



## Opportunities for linking economic recovery and peacebuilding

### Business perceptions from eastern and central Terai

Canan Gündüz, Lindsay Alexander and DB Subedi

Working paper  
April 2009

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Our field work is based in Africa, South Asia, the South Caucasus, Latin America, Lebanon and the Philippines. Our thematic projects work at local, regional and international levels, focusing on cross-cutting issues critical to building sustainable peace. These include business and economy, gender, governance, aid, security and justice. We are one of the world's leading peacebuilding NGOs with more than 120 staff based in London and our 11 field offices.

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1. Building understanding and awareness around key conditions for peace;
2. Strengthening the capacity and outreach of key peace actors and alliances to engage in peacebuilding; and
3. Enhancing the responsiveness of national and international policy and programming to conditions for peace.

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## Executive summary

*Parties remain as indifferent towards promoting the private sector as in the past. Industries have not been able to operate smoothly, mainly due to political interference.*

Kush Kumar Joshi, President, Federation of Nepalese Chambers of Commerce and Industry (FNCCI)

*Politics is responsible for the deceleration of industries. The problems are created by unions linked to political parties.*

Padma Jyoti, Chair, Jyoti Group

*Competition in business is one thing, but if there is no unity, the private sector can't move forward.*

Radhesh Pant, CEO, Bank of Kathmandu

### Working paper series: Equitable economic recovery for peace

This paper is part of International Alert-Nepal's working paper series on 'Equitable economic recovery for peace', which seeks to share research and stimulate debate on the key conditions, barriers and opportunities for peace through equitable development in Nepal. For more information on this and the rest of Alert's work in Nepal, see [www.international-alert.org/nepal](http://www.international-alert.org/nepal).

As elsewhere, the business community in post-peace agreement Nepal is being held up as the engine of growth and recovery from conflict and poverty. Much hinges on business' ability and willingness to deliver on these expectations, not only in terms of stimulating growth, but also for promoting social equity and cohesion. For policy and programming to be effective, policymakers need to be mindful of and reflect micro- and macro-level realities of the business environment, including barriers to doing business, as well as how business impacts on the social, political and conflict environment.

This working paper presents key issues, findings and recommendations from a series of research efforts carried out in Kathmandu, as well as Parsa and Morang, two districts in the eastern and central Terai that sit on the east-west industrial corridor, in the course of 2008. The research aimed to better understand the challenges around linking economic recovery and the wider peace process in Nepal, and sought to surface district- and Kathmandu-level perceptions of relevant stakeholders, especially among the business community.

The target audience for this briefing is Nepali government officials, civil society and private sector representatives, as well as the donor community active in Nepal. Recommendations for each group are included in section 3.

## Business perceptions on conflict, peace and outlook on economic recovery: Survey highlights and recommendations

### Key survey findings

#### Perceptions of conflict impacts and coping mechanisms:

- "Majority lost from conflict": loss of markets and customers are seen as the most significant impact of conflict on business.
- *Bandh* are the most significant disruption to business today, yet a legitimate means for some to raise grievances.
- There is limited business recognition of "war" and "criminal" economies and their impacts.
- Business perceive the economically weakest as hardest hit by the conflict.

- Different coping mechanisms are utilised by business in response to adverse impacts.

#### **Perceptions of past and current conflict dynamics:**

- Lack of economic opportunity plus ineffective party politics are believed to have fuelled the Maoist insurgency.
- Exclusion is not perceived to be a conflict cause, contrary to much policy discourse.
- Economic activities are not seen by business as a significant source of tensions at the local level today.

#### **Business outlook, opportunities and challenges:**

- Business respondents do not feel the future is bright, despite growth.
- Remittances are seen as a key household survival strategy and employment generator, though a limited stimulus for wider economic activity.
- At the same time, some also see problems arising from out-migration.
- Unsurprisingly, the size and status of business determines access to funding.
- Law and order and lack of good governance are identified as key barriers to business, though not as investment needs.
- Electricity is the top investment requirement, though mainly for larger business.
- The majority of businesspeople expect central government to deliver on investment needs.
- Business respondents have limited expectations of donor agency investment.
- Opportunities to reach out to business as a partner for development are not yet fully exploited.

#### **Impacts of business operations on the social and conflict context:**

- On average, different types of group affiliations are seen to facilitate doing business.
- Business practices may therefore reinforce social divisions.
- Indeed, the composition of workers among corporate business interviewed reflects broader challenges of ethnic and caste-based inclusion.
- Young people are not viewed negatively by business overall, despite some obstacles and exceptions.
- Corporate respondents were more open to employing former members of state security forces than armed groups or political party youth wings.
- Few respondents report having disputes with their workers and other actors outside their companies.
- Sources for dispute resolution are varied and could be strengthened more systematically.
- There are potential opportunities to build on business charity to make it more strategic.

#### **Key recommendations and conclusions**

Include opportunities for improving multi-stakeholder collaboration to tackle economic recovery and peacebuilding challenges, and policy-making and programming:

- Be mindful of the "political economy" of each locality;
- Understand and be sensitive to the ways in which business operations themselves may feed tensions and grievances at the community level;
- Design business environment reform and programming based on business *and* community needs and interests;
- Raise awareness among the business community of development and peacebuilding efforts and policy debates at the centre, and pull them in;
- Build on local ingenuity and initiative to identify opportunities for strengthening the role of business in promoting local peace economies; and
- Combine economic development interventions with security and political analysis and planning.

# 1. Introduction

This working paper presents key issues, findings and recommendations from a series of research efforts carried out in Kathmandu, as well as Parsa and Morang, two districts in the eastern and central Terai that sit on the east-west industrial corridor, in the course of 2008. The research aimed to better understand challenges around linking economic recovery and the wider peace process in Nepal, and sought to surface district- and Kathmandu-level perceptions of relevant stakeholders, especially among the business community.<sup>1</sup>

## 1.1. Rationale for research

As elsewhere, the business community in post-peace agreement Nepal is being held up as the engine of growth and recovery from conflict and poverty. Much hinges on business' ability and willingness to deliver on these expectations, not only in terms of stimulating growth, but also for promoting social equity and cohesion. This requires both a policy and security environment that is conducive to business, and a capacity within the business sector to be responsive to wider socio-economic needs and a fluid political context that shapes the environment in which it works.

Therefore, for policy and programming to be effective, policymakers need to be mindful of and reflect micro- and macro-level realities of the business environment, including barriers to doing business, and how business impacts on the social, political and conflict environment. Policymakers and business alike also need to understand and be sensitive to the political economy of conflict<sup>2</sup> that persists, perhaps in a different shape, in this post-peace agreement phase. This is crucial given that insecurity is consistently stated as the predominant barrier to doing business in Nepal. It is also vital, as economic grievances have been a key driver of conflict in Nepal in the past and hold the potential to reignite conflict if left unaddressed in this period of heightened expectations for a shared "peace dividend".

Within this broader picture, it is therefore important to understand different key actors' perceptions, positions, interests and needs; and their capacities as well as the restrictions faced in their contributing to equitable economic recovery. Likewise, the willingness of different actors and groups to work together at the district- and Kathmandu-level will be determined to a great extent by past dynamics and mutual perceptions often wound up in the wider conflict. Policies and programmes that miss these often nuanced and latent dynamics risk failure, or fuelling conflict further. The result will be that business will be unable to act as a driver of sustainable and equitable economic stability and growth as a key condition for peace.

## 1.2. Overview of research

The research undertaken by Alert in 2008 included:

- An opinion survey carried out by the Kathmandu-based research institute Interdisciplinary Analysts (IDA) among a total of 600 businesspeople in Morang and Parsa districts, including 205 from big industry/business, 248 from small businesses and 147 street vendors and from informal businesses (see Annex 2 for a demographic breakdown of survey respondents);
- A series of open-ended interviews carried out by IDA with key informants, including

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<sup>1</sup> "Business" includes major national and international business in Kathmandu and local business outside of urban areas, as well as chambers of commerce.

<sup>2</sup> Put simply, the "political economy of conflict" relates to the economic factors and actors that are impacted by, cause, drive and sustain conflict or promote conditions for peace.

- representatives from civil society, households and government offices in the two districts; and
- A desk-based review of policy documents and secondary literature, as well as consultations with relevant experts in Kathmandu.

The purpose of these different sources of data collection was not to establish a comprehensive picture of the economic situation at the district level, or to establish household and individuals' livelihood challenges at the micro level.<sup>3</sup> Rather, the purpose was to gauge district-level opinions and perceptions of businesspeople and the wider public on economic recovery, as well as peacebuilding needs, so as to be able to inform and compare them with Kathmandu-level discussions on the same issues; and better identify what roles the business community can play in this process at different levels. A key limitation of this research is its limited geographic scope. Dynamics will likely differ significantly in other districts, though core issues and recommendations may resonate elsewhere.

The research focused on business perceptions and insights on several key issues that link economic recovery needs and priorities with the wider ongoing peace process. These include perceptions of:

- Economic causes and drivers of conflict, as well as impacts on economic activity;
- Current, pressing socio-economic and political challenges at the district level;
- Existing and potential barriers to, and opportunities for, doing business in-district; and
- Private sector operations' impact on their social context and communities, positive and negative.

The detailed survey data can be obtained from International Alert.<sup>4</sup>

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<sup>3</sup> There are several recent reports that provide a comprehensive picture of conflict impacts and economic development needs across different districts of Nepal. For example, see: World Bank (2006). *Resilience amidst conflict: An assessment of poverty in Nepal, 1995–96 and 2003–04*. Kathmandu, Nepal: Poverty Reduction and Economic Management Sector Unit, South Asia Region; and UN Office for the Coordination of Humanitarian Affairs (OCHA)/UN World Food Programme (WFP) (2007). *WFP-OCHA report on impact of conflict and priorities for assistance*. Lalitpur, Nepal and Kathmandu, Nepal: OCHA/WFP.

<sup>4</sup> For more information, see: [www.international-alert.org/nepal](http://www.international-alert.org/nepal) or contact: [dsubedi@international-alert.org](mailto:dsubedi@international-alert.org).

## 2. Key survey findings

### 2.1. Perceptions of conflict impacts and coping mechanisms

Understanding the ways in which the wider social, political and conflict contexts impact on businesses, as well as their perceptions and responses, will be crucial to designing any strategies for supporting business and economic growth in the short and longer term. This section outlines what the impacts of conflict on business are in the two sample districts, including which economic actors lose and win.

#### "Majority lost from conflict": Loss of markets and customers are seen as the most significant impact of conflict on business

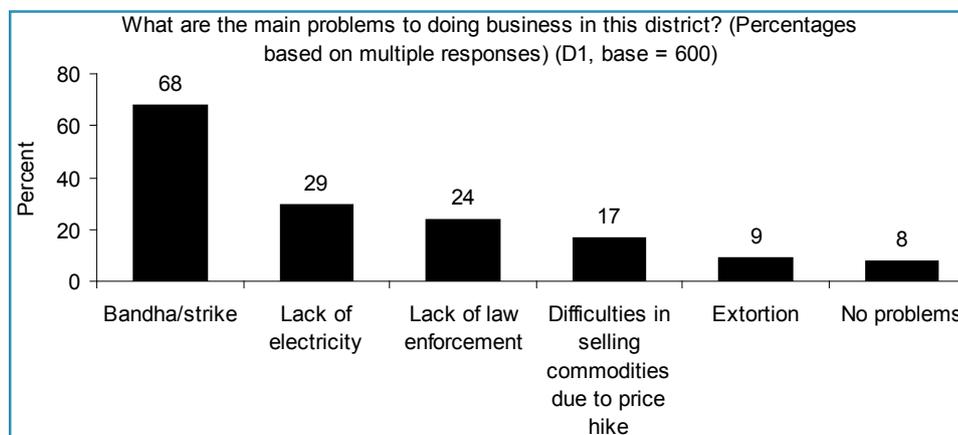
Ninety-three percent of all respondents felt their business had been negatively impacted by 10 years of conflict. With multiple responses possible, proprietors described these impacts as: disruption to business activity (72 percent, with larger industries more impacted than smaller or micro enterprises); loss of customers (40 percent);<sup>5</sup> transport disruptions (24 percent); difficulties in accessing supplies (23 percent); damage to or loss of property (19 percent); and finally, loss of investment (16 percent).

'[The] economy of my district had to bear an irreparable loss due to conflict. Many industries and businesses have come to a standstill. Some are just trying to sustain. I think one of the major negative impacts of the conflict is [the] rift created between the owners and the workers. Extortion, forced donation and kidnapping [has] led to the environment becoming insecure and in the process putting businesses and industries at further risk... There [has been] an increase in local armed groups and political wings that also extort businesspeople. Besides these, there were plenty of strikes and closures. As a result, many of the businesses and industries closed down, downsized or moved to India. Many others took up loans to sustain themselves. People [have also] had to cope with price hike[s] and unemployment'.

40-year-old male businessman who belongs to a Madhesi caste (Teli) from Morang

#### Bandh - the most significant disruption to business today, yet a means for some to raise grievances

Sixty-eight percent of respondents across the two districts mentioned *bandh*,<sup>6</sup> or strikes, as the most significant "barrier to doing business" today. This reflects the significant increase in *bandh*-related disruptions in the Terai post-peace agreement.



<sup>5</sup> This may be due to migration, death, or lost livelihoods and the resulting reduced purchasing power of customers.

<sup>6</sup> *Bandh* is a Nepali term that means "general strike", as well as closure of transportation, business and market. In Nepal it has become a popular means of manifesting resistance and a common tool of protest and public backlash.

In total, an average of 74 business working days were believed to have been lost in the past year among the respondents as a result of those problems listed in the graph above. At the same time, businesspeople, as well as other parts of the community, feel compelled to participate in *bandh* at times: 13 percent of business respondents in Morang and 24 percent in Parsa said they had participated in *bandhs* themselves in the last three years. Respondents of Madhesi origin were more likely to have participated in them (20 percent) than those of other origins (13 percent), and likewise those between the ages of eight and 15 (22 percent), as compared to other age groups.

Of those who had participated in strikes and shutdowns (110 respondents in total), 43 percent had done so with the aim of putting demands to the state; 38 percent had wanted to show unity with the general public; 26 percent said they had wanted to "raise a voice against exploitation", and 18 percent had followed political party orders.

### Limited business recognition of "war" and "criminal" economies

The phenomenon of "war economies" has been much discussed in various conflict contexts. What the debate has highlighted is the role of war profiteering and "illicit" activity in perpetuating violence, economic peace spoilers often having an interest in maintaining the violent *status quo*. Here, only five percent of respondents felt that there were businesses that managed to "do well out of war" in their district. Of those that did, smuggling (33 percent) and black marketeering (17 percent) were the most common methods used, perhaps unsurprising given the eastern Terai's proximity to the Indian border. Of the sectors that benefited, 13 percent mentioned that rickshaw drivers had done well, likely because of the frequent *bandhs* in the region;<sup>7</sup> 17 percent felt that the food and beverage industry did well, perhaps because prices rose due to shortages;<sup>8</sup> and seven percent mentioned the real estate sector,<sup>9</sup> and pharmacies and hospitals.

This limited response overall contrasts with other reports that showed the existence of significant war and criminal economies in the Terai borderlands. This disparity may be due to a fear among respondents to reply to this sort of question (i.e. one percent refused to answer – a significant figure compared to other responses where refusals did not feature), or due to lack of real understanding by business of the interlinkages between conflict and illicit or "shady" business activity. This indicates a gap and hence an opportunity to strengthen understanding and responses to these interlinkages in policy and business practice in support of conditions for local peace economies.

'Businesses which made imports without paying custom duties were making profit. As local government bodies were mostly away from the districts for personal security, illegal trading had [the] chance to flourish'.

38-year-old female government employee of Brahmin caste from Parsa

All the respondents in the in-depth interviews believed that illegal business activities, such as smuggling of drugs, arms and herbal plants, flourished during the conflict. They stressed that illegal trading became possible due to the minimum presence of government security at the local levels. Some also thought that the construction business and real state business were able to do well during the conflict.

<sup>7</sup> In addition to use for personal transport, rickshaw drivers are also used by businesses to transport goods during *bandh* and, allegedly, for smuggling across the border.

<sup>8</sup> Certainly "chow chow" have become an almost emblematic example of a sector that has experienced a boom in recent years, with businesspeople referring to the frequent chow chow advertisements during television breaks, usually alternated with ads for cement or other construction materials.

<sup>9</sup> The increase in real estate business could be due to an insecure investment climate, as property is believed to be a secure investment, matched by increased disposable income due to remittances and increased availability of property due to out-migration and internal displacement.

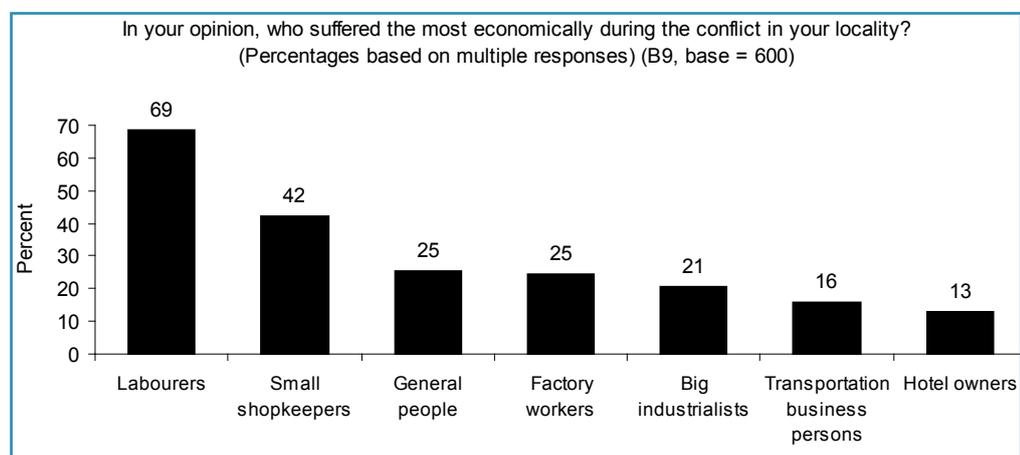
While the overall picture that emerges does not suggest that any one licit sector in this region benefits enough from an unstable environment to purposefully drive instability in the future, the picture will likely be different for smuggling and black marketeering. These activities, by definition, have an interest in lax law enforcement and collusion with law enforcement officials. Though this survey did not explore these linkages, the question from here forward will be how legitimate and illegitimate business transactions and "means of doing business" are likely to impact each other, and even overlap.<sup>10</sup>

'Because of conflict, businessmen suffered most in urban settings and farmers suffered most in rural areas. In cities, closures, strikes and extortion by Maoists troubled businessmen. In villages, Maoists captured land, food, grains and animals of people and lived in their houses'.  
27-year-old businessperson of Sunar caste from Parsa

The business community needs to steer clear of these practices, show a commitment to doing so, and collaborate with others in support of eradicating them where possible. The challenge will be to illustrate to business why it is in their long-term interest to do so, to encourage them to collaborate with others, and to help them tackle attendant risks to their operations.

### Business perceive economically weakest as hardest hit by the conflict

Respondents recognised differing impacts of conflict on different sectors and types of economic actors, and the degree to which livelihoods security and the presence of assets affects vulnerability. Overall, those already most economically weak were also felt to be those most negatively affected economically during the conflict: 69 percent of respondents thought labourers had been hardest hit (i.e. those who rely on being hired on a daily basis, with no contract security or likely savings to fall back on in times of crisis); 42 percent felt that small shopkeepers were among those worst affected; and factory workers were also mentioned by 25 percent of respondents. The larger size business enterprises were mentioned far less frequently; this included big industrialists (21 percent), the transportation industry (16 percent) and hotel owners (13 percent).



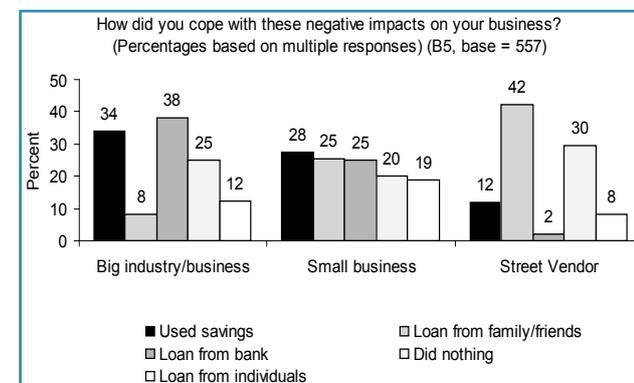
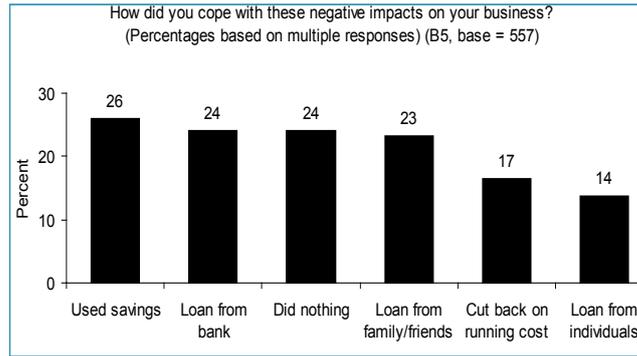
This appreciation of differential impacts on different types and sizes of economic actors can translate into a willingness by business to accept policies and plans that target "conflict victims", or seek to redress conflict causes (e.g. socio-economic exclusion) and impacts on particular groups. Nevertheless, such targeted support needs to be handled carefully and in a transparent way, with a clear communication strategy explaining the approach and intentions, so as to avoid fuelling grievances over unequal distribution of benefits and support. Combining different types of support

<sup>10</sup> There are, for instance, plenty of examples from the district level of construction companies drawing on armed groups or political youth wings to influence the outcome of district-level bidding for government construction contracts. Source: International Alert interviews with a range of stakeholders in eastern and western Terai districts.

that are seen to broadly benefit society in strengthening social cohesion, with the help of a clear communication strategy, will be needed in these instances.

### Different coping mechanisms utilised by business in response to adverse impacts

Companies used up their savings (26 percent), loans from the bank (24 percent), loans from family and friends (23 percent), or "loans from individuals", suggesting informal sources of money (14 percent). Seventeen percent cut back on the running costs of their business. However, 24 percent confessed to "doing nothing", suggesting that costs were absorbed and simply resulted in reduced turnover. This may suggest a lack of awareness among many businesses as to ways of protecting themselves against such negative impacts, or the lack of such options altogether.



### Out-migration seen as a key household survival strategy and employment generator, though limited stimulus for wider economic activity

One wider social phenomenon receiving much policy and media attention is economic out-migration. Business views of migration in the surveys were mixed, though a majority of 65 percent felt that it has an overall positive impact. Benefits

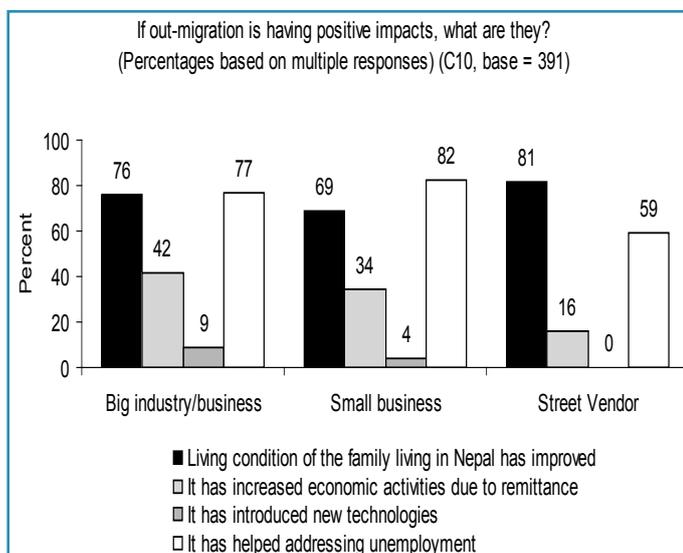
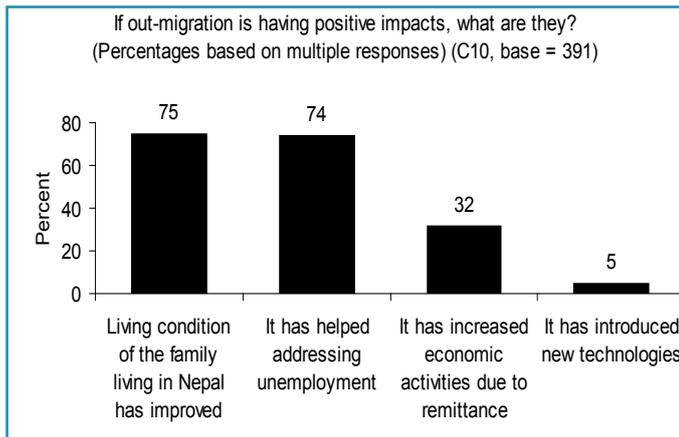
of migration were seen to include an improvement of family living conditions (75 percent) and, crucially, the easing of unemployment in the district (74 percent). However, only 32 percent felt remittances had stimulated economic activity in the district and an even smaller five percent appreciated out-migration for the introduction of new technologies.

Given the global economic recession, existing social and economic insecurity is likely to be further exacerbated by an anticipated drastic decline in remittances from late 2008, which will continue into 2009. In November 2008 Nepal Rastra Bank estimated a decline of 40 percent on the previous month.<sup>11</sup> Remittances sent by workers from India once contributed 17.4 percent of Nepal's Gross Domestic Product (GDP)<sup>12</sup> and countries like Malaysia and Qatar attracted an estimated 1.24 million Nepali migrant labourers. A contraction of the job market in economic migrant destination countries will likely have severe livelihood repercussions in Nepal.

'Labourers, farmers, businesspeople and industrialists suffered most economically during [the] conflict. Labourers lost their income because of downsizing or closing of factories and industries, food and animals of farmers were looted by armed groups, and businesspeople and industrialists were threatened with [forced] donations and extortions'.  
23-year-old female NGO worker of Brahmin caste from Morang

11 'Global meltdown affects Nepali remittance', *NepalNews*, 16th December 2008. Available at [www.nepalnews.com/archive/2008/dec/dec16/news03.php](http://www.nepalnews.com/archive/2008/dec/dec16/news03.php).

12 K. Chalise. 'Malaysia not hiring, Qatar bent on firing', *The Himalayan Times*, 16th December 2008.



## Fears and opportunities arising from out-migration

Of those who viewed out-migration negatively (162 respondents in total), 69 percent felt it reduced the availability of local, skilled workers; 66 percent complained that it had decreased economic activity due to the non-availability of young people; 25 percent felt that it had forced local industries to hire foreign workers; while 23 percent were worried that it could make young people grow up without "proper guidance".

Such cultural and social changes, and the possible conflicts arising from out-migration, are not necessarily negative. However, they do need to be understood and factored into interventions in order to ensure that the social change they engender is felt to be broadly beneficial and inclusive. Business may be able to play a positive role in this regard, by providing mentoring support to local youths. This will also help build trust between youth and business, and support sustainable and socially-responsible recruitment policies.

Overall the replies from this survey seem to speak in favour of schemes that aim to provide vocational training to make young people more employable. However, they will need to reflect district-level employment markets and the restraints that businesses may face in increasing staff numbers. Companies need to be appropriately incentivised to participate in schemes to provide apprenticeships for young people – they are unlikely to agree to training young people if they feel that, once trained, these young people will then out-migrate for better paid jobs abroad. Additional challenges also arise in regard to relations between youth and employees, as business often does not trust the youth work ethic (see section 2.4).

## 2.2. Perceptions of past and current conflict dynamics

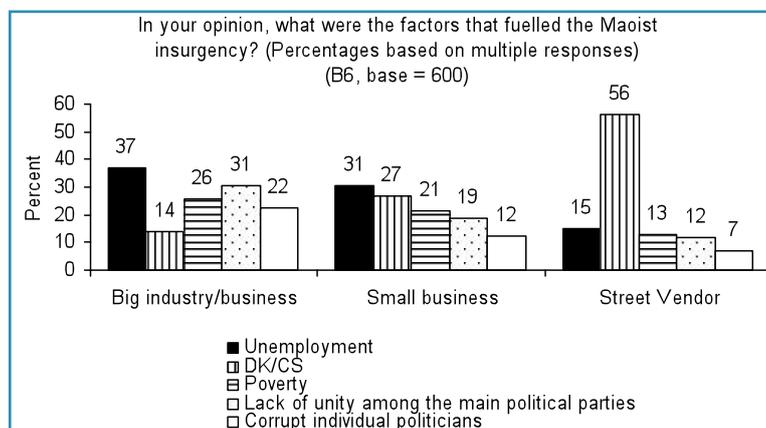
If businesspeople are to join efforts to stimulate economic activity aimed at stabilising peace in their sphere of influence, then one important determinant of their ability to do so is the degree of awareness and perceptions of past and current conflict dynamics that affect their business and the wider community. Where this is missing, uninformed decisions and business activity will risk ineffectiveness, or even unintentionally fuelling tensions.

## Lack of economic opportunity plus ineffective party politics believed to have fuelled the Maoist insurgency

When asked what factors fuelled the Maoist insurgency, responses varied significantly by district, residence and type of business, and covered a broad spectrum of political as well as economic issues. (Respondents were allowed to mention more than one factor.) While 30 percent said they did not know about the matter, some 29 percent mentioned unemployment as a major factor. This was followed by lack of unity among the main political parties (21 percent) and poverty (21 percent).

Unity among political parties was particularly key for businesspeople in Morang (35 percent), while unemployment was more important for the businesspeople in Parsa (32 percent). Indeed, most respondents from rural areas (38 percent) thought that lack of unity among the main political parties was a major

factor, while conversely most residents of urban areas (30 percent) mentioned unemployment. Going by the type of businesspeople surveyed, most big industry/business respondents (37 percent) and small businesses (31 percent) mentioned unemployment, while most street vendors (57 percent) said they did not know about the matter. Also mentioned were corruption among individual politicians (14 percent) and inaction by other political parties (nine percent).

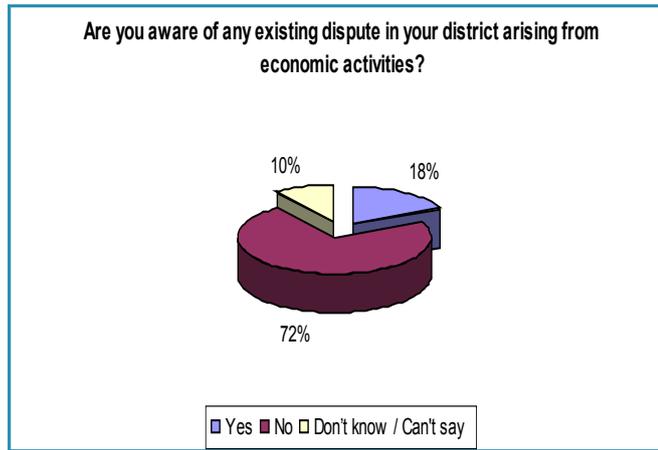


## Exclusion not perceived to be a conflict cause, contrary to much policy discourse

When it comes to perceptions of the causes of the Maoist insurgency, equally significant is perhaps what was not said: 30 percent of respondents felt they did not know or could not say which factors had fuelled the insurgency, even where multiple options were read out to them. Among these were several options that were not picked up on at all, especially ones that reflected the conflict and development discourse shaping policy-making in Kathmandu. Such issues included the exclusion of women, Dalits, ethnic or minority groups from economic opportunities, as well as feudalism, unequal development and natural resource exploitation.

This gap between local opinion and discourse in Kathmandu may to some extent be explained by the geographic scope of the survey,<sup>13</sup> and indeed the type of respondents – despite efforts to reach a broad base of views, including urban-based, male Madhesi businesspeople (see Annex 2 for the demographic breakdown of the survey respondents). It may also reflect the limited amount of outreach toward businesspeople in development and peacebuilding efforts designed to raise awareness of past and present conflict issues and their socio-economic and political implications in the districts. This indicates a key gap in conflict and development policy-making.

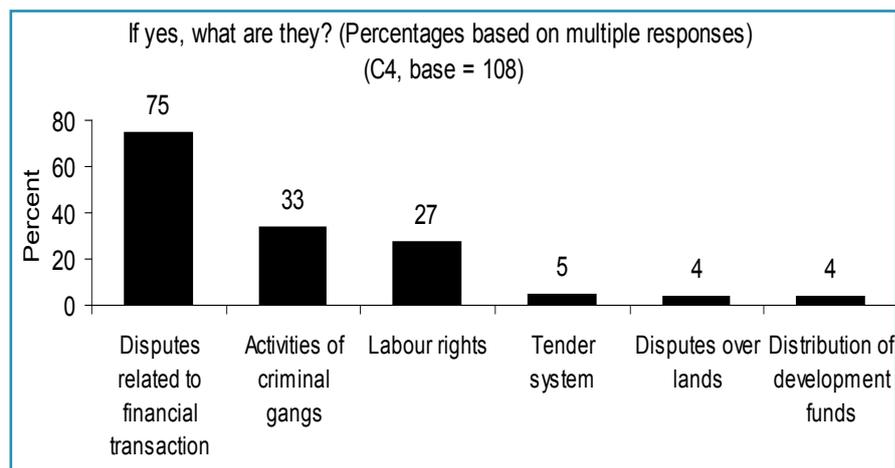
<sup>13</sup> Maoist ideology highlighting issues of inequality and exclusion are likely to have had less reach and impact in the Terai than they would or do have in western districts.



### Economic activities not seen by business as a significant source of tension at the local level today

Despite the number of respondents identifying economic factors as a cause of the national conflict, only 18 percent of all respondents said they were aware of any current disputes in their district arising from economic activities, with 72 percent answering in the negative.<sup>14</sup>

Of those 108 respondents who did identify economic issues as sources of tension today, the majority (75 percent) mentioned conflicts arising from financial transactions; 33 percent mentioned the activities of criminal gangs; and 27 percent mentioned labour rights-related disputes. Disputes over land and distribution of development funds, for instance, were only mentioned by four percent respectively, while disputes arising from district-level tendering systems were mentioned by five percent.<sup>15</sup>



This is contrary not only to business perceptions of national-level causes of conflict, but also to reports of widespread labour disputes between workers, trade unions and business across the industrial belt of the Terai. This could be because businesses themselves do not want to recognise these problems, or that they do not place themselves or these types of disputes within a politico-economic and wider conflict context. Business leaders and other key actors could, therefore, benefit from better understanding these linkages in support of peace and equitable recovery.

<sup>14</sup> This relatively low figure, given the prominence of economic issues in the current political discourse and conflict analyses, may also to some extent be explained by the fact that surveying may not necessarily be the right research method for surfacing perceptions about this type of more dynamic phenomena. Responses to the in-depth interviews may be more instructive in this regard.

<sup>15</sup> There were significant variances between rural-urban settlement and the type of business. Disputes related to labour rights and financial transactions were identified to be the most common disputes in rural areas (67 percent for both), while disputes related to financial transactions and activities of criminal gangs (76 percent and 35 percent respectively) were the prime disputes in urban areas. Going by types of business, even though the most common dispute is identified as relating to financial transactions, the proportion of this is highest among street vendors (80 percent), followed by small business (78 percent) and big industry (70 percent).

## 2.3. Business outlook, opportunities and challenges

This section summarises how businesses in the two districts see the outlook for their business in the post-peace agreement context and how they cope with continuing insecurity. This will help stimulate ideas for supporting mitigation and prevention strategies in support of socio-economic stability on the basis of current business confidence, knowledge and capacity.

Businesspeople are acutely aware of the barriers to conducting, let alone expanding, business in their own districts. The findings from this survey reflect the problems encountered by Terai-based businesspeople; other regions will face significantly different types of challenges. Policies and programmes designed to boost business activity and economic growth, need to reflect these considerable regional and district-to-district differences.

### Business respondents do not feel the future is bright, despite growth

Although on a scale from zero to 10 (with zero being the bleakest and 10 being the most positive outlook on their business), on average respondents placed themselves slightly above average, an overwhelming 65 percent then said they would not want their own children to step into their shoes and take over their business.<sup>16</sup> This is despite the fact that for firms with an average of 45 workers, average annual turnover was higher last year (US\$1.17 million) compared to three years ago (US\$0.94 million).

In this context, where companies have for years grown accustomed to look cautiously toward the future and shield themselves against any unforeseen impacts – mainly by absorbing costs or borrowing money – it is likely that they will remain cautious in their forecast for a little while still. As a result, expanding their business or venturing into new sectors, which is necessary for recovery and job creation, is likely to be limited in the short term. National plans for economic growth and investment need to be mindful of these business perceptions of the present and future risk, and reflect realism in forecasts.

### Size and status of business determines access to funding

Most big industry (81 percent) and small business respondents (71 percent) said they had access to funds for investment, while more street vendors (i.e. micro and informal business) do not (45 percent). Responses also differed by district, with more respondents in Parsa saying they had access to funds than in Morang, as well as between urban (69 percent) and rural settings (56 percent). Educational status also significantly influences access to funding: the higher the educational status, the more respondents answered they had access to funds.

For big industry and business, the main source of funding comes from private national banks (73 percent of respondents to this question) and development banks (58 percent). Small businesspeople also rely on private banks (48 percent), but also cooperatives (39 percent) and development banks (37 percent). Significantly, 12 percent also mentioned family and friends as sources of investment. This figure is higher among street vendors, 30 percent of whom obtain investment from family and friends, rather than from official sources.

### Law and order and lack of good governance identified as key barriers to business

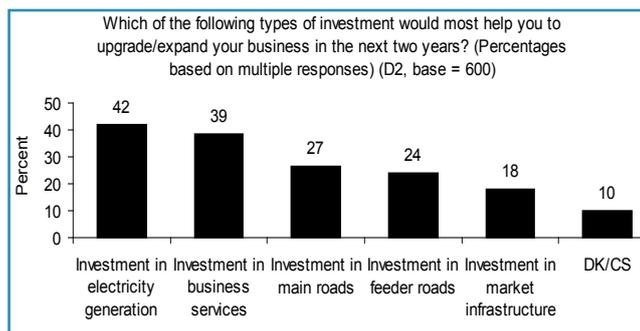
It is not surprising that 68 percent of respondents felt that one of the main challenges to doing business in their district was *bandh*. Twenty-four percent also mentioned a lack of law enforcement and the resulting insecurity, 17 percent said they had difficulties trading due to price hikes in different commodities, and nine percent raised the issue of extortion as the second and third largest barriers to doing business.

<sup>16</sup> Not surprisingly, the percentage was higher among street vendors (78 percent). It was also higher among female (77 percent) than male respondents (64 percent).

This indicates that purely economic development-focused interventions will not be able to address these political, security and governance challenges. However, if left unaddressed, they will significantly curtail business' ability to grow and contribute to economic recovery. Policymakers should, therefore, approach business environment reform from a holistic perspective. Efforts to improve community security, for example, need to involve the business community, so as to understand its particular needs and requirements. In some countries, businesses have even stepped in to help fill security gaps by working with local police stations to improve their services.

### Law, order and good governance not identified as an investment priority

It is noteworthy that these more political or security-related challenges raised were not then picked up in subsequent questions about investment needs. This may be because those types of investment relating more closely to core business operations (such as electricity and infrastructure)

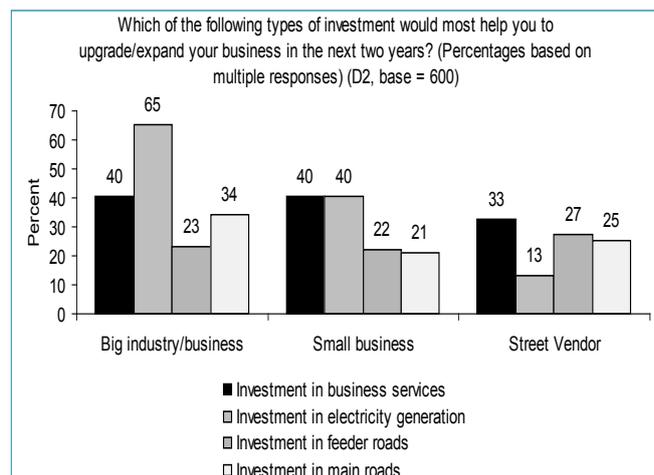


are more familiar to most private sector respondents than, say, improvement in the security environment or governance. However, this also raises the question of whether businesspeople feel there is nothing that can be done about such security or political barriers to business. If this is the case, then more policy dialogue is needed to identify opportunities for collaboration, and economic reform processes need to build in these political and security risks.

### Electricity the top investment requirement, though mainly for larger business

When it comes to services, a lack of electricity was mentioned by 29 percent of respondents, and 42 percent agreed that investing in electricity generation would be one of the most helpful investments for upgrading or expanding their business in the next two years. However, this varied significantly depending on the size of the business: big industrialists especially thought that investment in electricity generation would most help them to upgrade and expand business in the next two years (65 percent); small businesspeople equally identified investment in business services and investment in electricity generation (at 40 percent each); yet only 13 percent of street vendors thought investment in electricity would help them and instead preferred investment in business services (33 percent).

Investment in electricity generation was followed by investment in business development services (39 percent); investment in main roads and feeder roads was also mentioned by 27 and 24 percent of respondents respectively, though these were not raised as problems in the previous question. Market infrastructure was also raised by 18 percent of people.



### Majority of businesspeople expect central government to deliver on investment needs

By far the most respondents put their faith in central government to deliver on these needed investments (71 percent). In turn, only 27 percent felt that local government could provide for them. With such limited belief in local government, this raises the question of business confidence in devolution of the budget and federal state structuring delivering on business needs – and low confidence is bad for business growth.

Respondents had even less faith in the business community's own ability to address investment needs (only 14 percent of respondents mentioned the private sector itself); foreign and local investors were each mentioned by 13 percent.

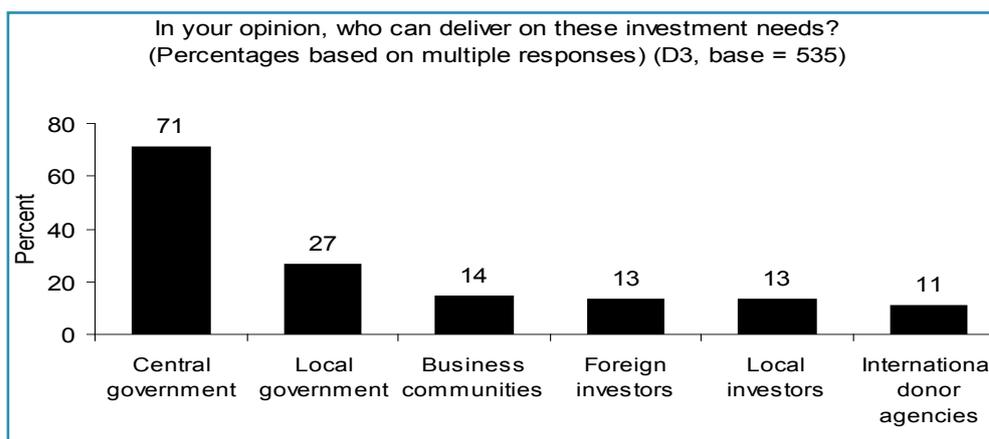
Putting their faith in Kathmandu may reflect a renewed optimism among respondents in central government and the possibility of state-led change under a "new regime". This is in comparison to previous experience among business of government delivery. Here 68 percent of those who had previously been consulted in the planning of a development project (only 35 respondents overall) were of the opinion that the money coming from government was "not spent properly". This indicates the scale of the task in hand for government today.

'To support local economy here, government should mobilise local resources and promote local participation in economic activities. Rather than increasing tax, government should have encouraged tax payment'.

28-year-old male teacher of Brahmin caste from Morang

### Business has limited expectations of donor agency investment

International donor agencies received the lowest expectation level from business, with 11 percent of respondents looking to donors to deliver investment, as compared to 13.5 percent each for business, local and foreign investors. This could reflect the independence of the private sector and such a positive lack of dependency should be protected.



However, such a low percentage could also be partly explained by a lack of business experience with development projects: only 13 percent of respondents said they knew of any in their community. Of those, only about half said they had been consulted in the planning of development projects in their locality.<sup>17</sup> The latter confirms different donor agencies' current efforts to improve communication and outreach strategies.

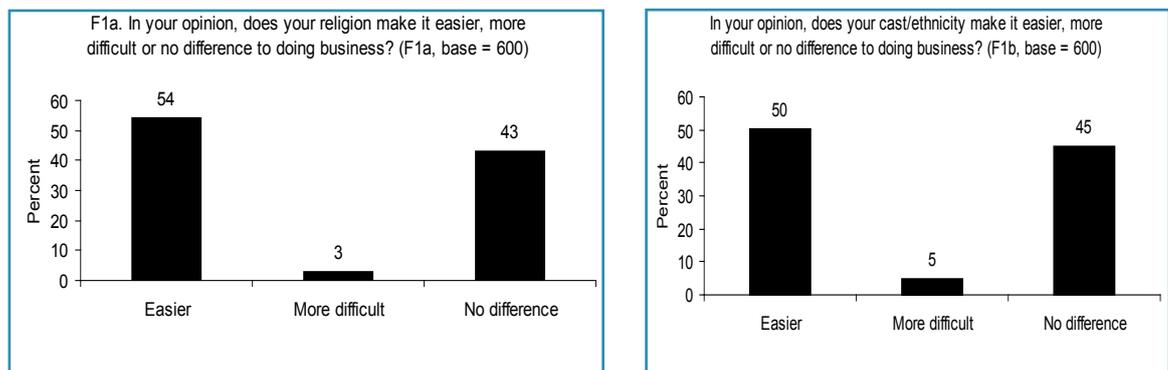
### Opportunities to reach out to business as a partner for development not yet fully exploited

Overall, the level of familiarity with and trust towards development initiatives and actors among businesspeople appears to be low. For the government's announced policy priority of stimulating Public-Private Partnerships (PPP) to work at the district level, work will first need to go into overcoming such barriers, familiarising the business community with, and bringing them more into, the development and peacebuilding process.

<sup>17</sup> Of those business respondents who had been consulted by development agencies, the majority found these consultations useful and informative.

## 2.4. Impact of business operations on the social and conflict context

Business practice itself also inevitably has an impact on the wider social and conflict context, be that directly or indirectly, especially given the many conflict causes rooted in Nepal's economy and exclusionary economic practices. Several questions in the survey sought to capture some of these dynamics in support of informing policy and business practice to ensure these interventions support a more stable and cohesive environment to do business.



Group affiliation and divisions along caste, ethnic, gender and geographic lines to a significant extent determines access to economic opportunities, control over economic resources and the likelihood of economic advancement. The survey sought to gauge businesspeople's perceptions of the importance of these affiliations for going about one's business. The respondents were asked whether religion, caste and ethnicity, age, gender or political affiliation made it easier or more difficult to do business, or whether it in fact made no difference to how their business operates.

### Different group affiliations seen to facilitate "doing business", potentially reinforcing social divisions

Respondents were asked whether different group affiliations made it easier, more difficult, or made no difference to doing business. Fifty-four percent of respondents felt their religion made it easier for going about their business;<sup>18</sup> whereas about half felt that their caste or ethnicity made it easier for them to do so – more so among non-Madhesi respondents (60 percent) than those of Madhesi origin (of whom 50 percent felt it "made no difference"). Sixty-two percent of women felt that gender made a difference in going about one's business, as opposed to 47 percent of men. Finally, 32 percent felt that political affiliation could help with one's business, whereas 12 percent found it could make things more difficult.

This rather mixed response requires deeper, qualitative research into the factors that could have influenced these views (e.g. whether they are based on political affiliation or connection to trade unions). It may be that in speaking with businesspeople, the survey is already targeting some of those better off, i.e. those who precisely benefit from being "on the inside" of certain advantaged groups.

### Recruitment based on social connections, raising issues over inclusion

As indicated above, if established businesspeople feel that being of a certain religion, caste, ethnicity or other background is on the whole helpful to them, then the likelihood is that they too also operate along the same lines, potentially further feeding into divisions and unequal access to economic opportunities between groups. This would certainly be corroborated by replies given by corporate respondents to the question of how they choose their employees: an overwhelming majority of 78 percent said they chose employees based on previous social contacts with them (i.e.

<sup>18</sup> As opposed to five percent who felt it was more difficult and 43 who felt it made no difference.

those likely to already be part of one's own networks and circles). With multiple responses possible to this question, 14 percent also said they went with other businesspeople's recommendations, or recommendations from one's family (13 percent). Only 29 percent said they advertised and interviewed for open positions.

Indeed, the composition of workers among corporate business interviewed reflects broader challenges of ethnic and caste-based inclusion. On average, most workers employed by corporate respondents belonged to the Madhesi community and were under 35 years old. Very few respondents said they had employees of Janjati origin, Dalits or migrant workers from abroad. The proportion of women in the workforce, likewise, is small.

Awareness-raising and debate is therefore needed here to highlight that day-to-day business transactions, such as hiring and firing, can significantly mirror and feed into wider divisions in society.

### Young people not viewed negatively by business, despite some obstacles and exceptions

Young people in particular may face the brunt of multiple layers of exclusion from accessing job opportunities. Yet of 207 corporate respondents, only 10 percent felt there may be barriers to hiring young people in their businesses. Of those, 62 percent felt that young people's attitudes and work ethics stood in the way of hiring them; 43 percent blamed their low levels of skills and education; and 24 percent said there simply were no jobs to go around. Young people's "involvement in criminal activities" (24 percent) and their "political mobilisation" (10 percent) also worried some.

### Business more open to employing former members of state security forces than armed groups or youth wings

When it comes to employment, there is a lot of expectation that businesspeople will give jobs to former combatants to reintegrate them into civilian life, be they from the People's Liberation Army (PLA) or Nepal Army (NA). Yet experience from elsewhere shows that businesspeople are cautious about giving often already scarce jobs to former fighters.<sup>19</sup> It is therefore important to understand Nepali businesspeople's attitudes towards different types of ex-combatants, their willingness to hire them, and what needs and risks they feel they would face in doing so.

#### Different perceptions of inclusion:

'The conflict has helped Madhesi people to get their rights, it has become easier for them to get job[s] in (international) non-governmental organisations and some of the private offices keep reservations for Madhesis, which was not in practice earlier. This has led to employment opportunities for Madhesi people. Thus it could be seen as a positive impact to the economy'.  
41-year-old female housewife of Brahmin caste

'I don't think priority should be given to employing certain groups in society whether it's YCL (Youth Communist League) or Rakshya Bahini. There should be fair competition among all, and one who has skill and qualification should be hired. Politically-mobilised people should not be given space in [the] army or police because these two institutions are the most important security institutions of the state'.

52-year-old male farmer of Muslim caste from Parsa

Other views expressed were that former combatants should be given priority while hiring to help re-socialise them. Most of the respondents from the in-depth questions thought returned internally displaced persons (IDPs) should be given priority while hiring, in order to help reintegrate them back into society.

<sup>19</sup> This is either because business feels that ex-combatants do not possess the right skills and work ethics, or because they see them as potential security threats.

When asked whether they would "consider employing the following types of people" the majority of survey respondents said they would hire former members of the NA, Nepal Police and internally displaced persons (IDPs) (45, 39 and 37 percent respectively). Respondents expressed a great deal less enthusiasm at the prospect of recruiting former members of the PLA, Young Communist League (YCL), Youth Force, Raksha Bahini and Tarun Dal (16, 9, 10, 11 and 10 percent respectively). Former members of local armed groups, according to respondents, would find it most difficult to be hired by businesspeople: only six percent said they would be willing to employ them. Very few respondents meanwhile admitted to knowing of cases of businesspeople having been pressured into hiring any of these groups, though five percent did admit to having heard of cases of pressure being exerted on people to recruit YCL members.

Would you consider employing the following types of people? (base 207)

	Yes		
	Total response from both districts (%)	Morang (%)	Parsa (%)
Former members of the Nepal Army	45	29	63
Former members of the People's Liberation Army (PLA)	16	8	25
Former members of the Young Communist League (YCL)	9	8	11
Former members of the Youth Force	10	7	13
Former members of the Raksha Bahini	11	7	16
Former members of the Tarun Dal	10	7	13
Former members of local armed groups	6	7	5
Former members of the Nepal police	39	19	59
Internally displaced persons (IDPs)	37	18	57

This suggests that businesspeople have greater confidence in state control over its combatants. Should such preferences amongst business be expressed in practice through recruitment, however, this could potentially fuel conflict, as armed groups retaliate. In some instances, policy incentives have worked in bringing businesspeople on board to employ former combatants, for example, in Afghanistan and Colombia. In other cases, simple family or kinship ties have made it easier for businesspeople to recruit former gunmen into civilian jobs, for instance in eastern Democratic Republic of Congo (DRC) and Somalia. However, there is a risk that this will only reinforce societal divides. This can only be managed in Nepal, therefore, through context-specific assessments of former combatants, community and business needs, including the potential implications of recruitment from a peace and conflict-impact perspective.

### Opportunities to build on business charity to make it more strategic

Sixty-two percent of industry and big business respondents said they engaged in charitable activities, while (unsurprisingly perhaps) only 35 percent of small business and 16 percent of street vendors said they did. Religious activity, like charitable donations to temples and so on,

was mentioned much more frequently than general philanthropy (72 percent of big industry, 64 percent of small business and 52 percent of street vendors interviewed).

Despite these variances, this indicates a relatively high level of business commitment to social capital and cohesion. Assistance to flood victims, welfare support to children, women or old people, health campaigns, and support to income generation and skill development were the leading areas of support.

However, experience from Nepal, as elsewhere, shows that such charitable support by companies often involves one-off activities by individual companies that are not necessarily informed by any overall strategy, linked to core business practices or collective action for more impact. Eighty-four percent of survey respondents said they engaged in religious activities directed at their own identity group (e.g. erecting or repairing temples, mosques or churches). Efforts to generate equitable economic recovery at the district level will need to consider how to tap into this type of "social capital" in the business community, and how to incentivise a scaling-up of efforts to work with others to address economic recovery challenges across different societal groups.

## 3. Key recommendations and conclusions

### 3.1. Opportunities for improving business practice, policy development and programming

#### **Be mindful of the "political economy" of each locality:**

- Ensure the "political economy" dynamics of each locality inform policy-making and programming in order to reduce the risk of feeding into existing problems and schisms at the district level; and
- Be mindful of business perceptions of present and future risk and reflect realism in forecasts when planning for economic growth reform and investment.

#### **Understand and be sensitive to the ways in which business operations themselves may fuel tensions and grievances at the community level:**

- Identify reasons and capacity needs to address lack of visioning and planning amongst business to develop management strategies to cope with conflict risk;
- Raise business awareness of past and present conflict issues (including the social context of exclusion) in order to factor into planning for socially responsible business practice (e.g. highlight how day-to-day business transactions, such as hiring and firing, can significantly mirror and feed into wider divisions in society); and
- Design strategies with business to tackle illicit activity by:
  - Better understanding how licit and illicit business overlap and impact on each other;
  - Illustrating to business why it is in their long-term business interests to refrain from illicit behaviour;
  - Identifying incentives for business to collaborate with each other and to reject illicit means of doing business; and
  - Helping business tackle attendant risks to their staff and operations.

#### **Design business environment reform and programming based on business and community needs and interests:**

- Support collaboration between established business and new, formerly excluded entrepreneurs, accompanied by a clear communications strategy to ensure transparency;
- Better understand the impacts of varying levels of remittance flows and the likely impacts of a global recession, and design responses to capture remittances to stimulate inclusive business activity at the local level;
- Better link vocational training to local market and business needs, and incentivise businesses to recruit young people based on a clear understanding of young peoples' commitments and interests; and
- Identify the feasibility of a joined-up district or region-wide strategy for youth employment and progression that takes in a conflict-sensitive approach across key sectors.

#### **Raise awareness among the business community of development and peacebuilding efforts and policy debates at the centre, and pull them in:**

- Bring business voices into discussions about how the devolved budget and federal systems will deliver on business needs for equitable growth;
- Share and debate economic scenarios and implications of federalism for equitable economic/business growth and peace at the district and regional level; and
- Familiarise the business community with development and peacebuilding processes at the local level, so as to stimulate PPPs that support local and national economies of peace.

**Build on local ingenuity and initiative to identify opportunities for strengthening the role of business in promoting local peace economies:**

- Invest in understanding local businesspeoples' attitudes toward different types of ex-combatants, their willingness to hire them, and what needs and risks they feel they would face in doing so;
- Identify opportunities for supporting greater interlinkages between traditional mechanisms and formal dispute resolution mechanisms used by business; and
- Tap into business "social capital" to incentivise enterprises to mainstream or scale-up their own efforts to work with others to address inclusive economic recovery challenges.

**Combine economic development interventions with security and political analysis and planning:**

- Sensitise central policy-making and programming to the interplay between social, economic and political implications of out-migration, to ensure that the social change it engenders is felt to be broadly beneficial and inclusive; and
- Better understand and promote the positive impacts of collective business response to issues of insecurity and conditions for a conducive business environment, by linking business from districts to Kathmandu (e.g. to put forward demands to stop *bandh* or to reform labour laws).

## 3.2. Conclusion

Nepal's war-to-peace transition illustrates the complex political and economic causes, as well as legacies, of conflict in the country, which has significantly affected the success of both economic recovery and peacebuilding. There is now an emerging consensus that the private sector in particular needs to be brought in to play a central role in economic recovery in Nepal in support of the consolidation of peace, particularly given weak government capacity at the local level and limited development agency timeframes. However, Alert's research indicates significant gaps in the capacity of business to meet these expectations. Nevertheless, significant opportunities have also been identified. In addition to strengthening policy and programming approaches, as outlined above, effective and functioning partnerships need to be forged between different actors, including business, government, development agencies and civil society. As this research has shown, there are various opportunities for strengthening collaboration between stakeholders, so as to overcome the at times difficult relationships and past mistrust in support of equitable economic recovery for peace.

**Business can:**

- Build on the growing political and public support for business to act as drivers of economic recovery;
- Ensure that business voices from outside Kathmandu Valley are heard in central-level planning and policy-making;
- Expand private-sector commitment, knowledge and capacity to develop socially responsible and conflict-sensitive business practices;
- Strengthen the potential of national business federations and networks across the 75 districts to build regional trade and cooperation across and between regions; and
- Support the development of national forums for business to engage with each other and government on economic reform and the peace process.

**Civil society can:**

- Enhance their own understanding of, and public access to, information on the economic dimensions of peacebuilding and the role of business in this process, and strengthen their participation in relevant debates;
- Support opportunities to bring the private sector and civil society together to work for a common agenda of inclusive economic recovery; and

- Harness positive capacities for tripartite dialogue between trade unions, the private sector and policymakers through third-party facilitation.

**Government can:**

- Generate awareness of the implications for the decentralisation of government for balanced and inclusive regional development and the role of business;
- Equip business and non-business members in the Constituent Assembly (CA) to play a principled leadership role in formulating the economy-related aspects of the constitution, to ensure that they are in line with peacebuilding needs;
- Strengthen government capacity to undertake conflict assessments to identify implications of all reforms for peace; and
- Support commitments to build alliances for peace and development between different ministries, the business sector and other relevant actors.

**Donors can:**

- Promote sector-based, joined-up approaches that promote collaboration between divided groups for inclusive recovery;
- Remember and apply lessons in conflict sensitivity from the last five years prior to the Comprehensive Peace Agreement (CPA);
- Support a balanced approach to aid delivery to avoid risks of too rapidly channelling all aid via the state without sufficient local government capacity and mechanisms to manage resources; and
- Build the capacity of business, civil society and state actors to build private-public alliances that can debate, monitor and build consensus on equitable economic recovery for peace.

## Annex 1: Synopsis of business needs and opportunities in support of inclusive economic recovery and peace

Peacebuilding analysis often seeks to identify both "spoilers" as well as capacities for peace through mapping different actors' needs, interests and capacities in relation to different conditions for peace. Based on our wider research, Alert summarises business capacity for equitable recovery as a condition for peace in Nepal as follows:

Needs	Interests and alliances	Capacities for inclusive economic recovery and peace
Secure business environment, freedom from <i>bandh</i> , financial and physical threats	Big business, viewed as "class enemies" in the past by the Maoist, are still being intimidated, ransomed and extracted by armed outfits and rebelling groups in the Terai'	Increased business capacity to support recovery due to evidence of business growth since the signing of the Comprehensive Peace Agreement (CPA), though predominantly among bigger business
Transparent and effective regulatory environment (for business registration, access to credit, competition control and prices, etc.) as a priority to encourage domestic investors as the "first movers" to stimulate recovery	Today, cooperation between big business and Maoists exists as the latter hold most control over stability	Small and informal business engagement in recovery processes still hindered by instability and lack of basic infrastructure
Increased domestic consumer demand (hit by loss of remittances from global economic downturn)	Big business interests lie to some extent in addressing exclusion, as pressure from the Maoists and "the People" to do so increases	Growing political and public support for larger business to act as drivers of economic recovery strengthens their confidence and capacity to act
Ability to compete in international market through balanced terms of trade	Though big business interests remain politically divided, common cross-party business interests are growing	Growing commitment, knowledge and capacity among business to develop socially responsible and conflict-sensitive business practices
Judicial recourse for uncompetitive, corrupt or illicit business practice	Small business seems less concerned with macro-level labour and fiscal reforms, and more on basic security and access to supply and markets	Capacity to grow the economy is still hindered by centralised and limited regional interlinkages between business
More favourable business image in relation to role in society	Business as a whole has an interest in strengthening regional interlinkages (potentially at risk from certain federalist models)	Existence of national business federations and networks across 75 districts represents an opportunity to build regional business trade and cooperation
Basic infrastructure and services that enable production, access to supply and markets	Limited, though growing interest among business and chambers of commerce to form national common-interest platforms	Development of national forums are an opportunity for business to engage with each other and government on economic reform and the peace process

Needs	Interests and alliances	Capacities for inclusive economic recovery and peace
Better educated, motivated and skilled workforce	Chambers of commerce interested in leading the business drive for recovery, while remaining politically independent	Business membership in the Constituent Assembly (CA) provides a direct channel to participate in constitution-drafting and state-building discussions
Labour reform that enables competition	Relations being built by the Maoists with international business (formerly "agents of foreign imperialism") to encourage investment	Indian and Chinese business capacities to invest are hindered by poor investment climate
Independent and apolitical mechanisms for managing labour and other disputes	Stability in Nepal is the key interest among business in the neighbourhood	Opportunities for development of South Asia business networks growing
Clear and inclusive decision-making processes for economic policy within government	The government has adopted Public-Private Partnership (PPP) as one of the three pillars of economic development. It aims to strengthen and pragmatically implement this approach through policies synchronised across inter-ministerial and inter-governmental agencies	Business' increasing interest in and aptitude for collaborating with government agencies on PPP, supported by clear policies, can potentially stimulate resources for local economic development
Greater cooperation between business and with government on economic reform policy	Key business apex bodies and business member organisations (BMOs) have built functional, strategic as well as tactical alliances over issues affecting the business environment, investment climate and security, that have enormous impacts in post-conflict economic recovery and peacebuilding	Business leaders' interest and willingness to work with government and civil society in formulating structurally-designed Public-Private Policy Dialogue (PPPD) can be instrumental in supporting inclusive processes for having inclusive economic policy in place

## Annex 2: Demographic breakdown of survey respondents

Table 1.

Types of business	Frequency	Percent
Big industry/ business	205	34.2
Small business	248	41.3
Street vendor	147	24.5
Total	600	100

Table 2.

Legal status	Frequency	Percent
Publicly listed company	7	1.2
Private held limited liability company	52	8.7
Partnership	25	4.2
Sole proprietorship	301	50.2
Co-operative	3	0.5
No legal status	212	35.3
Total	600	100

Table 3.

VDC/Municipality	District	Frequency	Percent
Biratnagar municipality	Morang	268	44.7
Urlabari VDC	Morang	3	0.5
Katari VDC	Morang	25	4.2
Birgunj municipality	Parsa	301	50.2
Ramgaduwa VDC	Parsa	3	0.5
Total		600	100

Table 4.

District	All	Big industry/ business	Small business	Street vendor
Morang	49.3	51.2	48.8	47.6
Parsa	50.7	48.8	51.2	52.4
Total	100	100	100	100

Table 5.

Residence	All	Big industry/ business	Small business	Street vendors
Rural	9.2	19.5	2.0	6.8
Urban	90.8	80.5	98.0	93.2
Total	100	100	100	100

Table 6.

Sex	All	Big industry/ business	Small business	Street vendor
Female	8.7	0.5	13.3	12.2
Male	91.3	99.5	86.7	87.8
Total	100	100	100	100

Table 7.

Age	All	Big industry/ business	Small business	Street vendor
18-25	19.0	10.2	23.8	23.1
26-35	36.5	32.2	41.1	34.7
36-45	27.2	34.1	22.2	25.9
Above 45	17.3	23.4	12.9	16.3
Total	100	100	100	100

Table 8.

Education	All	Big industry/ business	Small business	Street vendor
Illiterate	8.5	0.0	3.6	28.6
Literate	14.0	2.9	10.9	34.7
Primary	10.7	4.4	11.7	17.7
Lower sec.	10.5	6.8	11.3	14.3
Sec.	2.0	2.9	1.6	1.4
SLC	17.3	18.0	26.2	1.4
Inter.	18.5	28.3	20.6	1.4
Bachelor	18.5	36.6	14.1	0.7
Total	100	100	100	100

Table 9.

Ethnicity	All	Big industry/ business	Small business	Street vendor
Hill caste	18.7	25.4	22.2	3.4
Hill ethnic	2.7	2.9	2.8	2.0
Hill Dalit	0.8	0.5	0.8	1.4
Newar	5.8	8.3	6.9	0.7
Madhesi caste	53.0	49.8	55.2	53.7
Madhesi ethnic	7.5	6.3	4.0	15.0
Madhesi Dalit	5.3	3.4	0.8	15.6
Muslim	6.2	3.4	7.3	8.2
Total	100	100	100	100

Table 10.

Ethnicity by origin	All	Big industry/ business	Small business	Street vendor
Non-Madhesi	28.0	37.1	32.7	7.5
Madhesi	72.0	62.9	67.3	92.5
Total	100	100	100	100

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