



Struck Out

The everyday economic and livelihood impact of bandhs & strikes in Nepal

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Contrary to popular expectation, since the signing of a national peace agreement in 2006, and Nepal's first democratic elections as a republic in 2008, social and political unrest in the form of bandhs and politically motivated labour strikes have not only continued, but intensified. As a strike wave sweeps across the country, it appears that neither government appeal nor political party agreement to curb such action, has had significant affect; particularly as government affiliated organisations continue to facilitate these damaging activities. More than ever, there is an urgent need to (i) methodically asses and properly understand, the full extent of livelihood and economic costs which result from bandhs and labour strikes, and (ii) ensure that substantial action is immediately undertaken to end the endemic bandh cultural which now extends across much of Nepal.

Bandh culture

The Nepali word bandh or 'general strike' literally means to close, and when a bandh is called, this is exactly what happens. During a successful general bandh, markets are closed, businesses shut, roads are deserted, and students remain home from school. Participation is often enforced and those who refuse to comply can face serious property damage, injury and even death. This form of remonstrance increased in prevalence during the nation's recent ten-year civil conflict, utilised particularly by the now governing political parties. However, so effective have strikes and bandhs demonstrated themselves to be, and so legitimised has the action become, that across the country all sorts of groups are now mobilizing themselves to carry out such action.

In addition to political parties and their affiliates, in the past year local councils, ethnic groups, students, journalists, and even teachers have all organised bandhs, often bringing specific regions or sectors of the economy to complete stand still. At the same time, the scale and prevalence of politically motivated labour strikes - organised by politically aligned union groups - are also rapidly increasing and reeking havoc on business.

So common are bandhs and politically motivated labour strikes becoming, that the UN Office for the Coordination of Humanitarian Affairs in Nepal recorded 755 major events in 2008 alone. A popular public website, *nepalbandh.com*, recorded 100 separate actions across the country in one month, and up to nine in one day¹. In addition to these major events, are the hundreds if not thousands of smaller scale bandhs, labour strikes and road blockades which occur each month in districts across Nepal.

¹www.nepalbandh.com is a site that lists an update chronology of daily 'bandhs'.

In January 2009, business outcry and concern over future business investment encouraged a government appeal to the general public to end the growing strike culture. This was accompanied by an agreement between major political parties to curb their own strike activities for six months particularly those which would impact vital services, such as hospitals, industrial estates, commercial and banking sectors, educational institutions and major highways. While this appeared a positive first step, it has not been enough to curb the increasing prevalence of strike and bandh activity.

Within the first week of the agreement, a trade union closely linked with the ruling Maoist party, reportedly forced the almost complete closure of a public hospital causing mass chaos within the institution². The general public showed a similar lack of restraint, and a transportation strike and blockade at the Jogbani border point forced some 500 factories along the Sunsari-Morang Industrial Corridor to shut operation because they were unable to gain supplies or deliver products to market.

Food security and livelihood impact

The impact caused by bandhs on daily livelihoods and food security is immediate, and it is often the poorest populations who are worst hit. About a quarter of Nepal's population spends more than 75 percent of their income on food. When this population is prevented from earning a day's wage - due to business closure, inability to travel to work or inability to access markets - this most often means missing a day's meal. When bandhs extend for several days, weeks or even months, the situation for the poor becomes critical. Coping mechanisms identified by WFP Nepal include borrowing money or food, scavenging or skipping meals³.

² Hospital strike test for Maoists, January 16 2009, BBC News, Kathmandu.

³ Coping mechanisms are taken from 2008 WFP Nepal Household Monitoring data - July-September and October - December data series.

Even small scale localized bandhs can create huge ramifications on livelihoods and food security across the country if major transportation routes are blocked. For instance, in the *July WFP Joint Market Watch* it was reported that a 26-day strike in the regional market of Dhangadhi, blocked food supply across markets in the Far-Western Hills and Mountains and forced the complete closure of Sanfebagar Market due to depletion of stocks⁴.

Across Nepal, traders report the negative impact of bandhs both to their business and to consumers. The Terai is most commonly impacted, and a recent WFP survey found that 93 percent of food traders in this region considered bandhs to be a major business problem⁵. This survey also found that between July and December 2008, 14 percent of traders in the Terai had to close their business because of bandhs. Other reported impacts included: supply constraints, high transportation costs, buyers unable to access markets and general fear.

Transportation strikes and road blocks also block fuel and other critical supplies. Lack of education, and broader understanding of, or concern for, the consequence of such actions means that even medical supplies and humanitarian assistance is often not allowed passage.

Broader economic impact

Beyond the immediate impact to livelihoods are the broader economic ramifications of constant bandhs and labour strikes. Nepal is ranked as the poorest country in South Asia, and ten years of civil conflict has resulted in GDP growth falling from over 6 percent in 2000 to 2.3 percent in 2007⁶. When a peace agreement was signed at the end of 2006 it was expected that production, investment and trade would rapidly increase - marking the beginning of a period of strong economic growth. However, the anticipated economic growth has so far failed to launch⁷, and while a number of factors are at play, the direct impacts of political unrest, resulting in bandhs, labour strikes and other demonstrations are undoubtedly having a marked impact.

A day's bandh has commonly been estimated to cost the economy around NPR 630 million (which represents close to one day's GDP)⁸ in direct industrial loss alone. More detailed economic evaluations of particular bandhs have supported this figure. For instance, the Federation of Nepalese Chambers of Commerce and Industries (FNCCI) estimated a 20 day long Terai bandh in 2007 to have caused economic losses of around NPR 28.74 billion⁹. Direct losses include reduced productivity, spoiled product

and inability to meet supply commitments. However, no detailed methodology has been developed to estimate the combined industrial losses of strikes over a year, let alone the additional agricultural losses and indirect costs.

The indirect costs to the economy of continued social unrest are arguably even more serious. There is strong indication that the recent period of peace has been amongst the most demoralizing for business. Continual strikes, and bandhs have held business to ransom, and for many business managers there appears little end in site. Preliminary results from a joint ADB, DFID and ILO study indicate that businesses perceived strike action and ongoing political instability as the two major constraints to economic growth during 2008 (above power outages and labour law)¹⁰.

Palmolive is just one recent example of a major corporation which remained hopeful during the civil conflict but cut losses in post conflict Nepal, citing labour reasons, and ongoing strikes and bandhs as a major reason for leaving the country¹¹. Ultimately it is the combination of these ongoing agitations, on top of already low labour productivity, infrastructure and power challenges which are causing many large investors to see Nepal as simply too difficult an investor opportunity. As financial markets around the world tighten due to the global financial crisis, Nepal faces a serious challenge in maintaining, let alone increasing, investment. And as long as bandhs and labour strikes continue with current intensity, there is little reason to assume the situation will improve.

Beyond the bandh

If bandhs and politically motivated labour strikes are to be significantly reduced across Nepal, then immediate and substantial action must be taken against strike organisers who break laws through violence, intimidation, obstruction of public infrastructure and other means. In order for this to be affective, and to de-legitimise bandh action, government affiliated organisations such as politically motivated labour groups, will need to be those first targeted.

This is a difficult and sensitive process and should be achieved while ensuring the democratic right to peaceful political protest. In addition to forced action against those who organise bandhs, the social factors which give rise to increased social instability such as poverty, food insecurity and social exclusion need to be carefully monitored and continually reduced.

Justification for serious action to immediately reduce bandhs and labour strikes lies in the immense economic costs, and livelihood impacts caused by Nepal's increasing bandh culture. These costs, at a regional and national level also need to be both better understood and more commonly reported.

4 Joint Market Watch # 4, WFP Nepal, July 2008.

5 The WFP Nepal, Market Traders Questionnaire surveyed 127 wholesalers and retailers between June and December 2008.

6 USDA baseline data sets, 2009/ Asian Development Bank & Nepal, 2008 a Fact sheet, ADB 2008.

7 Growth in GDP fell from 3.1 percent in 2006 to 2.3 percent in 2007, ADB: Asian Development Outlook, Nepal, 2008.

8 www.nepalnews.com/np/contents/englishmonthly/businessage/2002/may/cover.htm.

9 FNCCI assesses Rs. 28.74 b loss in Terai unrest, seeks compensation, Biz Correspondent , 14 February 2007.

10 Nepal Country Diagnostic Study, ADB, DFID & ILO, Consultation Workshop 23 September 2008.

11 Disunion, Nepali Times, 28-11-2008,

www.nepalitimes.com.np/issues/2008/11/28/headline/15411.