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Consolidating peace through inclusive access to livelihoods in Nepal

SUMMARY

Improving access to livelihoods opportunities for men and women from different identity groups is critical for peace. This is especially true in Nepal, where ethnic, religious, caste and gender-based exclusion has long been understood as a cause of conflict. Nepal is at a crucial phase in its peace process. High-level agreements have been reached, the new constitution agreed, and elections held. People are now expecting a peace dividend.

International Alert's Peace Research Programme study found that not enough is being done to address access to livelihoods, as a means of consolidating peace and stability. This is because the nation lacks a clear, practical vision for doing so, and because the government and many other stakeholders are using inadequate methods, and suffer from capacity gaps. The government, donors, multilateral organisations, businesses and NGOs need to do more, making inclusive livelihoods a more central and explicit part of their strategies, adapting their programmes and business practices, and building capacity accordingly. They should:

Link inclusive livelihoods promotion with peace and stability more explicitly in policies and programmes

- Federal government should work with provincial governments, business associations and NGOs to create an overarching vision for improving access to livelihoods as a *means of consolidating peace*, and make this a key element of public political discourse through public statements.
- Government departments, along with provincial and local governments, should integrate this commitment explicitly into their strategies, operational plans and budgets.

Use improved programme and business approaches

- Government, donors and NGOs need to adopt livelihoods and economic development programmes more tailored to achieving peace and stability outcomes, for example:
 - Adopt an intersectional approach to targeting, which takes account of gender and other forms of horizontal exclusion, and of people in extreme poverty;
 - Conduct a thorough analysis of the power relationships in communities, as part of programme design and implementation;
 - Match livelihoods opportunities more carefully with the different capabilities of targeted beneficiaries, so that marginalised women and men are able to take advantage of the programmes and sustain improved livelihoods after programmes have ended; and
 - Monitor and adjust programmes, using gender-sensitive indicators that measure changes in livelihoods *and* stability.
- Businesses should adopt socially responsible business practices to enhance peace and stability, through integrating peace and conflict analysis into their planning, fair and transparent recruitment, taking better care of the environment, and avoiding involvement in the shadow economy.

Build capacity for improving peace and stability through inclusive livelihoods

- Government at all levels, businesses and NGOs should commit to more effective collaboration in consolidating peace through fairer access to better livelihoods, and invest in learning how to do so, drawing on the knowledge of local government staff who were transferred in the recent restructure.
- Local government and business associations should collaborate to improve communication and relationships between businesses and communities.
- Federal government should work with provincial governments, businesses and NGOs to operationalise its Public-Private Partnership policy, to make it more effective in consolidating peace.
- Government, donors and NGOs should work more closely with large businesses for peace-sensitive job creation, and small and medium-sized enterprises for local enterprise development.
- Businesses and business associations should build awareness and capacity in the private sector of how to consolidate peace and stability through jobs and inclusive livelihoods.
- Conduct research on the link between inclusive livelihoods and peace in different parts of Nepal, for example, positive and negative impacts of rural–urban and international labour migration, and political interference in economic development projects.
- Donors, multilateral agencies and international NGOs should support these priorities in their funding, technical assistance and field projects.

Introduction

This policy brief sets out how policies and programmes designed to improve livelihoods in Nepal can do more to improve stability and consolidate peace. It is based on recent research conducted by International Alert in Bara, Kathmandu, Kailali, Lalitpur, Morang, Parsa and Sunari districts.¹ These locations are experiencing relatively high levels of private sector investments, and livelihoods there were also significantly affected by conflict. The project is part of the UK government-funded Peace Research Programme, which conducts research in a number of conflict-affected contexts, as the basis for sectoral learning and policy recommendations. This policy brief is based on the premise that inclusive access to decent livelihoods contributes to

peace and stability, and vice versa. This relationship thus underlines the importance of promoting inclusive access to livelihoods in post-conflict contexts like Nepal.

Making the link between inclusive livelihoods, peace and stability

International evidence points to a clear link between inclusive access to economic opportunity and peace and stability, in line with the Sustainable Development Goals.² An environment that is conducive to business development also helps consolidate peace, because both benefit from qualities such as openness, fairness and transparency.³ Access to a decent livelihood – the means to sustain and invest in oneself and one’s family and community – is critical to people’s survival, aspirations and dignity. People and groups who feel structurally excluded develop grievances, which undermine stability, whereas those who feel they have fair access to livelihood opportunities are more likely to contribute to stability, in which they have a stake.⁴ Livelihoods offer an opportunity to promote an equal role for women, and to rebuild relations between people and social groups that may have been undermined by conflict – both of which are essential to long-term peace.⁵



This is why it is so important to promote improved and inclusive livelihoods in post-conflict situations.

Research also shows that achieving inclusive access

to livelihoods is far from automatic when peace is restored after armed violence.⁶ Indeed, poorly designed livelihoods programmes can even undermine stability if they are insensitive to conflict and peace dynamics.⁷ Creating a genuine peace dividend requires an explicit and sustained emphasis over many years, using what has sometimes been called a ‘peace-sensitive’ approach. This means policies and programmes that are specifically designed and implemented not just to improve livelihoods, but also to strengthen inclusion and stability, based on a comprehensive analysis of how exclusion has contributed to conflict.⁸

Consolidating peace in Nepal

Nepal has emerged from 30 years of political and constitutional crises, notably the 1996–2006 Maoist rebellion, widespread civil unrest, a royalist coup and anti-royalist uprising, violent unrest by the Madhesh movement in the Terai region, and a major earthquake in 2015. A key stage in the peace process was reached with the ratification of a new constitution in 2015, followed by the establishment of a new federal political structure, for which elections at multiple levels were held in 2017. The process is now at the stage where peace needs to be further consolidated, not least by ensuring a peace dividend through improved livelihoods for women and men from marginalised or excluded groups.

Equality and inclusion were very much at the heart of the crises. The political discourse in Nepal has long been concerned with horizontal inequality and exclusion, i.e. exclusion linked to ethnic, religious, caste and gender identity. The correlation between horizontal inclusion and stability was recognised in the 2006 Comprehensive Peace Agreement with the Maoists, and in the new constitution.

Unsurprisingly, income inequality had widened during the years of conflict and unrest. This is partly because the main focus of the peace and constitutional process was on achieving a high-level political settlement, rather than delivering outcomes for households. Meanwhile, years of instability had disrupted economic activity. Conflict had also reinforced barriers between some groups, disrupting economic activity and social relationships between them, for example in the Terai region.

The peace process has not sufficiently addressed the demands of marginalised caste and ethnic groups and women for better political inclusion and greater economic participation.⁹ Women and girls are more likely to be poor than men and boys, despite the significant contribution they make to the economy.¹⁰ While the proportion of people in poverty has reduced in recent years, income inequality has increased,¹¹ and this is partly explained by slower rates of poverty reduction among marginalised groups such as Dalits, Muslims, Madheshi and indigenous ethnic groups in the first decade of this century.¹² Thus, despite recent economic growth of over 7 percent, many households have not yet experienced a peace dividend, and horizontal inequality persists.

Alert's research encountered a widespread sense of optimism among ordinary citizens and government, business and civil society stakeholders. Many felt the situation was now ripe for a transformation in people's access to livelihoods opportunities, to consolidate the peace that had been achieved. Some respondents, however, were already expressing concern that the peace dividend was late in coming, and that it might not be forthcoming at all. This sentiment was particularly reflected in the comments of poorer community members, and of some businesspeople.

Policy and programme responses

Inclusion is a major feature of government policy, under the banner of Gender Equality and Social Inclusion. Government policy prioritises "the promotion of sectors that can create jobs and employment opportunities for all citizens".¹³ Positive discrimination is being used to improve representation of women and excluded castes in elected and civil service positions. The Industrial Policy promotes caste- and gender-based inclusion, micro-enterprises and local supply chains,¹⁴ and increasing numbers of government and international donor-supported programmes are focused on promoting economic growth and livelihoods. GDP growth reached 7.9 percent in 2017, and 6.3 percent in 2018.¹⁵

Having acknowledged criticism of earlier policies and initiatives that had failed to engage with the private sector, the government now emphasises the role of business in driving development,¹⁶ and has adopted a Public-Private Partnership policy.¹⁷ Business growth, a result of improved

political stability and security, is helping improve people's livelihoods through jobs and taxes and in the value chain. The Bara–Parsa and Sunsari–Morang industrial corridors have seen significant growth in the number of industries operating there. Comprehensive data on the expansion of employment is unavailable, but experts interviewed during Alert's research estimated that the formal sector is creating around 50,000 new jobs per year.

Larger businesses were seen as more effective at creating skilled roles, while smaller businesses were seen as creating fewer jobs, which were more likely to be semi-skilled or unskilled roles. However, smaller businesses were also perceived to be better at fostering small enterprises in their value chains, especially in the primary sector, and more sensitive to social dynamics in the communities where they operate.

Alert's research also found evidence of businesses consciously taking a socially responsible approach, which was appreciated by local stakeholders, and which is well aligned with international evidence of the kind of economic development that helps consolidate peace (see box).¹⁸

However, progress in economic recovery is not yet being translated sufficiently into improved peace and stability through inclusive livelihoods. The research identified three main reasons for this, which are discussed in the following sections: the lack of a clear political vision, the use of inadequate approaches, and capacity gaps.

The lack of a practical vision for enhancing peace and stability through inclusive livelihoods

Nepal's development vision is aligned with the Sustainable Development Goals (SDGs). It aims for sustained economic growth of at least 7 percent and a reduction in poverty and unemployment, along with improvements in wellbeing and access to services across all the other SDGs. It also sets targets for improved governance and reduced violence.¹⁹

Considering the central importance of Gender Equality and Social Inclusion – and particularly of horizontal inclusion – in political discourse, it is curious that the vision only considers horizontal equality and inclusion explicitly in terms of gender, and is silent on ethnicity, religion or caste. Apart from

Socially responsible business practices

Alert's research determined that businesses were perceived as socially responsible when they demonstrated three core qualities:

- they recruited and treated staff fairly and transparently;
- they respected and did not pollute the environment; and
- they did not engage in the 'shadow economy'.

By contrast, businesses that did not meet these criteria were seen as contributing to tensions and instability.

gender, its inequality targets are defined in terms of vertical inclusion, i.e. meeting the needs of and empowering the poorest households. This means that the high-level vision is silent on the important link between inclusive livelihoods and peace consolidation, despite the well-known importance of horizontal inequality in driving Nepal's conflicts.

This silence is in some respects understandable: post-conflict governments often prefer to avoid repeatedly drawing attention to past conflict, in favour of a more optimistic narrative of peace and progress. They wish to inspire confidence in the future, in citizens and investors alike, and the demands of politics may also skew the way policies are framed. Yet international experience continues to show that at least a third of peace agreements founder, and instability and violence returns.²⁰ Therefore, it is important to keep the acknowledged causes of conflict, such as horizontal inequality and exclusion, in full sight so that addressing them remains a priority. This is particularly important for the task of making livelihoods more inclusive, which international research has shown needs a specific and sustained policy and programmatic investment, if it is to succeed.²¹

This phenomenon is also visible locally, where Alert's research found that local governments equated economic improvements largely with infrastructure programmes, and that these were not designed with horizontal inclusion in mind. Local government infrastructure spending was seen by many community members as a poor use of funds.

Countering social stigma and taboo through livelihoods: an example of inclusive livelihoods promotion

In Barradagi village of Belbari, Sunsari district, a group of community members from diverse caste groups established a group – *Amuna Krishi sahakari Sasth*. With external support, they started to collect and sell cows' milk. Since the group included members from different castes, the milk from untouchable communities was mixed with milk collected from others. Because of the mutual economic benefit and peer pressure, villagers came to accept this tentative step in countering the taboo of untouchability. This allowed the gradual evolution of a more conducive environment for members of untouchable groups, and untouchability has become less relevant in the community, and less of a barrier to economic and social inclusion.

Many resented the fact that it had been done without public consultation. Worse, many respondents claimed that infrastructure projects were subject to political interference and corruption. In these cases, it actually undermined stability, by damaging public confidence that governance arrangements were working in their interests.

The link to peace and stability was also missing in the way most livelihoods improvement programmes were framed. Alert's research found that such programming fell broadly into three types, in descending order of magnitude:

- market-led programmes designed to enhance the enabling environment for business;
- enterprise development; and
- programmes designed to promote livelihoods and enhance stability and peace.

Of these, only the third normally acknowledged the link between inclusive livelihoods and consolidating peace (see box), and this was the category with by far the fewest examples. The majority of livelihoods programmes were neither explicitly designed to improve stability and consolidate peace, nor based on a thorough analysis of contextual power and conflict dynamics. As 'peace-insensitive' initiatives, therefore, they risked having a negative impact on stability.

Inadequate methods, and problems with targeting

Not only were most programmes inadequately framed and conceived, in many cases they were also ineffective on their own terms. That is to say, they even failed to improve livelihoods, leading to increased frustration on the part of beneficiaries, undermining their optimism about the future, and reinforcing their sense of grievance. It was beyond the scope of Alert's research to evaluate programmes and projects formally, but some had clearly been ineffective. Examples included enterprise development and micro-finance projects, which were based on poor due diligence and market analysis. Some micro-finance projects had unintentionally led clients into spirals of unsustainable debt.

Ironically, other programmes used methods that were inherently self-limiting, making them unwittingly exclusive. For example, many livelihoods groups were formed by NGOs in ways that actually excluded poorer or marginalised community members, or those unable to absorb the

opportunity costs of taking part, such as mothers of young children. Better-off women and members of marginalised groups were more easily able to participate, while poorer – i.e. more marginalised – people from the same groups were not. Local power hierarchies in communities affected community projects, meaning people already marginalised in their communities were less able to participate or benefit. In some cases, political interference directed livelihood project opportunities towards political allies.

This points to the need to adopt a more careful, intersectional approach to inclusive targeting during programme design and execution, based on a thorough and objective power analysis. This entails using participatory approaches to understand relationships in and between communities, and the mechanisms through which the dynamics of inclusion and exclusion are sustained, including how different mechanisms intersect. This analysis is then used to devise peace-sensitive programmes with the potential to modify these dynamics, without creating new conflicts. Achieving more inclusive livelihoods in Nepal also requires more dynamic programming models, which can be adapted to the different circumstances of different men and women, and promote individual entrepreneurship rather than livelihoods groups.

Capacity gaps

The third reason for livelihoods programmes not yet having an impact on inclusion and stability was the lack of capacity in government, NGOs and businesses to design and implement them effectively.

This was partly due to misalignment between labour supply and demand: the vast gap between approximately 50,000 private sector jobs being created annually and 500,000 new entrants joining the labour market,²² indicating the need for more investment stimulus, as well as a greater focus on the informal sector. Temporary labour migration is one of the responses to this gap. Currently, over 4 million people migrate abroad for work. This is a complex phenomenon: on one hand, it relieves pressure by providing household income; on the other, it seems unsustainable, vulnerable to policy changes by foreign governments, skews economic development, and undermines social and economic stability at home because of volatility and the prolonged absence of so many mainly young men.²³ More research is needed to improve understanding of how labour migration interacts with peace and conflict dynamics in Nepal, and how it might be better harnessed to consolidating peace.

Local private sector partnerships

The research found relatively few examples of effective collaboration between businesses and others. However, in Bara district, the local Chamber of Commerce and Industry (CCI) had worked with the Nepal Business Initiative to hold regular dialogue with youth and civil society on community security issues. In Morang, the CCI organised sewing and cutting training for marginalised women who later gained employment in garment manufacturing. Meanwhile, the local government in Morang had successfully engaged local businesses in its attempts to improve community security. This mechanism later proved helpful in resolving conflicts between businesses and the community.

Most people in business and local government were unaware of the link between inclusive livelihoods, stability and the consolidation of peace, and thus were not focusing their resources to this end. Local governments were more interested in investing in infrastructure, and businesses in operationalising their business model, than in using economic development to improve stability. This meant that they were missing opportunities to consolidate peace. In some cases, this was because the recent restructuring of local government in the new federal system had led to the loss of institutional memory, when staff with prior experience of these issues were moved to new roles in new structures.

Few businesspeople were conscious of issues such as positive gender and caste discrimination or workforce diversity, nor the value they might bring to their business. Business associations can play an important role in filling this knowledge gap.

Another capacity gap was in partnerships. National and local government, businesses and NGOs have complementary knowledge and capacity advantages in promoting inclusive livelihoods, which can be more effective when combined. However, with few exceptions (see box), they were ineffective at partnering, and so missed opportunities to drive inclusive livelihoods. This seemed to be largely due to ignorance and mutual mistrust, sustained by limited practical experience of collaboration on which to draw. The intended impact of Nepal's Public-Private Partnership policy, to harness the private sector for socio-economic progress, was not being met.

Many people complained about the lack of jobs for local youth. Some in border districts claimed that large employers preferred to hire migrant labourers from India. This was an example of how larger businesses were perceived as being more clumsy, compared with smaller businesses, which often had a more intimate connection to communities, and were more sensitive and responsive to contextual factors. Businesses and communities experienced conflicts over other issues, too – for example, over the environmental impacts of business operations. Some businesses complained that their local governments lacked the capacity for mediation, to help reduce such tensions. By contrast, in areas where local governments had collaborated with businesses in the provision of community policing (such as in Bara and Morang – see box), relationships were better, and this mechanism also served to mediate business–community disputes.

Conclusions

A growing economy that provides opportunities fairly, for men and women from different identity groups, is a critical factor for stability and sustaining peace. This reduces the sense of grievance, while harnessing the potential of all women and men from all sections of society to build a cohesive and progressive national community.²⁴

Unequal access to livelihoods – the means to sustain and invest in oneself and one’s family and community – has been a major driver of conflicts and instability in Nepal over many years, where inequality is highly correlated with gender, ethnic and caste identity. Therefore, redressing this imbalance is a necessary and major component of consolidating Nepal’s stability and long-term peace. Evidence from other post-conflict contexts suggests this requires a major effort, sustained over many years.²⁵

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However, not enough is being done to redress this balance, to improve marginalised men’s and women’s access to livelihoods opportunities. The government, along with donors, multilateral organisations, businesses and NGOs, should and can do more. Alert’s research suggests that they should focus on three areas in particular. First, they should link livelihoods promotion with peace and stability more explicitly, in policies, programmes and budgets. This applies to many areas of policy and practice, because access to livelihoods and peace is linked to so many other dimensions. These go beyond the usual economic policies to include physical infrastructure, fiscal policy, security and justice, gender, youth, health and education.²⁶ By creating a clear overarching vision, and integrating it into different policies, they will ensure this issue remains a priority for all levels of government, in the business community, in civil society, and in international agencies operating in Nepal, for the many years it will take to achieve structural change.

Second, they need to make livelihoods promotion and business approaches more gender- and peace-sensitive. This means tailoring development programmes specifically so they reach poor women and men from marginalised groups. It also means monitoring programmes using livelihoods and peace indicators. Meanwhile, more companies should adopt socially responsible, gender- and peace-sensitive business approaches.

Third, there is a need for government at all levels, businesses and civil society organisations to increase their capacity to promote stability and consolidate peace through making access to livelihoods more inclusive, and to work together more, combining their complementary knowledge and capabilities. Donors and other international agencies should maximise their financial and technical support to these priorities.

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