

Risky Business?

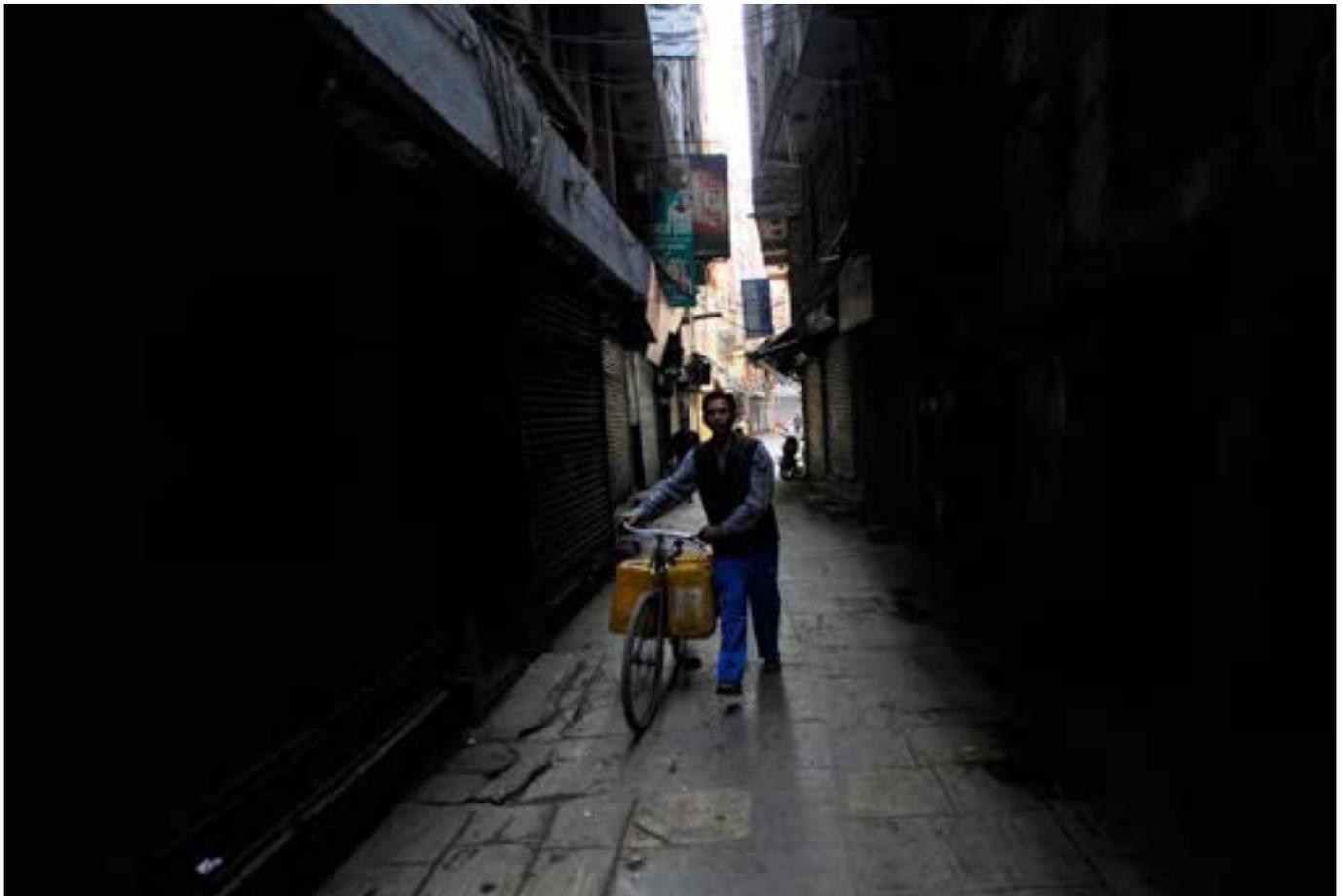
Crime and Security Perceptions in the Nepali Private Sector

Locked in a state of perpetual transition since the end of a decade-long civil conflict in 2006 that claimed over 13,000 lives and internally displaced around 200,000 people,¹ Nepal is still plagued by political, economic, and physical insecurities. One in four Nepalis lives below the poverty line (CBS, 2011a, p. 18) and, together with poverty, unemployment is frequently seen as the greatest problem facing Nepalis (Racovita, Murray, and Sharma, 2013; IDA and Saferworld, 2009; 2010).

In this context, businesses² play a key role in social and economic recovery.

Violence of the kind Nepal experienced during the civil war not only affects human life, but also destroys livelihoods by depleting capital, damaging infrastructure, lowering productivity, and reducing opportunities for employment (De Martino, 2012; Geneva Declaration, 2010). Since 2007, however, Nepal's war-damaged economy has shown positive signs of growth and renewed investment. At

the same time the volatile political situation and persistent criminal activities continue to take their toll on the business sector. To understand the challenges faced by the business community and the extent to which crime affects Nepali economic sectors in the key industrial corridors, the Small Arms Survey and the Institute for Integrated Development Studies (IIDS) undertook a survey of 160 Nepali businesses located in seven major industrial corridors: Kathmandu Valley, Morang-



A commuter pushes his bicycle past shuttered shops during a general strike, Kathmandu, March 2006. © Prakash Mathema/AFP

Sunsari, Bara–Parsa–Makwanpur, Pokhara, Butawal–Bhairahawa, Banke, and Kailali–Kanchanpur.

This *Issue Brief* explores the security perceptions and experiences of Nepali businesses from 2007 to 2012 and investigates major challenges to doing business, types and frequency of crime, actors and instruments of violence, losses experienced, and steps taken to prevent crime. Key findings include the following:

- Seventy per cent of respondents identified the volatile political situation as the largest obstacle to business activities in 2012, followed by fluctuating fuel prices (58 per cent) and interest rates (35 per cent).
- The majority of respondents (over 80 per cent) reported that their premises experienced at least one type of crime between 2007 and 2012. Of those businesses that were victims of crime, 16 per cent experienced five or more incidents. Among the total number of incidents reported, the most frequent was burglary (over 30 per cent of cases reported), followed by extortion (24 per cent) and vandalism (20 per cent). In Kathmandu, burglaries comprised nearly 60 per cent of the crimes reported by businesses.
- The direct losses from crime are relatively small compared to the indirect costs of instability. The survey respondents who were victims of crime between 2007 and 2012 registered around NPR 22 million (USD 250,800) in direct losses from crime.³ In contrast, the cost of instability caused by a single day of national protests or strikes (*bandhs*) was estimated at between NPR 680 million and NPR 2 billion (USD 7.8 million and USD 22.8 million).
- Businesses generally perceive the formal provision of security positively and are appreciative of police performance in fighting crime, with 60 per cent claiming that police performance had improved over the year preceding the survey.
- Many businesses take measures to deter or prevent crime, such as em-

ploying armed or unarmed security guards, and installing fences, special window protection, entry control systems, and even closed-circuit television cameras. A large majority of businesses (85 per cent) expressed interest in joining cooperative actions against crime.

This *Issue Brief* is divided into four sections. It begins with an analysis of perceptions of security and looks at crime and victimization in the business sector over the period 2007–12. It then examines perpetrators of crime and instruments of violence, and subsequently reviews the losses suffered by

Box 1 The business survey in focus: sampling and methodology

The survey covered 160 enterprises in Nepal's major business sectors, as identified by the Department of Industry (2012), i.e. manufacturing, services, tourism, agriculture, and construction.⁴ These sectors included enterprises engaged in a range of activities, based on the International Standard of Industrial Classification of all Economic Activities (ISIC),⁵ i.e. manufacturing; agriculture, forestry, and fishing; construction; information and communication; education; human health; administrative and support service activities; financial and insurance activities; and arts, entertainment, and recreation (UNSTATS, 2013). Businesses and industries were selected from key industrial corridors by the number of businesses registered, i.e. the Kathmandu Valley (Central Region, which accounted for 20 per cent of the sample), Morang-Sunsari (Eastern Region, 20 per cent), Bara-Parsa-Makwanpur (Central Region, 20 per cent), Pokhara (Western Region, 10 per cent), Butawal-Bhairahawa (Western Region, 10 per cent), Banke (Mid-western Region, 10 per cent), and Kailali-Kanchanpur (Far-western Region, 10 per cent). Businesses were also selected according to the volume of current economic activities in the various sectors, i.e. the relative size of the sectors and their location in the various corridors (see Table 1). No enterprises were chosen from the energy and mining sectors.

The sample includes a range of small, medium-sized, and large companies with between 3 and 1,000 employees, as follows: 3-10 employees (11 per cent of the sample), 11-50 employees (42 per cent), 51-100 employees (19 per cent), 101-500 employees (24 per cent), and 501-1,000 employees (4 per cent).

Face to face paper-and-pencil interviews were conducted using a pre-coded survey questionnaire modelled on the UN International Crime against Business Survey questionnaire. The questionnaire was first prepared in English and then translated into Nepali. It included questions on the business establishment itself; the respondent's position in the company; and the respondent's perceptions of crime and risk, experienced victimization, crime reporting, and law enforcement and protection measures. A pilot survey was carried out of businesses in the Kathmandu Valley in August 2012, and additional questions related to interviewees' suggestions and recommendations were added to the final questionnaire. The response rate was 100 per cent.

Table 1 Sample size selection by sector

Sector	Sample size	% of sample	% of total economic activities
Manufacturing	52	32.5	47.2
Tourism	19	11.8	17.4
Construction	19	11.8	0.8
Agriculture	17	10.6	4.5
Banking	18	11.3	6.9
Health	11	6.9	6.9
Education	14	8.8	6.9
Communication	10	6.3	6.9
Energy based*	0	0	1.8
Mineral based*	0	0	0.7
Total	160	100.0	100.0

* Not included in the sample. Source: IIDS and Small Arms Survey (2012)

businesses as a consequence of crime and instability, which add to the persisting costs of the civil conflict. Finally, it looks at security providers and explores the security measures taken by business to prevent crime.

Business environment: perceptions of crime, security, and risk

As a landlocked country with a rugged topography, Nepal has to overcome geographical and historical challenges to achieve economic recovery from the civil war. The development of infrastructure is particularly difficult and expensive in the country's mountainous regions. Historical social, ethnic, and political inequalities also serve to reinforce the low level of development (Upreti et al., 2010). The country's economic prospects have improved since the end of the conflict in 2006 (Table 2), which was followed by a decrease in overall poverty rates,⁶ burgeoning of foreign investment,⁷ and a financial sector boom (USAID, 2010, p. viii).

Almost seven years after the conclusion of the 2006 Comprehensive Peace Agreement (CPA), the country's war-damaged economy remains fragile and the effects of the conflict are still being felt. In addition to the significant loss of life, large-scale displacement (IDMC, 2012), the disruption of production activities, and the decrease in investment, the conflict also resulted in severely damaged infrastructure, for example buildings, roads,⁸ electrical power plants,⁹ and telecommunication

towers. (Ra and Singh, 2005). This has crippled energy supplies and restricted the movement of goods (leading to food shortages) and the provision of services (Upreti and Ghimire, 2011), which in turn have negatively impacted small and large business enterprises alike.

Besides the physical destruction that accompanied the conflict, businesses were also directly targeted during the insurgency, either as sources of income for the insurgents or for being so-called 'class enemies' (Alexander, Gündüz, and Subedi, 2009, p. 20). Many were subjected to sabotage, unlawful taxation, and extortion (Upreti and Ghimire, 2011; NCCR, 2012), particularly multinational companies and large Nepali companies and businesses that were believed to have ties with the old elites (Sharma, 2010, p. 51). Driven by the quest for social, political, and economic equality, the conflict period saw a proliferation of labour union activities, protests, and strikes aimed at coercing the private sector into changing its employment policies (Sharma, 2010). Companies responded by adopting various coping strategies ranging from the temporary suspension of activities to relocating to neighbouring India or investing more heavily in assuring their own security (Joras, 2008, p. 33), which increased the overall cost of doing business. Not all companies or sectors were adversely affected by the war, however. Some are reported to have registered profits, such as airline companies, which saw their revenues increase as more

and more travellers opted for the safer air route rather than the more dangerous land routes (Jyoti et al., 2006, p. 15). By and large, however, macroeconomic indicators pointed to the decade-long war taking a heavy economic toll,¹⁰ emphasizing the need for a sustained post-conflict recovery effort.

Socioeconomic inequalities acted as catalysts for the conflict and put economic recovery high on the agenda for the transition period. The 2006 CPA included provisions dealing with the promotion of national industry, land reform, economic security, employment, and workers' rights (Nepal, 2006). However, it did not chart a roadmap for action, possibly to avoid dissension among actors on the ways to achieve these targets (Wennmann, 2009, p. 19). After the CPA was concluded, and with the increased flows of donor money into the country, the question of 'how' to promote economic recovery re-emerged, and many identified the private sector as the 'engine of wealth creation' (DfID Nepal, 2012, p. 3). Following the inflow of donor aid and business initiatives, some economic indicators have showed positive signs of real GDP growth: Nepal's GDP rose by 4.6 per cent in 2011–12, compared to 3.9 per cent in 2010–11 (UKTI, 2012). Despite this encouraging outlook, the business sector still faces numerous challenges stemming from both the damage inflicted by the war and the post-conflict instability.

Structural challenges are exacerbated by political instability, crime,

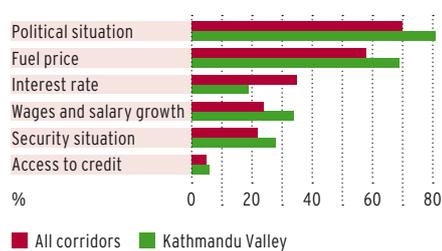
Table 2 Key Nepali economic data

	GDP* (current USD)	Annual GDP growth (%)	GNI** (current USD), Atlas method	Foreign direct investment (USD)	Annual inflation (% of GDP)	Cost of starting a business (% of GNI per capita)
2007	10.3 billion	3	9.8 billion	5.7 million	7.6	73.9
2008	12.5 billion	6	11.6 billion	1.0 million	5.6	60.2
2009	12.9 billion	5	13.0 billion	38.0 million	15.9	53.6
2010	16.0 billion	5	14.6 billion	88.0 million	15.1	46.6
2011	19.0 billion	4	16.6 billion	94.0 million	10.4	37.1
2012	19.4 billion	5	19.2 billion	92.0 million	8.7	33.0

* Gross domestic product. ** Gross national income. Source: World Bank (n.d.a); UNCTAD (2013, p. 243)

and insecurity. Survey respondents identified the deteriorating political situation as the single most important problem facing businesses in Nepal (70 per cent), well ahead of the security situation (22 per cent) (see Figure 1). This contrasts with the findings of a 2011 survey on business expectations, which found that government regulations were the largest obstacle to doing business in Nepal, followed by labour market problems (including the impact of strikes) and the lack of financial resources (IIDS, 2011, pp. 10–12).

Figure 1 The most disruptive forces affecting Nepali business enterprises, 2012 (n=160)



Note: Multiple responses possible; percentage of total answers displayed.
Source: IIDS and Small Arms Survey (2012)

The frequent political stalemates over questions of federalism, the recent failure of the Constituent Assembly to produce a new constitution after four mandate renewals, and the assembly's subsequent dissolution in May 2012 have fuelled uncertainty and produced a bleak short-term economic outlook. The continuous deferring of election dates in the absence of a durable political compromise has cast doubt over investment initiatives such as Investment Year 2012–13 (*Republica*, 2012a). Survey respondents rated political instability as a primary concern across the board, particularly in the Kathmandu Valley, where over 80 per cent of businesses rated this issue as the most important (see Figure 1). A 2010 business survey suggested that the major impediments to business growth were strikes (or *bandhs*; see Box 2 for a detailed discussion of their economic impact), followed by political instability (38 per cent of the sample), and inadequate infrastructure, including roads and electricity supplies (23 per cent) (IDA and Asia Foundation, 2011, p. 54).¹¹ Together with the rise in

the number of *bandhs* in 2012 compared to 2010,¹² the dissolution of the Constitutional Assembly in 2012 can be seen as exacerbating insecurities related to the political situation, which could explain the higher ranking awarded to the political context in 2012.

Besides political volatility, the fuel price was also perceived by a majority of survey respondents to be a major force disrupting business (see Figure 1). Nepal is still largely dependent on petrol to fuel generators and power cooking appliances, as well as for transportation. Due to oil shortages, energy blackouts of 14 hours a day are still common, adversely affecting businesses and communities. Imported exclusively from India, petrol is not just in short supply, but also expensive, with frequent price hikes making it a commodity rather than a day-to-day consumable. For example, the price of petrol increased in September 2012, rising for the fifth time in nine months to NPR 125 (USD 1.40) per litre, while diesel and kerosene cost NPR 97 (about USD 1) per litre and liquefied petroleum gas cost NPR 1,470 (USD 16.80) per cylinder, resulting in higher operational costs for industries and increases in all commodity prices (*Kathmandu Post*, 2012; *Republica*, 2012b). Survey respondents from manufacturing industry most frequently cited fuel prices as a major disruptive force affecting their operations. Other capital-intensive sectors like construction, agriculture, and tourism cited high interest rates as a key problem. In over 20 per cent of answers the security situation was seen as deeply problematic for business operations. Businesses located in the Bara–Parsa–Makwanpur corridor were most concerned about disruptions caused by the security situation.

Perceptions of crime risk

Over 70 per cent of respondents said the risk of crime affecting their establishments had decreased or remained the same in 2012 compared to the previous year (see Figure 2). A higher number of businesses located in the Kathmandu Valley felt at risk than

those located in the other major industrial corridors surveyed. Sixty-three per cent of respondents based in the capital—more than double the sample average—said that the risk of crime had increased in their area compared to 2011. This higher perception of the risk of crime is supported by recent survey findings that show urban spaces in Nepal displaying a higher concentration of popular insecurity (Racovita, Murray, and Sharma, 2013). Forty-four per cent of businesses located in the Kailali–Kanchanpur corridor claimed that the risk of crime increased in 2012. This insecurity may be a result of the precarious economic situation after the 2012 flash floods that affected Kailali and Kanchanpur in particular (UNRHCO, 2012b; WHO, 2005), as well as the open border with India, which is associated with increased criminality.

On a positive note, 53 per cent of respondents from the Bara–Parsa–Makwanpur industrial corridor said that the perceived risk of crime affecting their establishments decreased in 2012. This can be attributed to the increased presence of the Nepal Police since 2011 and also to the establishment of community security initiatives involving the private sector, such as the Safer Birgunj Project¹³ in Parsa, which is considered to be a success (Saferworld, 2013, pp. 19–20).

Asked to estimate their future crime risk, more than a third of survey respondents (36 per cent) said that they believed they were likely to experience burglaries in the coming year. Another 30 per cent thought extortion, followed by assault (20 per cent), vandalism, and requests for bribes (19 per cent each), as most likely to occur. A quarter of all respondents said they did not expect to fall victim to any kind of crime in the coming year. Conversely, 75 per cent of the businesses interviewed feared victimization by any type of crime in the coming year. These results vary geographically and by type of crime (see Figure 3).

Businesses based in Banke expected to suffer primarily from burglaries in 2013 (63 per cent), followed by theft (56 per cent). Respondents from the

Kathmandu Valley also expected burglary to be their main concern (56 per cent). Respondents declared that cash (which can easily circulate) and items such as machinery, equipment, or goods produced by the establishment are more sought after during burglaries than raw materials present on the premises. Extortion—i.e. the request for protection money or obtaining funds by intimidating personnel or threatening to damage the business premises—was most expected by businesses in the Bara–Parsa–

Makwanpur and Kailali–Kanchanpur areas (each at 56 per cent). Vandalism was also a concern especially for businesses in Banke, while assault was most expected by establishments in Butawal–Bhairahawa and the Kathmandu Valley. Interestingly, 50 per cent of businesses located in the Morang–Sunsari corridor did not expect to fall victim to any type of crime in the coming year. Whether this perception is due to a high degree of confidence in local security measures or the result of a period of relative calm in this area is unclear.¹⁴

Experiences with crime targeting businesses: incidence, prevalence, and distribution¹⁵

Generally, business victimization surveys emerged from a concern about the impact of crime on developing economies, but have subsequently been applied to a variety of settings,¹⁶ from Western and Eastern Europe to Asia and Africa (Broadhurst et al., 2011, pp. 25–27). For example, in 2006 a survey of more than 5,000 businesses in four cities in China found that a little over a quarter of businesses interviewed had experienced at least one crime incident (Broadhurst, Bouhours, and Bouhours, 2013, p. 276). A survey conducted in Nigeria in 2006 found that the rate of prevalence of business victimization by criminals was 48 per cent (NBS, 2010; Broadhurst et al., 2011, p. 29). Similarly, a survey conducted in nine Eastern European capitals in 2000 found that close to a third of businesses (27 per cent) were victims of crime in 1999 (Alvazzi del Frate, 2004, p. 144). In Western Europe the results vary: in Italy the one-year prevalence rate of business victimization by criminals was around 36 per cent in 2008 (Mugellini, 2012, p. 12), while in England and Wales it was 46 per cent (UK Home Office, 2013). In a survey conducted in Mexico in 2011 the rate of business victimization by criminals was 37.4 per cent (INEGI, 2012, p. 2; Mugellini, 2013b, p. 51). Although not directly comparable, these results provide an idea of how crime affects business in various settings.

In Nepal, perceptions of security are coloured not just by the country's political volatility or economic situation, but also by businesses' experiences with crime and violence since the end of the conflict. Over 80 per cent of survey respondents declared that their establishments had been victims of at least one type of crime between 2007 and 2012. Of the total sample, 18 per cent of respondents experienced burglary, 14 per cent extortion, 12 per cent vandalism, 10 per cent requests for bribes, and 9 per cent assaults. Data suggests that targeting businesses is a recurrent practice

Figure 2 Perceptions of crime risk for business establishments in 2012 compared to 2011, by corridor (n=160)

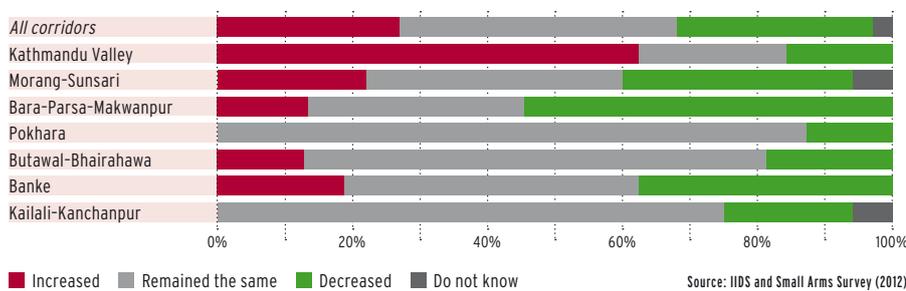
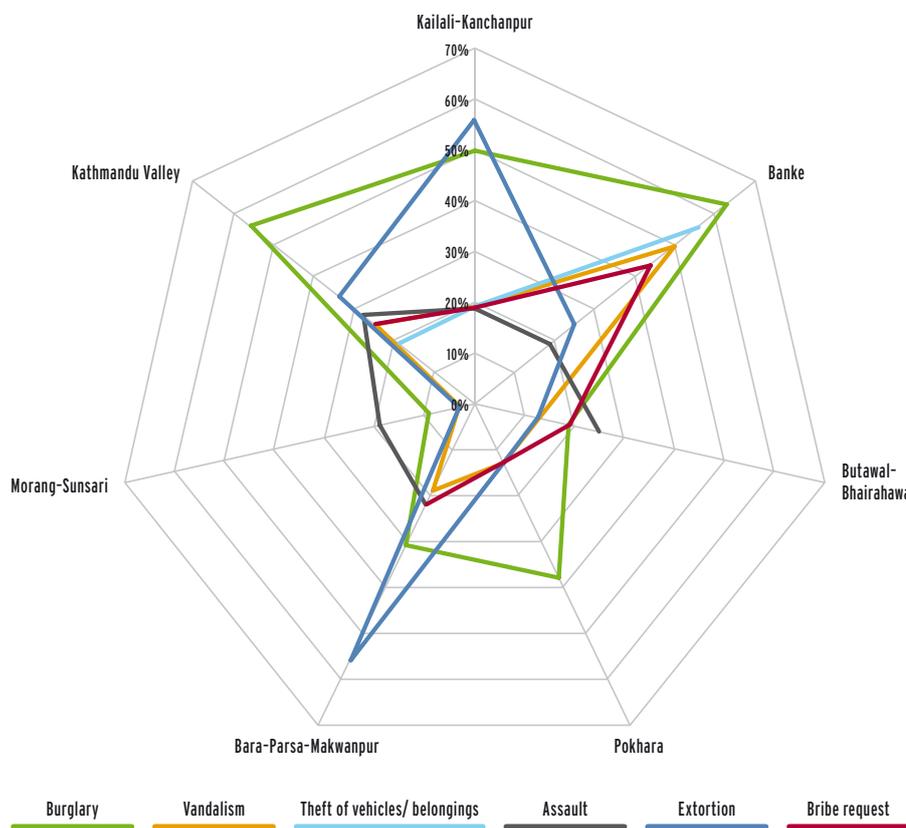


Figure 3 Businesses' perceptions of crimes they were most likely to experience in 2013, by type and corridor (n=160)





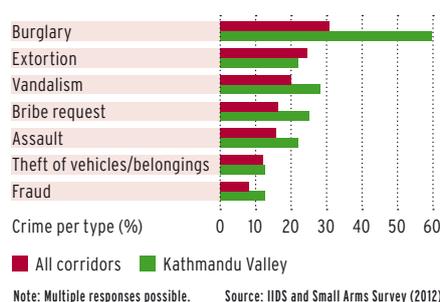
Businessmen from various sectors protest after a hotelier was kidnapped and assaulted, Kathmandu, March 2007. © Devendra M. Singh/AFP Photo

rather than a once-off event. 'Multi-victimization' refers to multiple types of crime affecting the same entity, while 'repeat victimization' refers to multiple occurrences of the same type of crime in the same entity (Mugellini, 2013a; Weisel, 2005). Sixteen per cent of the businesses surveyed had experienced five or more crime incidents since 2007. In terms of the overall distribution of crimes, the most frequent type experienced by survey respondents between 2007 and 2012 was burglary (31 per cent of cases reported), followed by extortion (24 per cent), vandalism (20 per cent), and requests for bribes and assault (16 per cent each) (see Figure 4).

In terms of the geographical distribution of crime targeting businesses,

the Kathmandu Valley¹⁷ distinguishes itself by registering almost double the average rate of burglary cases reported by survey respondents: almost 60 per cent of crimes reported by respondents from Kathmandu between 2007 and 2012 were burglaries. The Valley

Figure 4 Crimes experienced by businesses by type in all corridors and the Kathmandu Valley, 2007-12 (n=160)



(including the districts of Kathmandu, Lalitpur, and Bhakthapur) also had higher-than-average corridor rates of crime across all categories, except for extortion (see Figure 4).

The higher crime rate in the Kathmandu Valley may be due to the urban-rural divisions that shape the patterns of victimization at the community and interpersonal levels (Racovita, Murray, and Sharma, 2013). The increased flow of firearms reported in the Valley may also be related to crime (Khatri, 2011; *NewKerala*, 2012). The number of burglaries experienced by businesses was also higher than average in the district of Banke in the Terai region. On the other hand, extortion cases were most frequently reported in the Bara-Parsa-Makwanpur corridor, where they accounted for 60 per cent of cases. Respondents declared that they had experienced requests for protection money or extortion through the intimidation of personnel or threats to the establishment at least once in the previous five years. For instance, in 2010 businesses in the Bara district on the border with India reported receiving as many as three or four threatening requests for 'donations'¹⁸ a day (Kafle, 2010, p. 11).

From victim to enabler: conflict financing, forced donations, and corruption

Businesses are not only victims of crime or violence, but sometimes become willing or unwilling enablers through corrupt practices or when forced by direct threats or problematic circumstances.

Armed groups in Nepal have historically relied on a variety of conflict-financing methods, ranging from informal taxation (such as demanding a percentage of the harvest¹⁹) to the smuggling of goods (such as *yarcha gumba*²⁰), criminal activities (bank robberies, extortion), tourist levies, and remittances from abroad. War is a costly enterprise, with Nepali insurgent groups reportedly having had to spend close to NPR 10 million (USD 114,000) each month in 2002 at the height of the civil conflict just to

keep up their war effort (ICG, 2005, p. 17). Most of these funds were used to support political and military activities, and less to strengthen administrative capacities. This in turn reinforced the fluid organizational structures of armed groups and served to further blur the distinction between criminally and politically oriented groups in the post-conflict period (Bogati, Carapic, and Muggah, 2013).

What began as a financing tactic for armed groups during the conflict became increasingly perceived as predatory practice in the later years of the war (Seddon and Hussein, 2002, pp. 20, 22). Following the signing of the CPA, these practices reportedly decreased, but did not disappear, becoming channelled into the legal domain. Many of these practices remained unregulated as part of official taxation and donation drives for political campaigns.

Survey respondents described extortion or forced donation as a pervasive and severely underreported practice across all industries and corridors, particularly in the banking and education sectors. In early 2013, following a number of retaliatory attacks against businesses who refused to make 'donations' to various groups, the Federation of Nepali Chambers of Commerce and Industry asked the government to stop forceful donation drives and regulate donations in general, setting a cap on sums that can be requested (*Kathmandu Post*, 2013a). Business associations have also reportedly asked to be allowed to report the sums they have donated in their inventories, to make the practice more transparent.

Corruption is also a concern for the business sector and the economy more broadly.²¹ Nearly 10 per cent of survey respondents reported that they had received requests for bribes from public officials in 2012. Though not directly comparable, the figure is close to the rate of corruption cases registered in Nigeria in 2006, where 9 per cent of businesses surveyed admitted to paying a bribe to an official (Broadhurst et al., 2011, p. 29). In UN International Crime against Business Survey

surveys in Eastern Europe in the 1990s, 19 per cent of businesses reported paying bribes (Broadhurst, Bouhours, and Bouhours, 2013, p. 287). However, this percentage is lower than the world average of 25 per cent, which represents the number of firms expected to give bribes to public officials to smooth business transactions and 'get things done' in 2009, and lower than the average for South Asia, which stood at 36 per cent (World Bank, n.d.b). In 2009 a survey of 368 private companies in Nepal found that 15 per cent of businesses reported that they were expected to supply gifts to public officials to get things done, a figure that rose to more than 60 per cent if the awarding of a government contract was involved (World Bank, n.d.a).

Despite its apparent frequency, bribery is severely underreported, with just 25 cases (out of 618 cases of corruption) brought to the Special Court from 1990 to 2010, of which only 7 resulted in convictions (Dix, 2011, p. 15). By not reporting bribery and incidents of corruption more generally, businesses are both victims and enablers of corrupt practices. Besides bribes, corrupt practices reported in the country also include the receipt of or demand for commissions, brokerage fees for awarding public contracts, public servants accepting goods or services at lower prices or taking gifts, the falsification of official documents in exchange for specific benefits for third parties, and so on (Dix, 2011; Shrestha,

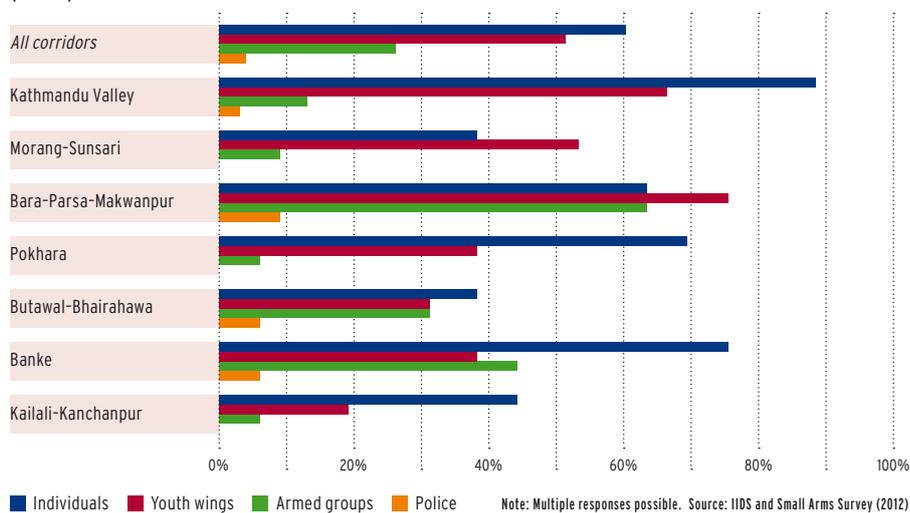
2007).²² Although Nepal ratified the UN Convention Against Corruption in 2011 and has a number of institutions working on tackling corruption—the Commission for the Investigation of Abuse of Authority, the Special Court, the National Vigilance Centre (Poudel, 2011)—the country still ranked 139th of 176 countries in Transparency International's Corruption Index (TI, 2013).²³ Nepal is behind its neighbours India, which ranked 94th, and China, which ranked 80th.

Perpetrators and instruments of violence

The businesses surveyed identified individuals (60 per cent), youth wings of political parties (51 per cent), and armed groups (26 per cent) as the principal sources of crime and violence in their communities (see Figure 5). More than a third of respondents identified both individuals and political party youth wings as the main perpetrators. Reports of businesspeople and commodity exporters being targeted for forced donations by criminals and youth wings are common across all industrial corridors (Carter Center, 2011).

Only 26 per cent of respondents pointed to armed groups as the main source of crime and violence. This is consistent with recent findings that the overall number of armed groups has decreased in Nepal since 2009, although a number of criminal groups, *goondas* (local strongmen), and politically or

Figure 5 **Businesses' perceptions of the main perpetrators of crime and violence, by corridor** (n=160)



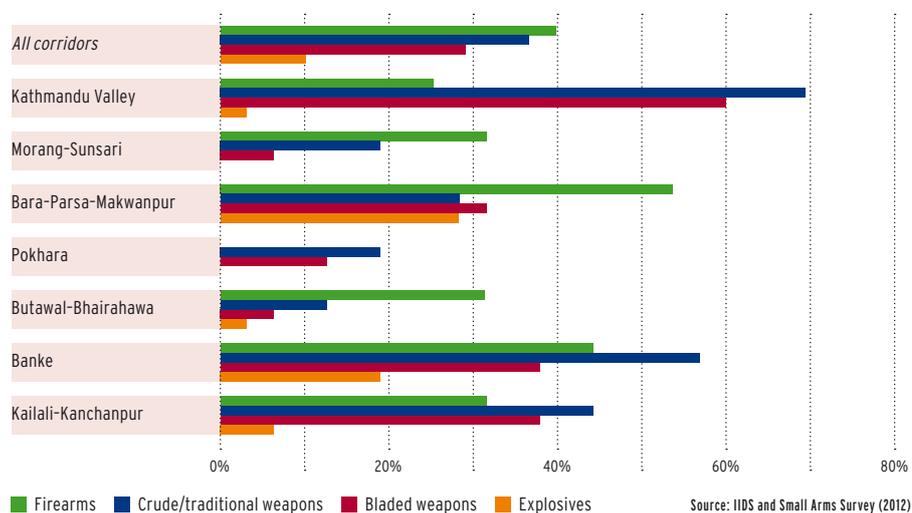
ethnically defined groups continue their operations (Bogati, Carapic, and Muggah, 2013). A closer look at the geographical distribution of responses suggests that businesses located in the Terai region, particularly in the districts of Banke, Bara, and Parsa, ranked armed groups as the main source of crime and violence. Close to 90 per cent of businesses in the Kathmandu Valley reported that individuals were mainly to blame for violence and criminal activities. In contrast, 75 per cent of respondents in the Bara–Parsa–Makwanpur corridor pointed to youth wings of political parties as the principal perpetrators of crime and violence.

Survey respondents across all corridors seldom identified former combatants or police personnel as the main perpetrators.

Business survey respondents identified firearms, including handguns, rifles, and *katuwas*,²⁴ as the most common weapons to be found in their communities, followed by crude or traditional weapons (such as sticks, batons, rocks) and bladed instruments (see Figure 6).

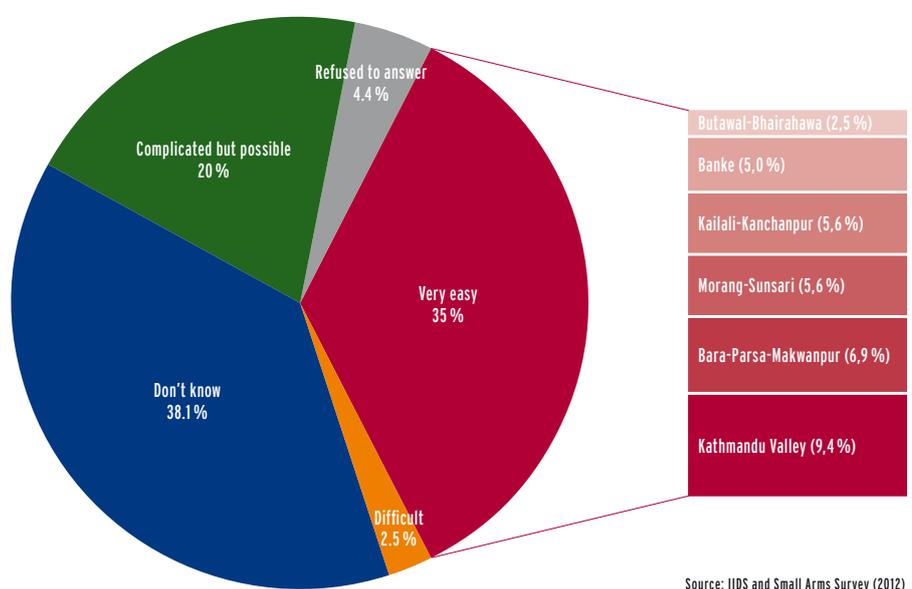
In a household survey carried out in Nepal in 2011 around 4 per cent of respondents said that firearms were common in their areas (Racovita, Murray, and Sharma, 2013; Karp, 2013).

Figure 6 **Businesses' perceptions of the most common types of weapons in their areas, by type and corridor** (n=160)



Note: Multiple responses are possible. This graph displays the most common types of weapons reported, hence the categories 'other' and 'don't know' are not displayed. The percentage of total answers is displayed.

Figure 7 **Businesses' perceptions of ease of acquiring firearms (detail of corridors where firearms are very easily acquired)** (n=160)



In contrast, almost 40 per cent of business survey respondents identified firearms as common in their areas. This suggests that businesses may be more aware of the presence of small arms in their communities by virtue of the location of their premises and their occupations. Explosives were often mentioned in the Bara–Parsa–Makwanpur corridor and in Banke. The media frequently report incidents involving improvised explosive devices targeting businesses, either as a form of protest against politics or corruption, or as retribution for failing to respond to extortion demands. In 2012, for instance, a bomb targeting the Nepal Oil Company (to punish it for allegedly charging high prices for fuel and to denounce government corruption) killed three people in the capital's business district (*Asia News*, 2012).

The ease with which firearms can be acquired is a thorny issue, as suggested by over 40 per cent of respondents refusing to answer the question or reporting that they did not know anything about the subject (see Figure 7).

More than a third of businesses said that acquiring a firearm was very easy, and another 20 per cent claimed it was 'complicated but possible', while only 2.5 per cent claimed it was difficult. These findings contrast with population survey findings, where just 3 per cent and 21 per cent of household respondents, respectively, declared that acquiring a firearm was easy or 'complicated but possible' (Racovita, Murray, and Sharma, 2013, p. 61). The largest number of businesses that stated that acquiring a gun was very easy were located in the Kathmandu Valley. This supports recent reports that illegal small arms smuggling from India has intensified in the Nepali capital (*NewKerala*, 2012). Firearms appear to be more easily acquired in Kathmandu, but they are not the most common type of weapon in this area (see Figure 6), suggesting that the increased availability of firearms in the capital is a recent phenomenon. Rather, Kathmandu Valley businesses most often cited crude and traditional and bladed weapons as the most widespread.

The costs of crime and instability: direct and indirect business losses

Violence and crime are universally accepted as being 'bad for business', but little is known about the actual extent to which insecurity affects investment and economic well-being, particularly in post-conflict environments. Some researchers have attempted to calculate the 'cost of conflict' in Nepal (Dhakal, 2003; Jha, 2011; Kumar, 2003), but comparatively fewer have tried to understand the impact of post-conflict violence and criminality on the private sector.²⁵ Hard hit by the decade-long civil conflict, the Nepali economy continues to bear the costs of the conflict and lengthy post-conflict transition. The accuracy of existing estimates of the costs of civil war in Nepal is disputed, with figures ranging from NPR 37 billion (Dhakal, 2003) to NPR 120 billion (Kumar, 2003, p. 207) (USD 422 million to USD 1.4 billion, in the context of Nepal's GDP in 2012 being USD 19.4 billion) (World Bank, n.d.a). Among other things, these losses are due to the direct cost of conflict, increased expenditure on security, loss of income due to the destruction of physical infrastructure, loss to businesses due to *bandhs*, the decreased number of tourists, the flight of foreign and domestic investment, and the loss of income due to displacement (Upreti, 2006, pp. 6–8). GDP loss alone is reported to range between NPR 37 billion and NPR 66 billion (USD 420 million and USD 752 million), to which at least NPR 18 billion (USD 205 million) in damage to physical infrastructure should be added (Dhakal, 2003). Large-scale extortion through direct demands, illegal tolls, and *bandhs* further damaged

the private sector and reduced investment (Seddon and Hussein, 2002, p. 30). While national security expenditure tripled during the conflict, from NPR 4 billion (USD 46 million) in 1996 to NPR 12 billion (USD 137 million) in 2006 (Jha, 2011, p. 16), development expenditure declined during the conflict from 6.5 per cent of GDP in 1995 to 3.8 per cent of GDP in 2005 (ADB, DfID, and ILO, 2009, p. 5), hitting the struggling economy hard. At the end of the conflict growth resumed at a more rapid pace, although not sufficiently to tackle the overarching problems of poverty, inequality, and unemployment. Adding to these structural weaknesses, political insecurity and criminality weaken the business sector.

The survey findings suggest that crime (such as theft, vandalism, or extortion) and instability (frequent strikes or protests) can result in businesses suffering direct and indirect losses. According to 2009 Enterprise Survey data for Nepal, losses due to theft and vandalism amounted to 5.3 per cent of annual sales, compared to 5.1 per cent for Asia and 4.9 per cent for all countries surveyed (World Bank, n.d.b). Given the small sample of the present study (160 firms), a similar computation of losses for Nepal is not robust. However, the survey provides insight into the percentage of losses and the extent to which they affect small businesses in particular. Businesses with an annual turnover of NPR 10 million (USD 114,000) and below have registered losses of up to 5.4 per cent of their annual turnover.²⁶

Overall, survey respondents (who were victimized and who disclosed the exact cost of the damage) reported total losses close to NPR 22 million (USD 250,800) from various types of crime experienced from 2007 to 2012 (see Table 3). The average loss regis-

tered by an enterprise was USD 5,623 for the reporting period 2007–12, excluding costs recovered from insurance companies. In 2012 the average loss registered by surveyed businesses that reported figures was NPR 218,508 (USD 2,491). In a similar survey conducted in Nepal in 2009 the average direct loss due to crime for a business establishment was reported to be NPR 136,637 (USD 1,558), considerably higher than the NPR 91,550 (USD 1,044) registered in 2008 (IDA and Asia Foundation, 2011, p. 52). According to a 2006 survey in neighbouring China, the average loss due to crime suffered by a Chinese business was USD 5,680 (Broadhurst et al., 2011, p. 105). Although not directly comparable with figures on Nepal due to a different market composition and the size of businesses, these average losses help put the figures in context. In 2012 over NPR 12.5 million (USD 142,500) in losses were reported by survey respondents, particularly due to fraud (NPR 6.9 million/USD 78,660), burglary (NPR 2.1 million/USD 23,940), extortion (NPR 1.6 million/USD 18,240), and vandalism (NPR 1.1 million/USD 12,540).

The minimum amount reported by survey respondents as a direct loss due to crime is as low as NPR 6,000 (USD 68), while the maximum amount is as high as NPR 10 million (USD 114,000) (see Table 3). These findings cannot be generalized to the country as a whole, however. Within the sample itself, only 36 businesses of the 160 interviewed provided exact information on their direct losses due to crime. Among these, businesses located in Banke reported the largest losses in the post-conflict years—of over NPR 11 million (USD 125,400)—because of criminal activities. In terms of economic sectors, manufacturing

Table 3 Reported monetary losses due to crime, 2007–12 (n=36)

Average direct loss per business, 2007–12	Average direct loss in 2012	Range of direct losses	Total direct losses, 2007–12	Total direct losses, 2012 only
NPR 545,434 (USD 6,218)	NPR 218,508 (USD 2,491)	NPR 6,000–10 million (USD 68–114,000)	NPR 21,831,000 (USD 248,873)	NPR 12,673,500 (USD 144,478)

Source: IIDS and Small Arms Survey (2012)

industry and education reported the greatest losses, NPR 13 million (USD 148,200) and NPR 5 million (USD 57,000), respectively.

Direct losses due to crime are generally modest according to survey findings, but they can be significant for small enterprises. The indirect costs of social and political instability impose

a larger burden on the country's economic recovery efforts. *Bandhs, chakka jams*,²⁷ and street protests in particular have a negative effect on the private sector (see Box 2) and further discourage already timid foreign investment.

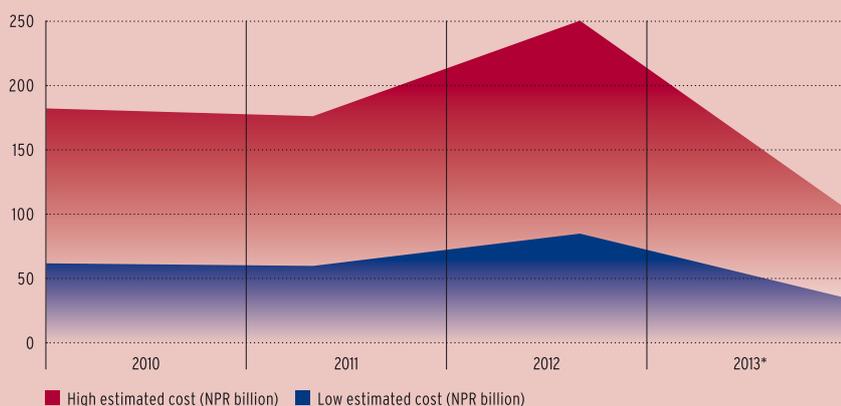
Close to 50 per cent of the businesses surveyed reported having some type of insurance (for property or pro-

duction). Almost 14 per cent of respondents had not taken out insurance policies, citing most often the low risks to their enterprises and the bureaucratic difficulties associated with the process. This multiplies the impact of losses due to crime or violence for businesses that are not insured.

Box 2 The cost of *bandhs*

Bandhs, or strikes, are a form of political and social protest that have become a common occurrence in Nepal. They are particularly damaging and disruptive for the economic sector, and some even lead to injuries or deaths (INSEC, 2012a). By blocking the movement of traffic and people and interrupting all activities, *bandhs* can cause significant economic losses for businesses, employees, the Nepali state, and ultimately Nepali citizens. The Federation of Nepali Chambers of Commerce and Industries has estimated that the cost of *bandhs* can range from about NPR 680 million (USD 7.8 million) per *bandh* day to as high as NPR 1.98 billion (USD 22.6 million) per *bandh* day, which is 88 per cent of the total value of goods and services that are produced in a day, or NPR 83 million (USD 946,200) per *bandh* hour (Crozier, Gündüz, and Subedi, 2010, p. 9; Koirala, 2011). Based on these estimates, *bandhs* recorded in the last two and a half years have cost the country between NPR 242 (USD 2.8 billion) and NPR 712 billion (USD 8.1 billion) in total (see Figure 8). In 2012 the estimated loss due to *bandhs* was between NPR 85 (USD 969 million) and NPR 250 billion (USD 2.85 billion) (see Figure 8).

Figure 8 Estimated economic cost of *bandhs*, 2010–June 2013



* Data for 2013 only includes the first half of the year (January–June).

The cost of *bandhs* per year was calculated by multiplying the estimated low (Koirala, 2011) and high (Crozier, Gündüz, and Subedi, 2010) cost of a *bandh* day, NPR 680 million (USD 7.8 million) and NPR 1.98 billion (USD 22.6 million), respectively, by the number of unique *bandh* days registered each year (as given by UNRHCO, 2010; 2011; 2012a; 2013).

Bandhs severely impede the movement of goods and people on roads and highways, blocking the distribution of food and even access for ambulances (INSEC, 2012b). A 13-day strike in April 2009 led to shortages of major commodities in an estimated 40 per cent of hill and mountain markets (WFP, 2009, p. 5). *Bandhs* are accompanied by large-scale traffic disruptions, because the main roads in and out of major economic areas can be blocked by protesters for hours, days, or even weeks, effectively cutting off access to some areas. Small agricultural producers who depend on being able to take their products to market while they are fresh are particularly hard hit because their produce spoils in warehouses (Himalayan News Service, 2010). *Bandhs* can also have indirect costs, by discouraging tourism or foreign investment (Giri, 2012).

Bandhs are not unique to Nepal (India and Bangladesh also feature these types of protests), but they have become part of the country's political culture (Giri, 2012). They are vehicles for the expression of a variety of grievances, ranging from fuel or energy shortages to labour disputes, and demands for political or social rights, justice, or the prosecution of crimes. However, the ability of *bandhs* to achieve their objectives has increasingly been called into question, paralleled by a number of campaigns against them and the traffic jams they cause, driven primarily by the economic losses associated with them (Giri, 2012).

Security provision and crime prevention for businesses

In response to crime and instability, the Nepali government has mobilized the police and armed police forces. According to business survey respondents, the police are the principal security provider in their localities (93 per cent of responses), followed by private security guards (25 per cent of responses), neighbourhood groups (24 per cent), political party activists (19 per cent), community security groups (11 per cent), and army personnel (8 per cent).²⁸ Police visibility is high: over a quarter of survey respondents claim to have witnessed daily police patrols in the area where their businesses are located (see Box 3).

The police are listed as principal security providers across corridors, although the numbers show some significant geographical variation. For instance, after the police, businesses in the Morang–Sunsari and Butawal–Bhairahawa corridors considered political leaders and activists as the most significant security providers in their areas. The majority of respondents in the Kailali–Kanchanpur, Banke, and Bara–Parsa–Makwanpur corridors considered neighbourhood groups to be major security providers. Alternatively, private security guards were considered as significant security providers in all corridors except Kailali–Kanchanpur. Of all the corridors, the police and armed police force are most active in providing security in the Bara–Parsa–Makwanpur and Morang–Sunsari corridors. This is not an unusual finding, given that Nepal's two busiest border areas with India lie in these two industrial corridors:

Birgunj in the Bara–Parsa–Makwanpur corridor and Biratnagar in the Morang–Sunsari corridor. The significant presence of police and armed police in these corridors suggests that there is a government initiative to reduce illegal cross-border trade and smuggling.

The high opinion of police performance shown in Box 3 translates into a relatively high rate of reporting of crimes. Of the 18 cases of vandalism and 17 assaults reported by business respondents in 2012, more than two-thirds were reported to the police. However, of the 42 thefts registered by survey respondents in 2012, only 18 were reported to the authorities. The main reasons for reporting crimes included recovery of property and crime prevention, but also an understanding that ‘crimes should be reported’, underlining the strength of an emerging reporting norm linked to the search for justice. Comparatively little fraud and extortion are reported, possibly because of the fear of repercussions (Racovita, Murray, and Sharma, 2013, pp. 46–47). The businesses surveyed declared that more than 90 per cent of bribe requests were never reported to the authorities, which is even less than with fraud or extortion, where only about a third of cases registered in 2012 were reported. Businesses in the Bara–Para–Makwanpur corridor displayed a tendency to under-report crime compared to other areas, which can lead to a multiplier effect for criminality, because its rise is encouraged by the absence of official investigation and follow-up. Of the reasons given for not reporting crime, businesses cited the proportionally low significance of the crime (particularly small thefts) and the lack of evidence to identify the perpetrators.

Businesses have also taken measures to protect themselves from crime and violence. Almost 60 per cent of the enterprises interviewed had installed at least one type of system to prevent crime. These measures range from putting in barriers or fences (92 per cent of cases) to installing special window protection (86 per cent), installing closed-circuit cameras (14 per cent), employing private security

guards (88 per cent), and even purchasing guns (6 per cent). Historically and internationally, private security provision is not a new phenomenon and can be traced back to the end of the Second World War (Aayushma, 2009). However, the practice of providing private security services took off in Nepal around 2002 and continued to expand after the end of the conflict in 2006 (see Box 4). Besides hiring security guards and installing barriers or fences, businesses in Nepal have also increasingly invested in closed-circuit television (CCTV) cameras. In early 2013, for example, entrepreneurs in the Morang–Sunsari industrial corridor and the Nepali government invested

over NPR 7.8 million (USD 88,920) in installing CCTV cameras in the Biratnagar bazaar area to deter crime and forced donations (*eKantipur*, 2013).

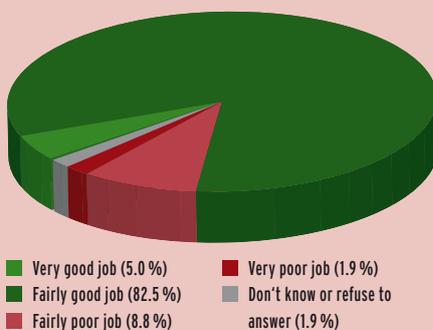
In addition to individual protection measures, survey respondents expressed great interest in public–private crime and violence prevention partnerships.³⁶ A large majority of businesses interviewed (85 per cent) declared that they would be interested in taking part in cooperative actions against crime. This largely untapped potential for cooperative action to improve security and prevent crime has proved a force for change in various settings across the world.³⁷

Box 3 Police performance through the eyes of businesses

Cited as the principal security providers, the police received largely positive ratings from the business community, with more than 80 per cent of interviewees claiming that the police do a fairly good job in preventing and combating crime, and a further 5 per cent saying that they do a very good job (see Figure 9). All the major Nepali industrial corridors rated police performance positively in terms of preventing and controlling crime. However, over 15 per cent of businesses in the Kathmandu Valley and the Morang–Sunsari corridor ranked police performance as fairly poor or very poor. The overall average is still largely positive, with 78 per cent of respondents in the capital viewing police performance favourably in 2012. The highest positive rating was given in Banke, where all the respondents approved of the police’s performance. Across industries, respondents in the communications sector were the most satisfied with the police’s performance in preventing and controlling crime. At the other end of the spectrum, respondents in the banking and construction sectors were slightly more dissatisfied with police performance.

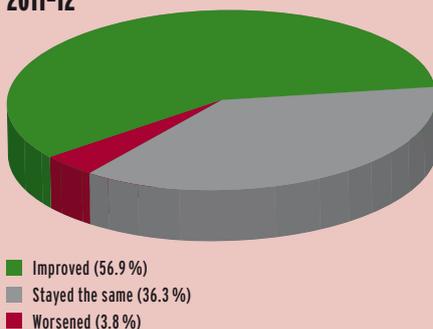
Compared to 2011, perceptions of police performance seem to have changed for the better, because almost 60 per cent of survey respondents said that police performance improved in 2012 (see Figure 10). The majority of respondents in all sectors, except for education, believed that police performance improved in 2012 compared to the year before. In the education sector the majority of respondents declared police performance to have stagnated over the past year. This suggests that the security situation in post-conflict Nepal has improved gradually across industries. It also points to different dynamics in the education sector, where few respondents reported an improvement in police performance. This may be due to the forced closure of some schools and colleges during various strikes that occurred in 2012.

Figure 9 Police performance in 2012



Source: IIDS and Small Arms Survey (2012)

Figure 10 Changes in police performance, 2011–12



Source: IIDS and Small Arms Survey (2012)

Box 4 The business of private security guards

The number of companies providing security services boomed at the beginning of the conflict and continued to rise after the conclusion of the CPA. While in 1994 only four private security companies (PSCs) were officially registered at the Office of Company Registrar, the number climbed to 197 in 2002, reached 269 in 2006 at the end of the conflict, and was over 700 in 2009 (*Republica*, 2009). The number of companies registered in 2013 is reported to be between 700²⁹ and 1,000,³⁰ more than half of them concentrated in the Central Region of the country (OCR, 2013). The exact number of PSCs currently in operation is, however, unclear due to difficulties in centralizing data on the renewal of company registrations gathered at regional offices. It is estimated that only half of the registered firms are operating.³¹ Sources report that in 2013 between 100,000 and 200,000 people were employed by the PSC sector and that guards were deployed both nationally and internationally,³² making the sector an economically important source of employment (Thapa, 2010).

According to the Association of Security Professionals,³³ banks, hospitals, colleges, and international organizations are the principal contractors for PSCs. The businesses surveyed reported that, of the security measures they took to protect their establishments, 68 per cent involved the hiring of unarmed guards and another 25 per cent the hiring of armed private security professionals.³⁴ Private security guards are generally allowed to carry wooden batons or *khukuris* (traditional knives), and only occasionally firearms (*Republica*, 2009). By law, private security guards do not have the right to bear firearms, with the exception of those working in banks or financial institutions (Aayushma, 2009, p. 228), in which case they have to be authorized to do so by the Ministry of Defence (*Kathmandu Post*, 2013b).

Private security firms often prefer to recruit former army or police personnel, particularly for guard positions that involve firearm use (*Kathmandu Post*, 2013b). Given the high demand for professional security provision, however, some companies recruit new candidates who are then enrolled in security training programmes lasting between one and six weeks. There are no universal training standards (*Kathmandu Post*, 2013b).³⁵ Private security guards are assigned to watch over both individuals and assets, and provide both establishment and equipment security. In 2013 their monthly salaries ranged from NPR 7,500 (USD 85.50) to NPR 15,000 (USD 171) (*Kathmandu Post*, 2013b). There are no reliable indicators of the performance of security guards employed by businesses in Nepal.

Conclusion

Undermined by continuing political uncertainty related to the dissolution of the Constitutional Assembly, the Nepali economy is yet to recover from the damage caused by the civil war. The businesses surveyed identified the volatile political situation as the single biggest problem they faced in 2012, in terms of both operations and foreign direct investment. The majority of the businesses interviewed stated that they had suffered at least one incident of crime or violence directed against the company, the premises, or their employees in the past five years, which is much higher than the national rate of individual victimization reported by household surveys in 2011. This suggests that businesses may be particularly targeted by economically motivated crime, such as extortion, theft, or bribe requests.

Hard hit by the decade-long civil conflict, the Nepali economy continues to bear the costs of the conflict, in

terms of both infrastructural damage and weak foreign investment flows. In addition, post-conflict insecurity and crime further weaken the economic recovery efforts, and businesses register losses of millions of NPR due to protests, *bandhs*, and—to a lesser extent—direct crime.

The businesses interviewed appeared to be generally confident in the provision of formal security and appreciative of police performance in tackling crime. They have also invested in personal security measures designed to prevent crime, particularly by relying on private security guards. Nepali businesses have been involved in ad hoc public-private security initiatives and have expressed great interest in long-term cooperative actions against crime. This testifies not only to the desire for, but also the potential for business participation in, the economic and security reconstruction of the country. ■

Notes

- 1 The precise number of victims of the Nepali conflict is still disputed, with figures ranging from 12,339 deaths—this number is based on Informal Sector Service Centre data on killings from 1996 to the end of November 2006, when the CPA was signed, ending the war (INSEC, n.d.)—to 16,009 (UNCTN, 2011, p. 85). The Internal Displacement Monitoring Centre estimated the number of internally displaced persons during the war at around 200,000 (IDMC, 2012).
- 2 Throughout this paper the term ‘business’ is used synonymously with ‘private sector’. Although recognizing the 37 public enterprises that operate in Nepal (Samriddhi, n.d.), our survey and subsequent analysis has largely focused on the private sector.
- 3 All conversions from Nepali rupees (NPR) to US dollars (USD) are based on the conversion rate USD 1 = NPR 114, which is the average for the period 1 August 2012–31 August 2013 (Oanda, n.d.).
- 4 The construction sector was deliberately sampled, because it shares many overlapping elements with other industries listed, particularly manufacturing. Conversely, energy and extractive industries were excluded from the sample, although they are significant in size, due to their particular relationship with the public sector.
- 5 The ISIC is a UN system for classifying economic data according to entities’ activities.
- 6 The poverty rate has progressively declined in Nepal over the last ten years. In 1995–96 more than 40 per cent of Nepalis were estimated to be living in poverty, but the figure decreased to around 30 per cent in 2003–04, and to around 25 per cent in 2011 (CBS, 2011a, p. 23). The overall reduction of poverty has, however, been accompanied by persistent inequality, with 42 per cent of all income still held by the top 20 per cent of the population, compared to 51 per cent in 2003 (World Bank, n.d.a).
- 7 Nepal’s foreign direct investment has risen from USD 995,124 in 2008 to USD 38,176,181 in 2009, USD 87,799,642 in 2010, and USD 94,022,275 in 2011 (World Bank, n.d.a).
- 8 In 2008 a little over half of existing roads in the country were paved (World Bank, n.d.a).
- 9 The private sector reportedly lost close to a third of total sales—27 per cent—due to electricity outages in 2009 and 10 per cent in 2013 (World Bank, n.d.a).
- 10 Joras (2008, p. 26) estimates that the conflict cost Nepal between 2 and 8 per cent of GDP annually.

- 11 Comparisons between the two findings must be made with care, given the difference in survey methodologies employed. The survey included 1,023 businesses interviewed in 2010. Respondents were allowed to choose multiple responses to define the major barriers to business growth.
- 12 According to data from the UN Nepal Platform there were 91 unique days of *bandhs*/strikes in Nepal in 2010, compared to 125 in 2012 (UNNIP, n.d.).
- 13 The Safer Birgunj initiative was a joint security project involving the local community and the private sector in the district of Parsa. It set up 13 police-monitored closed-circuit television cameras in high-risk streets (Saferworld, 2013, p. 19).
- 14 The kidnapping and murder of a businessman and former chairman of the Morang Chamber of Commerce Association in January 2013 shook the local business community and led to calls for further cooperation between Nepali and Indian police along the porous border (*Nepal News*, 2013).
- 15 Prevalence is the ratio between the number of businesses victims of at least one crime in the period of reference and the total number of businesses interviewed, multiplied by 100. The incidence rate is a measure of the frequency with which an event occurs in a population over a period of time. The distribution is the frequency and pattern of characteristics and events in a population (Columbia University, n.d.).
- 16 For a review of surveys on business crime carried out between 1989 and 2007, see Broadhurst et al. (2011, pp. 221–25).
- 17 According to data from the 2011 census, Kathmandu district has a population of 1,744,240, the highest population density per square km (4,416), and the largest decadal population growth (61 per cent) (CBS, 2011b, pp. 3, 40).
- 18 ‘Forced donation’ is a term commonly used in Nepal to refer to extortion—the demand for money or goods from businesses or individuals by means of threats, intimidation, or physical constraint. It is distinguished from ‘voluntary donation’, which is a widespread practice of collecting money to support political or social activities.
- 19 Maoist taxation often involved requests for in-kind contributions, such as a percentage of annual crops or harvests (for instance, in 2003, 20–40 kg of grain were asked per family per year), but also a percentage of fixed income from teachers or government officials (Mercy Corps, 2003, p. 68).
- 20 *Yarcha gumba* is a medicinal mushroom found in Nepal and Bhutan. During the Maoist insurgency the seasonal trade in *yarcha gumba* constituted an important source of revenue for armed groups, because one kilogram sold at USD 74 in 2003, and the total revenues from the trade of this mushroom reportedly amounted to over USD 600,000 in 2004 (ICG, 2005, p. 18).
- 21 For this survey, corruption was defined as ‘the request for and giving of bribes to facilitate a service, obtain advantages, etc.’
- 22 Corruption has reportedly been linked with a host of informal practices, such as clientelism, *chakari* (the cultivating of political favour through gifts, services, or attendance at a patron’s house), *afno manche* (the creation of inner circles to be approached in times of need), and *jagir* and *birta* systems (these are related to the redistribution of land during conflict and are also referred to as ‘sharing the spoils’) (Dix, 2011, pp. 16–18).
- 23 Nepal’s ranking in terms of corruption improved from 2011, when it ranked 154th in the world, to 2012, when it ranked 139th (TI, n.d.). The Nepali ranking on the Corruption Perceptions Index has fluctuated since the end of the war, moving from 131st in 2007 to 121st in 2008, 143rd in 2009, and 146th in 2010 (TI, n.d.). According to Transparency International, the Corruption Perceptions Index ‘ranks countries/territories based on how corrupt a country’s public sector is perceived to be. It is a composite index, drawing on corruption-related data from expert and business surveys carried out by a variety of independent and reputable institutions’ (TI, n.d.).
- 24 *Katuwas* are guns that are manufactured rather than produced in factories (which is why they are also commonly referred to as home-made guns).
- 25 Although less numerous and visible than studies on the economic impact of the conflict in Nepal, some researchers have studied the impact of post-conflict violence and criminality on the private sector. For more information, see ADB, DfID, and ILO (2009); WFP (2009).
- 26 For each business that suffered losses as a result of crime from 2007 to 2012, the percentage of direct loss due to crime as part of annual turnover was calculated. In one case this percentage was as high as 50 per cent, although generally, for small businesses (below NPR 10 million in annual turnover), the figures were between 0.1 and 5.45 per cent.
- 27 *Chakka* jams are transport strikes or shut-downs.
- 28 The figures on the principal security providers are based on a multiple answer question.
- 29 The Office of Company Registrar lists over 700 registered PSCs as of March 2013.
- This figure includes all firms that provide security guards, but also those that provide security services such as training for security guards, etc. The figure excludes companies that provide ‘security services’ in a financial sense.
- 30 According to an interview with the secretary general of the Association of Security Professionals, around 1,000 PSCs were registered in the country at the time of the interview, only about a half of which were operating (interview by Subindra Bogati with representative from the Association of Security Professionals, Kathmandu, 20 June 2013).
- 31 Interview by Subindra Bogati with representative from the Association of Security Professionals, Kathmandu, 20 June 2013.
- 32 Interview by Subindra Bogati with representative from the Association of Security Professionals, Kathmandu, 20 June 2013.
- 33 Interview by Subindra Bogati with representative from the Association of Security Professionals, Kathmandu, 20 June 2013.
- 34 These percentages are based on multiple response questions.
- 35 For examples of private security firms operating in Kathmandu, like Kathmandu Security Services and Garuda Security Services, please consult the Office of Company Registrar, which shows over 700 private security companies registered as of March 2013.
- 36 As an example of a successful public–private collaboration on crime prevention, the Chambers of Commerce in Sunsari and Parsa and local police set up a stand for control-room vehicles and created a special task force, underlining the potential for cooperative initiatives to enhance security (NBI, 2010, p. 3).
- 37 In South Africa, for instance, businesses created an initiative to fight violent crime and gun control. Similarly, in Guatemala and El Salvador, companies funded weapons collection programmes aimed at reducing armed violence (Nelson, 2000). Given the high interest expressed in these programmes by survey respondents, the potential for action is high.

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About the Nepal Armed Violence Assessment

The Nepal Armed Violence Assessment (NAVA) is a project of the Small Arms Survey. It serves as an independent research resource for Nepalese officials, civil society groups, and international partners. The NAVA combines primary and secondary data sources, but focuses on generating original data and analysis through field research. Methods include in-depth interviews with key informants, archival media research, focus groups, and population-based surveys.

The NAVA explores the following key themes:

- Small arms transfers, trafficking, availability, and control;
- The types and characteristics of armed actors;
- The distribution and scale of armed violence and victimization;
- Perceptions of armed violence and their economic impacts;
- Media depictions and representations of armed violence.

NAVA publications, which include Working Papers and Issue Briefs, summarize research findings and insight into issues related to violence, its impact, perpetrators and victims, and strategies for prevention and reduction.

NAVA publications are available in English and Nepali.

They can be downloaded at <http://www.nepal-ava.org/>.

Print copies are available from the Small Arms Survey.

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