

# Foreign Aid and The Role of NGOs In the National Development Process In Nepal

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## INTRODUCTION

A "General Assessment of the Scope for Bilateral Support through NGOs in Nepal", an anonymous paper, quoting ODI, 1989, has it that "NGOs have been favored by government and public opinion because they are perceived to be more effective executors of project aid, on the grounds that they have greater control over resources and are more likely to be sensitive to the needs to the poor and closer to the grass roots in their operating style." It further cites its "increasing professionalism" to lend itself to the assumption that "these agencies can be effectively used to an increasing degree in the disbursement of official funds."

The World Development Report 1991 endorses the importance of NGOs "in their ability to involve communities and grass roots organizations more effectively in the development process and in addressing poverty" and adds that "in 1987, NGOs transferred about \$ 5.5 billion from industrial to developing countries—nearly \$ 1 billion more than the International Development Association." (World Bank 1991: 136).

While there seems to exist a broad consensus at the international level as to the advantage of NGO involvement in national development process primarily at the local level, the NGO sector in Nepal, although "younger and less extensive than other south Asian Countries" (PACT, 1987: 16), is beginning to come under closer scrutiny (IDS, 1985; PACT, 1987; SAP, 1989), and the need for making it more responsive to national priorities is being increasingly highlighted (NGO Seminar, 2048). Some of the International Non-government Organizations (INGO) too have, on their own, initiated the process of examining and realizing their goals and strategies in their quest to contribute more effectively to the national development concerns of Nepal. (PACT, 1987; Helvetas, 1990; Dewan/SAP-Nepal, 1991).

One of the key questions being asked about the NGO sector in Nepal is about its very definition. In the context of Nepal and its present state of development, just what an NGO is or should be? Presently the term has been in use rather quite flexibly to accommodate all the NGOs which would like to be designated as such. While all the NGOs are registered in the office of the Chief District Officer of a district under the Societies Registration Act 2034 (1977) (Ministry of Law and Justice, 2044: 126), a large number of them are also registered with the apex body, the Social Service

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National Coordination Council (SSNCC, 1991) which, according to the existing rules (Ministry of Labour and Welfare 1991), potentially entitles them access to foreign assistance.

Under the current liberalized political situation, the number of NGOs registered with the government continues to increase. In the office of the CDO in Kathmandu as of 27 November 1991, there are now 784 NGOs registered under the Societies Registration Act, 2034 (1977). This represents an increase of 593 or 309 per cent over the 191 that were there before the recent multi-party democracy restoration. Similarly, the PACT study (1987: 30) found nearly 100 groups registered with the CDO office in Morang district in 1987 which too must have taken its own leap. However, for this vast army of NGOs scattered around the countryside little information exists as to their functioning status, their activities, and their problems.

In the same manner, the number of organizations registered with the SSNCC (which requires prior registration with the CDO) was only 259 before the movement, i.e., the end of 2046 which jumped to 430 by the 6th of Asoj 2048 (Simkhada, 2048: 1) and to 451 by the 20th of Asoj (based on interview).

This number includes 56 INGOs which have a standing agreement with the SSNCC through which they render assistance to the Nepali SSNCC-registered NGOs. It is said that Council has been flooded with requests for external assistance from these NGOs, and it is certain that only a fraction of this demand can be met with actual INGOs assistance- a circumstance that is bound to create disaffection among a large number of aspiring NGOs.

More than this, however a very large number of informal, indigenous local organizations and institutions also exist that have been traditionally functioning around the villages of this predominantly rural country. As a matter of fact, it is these "non-government", informal, traditional, culturally prescribed method of organizing and working together that has made life possible in Nepalese villages, much of them in extremely harsh environment. In a survey of 2 months (August and September), five study teams commissioned by IDS in 1984 identified about 250 groups in 21 districts which were classified as Asset-Creation groups, Labour Exchange groups, Credit groups, Social/Cultural/Religious groups, and Integrated Community Service groups (IDS, 1985: 10-14).

Another set of extensive, modern, non-government local institutions also exists in the form of user groups. The concept itself had been first identified in a Jumla village when an irrigation project estimated to be older than half a millennium was found to have owed its uninterrupted existence to the tradition of user group (Shrestha, 1971: 38: 38-39). This concept later slowly found its way into government policies culminating in its incorporation into the Decentralization Act, 1982 and Decentralization Bylaws, 1984. Today, the country is basically a county of user groups in that no irrigation, drinking water, forestry or any other local infrastructural project can be planned and implemented without their direct beneficiaries being organized into User Group who are to plan, implements and sustain them.

Such then is the nature of the canvas of the NGOs in Nepal. They range from traditional voluntary, informal local, cooperative groups to sophisticated, organized,

expansive bureaucracies at the national level with sub-national chapters dotting the country. In term of mandate too, a great variation exists ranging from primary action-oriented project-specific local groups to professional philanthropic of social work oriented national or regional organizations.

It is in such a rather complex context that the theme of this paper is to address. It will try to understand more clearly the existing and potential role of NGOs in the larger national development process, to identify the attributes of the NGOs amenable to policy intervention, and to examine the role of foreign aid in the emergent scheme of NGO participation in national development.

## AN ASSESSMENT OF THE NGO SECTOR IN NEPAL

Defining an NGO in Nepal's traditional context is a difficult issue. The IDS study mentioned earlier in this paper concerned itself with what is called "non-government institution (NGI)" as distinct from the more common concept of NGOs. It defined the NGI as "organized effort on a collective basis outside of the government, in the promotion of political, economic, and social interest leading toward self-reliance and an improved life situation for its members" and focussed the enquiry into what it further called "people's initiatives" (IDS, 1985: 5-7).

The initiatives included in the study had been categorized as asset creation groups, labour exchange groups, credit groups, social/cultural/religious groups, and integrated community service groups (IDS, 1985: 12-14) and consisted of not only traditional groups such as "Mankah Khala" of the Newars of Kathmandu, "Fikkal Lepcha Gumba of Ilam" or the ubiquitous labour exchange groups called Parma but also a large assortment of more modern initiatives such as the famous example of Sano Kalpan cooperative society of the Magars of Madhuvasa, Dhanusha, or the multi-caste "Social Service Association" of Bhotel Bahal, Kathmandu or the Janajyoti Secondary School of Rolpa in Rapti zone. A more or less purposive visit to 21 districts resulted in identification of 250 NGOs, both traditional and modern.

Similarly the PACT Report (1987: 26-39) categorizes four kinds of NGOs consisting of international NGOs, National NGOs, Primary Groups, and Larger Organization, of which "the most significant phenomena are the primary groups' of which the PACT study team found nearly 100 groups registered with the CDO office in Morang district. The Report went on to generalize that "multiplied by 75 districts, one could gauge the vast extent of people helping people in the rural context apart from more formal organizations."

While the national population of the formally organized NGOs (leaving aside the traditional ones) is potentially quite immense, not all NGOs are actively functioning. According to one knowledgeable source, of the organizations affiliated with SSNCC, some 40% of them deserved to be 'scrapped'. In a survey undertaken by South Asia Partnership (SAP) in August 1991 in Eastern and Central Development Region, only 33 of the 48 intended could be contacted. Two of the four reasons given for non-contact with the rest had been "non-operational for some years" and "non-existence of the NGO at the given address", the other two being the "NGO being in non-communicable areas"

and "the NGO members being non-available during the time of visit" (SAP, 1991: 4). Thus given the fact that there is hardly any institution with the responsibility and preparedness to monitor the performance of NGOs around the country, not all NGOs registered with the CDO in the district can be assumed to be functioning. In short, the population of active NGOs in the field remains a subject of future verification.

### NGOS WITH THE SOCIAL SERVICE NATIONAL COORDINATION COUNCIL (SSNCC)

According to the August 1991 edition of the Directory of NGOs in Nepal published by the SSNCC (1991) there were 412 NGOs registered with the Council, of which 408 have been classified based on specific districts. The list includes 32 hill districts, 17 Terai districts, and the three districts of Kathmandu valley which altogether added up to 52 districts of the country. The number of the NGOs according to the regional distribution is as follows:

**Table 1**  
**Number of NGOs According to the Regional Distribution**

Regions	No. of Districts	No. of NGOs Registered with SSNCC (August 1991)	
Hill	32	115	(28.2%)
Terai	17	71	(17.4%)
Kathmandu	3	222	(54.4%)
Total	52	408	(100.0%)

Two conclusions suggest themselves. Firstly, even after the democratic dispensation in the country the number of NGOs registered with the SSNCC are only a fraction of the population of NGOs that are organized in the country. Secondly, of those registered with the Council more than 59% come from the capital valley of Kathmandu.

While the Societies Registration Act of 2034 (1977) legally requires the registration of all kinds of societies, clubs, councils, study centers, etc. established for the purpose of promoting social, religious, cultural, scientific, educational, and similar other objectives, their re-registration with the SSNCC is optional. Therefore, there is a large number of NGOs registered with the CDOs which do not come under the umbrella of the SSNCC.

However, for those organizations which choose to affiliate with the SSNCC, the attractions are real. The SSNCC Act 2034 (1977) has conferred upon the Council by statutory provision, extensive powers over the local voluntary organizations including ordering their dissolution. But one of the most attractive and restrictive of them has been the mandatory channeling of donor resources to the local NGOs only through the Council which exercised extensive supervision and controlling jurisdiction over the affiliated NGOs including denying them affiliation, in most cases, before the applicants have gone through agonizingly long motions of seeking the blessing of its authorities.

Because of their authority to control donor resources, a large number of international NGOs (INGOs) have entered into formal agreements with the Council of which there were 56 by June 1991 (SSNCC, 1991: 1-19). The Council recommends to one or more of the INGOs that request for assistance by one or more affiliating NGOs.

During the last fiscal year of 2047/48 (1990/91) the budget estimate of the Council was Rs. 705 million which included also the internal and external resources mobilized by the affiliated organizations. However, the actual amount of money transacted by the Council during the fiscal year had been as follows:

**Table 2**  
**Resource Mobilization by SSNCC during the(1990/91)**

Income		Expenditure	
1. Foreign aid	Rs. 168 m.	1. Money released to NGOs	
2. Govt. Grant	Rs. 23 m.	1.1. Foreign aid	Rs. 168 m.
3. Others	Rs. 16 m.	1.2. HMG grant	Rs. 17 m.
4. Misc.	Rs. 1 m.	2. Council Expert	Rs. 6 m.
5. Interest	Rs. 1 m.	3. Other	Rs. 1 m.
		4. Deposit Liability	Rs. 17 m.
Total	Rs. 209 m.		Rs. 209 m.

Note: Figure rounded

Source: Samajik Sewa Samachar, Bhadra 2048

Although the Council also mediated in the in-kind transfer of medicines and materials worth some 182 million rupees, it is not reflected in the above calculation. What is worth-noting in the above list is that the major bulk of resources handled by the SSNCC derives from donor sources. Furthermore, while it is not clear as to how many NGOs under the Council have been the beneficiaries of the foreign aid and government grants, the fact that the resources are not evenly distributed to different organization will become evident by the following table for the same fiscal year.

**Table 3**  
**Budget Allocation to the Committee for 1990/91**

Specialized Committees of the SSNCC	No. of NGOs Under the Reach of the Committees (%)	Amount of budget allocation made to the Committees (%)
1. Health Service Coordination Committee	29 (11.2)	Rs. 258,432 (59.8)
2. Child Welfare C.C.	7 (2.7)	Rs. 43,249 (10.0)
3. Women Services C.C.	13 (5.0)	Rs. 5,783 (1.3)
4. Youth Activities C.C.	111 (42.9)	Rs. 7,783 (1.8)
5. Community Services C.C.	59 (22.8)	Rs. 114,421 (26.5)
6. Hindu Religion Services C.C.	40 (15.4)	Rs. 2,563 (0.6)
Total	259 (100)	Rs. 432,231* (100.0)

\* Note: includes internal resources

Source: Statistical Information on SSNCC, Sept. 1990

It is quite obvious that by the very nature of the NGOs affiliated with the SSNCC, the resources have to be unevenly distributed.

After the institution of democratic setup in the country there has been a big spurt in the number of NGOs. The number of those who joined the SSNCC has suddenly increased to 412 most of whom did so expecting access to donor funding for their activities. The Council is said to be subjected to negative censures at the hands of these aspirants because of the scarcity of the resources to go around.

## NGOS AT THE CROSSROADS

The picture that presently emerges of the NGOs in Nepal is a complex one. The nomenclature itself has been broadly encompassing is that it has in its fold a wide variety of them ranging from culture-bound traditional societies to modern professional organizations, including even those who engaged basically in private consulting business. As a matter of fact this lack of differentiation in their identities was one of the points voiced in one of the recent NGO conferences held in Kathmandu in June 1991 (NGO Seminar: 2048).

Another fact of life for most NGOs in Nepal is their dependence on foreign resources. SSNCC reported in its fiscal report on the occasion of the Twelfth Social Service Day that in 2045/45 (i.e., 1988/89) such dependence was the tune of 74 per cent which grew to 84 per cent in the following fiscal year and to 86.86 per cent in 2047/48 (1990/91). (Karna, 1991: 6).

Many times criticism has been voiced even in media that the local NGOs have been having high times with the assistance given to them by their foreign counterparts. There are a number of big NGOs which have kept their membership restricted to the minimum of 51 member as required by the Societies Registration Act and kept the managing ranks of the organization within the fold of their exclusive club.

In this context, the initiative taken by the NGO Seminar mentioned earlier is laudable. The Conference has resolved that in order of the NGOs to be recognized as an institution dedicated to the cause of social welfare and community development and to be eligible for national and foreign assistance, they should share some common basic features: legalized establishment; autonomous and voluntary nature; open membership, direct election of managing committee; recognition from the government as a non-profit making voluntary organization; freedom from party politics; secular nature; transparency in fiscal management; and dedication to the employment and awakening of the disadvantaged communities and groups (NGO Federation, Nepal 2048).

The distinction that has to be arrived at once again has to be based on the proper definition of an NGO in the context of Nepal. While all the organizations registered under the Societies Registration Act are indeed non-government endeavours, i.e., endeavors undertaken outside of the realm of the government, the question remains as to whether they should all be called NGOs along the lines understood around the world. How should the primary groups such as the local social reforms committees, or the local youth organizations, be differentiated from a national professional society or a

consulting firm ? A principle governing such a differentiation should also serve as the criterion for the channeling of the scarce national and external resources for augmenting non-government initiatives for national development in Nepal.

## THE INTERNATIONAL NGOS

There is a fairly sizeable contingent of international NGOs in Nepal working in different capacities directly on their own in the field or as an intermediary through a national NGO. While 56 of them have standing agreements with the SSNCC, there are also instances of donors funding the local NGOs outside of the framework of the Agreement. Of the 34 INGOs studied by PACT, ten of them were reported to be what was called "operational" NGOs, 24 of them "donor/intermediary", and 3 of them both (PACT, 1987: 31-32).

While the aforesaid NGO Seminar has strongly voiced its concern against the practice of "direct implementation" claiming that it suppresses the chances of institutional and professional growth of the national NGO and is inconsistent with the concepts of human rights and national sovereignty, many of them still operate under the assumption that their direct management is unavoidable. There are also such INGOs who create a local counterpart in collusion with a few cooperating individuals only in paper to technically fulfill the Nepali condition for cooperation and run the outfit directly. In a large number of cases, institutionalization of the program within Nepal does not stand out as one of their goals, stated or implied. It is said that foreign eyes are also accompanying foreign money, except that their hands also come along to help the eyes in most cases. But for most Nepali observers this practice of direct management is immediately wasteful, unsustainable, and counter productive in the long run.

Also important are the quantum and priorities of INGO assistance. Despite their number and duration of their association with Nepal, most INGOs have extended their assistance only for very small scale activities, and in limited number of places in the country. Their presence is seen to be most prominent in Kathmandu.

Furthermore, except for those INGOs whose domestic specialized mandate aligns them to specialized Nepali counterpart NGOs, such as the eye hospital or the leprosy relief association, must have embarked upon what is called "mixed development/social service function" (PACT, 1987: 31-32). But for want of the sharing of priorities in a collective context between the national and international NGOs a more appropriate division of responsibility in terms of priority areas and subjects of supports has not been forthcoming. On the contrary, it was even noted that the competition between two INGOs namely, World Neighbors and Meals for Millions, each one of them seemingly having complementary experience, resulted in "conflicts over methodology and local committee structure" leading to the division even among the staff of the FPAN which has been the national cooperator of both. Similar confusion also occurred between Action Aid UK and FPAN over the price/subsidy arrangement for fruit sapling in Boudha Bahunapati area (PACT 1987: 7).

Given the nature and magnitude of Nepal's development problems, the nature and magnitude of INGO assistance to the country remain an open question. There are certainly INGOs such as SAP, for instance, which has in recent times tried to depart from its traditional mode of one-shot assistance to different NGO projects and endeavored to establish a more sustained, what it calls, a Long Term Partnership Program with selected Nepali NGOs toward a shared set of community development goals (SAP 1991: 1). In sum, therefore, it befalls the non-government external donor community to sort out its own policies and priorities in Nepal in consultation with the Nepali counterparts and embark upon a program of assistance that addresses Nepal's development needs in a proper perspective and achieves the most optimal use of the limited resources.

## FUTURE DIRECTION

The foregoing discussion suggests two important conclusions. Firstly, the NGO sector in Nepal as distinct from and without the culture-bound traditional institutions is too small, highly urban-biased, and often unsustainably over-loaded by the donors. It is also devoid of an overall pattern to favor and support Nepal's development problems which primarily comprise a massive rural poverty and a largely ineffective public delivery system.

Secondly, empowerment and participation of the poor and the beneficiaries constitute a critical condition of sustained national development process as well as of the strengthening of a democratic system responsive to the needs of the poor majority. While such a decentralized system must from an integral component of the multi-party system in Nepal, this is also one important area where the NGOs can complement the government most meaningfully.

The importance of the role of NGOs is based on "their ability to involve communities and grass roots organizations more effectively in development process and in addressing poverty." (World Bank, 1991: 136) And Nepal certainly makes one of the fitting cases where the NGOs can complement the government and compensate the people in the areas of the political and bureaucratic weaknesses of the latter. Therefore, given the fact that Nepal's poverty is colossal and mounting, there is a good case for exploring the possibility of creating and engaging non-government organizations at the grass roots level and above, to complement the government in its endeavor to deliver services towards alleviating it.

In point of fact, the Decentralization Act of the country provides for the formation of user groups of direct beneficiaries of a project as the vehicle for their planning, execution, and ongoing management. Similarly, the Small Farmer Development Project too, as other smaller sister program, like the Production Credit for Rural Women, uses group organizations as a part of its outreach strategy. But the fact that both these and other programs have failed to achieve the critical minimum magnitude toward achieving the goals regarding the crying need for complementary support which they and people can benefit.

Such an understanding of the NGO mandate in the context of Nepal's development process and priorities requires an new orientation in the role and functions of the NGOs in the country. However, the fact that the population of NGOs is higher in urban setting than in rural areas poses a serious problem. While NGOs in rural areas, i.e., at the grass roots level may need to be purposefully promoted, it also assumes the need for a hierarchical structure under which the NGOs at the higher levels perform just this promotional and back stopping function essentially to empower the poor all in the grass roots and slowly but surely build pressure from below. With such a priority built-in, it will render largely irrelevant the need to go about lending rigorous definition to NGOs in Nepal.

This, in turn, assumes a new reorientation in the mandates, objectives, and strategies of national and international NGOs in the country. But, as it is, the only apex body for undertaking such task so far remains the SSNCC which unfortunately is bedeviled by its history of despotism and lack of a promotional image. But nonetheless a serious, albeit modest, beginning can certainly be made in this direction and one may count on time to wash out its old legacy.

But a more promising possibility is contained in the resolution of the non-government organization seminar mentioned earlier which strongly endorsed the formation of an NGO Federation in Nepal. The function that have been foreseen for it in the resolution aim to ensure the role of NGOs in a just, sustainable, and inclusive development process, to act as clearing house for the NGOs, to interact with the government in NGO policies and to act as resource center for the action research activities of the NGOs. Such an organizational structure also makes the apex body accountable to its constituents a condition which is essential for continuously responding to the needs of the NGOs at lower levels. While regular supportive research and monitoring of the NGOs' performance should also constitute important function of this proposed Federation, an early realization of this proposal will go a long way in making NGO endeavor a veritable instrument of national progress in Nepal.

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