

The Informal Economy in Insurgency and Disaster: Kathmandu - Nepal



Project Background

This study was undertaken as part of a 2.5 year research project on *Economic Recovery in Post-Conflict cities: the role of the urban informal economy*, funded under the DFID-ESRC Joint Fund for Poverty Alleviation Research (Project ES-M008789-1). The research explores the role of the urban informal economy in poverty-reduction, peace-building and development in post-conflict cities, and its scope to provide both livelihoods for the extreme poor and a platform for economic recovery.

Post-conflict recovery is a long and cyclical process and this research examines cities with different drivers of conflict, including urban areas in post-civil war settings, and cities affected by protest, violence or ongoing turf wars. The research explores the drivers of conflict and links to the informal economy, examining both structural and individual factors that support/inhibit the informal economy's role and growth in post-conflict settings. Fieldwork is being carried out in four cities: Cairo, Hargeisa, Karachi and Kathmandu, exhibiting different facets of conflict and violence.

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Contents

PROJECT BACKGROUND	I
CONTENTS.....	II
TABLES AND FIGURES	III
1. INTRODUCTION	1
1.1 INTRODUCTION TO THE REPORT	1
1.2 STRUCTURE OF THE REPORT	1
2. SETTING THE CONTEXT: CONFLICT & THE CITY	3
2.1 INTRODUCTION	3
2.2 CONFLICT IN KATHMANDU	3
2.3 THE NEPALI EARTHQUAKE	3
2.4 SOCIAL, POLITICAL AND ECONOMIC CHARACTERISTICS OF NEPAL AND KATHMANDU	3
2.6 EMPLOYMENT POLICIES	5
3. METHODS.....	7
3.1 INTRODUCTION	7
3.2 CONFLICT MAPPING AND RESOLUTION	7
3.3 INFORMAL ECONOMY ANALYSIS	7
4. KATHMANDU'S INFORMAL ECONOMY TODAY.....	11
4.1 INTRODUCTION	11
4.2 DESCRIBING THE CONTEMPORARY INFORMAL ECONOMY IN KATHMANDU	11
4.3 CHALLENGES AND PROBLEMS IN THE INFORMAL ECONOMY TODAY	14
4.4 POTENTIAL PROTECTIONS FROM PROBLEMS AND CHALLENGES	19
4.5 KEY FINDINGS.....	22
5. THE INFORMAL ECONOMY IN CONFLICT	25
5.1 INTRODUCTION	25
5.2 GENERAL EFFECTS OF CONFLICT	25
5.3 EFFECTS OF CONFLICT ON THE INFORMAL ECONOMY	27
5.4 CONTRIBUTION OF THE INFORMAL ECONOMY TO DEVELOPMENT.....	30
5.6 KEY FINDINGS.....	32
6. THE INFORMAL ECONOMY IN DISASTER	35
6.1 INTRODUCTION	35
6.2 GENERAL EFFECTS OF THE EARTHQUAKE.....	35
6.3 EFFECTS OF THE EARTHQUAKE ON THE INFORMAL ECONOMY.....	36
6.5 KEY FINDINGS	38
7. CONCLUSIONS AND RECOMMENDATIONS.....	41
7.1 INTRODUCTION	41
7.2 KEY FINDINGS.....	41
7.3 RECOMMENDATIONS	43
REFERENCES	48
APPENDICES	50

Tables and Figures

Table 3.1: Age group	8
Table 4.1: Education level	11
Table 4.2: Education level by birthplace	12
Table 4.3: Business type by gender	12
Table 4.4: Business premises by business type	13
Table 4.5: Business premises by birthplace.....	13
Table 4.6: Average daily income by business type.....	13
Table 4.7: Seasonal variance by business type.....	14
Table 4.8: Challenge by business type.....	14
Table 4.9: Challenge by business premises	14
Table 4.10: Problems with local authority	16
Table 4.11: Problems with local authority by business type	16
Table 4.12: Problem with competition with business type.....	17
Table 4.13: Problem of theft by business type.....	17
Table 4.14: Problem with operating space by business premises.....	18
Figure 3.1: Business type.....	8
Figure 4.1: Move date to Kathmandu	11
Figure 4.2: Problems with local authorities by birthplace.....	16
Figure 4.3: Remittance sending by birthplace.....	18
Figure 5.1: Effects of conflict.....	25
Figure 5.2: Disrupted goods and services.....	27
Figure 5.3: A cigarette vendor and her house in Thapatali informal settlement	28
Figure 5.4: Sectoral change in the urban informal economy	29
Figure 6.1: Disrupted goods and services in earthquake	35

1. Introduction

Examining the response of the urban informal economy in the recovery from insurgency and natural disaster and current development challenges.

1.1 Introduction to the report

This report summarises the findings from research in Kathmandu in 2016 to examine the response of the urban informal economy (IE) in the recovery from the Maoist insurgency between 1996 and 2006, and the devastating earthquake of April 2015. The research also examines current development challenges of the urban IE.

In post-conflict cities, and many developing world cities across the globe, working in the IE is an important coping strategy. Worldwide, the contribution of urban informal enterprises to gross domestic product (GDP) and jobs is substantial. Even when political stability is assured, informality remains a structural characteristic of low-income economies, yet local and international policies see the IE as a temporary solution and rarely provide supportive and enabling environments for its development. In post-conflict and post-crisis settings, the IE's role is vital in providing livelihoods during recovery and in replacing basic services lost during crises.

Kathmandu was selected to examine the impact of conflict outside the city on the urban area. The comprehensive peace agreement with Maoist rebels in 2006 led to elections for the Constituted Assembly in 2008 and decommissioning of the rebel army in 2012. However, politics has been turbulent: elections were delayed until 2013 and the new Constitution was not finally promulgated until September 2015. The earthquake struck shortly after the research commenced, adding another layer of complexity to the study.

Thus the core focus of interest for the research in Kathmandu was to explore the role of the IE during the Maoist insurgency and 2015 earthquake, its evolution and its current economic contribution. The research team also sought to understand how different livelihood routes reduced the impact of violence, crisis and instability on poor people, and the role of the IE in economic recovery, as a basis for improving development interventions in Kathmandu. Within this framework, the report addresses four main questions:

- How does the IE operate in Kathmandu today and what are the main challenges and problems that IE workers face?
- What were the short-term and long-term impacts of the Maoist conflict on the urban IE, and how did it respond? How does this response contribute to improved development outcomes?
- What were the short-term and long-term impacts of earthquake on the urban IE, and how did it respond? How does this response contribute to recovery in the city?
- How can support for the IE contribute to wider development initiatives of poverty reduction and economic growth?

Kathmandu is the capital of Nepal, and officially refers to Kathmandu Metropolitan City, lying north of the Bagmati River, referred to this report as Kathmandu Metro. The name Kathmandu is also used to refer to the wider urban agglomeration, usually taken to include Lalitpur and Bhaktapur, and surrounding areas of the Kathmandu Valley. This looser definition of Kathmandu is used in this report. Lalitpur is often referred to by its historic name of Patan.

1.2 Structure of the report

Following this introduction, Chapter 2 provides a short background to Kathmandu. It describes the political and socio-economic conditions in the city, current policies and attitudes towards the urban IE, and provides an overview of the Maoist insurgency of 1996-2006, and the earthquake of 2015. Chapter 3 briefly discusses the three-stage methodology used in the fieldwork. The findings of the report are then set out in three chapters. Chapter 4 explores the characteristics of the IE in Kathmandu today. It builds a profile of the IE workers and businesses interviewed, and the challenges and problems that the IE faces, before concluding with a commentary on potential protections to strengthen livelihoods. Chapter 5 discusses the impacts of the Maoist conflict and evaluates how the IE responded to the conflict. Chapter 6 explores the impact of the 2015 earthquake on Kathmandu and the IE's response and contribution to recovery. Chapter 7 sets out recommendations to support the role of the IE in recovery from crises.



Vibrant market trade in Kathmandu

2. Setting the Context: Conflict & the City

Periods of insurgency and natural disaster have had far reaching consequences for the city of Kathmandu.

2.1 Introduction

This chapter gives a brief overview of the conflict of 1996-2006 and the earthquake of 2015 and summarises the socio-political and economic characteristics of Kathmandu today as well as policies and legislation referring to the IE in Nepal.

2.2 Conflict in Kathmandu

The Maoist insurgency had multiple and complex political, economic, cultural and social causes. Support for the insurgency developed amongst the rural population, who had suffered significantly under autocratic rule and who were dissatisfied with the lack of change following the shift to multiparty democracy after 1990 (Joshi, 2009). Reasons for discontent have ranged from economic deprivation in rural areas due to agricultural stagnation (Bohara et al., 2006) to the inability of government to address grievances amongst the rural population (Sharma, 2006).

The central cause of conflict, as officially recognised by the Nepali government, was the inequalities between the rural and urban population and resulting feelings of exclusion this created (Upreti et al., 2012). These inequalities, encompassed land distribution and land rights, social welfare and infrastructure (Deraniyagala, 2005), access to education (Nepal et al., 2011) and political inclusion (Joshi, 2009).

The insurgency started in February 1996 when the Communist Party of Nepal-Maoist (CPN-M), established in 1994 and dissatisfied with the government rule of the Nepali Congress Party (NCP), initiated the 'People's War' by carrying out simultaneous attacks on police stations in the Ropla district of western Nepal (Do and Iyer, 2010). The "main objectives of the insurgents were to abolish the monarchy, establish a people's republic and elect a constituent assembly to draft a new constitution for the country", based on Communist ideology (Do and Iyer, 2010).

Rurally-based for much of the conflict, the Maoists occupied large swathes of the countryside by 2000, often recruiting discontented and disadvantaged rural youth before moving into urban areas. Tensions intensified in February 2001 when the King of Nepal declared a state of emergency and deployed military forces to the rural areas. Over 13,000 lives were lost over the course of the conflict and over 200,000 people were displaced (Upreti et al., 2012). Human-rights atrocities and torture were committed by both sides of the conflict (Lawoti and Pahari, 2010).

Although peace talks between the Maoists and the government began in August 2001, conflict continued until November 2006 when a Comprehensive Peace Accord was signed, officially ending the 10-year insurgency (Lawoti and Pahari, 2010). In December 2007, a bill was passed in parliament declaring Nepal a federal republic and the Constituent Assembly formally abolished the monarchy in May 2008.

The conflict had far-reaching consequences for Nepal as a whole, and though the effects of outright conflict such as infrastructure damage, displacement and violence were felt most acutely in rural areas, there were significant implications for Nepali cities (Upreti et al., 2012). In Kathmandu, the "unprecedented movement of people...for security, livelihood and shelter...completely redefined the city's landscape" (Sengupta, 2013).

2.3 The Nepali earthquake

On 25th April 2015 an M7.8 earthquake struck Nepal, 51 miles North West of Kathmandu. The worst natural disaster in Nepal since 1934, it claimed 8,600 lives and injured upwards of 16,800 people (Goldberg, 2015). Aftershocks were felt for weeks, most notably on 12th May, when an M7.3 aftershock triggered further landslides and loss of life (Sijapati et al., 2015a). In total, 31 of the country's 75 districts were affected, 14 of which were declared 'crisis-hit' (Kunwar and Chand, 2016).

An estimated 2.8 million people were displaced by the earthquake and almost half a million homes were destroyed (Goldberg, 2015). As with the insurgency, many rural inhabitants moved to the city in the direct aftermath of the earthquake (Sijapati et al., 2015a). This migration, along with infrastructure damage and general disruption increased pressure on Kathmandu's economy that was still recovering from the effects of a ten-year-long conflict.

2.4 Social, political and economic characteristics of Nepal and Kathmandu

Kathmandu Valley has a population of 2.5 million people, and is home to more than half of the total urban population of Nepal (World Bank, 2013). Much of the rapid urban expansion has been due to rural-urban migration, and the region

has witnessed a 6% annual urban population growth since the 1970s, a figure that increased during the Maoist insurgency (Muzzini and Aparicio, 2013). Rapid urbanisation has put pressure on Kathmandu's resources with ever-increasing numbers of urban dwellers competing for housing, services, facilities and public space (Chitrakar et al., 2016)

2.4.1 Political transition

The challenges in Kathmandu have been exacerbated by an elongated political transition since the Comprehensive Peace Accord in 2006. It took nearly a decade, with many changes of government, for the Constitution of Nepal to be drafted by the Constituent Assembly, transforming Nepal from a unitary, Hindu, monarchy to a federal, secular, and republican state. Between May 2012 and November 2013 there were no elected representatives at national or local level, which affected municipal governance and the implementation and management of development projects (ILO, 2014). Even when there is a local government in place, institutional capacity, accountability, and responsiveness is weak and local bodies often perform "below the required efficiency and effectiveness due to their lack of human and financial resources" (UN Country Team Nepal, 2012).

The difficulties with governance are compounded and reinforced by traditional ethnic, caste-based and gender hierarchies that continue to restrict access to social, cultural, political and economic opportunities for vulnerable groups in Kathmandu (UN Country Team Nepal, 2012). This economic exclusion has a spatial dimension in Kathmandu with ethnic diversification resulting from internal migration creating a gulf between the powerful, less ethnically diverse urban core and the ethnically diverse periphery where poverty is acute and persistent (Subedi, 2010).

2.4.2 Social inequalities

The challenges of urbanisation, political impasse, and horizontal inequalities between and across social groups in Kathmandu, together with the lack of "sustained support services and reintegration efforts" for ex-combatants, has negatively impacted the fabric of urban society (Gupte and Bogati, 2014). *Bandh*, consisting of general strikes, blockades and lockouts "organised by various political forces, labour unions, professional groups, business communities and civil societies have become common phenomena" in Kathmandu (Shrestha and Chaudhary, 2013). These *banda* increase pressure on urban governance and have significant economic costs; between 2006 and 2013 strikes decelerated annual GDP growth between 0.6%-2.2% (ILO, 2016). Urban violence is also commonplace and there has been a proliferation of criminalised armed groups, politically affiliated gangs and criminal networks in Kathmandu which undermines urban security (Gupte and Bogati, 2014).

2.4.3 Economic characteristics

In Nepal, economic growth is weak and has reduced from 5.9% in 2013/14 to 2.7% in 2014/15 to 0.6% in 2015/16. Much of the later decline has been a result of the earthquake's impact on the labour market, which is thought to have affected the livelihoods and incomes of an estimated 5.6 million Nepalis (ILO, 2017).

While the earthquake created economic challenges it also exacerbated already existing frailties. Chronic political instability, weak governance and risks in the financial sector have resulted in low private and government investment (ILO, 2015). Exports as a share of GDP lag behind Bangladesh, China and India and lack of urban investment has accelerated a decline in industry and manufacturing, which itself deters new investment (ILO, 2017). Despite having a number of World Heritage sites, Nepal has failed to tap the full potential of the tourist industry and its contribution to GDP is only 4.2% (in comparison with Thailand's which is 7.3%). The decline in tourism following the earthquake has also affected the estimated 1 million Nepalis employed in the sector (ILO, 2017).

Sluggish economic growth and lack of employment or alternative livelihood opportunities are major causes of vulnerability. Nepal has an absence of decent work: strong pressure in labour supply; lack of structural transformation and productive employment; inadequate skills and education attainment; and regional, social and gender discriminations in the labour market (ILO, 2015). In Kathmandu, labour force participation is extremely low at 61%, and unemployment rates are the highest in the country at 8% (ILO, 2015). Employment for young people is of particular importance with those aged between 15-29 forming 17% of the urban population, and 400,000 young people entering the labour market every year in Nepal (ILO, 2015). Lack of decent work precipitates outmigration, and more than one-third of Nepal's population lives and works abroad (National Planning Commission, 2016). While migration is an important source of remittances, which make up nearly 30% of Nepal's GDP, this trend negatively affects labour availability and productivity in Nepal itself (National Planning Commission, 2016).

The majority that have not migrated are generally engaged in the IE which dominates employment, production and income generation in Nepal (ILO, 2015). Indeed, 89% of those employed in Kathmandu are IE workers. However, the IE suffers from "low quality, non-productivity and low remuneration" and there is very little protection or job security for IE workers (ILO, 2015). Women, migrants, and children are particularly vulnerable in the urban IE and child labour affects an estimated 1.6 million children aged between 5-17 years. Youth unemployment and underemployment also poses a significant challenge as it can precipitate "feelings of risk and uselessness in the youth, which, in turn, could force them

to face marginalisation, exclusion, disillusionment and low self-esteem” (ILO, 2015). Recent studies have shown how Nepali male youths are being drafted into youth wings of political parties as ‘muscle-power’ and may participate in anti-social activities such as *bandas* or be involved in criminal armed gangs and violent activities (Gupte and Bogati, 2014).

Often, in the absence of decent work, associations and trade unions take on importance. While trade unions in Kathmandu have been trying to organise workers from the IE, they are often linked to political parties and the trade union movement has suffered from political infighting which has hindered collective bargaining processes and settlements (Adhikari, 2012a).

2.6 Employment Policies

Despite the socio-political and economic challenges of Kathmandu and wider Nepal there is reason for optimism. The promulgation of a new Constitution in 2015 enshrines the rights of marginalised groups and there is newly drafted legislation which explicitly acknowledges the importance of the IE in Nepal.

2.6.1 The Constitution

The constitution enshrines the right of the citizen to be free to engage in all economic, social, cultural and religious activities including the freedom to engage in any occupation or be engaged in employment, trade and business in any part of Nepal. Rights enshrined in the constitution include: the right to employment; the right to proper work practices; the right to appropriate remuneration, facilities and contribution-based social security; the right to form a trade union, participate in it, and organise collective bargaining; the right to social justice; and the right to social security.

The constitution explicitly recognises the rights of “socially backward women, Dalits, Adibasi, Janajati, Adibasi Janajati, Madhesi, Tharu, minority groups, persons with disability, marginalized groups, Muslim, backward classes, gender and sexually minority groups, youths, peasants, labourers, the oppressed and the citizens of backward regions, and economically poor Khas Arya” as well as families of those who died in the conflict and victims of violence and displacement.

That said, the constitution has already undergone amendment on four broad issues: federal demarcation; pattern of representation; women’s rights; and official languages, and it remains contentious, particularly amongst the population from the Terai plains (Acharya, 2016).

2.6.2 National Employment Policy 2011

The newly endorsed National Employment Policy of 2011 provides legislation for gender equality and non-discrimination in the world of work and explicitly recognises the IE. Objective 2 seeks to “improve the quality of employment by gradually transforming informal employment into formal employment”. To this end proposed policies include: entrepreneurial training, credit, information and business development services; opportunity for informal sector workers to receive non-formal education through night-schools, distance learning or grant-based professional training; encouragement of labour cooperatives; the provision of social security for IE workers; and the provision of income-generation activities through small financial institutions. There is a particular focus on youth, women, indigenous nationalities and other marginalised communities.

2.6.3 The Labour Law draft bill

The draft new labour act introduces new employment laws that cover all Nepali workers, regardless of the size and type of enterprise, and whether it is formal or informal (ILO, 2014). The bill assures social security benefits (see Section 2.6.4) and unemployment insurance; prohibits forced labour and child labour; prohibits discriminatory employment contracts; and assures the introduction of regular, temporary contracts and wage forms amongst others.

2.6.4 Social Protection Floor

Social protection for workers in the informal economy is an emerging issue in Nepal. Though a Social Security Fund (SSF) was created in 2011 to implement social security schemes for maternity benefits, sickness benefits, workplace accidents’ insurance benefits and unemployment benefits, schemes are fragmented and lack of capacity and resources has prevented the fund being opened to all workers. However, the newly drafted national framework for social protection floor, and new bill for the social security of workers, seek to implement universal social security scheme for all types of workers, including those in the IE. Under the new Labour Law, employers will contribute 20% of the basic salary to the SSF while workers contribute 11%.

While these policies signify vital progress towards enabling the IE and protecting its workers, at the time of the research, none of the legislation had been finally approved. Furthermore, the formulation of supporting legislation, the implementation of labour legislation, and compliance monitoring will be a long and complex process (Adhikari, 2012a).

Time-sharing is common with different trades using space at different times of day



3. Methods

This study adopted a mixed-method approach and used a combination of three key methods.

3.1 Introduction

This chapter summarises the key methods employed during the fieldwork for this research. The study adopted a mixed-method approach and used a combination of three methods, outlined below. Where possible the findings from Kathmandu have been linked to relevant points in the literature to show the extent to which the findings here reflect, or differ from, findings elsewhere.

3.2 Conflict mapping and resolution

IE workers involved in a diverse range of economic activity within the sector were selected to join a three-day participatory workshop using peace-building and conflict-resolution approaches (Appendix 1). The workshop aimed to map the main urban actors involved in the operation of IE value chains, and in its management and regulation in Kathmandu, and the conflicts between those involved, in order to strengthen the capacity of workshop participants to articulate any challenges they face, acknowledge different perspectives, and identify potential resolutions to those challenges.

The workshop was co-facilitated by the NGO CWIN (Child Workers in Nepal Concerned Centre) and an expert peace-negotiator. There were 28 participants from different market sectors, including vendors, urban farmers and manufacturing workers (Appendix 2).

3.3 Informal economy analysis

In order to gain in-depth comparative information of individual experiences, extended semi-structured pathways interviews were conducted with two groups. The first group included IE workers in Kathmandu today. The second included those who worked in the IE in Kathmandu at the time of the conflict between 1996-2006 but no longer do as they have moved into formal work or retired. Two different questionnaire formats were used. Most of the first group had also been working in the war-affected years so had experienced the impact of conflict on their livelihoods. The majority of interviewees from both groups were in Kathmandu when the earthquake struck in 2015, hence, respondents were also asked about their experiences during this recent challenging period.

3.3.1 Interviews with IE workers today

Interviews were carried out in Kathmandu Metropolitan City (referred to as Kathmandu Metro) and Lalitpur Metropolitan City (referred to here by its historic name of Patan). Semi-structured interviews were conducted with 197 current IE workers, for the purposes of this report referred to as “current IE workers”. The questionnaire was designed to elicit people’s experience of the IE; the challenges and problems they face, engagement with local authority and the impacts of conflict. Questions fell under the following broad categories: people, business, links and networks (including engagement with local authorities), safety and security. If they could, respondents were then asked to comment on the impacts of the past conflict, and the recent earthquake, on society generally and the IE more specifically.

In order to get a diverse range of participants, selection was based on a number of observed factors including gender, age, business type, business premises and district of business. Time constraints and the unwillingness of some IE workers to participate means that an equal mix of participants within groupings was not possible, and was a limitation of the data collected. A brief profile of the 197 IE workers interviewed and their businesses is given below:

Gender

Some 123 men were interviewed compared with 74 women, a difference of around 24% of the total sample. This could reflect the tendency for women to work in more hidden home-based industries in South Asia (Raveendran and Vanek, 2013), as well as the willingness of IE workers to be interviewed, however the sample included enough women to be able to draw conclusions about their experiences.

Age

The majority of those interviewed were aged between 36–55 years. There were very few young (under 18 years) and older (55 years and over) involved in the interviews (Table 3.1).

Business district

Most IE workers interviewed (57%) conducted businesses from Kathmandu Metro while the remaining 43% were based in Patan, allowing for a good mix within the city districts.

Business type

The majority of those interviewed (35%) were vendors selling perishable goods such as fruit, vegetables and cooked foods as well as non-perishable foodstuffs and goods like clothing, crafts and souvenirs and liquor (Figure 3.1). The abundance of vendors reflects other studies which suggest that vending is the main source of livelihood for the urban poor in Nepal (Timalsina, 2007) though this group is also more accessible.

Those involved in services, including cobblers, laundry washers and maids, porters, tailors and guards accounted for 26% of those interviewed, while those in construction, including tradespeople, made up 23%. Manufacturers of quilts, furniture, idols, crafts and garlands accounted for 9% of interviewees' employment, while "others", including urban farmers and those working in restaurants and cyber cafés, made up the remaining 7%.

Business premises

Most IE workers interviewed (44%) conduct business from a site with a permanent roof, although those that operate from the street or without permanent roofing constitute a large proportion (38%). Construction sites provide working space for 16% of those IE workers interviewed while 2%, for instance drivers, operate from an "other" business space. This suggests that respondents face varying degrees of precariousness, enabling any variation in challenges to be explored.

Analysis

Numerical data from the questionnaires was analysed in SPSS using cross-tabulations of demographic indicators and current challenges within the IE to explore associations within the data. Qualitative data was analysed using NVivo.

Of the 197 current IE workers interviewed, 107 were affected by the conflict. Questions explored the experience of conflict from a personal and business perspective as well as the ability of the IE to contribute to economic development and peace-building.

3.3.2 Interviews with workers in Kathmandu at the time of conflict

A shorter questionnaire was used to interview 21 people who had been working in the IE in Kathmandu prior to, during or soon after the conflict of 1996-2006 but no longer worked in the IE, referred to as "conflict-affected people" (CAP) in this report. The questionnaire asked respondents about current employment and previous job history but focussed mainly on questions regarding the impacts of past conflict on the IE and society.

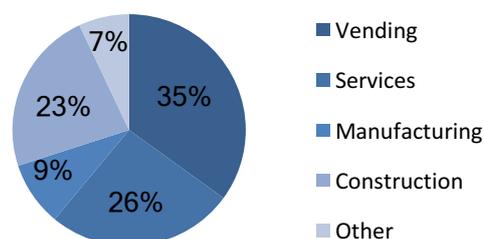
Analysis

The 21 interviews with people previously working in the IE around the time of conflict were analysed together with the 107 current IE workers who were also working in the IE at the time to assess the impacts of conflict on livelihoods and society generally. This gave 128 respondents in total that had been affected by conflict and the qualitative data was analysed using NVivo.

Table 3.1: Age group

Age Group	Frequency	Percent
0 -17 Years	3	2
18 – 25 Years	26	13
26 – 35 Years	55	28
36 – 55 Years	95	48
55+ Years	18	9
Total	168	100

Figure 3.1: Business type



3.3.3 Interviews with workers in Kathmandu at the time of the earthquake

Both current IE workers and CAP interviewees could answer questions on the 2015 earthquake, referred to as “earthquake-affected people” (EAP) in the report. Both questionnaires thus contained questions about the impact of the earthquake on the people of Kathmandu and their livelihoods.

Analysis

From the two questionnaires there were 214 respondents who could answer questions about the earthquake. Again, analysis was coded using NVivo.

3.3.4 Governance analysis

In parallel, key informant (KI) interviews were conducted with stakeholders, including central government ministers and ministries, senior staff from Kathmandu Metro and Lalitpur Metro, UN agencies, international and local NGOs and community groups (Appendix 3). A total of 26 KI interviews took place including a CAP focus group of 12 victims of conflict, contacted through a victim support group. The KI interviews focussed on the historic and current role of the IE in Kathmandu, national economic trajectories, current attitudes and policies of central and local government to the urban IE and potential opportunities within this.

Analysis

Again, analysis was performed using NVivo. This allowed KI interview data to be coded, alongside the experiences of the 128 IE workers affected by the conflict, and the 214 IE workers affected by the earthquake which enabled triangulation of data.

सार्वजनिक स्थानमा जथाभावी फोरहमेला
फ्याँकेमा कानून बमोजिम कडा कारबाही
गरिने छ।
ललितपुर उप-महानगरपालिका

Trading can be an important entry
point into work for young people

4. Kathmandu's informal economy today

IE workers face a host of challenges in Kathmandu which heightens insecurity in times of disaster.

4.1 Introduction

This chapter describes the contemporary IE in Kathmandu by examining the profile of workers, the characteristics of their businesses and the challenges they face. It also investigates potential ways to address these problems through initiatives of central and local government or other urban actors. The chapter draws on information from the 197 interviews with current IE workers, the 26 KI interviews, the conflict mapping workshop and secondary data where relevant.

4.2 Describing the contemporary informal economy in Kathmandu

Informal employment relations consist of informal enterprises as well as domestic workers without a regular contract, casual day labourers without a fixed employer as well as unregistered or undeclared workers (ILO, 2002). Thus the IE in Kathmandu can be considered to have several dimensions: own-account IE workers who run their own informal microenterprises; employees of such microenterprises, and workers in informal employment (ILO, 2004). This section builds a profile of some of the people working in the IE in Kathmandu today, examining issues of birthplace and migration, education and gender. It then explores business characteristics including the types of premises used, income levels and issues of seasonality.

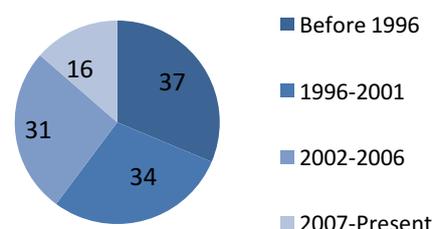
4.2.1 Profile of informal economy workers

Though the IE provides poor urban residents with crucial opportunities for income generation in conflict-affected situations, there are entry barriers to participation (Günther and Launov, 2012). This section analyses the profile of current IE workers interviewed in Kathmandu, with particular attention to structural inequalities such as birthplace, education and gender, all recognised as factors that enable or inhibit access to the IE (Sen, 2008).

Birthplace and migration status

Some 118 (60%) of the 197 current IE workers interviewed provided a response when asked when they moved to Kathmandu (Figure 4.1). Of these, the majority (65) moved during the period of conflict between 1996-2006, while only 16 migrants had moved since 2007. This reflects the findings of other studies that suggest that the Maoist insurgency led to significant rural-urban migration in Nepal (Upreti et al., 2012). Some of those who moved were displaced by conflict and such internally displaced people (IDPs) are often found to have weakened social capital in the host city (Haider, 2014).

Figure 4.1: Move date to Kathmandu



Education levels

Lack of educational attainment can increase vulnerability levels. Of the current IE workers interviewed, the majority (46%) had been educated to secondary school level. However, 21% had received no formal education and 29% stopped formal education at primary school age with very few (4%) reaching higher education (Figure 4.1).

Education level	Frequency	Percent
None	42	21
Primary	58	29
Secondary	90	46
Higher	7	4
Total	197	100

There was a significant difference between educational attainment of women and men amongst the 197 current IE workers interviewed. Some 32% of women had no formal education compared to just 14% of men, and more men than women had been educated to secondary level.

There is also a difference between educational attainment and birthplace amongst current IE workers. While only 6% of those born in Kathmandu Metro had no formal education, this rose to 13% for those from Patan, 28% for internal migrants and 26% for migrants from India. Similarly, while 66% of IE workers from Patan and 48% of

workers from Kathmandu Metro had been educated to secondary school level, only 41% of internal migrants and 31% of Indians had reached the same level. More IE workers from Kathmandu Metro attended higher education than those born anywhere else (Table 4.2).

Table 4.2: Education level by birthplace

Education Level	% Kathmandu Metro n=31	% Patan n=38	% Wider Nepal n=105	% India n=23
None	6	13	28	26
Primary	36	21	29	39
Secondary	48	66	41	31
Higher	10	0	2	4
Total	100	100	100	100

Households

Large numbers of dependents in households can also increase household vulnerability. Within the sample, the number of people in a household ranged from 1-15 with a mean of 4.5. Similarly, the number of children in a household ranged from 0-5, and the average was 1.3. These averages are not particularly high, although there were a few households with large numbers of dependents.

4.2.2 Profile of informal businesses

This section looks at the profile of IE businesses, with particular attention to differences in business practices of the different demographic groups outlined above.

Key businesses

As demonstrated in Section 3.3.1 vending and services were the most frequent livelihoods amongst those IE workers interviewed followed by construction and manufacturing. A similar breakdown was found in a wider ILO study which examined the IE in urban Nepal (ILO, 2004).

The livelihoods of interviewees had gender dimensions. Of the 74 female current IE workers interviewed, 45% worked as vendors and 30% worked in services as laundry washers, maids and tailors. In contrast, of the 123 male IE workers, only 30% worked in vending and 20% in services as cobblers, drivers and guards. Conversely, amongst interviewees, more men worked in manufacturing as carpenters and idol carvers than women, and there were more men in construction as labourers and tradespeople (Table 4.3). In Nepal as a whole it is thought that around 40% of construction workers are women and girls (KI), so the sample may not have represented this sector.

Vending was also common amongst migrants, with 38% of the internal migrant IE workers interviewed, and 45% of the Indian IE workers interviewed, involved in vending. In comparison, only 29% of current IE workers from Kathmandu Metro and Patan were vendors.

Business premises

Section 3.3.1 demonstrated that the current IE workers interviewed operated from very different types of business premises, with some running businesses from the street and sites without permanent roofing, others from roofed buildings and some working on construction sites.

Unsurprisingly, vendors were most likely to operate from the street, while those in services tended to operate from a site with a permanent roof (although some cobblers and others operated from the street), and those in construction from a construction site (Table 4.4 on following page). Generally, IE workers who operate from the street or an insecure space without a permanent roof are more vulnerable than those who do not (Brown, 2006). Female street vendors are thought to be particularly vulnerable (Adhikari, 2012) and so it is important to note that in this study a significant proportion of women are involved in vending.

Table 4.3: Business type by gender

Business Type	% Men n=123	% Women n=74
Vending	30	45
Services	20	37
Manufacturing	11	5
Construction	33	5
Other	6	8
Total	100	100

Table 4.4: Business premises by business type

Business Premises	% vendors n=70	% services n=52	% manufacturing n=17	%construction n=45	%other n=13
Street	68	19	12	4	15
No permanent roof	4	8	0	2	23
Permanent roof	28	65	88	22	62
Construction site	0	0	0	72	0
Other	0	8	0	0	0
Total	100	100	100	100	100

In this study it appears that the degree of precariousness is also associated with birthplace. Those born outside Kathmandu Metro or Patan are more likely to work from the street than those from the city regions (Table 4.5). Indeed, 40% of internal migrants work from the street in comparison to just 15% of those born in Patan and 22% in Kathmandu Metro. This finding reflects a study from 2011 that found a large number of poor, conflict-affected internal migrants working as street vendors in Kathmandu in the expectation of earning in the city (Timalsina, 2011).

Table 4.5: Business premises by birthplace

Business Premises	% Kathmandu n=31	% Patan n=38	% Wider Nepal n=105	% India n=23
Street	22	15	40	35
No permanent roof	0	3	6	4
Roofed building	52	74	31	43
Construction site	16	8	19	18
Other	0	0	4	0
Total	100	100	100	100

Business income

Income data is generally difficult to assess, either because people do not keep count of what they earn, or are reluctant to divulge this in an interview. Of the 197 current IE workers interviewed, 184 (93%) reported income data and daily income ranged from Rs.1–10,000 averaging at Rs.1,665 (US\$15) a day. Of those 184 current IE workers (57%) earned less than Rs.1,000 a day. The income data was measured against some of the demographic groupings above. Of greatest significance was the discrepancy in income between men and women. While the average daily income for men is Rs.3,650, it drops to Rs.2,121 for women. There was also difference, albeit smaller, between the average daily income for people born in India (Rs.4,442), Kathmandu Metro (Rs.3,094), Patan (Rs.3,166) and that of current IE workers born in wider Nepal (Rs.2,734), with internal migrants earning considerably less than others.

Different business types and income levels were also linked. Those in services (dominated by women) and vending are more likely to be in the lower income brackets when compared to other sectors (Table 4.6). Of those earning less than Rs.500 a day, just under half (46%) were in services while 30% were vendors. In comparison, construction workers made up 38% of those earning between Rs.1,001-1,500 per day in comparison with just 12% of current IE workers in services.

Table 4.6: Average daily income by business type

Business Type	% in 0-500 rupee bracket n=50	% in 501-1000 rupee bracket n=54	% in 1001-1500 rupee bracket n=24
Vendor	30	26	29
Services	46	28	12
Manufacturing	4	6	17
Construction	12	32	38
Other	8	9	4
Total	100	100	100

People in business

In this study, 49% of all IE workers worked alone, which can also signify vulnerability. Some 62% of those operating from the street worked alone which is more than any other sector, other than drivers who made up a very small proportion of IE workers interviewed.

There is a link between gender and the number of people in a business, and while there was little difference in the percentage of male and female IE workers operating alone, women were much less likely to be working in large businesses with 4 or more employees than men. This may reflect the differences in business type with men more likely to work on construction sites together.

Seasonality of business

Studies have found that seasonal businesses bring “risks” to the income flow of informal workers, with decreased capital from the structural and cyclical features of the business increasing vulnerability (Lund and Srinivas, 2000). In Kathmandu, 62% of the 197 current workers interviewed associated their business with seasonality. Summer, winter, festivals and the rainy season were all factors that affected seasonality.

Some IE sectors are more affected by seasonality than others and vending is much more likely to vary by season than others (Table 4.7). Indeed, 74% of current vendors interviewed were affected by seasonal variation in comparison with those in services (56%) or manufacturing (53%). Construction workers were also affected by seasonal difference, though not to the same extent as vendors. Both construction workers and vendors tend to see business decline during the rainy season. However, religious and cultural festivals affect the two industries differently, with construction work decreasing and vending businesses generally increasing.

Table 4.7: Seasonal variance by business type

Seasonal variance	% vendors n=69	% services n=50	% manufacturing n=17	%construction n=45	%other n=13
Yes	74	56	53	67	23
No	26	44	47	33	77
Total	100	100	100	100	100

4.3 Challenges and problems in the informal economy today

Worldwide, the IE is a structural characteristic of urban economies in low and middle-income countries and a source of innovation and jobs. However, even under relatively stable political regimes, state policy marginalises the urban IE and problems and challenges are commonplace (Brown, 2015). This section investigates some of the challenges and problems faced by IE workers in contemporary Kathmandu, focusing on vulnerability and multiple jobs, lack of inclusion in government policy, problems with local authorities, economic variables and difficulties with infrastructure and operating spaces.

4.3.1 Challenges in the informal economy

Of the 197 IE workers interviewed, 143 (73%) admitted they faced one or multiple challenges at work. Generally, difficulties are faced by all genders and education levels as well as those born within and outside the two districts of Kathmandu Metro and Patan. However, some sectors are affected by the challenges more acutely than others. Vendors (85%), and to a lesser extent manufacturing workers (82%) were more likely to say they faced challenges or problems than those from other sectors (Table 4.8).

Table 4.8: Challenge by business type

Face challenges	% vendors n=70	% services n=52	% manufacturing n=17	%construction n=45	%other n=13
Yes	85	53	82	73	70
No	15	47	18	27	30
Total	100	100	100	100	100

The location of work was also a factor, with more of those working on the street (84%) facing challenges than those operating from a roofed building or elsewhere (Table 4.9).

Table 4.9: Challenge by business premises

Face challenges	% operate on street n=63	% operate without permanent roof n=11	% operate from roofed building n=87	% operate from construction site n=32	% operate from other space n=4
Yes	84	73	64	75	50
No	16	27	36	25	50
Total	100	100	100	100	100

4.3.2 Specific Problems

This section investigates the specific challenges and problems that IE workers experienced in contemporary Kathmandu, both from interviews with 197 current IE workers affected and key informants. Five broad categories of problem were identified:

- Vulnerability and multiple jobs
- Lack of employment policy implementation
- Problems with local authorities
- Economic variables
- Difficulties with infrastructure and operating space

Vulnerability and multiple jobs

Much emphasis is put on the survivalist nature of the urban IE and its importance for household resilience in times of shocks (Jha et al., 2013). A drop in profit or turnover undermines this resilience, and poses a threat to urban livelihoods. In this study around 34% of current workers interviewed reported a decrease in business in the last five years, while 30% claimed business had increased and 30% said there had been no change (6% had not been working long enough to comment).

The inability to earn a decent living means that many current IE workers have multiple livelihood strategies, changing work frequently or holding secondary jobs. Of the 197 current IE workers interviewed, only 30% had never had a secondary or previous job. The remaining 70% had had to adapt their income stream to sustain their livelihoods.

A woman will be a domestic worker, then after 9am she'll come home to look after the children and then undertake home-based work. In the evening she will sell vegetables in the street and then start again. People are engaged in multiple IE activities (KI22, NGO worker).

The decrease in business was attributed to various factors including lack of policy protection, price fluctuations and inflation affecting income, the saturation of certain IE sectors and increased competition, and difficulties with local authorities, among others. The most prominent will be discussed in more detail below.

Lack of employment policy implementation

While the newly drafted Constitution, National Employment Policy and Labour Law have begun the process of introducing government policy relevant to the IE, at the time of the research they remained unendorsed and unimplemented and there was a continued absence of protective and supportive systems for IE workers.

Government labour laws are largely absent [and where they do exist]...they are not being enacted, so the poor are suffering (KI22, NGO worker).

There is no informal economy labour policy or labour law. We have the example of [the law on] domestic workers¹. But Nepal has not yet ratified that convention. It is a subject of discussion, how to merge the informal sector level and how to protect worker's rights, including migrant rights (KI16, Central government official).

In contexts where government regulation is weak, the urban IE tends to thrive, but it is difficult to introduce tax systems or business registration measures and the lack of legal status and social protection can disadvantage IE workers. While labour laws and policies are applied in the formal sector, there is no mechanism to monitor their application to the IE. The National Employment Policy of 2015 provided mechanisms for formalising informal small and medium enterprises (SMEs), but registration processes are complicated and exclusive, with only larger businesses with employees able to register. Registration alone will not solve the problem – social security and recognition by the government is also critical.

Locally there are some very complicated processes. People come with all their documents [but] they can only register after receiving training. Only after that can they think about registering. To get a loan they need registration so gradually they do begin to register. But the most marginalised are the individual workers and we can't register these at the moment (KI23, NGO worker).

¹ The ILO Convention C189 which outlines measures to respect, promote and realise the fundamental principles and rights at work of domestic workers has not been ratified by Nepal.

We need to pressure the government at local and national level. We need them to register us [street traders] as workers. It's vital that we can register our business but currently it's not possible (KI23, NGO worker).

Many disadvantaged people do not have citizen certificates, and so cannot join a cooperative, open a bank account, receive a government loan, or access government-sponsored training. Street traders find it difficult to get registration as they are mobile, considered to be illegal, and can be moved on at any time.

Problems with local authorities

The lack of legal status and social protection means that globally IE workers remain unrecognised and vulnerable to victimisation, police harassment, evictions and confiscations (Bromley and Mackie, 2009). Out of the 197 current IE workers interviewed, 49 (25%) reported harassment and similar problems.

Some 14% of IE workers interviewed have experienced harassment by local authorities. To a lesser extent IE workers have also been vulnerable to eviction, fines and confiscations (Table 4.10). Although only 3% of the current IE workers interviewed admitted to paying bribes, bribery of local authorities, as well as the other problems, were reported extensively in the conflict mapping workshop. These bribe demands exclude vendors from important market places where they are major suppliers and consumers.

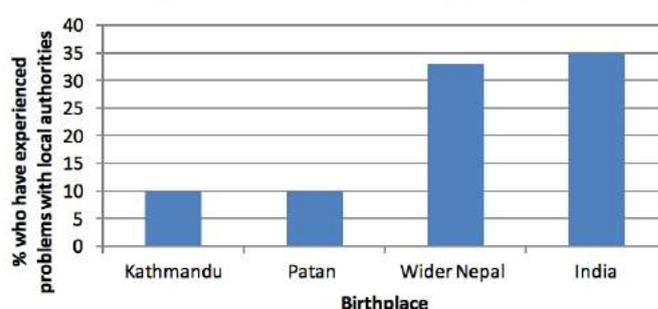
Table 4.10: Problems with local authority

Type of Problem	% of IE Workers n=197
Harassment	14
Fines	7
Confiscations	4
Eviction	8
Imprisonment	0
Bribery	3

The municipality come to kick us out from the place we try to do business. It sends police to harass us and [they] do not stop unless we bribe them. Another vendor has bribed them and is never harassed...There is a decrease in our earning...the customers feel hesitant to come to our stalls due to the frequent harassment of the police (Conflict mapping workshop, Chatpate vendor²).

According to the interviews in this study, certain demographic groups and IE businesses are more likely to experience problems with authorities than others. Migrants, both from wider Nepal and India are more likely to experience these issues than those born in Kathmandu Metro or Patan (Figure 4.2).

Figure 4.2: Problems with local authorities by birthplace



Similarly, vendors (42%), who generally trade from public spaces such as the street, are more likely to face challenges than any other IE worker (Table 4.11) and conflict between street vendors and the local police were documented by KI interviews and in the conflict mapping workshop.

Table 4.11: Problems with local authority by business type

Problems with local authority	% vendors n=70	% services n=52	% manufacturing n=17	%construction n=45	%other n=13
Yes	42	12	12	22	15
No	58	88	88	78	85
Total	100	100	100	100	100

We have a big problem with street vendors, they want a place for a street market, but we do not allow. Street vending is illegal but is allowed if it's a haat bazaar³...We go to find the street sellers or footpath sellers. They are on the streets without permission and we control them and we bring them here [the

² Chatpate is a popular rice-based snack that is often served by vendors from the street.

³ A *haat bazaar* is an open-air market that serves as a trading venue.

municipal offices]. We do have our regulations, so if we catch you we can fine. We bring carts and bicycles and we bring them here where they have to pay a penalty. The amount of the penalty depends on the type of goods and the amount of goods. One cart might get a fine of Rs.3,000-4,000. A cycle might get Rs.1,500 fine... Sometimes we confiscate goods, but if it's a first offence you get them back (K12, Police officer).

The Metro police are giving troubles to our shop because it is located at a footpath without taking permission from the concerned authorities... Some Metro police ask for some bribes from us saying if we deny they will take action. The police also receive complaints from the cleaning officials about the dirty surroundings and also from people regarding suspicious criminal activities in the area. But we are innocent and the police keep giving warnings to the shop and causing damage to it. Some customers late at night also threaten to call the Metro police unless we give them free goods (Conflict mapping workshop, Grocery vendor).

Economic variables

For the purposes of this report economic variables are considered to be those which affect the profit or income margins of IE workers and include competition, theft, pay delays or credit payments, fees and the need to send remittances, all of which are acknowledged in academic research as key costs for IE workers (Roever, 2014).

Competition over customers or jobs and saturation of the market by the same type of IE businesses or workers was cited by 47% of the 197 current IE workers interviewed as being a fundamental challenge to business. Vendors (61%), and construction workers (57%) are much more affected by this than IE workers involved in other sectors (Table 4.12).

Table 4.12: Problem with competition with business type

Problem of competition	% vendors n=69	% services n=46	% manufacturing n=17	%construction n=45	%other n=12
Yes	61	39	29	57	17
No	39	61	71	43	83
Total	100	100	100	100	100

Competition was also documented in the conflict mapping workshops where birthplace and ethnic differences were reported as contributing factors to competition between migrant vendors themselves, particularly as consumers were viewed to have different preferences based on demographic factors such as race and ethnicity. This competition often involved price-undercutting which had detrimental impacts on income.

The conflict is between us, the people of the Himalaya and Hill region, and the people of the Terai. There has been competition for the most number of consumers. It began when we started doing our business and other people like the police, municipality and other vendors came to hamper our business. There is unhealthy competition about who will attract and serve the most customers. It has led to the loss of business of both of us and also a decrease in the quality of the goods we serve (Conflict mapping workshop, Food vendor).

Theft in the workplace by customers, clients or other workers was cited as a challenge by 20% of the current IE workers interviewed. While theft affected IE workers in all sectors, vendors (34%) were most affected, followed by those in manufacturing (24%). Those in services (10%) were least affected by the problem of theft (Table 4.13).

Table 4.13: Problem of theft by business type

Problem of theft	% vendors n=70	% services n=52	% manufacturing n=17	%construction n=45	%other n=13
Yes	34	10	24	11	23
No	66	90	76	89	77
Total	100	100	100	100	100

Pay delays and reductions, or customers paying on credit or refusing to pay, also affected 10% of current IE workers. Difficulties with pay were generally reported by construction workers with 22% of all construction workers interviewed complaining of delays or reductions in pay without known cause or prior warning. Problems concerning customers paying for goods on credit or refusing to pay mostly affected those IE workers in manufacturing (18%).

Around 10% of current IE workers paid fees to the municipality for the use of space and amenities.

One measure we have applied is that they [IE workers] don't get services, such as water or waste management) unless they have paid all their tax. We don't take them to court if they don't pay, but it's a

strong incentive. The local regulations specify the amounts. Construction workers are charged Rs.25 a day, cycle repair workers Rs.10 a day, vendors Rs.5 a day. But people are not paying and the municipality is not collecting (KI10, Local government official).

In this study, it was found that vendors and those in services (who already have the lowest average daily income of all IE workers) were more likely to pay fees which reduced already low income margins. Nevertheless, while workers often complain about the payment of fees, local governments generally need to collect business fees in order to support services. The problems are when fee-payers see no benefit from the payments, or when payments are effectively bribes and do not reach the local authority.

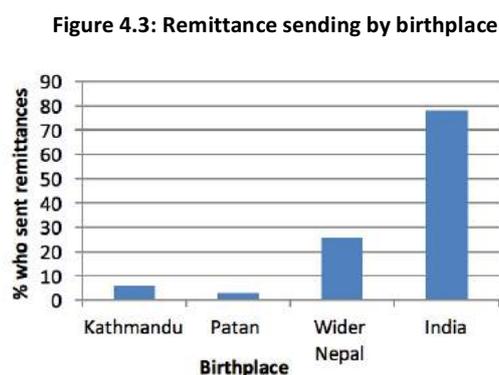
Lack of business training and knowledge is also a problem amongst some IE workers, particularly women and migrants who often have lower incomes than other demographic groups. Low-income workers often do not separate business and household finances, or keep any form of accounts.

Plans should be made by the government for different [types of work] for different people according to level of skills. I have no skills. I need training to help me save money (Current IE worker, Construction worker).

The government should provide us with employment, a regular job and some training so we can send money to the village (Current IE worker, Porter).

In the absence of high profit margins, remittances and informal cash transfers influence the ability of IE workers to maintain incomes, particularly in times of economic shock (Bradbury, 2008). In Nepal, external remittances from countries such as the United Arab Emirates and India contributed 30% of the country's GDP in 2013-14 making it the backbone of the economy (Sijapati et al., 2015b). However, very few (less than 6%) of the 197 current IE workers interviewed received additional income from cash transfers, (although those who did received it from family members in the Middle East, Europe, Malaysia and Australia), which suggests that remittances may not be a common source of income for many low-income urban workers.

While very few current IE workers interviewed *received* cash transfers, around 25% *sent* remittances. There is correlation between birthplace and the sending of remittances and the proportion of migrant IE workers sending money is much greater than those born in Kathmandu Metro and Patan (Figure 4.3). Indeed, 78% of all Indians interviewed send money back home, while 25% of internal migrants, already some of the most vulnerable and poorest of IE workers, sent money back to their families in rural Nepal.



Difficulties with infrastructure & operating space

Over 25% of all IE workers interviewed claimed that one of the main challenges in their profession is the infrastructure and operating space they work from. There was a clear link between where an IE worker operates and the prevalence of infrastructure problems. Some 45% of those IE workers operating from the street, and 55% of those operating from a site without a permanent roof, reported problems with their working environment, in comparison with just 13% who worked from a site with a permanent roof and 18% who worked from a construction site (Table 4.14). This suggests that vendors and service workers were those most affected by poor infrastructure. They cite the absence of secure operating spaces, lack of amenities and services such as reliable electricity supply, drinking water, waste management, fear of local authority backlash (discussed earlier) and security concerns as major hindrances to business success.

Table 4.14: Problem with operating space by business premises

Problem with infrastructure	% operate on street n=63	% operate without permanent roof n=11	% operate from roofed building n=87	% operate from construction site n=32	% operate from other space n=4
Yes	84	73	64	75	50
No	16	27	36	25	50
Total	100	100	100	100	100

Lack of secure operating spaces was a major concern for current IE workers who were often exploited and victimised, with no rights or protection.

We formed a contract with the landlord regarding the use of the land. We paid in advance and constructed a temporary store. Later on the municipality and the police demolished the store without giving us any prior notice. When asked, they informed us about the land being a public place and not the landlord's who had his land next to it. After the demolition everyone failed to support us. The landlord failed to give us our money back. The municipality failed to provide us with any compensation. The political parties gave us empty words. Our business is near collapsing and may split. Our family's source of income vanished leading to economic problems within the family. There arose the problem of repaying the loans we had taken from money-lenders to invest in the stall. We lost all of our items including stove, gas and desk among other things (Conflict mapping workshop, Momo vendor⁴).

We [street vendors] are asking for a decent place to work in our cities. The government is ignoring our requests. It's difficult because nobody in the ministries is listening to us. We pressure the political leaders but they do not listen. We sell in the street. We need a safe place where people can come. We're working in bad conditions but people know we are here and the goods are cheap and affordable (KI23, NGO worker).

There is some acknowledgment from local authorities that protected trading spaces would be preferable, but projects such as road-widening rarely take account of street vending.

The government is widening the road, which then encroaches on the footpath, if there's not a big enough footpath, how can we [street vendors] sell? If the government evicts and evacuates street vendors then... we are not being protected. We argue we're not against urban development, cities need to develop, but people need alternatives (KI23, NGO worker).

It must be noted, however, that although street vendors often call for 'designated' trading space, this is difficult to achieve, and many off-site market relocation schemes have failed because lack of pedestrian flow means that businesses are not viable.

Infrastructure is also a problem. Lack of serviced spaces with safe, adequate and reliable roofing, electricity supply, drinking water and waste management was also found to cause problems for IE workers in Kathmandu.

My structure's not a permanent structure. It's a temporary structure made of cardboard. So rain water comes inside. The structure is cold during winter and extremely hot during summer. There is no electricity, no waste collection, and no services. My health is declining slowly (Current IE worker, Jewellery vendor).

Despite the lack of adequate operating space, physical safety while working in Kathmandu was generally good with 92% of current IE workers saying they felt "very safe" or "somewhat safe" in their working environment. That said, only 47% thought that working environments were "very safe" for women, with reports of harassment and abuse of women and a lack of services and amenities that are gender appropriate.

Case reporting of rape and harassment is gradually increasing. There is no law against sexual harassment in a public space, although there is a workplace law. [We are] advocating with the government to get legislation against sexual harassment... There is also harassing of women by municipal guards. Public toilets are a problem for street vendors – there are not enough toilets and not enough public toilet workers. People sit on the street and get teased... Toilets, street lights, markets, bus stations – all need to be gender-friendly (KI20, NGO worker).

Although IE workers reported feeling broadly safe, which is different to many other major cities, there are obviously underlying problems. Women are more vulnerable in the business environment, and more needs to be done to ensure business environments are adequate and safe for all IE workers.

4.4 Potential protections from problems and challenges

Local government and other urban actors have an important role in ensuring legitimacy for the IE by providing support, combatting corruption and expanding participation in post-conflict settings (Roberts, 2011). Of particular importance is local government's ability to facilitate the inclusion of groups who may feel marginalised (Ernstson et al., 2010). This section explores possible protections for IE workers in Kathmandu investigated during the research with KIs, interviews with current IE workers and the conflict mapping workshop. Through this process, five key protections were identified that could dilute the challenges faced by IE workers in Kathmandu:

⁴ *Momos* are dumplings which are a popular part of street food cuisine in Nepal.

- Policy inclusion
- Protection for street vendors
- Support for associations and cooperatives
- Continued and increased provision of business and skills training
- Improved infrastructure and operating spaces

4.4.1 Policy inclusion

Many senior officials from both central and local government contacted for this research recognised that it is necessary to support and empower IE workers through enabling policy and legislation.

Now we have drafted a Labour Law, and the draft is submitted to Parliament but we don't know whether it will pass. The Informal Sector will be covered by the Law. The Ministries of Labour and Industry jointly worked on this. The employment sector is a joint responsibility (K116, Central government official).

The law provides one step forward, but the challenge is to ensure that implementation is effective/accountable. Recognition of the IE in local economic employment strategies would raise the profile of the IE on government agendas but it would also help to alleviate discrimination and social exclusion by providing rights to the disenfranchised, although this will take time to achieve.

Before, the government and others did not take the IE as important, there were other priorities, and of course there still are. However, the IE is at the basis and foundation to many of the other issues in society such as discrimination and child labour (K124, UN expert).

Porters, veg producers, drivers, cooks, cleaners, dish washers, waiters, dancers are now being recognised as workers. They are fighting for inclusion as workers (K19, NGO worker).

The government can already issue licenses or ID cards, but there have to be directives to employers to recognise the decent work and legal requirements. The challenge will be to have an effective monitoring mechanism, with entitlements that are available to IE workers (K127).

Child labour is a result of the rapid change from a subsistence to a more monetised economy, and from a joint to a nuclear family structure. The challenge is particularly where children are work long hours or in hazardous work. Children's rights are being compromised in the quest for survival, and those children who cannot be fully supported by their parents need help from the government and wider civil society (K127).

4.4.2 Protection for street vendors

Although policy inclusion at central government level would raise the profile of the urban IE, local level protection is the most critical in order for the most vulnerable IE workers, such as street vendors, to be protected. For the *momo* and *chatpate* street vendors who participated in the conflict mapping workshop, for instance, the priority is secure vending spaces so they can trade without the threat of harassment, eviction or bribery from municipal police.

I wish policemen and the municipality could be more sensitive to us. The government should pay more attention rather than chasing us away (Current IE worker, Clothes vendor).

I came to Kathmandu to escape the conflict, expecting some help, but instead, I am seen with suspicion by the authorities (Conflict mapping workshop, Food vendor).

4.4.3 Support for associations and cooperatives

Associations and trade unions are well known approaches used by IE workers to enhance their rights (Bonner and Spooner, 2011). There is recognition amongst IE workers that greater organisation and representation is needed, particularly if their business challenges are to be overcome. Indeed, the *chatpate* sellers involved in the conflict mapping workshop saw the formation of a vendor's group as the most important way ensure that government heard their grievances, a view shared by other IE workers.

We need an organisation for rights. If an organisation is formed, we could fight for our rights. We could operate wherever we want and the people of the locality will not be able to remove them from where we work. [At the moment] the government only tries to remove us from the streets and chase us away. But the government should help us find the solution to the problem (Current IE worker, Fruit vendor).

Self-help groups and co-operatives can also be important sources of savings and could smooth shocks or crises. The conflict mapping workshop discussed the price-war between different ethnicities of food sellers and proposed

forming a cross-ethnic group who could meet to fix prices, compromise on selling times and petition government for better trading sites so there would be more customers and less competition. A current IE construction worker also saw the formation of group as leverage to hold construction companies to account for pay delays, lack of labour rights and inadequate and unsafe working environments.

We need to set up a group because as poor people we do not get their voice heard. We need a fixed job, a regular job, with money for overtime and jobs for local people. We need to get paid in good time. Labourers don't need a high education but we need to be able to manage to send our children to school, buy them things for their education (Current IE worker, Construction worker).

There is a degree of support from government for associations and there are several large trade unions working with IE workers in Kathmandu currently.

Without money nothing happens in urban areas. In rural areas water is free, you may own a cow, or five or six goats, but in urban areas you need money for everything. We have to encourage people to combine into cooperatives (KI15, Central government official).

Now we have a problem with democracy. Workers will be asking to implement these things. The collective voice is critical. Once they have legislation and local bodies [local authorities] they can push for many things (KI18, Trade Union worker).

While Nepal has a strong tradition of militant unions, unions and associations are often affiliated to political parties which can undermine the role in acting in the best interests of their constituents, and there is greater need for a political collective voice to ensure that the needs of workers are fully represented in labour policy (Adhikari, 2012b).

We talk to the associations. Every IE sector has some loose network. We find the leader of this forum, the associations are not registered and we encourage them to make a network. Often other political parties do the same (KI1, Local government official).

Our trade union itself is in politics. [It is a] vanguard for workers' rights. Without politics we can't achieve anything. This is one way to make our ground strong to fight. On the policy side, ideologically we are left. Members can individually choose their own political party, but the majority vote for the left party (KI18, Trade Union worker).

There is also a lack of organisation and practical support for workers and more needs to be done to encourage participation, education, training and development if collective bargaining is to be effective.

Nepal has a phenomenon of user groups...They work on a community basis. It's easier to get something done if you are part of a group, people in government listen to you. But they are totally disorganised and wasteful of time (KI19, UN expert).

This is particularly vital given the absence of involvement of the most vulnerable IE workers in formal or informal associations within Kathmandu. Of the 197 current IE workers interviewed, only 6% were part of a trade union and 5% were part of an informal group highlighting the potential for increased association to encourage collective voice.

4.4.4 Continued support for, and increase of, business training

Many people identified a need for continued support for business training and skills resources, particularly for women and migrants. In Kathmandu, there are several government departments and NGOs who have been working to help train IE workers and there has been some success.

Under the Social Welfare Act, 2049 (1992), managed by the Social Welfare Council which is responsible for coordinating the activities of NGOs in Nepal, small income-generation grants are provided under the chairmanship of the Ministry for Women, Children and Social Welfare. Capacity building and income generation are an important focus of this programme.

We focus on capacity building, income generation and skills development in tailoring, beauty, bakery, shoes, embroider, computer skills, chef etc. Some training is delivered by Lalitpur Metro, and some directly by NGOs. We train about 12,000 people per year. We have an annual bidding process – groups must be registered and submit their proposals Not all groups get funded (KI13, Local government official).

There are also many NGOs involved in rights' training, livelihood programs and capacity-building activities which have helped address issues of discrimination and marginalisation and helped empower the vulnerable.

In the Kathmandu area we have trained people in curd-making, vegetable farming, making embroidery cloth shoes for brides. In the metro city we are now working on skills training in tailoring, garlands, bangles, beads, shoes etc. (KI9, NGO worker).

Working in the informal economy was better than staying home as a housewife. I took training and set up a business. It helped the family financially (Current IE worker, Salon worker).

However, donor funding is usually short-term and programmes can run counter to, or overlap with, government provision, making the task of developing consistent and workable policies difficult, resulting in the exclusion of some of the most vulnerable (Karkee and Comfort, 2016). Of the 197 current IE workers interviewed only 2 (1%) had regularly engaged with an NGO, demonstrating the need for increased access to business training for vulnerable groups, particularly women.

4.4.5 Improved infrastructure and operating spaces

As discussed in Section 4.3.2 there is a great need for improved working spaces for the IE and secure operating spaces with services were highlighted by many IE workers as fundamental to business improvement.

I expect an area for us to run our business from, with proper government facilities (Current IE worker, Drinks vendor).

A serviced operating space was also highlighted as key in the conflict mapping workshop to protecting street vendors from conflict with other IE workers, customers and municipal workers. Improved infrastructure would help protect vulnerable members of the IE and increase resilience, encourage business growth and development and, as one interviewee suggested, improve urban governance.

Much of our modern development is spontaneous, it's not regulated, and in many areas not really planned. It's challenging – should we concentrate on urban governance or urban structure first? We advocate effective physical planning which then influences urban governance (KI3, Central government official).

There are many people – there are too many street sellers. Many are migrants, first from the insurgency and later from here. The capacity of the city and the space is limited... There are too many crowds. It's difficult to manage. If we give them a place we can manage them. I'm not a planner but I think we need an organised night market between 5 and 7 o'clock (KI2, Police officer).

On this point there is a need to ensure enabling policies and practices, particularly those that support vulnerable groups such as women or ethnic minorities.

People are demanding gender-friendly infrastructure. We have demanded a gender-friendly market, toilets in the proper places, light in the corners [of trading spaces and service facilities], equal allocation of spaces to men and women, enough water supply, disposable boxes [for sanitary materials or rubbish], baby nappy changing facilities (KI20, NGO worker).

4.5 Key Findings

In most developing cities globally, urban policy marginalises the IE, despite the IE providing vital employment to urban citizens (Lyons et al., 2012). In Kathmandu, 73% of current IE workers admitted facing challenges at work. The main challenges were:

- **Vulnerability and multiple jobs:** 34% of current IE workers had witnessed a drop in profit or turnover in the last 5 years, threatening household resilience, and 70% of IE workers had a previous or secondary job in the IE and had had to adapt their income stream to sustain their livelihoods.
- **Lack of employment policy implementation:** Though the newly drafted Constitution, National Employment Policy and proposed Labour Law all acknowledge the rights of IE workers, all await implementation. Therefore, the IE remains unrecognised in labour law and policy, and there is no enabling regulatory framework. While this means that IE business can be set up easily, IE workers lack protection and face difficulties with local authorities.
- **Problems with local authorities:** Globally IE workers are vulnerable to victimisation, police harassment, evictions and confiscations. In Kathmandu, 25% of current IE workers had experienced these problems.

Of those, international migrants, internal migrants and street vendors were most likely to have been affected, with some complaining of having had to bribe officials from local authorities in order to maintain their livelihoods.

- **Economic variables and low income margins:** Increased competition, theft, pay delays or non-payment and municipality fees all impact profit and income margins of current IE workers in Kathmandu, and are exacerbated by a lack of business training and knowledge which influences the capacity for business growth. In the absence of high profit margins, remittances and informal cash transfers influence the ability of IE workers to maintain incomes. However, less than 6% of current IE workers received additional income from cash transfers whilst 25% sent remittances to India or to the villages of Nepal.
- **Difficulties with infrastructure and operating spaces:** Over 25% of current IE workers cited the lack of a secure operating space with amenities and services such as a reliable electricity supply, drinking water and waste management as a major hindrance to business. Furthermore, there is an absence of gender-appropriate operating spaces and women reported being harassed whilst working. Despite this, physical safety whilst working in Kathmandu is generally good with 92% of current IE workers reporting they felt “safe” in their working environment.

Within the IE there are vulnerable groups emerging who are more affected than others by the challenges above. Women and migrants (both internal and international), tend to be less educated than their counterparts operating in the IE. These vulnerable groups also tend to be involved in more precarious sectors such as low-income businesses like vending and services. Vendors are more likely to be affected by seasonality, more likely to operate from the street with no access to services, and more likely to work alone all of which increase their vulnerability levels.

The report has identified several key protections that could alleviate the challenges and problems in the contemporary IE in Kathmandu:

- **Policy inclusion** to support and empower IE workers and their businesses. Small-scale enabling actions would raise the profile of the IE on government agendas and help alleviate discrimination and social exclusion by providing rights to the disenfranchised.
- **Protection for street vendors** to eliminate the threat of harassment, eviction, bribery or discrimination by local authorities. This must focus on the most vulnerable groups such as migrant workers and women.
- **Support for associations:** Enabling workers to organise into associations, trades unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can be important sources of savings. In Kathmandu, however, trade unions tend to be affiliated to political parties which can undermine the representation of their constituents. Furthermore, only 6% of current IE workers were currently involved with a trade union.
- **Continued and increased support for, and increase of, business training** could address some of the difficulties of lack of formal education faced by some members of the IE, particularly women and migrants. However, training sessions should be affordable and timed so that people can combine training with income earning. Some of the training is provided by NGOs, but only 1% of the current IE workers interviewed had regularly engaged with NGOs, highlighting the need for increased training and capacity building opportunities.
- **Improved infrastructure and operating spaces:** There is greater need for secure and serviced operating spaces which would not only protect vulnerable members of the IE but would encourage business growth and improve urban governance. Enabling policies and practices that support vulnerable groups, women and ethnic minorities, such as gender-appropriate operating spaces should be sought.

While these measures could provide protection and support for IE businesses, the presence of vulnerable groups and businesses call for focussed interventions beyond the broader ones aimed at the entire sector.



Street trade is at the heart of commerce in Kathmandu and Lalitpur

5. The informal economy in conflict

Insurgency and disaster had numerous impacts on the IE but the sector has potential to contribute to development outcomes in Kathmandu.

5.1 Introduction

This chapter summarises the general effects of conflict in Kathmandu before investigating the short-term and long-term impacts of conflict on the urban IE. It will analyse the way in which the IE responded and the effect on development outcomes in the city. The findings incorporate qualitative data from interviews with 128 conflict-affected people (CAP) from two sources: a) 107 interviewees from the survey of current IE workers and b) 21 previous IE workers who had been working during the conflict but are no longer involved in the IE. These findings were combined with qualitative data from the KI interviews (KIs), including the CAP focus group.

5.2 General effects of conflict

Cities are often the arena for a range of global conflicts which all have devastating effects politically, socially and economically on their residents (Beall et al., 2011). In Nepal, however, the city of Kathmandu often provided a haven for people seeking refuge from the Maoist insurgency which largely took place in rural areas.

Of the 128 CAP interviewed 55% were internal migrants who had moved to Kathmandu before, or over the period of conflict, 8% were born in India, and 37% had been born in either Kathmandu Metro or Patan. Those born in rural areas of Nepal, and there for the beginnings of conflict, experienced the insurgency very differently from international migrants and those born in the urban area. Therefore, throughout this chapter there is differentiation between the experience of those who moved to Kathmandu from the rural areas of Nepal over the period of conflict, and those who had been in Kathmandu for the entire time. All are referred to as “CAP” having been in Kathmandu at some point during the Maoist insurgency.

5.2.1 Effects on families

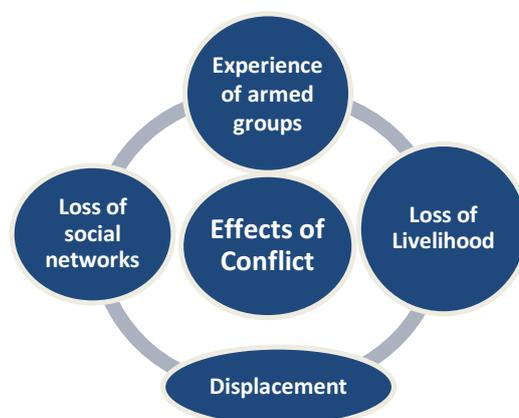
The direct effects of the Maoist insurgency on the rural and urban CAP were significantly different. 62% of CAP, most of whom had been born in rural Nepal, had experienced the direct effects of the insurgency in the rural areas at some point over the course of conflict, and the most damaging effects are summarised in. The remaining 38%, the majority of whom were in the city throughout the conflict, reported limited disruption to their businesses, although the fear of conflict, political instability and strikes (*banda*) affected everybody⁵.

Armed groups included Maoists, Nepali armed forces or other armed groups. Personal and direct affects included harassment, coercion, forced searches and takeover of houses, looting, violence and forced conscription of villagers and youth.

I was in my village. The Maoists came to store goods in our house and we had to feed them and let them live there. They blackmailed us so that we wouldn't tell the army where their hideout was and took my husband to the jungle to involve him in the protest. The army then came and accused me of helping the Maoists – they handcuffed me, interrogated me and threatened to kill me. I was in between the parties so that's when I left and came to Kathmandu (Current IE worker, Urban farmer).

The Maoist insurgency caused mass displacement, resulting in, and because of, the loss of rural livelihoods and social networks, and more 200,000 people were thought to be internally displaced over the course of conflict (Singh et al., 2007). This not only affected IDPs, but also the social, ethnic, economic and physical make-up of destination cities and market towns.

Figure 5.1: Effects of conflict



⁵ *Banda* or *Bandh* or means "closed" in Nepali and it's the term used most often to describe a strike. During a general strike, markets remain closed, businesses are shut, roads are deserted and there are no transport services.

[The conflict] covered a long period. Where there was active conflict there was huge damage. Overall it really was a very distressing period. There was a lot of in-migration...especially to the capital and people did not have jobs, and didn't have money. Peace and harmony was damaged by the conflict – there was a dark side (KI4, Local government official).

Often victims received no government support and have not been able to reclaim their property. Many in the CAP focus group had lost jobs as teachers or local officials. Often they depended on the kindness of relatives and had to take jobs in labouring or vending. Ten years after the comprehensive peace accord, they considered that government priorities had moved on.

5.2.2 Effects on women

Female experience of conflict is often complex and while women face victimisation and insecurity they are also active agents in resistance and conflict (Denov, 2007). This research explicitly sought to explore impacts on women. Again, most of the impact of the conflict was experienced by those CAP who had been in the rural areas for a period of the conflict as opposed to those who spent the entire period in Kathmandu, where it was relatively safe.

This research found that women outside Kathmandu Valley faced particular problems during the conflict with around 15% of CAP claiming that women were more affected than men by the insurgency. Sexual abuse was reported as an effect of conflict that was uniquely experienced by women and displacement, though experienced by both genders, was also highlighted as being especially problematic for women.

Gender-based violence

The literature suggests that gender-based sexual violence is a common outcome and strategy of conflict and it often continues in the post-conflict environment (Nordås, 2013). In Kathmandu, numerous CAP interviewees noted sexual abuse, rape, harassment and fear of abuse during conflict as common to many women in the areas affected.

Women outside the valley were affected a lot. It was not safe for women in villages. Women were the main victims. There were various cases of teasing, molesting, killing and harassment happened during that time. So many families in villages send the girls and women to Kathmandu (CAP, Female former vendor).

Displacement to the city and new roles for women

Conflict sometimes has the effect of changing women's role within the household and within wider society and women often become heads of household over the course of war (Mallett and Slater, 2012). Case studies from the female CAP and KIs show a common trajectory emerging for those women who ultimately moved to the city.

I was a teacher in a school. A Maoist insurgent shot my husband. They thought my husband was dead, and they targeted my family and kidnapped me from my school. They took me to the village development committee office where I was surrounded by Maoist insurgents with pistols and guns. They blamed me for working as a government spy [and] told me, "you cannot move from this area without our permission". I got away, but my property was looted and I came to Kathmandu. It was very difficult to manage all my needs in Kathmandu. Since my husband was seriously wounded and I was new, I had to look after everything and my family did not know what to do so I did business [and became an activist] (KI14, CAP focus group).

When I came to Kathmandu I was a Class 6 student – we sheltered in my mother's friend's house. With the friend's help my mother found a [cleaning] job in the school where her friend was working. My father's property in the village was all taken by the Maoists, and we came to Kathmandu with my mother. We were three brothers. My mother had very low pay – it was a small amount of money and it was difficult to manage day-to-day (KI14, CAP focus group).

Researchers have emphasised the way in which female participation in the workforce tends to be sustained in the post-conflict setting and can lead to empowerment for women (Sørensen, 1998). In Nepal, many girls fought with the Maoists, so women's independence became more acceptable.

Before the Maoist conflict [some] women did not get involved in work activities...But [over the conflict] there [was] a drastic increase of women coming into work. Slowly more women are also coming into

5.3.1 Short term effects

In urban-centred conflict livelihoods are often destroyed in the short-term (Farrington, 2015). In Kathmandu, interviewees suggested that there was a rapid growth in the urban IE as a result of an influx of migrants into the city, fleeing the Maoist insurgency in the rural areas.

In Kathmandu, my impression is that the informal settlements are mostly occupied by ethnic minorities [from rural areas] including Dalits...These squatter areas are connected with the informal economy [and] are very rich in activity – you get selling [and] buying ...by one settlement to the other (KI6, UN expert).

In the squatter settlement of Thapatali, many people had migrated from the villages after conflict, settled by one of the Maoist-led governments after 2006 (Figure 5.3). The settlement initially had about 300 houses made of temporary shelter; another (Maoist) government later demolished the settlement but around 200 households returned. Other squatter settlements had been established for longer.



Figure 5.3: A cigarette vendor and her house in Thapatali informal settlement

A key strategy in combatting unemployment is adaption and how displaced populations acclimatise to a new setting (Abdelnour et al., 2008). In Kathmandu, many IDPs changed job types because of structural barriers to, and lack of, formal employment opportunities.

Those [IDPs] without property suffered. They had nothing to bring to the city, as they were mainly working in agriculture, were teachers, or government employees, who lost their jobs...Many teachers had to work at a very low level to survive [in the city]. [They] were working as informal labourers, on construction sites, or selling on the footpath (KI11, NGO worker).

Families were displaced from their village so they came to the city with very limited living options. So, they start in the construction sector, or if they have cash they will be street vendors. They might also start sewing (KI22, NGO worker).

It is clear that the IE in Kathmandu provided a vital labour absorbing function - providing poor and displaced citizens with employment opportunities (Vaillant et al., 2014). However the wider economic decline and fear amongst the urban population as conflict continued had severe implications for urban livelihoods in Kathmandu in the medium-term.

5.3.2 Medium term effects

Employment markets are likely to be affected by conflict, leading to the gradual decline of formal employment and real wages, forced asset sales and declining consumption (Luckham et al., 2001). This has an effect on the GNP (as it becomes stagnant and hyper-inflated) but also on the poverty levels and livelihood opportunities of the urban poor. According to CAP interviewees with a former factory worker and current tour guide, informal employment in manufacturing and tourism dwindled over the course of conflict.

I was working in a garment factory before the Maoist Insurgency. But during the Insurgency, the owner of the factory shut it down due to the many problems from the Maoists. So I had to leave the job and find something else (CAP, Male street vendor).

It was difficult because my customers are mainly foreigners. Due to the negative messages of it not being safe to visit Nepal there were much fewer tourists so business was very bad. Even when there was work it was very difficult as I was often harassed when I was trekking with tourists and had to pay money (CAP, Male informal tour guide).

Political instability and heightened army and police presence further contributed to the disruption of livelihoods in the city.

[The conflict] affected us a lot in the city - you could not walk freely, people did not have trust in each other and everyone was afraid. The change in government every six months made it very difficult to work. The army came to my home, then the police. My wife was at home when the police came, she faced problems with the police, but they would not let her contact me. I just wanted the country to be stable (CAP, Male construction worker).

We could not stay at roads for work. We were disrupted many times by the police and our sewing machine was taken by the municipality so I could not earn. There was also little demand and no customers (CAP, Female tailor).

I brought bamboo from the jungle to sell it. And I started to sell alcohol too, but because of insurgency that was prohibited. I had to pay the Maoist sometimes and the police came for inquiries. I lived in fear and was scared to take the cart to the road (CAP, Female food vendor).

The frequent *banda* further affected urban livelihoods. As demonstrated in Section 5.3.2, transportation was affected which impacted on IE workers ability to work or get to work, and goods and materials were difficult and expensive to acquire and sell on.

We labourers had much difficulty during the banda as the construction site would be at one place and we lived in the other and it would be difficult for us to travel on foot such long distance (CAP, Male construction worker).

Before the banda goods were very expensive. I could not even afford buying the vegetables for my business. During the banda there was a big problem transporting the fruits to market and then there were very few customers (CAP, Female vegetable vendor).

The political and economic disruption from conflict and frequent *banda* meant that poor urban residents and IDPs had to diversify income streams, often working multiple jobs in the IE to sustain their livelihoods in the midst of conflict.

I faced difficulties during strikes and banda. During this time the restaurants were closed where I used to work. I used to clean dishes in two different restaurants and as a delivery man but I couldn't get work. I had to do multiple jobs to earn money for my living (CAP, Male waiter).

There is no job that I did not do [when I arrived from my village]. I had no skill but I started to cut the goat for meat as a butcher. I also sold vegetables but that was not a success. I opened a teashop. I could not survive on that, and since my family was large, the small business could not support us. Right now I'm doing furniture making – it's not so bad (KI14, CAP focus group).

5.3.3 Long-term effects

In the period when initial trauma of conflict has subsided and international aid may have left, economic recovery and development can begin and the IE tends to grow rapidly (Beall and Schutte, 2006). One KI from the ILO estimated that around 90% of economic activity in Nepal is informal (KI23, ILO) while in Kathmandu 55% of the 128 CAP interviewed reported large increases in the IE during and after the period of conflict. This increase was mainly attributed to the continued presence of IDPs and a more stable political environment.

Some [displaced people] went to Gulf Countries, some went to India, some set up small businesses, driving cars, working in factories, construction work etc. There was a definite increase in street vendors (KI4, Local government official).

After the insurgency many people were involved in different informal business sectors... many shops increased...there was no fear so everything was good (CAP, Male vendor).

Sectoral change within urban IE

While the urban IE generally increases during and after periods of conflict, specific sectors and businesses change more than others. The growth of these sectors can have different implications for development (Mallett and Slater, 2012). The KI interviewees highlighted two sectors which had experienced significant change following the conflict, indicated in the word cloud (Figure 5.4). As demonstrated there was an increase in employment in construction and “bar work” particularly for women and other displaced people. While livelihoods have been provided each sector has its own wider development implications.

Figure 5.4: Sectoral change in the urban informal economy



Construction is a major employer in Kathmandu and it provides jobs for many vulnerable groups in the urban IE, including IDPs and women. Work in Nepal is still gendered and although women are present in the traditionally male-dominated construction sector, they are often unskilled and working as marble polishers, cement mixers and brick carriers rather than trained tradespeople. Furthermore, while there are problems across construction with delayed or reduced payments (See Section 4.3.2), women are particularly exploited, reportedly earning around 25% less than their male counterparts (ILO, 2004).

Construction workers meet at Ratnapark from 8.30-9.30 to find day-labourer jobs. There are 150,000 people in the Construction Union, which covers the whole country⁷. Some members have regular work, about 30%, the rest are day-labourers...The majority of construction workers are internal migrants, almost none are from Kathmandu [Metro]. About 7% of construction workers in the union are women (KI18, Trade union worker).

There are thousands in Kathmandu working in construction...Many girls work in construction, perhaps 40%, but the girls are paid poorly. They earn very little – often coming from Terai where they don't bargain for higher wages (KI11, NGO worker).

Current IE workers, of both genders, also reported problems with lack of protective gear and insurance despite working at heights or with hazardous equipment.

Sometimes we may face injury but there is no insurance. No protective gear. I need gloves to work and [a] helmet [and a] safety belt...[there are] many safety issues in [the] construction field (Current IE worker, Construction).

Another sector that opened up in the conflict period was in entertainment, especially for female migrant workers (See Section 5.2.2). While these “bars” provide employment, female workers are often exploited and victimised by both employers and the authorities, and though there are NGOs helping to organise and support the female workers involved, the sector still poses a significant threat to development.

Another issue are the dance bars and massage parlours – girls are working as sex workers. Approximately 4,000 girls and women work in Thamel. The places are protected by ex-police and ex-army so when the police come and raid the parlours they take the girls. The girls are taken for questioning and they take their money and then it all starts again. All this is illegal (KI22, NGO worker).

We are working with those in recreation – dance bars, restaurants, massage parlours. The businesses must register, but the people have no ID, and the police will catch them. The workers have no contract and no rights...These activities are work and should be covered by relevant legislation (KI19, UN expert).

5.4 Contribution of the informal economy to development

This section focuses on the contribution that the urban IE has had, and can continue to have, on development outcomes in the city of Kathmandu.

5.4.1 Economic growth

The importance of economic growth in conflict reduction in post-conflict settings is continuously highlighted (Collier and Hoeffler, 2004, Fearon and Laitin, 2003). If combined with higher post conflict incomes for urban populations, economic growth can significantly reduce the risk of further war (Collier, 2008).

In post-conflict Kathmandu the lack of formal opportunities means that the IE is even more vital in sustaining the livelihoods of the urban population. One of Nepal's biggest exports is labour, with young migrants searching for work in India, Gulf Cooperation Council (GCC) countries, Malaysia and the Philippines.

Basically we are a developing country with big challenges. There is a lack of employment and everyone depends on the informal economy. I can't emphasise enough the impact of the informal economy in creating resilience. Paradoxically, rural areas are more resilient than urban areas [even though the city is richer]. If you are rich you are less resilient, if you own land it is easier to be self-sufficient. Urban areas are no place to sit in a crisis. The informal economy helps (KI1, Local government official).

Here in Nepal the majority are poor, even the low-middle income group and this business is supportive of all these people. This business is very important (KI24, UN expert).

⁷ Many construction workers do not belong to a union.

Interviewees also document small businesses accumulating capital and creating jobs for others which signal the ability of the IE to contribute to wider economic growth beyond the household.

Some IE workers pay so much to their workers. There is one welder [I know] who has 4 staff and he is paying his workers Rs.20,000 per month. He is informal but is trying to get formal (KI12, Researcher)

There are lots of people involved in the informal economy who are profitable and can invest. This leads to employment of staff [which] leads to the development of staff's life [and] so the economy is enhanced (CAP, Female former vendor).

While there is the ability for IE businesses to accumulate capital and provide employment, many remain small. Out of 197 current IE workers interviewed, almost 50% work alone (although 22% work with four or more people). There seems to be a difference in those who work in the IE for sustenance and out of need, and those who are earning significantly from the IE or use it for supplementary income.

There is a big difference between the people in the informal economy who have migrated from outside Kathmandu, the majority, and those from Kathmandu who have been doing the work for a long time. The people from outside Kathmandu have problems because they have no savings – they earn daily, and spend daily, so when they get sick they have problems. Many from Kathmandu own houses and are working in the informal economy to earn more money (KI12, Researcher).

We treat street vendors as one group but in fact they are very different, there are those who work all day and those who work two hours only (KI6, UN expert).

Furthermore, as noted above, growth of some sectors within the IE is problematic. While “bars” and construction are important sources of jobs and livelihoods, better protection for workers is needed to provide safe working conditions. Additionally, the harassment and victimisation of street vendors raises questions about when and how government and other local actors intervene.

5.4.2 Poverty reduction and conflict prevention

It has also been argued that economic growth without social policies which alleviate poverty at household level does not reduce the risk of conflict (Mallett and Slater, 2012). Indeed, both the onset of conflict, and participation in conflict, have been linked to high unemployment and low household income (Justino, 2011).

As demonstrated earlier in the chapter the IE provided employment in Kathmandu enabling city-dwellers and new migrants to build resilience and household income in the conflict-affected city during and after conflict.

The source of income for a large percentage of people is the informal economy, so for the prosperity of people it plays a major role. When people are involved in their job and have money there is more chance of maintaining peace as they won't be involved in unnecessary activities or social evils (CAP, Male driver).

In the post-conflict phase, the IE has provided employment for ex-soldiers and former insurgents, enabling them to reintegrate into society and sustain non-conflict livelihoods.

Economically they did integrate into society, in a few cases society was hesitant to accept them although compared to other countries Nepal is generous. A lot of them are now working as migrant workers in the city (KI6, UN expert).

The IE's ability to absorb vulnerable groups such as IDPs, ethnic minorities and women is beneficial for poverty reduction and conflict prevention, particularly in Nepal, where there are problems with social exclusion along ethnic, gender, religious and caste lines.

We recognise the importance of livelihoods to supporting social cohesion. After the constitution, society has become more divided along ethnic and religious lines and we have a history of religious riots. We need to shift the focus on economic development for marginalised communities, for example, Dalits and women, for peace-building [to work] (KI17, UN expert).

The importance of the IE to poverty-reduction, economic growth and conflict prevention cannot be underestimated. However, continuing political instability and the challenges for current IE workers outlined in Section 4.3 of this report restricts this contribution. Crucially, groups such as IDPs, migrants, women and children remain vulnerable within the IE. Therefore emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE (CPAN, 2013). Small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation.

5.6 Key Findings

The Maoist insurgency affected the rural and urban populations of Nepal differently, and Kathmandu often provided a haven for people seeking refuge from the conflict which largely centred in the rural areas.

For the 62% CAP interviewed who experienced conflict in the rural areas before migrating to the cities, effects included direct confrontation with armed groups, displacement, loss of livelihood and loss of social networks. For the remaining 38% who were in the city throughout the period of conflict, political instability, strikes and *banda* which disrupted businesses, and a general fear were experienced.

Women are particularly vulnerable in conflict-affected situations and may have experienced unique effects of gender-based violence and new livelihood opportunities following displacement. While many women fought with the Maoists, making their independence more accepted within society, displaced women were also vulnerable and discriminated against in the host city.

Within the city of Kathmandu the main effect of conflict was increased population due to the large rural-urban migration that the conflict facilitated and an influx of IDPs into the city.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Kathmandu:

- **The short-term effect** of the conflict on Kathmandu was increased population due to the large rural-urban migration which precipitated a rapid growth in the urban IE as IDPs and migrants moved into the city and adapted their livelihoods to the new setting.
- **In the medium-term** the decline of formal employment and consumption affected informal jobs in sectors such as manufacturing and tourism and political instability further contributed to the disruption of livelihoods in the city. This was exacerbated by frequent *banda* which affected the supply of goods and materials as well as transport services. As a result, many urban residents had to diversify income streams, often working multiple jobs in the IE to sustain their livelihoods.
- **In the longer-term**, the IE increased dramatically as political stability enabled the speedy establishment and operation of new businesses and employment opportunities. Specific sectors were particularly successful in this period and there was an increase in employment in construction and “bar work”. Though both sectors continue to provide employment in Kathmandu today, particularly for vulnerable groups such as women and migrants, they pose severe development issues because of the discrimination and lack of rights and protection for the IE workers involved.

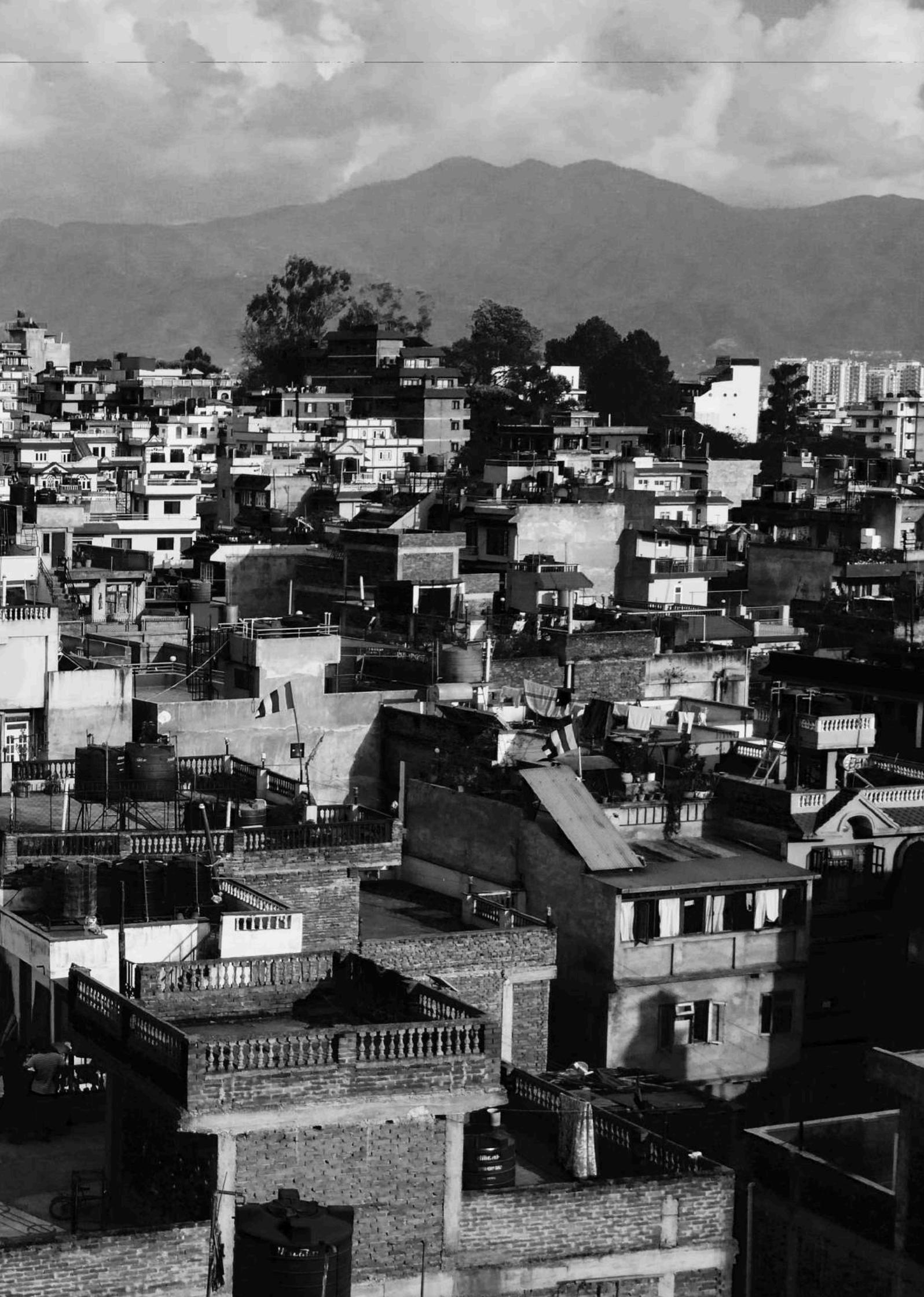
The IE has huge potential to contribute to ongoing development outcomes in Kathmandu:

- **Economic Growth** has been cited as a major requirement for long term peace in conflict-affected countries. In Kathmandu, the IE enabled city-dwellers and IDPs and migrants to sustain household livelihoods during conflict and in the post-conflict environment businesses have been able to accumulate capital and employ others, deepening their contribution to economic growth. However, many remain small and most current IE workers (49%) in the survey worked alone. Furthermore, whilst some sectors such as construction and “bars” are important sources of jobs, they pose development challenges. That said, the scale of the IE and the fact that it provides the majority of urban employment demands that it be a primary focus for economic and social planning.
- **Poverty reduction and conflict prevention** have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence by providing employment and household income. In Kathmandu, the IE has provided many jobs to conflict-affected and vulnerable people such as women, IDPs, ethnic minorities and former insurgents. The ability to absorb these groups, particularly in Nepal where there are problems with social exclusion along ethnic, gender, religious and caste lines, is beneficial for both poverty reduction and conflict prevention.

Going forward, an emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE. Furthermore, small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation of these groups.

Rapid urbanisation fuelled by conflict increases demand for employment.





After the earthquake we could not cope with the damage – there were many people without shelter and there was a very sudden population increase unlike during the conflict] (KI4, Local government official).

Instant food like biscuits and noodles were in short supply as [they are] easy to cook and [people] did not have to stay inside their house for cooking it. The price of everything was high (EAP, Male former vendor).

The word cloud also makes reference to disruptions to “gas” and “cooking”. The economic blockade of the Indian border affected fuel and gas supplies and took place for four months from September 2015. Analysis of this blockade is beyond the scope of this research but is acknowledged as a factor that impacted the supply of goods and services for the urban population of Kathmandu over the period of investigation.

6.3 Effects of the earthquake on the informal economy

“Resilience” often refers to the way in which individuals and communities cope with shocks such as conflict and natural disaster (Mileti, 1999). Economic resilience incorporates the IE and this section looks at the impact of the earthquake on the urban IE as well as the way livelihoods responded and contributed to post-disaster recovery.

6.3.1 Short term effects

According to academics, low-income urban populations are most affected by both conflict and disaster as they have fewer resources to cope with the damage to infrastructure and livelihoods (Keefer, 2009). The impacts on physical infrastructure in Kathmandu were more severe following the earthquake than the Maoist conflict and the IE ceased to function for a while.

Everything was closed, no offices, no schools, no street vendors (KI1, Local government official).

I could not work during earthquake. Wholesale supplies stopped and there were no customers available. Everybody was afraid to get back to daily life (EAP, Female, Hair salon).

The earthquake destroyed everything – particularly for home-based workers. Home-based workers lost their storage, tools, prepared and finished goods (KI24, expert).

Though the lack of security and transportation services further affected the IE by disrupting mobility and food supply, businesses bounced back quickly, highlighting the dynamism and resilience of the urban IE workforce.

For about 10 days I stopped my business and then restarted. During the earthquake there were very few goods and they were expensive so it was hard but slowly it got back to normal (EAP, Female fruit vendor).

I could not work during the earthquake but shortly afterwards business improved because others were closed. People were afraid to go inside their house so we brought whatever was available outside. Many bought from my cart (EAP, Female fruit vendor).

6.3.2 Medium term effects

According to EAP interviews, in the medium-term the IE performed a vital labour absorbing function through its ability to provide low-income citizens with employment opportunities. It also provided replacement goods and services for the crisis-hot population.

Both food and electricity were in short supply in the aftermath of the earthquake (See Section 6.2.3), however, EAP interviewees report a difference in the way in which IE businesses responded, with some selling replacement goods for higher prices on the black market, while others supplied goods for lower prices as part of a community-sharing mentality.

There was a black market for food materials such as noodles and fuel. I couldn't find food for a month so I bought in the black market after paying 2-3 times more [than usual] (EAP, Male construction worker).

There were no alternatives for fuel except on the black market so people started selling wood collected from the river and nearby areas. Wood was used to cook for 4-5 months (EAP, Female construction worker).

There was a shortage of goods but people needed goods for survival. [Informal] shops provided those services to the people. We provided eggs for lower prices and provided money to the needy ones. We gave donations of clothes and money to people seriously affected by the earthquake (EAP, Female eggs vendor).

I am a chatpate vendor and during the earthquake I didn't incur any loss of goods but we lived in a tent for shelter. I was encouraged by the other people to restart the business, if only to provide them with food. I restarted my business because I still had plenty of supplies of stock. The business was less in the previous

days because some people used to eat without paying anything but this gradually got better as we recovered (Conflict mapping workshop, Chatpate vendor).

The self-help approach is common when crisis hits and “communities are unique and have their own local needs, experiences, resources, and ideas about...response to and recovery from different types of disasters” (Longstaff et al., 2010). In Kathmandu, after the immediate chaos of the earthquake, households, families and communities ate and slept together in open spaces, sharing shelter, food, water and what money they had with others, seemingly irrespective of class or caste differences.

After the earthquake, in each household, all the family worked, helped people, cooked food etc. Discrimination was eliminated at that time...[even] discrimination against the Dalits (KI20, NGO worker).

Neighbours stayed together. There are not many open spaces in Kathmandu but all open spaces were occupied by people because it was safer than living in their houses. So all the people of the community stayed at the same open space. We ate together and helped each other out...A committee was formed among the community members and everyone provided donations...to collect money for the community meals. Women recovered from fear when they were among other women. It was like a big feast every meal, a social gathering irrespective of people's caste (EAP, Male manufacturing worker).

While much of the literature reports that the poorer in society, such as those living in informal settlements, are most vulnerable to the effects of natural disasters, in Kathmandu, informal settlements were least affected by infrastructure damage of the earthquake. One EAP and highlights how residents of the informal encampment of Thapatali housed patients from the nearby maternity hospital.

People from the maternity hospital would come to stay here. Other people from the surrounding areas also came here. We took all the vulnerable women in and gave them shelter. Women would live inside and the men would go and stay outside. We provided shelter for pregnant women from the maternity hospital. But many women faced miscarriage that time. Tents from our community were made available to everyone as it seemed like it would rain. So we helped. We also collected money, whatever we could, for the earthquake relief fund (EAP, Female jewellery vendor).

6.3.3 Long-term effects

As with the aftermath of conflict, post-disaster Kathmandu has witnessed a rise in the IE as many IE workers multiply or diversify income streams in order to sustain their livelihoods following the loss incurred in the disaster.

The IE increased. More people need employment because of loss due to earthquake and formal jobs are limited (EAP, Female fruit vendor).

People are working multiple jobs like selling vegetables and readymade clothes to overcome the damage caused by the earthquake. The informal economy is a cheap solution for people of low income (EAP, Female manufacturing worker).

Sectoral change within urban IE

While the IE generally increased after the earthquake, the earthquake affected sectors differently.

EAP interviewees suggested that the construction sector grew due to the increased need for demolition and rebuilding work which created informal jobs for the urban population, although tourism declined in Kathmandu

Many people are getting jobs in the construction sector. A lot of job opportunities have come up in field of repairing and reconstruction (EAP, Male construction worker).

Business has declined in tourism. The number of businessmen hasn't decreased but number of tourists has decreased drastically (EAP, Female craft vendor).

What is clear from the qualitative data, however, is the resilience of IE workers and the ability of those in Kathmandu to modify, diversify and ultimately sustain their livelihoods in the face of chaos.

I was a tour guide as well as having a nanglo business⁸. After the earthquake, I could not continue the former but I kept the other business. But I was with child so stopped for a while to deliver. After that I set my business back up and now I make earrings and sell them (Conflict mapping workshop, Jewellery vendor).

⁸ A nanglo is a flat round woven tray made up of bamboo.

6.4 Contribution of the informal economy to recovery and development

Though it is too early to fully assess the impacts of the IE on the recovery from the earthquake, as in the aftermath of conflict, the IE contributed to stabilisation and economic recovery by providing valuable income and goods and services to a vulnerable urban population.

Many people lost money and property so they are doing multiple informal jobs to improve their situation. It's easier to work with little investment and people are earning - this is recovery (EAP, Male food vendor).

Vendors continued to sell the daily goods needed. Items were made available and this contributed to recovery after the earthquake. If daily supplies weren't available, recovery would be difficult (EAP, Female maid).

The employment of people in the informally-dominated construction sector particularly, was cited as having important effects on both the physical and economic recovery of the city.

The informal sector triggered the economy. The manpower due to migration [after the earthquake] helped construction which then helps the city recover (EAP, Female administrator).

The scale of the IE and its ability to contribute to household livelihoods and wider city development means that it should be a primary focus for economic and social planning and not ignored in government policy (UN-HABITAT, 2008). Governmental support to the urban IE, in accordance with the findings in Chapter 5 must be strengthened.

6.5 Key findings

Natural disaster, like conflict, destroys infrastructure, displaces entire populations and threatens the livelihoods and resilience of local people (Pelling, 2003). While the Maoist insurgency took place over a decade and with deep impact on rural populations, the effects of the earthquake were acute but contained to a specific locality and over a short period of time.

As with the conflict, displacement and loss of livelihood were key effects of the earthquake and many urban residents slept outside for weeks fearing damage to property and aftershocks. Transport services were disrupted and goods and materials were scarce and expensive which affected urban livelihoods. While such disruptions are common during *banda*, there was no warning of the earthquake nor time to prepare and the effects were more severe. Disruption was exacerbated by the economic blockade of fuel and gas supplies.

As with conflict, women were most vulnerable in terms of the security issues connected with displacement (even if temporary).

The earthquake had short-term, medium-term and long-term impacts on the urban IE in Kathmandu:

- **The short-term effect** of the earthquake was mass disruption to livelihoods with many IE workers unable to work for weeks and months. Destruction to infrastructure as well as lack of security and transport services posed practical challenges for workers and goods, materials and other services were in short supply and expensive. However, many businesses bounded back quickly, highlighting the dynamism and resilience of the urban IE and its workforce.
- **In the medium-term** the IE responded positively, performing a vital labour absorbing function. IE businesses replaced key goods and services disrupted by the earthquake, which created livelihood opportunities and provided for the crisis-hit urban population. However, businesses responded differently, with some making use of the black market whilst others worked on a basis of mutual reciprocity. Generally, community-sharing was very common, irrespective of caste, ethnic or gender differences.
- **In the longer-term**, the IE has increased dramatically as many IE workers multiply or diversify income streams in order to sustain their livelihoods following loss incurred in the disaster. However, there has been sectoral differences and while construction work has increased, tourism has declined.

Though it is too early to full assess the impacts of the IE on the recovery from earthquake the IE has contributed to stabilisation and economic recovery in Kathmandu. The IE has provided valuable income, as well as disrupted goods and services to a vulnerable population, and its scale means that it should be a primary focus of economic and social planning for recovery.



Itinerant vendors are some of the most vulnerable informal economy workers.

7. Conclusions and Recommendations

7.1 Introduction

This chapter summarises the key findings from the report. It then sets out a series of recommendations and lessons relating to the IE in the crisis-affected city of Kathmandu.

7.2 Key Findings

In most developing cities globally, urban policy marginalises the IE, despite the IE providing vital employment to urban citizens (Lyons et al., 2012). In Kathmandu, 73% of current IE workers admitted facing challenges at work. The main challenges were:

- **Vulnerability and multiple jobs:** 34% of current IE workers had witnessed a drop in profit or turnover in the last 5 years, threatening household resilience, and 70% of IE workers had a previous or secondary job in the IE and had had to adapt their income stream to sustain their livelihoods.
- **Lack of employment policy implementation:** Though the newly drafted Constitution, National Employment Policy and proposed Labour Law all acknowledge the rights of IE workers, all await implementation. Therefore, the IE remains unrecognised in labour law and policy, and there is no enabling regulatory framework. While this means that IE business can be set up easily, IE workers lack protection and face difficulties with local authorities.
- **Problems with local authorities:** Globally IE workers are vulnerable to victimisation, police harassment, evictions and confiscations. In Kathmandu, 25% of current IE workers had experienced these problems. Of those, international migrants, internal migrants and street vendors were most likely to have been affected, with some complaining of having had to bribe officials from local authorities in order to maintain their livelihoods.
- **Economic variables and low income margins:** Increased competition, theft, pay delays or non-payment and municipality fees all impact profit and income margins of current IE workers in Kathmandu, and are exacerbated by a lack of business training and knowledge which influences the capacity for business growth. In the absence of high profit margins, remittances and informal cash transfers influence the ability of IE workers to maintain incomes. However, less than 6% of current IE workers received additional income from cash transfers whilst 25% sent remittances to India or to the villages of Nepal.
- **Difficulties with infrastructure and operating spaces:** Over 25% of current IE workers cited the lack of a secure operating space with amenities and services such as a reliable electricity supply, drinking water and waste management as a major hindrance to business. Furthermore, there is an absence of gender-appropriate operating spaces and women reported being harassed whilst working. Despite this, physical safety whilst working in Kathmandu is generally good with 92% of current IE workers reporting they felt “safe” in their working environment.

Within the IE there are vulnerable groups emerging who are more affected than others by the challenges above. Women and migrants (both internal and international), tend to be less educated than their counterparts operating in the IE. These vulnerable groups also tend to be involved in more precarious sectors such as low-income businesses like vending and services. Vendors are more likely to be affected by seasonality, more likely to operate from the street with no access to services, and more likely to work alone all of which increase their vulnerability levels.

The report has identified several key protections that could alleviate the challenges and problems in the contemporary IE in Kathmandu:

- **Policy inclusion** to support and empower IE workers and their businesses. Small-scale enabling actions would raise the profile of the IE on government agendas and help alleviate discrimination and social exclusion by providing rights to the disenfranchised.
- **Protection for street vendors** to eliminate the threat of harassment, eviction, bribery or discrimination by local authorities. This must focus on the most vulnerable groups such as migrant workers and women.

- **Support for associations:** Enabling workers to organise into associations, trades unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can be important sources of savings. In Kathmandu, however, trade unions tend to be affiliated to political parties which can undermine the representation of their constituents. Furthermore, only 6% of current IE workers were currently involved with a trade union.
- **Continued and increased support for, and increase of, business training** could address some of the difficulties of lack of formal education faced by some members of the IE, particularly women and migrants. However, training sessions should be affordable and timed so that people can combine training with income earning. Some of the training is provided by NGOs, but only 1% of the current IE workers interviewed had regularly engaged with NGOs, highlighting the need for increased training and capacity building opportunities.
- **Improved infrastructure and operating spaces:** There is greater need for secure and serviced operating spaces which would not only protect vulnerable members of the IE but would encourage business growth and improve urban governance. Enabling policies and practices that support vulnerable groups, women and ethnic minorities, such as gender-appropriate operating spaces should be sought.

While these measures could provide protection and support for IE businesses, the presence of vulnerable groups and businesses call for focussed interventions beyond the broader ones aimed at the entire sector.

The Maoist insurgency affected the rural and urban populations of Nepal differently, and Kathmandu often provided a haven for people seeking refuge from the conflict which largely centred in the rural areas.

For the 62% CAP interviewed who experienced conflict in the rural areas before migrating to the cities, effects included direct confrontation with armed groups, displacement, loss of livelihood and loss of social networks. For the remaining 38% who were in the city throughout the period of conflict, political instability, strikes and *banda* which disrupted businesses, and a general fear were experienced.

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Within the city of Kathmandu the main effect of conflict was increased population due to the large rural-urban migration that the conflict facilitated and an influx of IDPs into the city.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Kathmandu:

- **The short-term effect** of the conflict on Kathmandu was increased population due to the large rural-urban migration which precipitated a rapid growth in the urban IE as IDPs and migrants moved into the city and adapted their livelihoods to the new setting.
- **In the medium-term** the decline of formal employment and consumption affected informal jobs in sectors such as manufacturing and tourism and political instability further contributed to the disruption of livelihoods in the city. This was exacerbated by frequent *banda* which affected the supply of goods and materials as well as transport services. As a result, many urban residents had to diversify income streams, often working multiple jobs in the IE to sustain their livelihoods.
- **In the longer-term**, the IE increased dramatically as political stability enabled the speedy establishment and operation of new businesses and employment opportunities. Specific sectors were particularly successful in this period and there was an increase in employment in construction and “bar work”. Though both sectors continue to provide employment in Kathmandu today, particularly for vulnerable groups such as women and migrants, they pose severe development issues because of the discrimination and lack of rights and protection for the IE workers involved.

The IE has huge potential to contribute to ongoing development outcomes in Kathmandu:

- **Economic Growth** has been cited as a major requirement for long term peace in conflict-affected countries. In Kathmandu, the IE enabled city-dwellers and IDPs and migrants to sustain household livelihoods during conflict and in the post-conflict environment businesses have been able to accumulate capital and employ others, deepening their contribution to economic growth. However, many remain small and most current IE

workers (49%) in the survey worked alone. Furthermore, whilst some sectors such as construction and “bars” are important sources of jobs, they pose development challenges. That said, the scale of the IE and the fact that it provides the majority of urban employment demands that it be a primary focus for economic and social planning.

- **Poverty reduction and conflict prevention** have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence by providing employment and household income. In Kathmandu, the IE has provided many jobs to conflict-affected and vulnerable people such as women, IDPs, ethnic minorities and former insurgents. The ability to absorb these groups, particularly in Nepal where there are problems with social exclusion along ethnic, gender, religious and caste lines, is beneficial for both poverty reduction and conflict prevention.

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The earthquake had short-term, medium-term and long-term impacts on the urban IE in Kathmandu:

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- **In the medium-term** the IE responded positively, performing a vital labour absorbing function. IE businesses replaced key goods and services disrupted by the earthquake, which created livelihood opportunities and provided for the crisis-hit urban population. However, businesses responded differently, with some making use of the black market whilst others worked on a basis of mutual reciprocity. Generally, community-sharing was very common, irrespective of caste, ethnic or gender differences.
- **In the longer-term**, the IE has increased dramatically as many IE workers multiply or diversify income streams in order to sustain their livelihoods following loss incurred in the disaster. However, there has been sectoral differences and while construction work has increased, tourism has declined.

Though it is too early to fully assess the impacts of the IE on the recovery from earthquake the IE has contributed to stabilisation and economic recovery in Kathmandu. The IE has provided valuable income, as well as disrupted goods and services to a vulnerable population, and its scale means that it should be a primary focus of economic and social planning for recovery. Going forward, an emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE. Furthermore, small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation of these groups.

7.3 Recommendations

The recommendations of the research team are set out under five broad themes: increase national legitimacy and strategic planning for the IE; establish a local economic development pilot for the IE; strengthen voice and participation; support vulnerable urban IE workers, and develop emergency relief, resilience and development strategies that are inclusive of the IE.

Recommendation 1: Increase national legitimacy and strategic planning for the IE

Promulgation of the new Constitution, National Employment Policy and proposed Labour Law provide significant opportunities for raising awareness of the potential of the IE at national level, integration of the IE in relevant national policy and tracking its implementation. To achieve this, the following recommendations are made:

- **National Urban Informal Economy Committee:** Establish a high-level National Urban Informal Economy Committee, with a membership of about 15 people to include high-level representatives from: the Ministry of Labour and Employment; Ministry of Industry (including Department of Cottage and Small Industries); National Planning Commission; Ministry of Women, Children and Social Development; Ministry of Urban Development; Ministry of Local Government; and NGO and civil society representatives for example, GEFONT; CWIN; HomeNet Nepal and representatives of other umbrella IE workers' unions and organisations.
Within the framework of the *Constitution of Nepal, 2072 (2015)* (especially (i) Fundamental Rights and Duties: Article 33 [Right to Employment] and Article 34 [Social Justice]; and (ii) Directive Principles: Article 51(i) [Policies Regarding Labour and Employment]) the Committee should address the following:
 - *National Employment Policy 2071:* Monitor and report progress against *Objective 2: [To improve the quality of employment by gradually transforming informal employment into formal employment]* and its accompanying policies with specific reference to the urban IE, young people, and poor and marginalised people;
 - *Labour Law:* design a strategy for implementing the new Labour Law once promulgated, as it affects IE workers;
 - *Social Security Law:* lobby for full inclusion of IE workers under the provisions of the draft Social Security Law;
 - Address exploitative IE sectors where Constitutional rights are contravened (eg. in relation to social security or child labour);
 - Review Labour Force Survey protocols to ensure that IE sectors are adequately represented;
 - Evaluate the effectiveness of India's Street-vendor's law and its relevance to the Nepali context;
 - Advise on development of a National Urban Informal Economy Policy.
- **National Urban Informal Economy Policy:** A cross-government National Urban Informal Economy Policy should be developed to ensure that the needs of IE workers are recognised in all key government programmes, so that their social and economic contributions can be fully realised.

Recommendation 2: Establish local economic development pilot for the IE

A pilot project is recommended to demonstrate the potential of strengthening the urban IE. Lalitpur Metropolitan City is suggested as the focus of the pilot, building on the existing work of the Social Welfare Council. Recommendations include:

- **Lalitpur Informal Economy Committee:** Supporting Lalitpur Metropolitan City in a pilot programme to establish an inter-departmental *Lalitpur Informal Economy Committee* (LIEC), chaired by the Mayor/Chief Executive Officer and administered by the Social Welfare Council, to include representatives from other key departments (e.g. economy, planning and development, police) and at least 40% membership from IE worker associations. The committee will strengthen IE/local government links, and advocate and plan for the social and economic inclusion of the IE. Initially the committee should:
 - Undertake sector-specific analyses of the needs of local IE workers (eg. infrastructure, occupational health and safety, social protection, harassment and policing);
 - Examine the inclusivity of social welfare programmes under the Social Welfare Council in relation to inclusion of IE workers. Programmes must be needs-based and not dependent on the residency status of beneficiaries;
 - Ensure that municipal spatial plans make adequate provisions for suitable and safe inclusion of the IE (e.g. 'safe' vending spaces free from police harassment, improved organisation for domestic and home workers, targeting migrant workers' needs based on an analysis of their livelihoods);
 - Develop the capacity and organisation of IE workers.

- **Local Informal Economy Policy:** Task the LIEC with developing a cross-departmental *Local Informal Economy Policy*, with the aim of strengthening working conditions and the economic contribution of the IE. Identify projects for implementation under the policy to show how inclusion can be implemented, e.g:
 - *Economic planning:* ensure local economic plans include the IE;
 - Work with *tole* committees or user groups to identify specific sectors with vulnerable work (e.g. domestic labour) and negotiate to improve working conditions;
 - Establish a pilot project with street vendors representatives and architecture/planning students (e.g. in Lagankhel) to establish innovative designs for in-situ upgrading, creation of improved shared space, and addressing problems of pavement congestion;
 - Establish a ‘good practice’ training programmes for municipal staff and police on managing informal economies, and avoiding sexual harassment etc.
- **Revenue streams:** Strengthen municipal revenue collection in Lalitpur Metro from the IE, recognising that that IE workers need to see the benefit of paying fees. Currently relatively few IE workers pay fees, although the proportion is highest amongst some of the most vulnerable (street vendors, women etc). The following is recommended:
 - Daily fee collection across all IE sectors, so that people pay regular small amounts. Fee collection could be sub-contracted to IE worker associations. Eventually mobile money could be used;
 - Hypothecation of an agreed percentage of funds raised for local infrastructure, social welfare programmes, or other improvements benefitting the IE;
 - Selected one-off investments in key infrastructure or social welfare projects, irrespective of revenues collected from IE workers, as a demonstration of support to IE workers by Lalitpur Metro;
 - Track revenue raised plus costs of new approach, to inform national policy.

Recommendation 3: Strengthen voice and participation – ‘Helping the poor where they are today’

- **Broaden IE workers’ participation in associations:** Too few IE workers are part of an association that will represent their views. In Kathmandu Metro and Lalitpur Metro, work with 4-5 associations and unions to empower IE workers through increasing participation in social and economic development programmes, through:
 - Extending membership, especially for women and other vulnerable groups;
 - Establishing particular programmes for conflict-affected families, and IDPs;
 - Establishing a youth employment forum, to identify specific skills and business start-up needs;
 - Encouraging the establishment of new worker organisations or associations based on sectors (eg. home-based workers, street vendors etc.) and localities.
- **De-politicise IE worker associations:** Governance structures within IE worker associations should be redesigned to ensure organisations are not focussing on party politics. The main focus should be on worker rights and responsibilities.
- **Celebration:** The IE is the life blood of the Nepali economy and yet its importance is significantly underplayed. We recommend contributions of different IE sectors are celebrated, e.g. through food festivals, worker carnivals etc. HomeNet, in partnership with relevant ministries and local bodies, should explore the possibility of City Worker Day celebration.

Recommendation 4: Support vulnerable IE workers

- **Women:** Women proved to be particularly vulnerable amongst IE workers. We recommend working through the Ministry of Women, Children and Social Development, National Women’s Commission, relevant INGOs (e.g. Action Aid, Oxfam) and local NGOs, to establish a women’s programme to:

- Identify particularly vulnerable working in specific trades and occupations, e.g. construction work; dance-bar/entertainment work; sex work (cabin workers); service sector (e.g. domestic work), and craft work (e.g. home-based workers);
 - Strengthen relevant NGOs already working with these sectors;
 - Establish a Women's Chapter of the Chamber of Commerce for IE workers;
 - Identify revenue streams under municipal Social Welfare Councils, for business training for women in the IE, focused on literacy, numeracy and business skills.
- **Internally Displaced People (IDPs):** Many of the most vulnerable IE workers are IDPs. National Government should commission a task force to explore challenges and opportunities facing IDPs and one key strand must be economic opportunities.
 - **Child labour:** Develop specific programmes to enable employment for vulnerable child workers.

Recommendation 5: Develop relief, resilience and recovery strategies

- **Recognising positive contributions:** Kathmandu's experience of crises (the Maoist insurgency and the 2015 Earthquake) demonstrates that the IE plays an important role during and after crises:
 - The IE provided livelihoods for displaced people during and after the Maoist Insurgency
 - Following the devastating earthquake, services and infrastructure were disrupted and the IE played a key role in replacing these services in the initial aftermath of the 2015 Earthquake.
- **Targeting humanitarian assistance:** Humanitarian assistance programmes need more effectively to engage with and support IE workers during and after crises:
 - Given the existing networks and innovation evidenced amongst IE workers, humanitarian assistance programmes should explore opportunities for collaborative interventions with associations of IE workers, including procurement of services.
- **Short-term response in conflict-affected areas:** Although the Kathmandu urban area was not directly affected during the Maoist conflict, this research indicates some general recommendations about the livelihoods implications of post-conflict recovery in areas directly affected by conflict.

Livelihoods programmes to ensure that people earn incomes as soon as possible should run in parallel with peace processes (i.e. reconciliation, restitution for seized land and property, counselling for those affected by bereavement, injury, or war crimes). IE workers may find opportunities after conflict (e.g. new markets) that may directly contribute to the recovery process, (e.g. through temporary provision of basic services such as water supply). However, early monitoring should identify any emerging IE trades with potentially detrimental social consequences (e.g. arms sales).
- **Medium-term response – recovery for IDPs:** In Kathmandu the main impact of the Maoist conflict was the influx of a large number of IDPs, and rapid growth of informal settlements, and there is a need to work proactively to integrate IDPs into urban economies, drawing on their skills, to enhance productivity and social inclusion and to avoid their marginalisation into vulnerable IE sectors. Many IDPs contacted for this research worked in the IE, but often failed to thrive many years after displacement. IDPs need long-term programme support. These could include:
 - Psychological/bereavement counselling, and mental health support;
 - Business training;
 - Access to finance for business start-ups.
- **Reconstruction after sudden disaster:** The 2015 Earthquake in Nepal was extremely destructive, but for many people in the Kathmandu conurbation, recovery was quite rapid, unless homes were destroyed.
 - Meet short-term needs of different IE sectors in the immediate aftermath of disaster – these may include temporary storage for goods, help with transport etc.

- Work with existing NGOs (e.g. HomeNet Nepal and Oxfam) to identify the needs to restore lost livelihoods (e.g. the purchase of tools and equipment) and re-establish supply chains (e.g. through those who commission home-based work).
- **Learning from experience:** Evaluate UNDP's Social Cohesion and Democratic Participation programme (Sep 2015-Dec 2018) and their links with Local Peace Committees, to assess the extent to which institutions built could provide a platform for economic as well as democratic empowerment.
- **Use DFID-Nepal's expertise to develop a cross-cutting urban livelihoods programme** in building disaster resilience and supporting post-conflict/crisis economic recovery through existing programme elements.

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Appendices

Appendix 1: Conflict mapping workshop participants by business type

Type of IE Business	Number of Workshop Attendees
Nanglo Production	11
Clothes Vendor	4
Food Vendor	4
Poultry Farmer	2
Momo or Chatpate Stall	5
Assorted Other	2
Total	28

Appendix 2: Mapped conflicts

Challenge	Suggested Resolution
Conflict between IE workers and local municipality over bribes	Formation of a group to pressure local government to minimise corruption.
Conflict between street vendors and police over urban space	Formation of a group of all street vendors to pressure municipality for designated and appropriate space.
Price war between vendors of different ethnicities	Compromise by all parties and fixed price agreements.

Appendix 3: List of Key Informants (KIs) by occupation

1. Local government official	12. Researcher	23. NGO worker
2. Local police officer	13. Local government official	24. UN expert
3. Central government official	14. CAP focus group	25. NGO worker
4. Local government official	15. Central government official	26. Central government official
5. Central government official	16. Central government official	27. NGO worker
6. UN expert	17. UN expert	
7. Central government official	18. Trade union worker	
8. Central government official	19. UN expert	
9. NGO worker	20. NGO worker	
10. Local government official	21. Trade union worker	
11. NGO worker	22. NGO worker	