



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

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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
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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



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