

Urban Crises and the Informal Economy: Surviving, Managing, Thriving in Post-Conflict Cities

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Funder	UK Aid
Project	Synthesis report from the research project on <i>Economic Recovery in Post-Conflict Cities: The Role of the Urban Informal Economy</i> , under by the DFID-ESRC Joint Fund for Poverty Alleviation Research (Project ES-M008789-1)

Foreword

Global crises are increasingly complex and multi-dimensional, interconnected across geographical and regional boundaries, cyclical, recurrent and increasingly urban. Too easily, urban crises become entrenched, but sustainable and equitable urbanisation is key to addressing some of the root causes of instability and conflict.

UN-Habitat's *Strategic Plan 2020-2023* sets out its ambitious mission to promote transformative change in cities and human settlements, and to leave no-one and no place behind. The plan seeks to strengthen engagement with communities, placing those furthest left behind at the centre through close collaboration with informal workers, slum dwellers and women living in poverty, and to promote effective crisis response and recovery by fostering improved living standards and inclusion for migrants, refugees, internally displaced persons and returnees.



This research provides new thinking to contribute to this broader agenda. In exploring the role of the urban informal economy in post-conflict relief and economic recovery through the experiences of informal workers affected by civil war or urban violence and local governments working in challenging contexts, the research brings into sharp focus both the challenges faced by poor urban workers, and the opportunities for inclusive economic development and recovery that their entrepreneurship provides. Globally, as the International Labour Organization (ILO) reports, more than 60% of the world's working population (two billion men and women) earn their livelihoods in the informal economy, of whom nearly half work in urban areas. For cities affected by conflict crises, placing economic inclusion at the heart of recovery processes has significant potential in helping bridge the gap between short-term humanitarian relief and long-term development.

In crisis situations, resilient recovery as a component of sustainable urbanisation can be leveraged through multi-sectoral and integrated responses, which empower local governments and communities and strengthen their capacity to promote social cohesion and rebuild social fabrics. Sustainable urbanisation is central to the realisation of the global development goals as set out in the suite of global agreements signed between 2015 and 2016, including, most importantly, the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, the Sendai Framework for Disaster Risk Reduction, the Paris Agreement on climate change, the New York Declaration for Refugees and Migrants and the New Urban Agenda.

The New Urban Agenda (NUA) is akin to a tool kit that we can use to achieve Goal 11 of the SDGs, which focuses on sustainable cities and communities. These urban SDGs are cross-cutting and by focusing upon them such as the economic role of cities allows for catalytic impact. Other goals, such as Goal 1 on poverty eradication and Goal 8 on inclusive economic growth and decent work, are intricately bound up with sustainable urbanisation. Transforming the informal economy is pivotal in achieving these goals, especially in low-income developing or rapidly urbanising economies. Conflict, whether driven by entrenched historical social and spatial divisions, or mega challenges such as climate change or migration, makes achieving these goals ever more difficult and complicated. Cities and human settlements emerging out of conflict therefore require special attention and coordinated policy interventions calibrated to their development trajectory, to which this research contributes.



Maimunah Mohd Sharif
Executive Director of UN-Habitat

Executive Summary

Political upheaval or violent conflict is often characterised by a fundamental failure of governance and the destruction of local economies, and yet in the aftermath of conflict, through informal mechanisms of survival and support, people reconstruct their livelihoods and rebuild urban services. This report is a **synthesis of a three-year research project** on *Economic Recovery in Post-Conflict Cities: The Role of the Urban Informal Economy*, funded under the DFID-ESRC *Joint Fund for Poverty Alleviation Research* (Project ES-M008789-1).

Fieldwork was carried out in five cities illustrating different facets of violence: **Cali** (internally displaced people (IDPs) fleeing civil war, drug cartels, high homicide rates); **Dohuk** (regional instability, influx of IDPs and Syrian refugees); **Hargeisa** (civil war, bombing); **Karachi** (ethno-political violence, extreme extortion, drug trafficking), and **Kathmandu** (rural-based Maoist conflict, IDPs, earthquake). In each city, a specific period when conflict abated was identified, to examine how the informal economy evolved after this point. We distinguish between conflicts that are long term or **slow burn**, and those that are sudden, destructive and **fast burn**.

Five drivers of conflict are identified: **economic, political, ethno-cultural, territorial** and **displacement**. Although transition from crisis or conflict is never linear and ‘post-conflict’ is difficult to define, all five cities went through a reasonably predictable cycle evolving from war/conflict economies to more robust and regulated economies. The evolution is divided into three periods: **conflict relief, stabilisation** and **development**, to examine how the informal economy responded during this evolution.

Conflict relief: Economic recovery processes in general, follow a **reasonably predictable cycle evolving** from war/conflict economies providing survival incomes, to more robust and regulated economies that generate prosperity within the informal sector. During this period solidarity networks emerge; flows of migrants, IDPs refugees increase, and criminal activities surface, but new opportunities emerge, e.g. for women.

Stabilisation: As the cycle evolves, the **emergence and growth of the informal economy takes place in parallel to the trajectories of rebuilding or reforming government institutions**. Yet, government suffers from political flux, lack of capacity/skills, unclear responsibilities and corruption. Informal workers are vulnerable to violence, exploitation, harassment and extortion, yet the sector often grows and catalyses broader economic recovery.

Development: The **development phase is affected by economic realities and cultural forces**. Local government’s capacity to regulate, service and tax the informal economy increases, imposing a heavier tax burden on informal enterprises, but strong self-help groups and associations can help establish workers’ rights. Remembering that it is easy to destroy jobs, but hard to create them, a Local Economic Development approach can improve working conditions and social protection for informal workers.

Conclusions

The research thus highlights that, in fragile and conflict-affected situations, the informal economy provides a **dynamic and systemic response to the challenges and opportunities of conflict and urban violence**. For many informal workers, fruit sellers, waste pickers, *chapte* vendors, or labourers, work continues as before the crisis, but their **challenge is surviving** in a volatile context when violence disrupts transport, supplies or markets.

For informal workers, the **transition to managing** requires more security, stability of markets and operating space, so that capital investment in supplies and equipment – in water coolers or a cart – is not wasted. This means rebuilding the complex networks which sustain informal workers – the suppliers, transport networks, mobile phones, links to middlemen, and relationships of trust and credit – that enable them to operate.

Some informal enterprises and workers find **capacity for thriving**, particularly in the development stage of the recovery process, in the hostile business environment of crises. These may be transport operators supplying aid goods, skilled workers in (re)construction, or migrants, IDPs or refugees with access to diaspora networks to support trade and investment, as has been so important in the emergence of Somaliland.

Our key findings are that:

- **Solidarity and conflict economies** emerge as products of conflict, but differ in their role, dynamic and lasting effect. **Solidarity economies**, if harnessed, **can become the force for co-production of basic services**, and building trust and leadership. **Conflict economies**, such as drugs, prostitution or arms trading, if not addressed, **can linger long after the conflict**, negatively impacting the transition to recovery and development.
- The informal economy **retreats into survivalist mode during conflict** and its immediate aftermath, **reemerges as a livelihood strategy during stabilisation**, and **grows into an indispensable part of the local economy during development**. This evolution is shaped by local context, scale and the nature of conflict. Supportive interventions (e.g. shelter, land rights, a safe environment, basic services, and support for livelihoods), while beneficial across all phases, require calibration to suit the local context and stage in the transition.
- **Conflict and displacement** affects different ethnic, gender and social groups differently. **Recovery and development** also impact informal economy sectors differently. Thus, while supportive interventions are broadly beneficial to informal economies across the transition phases, they should be complemented by interventions targeted at informal workers in lagging sectors, and social groups most disadvantaged by conflict. As applied in the case studies, this makes temporal and cross-sectional data by sector and social groups an essential policy tool for fostering peace, governance and development in post-conflict transitions.

Recommendations

A three-track approach is recommended, based on multi-stakeholder partnerships between civil society, local and national governments and donors (see Figure 1, page 4). Each track operates at different intensity through the recovery process.

Track A Conflict relief: The core approach is to **'do no harm'**, to enable existing livelihoods to continue and support their **capacity to cover gaps in basic service provision**. Partnerships between informal enterprises and workers, local governments, NGOs and humanitarian agencies can support, and not undermine, existing employment.

Track B Stabilisation initiatives: Here the focus shifts to **providing basic infrastructure** and supporting **worker organisations and solidarity economies**. Emphasis should be on enabling informal worker associations to negotiate with authorities and promote business development; building local government capacity to understand the informal economy's potential, and addressing the legacy of harmful 'conflict economies'.

Track C Development programmes: Priorities are for building the framework for **workers' rights and social security, enabling local government to adopt a Local Economic Development approach** to economic inclusion, e.g. through strengthening worker associations, providing technical assistance to local authorities and the police, and drawing lessons from the data-driven and participatory approach adopted in Cali. Development interventions require improved **shelter; land rights; a safe environment, and basic services** for livelihoods as well as for living accommodation.

Elements of resilient recovery are present in all five case studies, but all remain fragile. Cali has achieved significant reductions in homicide rates through a cross-agency data-driven approach, but local drug dealing and extortion remain a problem. In **Dohuk**, authorities are working to integrate the large-scale refugee population. **Hargeisa** has recognised the challenge and opportunities of informal work in its new national micro-enterprise policy. **Karachi** has reduced homicides through paramilitary intervention, but local government remains emasculated. The informal economy of **Kathmandu** remains weak under continued political uncertainty.

For resilient recovery to be achieved, **humanitarian actors** must recognise and support the informal economy in the immediate aftermath of crisis, **local government** should adopt a Local Economic Development approach, and **informal economy leaders** need associational capacity to lobby for workers' rights and managed space.

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1. Introduction



Trader en route to market, Hargeisa

1. Introduction

Political upheaval or violent conflict is often characterised by a fundamental failure of governance, and the destruction of local economies, and yet in the aftermath of conflict people reconstruct their livelihoods and rebuild urban services through informal mechanisms of survival and support. This report explores the response of the urban informal economy to urban crises, its role in poverty reduction, peace building and development in post-conflict cities, and its scope as a platform for economic recovery and resilience. With a focus on urban areas in post-civil war settings, and on cities affected by ongoing turf wars, the research explores the complex drivers of conflict and the resilience and recovery of the informal economy.

The report is a synthesis of a three-year research project on *Economic Recovery in Post-Conflict Cities: The Role of the Urban Informal Economy*, funded under the DFID-ESRC *Joint Fund for Poverty Alleviation Research* (Project ES-M008789-1). Fieldwork was carried out in five cities: Cali, Colombia; Dohuk, N. Iraq; Hargeisa, Somaliland; Karachi, Pakistan, and Kathmandu, Nepal. Each city was selected to explore the different facets of conflict and violence in order to study the informal economy's crisis response in the widest possible contexts.

1.1 Aims and objectives

The research is important because it brings an understanding of the dynamic and economic potential of the informal economy into post-conflict debates, and has significant potential to influence development assistance practice. The hypothesis is that in fragile and conflict-affected situations, the informal economy plays a pivotal role as a source of livelihoods and a platform for medium-term poverty reduction, peace building, and economic recovery, and that effective recognition of the informal economy by emergent local government and the international relief community is essential for this potential to be realised. Three core dimensions are explored through the research:

- The role of the informal economy in contributing to development initiatives of poverty reduction and economic growth – examining pathways from poverty and issues of gender;
- The role of the urban informal economy in peace-building and reconciliation – examining the drivers of conflict in fragile cities, the response of the informal economy, and its contribution to livelihoods thus lessening insecurity and violence, and
- How local governments in fragile cities can support informal livelihoods – exploring structural impacts of conflict on governance, e.g. corruption and changes to policing and control.

Using pathways from poverty frameworks and a rights-based approach, the research had three phases. Phase 1 included a context analysis of each city, analysing its history, politics and the trajectory of conflict and crisis. Phase 2, conducted with partner universities and NGOs in each city, included urban conflict mapping through intensive workshops to explore workers' perceptions of causes and outcomes of conflict, and over 1,200 in-depth interviews with workers and small-scale entrepreneurs, including vulnerable groups such as women or conflict-affected people, surviving, managing and thriving. Phase 3 included a governance analysis conducted through document review and key informant interviews.

This synthesis draws together key messages from the five case studies capturing cross-cutting aspects related to the emergence, growth and impact of the informal economy through the transition from conflict to stabilisation and development. Its intended audience is practitioners in both humanitarian and longer-term development programming, local authority representatives, donors, and United Nations (UN) and other multilateral organisations engaged in support for urban recovery, reconstruction and development following conflict or other destructive crises.

1.2 Context – Typologies of conflict and violence

While each of the five cities experienced conflict at some point in their history, the nature of the conflict varies significantly, from the bombing of Hargeisa, to the Maoist insurgency in rural Nepal, multiple ethnic conflicts of

Pakistan played out in Karachi, the civil and drugs wars in Colombia, to the multiple and intersecting regional conflicts impacting Dohuk.

Post-conflict recovery is a long and cyclical process and this research examined cities with different drivers of conflict in urban areas in post-civil war/crisis settings, and cities affected by protest, violence or ongoing turf wars. Setting the context for understanding the informal economy as it evolves from the immediate post-crisis periods through to a more stable state, and understanding that this cannot take place until the drivers of conflict have been neutralised, it is important to recognise these drivers, and to facilitate their resolution. Various typologies of conflict and violence are defined in literature, notably Beall et al.'s (2013) hierarchy of sovereign, civil and civic conflict; Moser's (2004) defining political, institutional, economic, socio-economic and social forms of violence and Moser and McIlwaine (2014) on violence 'tipping points'. Many of these characteristics apply in some form to the five cities studied below.

However, for the purposes of this analysis, two key temporal forms of conflict were evident in the five cities, a longer-term ongoing **slow burn** conflict, or a sudden and destructive **fast burn** conflict. The concepts of *fast* and *slow* burn are used in the literature to typify crisis events, and in discussions of the micro-foundations of decision-making and crisis response. It should be noted that these two forms of conflict are interlinked as one form can precipitate the other.

Five drivers of urban conflict were identified in this research:

- **Economic**, drugs, gangs, intimidation, extortion, militarism (Cali, Karachi: Lyari and Saddar districts);
- **Political**, infighting among political parties, weak or corrupt local governance (Karachi, Kathmandu, Cali);
- **Divisions across ethnic/cultural lines**, including violent control over land, legal and illegal markets (Hargeisa, Karachi, Dohuk, Cali);
- **Territorial conflict**, spatial control over certain districts, neighbourhoods, markets (Karachi: Orangi and Lyari districts, Cali);
- **Displacement**, indirect impact of civil war, refugees and IDPs (internally displaced people) (Dohuk, Kathmandu, Hargeisa).

These typologies are not distinct, unique or static; rather they represent multiple and overlapping drivers of ongoing conflict particularly significant in the immediate aftermath of crisis and diminishing over time through processes of stabilisation, transition and the state where longer-term development trajectories emerge. The following brief descriptions outline the main aspects of conflict, violence, or tensions present in each of the five cities, as a starting point for understanding the context within which the informal economies function through the transition from conflict/crisis to stability and development.

Cali: Cali has been affected by multiple, slow burn crises, notably: mass in-migration from rural areas where 60 years of civil war raged; its history until the early 2000s as the headquarters of the notorious Cali drugs cartel; the operations of right-wing paramilitary organisations in the Valle del Cauca region and, the subsequent fragmentation of guerrilla, cartel and paramilitary groups into a plethora of small criminal gangs violently controlling the local drug trade. While there were no 'ethnic' drivers of these crises – conflict was manifest mainly in economic, political, territorial, and displacement agendas – discrimination and inequality condemned several groups, notably Mestizo, Afro-Colombian and indigenous populations to poverty and exclusion.

Dohuk: Dohuk Governorate and the city itself have not experienced direct conflict or war, but have been surrounded by regional conflicts since the 1990-1991 Gulf wars. More recently, the Syrian civil war and IS insurgencies led to, "*mass displacement of refugees from the civil war in neighbouring Syria; brutal human rights violations committed by ISIS in other areas of Iraq and KRI (Kurdistan Region of Iraq) causes displacement of IDPs; and military operations to liberate territory from the terror group which caused fear within Dohuk*" (WANA, 2017 p3). The impact of fast burn conflicts in parts of Northern Iraq have thus catalysed slow burn crises in the city, where economic and political drivers have exacerbated displacement and ethnic tensions.

Hargeisa: In 1988 the then government of the Republic of Somalia began a civil war by bombing the city to near total destruction. At the time, and over the next ten-year struggle, its population fled, many to Ethiopia and

others further, thousands were killed and cities throughout the self-declared state of Somaliland (formerly British Somalia) were destroyed. Of the five cities studied, Hargeisa is the only one that suffered a fast burn conflict, driven by ethnic (clan-based) and political agendas at the outset, followed by a period of slow burn internecine (ethnic or clan-based) territorial conflict while the peace agreement within Somaliland was being negotiated and a new national government established.

Karachi: The city has not been directly impacted by international or civil wars, but has been the locus for multiple manifestations of slow burn urban violence or economic conflict through ethno-political, gang-based, sectarian and militant organisations. The Soviet-Afghan war in the 1980s precipitated a large smuggling economy of drugs and weapons from and to the USSR, America and Afghanistan, and large in-migrations following natural disasters changed the city's ethnic mix. The conflict peaked during 2007-2013, resulting in the loss of over 7,000 lives between 2008 and 2012 (Yusuf, 2012). In 2013 the Rangers Operation, a government-led paramilitary organisation, imposed martial control over certain parts of the city, which has reduced homicide rates. In Karachi all five forms of conflict noted above were present more or less at the same time.

Kathmandu: Typified as an 'insurgency', the 'People's War' began in 1996 by the Communist Party of Nepal-Maoist (CPN-M), and was for the next ten years primarily fought in the rural areas. In 2001, the (then) King of Nepal declared a state of emergency and deployed the state military to the rural battlegrounds of what became a drawn out or slow burn civil war driven by ideological and political agendas related primarily to redistribution of land. Kathmandu, while not directly impacted by the violence of the war, experienced the "*unprecedented movement of people...for security, livelihood and shelter...[which] completely redefined the city's landscape*" (Sengupta, 2013). The research in Kathmandu also considered the impact of the 2015 Gorkha earthquake on the informal economy where elements of lingering economic, political and ethnic drivers of conflict remained.

1.3 Conceptualising post-conflict transitions

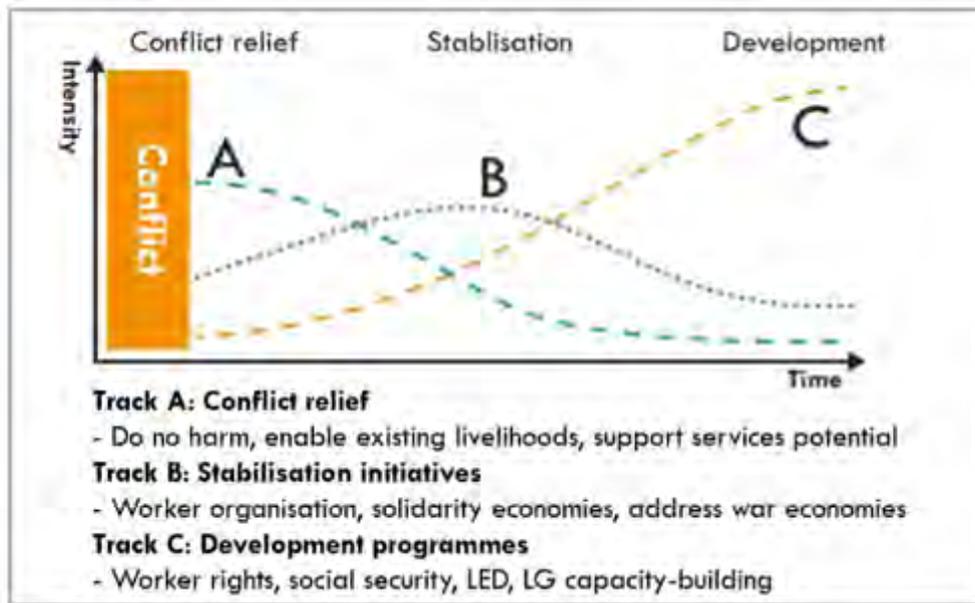
Each of the five case studies illustrate similar pathways from the immediate aftermath of conflict or disaster, through transitional stages towards a more stable state where the informal economy matures and new development challenges emerge.

As Figure 1 below shows, this is not a linear or sequential process as different sectors of urban systems recover at different rates, and each stage is marked by the presence of different actors, including informal workers and enterprises, displaced people, aid organisations, entrepreneurs, power and political elites, and eventually the institutions of governance. From a policy perspective, each track focuses on a different facet of recovery and interventions: **Track 1** on humanitarian conflict relief, **Track 2** on building social capital and institutions, and **Track 3** on building a development agenda. The critical issue addressed is **how to bridge the gap between relief and development**. Each track contains elements that have not typically been addressed in post-crisis recovery, but if considered could enhance and possibly shorten the trajectories of conflict to stabilisation and deepen impacts along the pathways to stability and development.

The primary goal of the research is to determine the role of the informal economy in driving economic recovery in **post-conflict** cities, but in all five cities economic recovery is affected by multiple risks and fragility drivers.¹ and, as in most crisis situations, the recovery context is complex and requires recognition of the reality that these drivers of fragility are not isolated from other risk/hazard elements.

¹ e.g.: Colombia (landslides, agri-industrialisation, conflict, narco-violence, criminality); Nepal (earthquake, landslide, flooding, migration, conflict); Pakistan (natural disasters, internal displacement, regional conflict, sectarian violence); Somaliland (drought, flooding, conflict, political isolation); Iraq (conflict, sanctions, external political drivers, regional conflict, migration).

Figure 1: Transitions from conflict relief to development, and intervention tracks



Source: Modified from UNDP, 2013 p9

The research follows the experiences of informal workers and enterprises through the trajectories of recovery to a more stable state. Data analysis explores the challenges for such urban informal economy stakeholders inherent in each temporal stage through the continuum from relief to more stable development processes. Despite the vastly different context of the five cities investigated in this report, the data also illustrates a range of common or cross-cutting experiences. The following chapters summarise these experiences under the themes of *immediate post-conflict*; *transition and stabilisation* and *development*.

Chapter 2 describes distinct elements which characterise post-conflict informal economies. **Chapters 3, 4** and **5** describe how the informal economy in each city adapts through the stages of recovery, reflecting data from the case studies. **Chapter 3** focuses on the informal economy's response in the immediate aftermath of conflict, distinguishing between fast burn and slow burn conflicts. **Chapter 4** describes how the transition from immediate post-conflict relief to more stable political and security environments affects the informal economy. **Chapter 5** discusses how in the development phase after conflict abates the informal economy's labour-absorbing and growth potential can be harnessed. Chapters 3, 4 and 5 are each divided into three sections discussing *economic inclusion*, *security and peace*, and *governance*. Each sub-section begins with a text box containing key Data Points, and concludes with a summary of Policy Implications. **Chapter 6** examines the policy and practice implications of the report.

Data in the text is drawn from the detailed city data reports. For brevity, reports are referenced by the city initial, with the page number after the initial, e.g. C = Cali; D = Dohuk; H = Hargeisa, KA = Karachi; KT = Kathmandu. The full title of each city reports is given in the References.

The review focuses on drawing lessons, and finding common or cross-cutting aspects of the role of the informal economy in contributing to post-conflict/crisis recovery, transition and eventual development. Although informal economic activities undoubtedly make positive contributions towards peace and stability, the data reveals many challenges or negative aspects of informal enterprises and workers in cities recovering from war or crisis. An objective of this report, however, is to leverage the positive elements, and understand the negative aspects as useful entry points for external and internal actors to help mitigate their effects.

Fish-seller in Lyari – the site of gang fighting in Karachi



2. Post-Conflict Economies

2. Post-Conflict Economies

This chapter discusses emerging characteristics of the informal economy in post-conflict settings evident from the research. While the types and drivers of conflict require a degree of abatement or mitigation for some stability and the informal economy to evolve, in all case studies economic systems transition through or encompass several forms. Of note is that the informal economy functions during conflict and in many cases, informal workers simply continue as transitions to more stability are underway.

2.1 The informal economy and its temporality

Although there is no universally accepted definition of the 'informal economy', the international statistical community has established a common conceptual framework that is now widely used in many regions. This framework consists of three interrelated terms (ILO, 2013: 42, Brown, 2017 p3, ILO, 2018).

- The **informal sector** refers to employment and production that takes place in unincorporated, unregistered or small enterprises. This report refers to these entities as *informal enterprises*.
- **Informal employment** refers to employment without social protection, defined as: own-account workers and employers employed in their own informal enterprises; contributing family workers; employees in informal jobs (i.e. not covered by legal or social protection); members of informal producers' cooperatives, and own-account workers producing goods for their own household use. Such workers are referred to in this report as *informal workers*.
- The **informal economy** refers to all units, activities and workers so defined and the output from them.

In many cities affected by conflict, for decades the informal economy has been the main or one of the main sources of jobs. This pattern simply continues through the conflict, but the context and type of work are affected by violence, and new economic structures emerge as a direct result of crises, as discussed below.

What is also clear from this research is that in the aftermath of crises and war, **the economies of recovering states and their cities undergo a reasonably predictable set of transitions**. Broadly speaking they all represent informal 'livelihood economies' that begin with survival earnings, and in time generate more stable employment and reliable incomes as the political and security situations improve.

2.2 Sharing/solidarity economies

During conflict and in the immediate aftermath of crises social capital increases, and people share, barter and trade to meet their immediate needs and overcome shortages including, food, shelter, water, transportation, electricity and security, often for less than the 'black market' offers.

In Kathmandu after the earthquake, sharing was common. *"Informal shops provided services to the people. We provided eggs for lower prices and provided money to the needy ones. We gave donations of clothes and money to people seriously affected by the earthquake"* (Female egg-seller, and earthquake victim).

In Karachi, during the frequent strikes, informal workers shared what little they had individually or through community associations. Others gave goods or services on credit to community members in need. *"Our community came up with solutions and community-based transport mechanisms and food sharing initiatives were put into place"* (Male food vendor).

In Cali, in addition to community sharing of essential goods, in many neighbourhoods the lack of effective policing and rife insecurity prompted the creation of community groups to provide security from theft and gang-related violence. These groups, or 'clubs', either formed self-help security cadres, or raised funds from members for security services. *"The police do not visit this neighbourhood, so security is achieved because the neighbours get together and agreed to protect each other"* (Male trash picker).

In all the case studies there are many examples of how individuals and communities revert to, and rely on, each other to overcome the lack of regular supplies of goods, services and absence of governance, which illustrate both the strength of social capital and the resilience of informal economies during and in the immediate aftermath of conflict or disaster.

2.3 Replacement economies

As supply chains are restored, but formal market economies and government are still (re-)forming, the informal economy often supplies essential goods and services. Water, transportation, electricity and food are the main supplies, but other sectors also emerge. In Dohuk, informal entrepreneurs replaced the failed electricity supplies with generators. Health-care and education also became informally privatised. However, provision was at high cost to local conflict-affected consumers (D p33).

In the immediate aftermath of crisis, the emergence of criminalised service supply is often consolidated. Organised gangs or ‘mafias’ operate water, electricity and transport sectors, fight over ‘turf’ or unpaid ‘loans’; and suppress or extort small-scale enterprises. *“Management of water is still a problem because of the old systems. It is under a water mafia which makes billions. Water tankers are private enterprises but they have political backing”* (Government official, Karachi).

Nonetheless, it is generally this stage of economic recovery that establishes the platform from which the ‘survival’ economy transforms into a more developmental trajectory as the institutions of governance begin to recover their roles in delivery of essential public services.

2.4 Refugee economies

The presence of refugees in post-crisis/conflict cities creates layers of international activity, both through the impact of international aid, and through refugees’ own livelihoods and enterprise. The concept of ‘refugee economies’ is defined as the economy created by urban refugees through their livelihood activities, enterprise, need for services and consumption, and through refugee support and diaspora inputs (Brown et al., 2018).

Hargeisa and Dohuk represent two cases where large-scale refugee and IDP camps were created and maintained by international aid organisations where economic activity thrived. *“Refugee businesses emerging included street vending, cafés, sewing and others”* (D p33).

Where the informal economy is driven by camp residents for camp residents it is a ‘closed economy’ which is not sustainable without the continued injection of resources (cash or convertible goods), generally distributed by aid providers which in some cases adds value and generates incomes.

“Before the war there was not that much involvement of women working. It started in the Ethiopian refugee camps when women started to manage the rations. They used the refugee portions to make money – improved the taste, and sold to the nomads. The nomads also became dependent on refugee hand-outs” (NGO worker).

However, where more ‘open camp economies’ interact with non-camp-based populations, there are opportunities for catalysing both informal and more formal economies.

“The large number of displaced people and refugees contributed to the acceleration of the local market, which was stagnant due to the region’s financial crisis. The assistance allocated to refugees has contributed to liquidity in the domestic market, and refugees and IDPs have contributed by providing new products and services and as consumers” (D p34).

2.5 Conflict economies

Conflict economies are characterised in the data as chaotic, unregulated, informal, often violent and criminalised compared to the economy functioning before war, but provide goods and services within the limited capacities and disrupted supply chains available (Bulla et al., 2013). *“These violent economies, which include the sale of and use of arms and opportunistic robbery, looting and extortion, are attempts to provide*

alternative sources of income and accumulate assets in the midst of chaos” (Davis, 2012). Many informal security firms emerged in Cali over the conflict-affected years which, in the absence of police presence in low-income, gang-controlled urban areas, presented work opportunities (C p43).

Both during and in the immediate aftermath of conflict, the informal economy is essentially a ‘survival’ economy for the majority of enterprises and workers. In many cases however, it continues, and often expands rapidly once conflict is perceived to have stopped, and forms the foundations for future economic development while creating jobs, livelihoods, and nascent social capital.

2.6 Cumulative potential

In general terms, during and after conflict or other crises, the informal economy transitions through all of the above forms, conflict (or war) economies, to replacement economies, refugee or ‘camp’ economies where these exist, and sharing or solidarity economies, each with their own set of unique characteristics. Regardless of the recovery trajectory, however, as Valliant et al. (2014) said, *“Generally, as conflict continues, the informal economy performs a vital labour-absorbing function through its ability to provide poor citizens with employment opportunities despite of, or because of, crisis”*. Less widely recognised is the networked aspect of the informal economy, where each worker or enterprise provides very specific services within a complex economic network, and thus supporting growth within part of the network has much wider cumulative impact.

3. Conflict Relief



Bagmati River flood plain – the squatter settlement of Thapatali, its residents displaced by rural conflicts

3. Conflict Relief

Stability is critical to post-conflict recovery. Despite the widely different scale and scope of the crises affecting each country and city, the data from the case studies illustrates experiences that jeopardise or promote peace and security. They show that despite the formal cessation of war, slow burn conflict continued, both indirectly in rural areas and directly within the cities studied, until a measure of stability was achieved.

The studies further illustrate how survivors within communities or IDP camps build solidarity through sharing resources or by organising. Despite suffering losses of family and property, displacement into new urban environs, vulnerability to conscription, coercion and violence (particularly towards women), a nascent informal economy emerges within which goods and services are provided.

DATA POINTS 1: Survival economies

Potential

- Important need to protect livelihoods
- Replacement of disrupted services
- Women become breadwinners
- Migrants/refugees/IDPs enter urban workforce

Vulnerabilities

- Formal sector disruption
- Reduced market/consumption
- Disruption of work spaces
- Extortion of informal enterprises
- Trafficking of drugs and weapons
- Gang economies

3.1 Survival economies

Protecting livelihoods

Conflict often results in economic crises, and the informal economy remains the only lifeline for many households. The informal economy emerges as the primary economic driver of survival and solidarity economies, supplying essential goods and services. The protection of informal work is thus critical.

Scarcity and economic crises due to conflict also create commercial opportunity and, following the cessation of conflict, there are clear opportunities for positive economic change.

Post-crisis economies are the primary source of employment and livelihoods for both host and migrant populations. In all five cities, the re-emergence and growth of the informal economy absorbed poorer urban residents and migrants creating employment and commercial opportunities.

Hargeisa illustrates the impact of a growing informal economy in generating stability over time, and the investment by people and informal workers in maintaining peace. Trust, mutual association and community sharing, closely linked to the informal economy, create reciprocity and prevent the outbreak of further conflict (H p29). *“Business in general is pro-peace. There is no business small or large which will like conflict. Normally people with no economic stake are involved in conflict. Business people are champions of peace and resist conflict”* (Senior government official).

In Kathmandu, the post-conflict informal economy absorbed a large population of migrants who fled the mainly rural civil war. Over 200,000 people were displaced during the civil war (Upreti et al., 2012), with fragile peace returning after the 2006 Comprehensive Peace Accord. In 2015, the Gorkha earthquake struck Nepal affecting millions of people, causing over 8,700 deaths with three times as many injured, and major destruction in 31 of Nepal’s 75 districts, including Kathmandu. With representative government elected in November 2013,² the impact of the earthquake on fledgling municipal governments was significant. While survivors from rural areas found temporary work in the city, those from Kathmandu, many of whom were tenants, temporarily left the city.

Similar narratives from all five cities further illustrate the value of the capacity of informal economies to absorb labour and provide a measure of stability even in the earliest days following conflict.

² In 2017, the Government of Nepal held new elections to select representatives for the new Federal structure in the 2015 Constitution, ie: 1 central body; 7 provincial bodies; 77 districts; and 753 local units (6 metropolises; 11 sub-metropolises; 460 *gaunpalikas* (rural municipalities), and 276 *nagarpalikas* (urban municipalities)). Few of the new provincial or local councilors had governance experience.

The informal economy adapts to dynamic change in post-crisis periods. Post-crisis reconstruction efforts draw heavily on informal work, manpower and skills, contributing significantly to restarting economic development.

In Kathmandu, even after the Maoist conflict, a series of *banda* (strikes) organised labour and compelled response from inexperienced local and national governments installed by the new regime. The organised *banda* had a major impact on the city's economy³ but strengthened solidarity among informal workers and proved a catalyst for positive change.

For those who fled to the cities to escape war and seek opportunities for livelihoods, the informal economy adjusts and expands creating opportunities in the supply of services such as water, electricity and security, as well as essential (and non-essential) goods, through sharing during times of scarcity and replacement as new supply chains emerge.

However, informal workers are often affected by insecurity because their businesses are cash based, and least protected from attacks, looting and restrictions to mobility of people and goods. Vendors and transport operators depend on safe and accessible streets, public space and local services, and both household-based livelihoods (e.g. manufacturing, guards, drivers) and city-based livelihoods (e.g. tailoring, beauty salons) require safe and stable local economic environments to function.

The role of women in informal economies increases during conflict and post-conflict periods. Both during conflict, and in its aftermath, women emerged as key actors in the informal economy. As Sørensen (1998) stated, *“female participation in the workforce tends to be sustained in the post-conflict setting and can lead to empowerment for women”* as was evident following conflicts in Somaliland, Colombia and Nepal.

Women from Somaliland who fled to Ethiopia started working in the refugee camps, and after their return to Hargeisa often became sole breadwinners and peace activists. *“I walked to Ethiopia during the crisis and lived in a refugee camp. There we had to collect water and wood, while Somaliland men were the fighters. In the camps, we had to start some sort of business. Some could travel and brought dried meat and ghee from Djibouti, then they brought hard currency into Somaliland... Women were the breadwinners”* (Senior official).

In Cali conflict has forced women into new roles and created new opportunities as breadwinners, entrepreneurs and leaders. *“The only positive part of displacement was that I discovered strengths I did not know I had – including women's empowerment and leadership skills. When I was in Guaviare I was behind my husband and I did not know I could be a leader. I found empowerment because of the conflict”* (Focus group member).

In Nepal, many girls fought with the Maoists, so women's independence became more acceptable. *“Over the conflict there was a drastic increase of women coming into work. Slowly more women are also coming into government policy-making bodies... Government has made a legal provision that at least 33% of women should be involved in any decision-making body”* (Trade unionist).

Aid money may create economic opportunities around basic necessities such as food. The rapid injection of relief aid money can catalyse new businesses and create livelihood opportunities. In Somaliland and Somalia, monetising food aid was a thriving business until the late 1990s with buyers lined up at the airport in Bosaso, Puntland. Refugees or IDPs who were handed grains, oils, and other essentials carried them from the distribution centre (usually the aircraft) to the kiosks outside the terminal and sold them to the highest bidder, for re-sale to the retail market.

However, rapid inflows of aid resources may skew local economic conditions and undermine local capacity and markets. Examples include importing goods, such as food, emergency shelters, and construction materials, and redirecting supply chains to temporary camps, which may perpetuate displacement and can cause tensions.

³ *“between 2006 and 2013 strikes decelerated annual GDP growth between 0.6%-2.2%”* (ILO, 2016).

Weathering economic instability: migration and the informal economy

Large-scale migration can destabilise the economies of host cities, and increase competition for established informal workers. However, it is a two-way interaction, and new migrants can often bring new skills into the informal economy.

In Dohuk it was reported that, *“Refugees compete for employment opportunities with the local community. Consequently, the majority of the local labour force of the city is unemployed simply because the refugees do not pay for rent and take assistance from the camp. Therefore, they can work for lower wages compared to a local person in Dohuk”* (Expert).

The economic integration of migrants is influenced by the vibrancy of both formal and informal urban economies. Informal activities with relatively strong links to the formal economy, such as tourism, trade and manufacturing are particularly sensitive to the health of the local economy. Closure of industries and rising unemployment precipitate economic distress.

In Karachi, decline of the tobacco, fisheries, carpet weaving and textile industries, and in Kathmandu decline of the garment industry, during and following periods of conflict had a cascading effect.

Migration trends are specific to context and the nature of conflict. In major fast burn crises as in Somaliland’s civil war or the earthquake in Nepal, local economies collapse and thousands may be displaced in a short spell of time. During May and June 1988, Hargeisa was shelled with heavy artillery and bombarded from the air, leading to thousands of civilian casualties and mass exodus to Ethiopia (Prunier, 1996). The earthquake in Nepal displaced an estimated 2.8 million people (BBC, 2015).

Migration associated with slow burn⁴ conflicts may be rooted in historical grievances or structural challenges such as rural poverty and unemployment, and is a long-term trend with cumulative effects on host economies.

During Colombia’s civil conflict, an estimated nine million people were displaced, mostly agricultural workers. Between 1990 and 2015, the population of Cali doubled, with half of the growth due to in-migration of IDPs (Expert).

In Nepal, the Maoist insurgency displaced over 200,000 people (Singh et al., 2007), and during the ten-year insurgency 62% of conflict-affected respondents had experienced confrontation with armed groups, and in migrating to Kathmandu had lost livelihoods or social networks (KT p25).

Endemic conflict economies

Reduced security and weak governance create a favourable environment for the emergence of ‘conflict economies’, e.g. increased drug trafficking, weapons smuggling, or prostitution. In such conflict economies, gangs control trade in weapons and drugs, often creating pockets of settlements that become prone to other criminal activities. Early tracking of such conflict economies can help prevent their spread.

Karachi faces complex, violent political and ethnic power struggles that penalise urban residents. Informal enterprises were targeted by criminal, sectarian and political groups, leading to the emergence of political ‘mafias’ controlling land, property, transport and drug traffic. Much of the conflict was centred in Lyari, close to the port. The Taliban were also involved in weapon and drug smuggling in parts of Orangi between 2007 and 2013. *“More than a thousand drug and mafia rings exist in Karachi. The drugs are sent from the Federally Administered Tribal Areas to Khyber Pakhtunkhwa or Balochistan and it all comes through Karachi...From there it gets sent to USA, to Europe”* (Urban expert).

In Cali during the 1980s and 1990s, violence was driven by the cocaine trade and smuggling. Poor areas which were safe before became subject to rising crime and violence. In the late 1990s, removal of the drug lords enabled micro-traffickers to emerge, who recruited young people and controlled pockets of low-income settlements. When the export market for drugs began shrinking, the traffickers targeted the local market. As one interviewee said, *“People started to have weapons to protect themselves. I tried to get a gun. However, it was very expensive. The price of a low-calibre weapon is COL 5,000,000”* (Male construction worker).

⁴ See definition of slow burn and fast burn conflict in Section 1.2

POLICY IMPLICATIONS 1: Survival economies

The **informal economy emerges as the primary economic driver of survival** and solidarity economies, and protection of informal work is thus critical.

The **post-conflict/crisis informal economy adapts**, despite mass in-migration and lingering conflict economies, offering new opportunities for women and other vulnerable groups, and for emerging new business. Shrinkage of the formal economy leaves informal economy as the default lifeline.

Yet, **informal economy enterprises and workers are vulnerable** to loss of markets, and theft of property and business assets during conflict. Women are particularly vulnerable to violence and loss of family members during armed conflict, and may become breadwinners for their families. Weakened governance offers opportunities for predatory exploitation by local officials or criminal gangs.

Both slow burn and fast burn conflicts involve migration. Migrants often cluster in ethnic enclaves creating social solidarity, but this can foster community rivalry. It is also important that **aid interventions do not destroy or undermine existing informal employment.** For example, aid money can stimulate the economy by supporting refugees and IDPs, but import-reliant food aid can displace local production, and create middle men who thrive on food trade.

Enabling informal economy operations to support stabilisation is important, and entry points for donors, national and local governments, and informal economy leaders include:

- Identifying and targeting insecurity risks for informal workers;
- Ensuring that aid interventions support, but do not undermine existing informal employment;
- Promoting short-term relief for refugee and IDPs which does not lead to longer-term isolation, and
- Identifying socially harmful 'conflict economies', e.g. gang-based extortion, drugs or weapons trafficking, or prostitution.

3.2 Recovering peace

In many cities, the informal economy is the largest source of livelihoods even before conflict, and adapts to dynamic change, providing a measure of individual security, generating solidarity through sharing as the post-conflict recovery begins.

Functional informal economies can contribute to peace-building and stability. Although fragile, stabilisation following conflict can be bolstered by leveraging the positive elements of employment and commerce, despite weak local authorities.

Following the cessation of war in the early 1990s, Hargeisa expanded rapidly with the return of refugees from Ethiopia and elsewhere. As women entered the labour market, many as returnees, they played an essential role in the peace process (Mackie et al., 2017). As one respondent explained: *"After the war [women] came together and said, 'we have to have peace'... The peace was created under the trees in different regions. If one did not agree, his wife made him, because the peace is ours"* (Senior government official).

Prior to the Syrian civil war, Dohuk had only a small informal economy although it was beset by local government interference and affected by regional conflicts and the oil crisis of 2014-2015. The arrival of two million refugees and IDPs in the region strained already depleted public services and destabilised the economy. However, this opened possibilities for the informal economy to expand and refugee economies to emerge. IDP and refugee interviewees reported receiving much help from local communities when they first arrived. Since the economic crisis worsened, people in Dohuk share food, water and transport (D p33). As one camp resident said *"There is a lot of help between everyone [in the camp]. When we have enough food, and know that our neighbours do not, we give them some, and vice versa"* (Female tailor, Domiz camp).

DATA POINTS 2: Recovering peace

Potential

- Community sharing
- Host and IDP/refugee sharing

Vulnerabilities

- Displacement to urban areas
- Death/injury/family loss
- Coercion/conscription
- Strikes/banda (in cities)
- Gender-based violence
- Civil society conflicts
- Increased drug use and street crime

Recognising the challenges

During these early periods, recognising and understanding the greatest threats to peace and stability are critical to leveraging the positive potential of the informal sector.

The negative impacts or ‘challenges’ undermining security and peace after conflict can often be attributed to weak or non-existent governance and the emergence of alternate, often criminal power structures. In Cali, Kathmandu and Karachi drug cartels, Maoist ‘victors’, and ethnic sectarian groups respectively emerged controlling various local economies, further victimising survivors.

Cali has been affected by multiple crises, notably: mass in-migration from rural areas following 60 years of civil war; its history until around 2000 as the headquarters of the Cali Cartel’s drug trade; the right-wing paramilitary organisations in the Valle del Cauca region, and subsequent fragmentation of guerrilla, cartel and paramilitary groups into violent criminal gangs controlling the local drug trade. Rural people moving into the city adapted their livelihoods, and drug trafficking and cartel violence disrupted local livelihoods (C p39).

Challenges also arise because criminal networks may control the economy, eroding stability.

In Cali, the impact of gangs and mafias on the poorer communities has been enormous. As government interventions have curtailed the export of drugs, local gangs have created new domestic markets, resulting in violent turf conflicts. These gangs used homicide, extortion, torture and kidnapping to control a territory and its drug trade (C p38).

Women’s access to livelihoods is particularly affected by violence. From ‘cultural’ manifestations of ‘machismo’ and domestic violence to the use of sexual violence as a weapon of war, women are vulnerable to abuse and their access to livelihoods may be limited. In all the five cities, interviewees recounted abuse of women and how families protected their female children or relatives.

In Karachi a worker noted that, *“Violence against women could take a range of forms, including kidnapping by criminal gangs sometimes sponsored or supported by political groups”* (Male porter) and one in Cali stated *“young women were simply captured to serve as domestic workers”* (Female domestic worker).

During war or crises, urban in-migration often increases informality.

In Kathmandu, the rapid influx of displaced populations resulted in the emergence of informal settlements in the Bagmati River flood plain. In the squatter settlement of Thapatali, rural migrants were settled by a Maoist-led government after 2006. The settlement initially had about 300 temporary shelters; another (Maoist) government demolished the settlement but around 200 households returned (KT p 28).

Adverse economic legacies that function before conflict or crisis can escalate during recovery. After conflict, widespread criminality can emerge, at best as harassment and corruption, and at worst as exploitation and open conflict, creating conflict economies that jeopardise peace processes.

In Pakistan, the Soviet-Afghan war of the 1980s created conditions for drug and weapon smuggling. In Lyari district, new recruits were lured into illicit trade, and informal ‘security firms’ created a shadow economy that survived on kidnapping and ransom, drug peddling, smuggling and extortion (KA p35).

Drastic shocks – a mix of results

Militarised targeting of criminality can be effective in restoring business operations, but is a long-term, expensive investment, which does not deal with the underlying causes of conflict.

Karachi’s government-led ‘clean-up’ in 2013 was initiated in response to a Supreme Court ruling requiring the provincial authorities to improve security. Led by the Rangers, a provincial paramilitary law enforcement agency commanded by the Civil Armed Forces, security forces were instructed to counter terrorism, targeted killings, ransom kidnappings, and extortion (International Crisis Group, 2017). This led to a decline in serious crime and gang violence in former no-go areas, but petty crime, violence against women and sectarian killings continue. Nevertheless, the decrease in overt violence and strikes since the Rangers Operation has made working environments safer and has increased profitability for informal workers. *“If anyone has a decent investment, he can invest in this economy and be successful because there is now not as much risk of loss as there was before 2013”* (Male cobbler). Nevertheless, six years later the Rangers remained operational.

The isolation of aid-driven, or ‘refugee’ economies in IDP or refugee camps can have both negative and positive impacts on host city economies (both formal and informal), as seen in Dohuk and Hargeisa.

In Hargeisa, most businesses were destroyed during the war, and refugees fled to Ethiopia, Kenya and beyond, but the ‘diaspora economy’ financed a nascent informal economy in the city. Several informants reported the ingenuity of those who fled Hargeisa, often women and children who walked by night to Ethiopia. One person travelled around Ethiopia “*bringing flour, sugar and oil to the refugee camps*” while another made “*biscuits and sandwiches to sell to the refugees in the camps*” (NGO worker).

The data reveals the significant challenges to the informal economy following the cessation of conflict, but also its positive aspects – its capacity to absorb labour, generate commerce, its adaptability, and contribution to social capital – all of which are critical to increasing stability and peace.

POLICY IMPLICATIONS 2: Recovering peace in the immediate aftermath of conflict/crisis

Although communities come together in the face of crises, **the fragility of peace and stability in the immediate aftermath of years, even decades, of conflict cannot be overstated.** The value of the informal economy as the largest absorber of labour, its adaptability through dynamic change, and importance in meeting the needs of urban populations should be recognised and supported.

Investing in peace. Following a ‘do no harm’ principle, entry points for aid agencies, donors, and other stakeholders include:

- Understanding the mechanisms driving positive change and the cycles that informal economies undergo;
- Building solidarity, understanding flexibility and the adaptive capacity of informal economy systems and stakeholders;
- Setting up new partnerships between informal economy stakeholders, humanitarian agencies and local governments, and
- Direct involvement of informal enterprises in the recovery process, e.g. through provision of transport or water supplies.

Such measures can protect peace dividends, avoid economic cul-de-sacs like closed refugee camp economies, counter criminality, combat unsustainable urban impacts of mass migration, and avoid long-term, costly military engagement.

3.3 Nascent governance

Efforts of recovering states to build or rebuild the institutions of governance immediately following war are fraught with challenges that limit or undo organisational development. Transforming criminalised war economies into legitimate, if still informal, economies takes time, resources, and trust, which are typically scarce during the early stages of recovery. Despite this, the informal economy continues, often growing, self-regulating in one form or another, and spurring on overall recovery.

In most cases, in the immediate aftermath of conflict or disaster, governments at all levels are weakened, either through depletion of human and financial resources, death, migration or – as in Nepal – where victors are new to the responsibilities and mechanics of governance. The renewal of institutions can provide opportunities, but these may be difficult to achieve. With key public service sectors such as transport, electricity, and water not functioning, and peace and security forces under-managed or underpaid, respondents in all the five cities except Hargeisa explained how local government officials and the police resorted to extortion from informal workers and enterprises.

DATA POINTS 3: Nascent governance

Vulnerabilities

- Repression of informal economy work
- Heightened military/police presence
- Prohibition of selling certain goods
- Failure of public services, water/electricity
- Limited security
- Criminal control of service supplies
- Transport targeted in conflict
- Territorialisation of boundaries

The assumption/resumption of ‘normalised’ governance activity takes time. During the recovery stages of the post-crisis cities studied, significant periods of time lapsed before national and local governments created, operationalised and built capacity to govern. The tipping points are variable depending on the context. In the interim however, failures in governance are typical, and the consequences undermine peace and security.

In Karachi, the period from 2006 to 2013 saw chaos – unchecked civic conflict, violence and fragmentation. The Rangers Operation reduced overt violence and strikes which has made working environments safer and has increased profitability within the informal economy. One local government official estimated that only 10% of people in Karachi are engaged in the formal sector (KA p17). *“For three or four years there have been no strikes so people are now happier. Karachi business is like a night market, businesses start very quickly and then stop. So now businesses have come back that had closed”* (NGO worker).

In Kathmandu the transformation of a unitary Hindu monarchy to a federal secular and republican state, and promulgation of the new constitution, took nearly ten years after the 2006 Comprehensive Peace Accord, and in 2012-2013 there were no elected representatives. Weak local governance exacerbated economic exclusion; harassment by police, local authorities and gangs, and hyper-inflation, and allowed the emergence of *banda* (strikes) by groups protesting against economic and social exclusion, which exacerbated inflation, fragility and hardship. *“During 19 days of banda we suffered a lot ... there was scarcity of food, water, cooking gas, kerosene. Transport was a problem... We had to live in fear and felt insecure”* (Female street vendor).

In Cali, local government mounted a concentrated effort some ten years after the criminal gangs emerged in the early 2000s, establishing their role as custodians of peace and security, using an innovative, epidemiological cross-agency approach to data gathering and response. Since the local government-led fight against criminal gangs between 2013 and 2015 and the 2016 peace agreement, many aspects of urban violence such as homicides, have decreased. However, Cali still suffers from high levels of urban violence and widening inequality, social tension and weak governance typical of fragile cities.

Criminality extends into government. In almost all cases in the aftermath of crisis, informal workers had experience of extortion, harassment, and prohibition at the hands of police and/or government officials. This was less in Dohuk and Hargeisa, and extreme in the other cities.

In Cali, with the exception of a short period 1992-1994, successive government leaders were recalled due to corruption and inability to manage the city. During these periods, interviewees suffered extortion, bribery, harassment and eviction by both local authorities and police. Bribery by local authority officials was reported extensively by respondents, *“The guardia (traffic police) always want money. They ask for COL 100,000 to let me go without fines or confiscating the vehicle”* (Male pirata taxi driver).

In the early stages of recovery, new power structures emerge usurping the role of governance. To varying degrees, in all cases the post-crisis informal economy is a soft target for corrupt local authorities, organised crime and other power structures exerting control over essential services, directing the nature and location of informal activities, or extorting ‘fees’ for use of space. In time, and with varying intervention strategies, these power structures dissipate or operate clandestinely as the transition from post-crisis to development evolves.

POLICY IMPLICATIONS 3: Nascent governance

Local governments are at their weakest following conflict/crisis. Historically the aid community engages at national and ‘community’ scales, with little or no collaboration with local authorities. Consequently, they are often the last institution targeted by aid organisations, yet represent the lead governmental body responsible for essential services, peace and security. As nascent local authorities develop and mature over time, and before formal economic activity emerges, revenues are generated opportunistically from informal enterprises, often through corruption, criminality and arbitrary violence.

Investing in local government. Entry points for aid agencies, donors, and other stakeholders include:

- Ensuring that local governments are centrally involved in the relief process;
- Addressing physical, social, economic and security deficiencies in recovering cities;
- Increasing access to regulated basic services, enhancing security, fostering better spatial integration, and limiting or curtailing corruption, and
- Enabling the direct involvement of informal enterprises in basic services provision.



4. Transition to Stabilisation

4. Transition to Stabilisation

Transition begins the moment crisis abates following the cessation of war, or in the immediate aftermath of disaster, characterised by a growing sense of stability, with possible flashpoints in between. Stakeholders adapt, the economy functions, and, while not necessarily normalised, the recovery process moves forward.

4.1 Recognising economic potential

For the informal economy the move towards stabilisation in the recovery trajectory is characterised in the data as a further reconstruction of social capital, illustrated by narratives relating to: the emergence of ‘organisation’; increasing trust; investment in peace-building or protecting peace dividends; increased expectations of government, and ‘empowerment’ in both positive and negative senses.

Seeds of economic recovery

During transition periods, increasing confidence and trust empowers informal workers. Diversification of livelihoods, the emergence of associations, and increased demands for services indicates the leveraging of social capital in driving development, including improvements in basic services, space provision, and security. In all the case studies a sense of empowerment is manifest, often in self-help initiatives, sometimes through strikes by informal workers, and often driving positive change for women.

The *banda* in Nepal, strikes in Karachi, self-regulation of markets in Hargeisa and self-help community security in Cali, were all manifestations of increasing trust and efforts to consolidate the post-conflict peace dividends during transition.

External stresses – prolonged political flux or broader economic crises – present opportunities for strengthening the informal economy system.

In Dohuk, informal workers faced harassment and fines from local authorities, particularly IDPs and refugees, due to legal ambiguities relating to the informal economy, and the sanction-based economic crisis. Nevertheless, following the 2014 drop in oil prices, Dohuk municipality relaxed its position on informal workers and enterprises. *“Before 2013 the municipality bothered us a lot but now things have changed. Because of the economic crisis they do not bother us”* (Male vendor).

In Nepal, the 2006 Comprehensive Peace Accord requirement for reintegration of former combatants in the insurgency was positive. The informal economy provided employment for ex-soldiers and former insurgents, enabling them to reintegrate into society and sustain non-conflict livelihoods. Despite some problems, compared to other countries Nepal is generous. Many are now migrant workers in the city (UN expert).

Sharing and solidarity help adaptation to shortages and provide essential services including security. Although large-scale migration can increase competition for jobs and weaken supply chains, workers adapt to shortages and support each other, such as when peace agreements are in early implementation, or legitimate power structures are emerging.

In Kathmandu, after the immediate chaos of the earthquake, households, families and communities ate and slept together in open spaces, sharing shelter, food, water and money with others, seemingly irrespective of class or caste differences (KT p37). One respondent commented, *“There are not many open spaces in Kathmandu but all were occupied...We ate together and helped each other out...A committee was formed among the community members and everyone provided donations...to collect money for the community meals... It was like a big feast every meal, a social gathering irrespective of people's caste”* (Male manufacturing worker).

DATA POINTS 4: Recognising economic potential

Potential

- Livelihood diversification
- Collective action
- Rapid growth of informal economy
- Refugee/IDP economies emerge
- Developmental enterprises start to develop

Vulnerabilities

- Livelihoods remain insecure
- Disruptions of sporadic violence
- Problematic legacy economies

Reconstruction is a major source of income and driver of economic recovery. In post-disaster conditions, like Kathmandu, construction becomes a key economic driver and source of employment. But unorganised and unskilled informal workers are paid low wages and lack social protection. The gender implication is significant.

In Kathmandu, women increasingly work in construction, but without skills, taking jobs as marble polishers, cement mixers and brick carriers, earning less than their male counterparts, and without association.

The participation of women in the economy increases through transition. In all cases (except Dohuk) more women became breadwinners due to changing social attitudes or loss of male family members during conflict. Women with some skills (e.g. teaching) and networks (family friends, relatives) joined the labour force, albeit at low pay. For many women with no skills or business experience, their new role was extremely challenging.

“My father’s property in the village was all taken by the Maoists, and we came to Kathmandu with my mother...I was a sixth grade student – we sheltered in my mother’s friend’s house. With the friend’s help, my mother found a cleaning job in the school where her friend was working. My mother was paid very little, but it helped us survive” (Victim group).

“My husband started this business 35 years ago. My husband was killed by gangs five years ago. One of my sons joined the gangs and has become a drug addict and became paranoid. I was a housewife before but now I am running the business with a little guidance from my son-in-law” (Female shawl vendor, Karachi).

“All my family members migrated to Cali, because an armed group murdered my father. I became a moto-taxi driver to raise my son” (Female moto-taxi driver).

However, cultural context is important. In Karachi, more women than men work from home in light industry including textiles and embroidery, or in domestic work, but no women were allowed to work in male-dominated trades such as transport or construction.

Informal activities with low entry barriers such as street vending and food catering grow faster. Vending caters for diverse needs including fruit and vegetables, dry and cooked foods, grocery items, cigarettes, clothes, perfume, cosmetics and mobile accessories. Informal enterprises which are well-established or little affected by the conflict are quick to revive their business.

Replacement economies provide stop-gap solutions to service provision. The resilience of the informal economy in the most challenging environment is remarkable in all case studies. During the stabilisation stage, the private sector and informal enterprises begin restoring or improving the supply of urban services – a hallmark of the ‘replacement’ economy that draws on collective action and private entrepreneurship.

Hargeisa did not have electricity or running water, but people used oil lamps for over a year, until the business community fixed the problem with generators providing electricity throughout the city.

Challenges to economic consolidation

Legacy or conflict economies linger through transition periods. In Cali and Karachi, where slow burn conflicts persisted, the predatory system of drug lords and cartels continued, targeting specific economic sectors and districts. This ‘residual’ insecurity and potential increase in crime, if not countered by improving local governance and economic growth, hampers progress towards economic stabilisation. Such activities pose a dilemma. In the short term, they are sources of livelihood for many households, but in the long term they may have irreversible impacts on the health of society and the economy, particularly for youth and women.

In Hargeisa, the trade in *qat*, an addictive stimulant leaf, constitutes a big part of the economy. It employs an estimated 20,000 people, but imported *qat*, mostly from Ethiopia, reportedly costs the Somaliland economy around USD \$420m a year, a huge leakage of scarce resources. Individually, chewing *qat* has significant negative impact on productivity, family, and social relationships. As one woman noted: *“A man wakes up at 11:00 am, eats lunch, gets high and begins fighting with his family, leading to domestic violence. Women are overburdened, we look after the babies, we are a wife and mother, a breadwinner, and also serve our communities”* (NGO worker).

In Kathmandu, young women who fled conscription by Maoist forces, sometimes ended up in the sex industry working in 'dance bars' or massage parlours. The businesses are registered but workers have no contract or social protection. *"Approximately 4,000 [of these] girls and women work in Thamel. The places are protected by ex-police and ex-army so when the police come and raid the parlours they take the girls. All this is illegal"* (NGO worker).

Refugee camps and settlement sites support local economies. The legal rights of refugees to work affects refugee. However, in Dohuk, many camp residents interviewed were IDPs so did not face working restrictions.

Two major refugee/IDP camps have been established near Dohuk, Domiz in 2012, and Shariya in 2014. In time these camps evolved into major settlements with vibrant economies, facilitated by aid cash and its 'trickle down' effects. However, Domiz camp is located 16 km outside the urban area and Shariya 5 km, creating isolation, stigma and costs for commuting, transport and service delivery (D p5).

Aid agencies and local authorities often situate refugee camps far outside city boundaries, missing opportunities to build integrated urban extensions and expand economic potential.⁵ If camps become redundant and are bulldozed, all investments that went into public goods including child-friendly spaces, education and health facilities, roads, and shelters are wasted.

POLICY IMPLICATIONS 4: Recognising economic potential

Social capital and solidarity that emerged during crisis can evolve into productive capital supporting the provision of basic services in water and waste collection.

Several economic sectors play important roles in recovery processes, including: replacing services through self-organised community groups and the private sector (replacement economies); the construction sector, and migrant and refugee economies.

Investing in productive and organisational capacity for the informal economy. Entry points for donors, national and local government, and informal economy leaders include:

- Recognising the potential of the informal economy is critical to sustain participation of communities in co-production of basic services, and removing entry barriers for informal work;
- Supporting the development of worker organisations as platforms for collective negotiation and developing enterprise;
- Initiating a supportive regulatory environment to improve safety standards for informal workers, including protecting women from hazardous working conditions and wage exploitation;
- Policy measures to prevent the disconnect between aid money and the local economy;
- Integrating the informal economy in refugee/IDP camps with the broader city economy, and
- Addressing the problem of 'conflict economies' which are not socially desirable, or are harmful, such as the drug trades, demanding intermediate and long-term solutions that are based on a careful consideration of trade-offs.

⁵ In Dohuk for example, informal economy operators in the city districts were earning two to five times more than those in the refugee camps, hinting at the cost of economic isolation for the IDPs.

4.2 Strengthening peace

Though not without its challenges, the transition and stabilisation phases of post-crisis recovery are periods where trust and mutual association increase and key service sectors are increasingly functional. There is often a continued legacy of sharing and solidarity economies and female empowerment in the workplace, despite lingering vulnerabilities and flare-ups of conflict. **Emphasis on the quality of economic growth, rather than the rate**, will ensure sustainable poverty reduction by generating sufficient employment for vulnerable and informal workers and equitable distribution of resources.

Increasing trust and investment in peace building

Reciprocity fosters trust and peace and helps the process of economic stabilisation. The informal economy's ability to absorb vulnerable groups such as women, IDPs, and ethnic minorities is beneficial for poverty reduction and conflict prevention.

In Hargeisa informal workers said that if people have a stake in the economy and feel part of the community, they help to foster peace and stability, which in turn fosters the economy creating a virtual cycle of early recovery, peace and stability.

In Dohuk, people resorted to barter trading and pooling of assets including labour, vehicles and machinery to cope with the economic realities of the transition.

In Cali and Karachi people associated the flourishing informal economy with reduction in crime and violence.

Women retain a critical role in peace processes. In Somaliland the peace process was complex and drawn out as negotiations between clan leaders and national government were sensitive, requiring years of trust building to reach consensus on the future of the self-declared country. However, as noted above, it was women, many of them refugees, who championed peace in the latter days of war and through the transition period.

The importance of ensuring that young people have access to employment is critical, particularly for the reintegration of former fighters into society, to give young people a stake in reconstruction and peace-building and to reduce petty crime.

In Hargeisa, the reintegration of former fighters was a priority, especially as many had missed out on education. Havoyoco was one of the first NGOs set up in 1992 after the peace process was established by young people to help with reconstruction, and retains a focus on youth education. *"When we came back from the refugee camps... housing was demolished and there were no services – nothing – no health, education. We set up an organisation to 'do what you can for your people'. Our motto was 'mind, money, muscle'"* (NGO workers). The NGO now has a commercial waste collection subsidiary contracted to the municipality.

In Karachi, the Rangers Operation was mostly considered a success, establishing safer communities, and facilitating the growth of both formal and informal economies. However, the underlying problems of lack of employment and exploitation have not been addressed, and while senior gang members have been apprehended many junior gang members turned to petty crime. *"If everyone has work or a job then they will not find a wrong way to earn. It helps everyone by providing work and employment that is not snatching or robbery or killing"* (Male informal transport driver).

Lingering challenges – dealing with political flux

Political flux through the immediate and transitional stages of post-conflict urban areas is typical as organisations struggle to build governance at all levels. This has an impact on economies, regulatory systems, natural resources and corruption, as seen in Kathmandu, Karachi and Cali. However, the informal economy

DATA POINTS 5: Strengthening peace

Potential

- Continued/increased community sharing
- Increased trust and mutual association
- Reintegration of ex-combatants
- Informal economy business preventing further conflict
- Female livelihoods challenge gender norms
- Female empowerment in the workplace

Vulnerabilities

- Lingering conflicts and civil unrest
- Restrictions to women's wider socio-economic liberation

system is flexible and adaptive and stakeholders continue to invest in and protect overall peace and stability as a means of ensuring their survival and livelihoods.

In Kathmandu after the Maoist insurgency, political instability and heightened army and police presence contributed to the disruption of livelihoods: *“The conflict affected us a lot in the city – you could not walk freely, people did not have trust in each other and everyone was afraid. The change in government every six months made it very difficult to work. The army came to my home, then the police. My wife was at home when the police came... but they would not let her contact me. I just want the country to be stable”* (Male construction worker).

During transition periods in recovering post-conflict cities, the **gradual assumption of control over public services, goods and commerce creates additional vectors of fragility**. The data illustrates myriad continuing or new challenges as controls or enterprises formerly operated by criminals or without regulation are assumed (or resumed) by government services. Except in Hargeisa, respondents in all cities recorded threats to peace and security during transition relating to continued vulnerability of IDPs, migrants, women, youth and children, and ethnicity, as well as corruption, harassment, and extortion by local authorities including police services.

Threats from corrupt officials throughout the five cities were sometimes subtle – small-scale bribery, eviction or repression of select businesses – and sometimes overt.

In Cali the long association of the informal economy with criminality, particularly in the lower income communities, has created incentives for victimisation, police harassment, evictions, confiscation, and imprisonment. Police corruption was also reported. Some workers reported extortion payments (*vacunas*), and bribes for local authority staff.

There have been attempts to translate new livelihood opportunities into political, economic and social rights, but the outcome is not always predictable. In Karachi, as the informal economy stabilised following the Rangers Operation, women became more vulnerable, facing discrimination in the labour market and sexual harassment in public spaces. The stigma around women working outside the home persists, and in some areas violence has triggered a reversal in female liberation (KA p33).

POLICY IMPLICATIONS 5: Strengthening peace

The importance of the informal economy to poverty reduction, economic growth and conflict prevention cannot be underestimated. As the post-conflict recovery process evolves, the confidence and solidarity of informal workers increases and threats to peace and stability decline. While problems may linger, there is more opportunity to concentrate on the quality of economic recovery as opposed to its rate. However, the most prolific threats to peace and security during transition relate to corruption, harassment, and extortion by gang members and local authorities including police/security services; uncertainty within the political environment; and the isolation and continued vulnerability of IDPs, migrants, women, youth and children.

Investing in governance and security. Entry points for aid agencies, donors, and other stakeholders include:

- Consolidating partnerships between local authorities, informal economy stakeholders and humanitarian agencies;
- Supporting partnership and cross-agency approaches to bridging conflict divides and improving security, and
- Strengthening the involvement of informal enterprises in recovery, e.g. in basic service provision.

The aim should be to forge constructive collaboration between nascent local authorities and informal workers on drivers of peace, and build solidarity and common purpose addressing physical, social and economic deficiencies in recovering cities, so as to increase access to regulated basic services, enhance security, foster better spatial integration, and limit or curtail corruption.

4.3 Governance in transition

Throughout the transition from war to stability and longer-term development, all cities struggled with political instability as various actors vied for control at all levels of government. One positive aspect of the preoccupation of governments with political succession is the potential for the informal economy to flourish as government either turns a blind eye, or relaxes attitudes

and interventions. In either case, informal enterprises and workers will invest in stabilisation and peace. One consequence highlighted in this study was the flight of capital outflows, and investors' reluctance impacting inflows. Both have major impacts on both the formal and informal economies of the five cities.

DATA POINTS 6: Governance and transition

Potential

- Relaxation in approach to informal economy

Vulnerabilities

- Political/financial instability

The impact of political flux during periods of transition has major implications for the informal economy. All five cities experienced challenges in the informal economy as a consequence of years of political uncertainty and constant change. The impacts include lack of leadership and oversight within local authorities, deterioration of working conditions, a vacuum of policy and regulation protecting informal economy operators, and increasing debt and unemployment.

In Dohuk, instability is exacerbated by years of conflict, military spending, and humanitarian crises: a 28% population increase since the Syrian wars began; a 60% drop in oil price and major financial crisis due to the regions' dependency on oil revenue. Dohuk's informal economy is robust but needs support. *"For fifteen years the country has experienced a cycle of disasters and crises with increasing debt and unemployment...The elimination of unemployment, the increase in health provision, fight against corruption, the restriction of arms, the end of militias – all require increasing the rule of law to create a positive atmosphere for economic development and better support the informal economy"* (Urban expert).

The informal economies of Cali, Karachi and Hargeisa suffered similar cycles of political flux and weak government. However, whereas Cali and Karachi's economies became criminalised, in Hargeisa the lack of political stability as the new government formed fostered a more positive self-regulating informal economy.

During transition local governments may begin accepting the informal economy. The data in the study reveals that despite political and financial instability, local governments may sometimes assume a more relaxed approach to the informal economy. The consequence is a more vibrant, autonomous informal economy that tends to expand and grow. The informal economies of both Hargeisa and Dohuk flourished as a result of lack of, or relaxing, local government engagement.

In Hargeisa, the informal economy was ignored by all levels of government, and it rapidly grew, establishing its own loose regulation, and continues to be the primary economic driver in the city. Respondents in Hargeisa commented, *"The government is very relaxed about the informal economy. We are not applying the letter of the law, despite the crowded city"* (Expert), while another stated, *"Here they don't harass them [informal workers] because people know there is no employment"* (Expert).

In Dohuk, local authorities also eased their controls on the informal economy, understanding that in the economic crisis, there is little other choice of work. *"As I know the government controlled the informal economy prior to 2013 and were not letting people work informally. Now because the economic situation has become so bad they are not putting a lot of restrictions on informal workers"* (Male money-changer).

POLICY IMPLICATIONS 6: Governance in transition

Despite continuing political flux as governments mature during transition, the data in all five cities reflects two key governance approaches: **increasing acceptance of the informal economy** and a **gradual relaxation of resistance to informal workers and enterprise**. Subsequently, the informal economy begins to flourish. Two interventions are important.

Investing in local government. Entry points for aid agencies, donors, and other stakeholders include building on new partnerships between nascent local authorities and informal workers, and enhancing support, capacity building, and technical assistance to facilitate effective functioning, local authorities.

Investing in informal economy systems. Recognising the value of the informal economy as a major employer and business generator, the aim should be to:

- Focus on collaborative policymaking, leverage local government acceptance and improve access to basic services;
- Secure tenure rights for informal enterprises;
- Improve security through collaboration with informal enterprises and workers, and
- Establish joint platforms for discussions with organisations of informal workers and enterprises.

5. Stabilisation to Development



Moto-taxis, Siloe, Cali

5. Stabilisation to Development

Regardless of the transition from conflict to a more stable context within which development activities are viable, peace and stability remain fragile as informal workers and others increase demands for accountable, competent, and reliable governance. Nevertheless, the disruption of conflict sometimes creates opportunities for increasing policy support for informal workers.

5.1 Economic inclusion

The informal economy in post-conflict cities provides new opportunities for work, but new challenges also emerge. In many cases, sectors become saturated, competition for jobs and business increases, and local governments focus on formal businesses. Several economic development aspects were evident from the data.

Employment in the construction sector increases with economic recovery and development. In construction, the informal economy supplies cheap labour and materials inputs, and construction workers spend most of their income locally, thus amplifying the multiplier effect of the sector. The construction sector absorbs a large manual labour force, including women with limited or no skill, as demonstrated in Kathmandu.

Sectors within the informal economy begin diverging in their performance. Some informal enterprises will remain small and survivalist, but others, given secure operations, have the potential to expand and increase their turnover and employment.

In Cali some informal workers earn more than the average per capita income in the city, suggesting room for intra-sector movement of capital and labour within the informal economy. Construction provides the highest income followed by vending and transport, while domestic workers and waste pickers earned the least (25%-50% of construction incomes).

In Dohuk average income is highest in the restaurant business, followed by vending and services, but low in home-based activities and construction. In Karachi, workers in services and manufacturing are low paid, in comparison to vending, construction and transport.

Working informally allows people to occupy multiple jobs to ensure livelihood security. Typically, women may work in the morning as domestic workers, in the afternoon look after their children, and in the evening sell vegetables. A few combine formal and informal work. Others hop from one job to the other, building new skills and enhancing their employability.

In Kathmandu 70% of those surveyed, and in Karachi 76%, had more than one job, e.g. construction during the day and rickshaw driving at night.

Increasing market saturation becomes a problem. As the threats of war and violence abate, cities attract more migrants, but whilst the informal economy absorbs many, competition for jobs, businesses, space, and livelihoods can generate several threats to stability and peace.

In Kathmandu, 61% of vendors and 57% of construction workers interviewed reported increasing competition and business saturation. In Cali, informal transport operators compete with other forms of public transport. The *moto-taxi* (motorcycle) service is cheap and flexible, but competition with *piratas* (shared taxis) is fierce.

Orangi District in Karachi was once a manufacturing hub employing carpet weavers, textile workers, metal workers, carpenters and embroiderers, but the influx of Chinese goods in recent years, combined with urban violence has led to its steady decline.

DATA POINTS 7: Economic inclusion

Potential

- Flexibility and multiple jobs
- Skills training/literacy
- Secure spaces
- Strengthening voice
- Survivalist vs. developmental businesses
- Migrant/refugee/IDP economies

Challenges

- Municipal harassment/insecure space
- Criminality/theft
- Extortion/bribes/informal fees
- Lack of adequate finance streams
- Lack of physical safety
- Lack of formal education/business training
- Problematic conflict economies

Refugees and IDPs contribute to vibrancy and diversity of the local economy

Refugees bring with them skills that contribute to the expansion of the host local economy. During times of stabilisation and development IDPs and refugees with specific skills can earn 'premium' incomes.

Dohuk has benefited from the professional skills of Syrians in the construction, decoration and furniture sectors. Many Syrian refugees also have excellent skills in the hospitality industry and have been employed in hotel management, and restaurants, helping improve the tourism sector (D p36). Iraqis displaced from Sinjar and Nineveh Plains tended to work in the construction and agricultural sectors (D p34).

Refugees may also contribute to increasing income through aid and remittances from overseas relatives, help the local economy, boosting consumption and spending on education, housing and health, but can increase competition for jobs.

In Hargeisa, remittances have been central in developing the emerging economy in Hargeisa, but IDPs in cities also send money to their families in rural areas.

In Dohuk, according to the case study, many believe that the arrival of IDPs and refugees has depressed wages in agriculture and construction.

Operational challenges and opportunities

The informal economy plays a critical role in the recovery and development of post-conflict cities, but faces multiple challenges over space, safety, infrastructure and corruption. Although typical of the challenges faced by informal workers elsewhere, these may be exacerbated by the conflict history.

Adequate working space. Informal enterprises and workers operate from home, on the streets, from bikes or carts, on construction sites or in refugee camps. They risk hostility from the police and local officials, and often operate with fear of eviction, regular harassment or extortion. Migrants are particularly disadvantaged.

In general, informal workers are not opposed to creating order, but demand decisions on location and design to be participatory and work spaces with adequate power and infrastructure. Even when informal workers are allocated space, these are often temporary and lack basic infrastructure and services. Local authorities understandably want to expand their tax base and collect more revenues from the informal economy, but they do not do enough to address essential services that informal enterprises need.

Local authorities in Karachi worry that street vendors cause chaos and congestion. In Hargeisa, the municipality is building covered markets for informal traders, and in Dohuk, vendors in refugee camps were allocated space to build and operate kiosks. In Dohuk a respondent complained that the municipality increased fees for rent and services, while simultaneously decreasing electricity and water supply (Male cosmetics vendor). Such asymmetry between tax and services, discourages formalisation and deters growth.

Having a covered market place is positive where it attracts enough foot traffic, and is safe, accessible and serviced. Many such markets are not fully occupied because they are poorly sited, and planning decisions did not involve the final occupants. With limited options for space, and excluded from formal land markets, informal workers often become victims of rent seekers and fraud.

Safe environment. An increase in security is particularly important for those working in the street, but security is closely tied to the operational effectiveness of government. In Karachi, a sharp decrease in homicides, kidnapping for ransom and terrorism was reported after the paramilitary Rangers Operation started in 2013, and the business community reports that they can now do business without threat of extortion or abduction for ransom.

However, recovery is often slow, and the weapon and drug cartels, and extortion and criminality that emerged during conflict often linger, trapping decent, tax-paying and hard-working people into predatory systems of extortion, theft and insecurity. In cities where the local governance structures are weakened by conflict, in the overall climate of insecurity theft is rife, making informal economy traders operating in some no-go urban areas particularly vulnerable.

In Cali, 'protection money' paid by informal enterprises to criminal gangs is substantial and institutionalised. A taxi driver in Cali operating a rented car may have to pay 10% of total fares to those controlling the route, plus additional 'fees' per trip. Even a waste picker looking for recyclables may pay COL 2,000-3,000 for accessing a garbage truck or dump site. However, predatory systems can provide security, as in the Santa Helena neighbourhood where people pay *vacuna* (protection money), commerce is strong, robberies are rare, and the murder rate is the lowest in the country.

The intersection of poverty, vulnerability, armed conflict and crime in the informal economy is complex. Some informal enterprises may sell smuggled goods, which reinforces the suspicion of informal traders as contrabandists. The context of criminality, and the deep social inequalities and crime structures that promote it, harm the informal economy and the urban working poor (C p25).

In Cali, many street vendors sell drugs, and waste pickers may be paid in drugs which puts them at risk of becoming addicts (C p25). Some criminal gangs are involved in informal moneylending and payday loans (*gota-a-gota*) which are predatory and could involve violence. Thieves may pose as *moto-taxis* and rob passengers and their poor reputation hurts genuine drivers (Male moto-taxi driver).

Social and policy protection: In Hargeisa, the informal economy is now recognised as a national economic sub-sector in the Economic Sub-Sector Forum under the National Development Plan II (2017-2020), and the needs of informal workers are included in the national 2019 Micro, Small and Medium Enterprise Policy.

However, more commonly the rights of informal workers are either unrecognised or unenforced. Informality deters governments from taxing and regulating, and deprives workers of basic rights and social protection. Because of limited job opportunities, workers accept poor working conditions, low pay, and long work hours.

In Pakistan, the 2010 Labour Law does not cover the informal sector, although provincial legislation acknowledging rights of home-based or domestic workers is positive.

In Colombia, with a relatively high GDP and decent social and workers' rights, informal workers have few of the labour rights that workers in the formal system enjoy (such as social security or annual leave).

Construction in Cali, Dohuk and Karachi, fishing in Karachi, and cleaning in Cali were all identified as 'hazardous'. Many respondents reported long-term illness due to exposure to chemicals, the weather, or accidents, with devastating consequences for their families.

Institutionalised extortion and bribery: A common complaint across all respondents in the case studies is the threat from government officials and the police of extortion, bribery or eviction, which damages business growth and investment and exacerbates their poverty.

In Karachi 35% of street vendors and 42% of transport workers interviewed reported harassment and extortion from local government officials. Some 29% of informal workers in Cali and 25% in Kathmandu had also experienced extortion, confiscation, eviction or imprisonment by government officials.

There are many excuses for bribes. Informal enterprises can be 'charged' for congesting and littering streets, blocking pathways, or operating without a permit. In many post-conflict situations, the practice of paying bribes at checkpoints is common, and traders reported paying Rs. 20-30 in Karachi, and COL 100,000 in Cali for passage.

When local government is weak or dysfunctional, government interference or bribery may decline, but this creates opportunities for drug lords and criminal gangs who may demand more in 'protection'.

Achievement of stability has many positive impacts on the capacity of the informal economy system to expand, creating more jobs and better livelihoods, but weaknesses in governance, policy and regulation can be significant challenges. In all the case studies at this stage in recovery, informal workers identified the need for safe, adequate, serviced operating space; social protection including occupational safety and regulation, and inclusion in policy and place making.

POLICY IMPLICATIONS 7: Economic inclusion in a stabilised environment

The informal economy makes a critical contribution to growth and employment during the transition from stabilisation to development. Its growth and expansion provides livelihoods for many, while labour-intensive sectors like construction with high multiplier effects drive the local economy. Some enterprises remain survivalist, but others have significant capacity to develop, given secure operating environments.

Acknowledging the role of informal economy is important, but not enough. Support needs inclusive policies in: labour laws, social protection, land use and public space plans, infrastructure and local regulations.

However, **informal workers face multiple challenges** including safety, space, and harassment. Such challenges are common for informal workers, but are exacerbated in post-conflict settings.

Investing in Local Economic Development. Entry points for local authorities, informal economy leaders and associations and other stakeholders include:

- Partnerships between local authorities and informal workers that progressively remove operational challenges, e.g. reducing regulation and tax, improving access to services;
- A Local Economic Development approach embedded in participatory governance, which supports informal workers, and restores leadership and trust in local governments;
- Involving informal economy associations in decision-making to prioritise policy issues, build trust and benchmark progress;
- Promoting labour-intensive construction, and involving informal enterprises in basic services provision;
- Investing in skills and micro-finance, particularly for vulnerable groups or low-paying sectors, and
- Recognising that refugees and IDPs can expand the labour pool and bring new skills, and vibrancy to the local economy.

5.2 Consolidating peace

Social capital is leveraged to protect security and peace. Surviving, and often thriving through the cycles of war, solidarity and replacement, refugee economies build social capital, strengthen self-help and increase trust among informal workers and foster the emergence and consolidation of informal workers' associations. This builds confidence to protect the gains of recovery and transition.

Increasing stability fosters trust within the informal economy. As business and commerce mature, the informal economy expands and associations and organisation of workers promote better working conditions. With increasing security, local governments may devote more resources to address social and economic conditions for informal workers thereby reducing tension and protecting peace.

In Cali, the then mayor focused on recovery and economic prosperity through reduction of violence, strengthening of public administration, and investments in poverty alleviation and city planning (C p11).

In Dohuk, interviewees reported how the informal economy increased the size of the market during the economic crisis which signals its cumulative capacity to contribute to wider economic growth. Syrian refugees have brought new skills to support tourism services in Dohuk.

DATA POINTS 8: Consolidating peace

Potential

- Self-help and solidarity strengthened
- Trust amongst informal economy workers
- Associations/cooperatives recognised
- Strong NGO sector
- Remittances
- Increased livelihood opportunities for women
- Increased safety at work/home

Vulnerabilities

- Exploitation and barriers to women's work
- Continued violence/sexual harassment
- Youth unemployment
- IDP/refugee discrimination
- Inter-ethnic conflict/discrimination

In Kathmandu, despite a decade of political uncertainty, and the 2015 earthquake, the policy framework addressing a 'social protection floor' has been promulgated with provisions for maternity, sickness, workplace accident and unemployment benefits.

Conversely the lack of social protection policy including labour laws, anti-discrimination laws, contract and social security laws leaves informal economy workers deeply vulnerable to exploitation, extortion, and poverty.

For labourers without an ID in Karachi there is no social protection. As one worker said, *"There are no laws for anything... no contractual agreement of any sort...There is a need for written contracts and agreed compensation for labourers injured during construction work"* (Male construction worker).

In Dohuk, the informal economy remains unrecognised in national and local labour law and policy, and there is no enabling regulatory framework, and an absence of labour standards and social protection for informal workers (D p18).

Hargeisa provides another example where national government engagement can enhance the value of the informal economy. Partly as a result of the study, the Ministry of Trade, Industry and Tourism's 2018 *Micro, Small and Medium-Sized Enterprise Policy* makes recognition of the informal economy.

As cities stabilise and peace is consolidated, it is important that informal workers focus on improving their rights, and building trust and associations for collective pressure to be recognised within national and local policy. Discontent is better articulated and demands better lobbied through leveraging social capital acquired in the transition from conflict to stability.

Lingering challenges to peace

As local governments mature **during the transition stages of recovery informal workers continue to be vulnerable**. The most at-risk informal economy operators function in public spaces: on streets, sidewalks, from carts, or vehicles. In most cases they are very insecure and vulnerable to harassment, eviction and confiscation during this stage of recovery.

In Karachi, following the anti-encroachment act of 2013, street vendors face continued evictions and confiscations. As one street vendor said, *"I face eviction by Karachi Metropolitan Cooperation because I have no permanent space to sell my products, but usually workers with temporary spaces face these types of problems"* (Male cooked food vendor).

In Kathmandu, street vendors, many of whom are migrants, also face challenges. For the *momo* and *chatpate* (street food) vendors, the priority is secure vending spaces to trade without the threat of harassment, eviction or bribery from municipal police. As one interviewee said, *"I came to Kathmandu to escape the conflict, expecting some help, but instead, I am seen with suspicion by the authorities"* (Food vendor).

For women, challenges to safety remain. War and crises create new opportunities for women to work, but also create new cultural barriers. Violence, sexual harassment and exploitation remained real threats in all of the five cities studied. Women who worked in public spaces, or used public transport felt the most vulnerable.

In Hargeisa, most informal economy workers feel safe, but women felt slightly less safe than men and a local NGO worker reported that, *"violence against women on the street and in the home is high"* (NGO worker).

In Kathmandu, informal economy operators generally felt safe but women still faced problems. *"There is no law against sexual harassment in a public space, although there is a workplace law. We are lobbying to get legislation against sexual harassment...There is also harassing of women by municipal guards. Public toilets are a problem for street vendors. People sit on the street and get teased...Toilets, street lights, markets, bus stations – all need to be gender-friendly"* (Female street vendor leader).

In Dohuk and Karachi cultural attitudes, particularly those from conservative ethnic groups, increase the vulnerability and abuse of women, and particularly for women in the informal economy.

Some groups, notably youth, become disenfranchised. Young men in particular with limited legitimate work opportunities may join criminal gangs. Despite very different contexts, this was the case in both Karachi and

Cali. The literature suggests that, “*economic growth without social policies which alleviate poverty at household level does not reduce the risk of conflict*” (Mallett and Slater, 2012). In a city recovering from war, the risks to peace and security are increased by unemployment.

In Karachi, underlying problems of lack of employment and exploitation remain, especially for gang members who are turning to petty crime. “*The younger generation feel disgruntled, angry and alienated. They have received an education but they are not getting jobs appropriate to their qualification*” (Urban expert).

In Cali, disbanding the drug cartels has led to problems. Although senior gang members have been picked up, more junior former fighters have not received promised government support and are turning to petty crime, drug use and extortion.

As competition increases, discrimination can emerge threatening stability. Refugees, IDPs, migrants from different social or ethnic strata, and women and youth all face increasing threats of discrimination or isolation from other informal workers, which can result in open conflict. This was most acute in Dohuk for refugees and IDPs, in Karachi through ethnicity and caste, and in Kathmandu through ethnic competition for vending space.

Failure to protect workers’ rights can result in exploitation, discrimination and corruption but collaboration can address some challenges.

In Dohuk refugees reported lack of payments for work completed, receiving less money than local workers for the same work, and poorer working conditions. “*I worked in a restaurant for two months, but they only paid me for one month, so I quit. Now I prefer to do this*” (Male bedding vendor, Dormiz camp). While policies exist, they are not implemented, for example the *Code of Conduct* for government employees (Barwari, 2013).

In Karachi lack of implementable legislation to protect workers’ rights results in discrimination in some industries based on ethnicity, caste, language or social strata. “*There is a hidden conflict between the manager and workers in garment factories. They do not complain because if they do they are fired*” (Factory worker).

Once peace is consolidated and the cities and states are more stable and increasingly safer, threats to peace and stability are lower, but there are potential flashpoints as markets become saturated, populations increase and opportunities for informal work diminish. Competition, saturation, disenfranchisement of certain groups, or discrimination can be drivers of new conflict and disruption.

POLICY IMPLICATIONS 8: Consolidating peace, stability and development

The informal economy becomes more established as peace becomes securer, leading to expansion of informal work; a collective voice as informal workers begin to organise, and demands for inclusion in social protection frameworks. **Lingering challenges can jeopardise peace and stability**, e.g. the vulnerability of street vendors to exploitation, harassment and abuse, particularly for women; increasing competition through unchecked growth, and disenfranchisement of young people. Policy implications include:

Investing in local government. Entry points for aid agencies, donors, and other stakeholders include:

- Institutionalising partnerships with national and local authorities to facilitate the creation of social inclusion and protection policies, stronger tenure rights and protection;
- Better physical infrastructure, and
- Enhancing support and technical assistance programmes to ensure their implementation.

Investing in informal economy systems. Recognising the value of the informal economy as a major employer and business generator, suggests:

- A focus on collaborative policymaking to leverage local government acceptance and improve informal workers’ access to basic services, secure tenure rights, social protection and security;
- Development of the capacity of informal workers’ associations, such as business associations or trade unions, to argue for regulatory and legal reform to support informal work, and
- Enhancing training and capacity building for skills development and entrepreneurship.

5.3 Governance, policy and regulation

For local government the recovery from conflict, once a measure of stability and peace are achieved, becomes an exercise in establishing legitimacy, building or creating capacity, and fulfilling the roles of governance within the city. This pursuit is linked to coherent promulgation of constitutional, regulatory law, and policy supporting local authorities. This recovery and transition process is fraught with risk to city peace and stability, and to the institutions of governance at all levels.

While data from the five cities notes variable support

for the informal economy, it also notes ongoing corruption, the absence of legal or regulatory frameworks, and growing demands from organised citizens for a return on the fees and taxes demanded by local authorities. However, it also notes opportunities for change and how innovative governance can combine measures to address economic and security needs.

Local government support for the informal economy is variable. The relationship between informal economy and local government is context specific, ranging from supportive to hostile. Within this study, Colombia is an exception, mandating national and local governments to ensure *“street vendors are protected by law and to remove them from the public space became a violation of their right to work”* (Martinez et al., 2017, p.28). In Pakistan, provincial legislation protecting the informal economy is recent, but enforcement capacity is weak.

In Hargeisa, and Karachi to a lesser extent, government is passively accommodative or tolerant, but not actively engaged in creating a favourable business environment. In Hargeisa national government support enables the vibrant growth of informal economy.

At times, informal enterprises take advantage of weak enforcement to circumvent local regulations. In Dohuk, IDP enterprises in camps circumvented camp management rules restricting restaurant businesses by opening once the camp offices had closed for the day.

Lack of recognition and provision of national and local legal/policy frameworks limits the potential of informal enterprise. Respondents from all five cities recount the absence, or lack of implementation, of policy, law and regulation on: labour protection; infrastructure provision; rights of occupancy/use of urban space, and access to basic services. Yet, informal enterprises pay fees and taxes, ostensibly for services and access to justice and in all cases, governments recognised the informal economy’s positive influence in catalysing recovery.

In Hargeisa, respondents spoke of the disconnect between national and local government, and the confusion about who has the authority to tax whom for what. Although local government in Hargeisa has legal responsibility for the provision of key services, insufficient resources means they are unable to provide them (Mohamoud, 2012; Rossi, 2014), and services such as garbage collection, water and electricity are delivered mainly through private providers, rather than the municipality (H p4).

The lack of international recognition of Somaliland as a sovereign state creates further problems, limiting the ability of national government to secure levels of bilateral aid that would facilitate a quantum leap in development. Thus, the Somaliland private sector is driving development. *“There is no policy or legal framework to promote or remove the informal sector. The informal private sector is left alone. The government is not helping but it is not hindering”* (Senior government official).

In Kathmandu, the 2015 constitution contains the protections and distribution of authority required to meet the citizens’ demands including those in the informal economy. However, policies and regulations currently only apply to the formal economy and the informal economy lacks protections, although 89% of those employed in Kathmandu are informal workers (ILO, 2016). Women, migrants, and children are particularly vulnerable informal workers, and child labour affects an estimated 1.6 million children aged 5-17 years. Youth unemployment and underemployment can precipitate *“feelings of risk and uselessness in the youth, which, in turn, could force them to face marginalisation, exclusion, disillusionment and low self-esteem”* (ILO, 2016).

DATA POINTS 9: Established governance

Potential

- Improved national/local regulation
- Policy for integration of refugees/IDPs
- Taxation/registration
- Local policies, strategies and bylaws
- Social security

Vulnerabilities

- Lack of policy inclusion
- Corruption at local government level
- Lack of data

Recent studies have shown how Nepali youth may be drafted into youth political parties as ‘muscle-power’ or be involved in criminal armed gangs (Gupte and Bogati, 2014).

In Dohuk, local government and aid agencies recognise the need for enabling legislation to meet the needs of the informal sector, and protect the rights of migrants and refugees, but at national scale overarching legislation to empower the informal economy is missing. *“The most important opportunities for development of the informal economy are through considering it as a true private-sector partner in economic development. We must provide laws and legislation for regulating informal work and give it legal status, particularly looking at social security and pensions”* (Urban expert).

Cali has had several years of progressive leadership and robust social programming is underway, addressing violence, poverty, economic development, improving public administration and city planning.

However, **imaginative local intervention can go some way to promoting peace and security, and addressing the challenge of economic inclusion**, as the case of Cali, Hargeisa and Karachi show (Boxes 1, 2 and 3).

Box 1: Cali, Colombia: Innovative approaches to tackling homicide and supporting street vendors

Cali (officially Santiago de Cali) is the third largest city in Colombia, with a population of about 2.4 million, and a major economic hub in the Colombian Pacific region, but faces endemic violence as a result of its strategic location on Colombia’s southern drug trade routes. Concerted government action in the 1990s against the major exporting drug cartels led to a rapid fall in homicides but homicide rates then gradually increased as cartel members replaced their lost export income through petty crime.

Since 2013 the homicide rate has been dramatically reduced as a result of pioneering data-driven policy intervention, coordinated by local government. From 1992-1994, Harvard-trained epidemiologist, mayor Dr Rodrigo Guerrero set up a ‘violence observatory’ to study where and how crime was committed, sharing data across agencies. Elected again in 2011-2016, he instituted weekly meetings between the *alcaldia*, police and other agencies. The initiative helped halve homicides rates from around 126 per 100,000 residents to around 51 in 2017. Current mayor Maurice Armitage promoted the creation of a peace-building observatory. Unfortunately, in 2011-2017 petty theft, including assault/robbery and cellphone theft, has increased.

Informality is also seen as an opportunity. The new bus rapid transit network, MIO, is operated by MetroCali. In an innovative approach, senior staff convinced managers to include street vendors in MIO operations instead of harassing them, arguing that vendors could contribute to five of the six services that MIO provides – passenger information, phone recharging facilities, safety, food and customer service. About a third of the 600 vendors who had worked on the old bus system have been registered, and given a blue jacket with reflective stripe and a red wheelie bag, and allowed to sell on the buses and at MIO stations. The ID cards allow vendors to be recognised as working citizens, and will enable them to gain formal status and access to subsidised housing and pensions.

Source: Martinez et al. (2019) and POLIS, Universidad Icesi, <http://www.icesi.edu.co/centros-academicos/polis/>

Box 2: Hargeisa: policy inclusion for informal workers

In Somaliland, inclusion of the informal economy is driven by national policy. The National Development Plan II, (NDP II) 2017-2021 recognised the challenges of informal enterprises, which include: lack of literacy; difficulties with infrastructure and operation spaces, lack of inclusion in government policy and lack of access to finance. The Economic Sector Forum has recognised the informal economy as a sub-sector under the NDP II.

The issue is being taken forward by Economic Sector Coordination Meeting (ESCOM), which helps deliver NDP II and coordinate aid relating to the economy, governance and environment. The Ministry of Trade, Industry and Tourism’s 2018 *Micro, Small and Medium-Sized Enterprise Policy* supports improvements to the business and investment environment, a reduction in the vulnerability of informal MSMEs, and their gradual transition from the informal to formal economy, to promote decent work, social protection and promote their potential. The Strategic Initiative for Women in the Horn of Africa (SIHA) network has established a branch in Somaliland.

Source: research findings.

Box 3: Karachi: decline in violence and economic

Since the 1980s in Karachi, ethnic violence between Muhajirs (migrants from Northern India following partition in 1947) and Pashtuns (migrants from north-west Pakistan) has been rife over control of land, housing, transport and extortion territory (Gayer, 2003). In recent years, the security situation has been closely linked to the fate of local government, and progress has been mixed. The high rates of violence seen from 2007 dropped after the launch in 2013 of the paramilitary Rangers Operation. This led to a sharp decrease in homicides, ransom kidnapping and terrorism, although street crime has since started to increase. Local government, set up under the Sindh Local Government Ordinance 2001, resulted in ethnic tension and elections were deferred from 2008 until 2015, after the violence subsided.

The improved security after 2013 led to a revival in business in the city which could then operate without threats of extortion or abduction. Since 2013, there have been a number of federal investment programmes in water supply, bus rapid transit and other development projects. However, the vacuum in power at city level led to a rise in evictions of street vendors and informal housing, for infrastructure improvements and for 'city image' objectives. Various NGOs have protested against the evictions, such as the Urban Resource Centre and the Karachi Urban Labs.

General elections in 2018 resulted in the loss of majority power in Karachi by the ethnically dominated Muttahida Quami Movement (MQM) and succession of Pakistan Tehreek Insaaf (PRI), led by Prime Minister Imran Khan on a platform of justice and equality. International agencies are now investing again in the city, including a major programme by the World Bank.

Source: research findings

The call for inclusion in national and local government policy addressing social protection, improved physical infrastructure including operating space, local and regional/state economic development by research participants is universal. At its core is the goal of recognition by governments at all levels, of the value of the informal economy and its capacity to provide livelihoods, contribute to overall economic development, and contribute further to stabilisation and peace following conflict or other crises.

POLICY IMPLICATIONS 9: Improving governance for stabilisation and development

With an increase in social capital and economic confidence, local governments are better placed to respond to increasing demands from informal enterprises and business associations for better space, services and freedom to operate. However, the informal economy's lack of recognition, acceptance, and inclusion in national and local policy, law and regulation is a barrier to supporting informal enterprise and ignores the revenue potential of a flourishing economic sector.

Entry points for aid agencies, donors, and other stakeholders:

- Local governments and security agencies should provide technical assistance, training and capacity building on economic inclusion for urban planning, public works, market management revenue, legal and regulatory systems, and municipal policy;
- Establish an enabling framework of regulation and bylaws that supports livelihoods and improves the safety, security and tenure arrangements for informal work;
- Build area-based and sector-specific informal economy associations to provide representative organisations for collective bargaining, and institutionalise partnership working;
- Undertake an informal economy budget analysis to examine local government spending supporting informal workers, and
- Establish progressive policy on taxes, fees and regulation to facilitate growth of informal enterprises.

6. Policy & Practice Outcomes



Bici-taxis, Cali

6. Policy and Practice Outcomes

6.1 Surviving, managing, thriving

From this research it is clear that in fragile and conflict-affected situations, **the informal economy provides a dynamic and systemic response to the challenges and opportunities of conflict and urban violence**. For many informal workers – fruit sellers, waste pickers, *chapte* (street food) vendors, or labourers – work continues much as before the crisis, but their **challenge is surviving** in a highly volatile context when urban violence and disaster disrupts transport, supplies and markets. More importantly, particularly in fast burn crises, a solidarity system of survival emerges in which barriers break down and communities unite to face a common threat. Humanitarian interventions often miss this adaptability, ingenuity and solidarity and thus undermine the potential for self-help, for example in early replacement of basic services lost during the crisis.

For informal workers, the **transition to managing** requires more security, stability of markets and operating space, so that capital investment in supplies and equipment – in water coolers or a cart – is not wasted. This means rebuilding the complex networks which sustain informal workers – the suppliers, transport networks, mobile phones, links to middlemen, and relationships of trust and credit – that enable them to operate. Here flexibility to adopt blended livelihoods combining income streams from several jobs is critical, but action by local officials, security or aid agencies can disrupt these fragile networks. Such networks are also vulnerable to co-option and extortion by criminal gangs. Early intervention to prevent such coercion taking hold is critical.

Some informal enterprises and workers find **capacity for thriving** in the hostile business environment of crises. These may be transport operators supplying aid goods, skilled workers in (re)construction, or migrants, IDPs or refugees with access to diaspora networks to support trade and investment, as has been so important in the emergence of Somaliland. For refugees, a particular constraint is when national legislation does not support their right to work, condemning them to ‘unofficial’ income earning activities. Development agencies focus on economic reconstruction for formal businesses, and miss the Local Economic Development potential of the many smaller enterprises which flourish in post-conflict cities, despite unsupportive regulatory frameworks or hostile local government actions.

In the complex process of recovering from conflict or catastrophic disaster, and creating pathways to peace, stability and prosperity, it is clear from the narratives of workers, those affected by conflict and urban experts, that all five cities contain a range of common challenges, including maintaining urban services in hostile environments, dealing with large-scale displacement, and an incapacitated local governance system. Despite these challenges and even if initially for survival, the **prospect of getting people to work is an essential precondition for building peace and stability**. In every case, the informal economy provides those essential building blocks.

6.2 Transition processes

This analysis and review of the research reveals that **the informal economy naturally transitions** from the fragmented, dangerous and chaotic survivalist economy of war, to one that becomes the only economic system in the early days of recovery. Furthermore, it continually expands commensurate with the growth in stability and peace, in turn absorbing more people, further generating stability. This happens regardless of the capacity of government to govern and continues as nascent authorities mature and acquire capacity to fulfil their roles in the aftermath of conflict or catastrophic disasters. Across the five cities various cycles are evident.

Conflict relief period: Economic recovery processes in general, follow a **reasonably predictable cycle evolving** from war/conflict economies providing survival or subsistence incomes, to more robust and regulated economies that generate prosperity within the informal sector. Critical elements of the conflict relief period include the emergence of solidarity/sharing networks, the problem of displaced people (refugees, IDPs and voluntary migrants), and the criminal capture of economic resources. Nevertheless, the crisis generates new opportunities, for example for women’s work, skills development and informal service delivery. Conflict has a

spatial footprint, and all five cities had witnessed accelerated urbanisation, and the creation of ‘no-go’ areas with high levels of insecurity.

Stabilisation period: As the cycle evolves, the **emergence and growth of the informal economy takes place in parallel to the trajectories of emerging or reforming government institutions.** However, government suffers from political flux, lack of capacity/skills, confusion in roles and responsibilities and corruption. Informal enterprises and workers are vulnerable and at risk of violence, exploitation, harassment and extortion; yet the sector continues, often grows, and catalyses broader economic recovery. The informal economy’s response reflects the economic realities and context, and the creative energy and resilience of workers. Challenges for different sectors include:

- Street vending and transport (street safety, public space, extortion);
- Construction (insecure work, but high multiplier effect; expanding labour pool and skills of migrants);
- Manufacturing (collapse and retrenchment amplified during crisis); impact on home-based enterprises for women (e.g. Karachi), and
- Service sector (closure of firms results in decline of cash economy, and domestic and service economy).

Development: The **development phase is affected by economic realities and cultural forces, as inter-group and inter-sector differences and gaps emerge and evolve** through post-conflict periods. Local government’s capacity to regulate, service and tax the informal economy changes during transitions from conflict, with wider implications for governance and the informal economy’s regulatory and tax burden. The emergence of self-help groups and associations can help dialogue with local governments and establish workers’ rights. However, inequalities emerge:

- Between sectors (average pay; market saturation in sectors with low entry barriers and competition for limited job opportunities);
- Between genders (skills gap, pay gap, and cultural context affect women’s work), and
- Between local workers and migrants (access to services and space).

It is critical to ensure that awareness of these transition processes influences post-conflict policy and practice, to help bridge the gap between short-term humanitarian relief and longer-term development. The **policy framework** below is based on the **three intervention Tracks** outlined in Figure 1 (page 4) and the nine boxes on *Policy Implications* in Chapters 3, 4 and 5, and draws on the three dimensions of **economic inclusion, peace-building, and governance** developed through the report. The framework requires that interventions are multi-disciplinary, and take place throughout the recovery period, albeit with different intensity at different stages as shown in Figure 1.

6.3 Track A: Conflict relief

In Track A, the core approach is to ‘do no harm’, to enable existing livelihoods to continue and support their potential to cover the gaps in basic services provision resulting from the crisis. Three entry points for donors, national and local governments and informal economy leaders and associations are to:

- i) Establish partnerships between local governments, NGOs and humanitarian agencies, to examine needs and potential of informal enterprises and workers to support livelihoods and contribute to recovery, e.g. through basic service provision;
- ii) Ensure that local government systems are not bypassed in overseeing security, and supporting basic service delivery;
- iii) Ensure that aid interventions support, but do not destroy or undermine, existing informal employment, and use aid money to simulate the local economy, and promote community associations to help self-governance.

6.3 Track B: Stabilisation initiatives

In Track B, the focus shifts to supporting worker organisations and solidarity economies, and beginning to address the regulatory environment in which the informal economy operates. Four entry points are to:

- i) Strengthen partnerships between and local and national authorities to facilitate the creation of social inclusion and protection policies, and stronger tenure rights and protection, including protecting rights and working conditions for refugees and IDPs;
- ii) Build the capacity of associations representing informal workers, such as business associations or trade unions, as platforms for dialogue and business development;
- iii) Invest in local government capacity building to enhance awareness of the informal economy's Local Economic Development, its employment and revenue potential, and appropriate street-level and participatory management;
- iv) Strengthen security and target insecurity risks for informal workers, and vulnerable groups, including 'conflict economies', e.g. prostitution, or criminal activities of extortion, drugs and weapons trafficking.

6.4 Track C: Development programmes

In Track C the priorities are for building the framework for worker rights, and social security, and developing local government capacity to understand and work with the informal economy and capitalise on its potential for Local Economic Development. Three entry points are proposed:

- i) For informal enterprises and workers, build the capacity of associations to advocate for appropriate regulatory protection, and develop public-private-civil society partnerships to develop infrastructure and operating environment to support their development;
- ii) For local authorities (municipality staff and police), provide technical assistance, training and capacity building on economic inclusion for: urban planning, public works, safety, revenue, legal and regulatory systems, and municipal policy to support the informal economy, and
- iii) Drawing lessons from the urban observatories and inclusion policies in Cali, Colombia, develop data on informal economy operations and establish cross-agency monitoring of remaining security issues, and innovative ways of inclusion of informal enterprises and workers in all relevant infrastructure and development programmes.

6.5 Lessons learned

'Resilient recovery' relies on coordinated aid/local resource implementation of support in **five key areas linked to longer-term recovery and development**. All five are critical elements to early urban recovery to embed sustainable post-crisis reconstruction, and link to common local government departmental structures. Each is co-dependent, and links through diverse pathways to long-term urban development. **Each is critical for informal livelihoods**, as it is for housing:

- **Shelter:** temporary to transitional built environment;
- **Land:** following the continuum of rights from occupancy and use to formalised tenure;
- **Environment:** clearing war detritus to improve health and safety;
- **Basic services:** providing critical services and social infrastructure;
- **Livelihoods:** addressing the continuum from informal to formalised and commercial economies.

Elements of 'resilient recovery' are present in each of the five case studies, either as demands from informal economy stakeholders, or as diverse inputs from governments and aid agencies. **Cali** has achieved significant reductions in homicide rates through a cross-agency data-driven approach, but local drug dealing and extortion remains a problem. In **Dohuk**, problems of integration of the large-scale refugee population remain. **Hargeisa** has recognised the challenge and opportunities of informal work in its new national micro-enterprise policy, but the economy remains fragile. **Karachi** has reduced homicides through paramilitary intervention, but local government remains emasculated. The economy of **Kathmandu** remains weak in the light of continued political uncertainty.

For resilient recovery to be achieved, different actors play key roles:

Humanitarian actors must recognise and support the informal economy in the immediate aftermath of crisis (leveraging human capital in recovery), and use guidelines and tools (e.g. ILO (2010) report on *Local economic recovery in post-conflict*).

Local government should recognise that historically the informal economy is the primary economic driver in replacing economies damaged or destroyed by conflict or from causes. Policy should adopt a Local Economic Development approach that favours a minimum burden of regulation and taxes, and target service improvements to increase productivity of the informal economy.

Informal economy stakeholders need associational capacity to lobby for workers' rights and managed space (including rights of use/occupancy on land), and to develop capacity to lobby for international aid and to promote use of local resources.

Although the post-conflict/crisis informal economy is fraught with challenges, many of these initiatives can inform key entry points for affected communities and governments and humanitarian and development partners to assist in overcoming or minimising the effect of urban conflict, violence and crises. In all cases, recognition of the potential for peace, stability and prosperity to emerge and strengthen as the informal economy matures is a key precondition for support and essential to reducing vulnerabilities, enhancing livelihoods, and kick-starting overall economic recovery.

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H	Brown, A., Mackie, P., Ali, E., and Dickenson, K. (2017) The informal economy in civil war: Hargeisa. https://www.cardiff.ac.uk/informal-economy-research-observatory/projects/post-conflict-urban-livelihoods
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* Page numbers are written as follows: (H p33) etc.

