

Nepal Legal Framework Analysis: Key Highlights

This one-pager aims to provide a brief overview of the most notable features of Nepal's national cooperative legal framework, based on the work of national legal expert and ICA member input.

The Cooperative Act of 2017 is the only law that regulates cooperative associations in Nepal. There are no special laws on different types of cooperatives in Nepal. However, the current law covers only mutual cooperatives and not social cooperatives. Section 2(Pa) of the act refers to the ICA principles of cooperative identity.

Main regulations: This table displays a selection of cooperative regulations identified by experts and ICA members.

Regulation	Brief Description
Cooperative Act, 2017	<i>One general law for all types of mutual cooperatives.</i>
Constitution of Nepal 2015	<i>Recognizes cooperatives as an important base of national economy. Article 50(3) of the Constitution stipulates that the economic objective of the state shall be to achieve sustainable economic development, while achieving rapid economic growth, by way of maximum mobilization of the available means and resources through participation and development of public, private and cooperatives, and to develop a socialism-oriented independent and prosperous economy while making the national economy independent, self-reliant and progressive in order to build an exploitation free society by abolishing economic inequality through equitable distribution of the gains.</i>

Table 1: Cooperative and related regulations in Nepal

Cooperative Friendliness: The Nepal's cooperative legislation is "quite cooperative friendly". The key reason for the same is that the Act was made in consultation with the cooperative federation and confederation. Also, Chapter 13 of the Act includes certain concessions and benefits provided to cooperatives.

Key recommendations for improvement: One would be to remove the complexities in the course of registering a cooperative; Like limitations of the savings and credit cooperative within a Metropolitan city and a Sub-metropolitan city, which is not there in other cooperatives. Need of a solution to the double regulation of cooperative banks by Nepal Rastra bank and cooperative department. Provisions should be there to advance the cooperative model through the principle of self-regulation and not punishment. The Act needs to be amended to include social cooperatives as well.

Conclusions: Cooperative Act 2017 has commenced a new stage in the Nepal's cooperative movement. It has given the opportunity to increase the capacity of the cooperative sector in an effective, productive and competitive manner by increasing the capacity of its members and not just by increasing the number of members.

