - <https://www.worldbank.org/en/country/nepal/overview>

²³ ADB, Nepal Macroeconomic Update, Volume 8, No.1, April 2020 - <https://www.adb.org/sites/default/files/institutional-document/577946/nepal-macroeconomic-update-202004.pdf>

²⁴ Ibid

Without any economic stimulus, liquidity constraints and a decrease in demand will put at risk the sustainability of business operations, leading either to a forced suspension of the activities, reductions of working hours, pay cuts or lay-offs, as well as impacting the incomes and well-being of households. Previous global financial crisis demonstrated that smaller businesses and those operating in the informal economy are expected to decline and would suffer the greater impact of the pandemic.²⁵

It is noteworthy that, according to the National Economic Census of 2018, out of the total number of 900,924 entities in Nepal, 95.9 per cent are micro-enterprises.²⁶ Moreover, almost half are not registered establishments, with 41.8 per cent home businesses, making the number of businesses highly vulnerable to the impact of the pandemic significantly elevated. The study “Rapid assessment of the social and economic impacts of COVID-19 on the vulnerable groups in Nepal” conducted by the United Nations Development Programme (UNDP), confirmed that at the early stages of the pandemic every three in five employees had lost their jobs in the micro and small businesses that were surveyed, and overall sustainability of such businesses was assessed not to exceed two months of the lock-down.²⁷

The crisis has not only evolved into an economic and labour market shock but has also proven to have devastating consequences for societies, to a large extent in absence of adequate social protection while unevenly impacting poor and hard-hit groups.²⁸ In Nepal, the discourse of the importance of strengthening the social protection system is paired with the disproportionate share of the informal sector and asymmetric effects of the pandemic on specific groups of the populations, analysed in the subsequent sections of the paper.

1.2 How the world of work has been affected? Sectoral perspective

Recent International Labour Organization (ILO) estimates show that nearly four in five workers most vulnerable to disruption are in the construction, manufacturing and wholesale and retail trade sectors, while the other affected sectors are transport and storage, accommodation and food service. There are 3.7 million workers earning their livelihoods in the sectors deemed most at risk to experience a significant (medium to high) reduction in economic outputs as a result of the COVID-19.²⁹

The wholesale and retail trade is one of the sectors that has been hit the hardest globally; being the second largest (after agriculture) contributing sector to the economy in Nepal, it is expected that this sector will experience the highest number of disrupted jobs.³⁰ The ILO estimates nearly 780,000 workers in wholesale and retail trade to be disrupted based on the high-impact scenario.³¹ The

²⁵ Central Bureau of Statistics - National Planning Commission, Government of Nepal, National Economic Census 2018, July 5, 2019 - <https://nada.cbs.gov.np/index.php/catalog/92>

²⁶ UNDP, Rapid Assessment of the Social and Economic Impacts of COVID-19 on the Vulnerable Groups in Nepal, [highlight of the yet-to-be-published study report], May 26, 2020 - <https://www.np.undp.org/content/nepal/en/home/presscenter/articles/2020/Three-in-Five-employees-lost-their-jobs-due-to-COVID19-in-Nepal.html>

²⁷ ILO Monitor: COVID-19 and the World of Work. Fifth Edition, June 30, 2020 - https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_749399.pdf

²⁸ ILO, Covid-19 Labour Market Impact in Nepal, Briefing Note, May 21, 2020 - https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/briefingnote/wcms_745439.pdf

²⁹ ILO Monitor: COVID-19 and the World of Work. Second Edition, Op. cit.

³⁰ ILO, Covid-19 Labour Market Impact in Nepal, Op. cit.

³¹ WTO, COVID-19 and its Effect on Nepal, Accessed 3 September 2020 - https://www.wto.org/english/tratop_e/covid19_e/sawdf_nepal_e.pdf

World Trade Organization (WTO) previews an increase in general inflation due to a drastic downfall in imports from China during the pandemic which will lead to an increased reliance on imports from third countries and, in its turn, on the growth of products' cost.³² This tendency will have an impact on a broader range of population groups affecting a general consumer purchasing power, not only those in disrupted jobs but also the low-income population in general. Additionally, as of mid-February 2020, food inflation in Nepal had already increased by 9.8 per cent compared to a year earlier, with a significant increase in the prices of vegetables, spices, and alcoholic beverages. The temporary closure of international borders over COVID-19 concern has significantly impacted food prices and the ADB estimates that the average annual inflation for FY2020 could be higher than anticipated if the situation further worsens due to the COVID-19 pandemic.³³

A long-term negative impact is also expected for the manufacturing sector, predominantly due to disruptions in the global supply chains and limitations on exports. Currently, in Nepal there are more than one million jobs in the sector, which will be impacted by the decrease of global demand, export limitations and lowering of purchasing power, potentially leading to the reduction of working hours, temporary suspension of the income-generating activities and, ultimately, staff reductions and lay-offs. According to the ILO assessment based on Nepal Labour Force Survey (NLFS) data, 446,000 jobs in manufacturing could be disrupted.³⁴

Other key labour-intensive economic sectors that would suffer in a long run are construction, transport and accommodation and food services, the latter two being severely affected due to temporarily full closure and drastic fall in demand. The ILO has estimated the following jobs disrupted in these sectors: 404,000 in construction, 211,000 in transport and 62,000 in accommodation and food service activities and 83,000 in other services, real estate and administrative activities.³⁵

In addition to exports, remittances and tourism are the major sources of foreign exchange earnings for Nepal. According to the statistics of the Ministry of Culture, Tourism and Civil Aviation, there are around 138,148 persons engaged in the tourism sector.³⁶ Overall, travel receipts which supply about 2.0 to 3.0 per cent of GDP will decline this fiscal year, however, the extent of decline will depend on the persistence of the pandemic and is likely to impact more significantly the sector the outbreak is prolonged.³⁷ The cancellation of visas and mountaineering expeditions is expected to put around 20,000 tour, trekking and mountain guides out of work.³⁸

The volume of financial remittances has been increasing over the past decade, from 2.54 billion United States Dollars in 2010/11 to USD\$ 8.79 billion in 2018/19.³⁹ This corresponds to the highest share of GDP among the countries in South Asia and currently stands at 27.3 per cent of GDP.⁴⁰

³² WTO, COVID-19 and its Effect on Nepal, Accessed 3 September 2020 - https://www.wto.org/english/tratop_e/covid19_e/sawdf_nepal_e.pdf

³³ ADB, Nepal Macroeconomic Update, Volume 8, No.1, Op. cit.

³⁴ ILO, Covid-19 Labour Market Impact in Nepal, Op. cit.

³⁵ Ibid

³⁶ Ministry of Culture, Tourism and Civil Aviation, Tourism Employment Survey (2014), <https://www.tourismdepartment.gov.np/tourism-statistics>

³⁷ ADB, Nepal Macroeconomic Update, Volume 8, No.1, Op. cit.

³⁸ Chandan Kumar Mandal, Covid-19 pandemic likely to devastate country's labour sector as ILO projects 25 million job losses globally, The Kathmandu Post, March 30, 2020 - <https://kathmandupost.com/national/2020/03/21/covid-19-pandemic-likely-to-devastate-country-s-labour-sector-as-ilo-projects-25-million-job-losses-globally>

³⁹ MOLESS (Ministry of Labour, Employment and Social Security), Nepal Labour Migration Report 2020 - <https://moless.gov.np/wp-content/uploads/2020/03/Migration-Report-2020-English.pdf>

⁴⁰ World Bank, COVID-19 Crisis Through a Migration Lens, Migration and Development, brief 32, April 22, 2020 - <http://documents.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf>

Yet, remittances to Nepal are expected to decline by 14 per cent in 2020 considering that COVID-19 related travel restrictions will inevitably affect labour migration flows and the pandemic is likely to have a long-term impact on the remittances forecast in the following years as well.

1.3 Impacts on vulnerable groups

It is necessary to recall that Nepal, supporting the adoption of the ILO Social Protection Floors Recommendation, 2012 (No. 202), acknowledged the priority of establishing national floors of social protection accessible to all in need and implementing strategies for the gradual extension of social security that progressively ensure higher levels of social security to as many people as possible, guided by ILO social security standards.⁴¹ It is equally important to recognize that the crisis has a disproportionate impact, hitting some people more than others depending on their life stage, employment or legal status, occupation or different life-cycle associated risks. Particularly vulnerable and those hit the hardest are individuals and households who were finding themselves in a disadvantageous position already before the crisis. At the same time, inequalities and gaps tend to widen as a result of the crisis and the groups deemed to be vulnerable prior to the pandemic expand as the crisis evolves. Thus, suggested below vulnerable groups are to be considered the most evident and not exhaustive, yet their needs might require particular attention when building universal social protection floors.

Age-specific and life-cycle related vulnerabilities

The crisis has proven to **disproportionately impact children**, aggravating child poverty and deteriorating access to essential services. Lack of access to health care, education, adequate housing or proper nutrition not only have life-long negative implications for individuals but could also result in irreversible negative effects on the economy of Nepal.⁴² Before the crisis, nearly ten million children were estimated to be poor, while many facing multidimensional poverty; furthermore, the Government of Nepal (GON) has identified approximately 1.5 million households as vulnerable, which accounts for one-fifth of all the households in the country, suggesting that a wide range of children are consequently vulnerable as well.⁴³ Since the beginning of the pandemic, various surveys indicated difficulties most of the households experienced accessing social protection: around 20 per cent of households reported receiving some social security allowances, with almost one-third of total recipients as experiencing difficulties collecting the benefits.⁴⁴ At the same time, during the lock-down measures, most of the children did not attend school and had limited opportunities for distance learning, while over eight per cent of households continued to count on children in helping to earn household income despite the lock-down.⁴⁵ While the coverage of children by social protection benefits is analysed in the subsequent part of this paper, it is important to bear in mind that with the weakening economy the deleterious impact of COVID-19 both on children and vulnerable households is at risk to intensify.

⁴¹ ILO webpage dedicated to International Labour Standards on Social security - <https://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/social-security/lang-en/index.htm>

⁴² UNICEF, Child & Family Tracker, Tracking the Socio-Economic Impact of COVID-19 on Children and Families in Nepal, July 16, 2020 - <https://www.unicef.org/nepal/media/9451/file/COVID-19%20Child%20and%20Family%20Tracker.pdf>

⁴³ UNICEF, COVID-19: Number of Children Living in Household Poverty to Soar by up to 86 Million by End of Year. New analysis from Save the Children and UNICEF, June 01, 2020 - <https://www.unicef.org/nepal/press-releases/covid-19-number-children-living-household-poverty-soar-86-million-end-year>

⁴⁴ UNICEF, Tracking the Socio-Economic Impact of COVID-19 on Children and Families in Nepal, Op. cit.

⁴⁵ Ibid. The statistical data provided was collected by UNICEF during the lock-down measures in spring 2020.

With the decreasing employment opportunities, young people (aged 15-24) are particularly vulnerable during the crisis, experiencing income losses, difficulties entering the labour market and disruptions in their education or training. The economy of Nepal has been able to create jobs for only ten per cent of young people entering the labour market, pushing the rest to look for self-employment, remain unemployed or migrate abroad seeking employment.⁴⁶ The youth unemployment rate was standing at 23.9 per cent before the pandemic and is likely to increase.⁴⁷

Older persons also face additional vulnerabilities: they are not only exposed to higher health-related risks but can experience difficulties accessing health services, their social networks and pensions can be threatened among other economic and psychosocial consequences of the pandemic. Particularly vulnerable are those who normally require care either at home or in the community. While specific attention is needed to ensure continuous and inclusive access to benefits and related services during the crisis, it is important to recognize the effort of Nepal towards providing a universal old-age pension coverage through a combination of contributory and non-contributory schemes. Nepal was one of the first countries in the region offering to senior citizens a universal flat-rate pension, which is discussed further in chapter 2. Overview of the social protection system of Nepal.

Considering the diversity of life-cycle risks women face compared to men, there are already several additional barriers to accessing social protection, including a greater burden of family responsibilities and unpaid care, specifically in relation to children and older persons, as well as interruptions and inequalities in paid work, reinforced by often precarious or the informal nature of jobs. In the context of Nepal, women also face additional challenges in terms of registration and enrolment in the social protection schemes, such as lack of supporting documentation, poor financial inclusion, a lower level of literacy or general lack of awareness of the scheme. Furthermore, women are more likely to get involved in unpaid work for own final use irrespective of their labour market status,⁴⁸ while in the context of the pandemic the nature of work of those in paid employment makes them likely to be particularly affected and exposed to the virus, in particular women employed in health, social care or other care-related or service-providing sectors.⁴⁹ The crisis is not only disproportionately affecting women in terms of income loss and access to social protection, but also exacerbates gender inequalities in the labour market.

Another group that requires particular attention is persons with disabilities and/or chronic diseases, who are not only more vulnerable to the virus but are also generally prone to be living in poverty and experience limitations accessing certain services.

Focus on working-age: Vulnerable groups in employment

In addition to workers in specific sectors hit the hardest by the pandemic as discussed above, there are particularly vulnerable groups given their insufficient employment protection, irregularity of income and limited access to social protection. As the pandemic unfolds, labour markets continue to experience disruptions both in terms of working-hour losses as well as in view of workplace closure measures. These tendencies overlap with exposure to multiple risks of the vast majority of

⁴⁶ DW, Coronavirus: Nepal's Rising Unemployment Stokes Political Crisis Fears, July 17, 2020 - <https://www.dw.com/en/coronavirus-nepals-rising-unemployment-stokes-political-crisis-fears/a-54215690>

⁴⁷ ILOSTAT, SDG Indicator 8.5.2. – Unemployment rate (%) – Annual, Nepal Labour Force Survey (2017), age band 15-24 - <https://www.ilo.org/shinyapps/bulkexplorer8/>

⁴⁸ Central Bureau of Statistics, Nepal, Report on the Nepal Labour Force Survey 2017/18, 2019 - https://nepalindata.com/media/resources/items/20/bNLFS-III_Final-Report.pdf

⁴⁹ ILO Monitor: COVID-19 and the World of Work. Fifth edition, Op. cit.

the working-age population in the absence of an unemployment insurance scheme or any other form of income protection in Nepal. Whereas the emphasis is placed on the specific vulnerable groups in employment, it is important to be mindful of the fact that all workers, including those in formal employment, need protection from the risk of unemployment and loss of income.

Informal workers are recognized to be particularly vulnerable to economic and labour market shocks. Approximately 5.7 million or 80.8 per cent of workers in Nepal have informal jobs and the major sectors in informal employment that expect to face the highest degree of disruption are construction – 97 per cent, trade – 74 per cent and manufacturing – 84 per cent.⁵⁰ The informal non-agricultural sector accounted for the largest share of total employment among all age groups except the 25–34 group.⁵¹ There are a range of challenges to address income shocks the workers in the informal economy experience, especially considering that unpaid family workers and the self-employed are not being covered by social insurance, nor benefiting from employer-liability schemes. Given there is no statutory unemployment benefit, there is an existing need for a systemic approach and effective mechanisms of protection for all workers, including those in informal jobs.

There is a significant overlap of informal jobs with the non-standard forms of employment, which is characterised as a work of a casual, seasonal or temporary nature in Nepal, resulting in a general instability of income-generating activities. Overall lack of stable employment is likely to be aggravated by the pandemic, affecting predominantly the most vulnerable groups - women, youth and migrant workers, as a general trend in non-standard employment.⁵² Given the already low number of workers in wage employment, there is a risk that the jobs cuts and reductions will further push the extent of the informal sector. Similarly, travel restrictions and lower global demand for an additional workforce will also have an impact on the temporary agency work in the context of labour migration.

Home-based workers are another particularly vulnerable group, which accounts for approximately 1.4 million workers in Nepal, mainly women.⁵³ The main source of income for home-based workers relies on the produced goods for export, the demand for which will be distorted in a long run, with a significant immediate drop due to stagnating global supply chains.⁵⁴

Additionally, the crisis proves to have a disproportionate impact on the urban and rural population. Considering that agriculture is the largest contributing sector to the economy in Nepal, even small shocks amplify the negative impact on a large number of people in rural areas as they tend to have lower incomes and are more prone to fall into poverty. Moreover, while certain measures to address chronic poverty and developmental challenges in specific regions, in particular Karnali province, or to address historically marginalized groups of the population, such as Dalits, have been previously undertaken, an additional analysis of impacts of the COVID-19 on these population groups is needed to prevent the retrogression of the previous efforts.

⁵⁰ ILO, Covid-19 Labour Market Impact in Nepal, Op. cit.; ILO, Covid-19 Labour Market Impact in Nepal, May 21, 2020 - https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/briefingnote/wcms_745439.pdf

⁵¹ Government of Nepal, Nepal Labour Force Survey 2017-18 - https://cbs.gov.np/wp-content/uploads/2019/05/Nepal-Labour-Force-Survey-2017_18-Report.pdf

⁵² ILO, Non-Standard Employment Around the World: Understanding Challenges, Shaping Prospects, November 16, 2016 - https://www.ilo.org/global/publications/books/WCMS_534326/lang--en/index.htm

⁵³ ILO, Covid-19 Labour Market Impact in Nepal, Op. cit.

⁵⁴ In addition, it is equally important to recognize that domestic work has been recently incorporated in the Labour Act (2017), thus basic social protection measures are previewed for domestic workers. Given that domestic work can exist either in formal or informal sector, be standard or non-standard form of employment, there is no separate dedicated section, but all the considerations described above could apply to domestic workers.

Vulnerabilities associated with legal status

Migrants are particularly vulnerable to the impact of the COVID-19 crisis compared to the destination country's residents, which manifests both in their ability to access a range of social protection mechanisms in the host countries or ability to return to their families in the country of origin. Moreover, migrant and undocumented workers face a significant income loss, which leads to reductions in remittances impacting not only the dependent families but also the economy of Nepal as a whole given the high share of remittances in the country's GDP.

By the end of FY 2017/18, a total of 4,365,415 workers had migrated for foreign employment, out of which 4,167,310 were male, and 198,105 were female.⁵⁵ According to the 2019 Migration in Nepal report, there are 500,000 Nepalis in Malaysia alone, followed by Qatar with over 400,000, Saudi Arabia has 334,451 and the United Arab of Emirates has 224,905.⁵⁶ There is no official record of the number of Nepali migrant workers residing in India, however, the NLSS provides that there are an estimated 587,646 Nepali migrants in India, most of whom are engaged in the service sector.⁵⁷

Early assessments indicated that nearly 500,000 to 600,000 Nepali migrant workers intend to return home,⁵⁸ followed by more recent Foreign Employment Promotion Board's (FEPB) estimates of at least 127,000 migrant workers in need of immediate repatriation from the seven major destination countries (Qatar, Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Oman, and Malaysia) and 407,000 expected returnees from 37 different countries.⁵⁹ Overall, Nepal's COVID-19 Crisis Management Centre has estimated that, including those in India, there are 1.3 million Nepalis who want to return home.⁶⁰

⁵⁵ Ministry of Finance of Nepal, Economic Survey 2018-19, - https://mof.gov.np/uploads/document/file/compiled%20economic%20Survey%20english%207-25_20191111101758.pdf

⁵⁶ IOM, Migration in Nepal: A Country Profile 2019 - <https://publications.iom.int/books/migration-nepal-country-profile-2019>

⁵⁷ ILO, Impact of COVID-19 on Nepali Migrant Workers: Protecting Nepali Migrant Workers during the Health and Economic Crisis, Challenges and the Way Forward, June 10, 2020 - https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/--ilo-kathmandu/documents/briefingnote/wcms_748917.pdf

⁵⁸ Chandan Kumar Mandal, At least 500,000 migrant workers want to return home at the earliest, says report, The Kathmandu Post, May 21, 2020 - <https://kathmandupost.com/national/2020/05/21/at-least-500-000-migrant-workers-want-to-return-home-at-the-earliest-says-report>

⁵⁹ ILO, Rapid Impact Assessment Report - COVID-19 and Nepali Labour Migrants, Impacts and Responses, August 06, 2020 - https://www.ilo.org/kathmandu/info/public/news/WCMS_752722/lang--en/index.htm

⁶⁰ Ibid

► Box 1: Bilateral agreements signed by the Government of Nepal

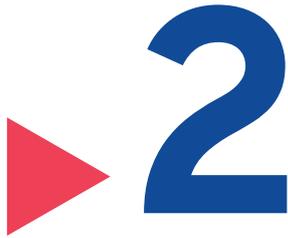
The Government of Nepal (GON) has concluded several bilateral agreements relating to mobility of labour, some of which explicitly contain social protection provisions. A few examples of such provisions extracted from the agreements with the major destination countries include:

- The General Agreement in the Field of Manpower between the Government of the Hashemite Kingdom of Jordan and the GON (18 October 2017) stipulates the responsibility of the employer to provide life and disability insurance to the worker during the employment contract and to ensure that the welfare and rights of workers employed in Jordan are promoted and protected in accordance with the Jordanian applicable laws. The agreement also previews that the employer provides all necessary medical care to all workers, as and when necessary. Specific provisions are previewed for the protection of female workers. In addition, a standard employment contract envisages an entitlement to 14 days of fully paid sick leave per year among other conditions of employment.
- The Memorandum of Understanding between the GON and the Government of Malaysia on the recruitment, employment and repatriation of the workers (29 October 2018) suggests that workers may be insured under the Foreign Workmen Compensation (Insurance) Scheme (FWCS) and, if applicable, the Foreign Workers Health Insurance Scheme (SPIKPA) or any other insurance scheme as may be adopted by the Government of Malaysia. Workers are also entitled to paid sick leave and paid hospitalization leave in accordance with the labour laws of Malaysia.
- The Memorandum of Understanding between the GON and the Government of the Republic of Mauritius on the recruitment and employment of workers from Nepal (11 June 2019), among terms and conditions of employment which must be stipulated in the Contract of Employment, contains specific clauses on paid sick leave, medical and accident insurance, as well as end-of-year gratuity.

Source: ILO, 2020.

Substantially, there are two groups of migrant workers affected by the pandemic: those being blocked in the host country and those who are unable to leave their home country due to travel bans and suspension of transport services. In both events, there is an income loss for implicated households and additional health risks for workers remaining in the destination countries.

Overall, the need for adequate medium to long-term crisis response has to encompass both the strategy stimulating the economy and measures protecting the most affected and vulnerable groups taking into account the specific risks each of these groups is facing.



Overview of the social protection system of Nepal

Over the course of the past few years, several important legislative measures have been adopted to strengthen the social protection system of Nepal. The Social Security Fund (SSF) was established in 2011 and in 2017 the Contribution-based Social Security Act establishing a mandatory social insurance program for private-sector employees, including daily workers.⁶¹ Four schemes have been launched: Medical, health and maternity protection, dependants protection, accident and disability protection and old age protection. Social protection provisions are also included in the Labour Act (2017)⁶² and Civil Service Act (Third Amendment 2014),⁶³ while the new Constitution of Nepal (2015)⁶⁴ provides for a guarantee of social protection to the poor and vulnerable.

Recently introduced contributory schemes, despite a currently limited number of registered employees, aim at expanding social insurance coverage. Previously, private-sector employees had limited possibilities participating in the contributory schemes as the Employees Provident Fund (EPF), being mandatory for public sector employees, allows only for voluntary participation to those private sector enterprises, which have ten or more employees. With the establishment of the SSF, a mandatory social insurance programme for private-sector employees, including daily workers, has been launched. Yet, a significant coverage gap of private-sector employees compared to the public sector still remains and the concentration of workers in informal employment relations cannot be disregarded in this context. Particularly in relation to work-related contingencies (maternity, sickness, employment injury), which have been previously covered under the employer-liability system targeting only public sector workers, with the establishment of the mandatory social insurance program the coverage of the formal private sector remains limited, while informal/self-employed workers continue to be unprotected. Noteworthy, there is no statutory unemployment benefit under the current contributory social protection mechanisms.

In addition to social insurance schemes, the social protection system of Nepal comprises also social assistance programmes and labour market interventions. The non-contributory side of the system is composed of multiple schemes, among which the largest are encompassed under the Social Security Allowance (SSA) programme administered by the Ministry of Home Affairs (MOHA). The national SSA programme constitutes the largest proportion of the total social assistance programme expenditure

⁶¹ The Social Security Act, 2075 (2018) - <http://www.lawcommission.gov.np/en/archives/category/documents/prevaling-law/statutes-acts/the-social-security-act-2075-2018>

⁶² The Labour Act, 2017 (2074) - <http://www.lawcommission.gov.np/en/wp-content/uploads/2020/06/The-Labor-Act-2017-2074.pdf>

⁶³ Civil Service (Third Amendment) Act, 2070 (2014) - https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=&p_isn=98136&p_country=NPL&p_count=118

⁶⁴ Constitution of Nepal (2015) - <http://www.lawcommission.gov.np/en/archives/category/documents/prevaling-law/constitution/constitution-of-nepal>

and includes the following five schemes: Senior Citizens Allowance, Single Women Allowance, Endangered Ethnicity Allowance, Disability Allowances and Child Protection Grant. The SSA programme is not targeted but categorical and universal, however, the coverage remains relatively low with the exception of social pensions provided to the majority of older persons. Although these allowances are not explicitly targeted at the poor, they are intended for those who are considered socially and/or economically vulnerable.

According to recent ILO estimates the proportion of the population protected in at least one area of social protection is 17 per cent and the proportion of vulnerable persons covered by floors/systems is only 14.8 per cent.⁶⁵ Thus, notwithstanding the progress made, poor and vulnerable households of Nepal remain predominantly unprotected and often unprepared to cope with a range of shocks and life-course stresses, aggravated by the current COVID-19 crisis.

The GON also implements a range of social protection schemes under the Ministry of Health and Population (MOHP), scholarship programmes under the Ministry of Education, Science, and Technology (MOEST) and a public works program under the Ministry of Labour, Employment, and Social Security (MOLESS). Regarding active labour market programmes, they cover only 0.2 per cent⁶⁶ of all intended beneficiaries and constitute less than one per cent of the total social protection expenditure.⁶⁷

2.1 Health protection

The new Constitution (2015) of Nepal recognizes the right to health as a fundamental right of all citizens outlined in Article 35:

1. Every citizen shall have the right to free basic health services from the State, and no one shall be deprived of emergency health services.
2. Every person shall have the right to information about his or her medical treatment.
3. Every citizen shall have equal access to health services.
4. Every citizen shall have the right of access to clean drinking water and sanitation.⁶⁸

Furthermore, Article 38 of the Constitution recognizes the right of women to safe motherhood and reproductive health.

Although primary healthcare is a guarantee to all citizens, the access to quality care is limited: 84.8 per cent of the population is not covered due to health professional staff deficit and the out-of-pocket expenditure is estimated around 57.8 per cent of current health expenditure.⁶⁹ Previous assessments suggest that, despite a network of general practitioners, the access to specialized health services is limited to a large proportion of the population in the rural areas⁷⁰ which creates barriers to quality care and equitable access to healthcare in general.⁷¹

⁶⁵ ILO calculations based on the latest data available through the Social Security Inquiry (SSI) database in 2020.

⁶⁶ ADB, The Social Protection Indicator for Asia, Assessing Progress, July 2019 - <https://www.adb.org/sites/default/files/publication/516586/spi-asia-2019.pdf>

⁶⁷ ILO, Overview of the Social Protection System in Nepal, World Social Protection Data Dashboards, Accessed: November 29, 2020 - <https://www.social-protection.org/gimi/WSPDB.action?id=13>

⁶⁸ Constitution of Nepal (2015) - <http://www.lawcommission.gov.np/en/archives/category/documents/prevaling-law/constitution/constitution-of-nepal>

⁶⁹ WHO, Global Health Observatory data repository - <https://apps.who.int/gho/data/node.mainGHEDOOPSCHESHA2011?lang=en>

⁷⁰ A. Basnyat, Primary Care in a Rural Set up in Nepal: Perspectives of a Generalist, *J Family Med Prim Care*. 2013 Jul-Sep; 2(3): 218–221. doi: 10.4103/2249-4863.120714, PMID: PMC3902675 - <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3902675/>

⁷¹ M. Garha, Health Care in Nepal: An Observational Perspective, *Journal of Nursing Education and Practice* 2017, Vol. 7, No. 1 - <http://dx.doi.org/10.5430/jnep.v7n1p114>

Overall, the health system of Nepal is characterized by a network of health facilities and community-based interventions with a further effort to improve an access to health services through a Social Health Security Scheme (health insurance) introduced in 2015 as a result of the National Health Insurance Policy (2013). The scheme has been implemented aiming at universal coverage, with a subsidy component of the insurance package for the poor population.⁷²

Additional schemes include:

- Medical and treatment reimbursements up to NPR 4,000 a year are provided to the elderly through the Senior Citizens' Health Treatment Programme, a recommendation from the district is needed to access the benefits. Medical expenses for poor citizens are available through the Poor Citizens' Medical Treatment Fund and are conditional to a recommendation from the district committee for treatment; the medical expenses cover up to NPR 100,000 for the treatment in case of the heart disease, kidney, cancer, Parkinson's disease, Alzheimer's, spinal and head injuries. Monthly allowances of NPR 1,000 are provided through children affected by AIDS (CABA) fund.

2.2 Contributory social protection schemes

The major contributory social protection schemes are identified with the Social Security Fund (SSF), Employees' Provident Fund (EPF) and Citizen Investment Trust (CIT).

Social Security Fund (SSF)

As of July 2019, four social protection schemes were launched by the SSF of Nepal: 1. Medical Treatment, Health and Maternity Security Scheme, 2. Accident and Disability Security Scheme, 3. Dependent Family Security Scheme and 4. Old Age Security Scheme. In line with the Contributions Based Social Security Act 2017 (2074)⁷³ and Social Security Scheme Operating Procedure, 2018 (2075),⁷⁴ all employers in all industries in Nepal were required to register with the Fund as specified in the official gazette period. The number of registered employees, as of March 2020, remains low and accounts for 145,383, with a total of 12,148 employers registered.⁷⁵ Insured persons contribute 11 per cent of monthly earnings and employers contribute 20 per cent of monthly payroll. Of the combined insured person and employer contributions, 28.33 per cent finance old-age pensions, 1.40 per cent finance disability and work injury benefits, 0.27 per cent finance dependent protection, and one per cent finance medical, health and maternity protection benefits.

The first processed claims revealed certain gaps in the functioning of the schemes. Under the Accident and Disability Security Scheme, even though there is no eligibility condition for the temporary disablement benefit, the payments have been processed based on the criteria of employee registration and contributions paid prior to the accident.⁷⁶ Being a new social insurance scheme, this requirement poses restrictions on accessing the benefit as the employer is allowed to register the worker within one month with 15 additional days to pay the contributions, in this case, if within the first 45 days given for the registration and payment of the contributions an accident occurs,

⁷² Nepal Health Research Council (NHRC), Government of Nepal, Assessment of Social Health Insurance Scheme in Selected Districts of Nepal. Kathmandu, Nepal, 2018 - <http://nhrc.gov.np/wp-content/uploads/2019/04/Health-Insurance-CTP.pdf>

⁷³ Contributions Based Social Security Act 2074 (2017) - https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=105433

⁷⁴ Social Security Scheme Operating Procedure, 2075 (2018) - https://ssf.gov.np/uploads/Pages/1575455039_np.pdf

⁷⁵ ILO, Improving Technical Capacities of the Social Security Fund of Nepal to Better Support Implementation of Schemes and Mechanisms, May 13, 2020

⁷⁶ Ibid

the worker would not be considered for the benefit. The main existing limitation of the Medical Treatment, Health and Maternity Security Scheme is within the low number of registered workers, while the benefit payments under this scheme have been issued based on relaxed contribution qualifying conditions, which puts in question the financial viability of the scheme in the long run.⁷⁷

Regarding the Old Age Security Scheme, the minimum of 15 years of contributions gives a worker access to the pension plan after reaching the retirement age of 60 years old. There is also a possibility of withdrawing the contributions earlier. The preliminary analysis of the schemes' implementation suggests that the scheme design and mechanisms around the new social insurance were not fully appreciated or understood by a wide public, which resulted in a low registration rate and interest, largely on the side of small and medium-sized enterprises.⁷⁸ The Dependent Family Security Scheme has been availed of on the instance of education for dependent children, while other entitlements, such as survivorship pensions or allowances, have not been claimed yet.

Employees' Provident Fund (EPF)

The EPF is mandatory for public sector employees, while there are certain restrictions for private-sector workers accessing the EPF as only employees of private sector enterprises with ten or more employees are eligible to participate voluntarily.

Coverage is therefore very limited: the majority of entities in the private sector are micro or small enterprises that do not have access to the EPF. Currently, the number of contributors stands at 628,000 and comprises of civil servants, members of Nepal police, armed police and army as well as workers in the education sector.⁷⁹ Contributions to the EPF are at least ten per cent of employee's monthly earnings, matched by an equal amount by the employer.

Old-age, disability and survivors' benefits are accessible also through the EPF, there are also lump-sum accident compensations and birth grants offered to its members. Despite an overlap in benefits offered, the EPF and SSF function in parallel with the intention to eventually transfer the voluntary employees' savings from the EPF to SSF. This process has been facing certain constraints as some private-sector workers have not yet cleared the loans that they had obtained from the EPF. At the moment workers have three options: transferring their contributions from the EPF to the SSF, withdrawing their EPF contributions, or keeping the contributions with the EPF. This further slows down the shift to the social insurance scheme intended to extend the coverage targeting more private sector entities and does not solve the coverage problem of informal workers.

Citizen Investment Trust (CIT)

The CIT offers different types of voluntary retirement schemes open to both public and private sector workers as well as self-employed and migrant workers. While there is no provision for employers to contribute, to participate in the scheme workers contribute one-third of their monthly salary or NPR 300,000 annually (whichever is lower). The incentive of the scheme constitutes in income tax exemption for the contributing amount and CIT members access the full deposited amount after the retirement. While offering voluntary schemes, CIT attracts nearly the same number of contributors as EFP and it is fully funded.

⁷⁷ Ibid

⁷⁸ Ibid

⁷⁹ Employees Provident Fund of Nepal. At: <https://site.epfnepal.com.np/page/about-us>

2.3 Employer liability

Nepal has been gradually shifting from employer liability for employment injury, including insurance through a private carrier, to social insurance protection in view of the introduction of the contributory Accident and Disability Security Scheme under the SSF. Similarly, for the private sector employees, cash sickness and maternity benefits have been provided through the employer-liability system in accordance with the national laws of 1974 (employer-provided medical benefits), 1992 (labour law) and 1993 (labour regulations). 100 per cent of the employee's wages have been paid for up to 12 days a year in case of sickness and for 60 days, including at least two weeks before childbirth, in case of maternity. Introduction of the SSF's Medical Treatment, Health and Maternity Security Scheme, available to private sector workers, has the potential to originate substantial changes to the current system once the targeted coverage is reached.

Another noteworthy fact is that there are no statutory unemployment benefits, but the 2017 Labour Act requires employers to provide severance pay to dismissed employees. The eligibility for the severance pay is limited to the employees of the establishment employing ten or more workers; the benefit is normally one month of the employee's wages for each year of employment. Such limitations in coverage are coupled with lack of protection of small and family-owned business as well as self-employed and informal sector workers experience, leading to significant protection gaps likely to aggravate in the context of employment shock induced by the COVID-19 crisis.

2.4 Non-contributory social protection schemes

The non-contributory side of the social protection system in Nepal provides support to the most vulnerable groups of the population. As it has been recognized, the targeting often leads to a deficit in the protection of the "missing middle": a large share of the population in Nepal is not contributing to social insurance schemes described above nor benefiting from non-contributory schemes due to specific targeting embedded in the schemes' design, as the core outlined below schemes illustrate.

The Social Security Allowance (SSA) is the major cash transfer programme in Nepal. Being administered since 1994, the SSA has been gradually revised and expanded over the years. The horizontal expansion has been observed in case of the child grant, progressively moving towards its universalization, while the benefit level of the other schemes under the SSA programme have been announced to increase in the FY 2019/20.⁸⁰ Against the backdrop of the positive changes, however, a number of studies identify exclusion challenges for women. The gender gap is specifically evident in terms of women's access to the SSA, mainly due to lower awareness of the existing schemes, limited access to information and lower financial literacy, lack of supporting documentation necessary for the registration (e.g. birth registration, citizenship or marriage certificate) or overall lower mobility and access to financial services.⁸¹

The five schemes of the SSA, targeted at categorical groups, are as follows:

Child Grant

The child protection grant is one of the major non-contributory schemes implemented since 2009. Initially, the scheme targeted Dalit children nationally and children younger than the age of five

⁸⁰ Holmes R., Bhandary S. and Jha Ch., HEART, Gender Equality and Social Inclusion Analysis of the Social Protection System in Nepal, Final report, September 2019, p. 27

⁸¹ Ibid, pp. 34-39

residing in five districts (Jumla, Humla, Mugu, Kalikot, and Dolpa) in the Karnali province, while recently the expansion of this scheme has been observed with the commitment of the GON to expand the coverage to all children under the age of five in three additional districts (Rautahat, Bajhang and Accham) in 2017 and other additional districts (Doti, Bajura, Jajarkot, Siraha, Sarlahi and Mahottari) in 2019. The scheme provides child allowance of NPR 400 to 679,715 beneficiaries (MOF, FY 2018-19), which is about 25 per cent of the total number of children aged 0-5 (2,706,195 children).

Other child and family benefits

In addition, a range of education scholarships provides coverage to those children who do not fall under the child protection scheme due to their age. The majority of scholarships are group-specific and do not provide universal coverage:

- Scholarships for secondary education for girls, Dalits, disabled, marginalized, conflict-affected, children of martyrs, freed Kamalaris, and other targeted groups;
- Scholarships for targeted basic level students, including children of 22 ethnic and marginalized group, free-bonded labourers, Badi;
- Scholarships for Martyrs' children; and
- Scholarships for free bonded labourers; scholarships for conflict victims.

Senior Citizens' Allowance

Senior citizens' allowance is paid to eligible citizens at the age of 70 (qualifying conditions are different for Dalits and residents of Karnali Zone - age 60). The allowance has been increased on several occasions and now the benefit of NPR 2,000 a month is paid with an additional NPR 1,000 per month for medical expenses for those 70 years and over. The benefit is 25 per cent of the minimum wage (latest data, 2013) or 10.4 per cent of the national poverty line per capita (NRP 19,261, latest data 2011 – Nepal Living Standard Survey). Designed as a universal social pension, the scheme has yet significant coverage gaps reaching approximately $\frac{3}{4}$ of the target beneficiaries: the MOF reports 1,276,137 beneficiaries in the FY 2018/19, of which 988,041 receive a general allowance for senior citizens (70 years and above) and 288,096 – targeted allowance to specific groups (60 years and above). The contributory side of the social protection system does not fully close this coverage gap given that members of the SSF have not yet accumulated sufficient years of contributions to claim old-age pensions and lump-sum payments under the EPF and CIT provide insufficient protection throughout the old-age contingency.

Single Women's Allowance

One of the components of the Single Women's Allowance provides benefits for single women 60 years and over with 116,344 beneficiaries (MOF, FY 2018-19), while another component targets widows of any age with the latest reported data of 600,589 beneficiaries (MOF, FY 2018-19). Both types of allowances are aiming at filling the income gap for the female-led households and are provided on the means-tested basis in cases there is no personal income, no other family support, nor pension as a widow. The level of the Single Women's Allowance has also been recently revised and the benefit raised from NPR 1,000 to NPR 2,000 per month.

Disability Allowance

There are two types of disability allowance available: allowances for the fully disabled with 43,226 beneficiaries (MOF, FY 2018-19) and allowances for partially disabled - 73,869 beneficiaries (MOF, FY 2018-19). The classification of disabilities based on severity, according to the Disability Act of Nepal is composed of profound, severe, moderate and mild types of disability.⁸² Under the SSA program, only those with profound (full) and severe (partial) disability are eligible to apply. The disability allowance has certain limitations and covers only 13.7 per cent of the estimated number of people with severe disability (859,096 persons, UNWPP latest data).⁸³ In addition, the disability allowance demonstrates the largest difference between the number of male and female beneficiaries, revealing a gender gap in coverage: the share is approximately 60 per cent male and 40 per cent female beneficiaries for both the full and partial disability allowance (see figure 1 below).⁸⁴ In FY 2018/19, the benefit amount was announced to be increased from NPR 2,000 to NPR 3,000 for fully disabled (holders of the Red card) and from NPR 600 to NPR 1,600 for partially disabled (holders of the Blue card).

Other disability benefits

Cash transfers to conflict-affected people provide monthly subsistence allowances to a martyr's family of the historical people's movement, injured people of the historical people's movement, a livelihood allowance for persons with body parts mutilated by more than 51 per cent and scholarships for children of an injured person of the historical people's movement. Financial support and rehabilitation programs are provided based on the assessment of the extent of damage in a form of lump-sum payments.

Endangered Ethnicity Allowance

Persons who belong to one of ten endangered ethnic groups are eligible for endangered ethnicities allowance. The value of this periodic cash benefit has been recently increased from NPR 2,000 to NPR 3,000 and is currently paid every four months to 24,204 beneficiaries (MOF, FY 2018-19).

Other non-contributory benefits

Cash and in-kind transfers in flood and landslide affected areas are provided through the Natural disaster emergency relief fund, which is intended to be partially used for COVID-19 responses.⁸⁵ Earlier, 818,851 earthquake victims received a private housing grant in 2018-19; NPR 100 thousand was offered in two equal instalments of NPR 50 thousand each for the purpose of retrofitting partially destroyed private houses.

In addition to benefits on the contributory side, there are lump-sum maternity benefits provided by the MOHP under the conditional cash transfer, Maternity Incentive Scheme. The benefits are covering the transportation costs, free check-ups and delivery services for pregnant women. These

⁸² The Act Relating to Rights of Persons with Disabilities, 2074 (2017) - <http://www.lawcommission.gov.np/en/wp-content/uploads/2019/07/The-Act-Relating-to-Rights-of-Persons-with-Disabilities-2074-2017.pdf>

⁸³ ILO calculations based on the latest data available through the Social Security Inquiry (SSI) database in 2020

⁸⁴ Holmes R., Bhandary S. and Jha Ch., HEART, Gender Equality and Social Inclusion Analysis of the Social Protection System in Nepal, Final Report, September 2019, pp. 35-36

⁸⁵ Ministry of Health and Population of Nepal, Health Sector Emergency Response Plan, COVID-19 Pandemic, May 2020 - <https://drive.google.com/file/d/1Jrg02HTqN-q8KkUESCne35GreQOL199h/view?usp=sharing>

benefits are provided at a different rate based on the geographical location, therefore have a specific targeting mechanism. Women in the Terai region receive a lump-sum of NPR 500, in Hills – NPR 1,000, and those living in the mountains – NPR 1,500.

Food distribution programmes

There have been several food distribution programmes to be distinguished from those measures introduced by the Government on the early stage of the pandemic as part of a relief package:

- Annual Food Distribution Programme supported by World Food Programme (WFP) providing school-aged children in food insecure and remote rural areas have sustainable access to food (420,146 beneficiaries in 2018, WFP).⁸⁶
- Ministry of Finance of Nepal provides for midday meals in schools (Haluwa) for children in grades 1-5, targeting five districts in Karnali and an additional 11 specific districts. There is also a separate programme for pregnant and lactating mothers; and
- Food for education and maternal-child health care, which provides for mid-day meals, take-home rations, food and nutritious supplements (255,000 beneficiaries in 2018, WFP).

2.5 Labour market interventions

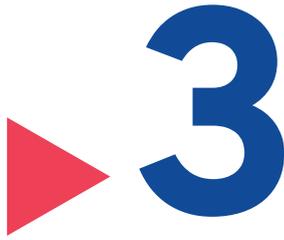
The existing labour market interventions are comprised of employment programmes, technical and vocational education training and skills development programmes among others. These interventions are normally contributing to labour force adaptability and resilience to economic shocks.

Some key labour market interventions in Nepal include:

- Prime Minister Employment Programme (PMEP) is the public works programme introduced in 2018 under the MOLESS to address unemployment and outbound migration by creating job opportunities within Nepal for persons between 18- and 51-years old seeking employment. The PMEP guarantees 100 days of employment to unemployed and, in the case the programme is unable to provide the guaranteed days of work, cash assistance is previewed to the households of the eligible beneficiary.
- Employment-promotion activities conducted through the Youth Self Employment Fund, specifically concentrating on commercial agriculture, agro-industries or service sector for all unemployed people aged between 18 and 50. MOF reports 53,492 beneficiaries in 2018; and
- Technical and vocational education training available to specific groups through Technical Education for Dalits and Poor Girls Programme and Technical and Vocational Education Training (TVET) periodically offered to poor and disables persons.

Finally, there are no social security provisions for Nepali citizens working abroad (nor for foreign citizens working in Nepal), however, there are lump-sum allocations to families of migrant workers who die or get injured during their contract period abroad (5444 workers in 2017 – latest data available, MOF) provided through the Foreign Employment Promotion Board. The Board has been concentrating on assisting families of those workers who were stranded abroad by conducting rescue operations.

⁸⁶ WFP, Nepal Annual Country Report 2018, February 21, 2019 - <https://docs.wfp.org/api/documents/WFP-0000104287/download/>



Emergency response and measures taken to mitigate the impact of COVID-19

Since the early stage of the COVID-19 outbreak, Nepal has introduced a number of measures to mitigate the immediate and medium-term impact of the crisis and to upgrade the pandemic preparedness system. The key measures are summarized below.⁸⁷

Health protection measures

- Free health care is provided to all COVID-19 positive persons, health spending has been increased to ensure an adequate response to a health crisis. Additionally, an insurance package of NPR 2.5 MM is provided to healthcare and security personnel involved in treating COVID-19 patients.
- Tax incentives for individuals and organisations importing and supplying essential medicines, materials and equipment used to treat, prevent and control COVID-19 were introduced; and
- An effort to strengthen safety and health at work and to provide access to health care and paid leave⁸⁸ has manifested in a range of requirements vis-à-vis protective equipment and materials as well as the announcement of the Department of Labour and Occupational Safety provides that all enterprises are to conduct labour audits as per Labour Regulations Act.⁸⁹

Measures ensuring the viability of the SSF

- Employers have to pay the salaries of their workers during the lock-down period but can use their welfare fund, in return the government is temporarily depositing the contributions to the SSF normally deposited by employees and employers. These measures have been initially introduced during Chaitra, mid-March-mid-April, to sustain those businesses that had been closed due to the lock-down. In the short run, such measures prove to be effective as they sustain the economic activity and alleviate some liquidity constraints certain businesses may experience. At the same time, given the already low level of contributions to the SSF, such measures need to be clearly of a temporary nature and viewed as part of a general incentive strategy retaining the already existing

⁸⁷ The list of policy responses is not to be considered exhaustive and contains only key measures in relation to the purpose of this publication as of November 1, 2020. ILO has been monitoring country policy responses to COVID-19, the most updated summary of which can be consulted here: <https://www.social-protection.org/gimi/ShowWiki.action?id=3417>

⁸⁸ Government of Nepal, Council of Ministers Decision Implementation Action Plan, 2076 to provide relief facilities for the areas affected by COVID 19, March 31, 2020 - <https://mof.gov.np/en/2020/03/31/news/news/2120/>

⁸⁹ Notice of the Department of Labour and Occupational Safety, March 20, 2020. Available at: <https://dol.gov.np>

and attracting new contributing members, which will eventually equate the share of allocations to the SSF and will ensure there is no risk in the long run that government's continuous contributions will disrupt the sustainability of the budget.

Job-creation

- In response to the spike in unemployment due to the COVID-19 crisis and given the absence of a statutory unemployment benefit, the government has been relying on the PMEP which aims at providing 100-days of waged-employment to unemployed, including returnee migrant workers.⁹⁰ The new budget allocation for FY 2020-21 announces the creation of more than 700,000 jobs through various programmes,⁹¹ including labour-intensive jobs in the construction sector and training for work in the manufacturing and services sectors.⁹² The new allocation was further supported by the World Bank's contribution of US\$ 120 million through the 'Youth Employment Transformation Initiative' project to specifically focus on youth and support Nepal's labour market contraction as a result of COVID-19 pandemic.⁹³

Measures for informal and migrant workers

- Informal sector workers who have lost their jobs due to COVID-19 are offered to participate in public-works projects, which preview either a subsistence wage in case of participation or 25 per cent of local daily wage in case they turn down the offer.⁹⁴
- Workers who could not depart for employment abroad due to the pandemic are registered at the Local Level Employment Service Centre and are provided with employment opportunities through local bodies in the framework of the PMEP, as above. These workers are also eligible for a subsidized loan to initiate their own business. Regarding those workers who have departed/stayed abroad, diplomatic missions have a responsibility ensuring that wages and benefits for migrant workers are paid in recipient countries.⁹⁵

Measures for vulnerable and low-income households

- Considering that more than a quarter of the total population lived below the national poverty line before the pandemic, meaning that a high number of households is already sensitive to shocks, the relief package introduced by the GON intended to address those immediate challenges the most vulnerable household would face in terms of accessing some essential needs. Thus, immediate relief assistance to the population includes waivers of public utilities' fees and transportation costs, e.g. ten per cent discount on rice, flour, sugar, salt and cooking oil as well as 25 per cent

⁹⁰ MOLESS, Prime-minister Employment Program. Available at: https://moless.gov.np/?page_id=1351

⁹¹ Chandan Kumar Mandal, Government Eyes Massive 700,000 Jobs Within the Country, The Kathmandu Post, May 29, 2020 - <https://kathmandupost.com/national/2020/05/29/government-eyes-massive-700-000-jobs-within-the-country>

⁹² IMF, Policy responses to COVID-19, Nepal, Measures announced May 28, 2020 - <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

⁹³ World Bank, Government of Nepal and the World Bank Launch Youth Employment and Transformation Initiative Project, July 2020 - <https://www.worldbank.org/en/news/press-release/2020/07/20/government-of-nepal-and-the-world-bank-launch-youth-employment-and-transformation-initiative-project>

⁹⁴ Government of Nepal, Council of Ministers Decision Implementation Action Plan, 2076 to provide relief facilities for the areas affected by COVID 19, Op. cit.

⁹⁵ Ibid

discount in electricity bills and on internet and data packages during the lock-down.⁹⁶ Local bodies manage food distribution programmes to needy groups. During the lock-down, food and other necessities for pregnant women, disabled persons, elderly people living in elderly homes, children living in children's homes and other vulnerable groups have been supplied.⁹⁷

Other relevant measures

Other immediate measures to mitigate the impact of COVID-19 on economic development and labour market include tax deferrals, relaxation on repayment of loans for businesses, support for enterprises in the most affected sectors, such as tourism and transportation, as well as subsidized funding sustaining small and mid-size enterprises affected by the pandemic.⁹⁸

Introduced by the government temporary relief measures and food distributions programmes for poor and vulnerable are essential to maintain an adequate level of access to basic needs, making sure that the poverty incidence does not drastically swing. At the same time, rapid social protection measures need to be combined with mid- and long-term approaches building resilient to future shocks social protection system, which at the same time would contribute to social and economic aspects of the economic recovery and development strategy.

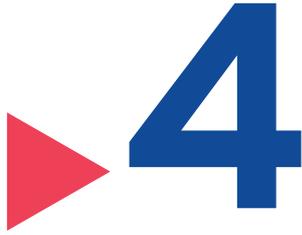


⁹⁶ Nepal COVID-19 relief package, Nepali Times, March 30, 2020 - <https://www.nepalitimes.com/latest/nepal-covid-19-relief-package/>

⁹⁷ Government of Nepal, Council of Ministers Decision Implementation Action Plan, 2076 to provide relief facilities for the areas affected by COVID 19, Op. cit.

⁹⁸ Ibid





Policy options for the response in Nepal: Building an effective and efficient social protection system

Assessing possible options for social protection responses in Nepal, a few important aspects need to be considered:

- The recovery process entails greater adaptability of the social protection schemes and programmes to the changing realities of the labour market and economic development. As the crisis evolves, it is crucial to **promptly adapt the existing social protection mechanisms** and, where needed, introduce innovative approaches to ensure the effective coverage of the population.
- While closing the existing coverage gaps, which were made more evident by the crisis, an additional effort needs to be made assessing the needs of groups in a broader range of circumstances to ensure that the so-called **'missing-middle' portion of the population**, often neither contributing to social insurance schemes nor benefiting from non-contributory options, has access to social protection.
- The recovery strategy also needs to focus on the **most hit sectors** of the economy and the **most affected by the crisis workers**. Often the vulnerabilities of certain population groups might be less visible and more difficult to assess, in particular when it comes to informal or migrant workers. Moreover, the existing inequalities in the labour market tend to exacerbate in times of crisis, therefore it is important to keep in mind the disproportionate impact of COVID-19 crisis on women workers.
- In addition to an emergency relief package normally providing a necessary immediate response to the most vulnerable groups of the population, the long-lasting implications of the crisis require a response. This could be seen as an **opportunity to build a more robust and comprehensive social protection system**, addressing not only the existing coverage gaps but also gradually extending the protection to provide additional support at times of transition and structural changes. The systemic approach would allow for positive long-term adjustments, tackling structural economic and social fragilities and building greater resistance to shocks.

Placing the focus on mid- to long-term recovery responses, the following options could be considered:

4.1 Employment Protection Scheme

In response to COVID-19 and growing concerns around employment protection, the GON has introduced several temporary job retention and income replacement measures in absence of

unemployment insurance. Such measures include temporary deposits by the government of the contributions to the SSF normally made by employees and employers in return for the employers to pay the salaries of their workers during the lock-down period.⁹⁹ Public works projects have also been introduced to provide the subsistence wage to informal sector workers who have lost their jobs due to COVID-19.

These efforts to implement temporary measures could offer a possibility to introduce broader income support to workers affected the most by the crisis and to provide an opportunity to fill in the coverage gap in absence of statutory unemployment benefit.

Target groups

- **Formal workers:** In the context of the COVID-19 crisis, temporary income replacement or wage subsidy options could be introduced to sustain those workers who have either lost their job as a result of the pandemic or have been on a leave without pay awaiting for their normal work activities to resume. These options could be built on the existing mechanisms, such as formal workers' membership in the EPF or SSF, facilitating the registration process and minimizing the costs of administering the new scheme.
- **Informal workers:** Considering that the income loss due to COVID-19 is likely to have the most significant impact on the informal economy workers as well as self-employed, which corresponds to over 80 per cent of all workers in Nepal, it could be advantageous to introduce a temporary assistance/benefit to replace income for this group of workers. Given low access of informal sector workers to the existing social protection mechanisms and bearing in mind previous constraints to increase the number of contributors to the Social Security Fund, these temporary measures could offer not only a possibility to introduce a short-term income replacement assistance/benefit to a broader range of workers, but could, in the long run, attract new members to the fund and facilitate the formalization process should this type of benefit become incorporated in the fund's architecture on a permanent basis.
- **Women:** Given a disproportionate impact of the crisis on women workers, the employment protection scheme could have a gender dimension at its initial/pilot stage, being preferential to women who often face additional constraints accessing social protection or those who are concentrated in the informal sector.
- **Sectoral options:** Another option to consider could be an introduction of an occupation-specific or sector-specific intervention to target the most affected by the crisis occupations. This option could either have a temporary nature or become a pilot intervention, yet with a perspective of being extended to a full-fledged employment protection scheme.

Benefits

- The suggested employment protection scheme could be initially implemented providing a flat-rate benefit to those who lost income promptly after the outbreak of the crisis. Concerning the level of benefit, the nationally defined levels of earnings, such as, for instance, minimum wage, can be applied to ensure the adequacy of the income replacement.
- Options of wage subsidies to retain the workforce or supplementary cash benefits to support those workers who have lost their jobs could be considered. Such types of benefits, acting as

⁹⁹ Initially, during Chaitra to sustain those businesses that have been closed due to pandemic lock-downs.

macroeconomic stabilizers, could be an effective measure for workers to maintain the domestic consumption and demand levels, providing at the same time safety net for workers not to fall into poverty while ensuring there are means to satisfy basic consumption needs of the households. On another hand, this could be viewed as an important short-term support to businesses, addressing their liquidity constraints and reducing their operations costs to avoid bankruptcy/shut down or accumulation of debt, enabling in a way these businesses to quickly recover and come back to their normal operations schedule after the crisis.

Incentive measures

- A gradual approach would be needed to implement the employment protection scheme, introducing specific incentive measures to facilitate the registration process of the workers. One of the possibilities could be designing the scheme in the way that it would allow for the initial contributions to be provided through the general government revenues as a temporary measure to increase the number of registered workers, including a further re-design of the scheme to retain the registered workers and transform the scheme into a full-scale contributory social insurance in the long run.

Facilitating structural adjustments

- In light of the structural changes in the economy and society caused by the COVID-19 pandemic, properly designed and functioning social protection schemes need to be combined with labour market policies to facilitate the transition and recovery process. Complementary to the employment protection scheme services, such as training, business development or job placement, cannot be disregarded. A synergy of social protection measures and labour market policies could be auxiliary in addressing such major challenges as employability and labour market informality.

To explore these options, an assessment of the institutional and organizational capacities of the SSF/EPF would be necessary, in addition to the valuation of the design options and gradual adjustment of the suggested Employment Protection Scheme, including guidance on the effective administration, benefit levels, duration, eligibility conditions and scheme design.

► Box 2: Examples from international experience

Malaysia introduced the Employment Retention Programme (ERP) as an initiative to provide financial assistance to employees who have mutually agreed with their employers to take unpaid leave as a result of COVID-19. The scheme is administered by SOCSO (Social Security Organization) of Malaysia.

In Viet Nam, additional to regular unemployment benefits, the following measures have been introduced: a monthly benefit of 1.8 million Vietnamese Dong (đ) (US\$ 77) to workers who temporarily stopped working or had been on unpaid leave for more than one month due to the pandemic; a monthly unemployment assistance benefit of đ1 million (US\$ 42) for unemployed workers without unemployment insurance and self-employed workers, as well as household enterprises with monthly taxable revenue below đ100 million per month.

Source: ILO, Unemployment Protection in the COVID-19 Crisis: Country Responses and Policy Considerations, September 16, 2020. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_754741.pdf

4.2 Options for social insurance

Unemployment insurance

The major coverage gap of the working-age population is correlated with the absence of an unemployment insurance scheme. Experience of different countries demonstrates that unemployment insurance has been critical in addressing the employment impacts of COVID-19 providing a rapid and substantial response to income losses of laid-off workers due to the pandemic. Following the gradual approach, an unemployment insurance scheme could be potentially introduced in Nepal built on suggested employment protection scheme temporarily subsidized by the government to attract new members to the SSF, which administers social insurance schemes.

Strengthening the social insurance system

With the launch of the social insurance schemes in 2019, the number of registered employers and workers was low despite the promotion within the registration campaign. At the same time, building the membership of the SSF did not lead to regular contributions, which is in part associated with the general instability in the times of the crises and to a certain extent is related to the interest and trust of the new members. To maintain the viability of the SSF during COVID-19, the government agreed to pay the contributions for those employers who have registered to alleviate the liquidity problem employers face during the pandemic and to maintain the level of contributions to the fund. While being a necessary auxiliary step, the reliance on the government's support might translate into an unsustainable model of financing of social insurance schemes and could have negative implications for the state budget formulation in the long run. In order to strengthen the new social insurance system, the following options could be explored:

- Measures focusing on already registered workers under the new social insurance could address the regularity of contributions with options of strategic planning towards building the long-lasting and trusting relations with the members. These could include an assessment of root causes of the irregularity of contributions, evaluation of schemes' design in terms of benefit packages, replacement rates and level of contributions. In this regard, an actuarial valuation with the support of ILO could be suggested to assess the necessary adjustments, in line with the international labour standards, after the launch of the schemes and with consideration of emerged difficulties and the current situation related to the pandemic. Should the option of an unemployment insurance scheme be pursued, an extensive costing exercise would be needed to integrate the new scheme in the architecture of the SSF.
- Measures expanding the coverage and attracting new members to support the viability of the SSF are necessary. Considering the emerging need for unemployment protection in the context of the COVID-19 crisis, introducing a new employment protection scheme with the perspective of transforming it into a full-fledged unemployment insurance would consequently lead to a higher number of workers registered with the SSF. Other options for extending the coverage could also include a further harmonization of the operations between the EPF and SSF, extension of coverage to informal sector workers and revision of the contribution rates through an actuarial study. Given that currently employees contribute 11 per cent of their monthly pay and their employer adds what is equivalent to 20 per cent of their particular salary for a total of 31 per cent, the key question to address through an actuarial study is whether the rates are viewed as disincentivizing, in particular for small and medium-sized enterprises, family businesses or other groups eligible to join the fund. The study could also address other issues pivotal to the stability of the social insurance system, including those that emerged before the pandemic, such as effective

administration, methodological determination of benefits levels and possible legal gaps related to eligibility conditions and schemes' design.

- Measures expanding protection to own-account and informal workers would require particular attention given a high proportion of workers in Nepal concentrated in the informal sector, family-owned businesses, micro or small enterprises or being self-employed. As noted, these fall within the categories of workers that are the most vulnerable to the crisis. Providing access to the contributory schemes for these workers would address the substantial coverage gaps and provide the necessary support to the vulnerable households at the time of instability. A careful assessment of options expanding protection to these categories of workers is needed not to jeopardize the financial sustainability of the social insurance schemes in place. Such actuarial assessment would include in first place contributory capacities of different groups of workers as well as an assessment of financing and policy options.

► Box 3: Examples from international experience

- Thailand increased unemployment benefits for the period 2020–2021 and provided 70 per cent of salary for 200 days (formerly 50 per cent of salary for 180 days), offering greater income security to 13.3 million covered workers.
- Paraguay provided workers in the informal economy with benefits amounting to 50 per cent of the minimum wage, a measure that has resulted in the creation of a registry for such workers.
- The Philippines mobilized P1.2 billion from the Social Security System (SSS) to cover unemployment benefits for displaced workers.
- China has increased the lay-off rate threshold for the unemployment insurance contribution refund. Small, medium and micro enterprises whose lay-off rate is less than 5.5 per cent can apply for a 50 per cent refund of unemployment insurance premiums.
- Brunei Darussalam introduced deferral to social security contributions to assist hardest-hit households and firms affected by COVID-19.

Sources:

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- China Network, Ministry of Human Resources and Social Security: *Small, Medium and Micro Enterprises whose Layoff Rate is Less than 5.5% Can Apply for a 50% Refund of Unemployment Insurance Premiums*, March 5, 2020. Available at: http://news.china.com.cn/txt/2020-02/19/content_75722281.htm
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It is generally recognized that the way forward to universal social protection requires a combination of contributory and non-contributory social protection mechanisms. Non-contributory schemes play a key role in ensuring a basic level of protection for all, in particular for those groups who do not have access to any other social protection mechanisms. Various low- and middle- income countries have considerably extended social protection coverage, including to workers in the informal economy, using a combination of contributory and non-contributory social protection programmes. The non-contributory side of the social protection system has proven to be effective in addressing emergency deprivation and in reducing negative income effects of COVID-19 considering that the multiplier effects of direct cash transfers are high: recipient households use the resources for domestic

consumption, keeping the demand side relatively stable, and in case of high levels of informality, recipients are likely to expand the resources transferred to them. To further strengthen the social protection system in Nepal, in addition to suggested measures on the contributory side, the following option for the non-contributory schemes could be explored.

Universalization of child benefits

► Given limited options for a wage replacement strategy in response to COVID-19 due to the low number of workers in formal employment, one of the options targeting most of the vulnerable households with children could be an extension of coverage under the child protection grant. Considering that households on average have 4.06 children,¹⁰⁰ such a strategy, in the case the scheme is universalized, would allow reaching at least one-third of all the households increasing their purchasing power and alleviating the impact of the pandemic on the families without protection. Essentially, such transfers, in general, have proven to have a large positive multiplier effect on the economy acting as a powerful macroeconomic and social stabilizer. An option of such a social protection floor covering the vast number of households has the potential to provide important livelihood support and children's well-being, in particular to low-income workers or workers who have their earnings temporarily suspended. While recognizing the efforts towards the expansion of the child protection grant, which is now available to Dalit children under five across the entire country and to all children under five in 14 districts¹⁰¹, it is important to note that this type of SSA still has a potential to expand its coverage to every child under five across all the 77 districts in the country.¹⁰² In addition to the option of extending the coverage, a provision of top-up benefits could be envisaged in view of providing an effective cash relief to poor families in times of crisis. Following the two earthquakes in 2015, Nepal's previous experience responding to the crisis by scaling up of social benefits, including the child grant, has proven the capacity of the regular social protection system to deliver timely and recovery-responsive measures. Experience delivering top-up benefits, supported by UNICEF to cover all children in the 11 earthquake-affected districts and beneficiaries of the existing SSA programmes in 19 earthquake-affected districts, could be used as a practice to build upon during future interventions aiming at vertically expanding the child grant.¹⁰³

Other life-cycle protection measures

Vulnerabilities across the life-cycle could be addressed through such protection measures, as allowances for senior citizens, single women, endangered ethnic groups or persons with disabilities, providing rapid and targeted support to the most vulnerable and hit the hardest groups of the population. At the same time, such measures can have a spill over effect on other family members, which is particularly relevant in the case of low-income households in which members suffer income loss consequences of the pandemic. Several key considerations could be further explored:

¹⁰⁰ CBS, Nepal Living Standard Household Survey, 2011 - https://cbs.gov.np/wp-content/uploads/2018/12/Statistical_Report_Vol1.pdf

¹⁰¹ Specifically, in Humla, Jumla, Mugu, Kalikot, Dolpa, Accham, Bajhang, Rautahat, Mahottari, Sarlahi, Siraha, Doti, Jajarkot, and Bajura districts.

¹⁰² The eligibility criteria of the child grant allow to cover up 2 children per household.

¹⁰³ UNICEF, Lessons from the UNICEF Nepal Emergency Cash Transfer Programme Through Social Assistance, Briefing Note, Oxford Policy Management, April 1, 2017 - <https://www.unicef.org/nepal/reports/lessons-unicef-nepal-emergency-cash-transfer-programme-through-social-assistance>

- ▶ Revising qualifying criteria to reach larger vulnerable groups of the population and narrow the coverage gap. Such options could be considered as harmonizing and lowering the qualifying conditions for old-age benefits or reviewing the registration process for and improving access to the disability allowance, given major coverage gaps of the disability allowance scheme. Specifically, concerning the latter, to increase the coverage, it is important to recognize the vast diversity of needs the people with disabilities have depending on their type of disability, including such aspects as the access to services, the need of constant attendance or flexibility in payment modalities. On the other hand, the access to disability allowance has been granted to profound and severe types of disability, according to the Disability Act of Nepal, thus another option in expanding the coverage could be to consider introducing additional benefits for persons with moderate and mild types of disabilities.
- ▶ Focusing on the adequacy of the benefits to ensure substantial support to the poorest while offering additional security to workers and their families at risk of falling into poverty. Top up options could be envisaged in times of crises and during the recovery phase.
- ▶ Improving outreach and quality of service delivery. To increase the efficiency of public services delivery and transfers across the country, including remote areas, an analysis of current delivery mechanisms could be conducted. Specifically assessing the number of recipients of the SSA benefits vis-à-vis eligible beneficiaries in order to analyse possible constraints during the registration process, challenges collecting required documentation, specific limitations that persons with disabilities face to access the benefits as well as overall awareness of the existing schemes. It is also to be mentioned that considering the geographic diversity of Nepal as well as the federalisation process, there is a rising need to ensure the efficiency of coordination between the central and local authorities overseeing the implementation of the SSA. Other policy changes not to be overseen, specifically in terms of long-term strategic planning, given, for instance, the fact that the SSA has moved from the Ministry of Federal Affairs and General Administration (MOFAGA) to the Ministry of Home Affairs (MOHA) in 2018, the change that comes with the new policy agenda and priorities. Given the above, one of the possible options could be introducing a 'one-stop-shop'/'one-window-shop' for the applicants to address in order to complete all the documents required for registration in one single location. Such an approach would allow to simplify the administrative process, reduce the transaction costs, and harmonize the efforts of various national and local agencies involved in the delivery of SSA benefits.
- ▶ Improving data availability for more precise policy and programming decisions. In particular, despite data availability on the disability identity cardholders and the senior citizen identity cardholders under the Ministry of Women Children and Senior Citizen's (MOWCSC) Management Information System (MIS), the latest nationwide data collection on disability and chronic illness was conducted during the third round of Nepal Living Standards Survey in 2010-2011. In this case, there is a risk of having a distorted picture of the effective coverage and difficulties of assessing schemes' implementation. Given the identified gender gap in coverage, data collection could contain elements for the root cause analysis of uneven access to social protection.

¹⁰⁰ CBS, Nepal Living Standard Household Survey, 2011 - https://cbs.gov.np/wp-content/uploads/2018/12/Statistical_Report_Vol1.pdf

¹⁰¹ Specifically, in Humla, Jumla, Mugu, Kalikot, Dolpa, Accham, Bajhang, Rautahat, Mahottari, Sarlahi, Siraha, Doti, Jajarkot, and Bajura districts.

¹⁰² The eligibility criteria of the child grant allow to cover up 2 children per household.

¹⁰³ UNICEF, Lessons from the UNICEF Nepal Emergency Cash Transfer Programme Through Social Assistance, Briefing Note, Oxford Policy Management, April 1, 2017 - <https://www.unicef.org/nepal/reports/lessons-unicef-nepal-emergency-cash-transfer-programme-through-social-assistance>

► Box 4: Examples from international experience

- Mongolia increased monthly child support, topping up the 'Child Money' scheme. In addition, a previously established One-Stop-Shop (OSS) increased accessibility and efficiency in delivering social services and transfers across the country, including OSSs services delivery at the doorsteps of those who cannot travel.
- Lithuania relaxed conditions for receiving child benefits, adjusting the means test in response to the deteriorating financial situation of the households as a result of the pandemic.
- The Russian Federation introduced cash transfers of RUB 10,000 Russian rubbles to all children aged three to five.
- Brazil relaxed eligibility criteria for old age and disability benefits.
- In India, such benefits as an old-age pension, widow pension and disability pension have been doubled.

Sources:

- ILO, *A One-Stop Shop for Accessible, Transparent and Efficient Public Service Delivery, Fact Sheet, May 15, 2016. Available at: https://www.ilo.org/beijing/what-we-do/publications/WCMS_534381/lang--en/index.htm*
- Ministry of Social Security and Labour of Lithuania, *What Help can the Low-Income Residents Expect from the State? June 11, 2020: Available at: <https://socmin.lrv.lt/en/news/what-help-can-the-low-income-residents-expect-from-the-state>*
- *Внесены изменения в Указ о дополнительных мерах социальной поддержки семей, имеющих детей, May 11, 2020: Available at: <http://kremlin.ru/events/president/news/63342>*
- *Globo, Mudanças no BPC/Loas feitas pela lei do auxílio-emergencial só valem para pedidos feitos até dia 2 de abril, May 5, 2020: Available at: <https://extra.globo.com/noticias/economia/mudancas-no-bpcloas-feitas-pela-lei-do-auxilio-emergencial-so-valem-para-pedidos-feitos-ate-dia-2-de-abril-24413135.html>*
- *Millennium Post, Pensioners Applaud Delhi Government for Providing Financial Help, April 12, 2020. Available at: <http://www.millenniumpost.in/delhi/pensioners-applaud-delhi-govt-for-providing-financial-help-407200>*

4.4 Further considerations

Building a long-term strategy for a social protection system. The COVID-19 caused unprecedented impacts on workers and businesses, hitting the poorest people hardest. The expected lengthy recovery requires long-term strategies in which social protection plays a key role. The comprehensive social protection systems have proven to be powerful economic and social stabilizers in time of crises and an indispensable element of the economic recovery and growth. Learning from past experiences, the countries with more effective and efficient social protection systems are better equipped to surmount the negative consequences of external shocks and to stabilize the economy. Nepal has a possibility to create a long-term vision for the social protection system, building on a combination of contributory and non-contributory schemes towards achieving universal protection. Taking advantage of social dialogue to shape a sustainable recovery path and guided by international labour standards, such a long term and comprehensive vision of the social protection system would help to reduce fragmentation, close coverage gaps, facilitate the formalization process and address long-term structural adjustments.

¹⁰⁴ ILO, *Innovative Approaches for Ensuring Universal Social Protection for the Future of Work*, Christina Behrendt and Quynh Anh Nguyen, ILO Research Paper Series, May 15, 2018 - https://www.ilo.org/global/topics/future-of-work/publications/research-papers/WCMS_629864/lang--en/index.htm

Importance of national dialogue. Revision, implementation or introduction of changes to the social protection system has proven to be the most effective when a national consensus has been reached. The participation in the social dialogue of all parties concerned not only promotes social justice in society at large but also has a direct impact on economic growth and social stability. Those groups who are affected by any economic or social issue and who become a party to the decision-making process are then more likely to respect the final decisions and outcomes when their needs have been voiced. Considering the complexity and far-reaching effects of the current COVID-19 crisis, the meaningful participation of social partners and other stakeholders is the key to formulating social protection responses. An important lesson learned from various national dialogue practices: social dialogue is fundamental for building inclusive social protection systems and for ensuring their sustainability, including during crises. Relevant international labour standards highlight the important and recommend further strengthening national participatory consultations processes when formulating social protection policy responses.

Actuarial studies and valuations. Actuarial valuations are an important step in design and periodic revision of the social protection schemes. It is also an opportunity to assess the financial viability and costs, helping to determine the most optimal parameters, such as inter alia income replacement rates and duration of the benefits. The ILO Convention No. 102 contains common provisions promoting sound governance, including periodic actuarial reviews, specifically Art. 71, par 3 suggests that each Member state “shall ensure, where appropriate, that the necessary actuarial studies and calculations concerning financial equilibrium are made periodically and, in any event, prior to any change in benefits, the rate of insurance contributions, or the taxes allocated to covering the contingencies in question”. In addition, it is important to consider complementary studies, covering, for instance, administrative aspects of the scheme’s implementation, such as evaluations of IT systems, human resource capacity, the effectiveness of coordination and management processes, client satisfaction issues, etc.

Additionally, **Social Budgeting** as a method of analysis and forecast of social protection expenditure and revenue, including simulations under various economic, legislative and demographics assumptions, could be considered to enhance the quality and effective management of the social protection strategies.

Capacity building of tripartite constituents (or national stakeholders, in a broader sense). In order to advance social protection in Nepal with innovative, practical methods and techniques, a diversified and tailored training package on extension of social protection systems is needed.

¹⁰⁵ ILO, *The Role of Social Dialogue in Formulating Social Protection Responses to the COVID-19 Crisis*, Social Protection Spotlight, October 6, 2020 - <https://www.social-protection.org/gimi/gess/RessourcePDF.action?id=56869>

¹⁰⁶ ILO, *National Tripartite Social Dialogue: An ILO Guide for Improved Governance*, December 2, 2013 - https://www.ilo.org/ifpdial/information-resources/publications/WCMS_231193/lang--en/index.htm

¹⁰⁷ Specifically: Art. 72 of the Social Security (Minimum Standards) Convention, 1952 (No. 102), paras 3(r) and 8(d). of the Social Protection Floors Recommendation, 2012 (No. 202), paras 7(k) and 8(i) and section IX of the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205), etc.

¹⁰⁸ ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) - https://www.ilo.org/dyn/normlex/en/f?p=NORMLEX_PUB:12100:0::NO::P12100_ILO_CODE:C102

¹⁰⁹ ILO/ISSA, *Actuarial Practice in Social Security, Quantitative Methods in Social Protection Series*, Plamondon, P.; Drouin, A.; Binet, G.; Cichon, McGillivray, W.R.; Bédard, M.; Perez-Montas, H. - Geneva, International Labour Office/International Social Security Association, 2002 - <https://www.social-protection.org/gimi/gess/RessourcePDF.action?id=776>

¹¹⁰ ILO/ISSA, *Social Budgeting*, Scholz, W.; Hagemeyer, K.; Cichon, M., ILO Quantitative Method Series. - Geneva, International Labour Office/International Social Security Association, 2000 - <https://www.social-protection.org/gimi/gess/ShowRessource.action?ressource.ressourceId=8022>

Considering the relatively recent establishment of the Social Security Fund, additional capacity building would be the most beneficial if it includes related aspects of strengthening and broadening the coverage of the social insurance. Institutional capacity-building activities and programmes for governments, workers' and employers' organizations and other development partners are overall important auxiliary measures for better understanding and reviewing current national social protection systems and for formulating a national strategy on the extension of social protection¹¹¹.

Minding the gender gaps. Well-designed and implemented social protection acknowledges the differences in needs and risks of men's and women's experience availing of the protection. Analysing the different reasons for the gender gaps given the specific national context is an opportunity to further strengthen and improve the efficiency of both newly designed schemes and those already in place.¹¹² It is important to understand different obstacles accessing the available social protection benefits as well as additional challenges women face from a life-cycle perspective.¹¹³

While some have been briefly discussed in this paper, extending the knowledge base on gender and inclusion issues in social protection would help to avoid multiple and intersecting risks women often face. Regarding overlapping risks, a particularly relevant international labour standard to consider is the Recommendation No. 204 on the Transition from the Informal to the Formal Economy, which in its paragraph 7 recognizes the need to pay special attention to women during the policy strategy design and in its paragraph 18 calls for the progressive extension of social security and maternity protection, among other measures, to workers in the informal economy.¹¹⁴

Furthermore, recognizing that the design of the schemes must be gender-neutral overall, providing equal access to coverage and benefits for both men and women, certain options such as positive discrimination measures or targeted policies could be considered to ensure effective and equitable access to protection. ILO standards in the field of equality and non-discrimination provide a necessary framework, notably the Recommendation No. 111 concerning Discrimination in Employment and Occupation calls for Member states to follow the principle of "equal opportunity and treatment in respect of [...] social security measures and welfare facilities and benefits provided in connection with employment".¹¹⁵

¹¹¹ Examples of training activities aiming to empower key stakeholders to design, implement, and manage national social protection systems and being delivered by the International Training Centre of the ILO can be consulted here: <https://www.itcilo.org/topics/social-protection>

¹¹² UNDESA, *Promoting Inclusion Through Social Protection: Report on the World Social Situation 2018*, September 2018 - <https://socialprotection.org/discover/publications/report-world-social-situation-2018-promoting-inclusion-through-social>

¹¹³ ILO, *Social Protection Floors and Gender Equality: A Brief Overview* Lou Tessier, Maya Stern Plaza, Christina Behrendt, Florence Bonnet, Emmanuelle St-Pierre Guibault ; International Labour Office, Social Protection Department. - Geneva: ILO, 2013 - https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_218850.pdf and ILO, *Gender Equality and the Extension of Social Protection*. ESS Paper no. 16. / Rachel Sabates-Wheeler and Naila Kabeer. - Geneva: ILO, 2003 - https://www.ilo.org/public/libdoc/ilo/2003/103B09_204_engl.pdf

¹¹⁴ ILO, *Transition from the Informal to the Formal Economy Recommendation*, 2015 (No. 204) - Paras 7 and 18, https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:3243110:NO

¹¹⁵ Art. 2 (B), Discrimination (Employment and Occupation) Recommendation, 1958 (No. 111) - https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R111;
See also: Equal Remuneration Convention, 1951 (No. 100), Discrimination (Employment and Occupation) Convention, 1958, (No. 111), Workers with Family Responsibilities Convention, 1981 (No. 156) and the Maternity Protection Convention, 2000, (No. 183), Night Work of Women (Agriculture) Recommendation, 1921 (No. 13); Equal Remuneration Recommendation, 1951 (No. 90); Workers with Family Responsibilities Recommendation, 1981 (No. 165) and Maternity Protection Recommendation, 2000 (No. 191).

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▶ Social protection responses to COVID-19 in Nepal

The COVID-19 pandemic has transformed the world of work, heavily impacting the well-being of workers and their families, exposing a number of sectors to the crisis and aggravating the existing inequalities in the labour market. Previous global crises have demonstrated the undeniable importance of social protection in economic development and the recovery process. The systems approach to social protection is the key to recovery efforts. This paper provides an assessment of how social protection systems can be reviewed and strengthened to fulfil their role as economic and social stabilizers during the crisis recovery and as integral elements of further economic growth.

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