

Way Out of Informality: Facilitating Formalization of Informal Economy in Nepal (WOI)



AT A GLANCE

- ➔ **Partners**
Ministry of Labour and Employment, Government of Nepal, Employer's Organization (FNCCI), Trade Unions (TUs), banks insurance companies and development partners
- ➔ **Donor**
Government of Japan
- ➔ **Duration**
June 2012 - June 2017
- ➔ **Target beneficiaries**
Local and national firms, self-paid workers, unpaid family contributing working workers in informal economy and the tripartite constituents at the national level
- ➔ **Geographical focus**
Bhaktapur, Chitwan, Kaski, Kathmandu, Lalitpur, Morang and Sunsari.



PROJECT OBJECTIVES

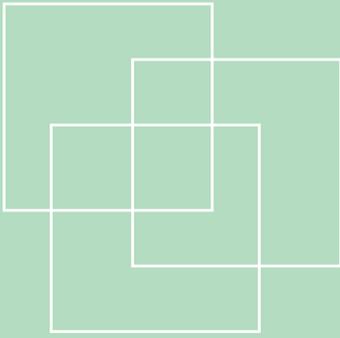
The project aims at facilitating formalization of informal businesses and employment relationships and discourage informalization of formal economy firms and jobs in Nepal and in South Asia.

Large decent work deficits in the rapidly growing informal economy are a major challenge in Nepal. Nepal stand at 37th globally and second most informal economy in South Asia (World Bank 2012). The informal economy contributes 38.4% to the GDP of the country. There is high percent of informality in various sectors (agriculture – 99% , unpaid employment: 83.1 %). This presents a significant obstacle to the goal of realising decent work for all. Formalisation is a gradual process cutting across several; policy areas and embedded within the Decent Work for All commitment. The government of Nepal is committed to “moving out of informality”.

Target Group

There primary target groups of the project are both firms and workers in selected sectors. For firms the target group is those with potential to move into the formal sector as well as those which face competitive pressure towards informalization of its workforce. For workers the target group includes self-employed workers and unpaid family contributing workers in the informal economy; the workers in the informal sectors, the non-regular/informal workers linked to the formal sectors, the workers in the formal sector at risk of being informalized or replaced by informal workers, and the underemployed and youth facing difficulties in finding formal jobs.





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MAIN ACTIVITIES

- National workshops to review the cost and benefit of compliance to labour laws and regulatory environment
- Policy dialogue on the incentives and the disincentives to formalization
- Information campaign on the registration & licensing of small firms and own-account workers
- A value chain analysis (VCA) on the value addition and the labour benefits in the sub-contracting / outsourcing system.
- An information campaign on the rights of workers and the provisions of licensing under the labour law and the social security laws.
- Capacity building for the labour contractors/providers on the rights of workers
- Capacity building for the local level trade unions (TUs) to introduce the informal economy workers' desk
- Identification of job-rich growth sectors and development strategies at the target Local areas
- Facilitate the implementation of development strategies of job-rich growth sectors through the LED/VCD process
- Partnership development with the value-chain aggregators who provide the embedded upgradation services
- Partnership development with the socially responsible financial service providers on the formalization support, financial literacy, and access to financial services including savings mobilization, micro-insurance and credit
- Training-of-trainer (TOT) and induction training to partners which are willing to provide the upgradation services such as social protection schemes, group specific measures for poor women and people with disabilities
- Sharing existing good practices and tools with the constituents and key stakeholders of the target
- Mutual learning among the target countries

PROJECT OUTCOMES

OUTCOME 1: The regulatory and policy environment in the target local areas made more conducive to formalization and protective to the risks of informalization

- The incentives and the disincentives to formalizing unregistered small firms and own-account workers analyzed and addressed
- The incentives and the disincentives to formalizing informal workers and informalizing workers analyzed and addressed

OUTCOME 2: Formal job growth promoted through job-rich growth strategies and an integrated formalization assistance in the target local areas

- Job-rich growth strategies implemented at the target local areas
- The ready-to-formalize groups better linked to the upgradation and risk mitigation services

OUTCOME 3: Good practices and tools for promoting formalization better understood by the constituents and key stakeholders at the national level in South Asia

- A web-based knowledge sharing and monitoring platform developed and kept functional
- Good practices documents and videos from the project shared
- The national constituents and other key stakeholders are better exposed to the international experiences of formalization efforts

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