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PLANNING FOR PEOPLE

Ludwig F. Stiller, S.J.

Dr. Ram Prakash Yadav

**Human Resources Development
Research Center**

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INTRODUCTION

The years of transition from Rana Nepal to today's democratic Nepal have been marked by a strong development effort. As a result, "*planning*" and "*development*" are two of the most frequently used words in Nepal today. For many years planning and development were seen as the exclusive work of economists, whose tools were econometrics and economic models. In the last few years it has been widely recognized that planning and development involve much more than economics, and it was felt that we in Nepal should consider our development and planning efforts from a point of view other than that of economics. This present work, *Planning for People*, by Dr. Stiller and Dr. Yadav is an attempt to review Nepal's planned development effort from an historical point of view. We at the Research Centre for Nepal and Asian Studies hope that the questions raised in this volume and the general over-view they provide of events during the first twenty-five years of Nepal's development effort will encourage a more meaningful discussion of development planning in Nepal.

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PREFACE

Planning for People is a study of Nepal's planning experience from 1951 to 1976. There have already been many studies of Nepal's development effort. Some of them have offered deep insight into aspects of Nepal's development problems. However, Nepal's experience has been so varied and the literature so vast, that no book could possibly encompass it all. *Planning for People* certainly does not pretend to do so. This book is a very personal exploration of Nepal's planning experience. The socio-historical approach adopted in *Planning for people* was suggested by a chance conversation with one of Kathmandu's more prominent intellectuals, who wondered whether, in view of our present growth-rate, we might have done just as well without the pain of planning. His concern, we found, was common to many Nepalese. In fact, concern and confusion seemed the two most frequently encountered attitudes towards Nepal's planning efforts. It seemed that a look back over the past twenty-five years, even a cursory one, would help us to understand a little more clearly how we came to be where we are today and also to understand something of the modalities of our present position.

We have begun our study with the people of Nepal and their aspirations as these have been expressed in the literature of the early development era. We have then looked briefly at the interaction of international development thought and Nepal's own development efforts. Foreign aid, the administration, natural and economic resources, and development ideas have been considered from the single aspect of their contribution to the planning effort. In the final chapters, we have tried to trace the slow emergence of a true Nepalese strategy of development that is consonant with both national aspirations and the realities of development finance.

Planning for people is based on three classes of research materials. The first class includes reports, papers, analyses, and evaluation studies. Secondly, there are the more stately studies produced by internationally accepted authors. In the third class, the most interesting and also the most difficult to use, have been confidential reports and interviews that we have gathered. Reference throughout the book to materials of the first and second class has followed accepted procedure. For the materials of the third class we have used two simple devices. Manuscript material that must remain confidential we have referred to as *Planning Notes*. No such book exists. The materials, however, are very real. For confidential verbal communications, we have used

the observer. These may seem awkward devices, but we beg the reader's indulgence.

Planning for People is largely a statement of the obvious, or so it may seem. We have learned, however, that not all things are obvious to all people and also that there are times when the obvious is not always so obvious to those who call it so.

We must apologize for the cursory treatment given to many important programmes and topics. Every chapter, and sometimes sections of chapters, could be made the topic for a detailed study. Possibly this can be done at some future date. In this study, however, we have tried to subordinate everything to the planning process and to see it all in this light. This fails to do justice to the work of different departments of government and to the various donor agencies. We are sadly aware of this. Yet we saw no way of highlighting the planning process other than to insist rigorously on this point of view throughout.

The members of our research team deserve special mention. Jaya Karky conducted the survey of Nepali literature, the survey of the *Nepal Gazette*, and the *Muluki Sawal, B.S. 2010*. Jyoti Khanal and Letizea Lama surveyed the newspapers and prepared the general chronology. And Amrita K.C. typed the manuscript with a care and dedication worthy of a nobler cause.

Our thanks are due to the staff of Tribhuvan University Library, Kirtipur, for their constant assistance. Also, the donor agencies, the UNDP, the World Bank, and the Ford Foundation deserve our sincere thanks for their excellent cooperation. Most importantly, our thanks are sincerely given to the officers of His Majesty's Government and the people of Nepal, who patiently answered our many questions. To the staff of the Research Centre for Nepal and Asian Studies, Tribhuvan University, our thanks for their support.

Kathmandu, 1 July 1978

Preface to the Second Printing

Planning for People has been out of print for many years. The authors were frequently urged to update the ideas and data in the book and republish. To meet the immediate need for copies of the first edition and to provide a springboard for a second volume, this "re-printing" has been prepared. Though there are many changes in style, the data in this printing is substantially the same as that presented in the first printing. Rather than a second, updated version of *Planning for People*, a second volume tracing the lessons learned over the past fifteen years is in order. Until such a volume can be prepared, this present printing is offered as a first volume to provide background information for the present thrust of development in Nepal and the changes that have occurred in Nepal's planning procedures that have enabled this new dimension to development in Nepal.

A special word of thanks is due Ms. Carolina Lama, who prepared the typescript for the press.

Human Resources Development
Research Centre
July 15, 1993

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CHAPTER ONE

THE STARTING POINT

In my opinion, development is not only an economic proposition but a human problem.¹

Political change came to Nepal abruptly. Far more subtle were the deeper stirrings of mind and heart and society made possible by the fact of political change. In the balance hung the development of Nepal—the social and economic change that treated men and women with dignity and gave to all the opportunity to live and work in security. To tell the story of Nepal's effort at planned development over the past twenty-five years, one must recall the age that preceded it, the legacy of human behaviour that this age left, the aroused hope (so quickly dimmed by new frustration), and the emergence of a new political system.

Our story began on 7 November 1950. Kathmandu awoke to a perfect day. The air was crisp. The monsoon-washed skies were clear. And the high Himalaya glistened in the early morning sun. A picture-book beginning to another day. Indoors, Kathmandu shook itself out of its slumbers as it had for generations past, and families went about their morning routines with good-natured familiarity and ease.

The news from Delhi All India Radio cut across this peace like a knife.

"Yesterday in Kathmandu", said the announcer in a voice reserved for headline news, "His Majesty King Tribhuvan Bir Bikram Shah Dev took political asylum in the Indian Embassy. The city is still peaceful. So far there have been no protest processions. No general strike has been called...."

For an instant Kathmandu stood still. The traditions of over a hundred years were shattered. Within half an hour volunteers were on their way to spread the news and call the people out into the streets in mass support for King Tribhuvan. For the first time in their lives the people truly voted, and they voted with their feet. Curiosity alone might have been enough to drag them from their snug security, but the grip of emotion changed a curious crowd into a political force that defied Prime Minister Mohan Shamsher Rana's every effort to force his own interpretation on the King's startling action.

¹His Majesty King Birendra.

A hastily convened meeting of Mohan Shamsher's Advisory Assembly rubber-stamped a decree declaring that since King Tribhuvan refused to return to his "duties", his second grandson, Prince Gyanendra, was declared King of Nepal. Four-year old Gyanendra was placed on the throne that same afternoon, and coins were immediately minted in the name of the new "king".² Whether the international powers would recognize the Rana decree of abdication or not was something that only time would tell. But the people of Kathmandu would have none of it. The popular struggle that began that day in Kathmandu continued throughout November and December.³ It continued until Mohan Shamsher capitulated completely to the terms of the Delhi Agreement that officially ended 104 years of Rana rule in Nepal. To be sure, the people of Kathmandu were not alone. There were popular movements in other Nepalese centres. In particular, in Biratnagar and Birgunj.⁴ But Kathmandu was unique and doubly important. The Kathmandu movement was spontaneous and recognized no organized leadership.⁵ Also, since Kathmandu was the seat of Rana authority, any group that successfully flouted Rana authority in Kathmandu forced observers to agree that Rana rule was dead.

King Tribhuvan increased the tempo of change on 10 November 1950, when he left Kathmandu for Delhi in an Indian airforce plane. Mohan Shamsher lost control of events at this time, and he knew it. He had desperately wanted to block the King's departure, but had been thwarted by open public opposition. In the end, Mohan accepted the King's departure as gracefully as he could, and King Tribhuvan went off to Delhi to deal directly with Prime Minister Nehru.

The Nepali Congress Party had also been taken by surprise by King Tribhuvan's moves. Safe in their refuge in India, the Con-

²Grishma Bahadur Devkota, *Nepal ko Rajnaitik Darpan* (Kathmandu, B.S. 2016), 1:414-16.

³Bal Chandra Sharma, *Nepal ko Aitihāsik Ruprekha* (Banaras, B.S. 2008), pp. 417-30.

⁴Popular demonstrations were widespread. Most of them were leaderless, but the Nepali Congress tried to gain control of these movements during December 1950 and January 1951. Outside of the Tarai, however, there was little real organization.

⁵Bhuvan Lal Joshi and Leo E. Rose, *Democratic Innovations in Nepal* (Berkeley: 1966). p.178.

gress had long planned their own offensive against Rana rule in Nepal. It took the Congress three days to react to the changed scene in Kathmandu. King Tribhuvan had already flown out of Kathmandu before they could make their first move.⁶ On 10 November an unidentified plane appeared in the skies over Kathmandu and airdropped anti-Rana leaflets. The next day a few hundred Nepali Congress paramilitary personnel drove in trucks across the Indian border to raid Birgunj. A few hours of desultory fighting liberated the government offices of the town. Again on the 12th, leaflets were airdropped over other centres in Nepal. Then the lid came down. The wheels of Delhi diplomacy had begun to turn. Prime Minister Nehru wanted no interference from the Nepali Congress in his efforts to mediate between King Tribhuvan and Mohan Shamsher. On the 15th of November, the Uttar Pradesh government forbade the Nepali Congress to use the Indian railways for further paramilitary action against Nepal, and on the 16th air flights over Nepal from Indian territory were banned.⁷ As a result, the Nepali Congress was helpless to influence the course of events. Only in late December, after Mohan Shamsher had signalled his willingness to accept the Delhi Agreement, did the Congress make any real impression with their paramilitary effort.⁸ Only after 1 January 1951, when Prime Minister Mohan Shamsher accepted the Delhi Agreement and Rana authority in the outlying districts of Nepal collapsed, were the most important Congress paramilitary offensives mounted.⁹ Whether the Congress leaders liked it or not the real revolution had been made in Delhi, and they, like Mohan Shamsher, had to accept the Delhi Agreement if they wanted a part in the new government. The King's activities had short-circuited the Congress leaders' plans, and their inability to control their own paramilitary commanders indicated how much the sweep of events had forced the pace of their own programme.¹⁰

⁶Ibid., p. 74

⁷Devkota, *Rajnaitik Darpan*, 1:35.

⁸Anirudha Gupta, *Politics in Nepal: A Study of Post-Rana Political Development and Party Politics* (Bombay: 1964), p.44.

⁹District military commanders in Nepal began to defect after the apparent collapse of Rana rule (signalled by Mohan Shamsher's acceptance of Nehru's mediation).

¹⁰Devkota, *Rajnaitik Darpan*, 1: 53-4.

Delhi diplomacy achieved its purpose, but not unassisted. Kathmandu's opposition to Rana rule had delivered critical support just when it was needed. The success of Delhi's diplomacy had depended on a negotiated settlement between King Tribhuvan and Mohan Shamsher and also on the refusal of the United Kingdom and the United States to recognize the Ranas' new king. Both of these countries had initially decided to let the atmosphere clear before they announced their final decision. On 26 and 27 November 1950, large-scale public demonstrations in Kathmandu in favour of King Tribhuvan prompted the United Kingdom to make a special evaluation of the political situation in Kathmandu.¹¹ Accordingly, on 3 December Esler Dening, the British Foreign Office Expert on Eastern Affairs, and Francis Robert, Deputy High Commissioner to India, arrived in Kathmandu to assess the situation. They were met at the airport by an enormous crowd, and massive demonstrations in Kathmandu convinced the delegation that the surge of popular emotion against Rana rule and in support of King Tribhuvan was a genuine and impressive demonstration of the legitimacy of King Tribhuvan's claim to the throne. The U.K. and the U.S. therefore refused to recognize Gyanendra.¹² Ultimately this was the cause of Mohan's capitulation. It is doubtful if the Delhi diplomacy could have succeeded without the critical impact of popular intervention on the official British and American interpretation of events in Kathmandu. These events antedated by a full month the most important Congress paramilitary efforts.

Like Mohan Shamsher, the Nepali Congress leaders eventually recognized the Delhi Agreement and the role of King Tribhuvan in the changes taking place in Nepal. Unfortunately, neither the Congress nor any other contemporary political leader in Kathmandu recognized the significance of the "Kathmandu mentality" that was born on 7 November 1950 and was destined to remain a powerful factor in Nepalese politics for years to come.

A. Lessons from Experience

King Tribhuvan returned to Kathmandu on 15 February 1951 with the firm intention of establishing a proper parliamentary

¹¹Joshi and Rose, *Democratic Innovations*, p.75.

¹²Shree Krishna Jha, *Uneasy Partners: India and Nepal in the Post-Colonial Era* (New Delhi: 1975), p. 48. Vijaya Shamsher and Kaiser Shamsher went to Delhi on 27 November 1950 to begin negotiating with Nehru on behalf of Mohan Shamsher.

democracy in Nepal. To achieve this, he intended that a Constituent Assembly be elected to draw up Nepal's first real constitution. Initially Nepal would be governed by a coalition cabinet, the membership of which had already been determined by the Delhi Agreement.¹³ The coalition cabinet was to function under an Interim Constitution until the Constituent Assembly completed its work, after which, parliamentary elections were to be held and a responsible cabinet installed. On 18 February King Tribhuvan announced these intentions to the people of Nepal and installed the coalition government in office. The Interim Constitution announced at that time was promulgated 11 April.¹⁴ The Constituent Assembly was never held, and Nepal had no constitution other than the Interim Constitution until King Mahendra's first constitution was promulgated from Hanuman Dhoka palace on 12 February 1959.¹⁵

The Interim Constitution ruled government activity in Nepal for eight years. During that time there were no less than ten changes of government plus several periods during which King Mahendra, who succeeded to the throne on 14 March 1955, ruled directly. During these eight years both King and politicians learned a great deal about the facts of political life in Nepal. Undoubtedly some lessons were missed that are now clear by virtue of hindsight. One lesson of the times, however, was too striking to be overlooked. Popular opinion in Kathmandu was a political force. The people of Kathmandu made it abundantly clear that their political interest had not ended the day King Tribhuvan returned from Delhi. The Kathmandu mentality was something to be reckoned with, and it was by no means easy to understand. Many a politician learned by bitter experience the significance of Kathmandu's own political paradox: to control the countryside without controlling Kathmandu was to control nothing; yet control of Kathmandu contributed nothing to control of the countryside. There were almost as many reactions to this paradox as there were politicians in Nepal, but none of them ever

¹³It had originally been proposed that the cabinet have 14 members, but during talks in Delhi 5-12 February, King Tribhuvan, the Congress leaders and the Rana representatives agreed to limit the cabinet to ten members.

¹⁴*Nepal Gazette*, B.S. 2011, Kartik 30 (15 November 1954).

¹⁵Devkota, *Rajnaitik Darpan*, 2:33.

succeeded in drawing a clear picture of public sentiment in Kathmandu.

The picture is far from clear even today. Public opinion in Kathmandu is as poorly organized now as it was then. However, time does help, and without offering any neatly drawn portrait of the public attitude towards politics and government (and at considerable risk of presenting a caricature), a few strong characteristics can be sketched.

The most obvious characteristic is Kathmandu's demand for independence of thought without formal organization. There is no accepted forum for the exchange of ideas, nor has the need for such a forum been felt strongly enough to prompt the people of Kathmandu to press for one. Yet Kathmandu insists on the right to speak its mind.

Secondly, no one can claim to speak for Kathmandu. Those who make such claims are quietly ignored.

Thirdly, as the seat of power, Kathmandu attracts intellectuals and spokesmen from all over Nepal as well as from Darjeeling, but despite this, Kathmandu neither speaks for the people of village Nepal nor pretends to do so with anything more serious than the drawing-room interest of the dilettante. Everyone has an opinion, but by some strange Kathmandu alchemy opinion becomes something to talk about rather than to act upon.

Fourthly, there is a tendency in Kathmandu for the "informed" to base their reputation on an understanding of the machinery of government coupled with the knowledge of the complex blood and marriage lines of key public figures rather than on a knowledge of what government is actually about or an understanding of the problems that a nation like Nepal must face.

Generally, and gratuitously, speaking, corruption is taken for granted; incompetence is assumed; and favouritism is considered universal.

As we have said, these broad lines are close to caricature. No true picture of Kathmandu's attitude can be drawn because it is so complex. But these elements are there, and they have significance. The people of Kathmandu man the central administration of government. They have it in their power to make or break any plan or programme or development project by their opposition, their callousness, their indifference, their interest, or their enthusiasm. "*What do the people of Kathmandu really want?*" is a question as vital today as it was twenty-five years ago, though time has surely re-shaped Kathmandu's reply. Twenty-five years ago the Kathmandu attitude conditioned the people's response to the whole democratic and development era. If we intend to ask

meaningful questions about development there is no better question to use as a starting point. The answer is elusive, but extraordinarily rewarding.

The newspapers of the period are no guide at all.¹⁶ Politics was their theme, and their aim, like that of the politicians for whom they spoke, lay in arousing and "educating" the people's political instincts rather than in reflecting the desires and frustrations that made the Kathmandu spirit what it was. The literature of that period is a more reliable index. It is true that the books, plays, and novels of the early development period represent the thoughts of a mere handful of writers (for this was by no means a period of heavy literary activity). It is equally true that the literature which a people preserves as its own must in some measure reflect the thoughts and aspirations of the people themselves. It is hardly an infallible guide, but literature reveals penetrating insights into the soul of the people to whom and for whom it speaks.

B. The Voice of the People: 1951-73

The accent was on society, not on economic development. The people wanted a reform of social institutions; honest and impartial government; and a fair deal for the simple villager. If literature is any guide to the people's thinking, these three expectations became the measuring rod for evaluating the performance of any administration that came to power. They asked, in effect, one question only of each administration: How willing and how successful are you in introducing and carrying through social reform?

The Early Development Period: 1951-58

The dominant note of this period was intense social concern, and the first target for most authors centred on traditional marriage practices. Child marriage, forced marriages, and the lot of widows in society. Krishna Prasad Chapagain, Rudra Raj Pande, Daulat Bikram Bista, Mohan Bahadur Malla, and Bhuvaneshwar Koirala in particular developed this theme, making reform of marriage customs an indispensable first step in any development

¹⁶Grishma Bahadur Devkota, *Nepal ko Chhapakhana ra Patrika ko Itihas* (Kathmandu, B.S. 2024), pp.113-29.

in Nepal.¹⁷ Rudra Raj Pande struck deeper. He forged a direct link between the exploitation of village Nepal and empty religious formalism, which he thought found expression in a lack of individual and social integrity and basic honesty as well as in the erosion of human values.¹⁸ His analysis of society reinforced many of the themes that Purna Prasad Brahman developed in a collection of short stories which he called *Jhilka* (written during the Rana period but published only after 1951).¹⁹ Purna Prasad saw the same lack of personal integrity in the Rana period that Rudra Raj wrote about so effectively, and he slashed bitterly at the institution of *chakari*, by which totally unqualified men gained positions of power through flattery and performed their duties in complete subservience to the whims of their superiors without thought of the welfare of the people whom they were in theory expected to serve. On the other hand, Bhuvaneshwar Koirala levelled his attack at the civil servants and politicians of the development era.²⁰ He chose to portray and condemn in strong and unmistakable strokes the evils of self-centred politics, the selfish demands of political groups and individuals, and, finally, bribery at every level of the administration. Lila Bahadur Chhetri turned from the administration to village Nepal and wove his stories around the economic structures that were suffocating village economic life. In his *Basain*²¹ he tells the tale of a simple farmer, Dhan Bahadur Basnet. In a desperate gamble against the high odds of outlandish interest rates, Dhan Bahadur takes a loan to buy a buffalo and improve his lot. The buffalo dies, and the full weight of village economic forces crushes Dhan Bahadur and forces him to migrate from his village. Lila Bahadur's *Basain* touches one of the rawest nerves in the whole body of traditional

¹⁷Krishna Prasad Chapagain, *Tukra Takri (Katha ko Bhet)* (Kathmandu: B.S. 2008); Rudra Raj Pande, *Prayaschit* (Banaras: B.S. 2007); Daulat Bikram Bista, *Manjari* (Kathmandu: B.S. 2016); Mohan Bahadur Malla, *Mayarani* (Kathmandu: B.S. 2009); and Bhuvaneshwar Koirala, *Satya Sandesh ra Bidhuwa Jivan* (Pokhara: B.S. 2013).

¹⁸Rudra Raj Pande, *Prayaschit* (Banaras: B.S. 2007), p.1.

¹⁹Purna Prasad Brahman, *Jhilka* (Kathmandu: B.S. 2007), pp.30,32, and 40.

²⁰Bhuvaneshwar Koirala, *Baikunthako Mahal* (Pokhara: B.S. 2013), p.37.

²¹Lila Bahadur Chhetri, *Basain* (Kathmandu: B.S. 2014).

society, but his theme is essentially the same as that traced by other authors of the period; honesty, integrity, economic fair play, and a society that treats individuals as persons. This is as strong a social development theme as one could wish. Apart from Bhuvaneshwar Koirala,²² who finds the new regime as deadening as the old had been, the other major authors of this eight-year period wrote of Nepal's social problems with the strong expectation that change was on the way. The solutions they suggest are weak, but the undercurrent of hope is strong. Perhaps this says a great deal about the Kathmandu mentality of the time: hope is strong—even demanding—but proffered solutions are naively inadequate.

Transition Years

In 1958, 1959, and 1960 there was a pause in this preoccupation with the structure of society. During this short three-year period Govinda Bahadur Malla and Bijaya Malla explore intensely personal themes of families and individuals.²³ If they discuss society at all, it is as a backdrop that lends a note of authenticity to the individual's personal encounters with the pain of living. Concern for Nepal's social structures will return in later novels, but at this time the Mallas seem to reflect a strong "wait-and-see" attitude as the nation moved into its parliamentary experiment. In the meanwhile, the emphasis during these three years is on personal and human problems rather than on social problems.

New Directions

The years 1961-73 offer no single theme that unites the literature of this more vigorous phase of the development period. Following Lila Bahadur Chhetri's earlier lead, Tulsi Ram Kunwar, Shankar Koirala, Lila Dhoj Thapa, and Hridaya Chandra Singh Pradhan focus on the poverty, oppression, and the uneducated simplicity of the people of village Nepal—their helplessness in coping with changing institutions that they do not understand and cannot manipulate.²⁴ The spectrum of conclusions these authors

²²Bhuvaneshwar Koirala, *Jhilko* (Kathmandu: B.S. 2013).

²³Govinda Bahadur Malla, *Chatieko Parda* (Kathmandu: B.S. 2016) and *Palo Ghar ko Jhyal* (Kathmandu: B.S. 2016); Bijaya Malla, *Kohi Kina Barbad Hos?* (Kathmandu: B.S. 2016).

²⁴Tulsi Ram Kunwar, *Rane* (Bhadrapur: B.S. 2018); Shankar Koirala, *Khairini Ghat* (Kathmandu: B.S. 2018); Lila Dhoj Thapa, *Shanti* (Kathmandu, B.S. 2016); Hridaya Chandra Singh Pradhan, *Ganga Lal ko Chita* (Kathma-

reach stretches from the near despair of Hridaya Chandra Singh Pradhan, who sees nothing that can be done for village Nepal, to the forceful statement of needed reforms that marks Lila Dhoj Thapa's work. In many ways Shankar Koirala's treatment of the lot of villagers is the most touching. Shankar Koirala describes with feeling both the villagers' simple faith that the magic *mantra*²⁵ of democracy will solve all of their problems and also the pain of their inevitable disillusionment. Interestingly, Shankar Koirala chooses to end on a positive note with his hero struggling through to a kind of victory in spite of the system. Tulsi Ram Kunwar does the same in his *Rane*. In fact, *Rane* typifies the change in emphasis of this later development period. In 1952 Krishna Prasad Chapagain, in his *Tukra Takri*, argued that our most ancient traditions require the poor and the weak to honour and respect the powerful. In *Rane* Tulsi Ram Kunwar seems to agree when he says that the wealthy and powerful have many means, *evil as well as good*, to maintain their position, whereas the poor have only their work and their sacrifice to see them through. Nevertheless, Tulsi Ram Kunwar has his *Rane* sustain and survive the onslaught of village economic pressure. Comparing *Rane* with Dhan Bahadur Basnet, the hero of Lila Bahadur Chhetri's *Basain*, we find the same positive change in attitude. Dhan Bahadur succumbs, albeit with honour, but *Rane* survives in the face of economic pressure. The time-gap between the two works is only four years. Yet even the passage of a little time has clearly brought new hope.

During this later development period, Bijaya Malla and Guru Prasad Mainali²⁶ continue the more personal and intimate themes that marked the period 1958-60, and Hridaya Chandra Singh Pradhan continues to explore the theme of women's position in society that first captured the attention of authors in the 1951-58 period.²⁷ But it is Keshav Raj Pindali and Khadga Bahadur Singh who dramatize most clearly the sharp clash in

ndu: B.S. 2025).

²⁵*Mantra*: a charm, spell, incantation.

²⁶Guru Prasad Mainali, *Naso* (Kathmandu: B.S. 2026).

²⁷Hridaya Chandra Singh Pradhan, *Swasnimanche* (Kathmandu; B.S. 2025).

attitudes that marked this period.²⁸ For Pindali, the millennium is here. The advent of the democratic period ended all of Nepal's true problems. The magic *mantra* of democracy is ready to do its work—has in fact done its work. To Khadga Bahadur Singh, this is anathema. In his *Huri ko Chara*, he states flatly that the type of society that the Nepali people had hoped would follow the end of Rana rule has remained a dream. The Nepalese have been caught up in a whirlwind of change with no improvement in their condition. The gap between rich and poor has widened; injustice has increased; and the final state of our people is worse than it was before the democratic era began. Yet even Khadga Bahadur Singh ends on an encouraging note when he states his basic thesis that the well-being of the people alone can form the foundation of a strong nation, and that only the unselfish and meaningful collaboration of all Nepalese can achieve this.

Of all the authors surveyed, Pindali, despite his uncritical enthusiasm, unerringly strikes the essence of the Kathmandu mentality. Pindali praises the progress that has been made *because now educated people can find jobs*. Pragmatism! Kathmandu's concern for development in the rest of Nepal always includes a realistic appreciation of the fact that growth anywhere in Nepal means more growth for Kathmandu.

The literature of the first twenty-five years of the development era clearly places social reform before economic development, though economic problems are given a strong secondary stress. Problems are graphically presented, but solutions, if offered, are generally vague. There is a slight development from a negative attitude of defeatism to the admission of possible success, but the success achieved is always the success of the individual never the system. If anything, there is a sense of weariness with the weight of traditional customs, traditional economic pressures, and traditional administration. All tend to converge at a point near Tulsi Ram Kunwar's thesis that the rich and powerful have many means, good as well as evil, by which to maintain themselves in power, while the poor have only their own labour and sacrifice to see them through.

C. The Administrative Inheritance

On 18 February 1951 King Tribhuvan installed the coalition cabinet. According to the division of portfolios determined by the

²⁸Keshav Raj Pindali, *Ek Desh ki Maharani* (Kathmandu: B.S. 2026); and Khadga Bahadur Singh, *Huri ko Chara* (Kathmandu: B.S. 2030).

Delhi Agreement the Rana bloc and the Nepali Congress bloc each had five ministers. Although this cabinet, composed as it was of two antagonistic groups, was inherently unstable, the members were expected to work together at least until the Constituent Assembly. This may seem utopian, but this was the agreement both sides had signed in Delhi, albeit under duress. They had signed because it was in their own best interest. Congress needed the Constituent Assembly in order to legitimize its claim to govern Nepal. The Rana bloc needed a smooth transition period to demonstrate both their openness to change and their acceptability as representatives of the people. The only way for either side to realize its objective was to collaborate—at least in public. Despite running feuds between ministries and in cabinet meetings, the coalition government settled down to making the new administration work.

The ministers were sworn-in to supervise ministries that did not exist. They first had to carve ministries out of the old Rana administrative organization. Some departments of the Rana structure could easily be converted into ministries: Defence, Home, Finance, Forest, and Foreign Affairs. The other ministries had to be organized from some forty-five departments and offices whose functions fitted roughly into the new portfolios.²⁹ The fact that it is impossible to construct an organizational chart of the Rana administration indicates the size of the problem. The task required not only a re-grouping of Kathmandu offices into ministries but also the effective extension of each ministry's authority down to the district and village level. The creation of a cabinet was the tip of the iceberg. The iceberg itself was the whole Rana administration: its objectives, the constraints placed upon it, and the structures developed to achieve its objectives within these constraints. Stated briefly: the objectives of Rana administration were the collection of revenue and the maintenance of law and order. Terrain imposed the primary constraint. And Rana administration evolved to provide centralized control in a country with the most primitive means of communication.

Communications

As long as men and women have lived in the Himalayas, communication has been the major problem. Prior to 1951 the only practical way to move from one place to another was to

²⁹Hem Narayan Agrawal, *The Administrative System of Nepal* (New Delhi: 1976) pp. 16-73.

walk. Mail was carried by runners, and freight was carried by porters. In some places in the Hills it was possible to travel on horseback, but this was rare. The wealthy and higher ranking officers of government were sometimes carried in crude palanquins, but this was slow and tedious. In the Tarai, it was possible to use elephants or ox-carts, depending on the season. Neither of these means of transport is recommended for speed.

Terrain and communications had a direct influence on district administration in Nepal. Local governors (*Bada Hakims* or district administrators) had to have both the freedom and the authority to rule the districts with a minimum of contact with the central administration.³⁰ The central administration could and did give strong guidelines for the conduct of district administration but also allowed district administrators the discretion to apply those guidelines to suit actual situations that arose in the district. The district administrator became not only the coordinator of the district administration. He ruled the district. Some cases, of course, had to be referred to the central administration for decision, either because they fell outside the terms of the district administrator's guidelines or because they were reserved for the decision of the Centre. Over time these cases permitted the central administration to re-shape the guidelines to suit the needs of each particular district. This strengthened the Centre's control over the district administrator. It also created an administrative structure characterized by distinct—often incompatible—sets of district guidelines rather than a uniform system of district administration. To function within such a system, each district administrator necessarily developed a strong personal relationship with the Centre.

Historical factors also had a great deal to say about the evolution of Nepal's district administration.³¹ The three score of petty kingdoms that had been united to form Modern Nepal had over time developed into a total of thirty-two district administrative centres (twenty centres in the hills and twelve centres in the Tarai) plus Kathmandu Valley. During the period of unification the Gorkhalis had preferred to impose a minimum of conformity on the territories they assimilated by conquest or by negotiation. Governors had been ordered to respect local

³⁰Muluki Sawal, B.S. 2010.

³¹See Ludwig F. Stiller, S.J., *The Silent Cry* (Kathmandu: 1976), pp. 126-34.

customs and traditions. Hindu law, the fundamental law of the land, easily absorbed the customary law of each territory. This policy reduced resistance to Gorkhali rule. It also led to a system of administration that built strong linkages between the Centre and each district without developing any coordinated regional administration. Thus there was uniformity in law but no standardized application of the law. Nor was there a standardized treatment of minority groups. No systematic development of the communications system. And certainly no regularized administrative procedures that were applied equally throughout Nepal. The constraints that poor communications imposed on the administration were reinforced by conscious policy decisions. The result was patchwork and arbitrary district administration.³²

Despite all its weaknesses, this administrative system was quite adequate for the government's limited objectives: to maintain law and order and to collect (to maximize) agricultural and related revenues. It aimed at nothing more. In many cases, of course, more was actually done than these objectives suggest. Usually this was done to improve communications in pursuit of these objectives or to satisfy the current interest of the ruling prime minister. In either case, these practices went beyond the routine objectives of Rana administration.

During the latter half of the nineteenth century some tentative efforts were made to systematize district administration.³³ Significant change came only in the twentieth century. Two Rana prime ministers stand out in particular: Chandra Shamsheer (1901-29) and Juddha Shamsheer (1932-45). Each of these men introduced important administrative reforms designed to expedite procedures according to the limited objectives of the state.³⁴ There was some streamlining of the revenue collection system. A better police protection system was designed for the Tarai. And the judicial system underwent considerable modification. But the three basic characteristics of district

³² Agrawal, *Administrative System*, pp. 77-8.

³³ 'Administrative Decentralization Measures of Prime Minister Chandra Shamsheer', trans. Mahesh C. Regmi, *Regmi Research Series*, 8:54-60 (March 1976).

³⁴ Agrawal, *Administrative System*, p. 110, says, "On the whole, taking a closer look at the district administration during the [Rana] period, it would be said that the main purpose was to maintain law and order and collect land revenues."

administration in Nepal remained: In day-to-day administration the district administrator's word was law. The various departments of the administration were highly compartmentalized with a minimum of interaction.³⁵ And the revenue reporting system was designed solely for accountability.³⁶ The rules, regulations, and manuals that were worked out as a part of these administrative reforms strengthened this basic structure. No effort was made to integrate district administrative units into larger regional units nor was there any modification of the relationship between individual districts and the Centre.

Mukhe Sawal

In the eyes of the people of a district, the district administrator was the government.³⁷ His first duty was the immediate execution of all direct commands from the prime minister or the commander-in-chief. His chief fiscal responsibility was to minimize government expenditure in his district.³⁸ Beyond these duties towards the Centre, the array of his official powers was bewildering. He had under his direct control or influence every function of government in the district as well as the power to influence the career of every government official at district level. His reports on their performance formed the basis for the annual *pajani*.³⁹

The district administrator's basic task, despite his enormous powers, was to keep things running smoothly. He was not expected to be either an innovator or an organizer. The courts had their rules; the military had their regulations; the revenue collectors had their approved practices; and the *mal adda* (district

³⁵Compare the job descriptions given in the *Muluki Sawal*, B.S. 2010.

³⁶R.N. Chatterjee, an Indian expert called in by the Auditor General, said of accountability under the Rana regime that "It is doubtful whether the accountability of the government officer for public money has ever been enforced so rigidly in the history of any other country." R.N. Chatterjee, *Report on the Accounting System of Nepal* (May 1967), p.4 (Typescript)

³⁷District administrators in Rana times were called either *Bada Hakims* or *governors*, depending on the size and importance of the district they ruled. For simplicity, we use the term district administrator to cover both.

³⁸Agrawal, *Administrative System*, p. 84.

³⁹*Muluki Sawal*, Section 18.

treasury) was the most regulated of all.⁴⁰ As long as the district administrator made sure that these institutions functioned smoothly and maintained law and order in his district, he was doing his job well. The other offices he was supposed to oversee were of minimal importance. However, the district administrator's responsibility to ensure that these offices functioned properly gave him almost total authority in his district.

Since the district administrator played such a vital role in the Rana administrative structure, he might seem an obvious choice for introducing change at the district level once the development era began. This was not true. As an agent of change in a development-oriented government, he was a misfit.⁴¹ Two centuries of tradition directed the district administrator's functions and made him conservative, resistant to change, and confused by the new ministerial approach to government. Whereas previously he had simple, direct lines of communication with the Centre, he now found himself answering in one way or another—if he found time to answer at all—to ten different ministries. He was supposed to keep things running smoothly, which in his mind was translated as "no change from the traditional pattern". His office thus became a potential bottle-neck for any change the new government hoped to introduce. In fact, reconciling the district administrator's office with centrally administered development plans became a major challenge.

Compartments Not Coordination

The single requirement of every member of the district administration—apart from the district administrator—was that he know his job and do it. If he failed to perform, there were many others anxious to take his place. Competition was severe, and jobs were few.⁴² The educational requirement for most jobs was minimal, and there was little need to exercise independent judgement. Any required action was spelled out in the regu-

⁴⁰Ibid., Section 1 and 11 in particular, but the whole document, *passim*.

⁴¹It is interesting to note that the last edition of the *Muluki Sawal* was dated B.S. 2010 (1953), two years after the Interim Government took office.

⁴²See Lionel Caplan, *Administration and Politics in a Nepalese Town* (London: 1975).

lations.⁴³ As long as each man did the task assigned in the manner prescribed, the system worked. To say the system worked like clock-work would be an exaggeration.⁴⁴ As life itself, the system was geared to the seasons. It moved steadily but slowly, producing the desired results over time, but little real urgency motivated any office holder. The lowest tier of revenue collectors were expected to visit their villages once a month, but actual revenue collection was possible only after the harvest.⁴⁵ The courts were expected to hear cases within a reasonable time, but here, too, the process was wearying and subject to the delays and moods of village life. Most matters that required judgement could be handled by the district administrator himself and were settled without serious judicial process.

On the other hand, any employee of government shared in the authority of government. He had his own perquisites, his own little demands which he could make on those who came to him for whatever purpose, and his own graft, however petty it might seem, that was an accepted part of life. The concept of duty as he understood it was duty towards his regulations and his district superior. The concept of service was totally alien to him. Kindness, cooperation, and support were personal qualities any individual might take into his job, but they were part of his personality, not part of his duty.

Accountability

Accounts were sacred to anyone who handled money during the Rana period. The burden of accountability was not removed from his shoulders until his accounts had been carefully scrutinized and every *paisa* accounted for.⁴⁶ If his accounts were short, he made it good, or his family did.

Accounts were the responsibility of those who worked at the *mal adda*. The district administrator, of course, was ultimately responsible, but the day-to-day recording of monies received or paid-out took place in the *mal adda*. No elaborate accounting system was used. Transactions were described in an approved

⁴³See *Muluki Sawal* and *Mal ko Sawal*.

⁴⁴Chatterjee, *Accounting System*, p. 8, says of the *Kumari Chowk, Pahar*, that it has "yet to audit between 700 and 800 accounts pertaining to the period B.S. 1996 to 2008 (1939-51)."

⁴⁵Agrawal, *Administrative System*, p. 98.

⁴⁶Chatterjee, *Accounting System*, p.2.

form on loose pages of Nepali paper, which were later bound into a kind of cash book (*syaha*). Entries in this cash book were chronological. Land revenue that was paid-in was entered under the name of the responsible land-revenue agent, with no record of the farm or homestead from which the revenue was collected. The revenue agent was responsible for a total of so much revenue, and he paid it. The rest was considered unnecessary detail.⁴⁷ Elsewhere there were records of the land allotted and the revenue due from it, but that was a separate compartment. The accounts never reflected it. Since banks were virtually non-existent, the *mal adda* also performed many functions of a branch bank, making payments for members of the Rana family and accepting payments made to them. It was all in the cash book, entered chronologically. If special payments were made on government account by authorization of the central administration, the payments were made and the letter of authorization was copied *verbatim* into the cash book along with the entry of the money paid-out. *Chronologically*. There were no detailed headings; no detailed accounts. Salaries for district level employees were paid-out, and the entry made in the same chronological order. Funds were not allowed to accumulate but were turned over to the district administrator against his receipt. When the final line was drawn and accounts tabulated at the end of a given accountant's term of office it was first ascertained whether his final total coincided with receipts for the cash he had entrusted to the district administrator. Line-by-line payments-due would be checked against cash receipts. Payments made on authorization would be checked against letters of authorization. There were set times when accounts had to be submitted for

⁴⁷Ibid., pp. 11-12, "The difficulty in proper accounting of revenues was inherent in the old system. The Mal Addas in their monthly accounts exhibited only the total amounts realised from specified offices. This amount did not necessarily represent revenues realised by the particular office for a particular year. It might include revenues of the past year or years or even a refund of unspent funds. The amount paid to Mal Addas by non-revenue collecting offices was also included in the accounts rendered by Mal Addas. Thus no proper compilation of revenue accounts was possible on the basis of the accounts rendered by the Mal Addas."

audit but no specific time when the audit had to be completed.⁴⁸ The accountant in question was responsible until he received a certificate of clearance, and that took as long as was necessary.

Given the circumstances, it is not surprising that the Rana administration never produced a budget. Even had they wanted to produce one, it would have been an impossible task. It is even less surprising that the post-1951 administration would require over eighteen months before the Finance Ministry would hazard any sort of guess about national revenues and expenditures, or that for several years the budget would be announced at the end of the fiscal year rather than at the beginning. The cash books and other accounts from the *mal addas* of the thirty-two districts, the records from the sale of timber (kept in much the same way), and the receipts from local customs offices all came to Kathmandu's *Kumari Chowk* for audit. In theory these cash books contained the basic data for a statement of income and expenditures. But the accounts were submitted at irregular intervals, they were not broken down into specific headings that classified either revenue or expenditures, and the *Kumari Chowk* could not make such a break-down within any reasonable time. In addition to this, many sources of national revenue were not even reported to the *Kumari Chowk*, but were reported directly to the concerned department of government, which retained it as compartmentalized information. The *Kumari Chowk* thus had no way of producing the sorts of data a modern finance ministry required. The system was designed to produce revenues, not budgets, and accountability was its watchword.

The picture presented here is no exaggeration. If anything, the problem was even more complex than we have suggested. A far more detailed treatment would be needed to present a technically complete portrayal of the problems that "accountability" created.⁴⁹ This simple statement, however, should explain the general nature of the problem: the system of accounts was designed strictly for accountability, not modern budgeting.

⁴⁸Agrawal, *Administrative System*, p.130, comments with amusement on the delay in the audit, saying, "It is no wonder that any default in public funds or mistakes in accounting brought punishment not only to the defaulter himself but on his heirs up to the seventh generation." (emphasis added)

⁴⁹See Eric Himsworth, *The Fiscal System of Nepal; A Report to His Majesty's Government* (undated). (Mimeo)

The two systems were poles apart. Nor could any administration force them together. No serious attempt to change this system of accountability would be made until 12 March 1962, when the new *HMG Manual of Accounting* was approved. Five years later the Accountant General announced that the accounting system defined in the manual would be introduced throughout the central and district administration—more than sixteen years after King Tribhuvan installed the coalition government.⁵⁰ In the meanwhile, the Finance Ministry and planners would have to struggle along as best they could with data totally inadequate to their needs.

Personnel Practices

The Rana administrative system also incorporated some personnel practices that proved a decided annoyance to the new administration. Some of these practices were easily changed by legislation. Others were so deeply embedded in the psychology of government employees and Nepal's social fabric that they resisted all attempts to remove them. Three of these practices deserve special mention: the *pajani*, *jagera*, and *chakari*.

The *pajani* was annual. It began with the termination of all government assignments. Once a government servant's appointment had been terminated by the *pajani*, he had to await further assignment. He could be reappointed to the same office (and often was). He could be transferred to another office at the same level. He could be promoted. He could be held in reserve for possible assignment at a later date. He could be passed-over temporarily without damage to his prospects in coming years. Or he could be dismissed permanently. To be placed in reserve was far better, of course, than to be dismissed or merely passed over. While in reserve, one lost the perquisites of office, but at least one continued to receive a salary. Meanwhile an individual in reserve could hope that a post to which he might be appointed would fall vacant.

The disciplinary value of the *pajani* system is obvious. Since any government servant's disposition at *pajani* time was based on his service record, the individual was under strong pressure to perform well. To perform well meant to follow the regulations that governed his office and to keep his superior happy. The

⁵⁰*Gorkhapatra*, 15 July 1967.

pajani system was discontinued shortly after the coalition government came into power.⁵¹

Jagera designated the reserve pool of officers, those not dismissed from service at the *pajani* but assigned no official function. The continued employment of reserve officers formed an unnecessary financial burden on government. It also exerted pressure on those who did receive posts at *pajani* time. While they performed their duties, reserve officers were free to curry favour and politick to regain a responsible post in the administration. After 1951, as cabinet succeeded cabinet, *jagera* provided a convenient way for new ministers to promote friends or relatives. Free from the burden of proving the incumbent's incompetence, the minister could shunt him into the reserve pool and thus make room for his favourite. *Jagera*, however, allowed the "replaced" officer to complete the cycle. He was free to use *chakari* in all its variations to regain office at the expense of another incumbent. In the years to come, many an advisor in public administration would urge that the reserve pool was bad administration and that it should be discontinued. Without success. *Jagera* had its social uses.

Chakari was an informal social institution. There were no regulations governing *chakari*, but the unwritten rules were clear and only broken by the ill-advised. *Chakari* was a public sign of loyalty to one's immediate superior. It entailed attending on him, either at his home or office, where one was expected to render small services or to show appreciation for his superior's wit, wisdom, or decisions. *Chakari*, of course, was something even non-office holders could perform. It was an ideal way to put oneself in line for possible assignment at the next *pajani* or to add insurance to the effectiveness of one's service record. From the point of view of the one doing *chakari*, it was both a sign of loyalty and a currying of favour. The one receiving *chakari* simply recognized it as his due. Those who performed *chakari* were favoured. Those who failed to do so or who seemed less appreciative were held in less esteem and were not favoured when rewards were passed out. Since *chakari* was an informal and personal practice, it was impossible for the new administration to legislate it out of existence. Senior officers continued to expect

⁵¹Legally the *pajani* was no longer in force from the time of the promulgation of the Interim Constitution, 11 April 1951, since the Constitution provided for a Public Service Commission.

it, and junior officers became resigned to it. Perhaps more importantly, many a junior officer learned by experience that *chakari* provided an excellent way to make the best of one's opportunities, to improve one's position, or to gain an advantage over other employees in the same office. *Chakari* worked, and this, more than anything else, guaranteed the continued practice of *chakari* despite repeated formal condemnation.

Change but No Change

When the cabinet system was imposed on the Rana administrative structures, there were two immediate effects. First the traditional channels of communications were broken. New lines of communications had to be set up between the ministers and ministerial secretaries; between secretaries and their departments; and between the departments and their corresponding offices at the district level. Secondly, although the administrative structure of the Centre was changed, there was no change at the district level. Until the district administrator's powers were modified, the district administrator remained the real government at the district level. He continued to have large discretionary powers which he used to enforce or to adapt the new laws and regulations coming from the Centre as he understood them and as the local situation required. The cabinet had no way of knowing the actual situation in the districts, and district administrators remained the *de facto* rulers of most of Nepal.

The cabinet's first task was to organize the ministries and to prepare them for the functions they were expected to perform. This raised the immediate questions of staff, definition of functions, and identification of objectives. Each minister had to decide what he must do, how he wanted to do it, and what personnel he should recruit to help him in his work. All three of these questions were policy related and required negotiation at the cabinet level. They also posed practical difficulties.

The first and most serious constraint was the shortage of educated men and women who could be brought into the administration. In 1951 there were only three hundred graduates in the whole of Nepal. Most of these men were already employed either in the administration or on the staff of Trichandra College. They could be transferred or promoted, but the number could not be stretched to provide the needed man-power. At that time there were only two hundred students enrolled in Nepal's single college. Nor could this number be augmented rapidly. In 1951 there were 1,215 high school students in Nepal, enrolled in eleven high schools, but the number of students who passed the school

leaving examination (SLC) in 1951 numbered just over 100. In 1952 this number increased to 194. In 1953, 1954, and 1955, the number of matric passes increased steadily to 388, 422, and 430 respectively.⁵² Even with these increases, college enrolment at the B.A level in September 1954 numbered only 745.⁵³ Since this number included all students enrolled in a two-year programme, at a pass-rate of fifty percent (which is high) only 200 students at most would be completing college a full three years after the coalition government took charge of the administration. The educational system of the Rana period had been geared to the demands of the administration as it existed then, and only a massive reorganization of the system would prepare educated personnel for the expanding needs of the country. Such a development, however, required teachers, who were simply not available in the numbers that were needed. The only way out of this impasse was to accept a reduction in quality in order to achieve any kind of growth in quantity. And this same pattern would be duplicated in almost every aspect of government.

Meanwhile, government must go on. The coalition cabinet established ministerial offices based on the old Rana offices. The old personnel came along with their departments, bringing with them the habits of a lifetime of civil service. Their work was governed by the same old office manuals, and their understanding of their function was governed by their old perceptions of service. Wise men were prompted to remark that the revolution of 1950-51 had left more unchanged than it had changed.⁵⁴

D. Heady New Wine

All this would have created problems for the administration even if the situation in Nepal remained static. Quite the contrary was true. The changes that had already been made and the magic *mantra* of democracy were like a heady new wine for the people of Kathmandu. Hopes were roused and ambitions fired. Political parties began to proliferate. Centuries of traditionalism yielded

⁵²See the *Nepal Gazette*, B.S. 2008, Jyestha 27 (9 June 1952); B.S. 2010, Aswin 19 (5 October 1953); B.S. 2011, Srawan 4 (19 July 1954); and B.S. 2012, 6 Bhadra (22 August 1955).

⁵³Sardar Rudra Raj Pande *et al.*, eds., *Education in Nepal; Report of the Nepal National Education Planning Commission* (Kathmandu: 1956), p. 36.

⁵⁴*Planning Notes*, p.12.

overnight to a sense of expectation in Kathmandu. Politics became an arena.

The most sensitive scene in the whole of Nepal was right in the cabinet. Despite the Delhi Agreement, the coalition was not working. Representatives of the Rana bloc proved insensitive to the fact of change. Even with the best of intentions they would have found it difficult to escape the traditions of a century of family rule. Lacking such intentions, even the appearance of cooperation evaporated. The Congress bloc proved equally uncooperative, and its members indicated quite forcefully that they considered the coalition government to be only another battle ground for their revolution. It is very easy to oversimplify, but it seems that the Congress pressed for every advantage in their struggle to initiate the social changes their party espoused. Since their programme coincided largely with King Tribhuvan's Social Manifesto it was inevitable that they should prevail. In fact, within nine months they had manoeuvred the Ranas out of the cabinet.⁵⁵

The Congress Bloc's anxiety to get on with the task was understandable but unsettling. Theirs was a critical challenge to the stability of government. Under the Interim Constitution, the only check on the cabinet's power to issue ordinances and to create laws was the cabinet's responsibility to the King. Regardless of the impatience of some Congress leaders, King Tribhuvan's programme was still best. Since parliamentary democracy was the goal, the most pressing business was to move as rapidly as possible towards a Constituent Assembly. This required the cooperation of all political parties and of all political personalities. Until such a Constituent Assembly could meet and complete its work, King Tribhuvan had no recourse other than to insist that the cabinet function according to the terms of the Interim Constitution, which included ministerial responsibility to the throne. The price of the Congress victory over the Rana bloc was perhaps too high for the fruits actually won. The tactics used, the public attitudes displayed, and the emotional fall-out that followed, all tended to alienate rather than to unite Nepal's political leaders under King Tribhuvan. Openly professed attitudes created political confusion in Kathmandu and encouraged personal ambitions to the detriment of the political process. To say exactly where the fault lay is not easy, even at this distance from the

⁵⁵See Joshi and Rose, *Democratic Innovations*, pp.87-91.

events of 1951, but the results were very clearly seen. The next eight years were a very sorry period in the history of Nepal. Even the most devoted public servants found it difficult to perform their tasks. Conservative landowners retired to the fortress of their own interests in practical defiance of the desire and need for social and economic change. The Congress Party drifted steadily into opposition, where they opposed (with almost the same revolutionary zeal that had marked their struggle against the Ranas) every proposal that King Tribhuvan, and after him King Mahendra, put forward. The stage was left to the experimental efforts of the leaders of small parties, none of whom was strong enough to push through the one thing that was desired, the Constituent Assembly. The result was not political chaos, but it was near enough to suggest such a description, and there was ample scope for self-motivated politicians to try their luck in the political sweepstakes. The man on the street, however, was not pleased. The only answer he had for his high hopes was summed up in the musings of a school boy, who wondered at one stage why a new cabinet had been formed when the old ministers had just acquired their new cars and built their houses. His facts were wrong, at least partially, but his instincts were accurate, and they were reflected strongly in the literature of the day. The Ranas were gone, but there was very little real change. For the people of Nepal, the social objectives of what we have called King Tribhuvan's Social Manifesto were still vague promises. This they could not understand. In Rana days, when the *mukhe sawal* was the order of the day, things happened when the Prime Minister spoke. They expected no less when the King spoke, and they had very little appreciation for the political processes and excuses that delayed the attainment of these goals.

King Tribhuvan's Social Manifesto contained no new philosophy of society nor theory of social order. It contained only those rights of individuals and objectives of government that are consonant with a parliamentary system of government. In this field it is very difficult to say anything that is very new. The newness of the Social Manifesto lay in that it promised liberties that the Nepalese had not known for over a hundred years. It was the answer to all the aspirations our survey of Nepali literature revealed as the real desires of the Nepalese people.

- A. In place of the favoured position of the Rana family and the discrimination written into the legal code of 1854, Nepalese were promised:**
1. A uniform civil code;
 2. Equality before the law;
 3. Freedom from discrimination based on caste, race, religion or sex;
 4. Equal opportunity in government employment.
- B. To replace the personal restrictions Nepalese had experienced throughout the period of Rana rule, Nepalese were promised:**
1. Freedom from arbitrary taxation;
 2. The basic freedoms of speech and peaceful assembly;
 3. Freedom of movement throughout Nepal and settlement anywhere in Nepal;
 4. Freedom of choice of occupation;
 5. Freedom to possess and to dispose of their possessions.
- C. In answer to the demand for better treatment of women, Nepalese women were promised:**
1. Equal rights with men
 2. Equal pay for equal work;
 3. Assistance for maternity.
- D. The poor and the exploited were promised:**
1. Work and a fair wage, with protection for women and children;
 2. Protection for the weaker classes;
 3. Assistance to the aged, the infirm, and the helpless.

All of these promises depended on the State's ability to fulfil two basic conditions: first, the ability to enact laws that would grant and protect each right legally; and secondly, the growth of the national economy to the point where the fiscal obligations implied in these promises could be met by the State. In short, the task King Tribhuvan set before the administration by his Social

Manifesto was one of national development. Administrative, economic, and social.

Somehow the administration would have to learn to work together to achieve the goals that had been set before them. From the first, it was apparent that outside help would be required. This was never really questioned. What was questioned was the *kind* of outside help that would be sought or accepted and the uses to which that help would be put. There were painful lessons in store for the administration and for the Nepalese in general. Only as they began to face the problem of development would the Nepalese learn the extent of the legacy the Rana regime had bequeathed to them in administration, education, and isolation from the world outside Nepal. The road ahead would be much harder because the Nepalese as a nation were so poorly prepared to understand, evaluate, and harness the aid that would be extended to them as soon as they asked for it.

CHAPTER TWO DEVELOPMENT IN NEPAL

It is our belief that in the march of time everything should change: that which does not work, that which proves illusive, that which in the name of tradition only brings exploitation—all of these must change.¹

Nepal's request for outside assistance must be seen in perspective. Nepal in 1951 was not a country of complete oppression and demeaning poverty. The social system and the administration shouted out for change (and there was certainly poverty), but there was also a quality of life in Nepal that was truly beautiful and for which Nepalese today often express a fond nostalgia. The Nepalese desire for change was not born of a yearning for luxury. If our survey of the literature of the period is any indication of the true feelings of the people, the Nepalese particularly wanted reduced pressure on the poor and social justice. Interestingly enough, their priorities echo almost exactly the aims that King Tribhuvan set for his government. These same priorities, suitably tailored, also formed the basic demands of the political parties that sprang up during the early development years. Up to this point, there was general agreement on the need for social and administrative change. Agreement stopped short, however, on the extent of the changes needed and the methods to be used. In fact, as we have seen, the Nepalese people did not know how to make the changes they agreed must be made. This was Nepal's problem and the origin of its request for outside help. And it was this simple request that opened Nepal to the influence of international development theory and planning. In due time outside assistance would indeed come to Nepal, but it would not provide clear and precise answers to the questions Nepal was asking. The result was decidedly a mixed blessing. Even today it is not clear whether foreign assistance, offered with the best of intentions, will actually help Nepal solve its own development problems or force Nepal into an era as confusing and frustrating as the one that Nepalese sought to escape.

¹His Majesty King Birendra.

A. Planned Development

Planned development is a most reasonable concept. Man, as a rational being, should be able to define his problems and plan a solution to those problems that is compatible with the resources he has at his disposal. The system works in the lives of individuals and families, and even organizations make remarkable progress by planning. There seems to be no real reason why planned development should not work with equal success on a national scale in helping poorer countries to modernize their societies and their economies. When outside agencies began to consider helping Nepal, the concept of planned development looked very attractive. Through proper planning donors could isolate those problems which required technical and financial assistance, and at the same time assure themselves that the most effective use would be made of the assistance they gave Nepal. The concept was neat and logical.

At the beginning of the development period the only planning models available were those used in Russia or those developed in the West during World War II and later used so effectively in implementing the Marshall Plan.²

The Russian models were not wholly acceptable, because the concept of state power and the underlying economic theory were not compatible with the form of government established in most developing countries. The lot therefore fell on the western models, both because the political implications of these models seemed more tolerable and also because western aid was more readily available. Whether western or socialist—in fact, regardless of the model—there is more to the concept of planned development than readily meets the eye.

Certain implications of planned development are particularly worth considering. They provide insight into the nature of planned development and explain some of the constraints that bind the development theoretician and planner.³ In view of these

²Hla Myint, "Economic Planning," *The New Encyclopedia Britannica*, 15th ed., 6: 255-6.

³The greatest constraint of all on the planning process is the unpredictability of human behaviour. With enough data and adequate data-processing, one can make assumptions that tend to be more valid, but in a development situation neither data nor data-processing is of the quality needed even for general assumptions. Planners fall back on economic models — and pray!

constraints, it is not surprising to find weaknesses in any planning or development exercise, and an awareness of these weaknesses helps one to understand the failures that often accompany a nation's best prepared development plans. Planned development implies, among other things, rapid change (the time factor), a thorough understanding of the economy for which plans are elaborated, and the effectiveness of economic incentives in bringing about changes in a nation's basic value system. All three of these militate against success.

The Time Factor

Development theoreticians and planners are not concerned with the normal changes in the life of a nation. These normal, or random changes, usually take place without any plan or governmental control. Men and women adjust as best they can to meet new demands that are made on them or manoeuvre to take advantage of increased opportunity. This sort of change is outside the scope of planned development and may even be in direct opposition to the changes planned development seeks to achieve. Theoreticians of development and development planners are speaking about *induced* change, by which they mean change that takes place along a pre-determined route under the influence of social or, more usually, economic incentives. Development planners thus assume that through a judicious use of incentives they can induce a desired change.

Theoreticians of development and development planners define planned development in a multitude of ways. In essence it comes to this. Planned development is the application of a nation's limited resources to specific and planned targets. By making savings today and investing them in projects that offer the greatest promise, a nation reaps the benefits of improved economic life.⁴ They thus propose an argument that is almost as old as man himself. There is no farmer who does not know this. By saving some of his crop for later use as seed, the farmer does indeed deny himself the pleasure of consuming that portion, but when he invests it in a new crop, the new harvest is a generous compensation for his earlier denial. However, there is a very real difference. The farmer denies himself in order to benefit *himself*. Development planners say that by making savings today the *nation* is better able to invest in *national* economic growth. This is

⁴See Albert Waterston, *Development Planning: Lessons of Experience* (New York: 1967), p. 17.

vague. *Who* in the nation will save? *Who* precisely will benefit from the growth? Development planners actually intend to deprive one section of the economy of wealth and spend that wealth on another section of the economy in order to induce change. The familiar concept of "all-round development"⁵ thus has no meaning at all, unless the change brought about by planned development produces increased wealth rapidly enough to permit diversion of this new wealth back to the earlier neglected or deprived sectors of the economy. Planned development thus implies not mere change but accelerated change, and the factor of time enters strongly into all development plans—the time-frame. This time factor often encourages development planners to establish quantitative economic targets of production rather than qualitative social targets. This, in turn, makes it quite possible for planned development to produce increased wealth while neglecting the distribution of wealth.⁶ As a result, the quality of life for many people actually deteriorates despite statistics that may well show the nation to be making dramatic progress. Of course this outcome is not intrinsic to planning or the development process, but the tendency is strong enough to warrant notice. In 1974, for instance, His Majesty King Birendra was sufficiently concerned with this danger to justify a directive such as this to the National Development Council of Nepal:

Development plans should conform to the needs and aspirations of the people. Evaluation of development projects should not be made solely on the basis of the percentage of implementation. Rather, special attention should be paid to the question of how far such projects have yielded direct benefits to the people, and to what extent we have been able to help in removing the hardships of the people.⁷

The timeliness of the directive becomes even more apparent, when one considers the response to this directive made by the Vice-Chairman of the National Planning Commission eighteen months later:

⁵This expression was used by King Mahendra in the sense of "integrated" development (Toni Hagen also used it regularly in that sense). Development rhetoric turned it into a slogan suggesting simultaneous development on all fronts.

⁶See below: Stages of realization, Stage One: Growth in Income.

⁷*The Rising Nepal*, 12 October 1974.

The present system of progress evaluation on a half yearly and a yearly basis does not provide any information relevant to make such an assessment of development impact on the people [as His Majesty has] desiredimprovements can be made only when the necessary improvements are first made in the present system of progress-evaluation.⁸

The Economy

The development planner intends to induce a change in the economy. This implies that there is a national economy sufficiently articulated that it will respond to stimulus applied at selected points; that the economic factors and market forces at work in the economy are sufficiently understood to permit an intelligently planned stimulus of the economy; and that the people involved will respond to that stimulus in the manner expected. It is extremely doubtful if any *one* of these assumptions can be verified in a developing nation. This is a strong statement, but one can be even stronger. There is no word more frequently used in planning circles than the word "economy" and yet, in the context of a developing nation, there is practically no content to this word that is suited to the economist's skills.⁹ The word is an abstraction, and it is used as such to designate that aspect of society where economic activity is carried on. The language of economics, however, is statistics, and when statistics are discussed one realizes just how empty the term "economy" is when applied to a developing nation. There is hardly a statistic the development planner uses in discussing the economy that is not suspect. Developing nations simply do not have the apparatus needed to gather the sorts of statistics necessary for a real understanding of the economy. That this was true for Nepal is evident from the comments made in the previous chapter about the system of accounting used in Nepal throughout the last years of the Rana period, the whole of King Tribhuvan's period, and well into King Mahendra's period. The statistics needed are simply not available.

⁸*The Rising Nepal*, 20 May 1976.

⁹Ramesh Upadhaya and Arie Beenhakker say in *A Guide to Nepal's Development Efforts* (HMG Ministry of Finance: 23 August 1970), p. 1-3, "At present, Nepal consists largely of loose economic units, of which Kathmandu is the principal one."

When statistics are provided, they are recognized as being soft.¹⁰ It may well be more true to say that they have no basis in reality at all. They are either approximations made from general observations or represent what someone thinks "ought" to be true. It is common knowledge, for instance, that the base-line for economic growth, the *per capita* income for Nepal during the early years of the planning period, was derived by just such a method of approximation. Dr. Y.P. Pant provides an account of how this base-line was established:

In Nepal no serious attempt could be made earlier to calculate national income due to the dearth of statistics. The first attempt was made by Prof. W. O. Thweatt, an economist in the Ford Foundation, for the year 1954. For 1954, he estimated the national income. According to his estimate, per capita income stood at \$40 (NRs. 304). He derived these figures simply by comparing the *per capita* income of Pakistan, which he guessed to be almost similar to Nepal's with respect to economic development during the period... Prof. Thweatt's estimate was almost an *ad hoc* approach, which, no doubt, had helped to create some basis for further investigation. He himself calls it only a rough approximation.¹¹

Dr. Pant's account also provides an interesting example of how statistics slip from "rough approximations" to harder statistics. He calls Thweatt's estimate *almost* an *ad hoc* approach, even though he knew very well that it was sheer fabrication. Thweatt was in Nepal with USOM from 1958 to 1960 and with the Ford Foundation from July 1960 to August 1963. His knowledge of Nepal was good for a man in his position but limited nonetheless. He had absolutely no personal observational data of Nepal in 1954 to guide his interpretation of the statistics available, and so he made this hilarious jump to Pakistan which he describes in *Elasticity and the Growth Equation*. Dr. Pant, sombrely reflecting on this "almost *ad hoc* approach", thinks that it has helped to create

¹⁰Ibid. p. 1-5, "Considerable judgement is needed in interpreting the scanty statistics available for the public sector. The Government budget includes regular and development expenditures, but until recently the classification by purpose was far from clear." The word "soft" as applied to statistics means simply "unreliable." The softer the statistic, the more unreliable it is.

¹¹Y.P. Pant, *Problems on Fiscal and Monetary Policy: A Case Study of Nepal* (London: 1970), p. 193.

some basis for further investigation. The tendency is clear. Even the softest of statistics are treated progressively as harder and harder data until the statistic become accepted as fact.¹²

There is a second aspect of the economy that deserves mention. Development planners talk about the economy as if, in a nation like Nepal, there were one vast, interacting economy. This is very far from evident, and perhaps equally far from being true. It is far more likely that the national economy consists of a series of localized economies that have no point of mutual contact other than the taxes levied by the central government. This fact is implicitly recognized in Nepal in the regional approach to planning that was the main thrust of the Fourth Five Year Plan and the current Small Areas Development Programme approach.¹³ Despite the fact that the various sections of the country do not interact economically and are seldom influenced by the fluctuations that individual sectors may experience, there is still a tendency to speak about the national economy as if it were one pulsating whole, sensitive to the slightest caress, and therefore something for which plans can be made.

The third aspect of the economy that is significant in this context is more subtle. The earlier the period for which economic data is produced, the more likely it is that this data reflects the market situation in Kathmandu, with perhaps some consideration of the situation in Birgunj and Biratnagar. Since there was little data to monitor on a national basis there was a tendency to tabulate whatever data was available as either national data or as being indicative of what took place on the national level, whereas the actual base for this data was one or, at most, three localities.

¹²E.F. Schumacher, *Small is Beautiful; Economics as if People Really Mattered* (London: 1973), p. 114, says "It is fashionable today to assume that any figures about the future are better than none. To produce figures about the unknown the current method is to make a guess about something or other—called an *assumption*—and to derive an estimate from it by subtle calculation. The estimate is then presented as the result of scientific reasoning, something far superior to mere guesswork. This is a pernicious practice which can only lead to the most colossal planning errors, because it offers a bogus answer where, in fact, an entrepreneurial judgement is required."

¹³See below, Chapter Seven.

This was especially true when speaking of such interests as trading, banking, or industry.¹⁴

These three weaknesses in the development planner's understanding of the economy in Nepal must be added to the traditional and obvious weaknesses of statistics as purveyors of true pictures of reality. Most readers are familiar with the illustration made famous by Barzun. Statisticians may show with the hardest possible data that there are 3.7 children per family, but even a child knows that there is no family in Nepal or anywhere else in the world that has 3.7 children.¹⁵

If development planners wish to use economics as a tool, what data do they have that they can submit to the process of economic reasoning? Some planners are frank and say that planning is mostly intuition. Others speak with confidence about development models, either more or less sensitive. Still a third group, who seem, at least to the layman, to be more realistic and even more honest, say that while no sane planner would proceed on the basis of the statistics available in any developing nation, nevertheless statistics *do* perform a useful function in enabling the planner to check on plan performance. Everyone feels that statistics are somehow important. However, in a development situation, planners and ordinary citizens alike find themselves in much the same situation that the students of a young professor of plant physiology found themselves. This young professor regularly took her students to the department plant rooms at the beginning of each term and showed them seeds, enriched earth, and flower pots. She instructed them to fill some pots with earth and plant seeds in them. The students were then to measure the results. This was to be their first practical experiment. The professor then went away, and the students set about their task. When the plants began to grow, they found themselves in a quandary. "What are we to measure?" None of the technicians employed in the plant rooms seemed to know, so they returned to their professor and asked her what precisely they were to measure. She answered that obviously they should measure what was important. Throughout an agonizing period the students

¹⁴Most serious studies qualified their statistical tables carefully, but subsequent writers "lifted" the data without regard for the original writer's qualifying comments.

¹⁵Jacques Barzun and Henry F. Graff, *The Modern Researcher* (New York: 1970), p. 249.

measured everything they could imagine and generated some marvellous statistics, few of which were of any significance at all for a plant physiologist. The experiment produced nothing of value in terms of statistics, but it did teach a group of bemused students that there is more to gathering statistics than being able to record numbers. It has been suggested that some development planners would do well to perform the same experiment. There is a decided tendency for development planners and all who use their jargon to make assumptions about the economy which gradually take on the appearance of fact. They are treated as facts, used as facts, and publicized as facts. From first to last, however, they remain humble assumptions that would serve better as a basis of discussion on the open forum than as the basis for nation-wide planning and heavy investment. His Majesty's directive (quoted above) and the Vice Chairman of the National Planning Commission's response are worth re-reading in this connection.

Value

The concept of planned development also implies the ability of planners to induce a change in social values. While the focus of planned development is economic change, it is evident that without some changes in the social structures through which economic forces work, there can be no real economic development. It is assumed, for instance, that through planned development, the economy can be so manipulated that more people will have a larger share of the nation's wealth. However, unless social structures are changed, economic forces will continue to operate through traditional structures in such a way that those who were on top of the economic pyramid at the beginning of the development period will not only continue to remain there but grow even more prosperous. Planned development would thus only serve the rich and influential as well as reinforce the very structures that the people at large want changed. This pattern can be altered only by inducing some change in the social structures. Development planners imply that the desired change can be brought about by economic incentives alone or possibly in a mix with political incentives. It is precisely at this point that one reaches

Development in Nepal

the most fundamental concept in all of economics and of social life as well: *Value*.¹⁶

What do people value? Do they put a monetary price on this value? Can they be induced to do so? A society's values provide the foundation for its social structures, through which all economic forces work. If their values are such that no economic incentive can touch them, there is scant hope of inducing social change through economic incentives. At this point the development planner faces the same lack of knowledge as he did when he considered the economy as a whole. In very few developing countries does there exist a body of hard knowledge about the structure of society and its fundamental values. The first and most obvious error that the development planner is prone to make in this regard, if he considers the value system at all, is to assume that "society" in a developing nation is all-encompassing. It is far more likely that "society" is merely a generic name for what is in reality a large number of local societies grouped together under a national name and under a national government. If such is indeed the case, then the development planner is dealing not with a single value system, but a whole series of value systems. To come to know and understand all these value systems is clearly impossible except through long research and study that is expensive and time consuming. Once again the development planner is forced to rely on basic assumptions about society as a whole and to hope that, at least in general, his assumptions are sufficiently accurate and sufficiently broad to serve his purpose. Even if his basic assumptions about society's value system are generally accurate, he still has no guarantee that these values will yield to change under the stimulus of economic persuasion. In many developing societies, including Nepal, real wealth cannot be measured in monetary terms.¹⁷ There are families of apparently modest means who are in a position, for one reason or another, to assist others through small favours. Each time they do so, they place the recipient under social

¹⁶*Value* is probably the dividing line between "classical" economists and the "Institutionalists". See Allan M Gruchy "Institutional Economics: Its Development and Prospects", *Economics in Institutional Perspective*, ed. Rolf Steppacher, Brigitte Zogg-Walz, and Hermann Hatzfeldt (Lexington, Massachusetts: 1977), pp. 11-28.

¹⁷Cyril S. Bradshaw, "Economic Systems, Primitive", *The New Encyclopedia Britannica*, 15th ed., 6: 278-80.

obligation to return favour for favour. The accumulation of such obligations constitutes real wealth, and a family so situated can achieve things in society that no amount of money could achieve. Traditions of this sort yield very slowly to economic stimulus, if they yield at all. Thus economic planners appear to be caught in an exercise in futility. Using monetary incentives to change a system based on non-monetary values has led to a situation in which the rich become richer precisely because they can appropriate the economic incentives without relinquishing their control of social structures. And inversely, the poor become poorer.

B. Foreign Consultant or Local Expert?

Who is going to solve these problems? Nepal did not have the technical experts necessary to do so when the government of Nepal first requested foreign assistance. This situation would change, and this must be kept in mind. Nevertheless, with minor shadings of emphasis to suit the particular point on the time-scale that is considered, most of what is said here is applicable throughout the development period.

Clearly the foreign consultant who is asked to assist in development planning is working at a very distinct disadvantage in assessing Nepal's real development problems. He has no concept of the ramifications of the problems he faces, nor are there studies of sufficient reliability to help him reach an understanding of these problems. For this aspect of development planning he must rely on local resource persons. This relationship, however harmonious, is never totally satisfactory. The most pressing difficulty the foreign consultant encounters in this relationship is the local resource person's acceptance of the *status quo*. If one listened to him alone, nothing would or could be changed. The foreign consultant hears to the point of frustration such comments as: "You do not understand." "Let me explain the way we do things." "Unfortunately, this is the way it has to be done." "In our culture, we are accustomed to doing this in this way, and our way is actually superior." It takes heroic patience for a foreign consultant to struggle through the forest of things he "does not understand" in order to reach something he *can* understand. Some never reach this point, and, of course, much time and energy is wasted trying to bring problems into focus.

This is the foreign consultant's greatest difficulty, but it is not his greatest problem. His greatest problem is getting his local resource persons and local colleagues to admit that many of the attitudes that are embodied in "this is the way we do it" can and

should be changed. Development programmes have to be designed to bring about this change. The local resource person, speaking from his long experience and perhaps his own frustrations in the corridors of power, assures the foreign consultant that the things the consultant would like to do are things that "they" would never permit to happen. And this is the heart of the matter. This mysterious "they" represents those at the centre of the web of power, influence, prestige, and interests that *have* controlled events and *do* control events. The local resource person has survived by learning how to manoeuvre around the areas of influence which represent the domain that "they" control. He is unable to consider challenging this control. All of his experience shouts to him "Hands off!" The foreign consultant must eventually accept this or abandon the development effort. Eventually he accepts a compromise that is less than he wanted to achieve and usually expressed in terms of a quantitative, project-oriented programme. His lack of familiarity with local society and its true value systems has blunted the sharp edge of his purpose. Social structures will not change. His economic programmes, the fruits of his compromise, will probably be no more successful, because his understanding of the real economy of the nation is equally handicapped. As a result, expensive development programmes fail to reach their high purpose, and somehow the *local* expert feels justified, because once again it has been proved that the foreign consultant is not really up to the mark.

To the local expert it is obvious that he is the one who should have been put in charge. He is prepared by training, by commitment, and by his own long familiarity with the ways and customs of Nepal to do the job as it should be done. And the truth of the matter is that he is right. By training, by commitment, and by his own familiarity with Nepal he *should* be the one to get the job done.

Training

The local expert is often highly trained. This is rarely true in the very early stages of development, but usually the training of talented young men and women is one of the first targets of any development programme. These early trainees are exceptional. They are much older than they look, excellent students, who have done extremely well in all the courses they were sent abroad to pursue. This has certainly been true in Nepal. However, the new expert's training usually outstrips his experience. The formal course of training to which he has submitted himself and in which

he may well have performed in a superlative fashion is really only half of the task. Since the exact conditions of his own country cannot be reproduced in his training programme, the young expert is obliged to complete his training on his return to his own country. In that most difficult of all educational tasks, he has to *transfer* his theoretical knowledge to the actual local conditions. He has to realize that the theories he has learned, and perhaps mastered, are not eternal truth. Theories must be tested, adapted, and at times discarded—even though his own academic success depended on a mastery of those theories. There are no neatly pencilled A's at the top of his report when he receives a project proposal back from his ministry. The value of his training is directly proportional to his ability to apply the theories of his profession to the realities of life. However, very few men and women in any society, developed or developing, possess the intellectual insight such an adjustment requires. In developed societies this inability is less critical, because there are many trained people to help work out the solutions of problems.¹⁸ In developing societies the local expert is frequently alone in his field. He is the trained one. He is supposed to know. As a result he is put into a position in the administration where he pushes paper around from desk to desk and is given no chance at all to acquire the actual experience that he needs to complete his training. His lack of experience is never questioned by local authorities, who consider every year he spends at his desk as another year of experience. However, in every paper he writes, this lack of hard experience is revealed, and the foreign expert detects it immediately. As a result, foreign donor agencies still rely on the foreign consultant.

Commitment

The commitment of local experts to their profession is often questioned. This seems grossly unfair. Regardless of the situation in other developing countries, in Nepal most local experts are serious about their work. They feel isolated from the mainstream of their profession and are anxious to keep in contact. The local expert is in search of what he calls "scope." He wants a post in which he can not only use his knowledge but also improve his grasp of his "subject", and perhaps go on for further foreign training. This can lead to personal conflict. The place to use his

¹⁸Naomi Caiden and Aaron Wildavsky, *Planning and Budgeting in Poor Countries* (New York: 1974), pp. 49-50.

knowledge is usually in the field, but the opportunity for "scope" is most frequently found in the offices of the ministry. This personal conflict is intensified by the general belief that all development can be divided conveniently into a series of *subjects*. To master a subject is the proper way to qualify for promotion. Thus specialization tends to rule in a field where well-qualified all-rounders are needed, and the local expert often finds he cannot grasp the total dimensions of a problem when confronted by a concrete development project.

Familiarity with Nepal

The local expert's familiarity with Nepal is taken for granted, and this is perhaps the greatest mistake of all. His familiarity with one small area leads him to generalize for areas of which he has neither personal experience nor knowledge. In matters of daily life this is of small consequence. In terms of development, however, it is of enormous importance. It is not unusual to hear a local expert deny on the sole basis of his own experience the conclusions, based on solid field observations, of a highly competent Nepalese field observer.

The familiarity of the Nepalese expert with the general conditions of Nepal is an obvious fact. The mistake is the assumption that this general familiarity is adequate to the demands of development efforts. While the foreign consultant is forced by his own ignorance to struggle through the published studies in an effort to reach some understanding of the conditions that prevail in Nepal, the Nepalese expert suffers no such compulsion. Few Nepalese experts are concerned with anything written on Nepal outside their own field. Actual field observation would substitute for this, but such observation is often not practical for reasons discussed above. The result? The record shows that many a Nepalese expert has indeed had a general feel for the situation in areas where development projects are to be executed, but of actual knowledge of the area and its social problems he has little or none. The point at issue is the basic assumption that the Nepalese expert knows as much about Nepal as he does about his own discipline. As a matter of historical record, it has taken enormous pressure from both King Mahendra and King Birendra—presumably they, too, were disenchanted with this assumption—to get many Nepalese armchair experts to travel outside Kathmandu Valley to see what Nepal is really like.

Resolution

How does one resolve this problem, because obviously some sort of resolution is necessary if planned development is to

succeed. In fact, no real resolution has been reached. Both sides, the foreign consultant and the local expert, make the best of what is essentially a poor situation. In time, it is supposed, the number of qualified Nepalese experts will be such that all development planning will be in their hands. However, until some of the problems outlined in Chapter Four are solved, there is small chance that donor agencies will totally entrust the disposition and use of foreign funds to Nepalese experts. The problem, critical as it seems, does not today cause the debate that it has in the past, although it is very much a live issue among local experts. The central issue today is the record achieved by development planning. There are many who say bluntly that development planning, as it has been practised and is presently conceived, is a failure.

C. PLANNED DEVELOPMENT: A FAILURE?

Criticism of planned development has been very sharp. Generally speaking, the critics have called its performance dismal. Planning has not done the job it was supposed to do. In layman's language this means failure. There are many people in developing countries who would endorse this conclusion wholeheartedly. Official progress reports tend to be cautious and well-qualified statements of progress with glowing promises of what is to come. The observer tends to remain sceptical. He sees very little evidence of the progress that is reported and openly doubts that the promises will ever be fulfilled. No matter how many projects are completed, the economy seems to limp along. Projects are not growth. When the observer does admit that progress has been made, he usually adds that the price paid in both foreign aid and local resources has been far too high for the little achieved. As one well-educated observer noted: "After twenty-five years of planning we have achieved a growth rate of just over two percent. This does not match our birth rate. We could have done just as well without the pain of planning." There is no doubt of it. The average citizen is very strongly biased against the claims of development planners. Planned development has not produced the results he expected when he expected them, and therefore the whole operation is suspect. This is a serious state of affairs. At the minimum it signifies a failure in public relations. More seriously, it may well indicate that planned development has induced a negative attitude in the minds of many of those people whose support and cooperation are necessary to achieve development goals. Most serious of all, the observer may be right.

Two questions come to mind. How valid is the judgement of the Nepalese observer? Is this judgement reinforced by the criticism which economists and concerned social scientists level at development planning in Nepal? If so, a great deal of time and talent and money have been wasted in trying to make the country function according to a blueprint called the Five Year Plan. In one point at least the observer is correct. Planned development will be judged by its results, no matter what arguments or political rhetoric are marshalled to try to prove something successful which is evidently a failure. If the Nepalese observer's comments are correct *and* he is reinforced by the criticism levelled at planned development by experts from the social sciences, then planning is not going to work any more successfully in the future than it has in the past. Before jumping to such conclusions, however, it might be well to see if the observer and the critics are indeed saying the same thing.

There seems no reason to doubt the judgement that planned development has *not* achieved the goals set. The evidence is readily at hand to justify such a judgement. But this does not say that planned development has achieved nothing or that its achievements have been negligible. It may seem that the professional critics support the judgement of the Nepalese observer, but in fact they do not. The professional critic is concerned because things have not gone the way they should have gone. His reason is affronted. Development problems should yield to reason. As a theoretician he is primarily concerned with discovering a more efficient way of producing the desired results. His criticism is essentially corrective and still has a strong note of planning in it. The observer, however, bases his opinion on those things that he personally sees and experiences or about which he hears reports that he considers reliable. He is not at all as well informed as he pretends, and his opinion frequently flows from a deep well of personal dissatisfaction or frustration that is in itself a major by-product of any development effort. Personal frustration is not a very sound basis for any judgement.

Planned development has had some striking successes and some abysmal failures to its credit. The record on this is clear. These successes and failures can be appreciated or deplored without in any way touching the heart of the development debate. The two real questions that bear directly on this debate and which represent the two major approaches to planned development criticism are posed something like this:

1. Does the accumulated drag of partial success (and therefore partial failure) in planned development render the goal of planned development impossible of attainment? *OR*
2. Has the experience of the past twenty-five years of planned development forced both theoreticians and governments to recognize the priority of human needs over capital gains in planning and evaluating development programmes?

If the answer to the first question is in the affirmative, then planned development is of little value. Rather, it has imposed increased burdens on a developing society without being able to fulfil the promise that it makes. On the other hand, if the second question is answered in the affirmative, then there is still hope. This would mean that at long last planners have begun to listen to those who speak for the needs of society rather than only to economists. Since this last comment might well be misunderstood, let the record be clear. As long as one must speak of the market place, there is a real and vital role for the economist to play. But if the discussion centres on national development, it is clear that more is under consideration than the market place. The argument that development must be financed and finance is the work of economists has long been overplayed. One can accept this argument without reservation and still insist that development is essentially people-oriented and therefore must have a human dimension. A growing appreciation of the human factor marks the real progress made in development planning over the past twenty-five years, as the following review will suggest.

D. The Stages of Realization

The outline presented here presents five stages of realization in the growth of development thought. It is neither original nor easily attributable. No one seems to know who first proposed it as a means of describing the curve in development thinking. It has become the common property of development theoreticians largely because of the great utility of seeing development theory as a curve along which different values have been recognized. To use the outline intelligently, one has only to recall that there are not five discrete time periods through which development theory has passed. They are stages of realization—part of the thought process—through which thinkers pass in their effort to understand and solve the development problem. In development literature one meets them as a shifting of emphasis, with one stage seeming to grow out of the other. Yet distinct stages of realization are

discernible. Development practice, of course, has lagged behind. In developing countries like Nepal, it is not unusual to find the simultaneous adoption of programmes that flow from different stages of realization, with the planners recognizing no apparent conflict.

Stage One: Growth in Income¹⁹

Twenty-five years ago there was a heavy emphasis on the economic aspects of development. One spoke of the need for raising the GNP and the *per capita* income. This was to be done especially by foreign investment in the local economy. Countries having an annual *per capita* income of US \$500 or more were considered to be "developed". Those countries who had less were considered "underdeveloped". Theory dictated strategy. The strategy at this stage of realization placed the emphasis on aid: technical assistance, financial assistance, and at times outright relief work. Most of this assistance came from outside the needy group.

Stage Two: Social Progress²⁰

Experience proved relatively soon that GNP and *per capita* income provided too narrow a definition of development. Theoreticians realized that economic growth was just one of several factors to be considered in development. Development was therefore re-defined as "economic growth plus social change". A large variety of variables measuring health, education, sanitary conditions, calory and protein intakes, etc., were added to the development equation, and one began to talk about the weight-age to be given to each of these variables. The strategy for this stage of realization rested on institutions designed to help the poor through a wide range of social services.

Stage Three Integration²¹

In both of the above approaches, development was seen primarily as something coming from outside the developing society whether this took the form of financial investment, foreign aid, or social benefits. By the mid-1960s, the failure of the First

¹⁹The most successful practitioners of this have been the multinational corporations.

²⁰This was especially true as criticism of purely economic development models began to mount.

²¹This approach is written into Nepal's Constitution as an objective, not as a development methodology.

Development Decade and also the failure of President Kennedy's Alliance for Progress were making it increasingly clear that, unless the process started inside the poor country itself, it was unlikely to start at all. Development theoreticians began to use the expression "Third World". And countries relegated to the Third World began to take a serious look at their internal structures. One problem they shared in common was a highly unequal distribution of wealth. Most wealth was concentrated in the hands of a small minority, while the majority of the people lived in poverty outside the "margin" of society. The chief task of development therefore came to be seen as that of re-integrating these "marginal" people into the existing social and political structures. Attempts were made to broaden these structures and thereby ensure a greater flow of benefits from those who possessed wealth to those who did not. The strategy associated with this phase of realization was one of projects aimed at direct socio-economic development. These projects were often started through outside initiative, though many included some self-help elements.

Stage Four: Liberation²²

There are two serious flaws in the third stage of realization. First, it presumes that the benefits of development "trickle down" from the top to the bottom of the social scale—that without major changes in existing social structures, those who possess wealth will be prepared to make the concessions necessary to provide for those who do not possess wealth. Secondly, this approach presupposes that the poor will be glad to accept development passively as a gift from above. Evidence from a number of countries indicates the weakness of this supposition. There has been a growing awareness that real development can only start from below, from the people at the bottom. It seems also that the first step in this process must be an attempt by the people themselves to free themselves from the various oppressive forces keeping them in a stage of dependency. The strategy therefore, is one of awakening the poor to their state of dependency and also to the possibility that they can themselves change the structures that oppress them. This awakening leads to the

²²Based on the conscientization experience of Brazil, this is a recognition that development receiving systems as well as delivery systems are critical to national development.

mobilization of the people and to political as well as economic and social action.

Stage Five: "Basic Needs"²³

The liberation approach to development offered a way to build mass involvement in development by building on the needs and demands of the poor as expressed through the now familiar conscientization process. However, it seemed to suggest no appropriate government response to this popular expression. The "basic-needs" approach added this dimension. "Basic-needs" would have the government direct investment towards the provision of the goods and services the poor require to satisfy their basic needs of food, clothing, and housing as well as education and health. The strategy envisions initial investment in the rural sector to create employment, with the idea that increased purchasing power among the poor will stimulate demand for those items that a developing nation is best able to supply from its own resources. Economic growth should thus encourage national self-reliance. The strategy does not call for a *massive* reinvestment in the poorer sectors of the economy, but it does entail a decided shift in emphasis, fortified by a corresponding shift in emphasis in all government policies: economic, technological, institutional, and social. Connected with these national policies, the basic-needs approach calls for international recognition of the marketing needs of developing countries. It is a far more global approach to development than any of the previous concepts and is prompted by the growing gap between rich and poor countries as well as between rich and poor people in developing countries.

E. The Goals of Development

This outline of the various stages of realization in the development process is for some, not a sign of hope, but a cause for deep discouragement. They ask whether the theoreticians of planned development or even national leaders really know what they want. The multitude of theories and practical applications of these theories is bewildering. Equally bewildering are the expressions of policy that come from the public statements of national leaders. The only possible answer to such questions is just as

²³This latest phase of development is elaborated in an ILO study: *Employment, Growth, and Basic Needs: A One-World Problem* (Geneva: 1976). However, the "basic needs" approach has a far broader base than ILO sponsorship.

bewildering: "Yes and No." Yes, theoreticians, planners, the administration, and national leaders do know what they want. They want to improve the economic standard and the quality of life of the poor, and they want an overall improvement in the economy of the whole nation. But no, they do not know just how this is to be done. Almost any approach that can be adopted has political considerations that make it less attractive than it seems. There is also the nagging problem of trying to change social values in a way that is consonant with the existing political and religious structure of society. These are real factors in Nepal just as they are in any society anywhere in the world. Regardless of the targets planners set, regardless of the publicized strategy for development, and also regardless of the rhetoric surrounding the development process, political realities often force a degree of compromise in actual performance or even the adoption of intermediate goals that are in direct conflict with planned targets. The planning effort continues, but the administration must work with the realities of the situation, official rhetoric notwithstanding.

But what can be done? It is here that the most fruitful dialogue between the foreign consultant and the local expert can take place. It is true that the foreign consultant is far more sanguine in his expectations and far more demanding of the local administration than realism permits. He often fails to appreciate that political reality is as much a "hidden hand" as economic influence. The local expert is also handicapped. He is often blinded by his own experience of what has failed and what has proved possible in the past. There is a conservative drag in his approach to problems, based on concern for his own career and survival in the administrative structure. Such a situation is ripe for dialogue.

In the earliest phase of development, this dialogue was often one-sided. The foreign consultant often presented answers to problems without ever really understanding what the problems were. He was guided by his own perception of reality in the host country. He used his Nepalese counterpart essentially as a resource person and tried to translate the information he received into terms that he understood and could fit into development administration as he understood it.

In the intermediate phase of development, the foreign consultant tended to be more mature. He might not be a recognized international authority, but he had the patience to listen to the problems being presented and to offer an assortment of possible solutions from which the host administration might

make its selection. It was an improvement, but still not satisfactory. Invariably the problems presented for solution had ramifications that eluded the local expert or which he could not fully convey to the foreign consultant.

More recently the process has undergone a further refinement. Successful foreign consultants make an effort to help the local expert define his problem in the belief that a clearly defined problem suggests the best possible or most practical solution. Quite obviously personal factors enter into the relationship between the local expert and his foreign consultant. Given goodwill and trust, however, it is often possible for such a dialogue to present a very effective combination in working out development solutions. When this dialogue is enlarged to include those whose lives (social and economic) are to be developed, there is a chance that solutions will be reached that are technically feasible, economically viable, and politically acceptable.

The emphasis on the foreign consultant, so clearly traced throughout this chapter, is important. No matter how successful a mix of local expertise, local technology, and local resources is achieved, most development effort requires some infusion of foreign funding. This means that donor agencies have to be convinced of the viability and usefulness of the projects entertained. The one who actually sells the project to the donor agency is the foreign consultant. His involvement can be minimized, as local expertise improves, but it will not be totally eliminated. Nor, perhaps, should it be. Many problems that developing nations have to solve are actually international problems. The foreign consultant's help in identifying and defining problems is also an important step towards having these problems recognized by the international community.

If there is room for hope in planned development, there is also room for realism. The aim of this second chapter has been to expose the reader to some of the problems that Nepal was destined to experience from the moment its request for outside assistance was granted. In the course of this chapter a great deal of theory was discussed and a tentative conclusion was reached about the general direction that planned development theory has taken over the years. It is time now to turn to reality.

How is one to go about examining Nepal's record in development planning? And secondly, what does that record show?

There is no intention here of rehearsing an interminable list of projects, donor agencies, completion dates and records. As useful as that might be for some agencies, it is tedious for the general reader. This study is concerned with what planners said

they were going to do and what they did. In the course of this discussion it will be necessary to consider a number of distinct inputs into the planned development process. In each case an attempt will be made to consider each input as part of the planned development process, not as a discrete entity. The question asked throughout will be: How did this contribute to or detract from planned development in Nepal? Not every organ that may have contributed to plans can be discussed, nor can one elaborate every aspect of the plans. This means that the terms "planners" will include all those who have directly influenced the final shape of the plan and that the major thrust of the plan will be considered without much reference to minor ramifications. Logically, if the major thrust of a plan has been achieved, the planners have done well. If the major thrust of the plan has not been achieved, it makes little difference if planners have performed superlatively in less important areas.

CHAPTER THREE

THE USE OF FOREIGN AID

Cooperation between a developed country and a less developed one is well directed in our view if it meets the genuine needs of the people in the less developed country.¹

The international response to Nepal's request for assistance has come to be known in Nepal simply as "foreign aid". The aid that began to trickle into Nepal in 1952 and 1953 has grown steadily over the years, until now it represents an annual multi-million dollar investment in Nepal's development. This foreign input has caused considerable psychological dislocation. Nepal's centuries of isolation did not prepare the Nepalese for the presence of a foreign community with ready access to high-level government officers, nor were the Nepalese prepared to accept the criticism of their social and administrative habits that foreign consultants and technicians felt free to express. Consultants were equally unprepared for the gap they found between the warmth with which aid agreements were signed and the indifference with which the advice given under those agreements was received. There was misunderstanding on all sides. Some of it, unfortunately, led to criticism and recrimination that had a direct bearing on the nature and scope of development projects that foreign donor agencies could safely undertake.² Over the years a gradual adjustment has taken place. Foreign donor agencies and foreign experts have come to appreciate the importance of striving for a lower profile, and the Nepalese have generally accepted the fact that little progress can be made in Nepal's development effort without foreign funding and at least some technical assistance.³ Today foreign aid has become an accepted part of Nepal's development effort. Foreign aid has also become a way of life in Kathmandu.

¹His Majesty King Birendra.

²See *The Nepal Press Digest*, ed. Mahesh C. Regmi, vols. 1-3 (1957-59) for a review of the press comment on foreign aid.

³See the speeches of Dr. Bhekh Bahadur Thapa, Minister of Finance, HMG, to the Nepal Aid Group meetings in Tokyo, 1976, and Paris, 1978; also the Finance Ministry's documentation prepared for these meetings.

A complete sub-economy has grown up around the foreign aid presence in Kathmandu. Real estate is the most readily recognized part of this sub-economy. As donor agencies proliferated, the demand for suitable buildings to house their administrative units and provide offices for their projects steadily increased. The demand for housing has been even greater. A whole housing industry has developed to satisfy it. Jerry-built "neo-cement" houses have given way to tastefully designed homes that incorporate the best in Nepalese art and architecture. This in turn has led to the growth of architectural consultancy firms and also to a revival of many of the traditional Nepalese arts and crafts. In addition to office and housing requirements, donor agencies needed office staff: typists, filing experts, programme officers, consultants, secretaries, drivers, and the support staff that foreign bureaucrats felt essential to the smooth conduct of their own agencies. On the domestic side, the demand for cooks, bearers, gardeners, nurse-maids for children, watchmen, and other domestic staff was equal, if not greater. The market also reacted to the foreign stimulus. Vegetables, tinned goods, bread, meat, firewood, and a shopping list full of local requirements stirred the market, and small entrepreneurs began to capitalize on the foreign demand. Though no figures exist to form a basis for sound comparison, it seems likely that the total value of the various foreign agencies' expenditures for housing, agency employees, household servants, and purchases on the local market easily rivals the net income from tourism. If the development of Kathmandu Valley can truly be described as a success story, then a large component of that success will surely be the economy that has grown up around the foreign aid presence in Kathmandu. Foreign aid has been good business for many a resident of Kathmandu Valley.

Foreign aid has also been good for the foreign administrator, advisor, and technician. Granted the difficulties a posting in Nepal has entailed, the lot of the foreigner employed by any of the donor agencies is still good. Individuals may complain, but it remains true that the working conditions and salary offered have been sufficiently attractive to entice the foreigner to work in Nepal. Counting salaries, support service, holidays, and the transportation of families and personal effects to and from Nepal, the bill for the technical and administrative staff of donor agencies is high. Foreign aid has been good business for the foreigners involved as well as for the Nepalese who profit from the economy generated by the foreign aid presence.

The question, of course, has always been: Has foreign aid been good for the development of Nepal? Has Nepal been able to utilize foreign aid to achieve the goals that the people of Nepal, His Majesty, and the politicians of Nepal have agreed they want? Ignoring the original time-frame of development and the rhetoric of the development decade, the question is quite valid. If foreign aid is considered an input into Nepal's planned development, have those who make or influence development decisions made an intelligent use of this input? This is the question this chapter will explore and attempt to answer.

A. Politics or Aid ?

The foreign aid complex that is today part of Nepalese life had very humble beginnings. Some say that foreign aid was born of the cold war. This sounds very dramatic.⁴ They have a point, but it is hardly worth pressing. It is true that President Truman would never have committed the American people to the Marshall Plan or the Point Four Programme, were it not for his conviction that economic development was the only way to halt the spread of communism.⁵ It is also true that within a very few years of their inception, foreign aided programmes in Nepal carried a suggestion of the cold war. There were even some covert attempts to stir up public opinion for or against a foreign ideology, which created unnecessary tensions.⁶ But these petty manoeuvres were hardly the cold war. The actors were different; the objectives were different; and, most importantly, Nepal refused to play the game. As host country, Nepal laid down the rules, and the administration showed an increasing ability and determination to insist on them.⁷ Put succinctly, these rules said: If you must squabble among yourselves, do it outside of Nepal ! This policy would never have succeeded, of course, had the Nepalese themselves not felt that the rules were essentially "right".

⁴Eugene Mihaly, *Foreign Aid and Politics in Nepal* (London: 1965), pp. 2-3.

⁵Harry S. Truman, *Memoirs, 1946-52: Years of Trial and Hope* (New York: 1965), ii: 269.

⁶This was especially true for the period 1959-62. See Regimi, *Press Digest*, vols. 3-6 (1959-62).

⁷Foreign Ministry warnings of any infringement of these ground rules are discreet but unambiguous.

Lapses in this policy, and there have been some, have saddened the Nepalese rather than pleased them.

All of this has tended to de-politicize foreign aid in Nepal. Donor nations have been equally unsuccessful in using foreign aid to inject their own political beliefs into Nepalese politics. Eugene Mihaly in his *Foreign Aid and Politics in Nepal* (1965) has written an excellent study of this aspect of foreign aid and his conclusions are strongly negative. If there is any weakness in Mihaly's thesis, it lies in his tendency to overplay the political aspect of foreign aid. Foreign politics never assumed the importance in Nepal that his book suggests. This may have been a major motivation for donor nations, but the Nepalese have generally been more pragmatic. For a time, donor competition did attract the Nepalese through prestige projects, but eventually even this competition yielded to Nepalese pragmatism. After twenty-five years of foreign aid, the Nepalese have fairly accurately determined their criteria. Prestige projects achieve only temporary popularity. The real criteria for a project that wins lasting Nepalese respect are three: public utility, efficient execution, and simple technology. This maturity of judgement, however, did not develop overnight.

The Early Years

On 23 January 1951, the United States signed an agreement with the Rana government to extend American Point Four Assistance to Nepal.⁸ During a June 1951 visit to Kathmandu, Prime Minister Nehru of India also promised to provide assistance, should Nepal require help in its development efforts.⁹ For a time, both of these offers remained open but unaccepted. However, on 6 January 1952, Prime Minister M.P. Koirala visited New Delhi with a team of Nepalese officials to discuss directly the prospects of aid. The results were immediate but mixed. Nehru and the Indian Planning Commission agreed to send a team of experts to Nepal to assess Nepal's needs and recommend possible programmes of assistance.¹⁰ Nehru also pressed on Koirala the need for a military mission to modernize Nepal's communication-links with India. It was agreed that India would modernize Gauchar (now Tribhuvan) airport in Kathmandu and build a road from the Indian

⁸Eugene Mihaly, *Foreign Aid and Politics in Nepal* (London: 1965).

⁹Ibid, p. 28.

¹⁰A.S. Bhasin, ed., *Documents on Nepal's Relations with India and China, 1949-66* (Delhi: 1960), p. 37.

border to Kathmandu. Neither of these projects required clearance from the Indian Planning Commission, and the Indian military mission was ready to leave for Kathmandu within six weeks.¹¹ This was fast work, but the United States responded even more rapidly. The Nepalese delegates returned from Delhi to Kathmandu on 11 January. Paul W. Rose arrived on the 16th of January to set up an office of the United States Technical Cooperation Mission.¹² Rose did not get his first project in Nepal under way until July 1952. The Indian military mission arrived in late May of that year, and Indian army engineers arrived in early June to begin work on Gauchar airport. It was almost a draw. U.S. aid was first in Nepal, but the Indian projects were the first to get off the ground.¹³

The airport project and the Tribhuvan Rajpath project had no element of economic planning about them. The Nepalese wanted linkages between Nepal and India, and so did Nehru. The two projects were taken in hand by the most expeditious means Nehru had at his disposal, Indian military engineers. These were considered turn-key projects to be financed by an Indian loan. Tears have been shed in abundance since then over the poor alignment of both the road and the airstrip. The airstrip was so aligned that no extension of it was possible when the need for expansion arose. The alignment of the road took traffic seventy-two miles to cover a straight-line distance of sixteen miles. Regardless of later tears, Nehru and the Nepal government got what they wanted: strong linkages with India. The Tribhuvan Rajpath, despite its inconvenient alignment, has since become a major artery for Nepalese trade, accommodating a daily average of close to five hundred vehicles, most of them trucks.

Paul Rose's problem was more formidable. His mandate in the Point Four Programme called for the transfer of technology that would improve Nepal's economic position and thereby

¹¹Mihaly, *Foreign Aid* p.44, mentions these meetings. Kaiser Bahadur K.C., who was a member of the Nepalese delegation, speaks with feeling about them in his *Nepal after the Revolution of 1950* (Kathmandu: 1976-68), i, 70-74.

¹²Ibid., 72. Other members of the Nepali delegation have confirmed this in private interviews. For the departure date of the Indian Military Mission, see Bhasin, *Documents*, p. 37, Government of India, Press Note, dated 23 February 1952.

¹³Mihaly, *Foreign Aid*, p. 30.

strengthen political structures.¹⁴ In view of Nepal's commitment to a democratic form of government and its overwhelmingly agricultural economy, he settled on the villages as his development target. His scheme, the Village Development Service. By July 1952 he had it under way. With a handful of American technicians and fifty Nepalese trainees, all born and bred in Kathmandu Valley, he set out to change Nepal through the transfer of technology. The rationale of his programme was sound: his Village Development Service was to provide an organized and effective means of distributing increasing services to the people and at the same time to provide a communications-link by which the people could make their needs known to government. This is still the rationale of the panchayat structure, which in itself indicates the value (or the obviousness !) of Rose's insight. Twenty-five years after Rose set out to achieve this with his village oriented programme and a modest investment, His Majesty's Government is still trying to achieve the same goals with enormous annual expenditures. The problem that government faces today is the same problem that Rose faced in 1952. Value systems change slowly, if at all, and village social structures do not adjust easily to accommodate new organizations. There were also practical difficulties with Rose's programme. At that time government had no services to provide the villagers of Nepal. His Village Development Service would depend for its success on government's ability to develop services in health, education and agriculture extension, all of which would require foreign assistance. Secondly, government had no improved agricultural inputs such as fertilizers and seeds and no distribution network through which such inputs could be placed in the villagers' hands. The direct transfer of technology was equally impractical. Rose's American technicians could not communicate in Nepali. The few Nepalese who could communicate in English at that time had no intention of restricting their careers to a grass-roots agricultural programme. The majority of those who entered this programme used it as a spring-board to higher things. Lastly, the administration was not organized to carry out the sorts of tasks that Rose envisioned for it.¹⁵

¹⁴Truman, *Memoirs*, ii, 263-76. Truman's Point Four Programme was so called because it was the *fourth point* in this inaugural address, 20 January 1949.

¹⁵Although the cabinet included ten portfolios from 18 February

Table I

CABINETS: 1951-59

	Date From	Cabinet	Date to
1.	18 February 1951 7 Falgun 2007	Coalition Rana/Congress	10/12 November 1951 24-26 Kartik 2008
2.	16 November 1951 1 Marg 2008	M.P. Koirala I Congress	10 August 1951 26 Srawan 2009
3.	14 August 1952 30 Srawan 2009	Royal Councillors' Government	15 June 1953 2 Ashad, 2010
4.	15 June 1953 2 Ashad 2010	M.P. Koirala II National Democrats	18 February 1954 7 Falgun 2010
5.	18 February 1954 7 Falgun 2010	M.P. Koirala III National Coalition	30 January 1955 17 Magh 2011
6.	14 April 1955 1 Baishakh 2012	Council of Royal Advisers	27 January 1956 13 Magh 2012
7.	27 January 1956 13 Magh 2012	Tanka P. Acharya Praja Parishad	14 July 1957 31 Ashad 2014
8.	26 July 1957 11 Srawan 2014	K.I. Singh United Democratic Party	14 November 1957 29 Kartik 2014
9.	15 May 1958 2 Jyestha 2015	Suvarna Shamsher	5 May 1959 22 Baishakh 2016
10.	27 May 1959 13 Jyestha 2016	Nepali Congress Transition	30 June 1959 16 Ashad 2016

To make matters worse, Rose had chosen a very poor year to put an additional burden on the Nepalese administration. 1952 was the year of the *Raksha Dal* revolt and the history-making quarrel between the two half-brothers B.P. and M.P. Koirala. The *Raksha Dal* revolt on the night of 21 January and K.I. Singh's attempted *coup d'etat* the following day left no permanent mark on the administration. But K.I. Singh sought asylum in China after his failure, and this added a new dimension to India's attitude

1951, with several new ones added 16 November 1951, it was only in the summer of 1952 that some of these ministries were organized.

towards Nepal.¹⁶ The Koirala quarrel was far more serious. This shattered the Nepali Congress monolith and encouraged the growth of splinter parties based on personal bias that flourished in the years 1952-59.¹⁷ Civil servants, long used to the steady hand of the Rana administration, suddenly found that their ministers were incapable of determining a clear course of action and equally unable to hold their portfolios over any extended period of time. Counting the Royal Councillors' regime and the Council of Royal Advisors, there were ten different cabinets in Nepal between 1951 and 1959. The combination of poor leadership, outmoded administrative structures, and the proliferation of departments created an administrative log-jam. For the great mass of civil servants the confusion was complete. Without leadership and deprived of the direction of consistent and familiar administrative procedures, they struck out on their own, doing what they thought best and refusing to do what they thought risky. A group of determined departmental secretaries might have held the administration on course, but they too were buffeted by the constantly shifting winds of change. The administration had some good men and some men of good will, but that was all it had. A review of the *Nepal Gazette* for this period is very instructive. During these early years it contained little of substance and revealed a passion for *minutiae*. Even a detailed list of names of those who had passed the high school leaving examination (SLC) was included in this record of official government transactions—something that is beneath the dignity of even the official newspapers of Nepal today.¹⁸

This was the administrative situation with which Rose had to contend. It was also the administrative situation that greeted the team of Indian bureaucrats who arrived in Nepal in June 1952 to try to determine how India might help Nepal. They were horrified by what they saw. Besides the administrative confusion, they found the various ministries singularly barren of anything that might be used in constructing a planned programme. They wanted data, statistics, and some idea of the needs of the country.

¹⁶Bhuwan Lal Joshi and Leo E. Rose, *Democratic Innovations in Nepal* (Berkeley: 1966), p. 101, suggest that this incident prompted Nepal to request the Indian Military Mission to Nepal.

¹⁷*Ibid.* pp. 167-75.

¹⁸In those early days the *Nepal Gazette* listed all successful candidates by name, school, and division.

They found no data at all nor anyone who could supply the overall picture that they, as planners, felt necessary. Their suggestions were predictable. First build up the data base; then we can talk about planning. However, they agreed that something could be done immediately about communications. This, of course, had already been taken in hand, and a team of 145 Indian military engineers and other ranks was already in Kathmandu to work on the modernization of the airport. The Indian experts' main suggestion concerned the administration, and it was a bomb-shell. They urged that experienced Indian administrators be sent to Kathmandu to work side-by-side with the Nepalese in the various ministries to establish a regular system of administrative procedures.¹⁹ It was a proposal long on theory and very short on political wisdom. Combined with various statements Nehru had made, the treatment Nepalese officials had received in Delhi (even at Nehru's hands), the already embarrassing reliance Nepal had been forced to make on Indian assistance in restoring order in the western hills of Nepal in 1951 (when elements of the Congress *Raksha Dal* had refused to obey the Congress cease-fire order), and the arrival in Kathmandu of an unwanted Indian military mission, this was the last straw.²⁰ Nehru was destined to wait a long time for an official Nepalese response to these proposals. The popular response in Kathmandu, however, was loud and strong. The politicians had found their first major issue, and they pressed it to full advantage. Were it only a question of the political froth that resulted from these events, little harm would have been done. In fact, an agreement was eventually reached between Nepal and India by which Nepalese administrators would receive training in India for their official duties.²¹ The only real remnant of the whole advisor-episode was the Buch Commission Report. This report, based on a short, on-the-spot survey of the Nepalese administration and later elaborated in India, proposed a complete reorganization of the

¹⁹Hem Narayan Agrawal, *The Administrative System of Nepal* (New Delhi: 1976), pp. 165-7.

²⁰Public opinion in Kathmandu is formed from a myriad of inputs, but, once formed, it is very strong and very critical. The Kathmandu attitude towards the Indian military mission was negative from the first.

²¹Minto Jung Thapa, *The Capability for Administrative Development in Public Administration of His Majesty's Government of Nepal: 1951-74* (PhD dissertation: 1976), pp. 123-27. (xerox)

administration. This would in time have a profound impact on Nepal's administration. In the meanwhile, a great number of concerned Nepalese developed a strong resentment to India's paternalistic approach. Whether Indian leaders and administrators were conscious of it or not, they had consistently given Nepal the impression that Indians felt they knew best what was good for Nepal. The manner and means of implementing the first Indian projects in Nepal under-scored this impression and created a strong backlash of criticism. It is doubtful if the Indians could have dispelled this impression even if their first projects had been completely successful. When their projects proved less than perfectly planned and executed, the public image of Indian assistance in Nepal was cast. As far as the Nepalese public was concerned, the Indians were overbearing, with an innate tendency to belittle anything that Nepalese said or did.

Table II
Foreign Grants Received

(in thousands of rupees)

1951/2	22	1964/65	141,000
1952/3	775	1965/66	175,300
1953/4	2,516	1966/67	142,200
1954/5	9,599	1967/68	158,300
1955/6	81,482	1968/69	186,000
1956/7	27,300	1969/70	243,800
1957/8	58,100	1970/1	270,700
1958/9	35,100	1971/2	242,000
1959/60	125,300	1972/3	180,300
1960/61	137,100	1973/4	222,600
1961/62	186,400	1974/5	282,800
1962/63	83,700	1975/6	359,700
1963/64	165,900	1976/7	386,300

Both the Americans and the Indians were unfortunate in the impression they created. The American answer to every problem seemed to be money and imported technology. The Indian answer seemed to be to muscle the Nepalese aside and use Indian army engineers to get the job done. It was unfortunate, because both the Indians and the Americans were doing something that needed to be done. Their programmes were large for Nepal as the time, but they were aimed in the right direction as far as Nepal's actual development needs were concerned. One is forced to wonder what might have happened had these two aid programmes been a little more sensitive to the total development problem in Nepal and a little less eager to offer solutions. On the positive side of the ledger, the Indian programme put a minimum of strain on the Nepalese administration. Nor, in its initial manifestation, did the American programme, though it promised to add layer after layer of increased administrative burdens as time progressed.

By 1954 foreign aid in Nepal had already acquired two of its most enduring popular characteristics. It was something to talk about and it had become a convenient scape-goat for the frustrations Nepalese felt with their own political and administrative structures. True, much that was said about these programmes was based on rumour, but Kathmandu is a city where rumour is more important than published news. Since every rumour is considered to have at least a germ of fact, the discussion of rumours and their analysis becomes a serious occupation. In the hands of the skilful, rumours are woven into a fabric more enduring than anything that press or publicity agencies can produce. Such a fabric becomes a backdrop against which all official pronouncements, local or foreign, are evaluated. This is the way public opinion is formed, and, once formed, it is practically impossible to change. When combined with the frustration that Nepalese felt with the slow growth of their own institutions, this rumour-fed public opinion became an inhibiting factor in Nepal's development effort.

B. 1954: A Year of Decision

The Nepal administration's own development effort was minimal at this time. The feud between the Koirala brothers had forced Prime Minister M.P. Koirala to leave the Nepali Congress Party and later to resign the prime ministership.²² King Tribhu-

²²M.P. Koirala resigned on 10 Aug 1952.

van, uncertain as to how he should proceed, installed a government of Royal Councillors to direct the administration while he sorted things out. The Royal Councillors governed from 11 August 1952 until 15 June 1953, at which time King Tribhuvan decided to appoint M.P. Koirala prime minister once again, though this time Koirala headed the small, very recently formed, National Democratic Party.

The Call for Cooperation

King Tribhuvan's intentions were clear. He wanted a coalition government which included all the major political parties.²³ He felt that only such a coalition could create the political atmosphere necessary for a successful Constituent Assembly. The King admitted in his proclamation establishing the Koirala government that the demands being made on him and his own disappointment with the pettiness of politicians were a constant drain on his energies. He was physically unable to do what he felt must be done. He therefore entrusted to M.P. Koirala the task of securing the cooperation of the other political leaders. In the meanwhile the Koirala National Democratic cabinet would rule the country.

King Tribhuvan's intentions were clear, but M.P. Koirala was a poor choice to implement them. The new prime minister was simply unable to control the political scramble that was developing. Koirala's failure was significant. It provided the first strong link in the argument that the King alone was able to subordinate politics to the welfare of the nation.

In the background, the most important figure in Nepalese politics of the period, Crown Prince Mahendra, was quietly reaching two very fundamental and important decisions. Since the days of Prithvinarayan Shah (1743-75), Nepal had preserved its independence by a policy of exclusion which amounted to the isolation of Nepal. In fact, Nepal had maintained friendly relations with both China and the British in India after fighting one serious war with each of them. The wars had been costly lessons for all concerned, but they had defined effectively Nepal's relations with its neighbours. They had also firmly established Nepal's sovereignty. Nepal developed strong friendships with both her neighbours and at the same time excluded all foreigners who might in any way disturb the internal government or economy of

²³Grishma Bahadur Devkota, *Nepal ko Rajnaitik Darpan* (Kathmandu: B.S. 2016), 1:196.

Nepal. Both the British and the Chinese had respected this. The post 1947 government of India apparently did not. Nehru had clearly indicated that he considered the Himalayas (including the Nepal Himalayas) as India's first line of defense against China.²⁴ He had also imposed an Indian military mission on Nepal.²⁵ Indian ambassador C.P.N. Singh had interfered repeatedly with Nepal's administrative process, even at the ministerial level.²⁶ Indian planners had strongly urged that Indian administrators work inside Nepal's central administration to modernize it. And, what was worse, Nepalese politicians were developing an unhealthy tendency to run to Nehru whenever they had a dispute that needed mediation. During Prime Minister Juddha Shamsheer's time (1933-45), the recognition of Nepal by foreign powers had been seen as a matter of pride. Crown Prince Mahendra began to realize that this recognition was a matter of Nepal's survival as an independent nation. In due time he would totally reverse Nepal's traditional policy of isolation and establish diplomatic relations with as many nations as possible as rapidly as possible. His tactics would be totally new, but his objective was the same that had motivated Nepalese foreign policy since the days of Prithivinarayan Shah. Nepal's sovereignty must be recognized before it was lost. The Indian reaction to his moves was perhaps the strongest argument in support of the Crown Prince's reasoning.

Crown Prince Mahendra was one of the few Nepalese in political life who did not consider democracy to be a magic *mantra*. He saw parliamentary democracy as a political structure that was no better than the fruits it produced. It is clear from his early pronouncements that he judged the validity of Lincoln's famous definition of democracy as a system of government "of the people, by the people, and for the people" by its final cadence.²⁷ Parliamentary democracy must either serve the people or he had scant use for it. Every twist and turn of the political parties in

²⁴Bhasin, *Documents*, pp. 24-6. Speech of Prime Minister Nehru in Parliament, 6 December 1950.

²⁵Both Indian and Nepali official press releases insisted this military mission was requested by Nepal. Nepali officials in the January 1952 delegation to New Delhi have said there was a great deal of pressure.

²⁶No one has yet elaborated on Indian Ambassador to Nepal C.P.N. Singh's role in this affair.

²⁷Devkota, *Rajnaitik Darpan*, 1: 153-57.

Kathmandu in their effort to secure power for themselves deepened his suspicion that these men could never make the system work. Perhaps even more important, he strongly doubted that even the largest political parties had sufficient strength to impose their social programmes on the country without at the same time shredding the delicate fabric of unity in Nepal. Political analysts have criticized Mahendra's evaluation of events, but no one has yet questioned the events themselves.

The National Coalition

By January 1954, M.P. Koirala had pieced together the best coalition that he could manage. The results were hardly encouraging. Despite months of negotiations, an incredible factionalism still persisted. He had not succeeded in getting the Nepali Congress to enter the coalition, and he had done nothing to narrow the distance between the leading parties. He presented King Tribhuvan with the results of his negotiations, such as they were, and on this basis King Tribhuvan established the new coalition government on 18 February 1954.²⁸ King Tribhuvan's health was fast deteriorating. He was obliged to place more and more of the burden of government on the cabinet, and the cabinet proved decisively that they could not support it.

1954 was a year of decision not only for M.P. Koirala's coalition government but also for Nepal. During this year the tempo of foreign aid increased steadily. While the politicians struggled to control the government, the aid programme got out of hand.²⁹ During this year Indian aid began efforts to establish a modern maternity hospital in Kathmandu and the forestry institute in Hetaura. U.S. aid extended its operations into public health and the establishment of village health centres, the malaria eradication programme, and the modernizing of Bir Hospital in Kathmandu. The Ford Foundation began its effort to develop cottage industries and established a school for domestic science. And the World Health Organization began its efforts in malaria eradication, tuberculosis control, leprosy control, and general public health services. In addition to these negotiated

²⁸*Nepal Gazette*, B.S.2010, Falgun 10 (21 February 1954), King Tribhuvan's radio address of 18 February 1954.

²⁹The management of foreign aid required careful central supervision and close cooperation. The political manoeuvring in government invited donor agencies to deal directly with individual ministries. The results was a confusion of programmes and policies.

programmes, Nehru announced on 8 September 1954 an outright grant of 5.7 million Indian rupees for village-level drinking water projects and small-scale irrigation schemes, all of which were to be implemented by the Nepal government.³⁰ This Indian project alone exceeded the administration's organizational capacity. The other projects put even heavier burdens on the administration. Each of these made specific demands for land, counterpart funds, or departmental cooperation. Even more, since some of these projects overlapped, government was under heavy pressure to accept methodologies and procedures that suited the donors but were mutually incompatible.

The Need for Policy

At precisely this point in its development, Nepal's administration needed three things urgently: clear lines of procedure within its own departments, smooth cooperation between departments, and open communications with the different aid agencies in the planning and development of their projects. This was in fact the time to determine a clear policy to cover the formulation of projects, the acceptability of projects, and the coordination of projects. In the absence of such a policy, individual ministries and government departments acted independently and committed the government to projects without reference to the national need or to the nation's ability to provide either the human or the financial resources the projects required.³¹ The result was a perfect example of the scatter-shot approach to development based on the belief that anything done in Nepal must be good. It also showed clearly that the administration was reacting to foreign initiatives without serious concern for its own ability to fulfil its commitments.

This disorientation in development efforts completed the confusion that Nepalese politics had already thrust on the administration. Perhaps the most revealing aspect of this year of decision was the fact that no one realized (or would admit) just how serious the problem was. Individual programme directors and foreign advisors complained about the lack of cooperation they were experiencing,³² and the local press commented loudly

³⁰Mihaly, *Foreign Aid*, pp.48-9.

³¹Eric Himsworth, *The Fiscal System of Nepal* (Kathmandu: undated), pp. 99-101. (mimeo).

³²Mihaly, *Foreign Aid*, p. 85.

on the confusion and ineptitude of the administration. But it was not until Himsworth's study of Nepal's financial institutions that anyone realized that, despite the increase in foreign aid, the government of Nepal was on its way to bankruptcy.³³ Outdated accounting techniques simply broke down, and the annual budget was sheer guess-work. The slow disappearance of Nepal's financial reserves, however, was a clear indicator that something was seriously wrong. As the decade drew to a close, the problem approached crisis proportions and drastic solutions were required to bring the problem under control.³⁴ The damage done to the nation and to the administration has not been undone to this day. During this time of crisis the foreign aid programme continued to develop into a giant give-away programme, directed solely by the interests of the donor agencies and limited only by their resources. The mere suggestion that foreign aid was an input into Nepal's own development effort was ridiculous. So little control did the administration have over foreign aid that when Upadhaya and Beenhakker began to piece together their directory of development projects in Nepal in 1970, they were obliged to go to the United Nations' office and to the US/AID to gather the data they needed.³⁵ The individual administrative departments did not even have records of the programmes and projects that had supposedly been executed under their supervision.

1954 was a year of decision. Political leaders were forced to decide whether cooperation in the formation of a strong government and administration was more important than their

³³Himsworth, *The Fiscal System*, p. 92, after a long discussion of budget and financial audits says, "The one (conclusion) which may be drawn with confidence is that for a number of years past the country has been living beyond its means to the extent that its reserves have disappeared and a substantial portion of the development plan has been financed by deficit financing."

³⁴Mihaly, *Foreign Aid*, p. 118, reports that "the first significant move made by the United States in response to the Congress's electoral success came shortly before King Mahendra's visit to the United States in April 1960. Suvarna Shamsher Deputy Prime Minister and Finance Minister, wrote to the American mission stating flatly that his government faced a grave financial crisis and that, unless there was an immediate infusion of funds, the Nepali Congress government might fall."

³⁵Ramesh Upadhyaya and Arie Beenhakker, *A Guide to Nepal's Development Efforts* (HMG, Kathmandu: 23 August 1960). (mimeo)

own struggle for power. Their choice is obvious from the record. It is true that many of them felt that they were fighting for something of fundamental value which in itself was an essential ingredient of any development programme. Unfortunately, history would not wait for them. Every decision that had to be made was a demand decision. To postpone such decisions was to forfeit the right to control the nation's future.

During 1954 King Tribhuvan's poor health forced him to go abroad for extended periods of time. The burden of administration and of trying to achieve political consensus fell by default on Prime Minister M.P. Koirala. But Koirala was not acceptable to the leaders of the opposition parties, and political infighting increased. While the administration struggled to cope, important reorganizational measures in district administration were postponed. Presumably this reorganization would be done after the Constituent Assembly drew up a new political framework for Nepal. But the Constituent Assembly itself faded steadily from the realm of the possible. At any time during this period such an assembly could have been summoned and delegates elected. The smaller parties refused to urge this action, because they knew their own support was woefully thin. The larger parties had cast themselves firmly in the role of opposition and they simply refused to give the minimum cooperation a Constituent Assembly required.³⁶ Thus technical difficulties, large but not insuperable, were made a convenient excuse for procrastination.

The administration drifted along with the same old structures, the same district administrative arrangement, and the same set of procedures. In the districts the *Bada Hakim's* word was still law, but his power to enforce his will was weakened. In times past his power had been reinforced by his own strong connections with the Rana rulers in Kathmandu. In the shifting currents of the central administration this was lost. Law and order had not yet become a serious problem in the districts. The people continued to accept structures and conditions that were unchanged from what they had always known. The districts, however, were ripe for agitation. As early as August 1951 the Rana-Congress coalition government had recognized the difficulties that the change in the central administration would produce on law and order at the district level when they approved the Emergency Powers of the

³⁶Joshi and Rose, *Democratic Innovations*, pp. 167-75.

Bada Hakim Act.³⁷ This act gave *Bada Hakims* authority to imprison any suspected offender for three months without trial and to disperse any armed assembly in their areas by force if necessary. Even these powers proved ineffective in the situation that developed in 1954. As Joshi and Rose pointed out:

The months of October and November 1954 were particularly difficult for the coalition government. There was widespread unrest in various parts of the country. A *satyagraha* movement was carried on for twenty-four days in Palhi, in western Nepal..... A platoon of the Sher battalion had to be dispatched to Dang, also in the west, to assist troops already engaged in suppressing trouble makers in the area. The situation in Bardia in the western Tarai was also reported to be explosive. Followers of K.I. Singh were rumoured to be active in north-eastern Nepal, and a strong police force had to be sent to Dhankuta to suppress the activities of A.P. Kharel.³⁸

Another serious concern at this time was the appearance of regional political parties based on linguistic and regional demands.³⁹ Time would prove their popular appeal to be very shallow. In 1954, however, they caused serious anxiety for those concerned with Nepal's continued national unity.

The Kosi Agreement

The Kosi agreement was the most striking example of the impact of politics on development. The case for the Kosi project was unimpeachable. This river of sorrows caused such destruction each year that the government of India was under moral obligation to do something to tame it. The prospect of doing this and also deriving both hydroelectric power and irrigation waters made the project attractive in its own right. The only suitable place to site a barrage for this purpose lay near Hanumannagar in Nepal.⁴⁰ The Indian Union government prepared a proposal for

³⁷*Nepal Gazette*, B.S. 20008, Srawan 22 (6 August 1951).

³⁸Joshi and Rose, *Democratic Innovations*, p.119.

³⁹Frederick H. Gaige, *Regionalism and National Unity in Nepal* (Delhi, 1975), p.109.

⁴⁰Shree Krishna Jha, *Uneasy Partners* (New Delhi, 1975), pp. 75-6.

the Nepal government on this project, and Guzarilal Nanda, the Indian minister for planning, came to Kathmandu on 23 April 1954 to negotiate it. After two days of negotiations and discussions, the agreement was signed on 25 April. As soon as the terms of this agreement became known a storm of protest broke out in Kathmandu.⁴¹ The basic criticism of the agreement was that the M.P. Koirala government, in agreeing to sell India the land necessary for the project, had compromised Nepal's sovereignty. Overnight the Kosi agreement became the most important political issue in Nepal. There was indeed reason to criticize the agreement on technical grounds, but these became the subject of debate only years later and led to a total revision of the agreement in 1966.⁴²

The most questionable aspect of the Kosi agreement was the procedure the Koirala government followed. Clearly the Koirala government had the *authority* both to negotiate and to enter into such an agreement. Even so, to proceed without some form of consensus was a rash move for a prime minister whose government was already under constant attack from the opposition. Subsequent events suggest that there was not even token consultation with leading political figures. His government liked the agreement, and they signed it—let others think or say what they would. The whole procedure was irresponsible on Koirala's part and on Nanda's part as well. When the agreement was signed, Guzarilal Nanda took his copy of the agreement back to Delhi, as any businessman would, but India had not heard the last of this by any means.

Three weeks later, on 18th May, Nehru stated in the Indian parliament that Nepal's foreign policy would be coordinated with India's. This seemed to verify the charge that the Koirala government had compromised Nepal's sovereignty.⁴³ Popular agitation against India broke out in Kathmandu, and the opposition parties encouraged it. An Indian parliamentary delegation that arrived in Kathmandu on 28 May was given a rude welcome, and their cars were stoned on the way from the airport to

⁴¹Devkota, *Rajnitik Darpan*, 1: 239-45.

⁴²Bhasin, *Documents*, pp. 156-63, revised Agreement on the Kosi Project, Kathmandu, 19 December 1966.

⁴³Devkota, *Rajnitik Darpan*, 1:212.

the city.⁴⁴ Nehru belatedly tried to make amends. On 8 September he announced a large grant (mentioned above) for drinking water projects and irrigation schemes and insisted that these were Nepalese projects to be executed as Nepal wanted to execute them. India would provide money and—only if asked—some technicians.

The Kosi experience was a very painful one for all concerned. It not only made foreign aid a political football in Kathmandu but also jeopardized all future collaboration between Nepal and India to harness and utilize the rivers that flowed through both countries.⁴⁵ Who was responsible for this? Individually, M.P. Koirala and Guzarilal Nanda, of course. But the political atmosphere in Kathmandu that made consultation difficult was the work of the party leaders who chose the path of opposition in all things and consistently placed party before government. The Kosi agreement was not unique. The confusion of objectives that it so clearly indicated was endemic to the whole approach to foreign aid at the time, and it did not promise well for the future.

Friendship with China

In October 1954, M.P. Koirala's National Coalition government made an overture towards China that was to have a profound impact on Nepal's future development.⁴⁶ The emergence of a new sense of purpose in China had forced all nations—Nepal included—to redefine their relationship with Tibet. When the Tibet tribute money (910,000 rupees, paid to Nepal since 1856) was not delivered in Kathmandu in 1954, the Koirala government accepted this with good grace, and the Prime Minister publicly announced that Nepal wished to revise its current treaty with Tibet. Chou En-Lai immediately made a public proposal that Nepal and China establish diplomatic relations. Dilli Raman Regmi, Nepal's Foreign Minister, reacted favourably to this, and M.P. Koirala went to Calcutta to meet Nehru, who was on his way to China. Koirala met Nehru again on his return from China, and

⁴⁴Ibid., p. 245-47.

⁴⁵At the time of this writing there is once again renewed concern for regional cooperation in the use of Nepal's rivers. However, the mood created by the Kosi and Gandak agreements has been very slow to dissipate.

⁴⁶Data for this section is taken for Joshi and Rose, *Democratic Innovations*, pp. 165-66.

thereafter negotiations for the establishment of diplomatic relations were continued by the Chinese and Nepalese embassies in New Delhi. However, before formal recognition could be announced the Koirala government lost a vote on its budget in Nepal's Advisory Assembly, and was forced to tender its resignation.⁴⁷ This brought about the political crisis that prompted King Tribhuvan to surrender full royal power to Crown Prince Mahendra.

TABLE III
SOURCES OF FINANCING FOR DEVELOPMENT PROJECTS IN NEPAL
MAJOR DONORS: 1951-66

Year	(in thousands of rupees)						
	USA	India	China	U.K.	Switzer-land	U.N.	Russia
1951/2	22	-	-	-	-	-	-
1952/3	775	-	-	-	-	-	-
1953/4	2,516	-	-	-	-	-	-
1954/5	9,599	-	-	-	-	-	-
1955/6	10,024	71,458	-	-	-	-	-
1956/7	12,753	14,569	32,135	-	-	-	-
1957/8	11,873	9,604	-	-	-	-	-
1958/9	17,991	17,100	-	-	-	-	-
1959/60	52,664	18,450	-	673	1,972	13,360	-
1960/1	86,822	26,693	-	2,575	409	3,331	467
1961/2	62,506	40,944	14,755	1,635	1,299	935	44,235
1962/3	77,199	46,219	10,698	4,103	-	3,024	13,240
1963/4	98,485	50,662	5,608	5,365	-	1,845	2,505
1964/5	60,909	89,000	9,002	-	-	-	460
1965/6	59,706	88,877	17,930	3,300	241	-	11,500

⁴⁷It is significant that the vote was lost on the budget of the Foreign Ministry for the coming fiscal year!

C. Prestige and Competition

King Tribhuvan entrusted all royal power to Crown Prince Mahendra on 18 February 1955. The King's death followed within one month of this act,⁴⁸ and the Crown Prince moved to the centre of the political arena as King of Nepal. He dissolved the Koirala government and ruled directly for a short time to familiarize himself with the inner workings of the administration. On 14 April he handed over the day-to-day work of the administration to a Council of Royal Advisors and addressed himself to the task of trying to solve the political impasse. His approach was two-fold. He sent nine teams to tour the countryside in order to assess the political situation in the districts. At the same time he initiated a series of conferences aimed at achieving political consensus. He thought his position strong enough to bring the various parties to some sort of agreement. His overtures, however, were largely misinterpreted, and the vigour with which he had taken control of the administration awakened a general clamour for elections.⁴⁹ The consensus King Mahendra sought was hardly the one he achieved, but since politicians seemed to be unanimous on the need for elections, King Mahendra agreed and set the date for October 1957. This satisfied the political parties for a time, and they set about building up their organizations in anticipation of that event.

Meanwhile King Mahendra began to implement his programme to make Nepal more widely known and recognized internationally. The first task he took in hand was the delayed recognition of China. In response to Nepal's invitation, a Chinese delegation came to Kathmandu on 26 July 1955 to discuss the establishment of formal diplomatic relations between Nepal and China. This was announced in a joint communique on 1 August.⁵⁰ Nepal's admission to the United Nations followed in December of that year, culminating a six-year diplomatic effort to achieve recognition by this world body.⁵¹ From that date, King

⁴⁸King Tribhuvan died in Zurich on 13 March 1955.

⁴⁹Devkota, *Rajnitik Darpan*, 1:295-300.

⁵⁰Ibid., p. 307.

⁵¹Nepal had first requested admission to the United Nations on 22 July 1949. Action on this request, along with those of other nations, was delayed during a period of manoeuvring among the members of the United Nations over procedural matters. See Sita Shrestha, *Nepal and the*

Mahendra began to widen Nepal's diplomatic contacts and to establish embassies in selected foreign countries. It was a bold move to make Nepal known. In the process, Nepal's needs became a topic of international discussion and concern, and this initiated a series of grants to the aid of Nepal, all of which seemed extremely useful, but which in fact added new dimensions to Nepal's administrative and development delivery problem.

Nepalese authorities had long recognized the fact the foreign aid agencies had their own motives for coming to Nepal's assistance. What they were now to experience was the limiting factor that this placed on Nepal's own development plans. Not only did individual donors have their own concepts of what was best for Nepal, but prestige became a factor in Nepal's development. The entry of the Chinese into the aid picture on 7 October 1956, and the Russians on 29 April 1959 also raised the level of foreign aid. The Chinese offer of sixty million Indian rupees in aid (20 million in cash, 40 million in machinery, equipment, materials, and other commodities) was topped by an Indian commitment of 100 million Indian rupees for Nepal's first five-year plan. The only previous cash commitment the Indians had made had been 5.7 million Indian rupees. The Soviet agreement of April 1959 stipulated that the U.S.S.R would supply Nepal with 7.5 million dollars in economic and technical aid to be used for four specific projects. Ministry of Economic Planning (HMG) records show that grants received from the United States shot up in the fiscal year 1959-60 from the previous high of 18 million to 52.7 million Nepalese rupees. The smaller donor agencies such as SHAG (Swiss aid), WHO, and the UN technical team, all of whom were doing excellent work, were rapidly overshadowed by these massive infusions of capital into the Nepalese economy. Except for the Chinese assistance, which was an outright gift to be used in any way the government of Nepal cared to use it,⁵² the other grants were all heavily specified and invariably made demands on the Nepal government for local costs and contributions.

The competition between the Indians and Americans in their various aid projects had been noted almost from the beginning.

United Nations (New Delhi: 1974), p. 19-13.

⁵²This Chinese grant was put into a special fund called the *Ch'i* account. From 1956/67 until the fund was exhausted Nepal's development expenditure was made from this account, See Himsworth, *Fiscal System of Nepal*, p. 97.

It sharpened somewhat in 1954 when the Indians first began to show interest in village development work, an area the Americans had claimed as their own. The resultant rivalry eventually forced the Nepal government to ask the Indian Aid Mission to withdraw from the village development programme.⁵³ Similar rivalry and differences in strategy forced the dissolution of the India-Nepal-United States Regional Transportation Organization (RTO), which had been set up to develop a network of roads within Nepal.⁵⁴

The second Chinese grant was announced on 21 March 1960. It included funding for a cement factory at Hetaura and a paper factory—presumably also in the Tarai. India reacted strongly, and the Chinese obligingly withdrew their Tarai commitments because of "technical" difficulties.⁵⁵ The Russian commitment to Nepal caused a momentary flurry of excitement, but their programme never developed sufficient thrust to sustain that excitement. However, the Americans, the Indians, and the Chinese found themselves manoeuvring for spheres of influence. The Americans continued their basic thrust in rural development and the social services. The Indians worked on a wide front, including projects in irrigation, drinking water, power, buildings for government and higher education, and roads. The Chinese accepted what was left, which in practice turned out to be mid-hill roads, for which they showed a marked aptitude.⁵⁶

The period of the late fifties and early sixties on the foreign aid scene is not easy to characterize. Nepal's growing dependence on foreign aid and the sensitivities of the donors was rapidly creating a situation in which the donors practically ruled Nepal's development. What they thought was good or bad; what they would or would not undertake; and above all their constant demands for local resources was forcing the administration to adopt policies in revenue, finance, and administration that were not thought through nor suitable for Nepal. Policy decisions particularly in Washington and New Delhi had a profound affect

⁵³Mihaly, *Foreign Aid*, p. 82.

⁵⁴*Ibid.*, p. 128.

⁵⁵*Samaya*, 18 October 1963 (PD 7: 232).

⁵⁶There has been great discussion about the alignment and the work on Chinese roads. Experience has proved that no road alignment in Nepal is completely satisfactory, but many experts give the Chinese high marks for their use of terrain and management techniques.

on Nepal, and Nepal was unable to exert any direct influence on the formation of those policies. As these policies were translated into concrete programmes in Nepal they often appeared arbitrary.

D. The Development Focus

The development effort in Nepal had somehow slipped out of focus. With the best of intentions, foreign experts were treating symptoms rather than the problem itself. This was partly because hard data on Nepal was still very scarce—practically non-existent. Little was understood about how local societies and economies outside of Kathmandu Valley functioned. More fundamentally, development planners had still not grasped the problem that "Third World" development posed. Development theory itself was still in the "first stage of realization", and even if Nepal's administration had been working at top efficiency (which it was not), it is doubtful if any substantial inroad could have been made following the development models then in use. Looking back, it is surprising that so much effort was spent on such peripheral problems.

Even as late as 1960, there was no clear understanding of Nepal's development priorities, though certain strong lines of development seemed indicated. Nepal obviously needed heavy investment in communications and in the development of its energy potential. For employment, an alternative to agriculture had to be developed to relieve the pressure on land. An education system was needed that was suited to Nepal's present and future needs and priced within Nepal's capacity to pay. And a basic health system was required to alleviate the more serious village health problems. Nepal really needed a master-plan for long range development. This was perhaps too ambitious in 1960, but some Nepalese had already begun to give this problem serious thought.⁵⁷ More urgently, Nepal needed some forum where the various donor agencies and government departments could discuss the development problem.⁵⁸ Since neither the administration

⁵⁷By this time, Dr. Bhekh Bahadur Thapa and those working with him in the planning Ministry had begun to talk about a fifteen-year projection. See his *Planning for Development in Nepal: A Perspective for 1965-80* (PhD dissertation: 1966). (mimeo)

⁵⁸Efforts were made during the Tanka Prasad Acharya Cabinet (27 January 1956 to 14 July 1957) to include the heads of the donor agencies as advisors in his "Council of the Plan", but his stay in office was too short to achieve much. Nepal requested the World Bank to set up an

nor donors were ready for this, the burden of development thinking fell on experts within individual donor agencies. This was not satisfactory. The thinking of these agencies was too restricted to be able to focus on Nepal's total development problem. This is as true today as it was in 1960, but it was more serious in 1960 because there were few trained Nepalese capable of a long-range, overall view of Nepal's development needs. Donor agency thinking was particularly restricted by tunnel vision, the project mentality, and its failure to integrate local structures.

Tunnel Vision

Tunnel vision is not necessarily synonymous with the proverbial inability to see the forest for the trees. Those afflicted with tunnel vision see the forest and see the trees. But their minds are focused on the use they can make of the forest and the trees, and their thought patterns are limited to one or two alternatives. As a result, such people focus on an aspect of the problem rather than on the problem itself. Tunnel vision was built into donor agency thinking for several cogent reasons.

First, donor agency thinking was shackled to the donor agency's budget. This brought into Nepal's development effort all the constraints of the donor agency's own budgetary process, the priorities of the home government, and the policies which that government chose to follow in its aid programme. The donor agency was obliged to think first in terms of the projects it could pass through its own bureaucratic process and then only could it relate its efforts to Nepal's needs.⁵⁹ Individuals within the donor agency certainly contributed substantially to the debate over long-range objectives and needs, but the final criterion was always the approval process. This forced Nepalese officials to think in terms of what they could get, not what Nepal needed, and produced a constant drag on long-range development thinking.

Secondly, budgetary considerations dictated a project formulation process that impeded long range thinking. No project proposal could capture the complexities of a local development problem, yet the project proposal had to be prepared in a manner that would meet the bureaucratic demands of the donor agency's

Aid-Nepal consortium as early as 1970, but nothing concrete was achieved until 1976.

⁵⁹Local representatives of the donor agencies can be as critical of some of these constraints as any Nepali. Some are much more critical than any Nepali.

home office or government. Since the Nepalese administration was forced to think in the same terms, little time, thought, or money was spent in investigating those broader social questions which actually determined the absorptive capacity of the nation for any development programme. The growth of Nepalese skills in the technology of preparing project proposals (limited though this may seem to the donor agencies) would far outstrip Nepalese skill in studying and analyzing Nepal's own social structures.

Thirdly, the project proposal imposed a time-frame on development efforts. Once the project proposal was accepted, the donor agency entered into a series of contracts with those who were to implement the project. Not all foreign experts were equally successful in adjusting to the demands that Nepal made on them, but all experts—even the most successful—were subject to the demands of the time-frame. Contracts expired. People were rotated out, either because of their own career commitments or because of family considerations. Donor agencies (and HMG itself) complained about Nepalese technicians being removed from projects without serious concern for the effect this might have on the project, yet donor agencies themselves had an even greater problem in this regard. The donor agency's perception of the project was determined to a large degree by their own experts, who gave personality to the bare project proposal. If they succeeded in breathing life into the project, their loss at the end of their contract period was all the more serious. On the other hand the development cadence in Nepal did not fit neatly into this time-frame. Any new project other than a turn-key project relied heavily on local acceptance for its ultimate success. In Nepal the rate of local acceptance was determined almost entirely by a social process of decision making that took longer than one imagined. Decisions to cooperate with projects in family planning, education, cottage industries, new agricultural techniques—almost any project that affected village Nepal—were the result of long and intensive discussion in the family and in the village.⁶⁰ This delay proved deceptive, because once a decision was taken after such a process, that decision affected whole groups of people, creating a whip-lash effect of acceptors. The time-frame built into the

⁶⁰Despite all the research done on Nepalese society, no one has yet made an in-depth study of the decision-making process in Nepalese social groups. This would be of immense value for all grass-roots and cooperative planning.

project tended to meet the needs only of the early acceptors. When the whip-lash effect took place, it struck just at the time when foreign funding was tapering off or the project terminated. Donor agencies tended to think in terms of new projects rather than adequate follow-through on existing projects.

Fourthly, donor agency thinking was rectilinear. Donor agencies tended to be concerned with the goals of their project proposals. Little thought was given to how villagers (or government itself) would use or adapt projects to meet their own needs. As a result, a project that was perfectly sound from an economic point of view could very easily fail to produce the intended result. One recalls the land reform programme, introduced so effectively at Budhabare, the pilot-site. The programme was so successful in redistributing land that villagers from the nearby hills were drawn to Budhabare in the hope of acquiring land. At the present time, thanks to in-migration, the landless population is about as large as it was before land reform was introduced, and there is no more land to distribute.⁶¹ Similarly, the sawmill at Hetaura has produced all the timber that was planned and made the forests of the area economically productive. However, the demand for firewood outstripped the demand for timber, with the result that more and more timber is being classified as waste and sold as firewood. The profit is there, but the forests are dwindling.

The Project Mentality

The "project mentality" was a serious constraint on development thinking. Once a project was passed and funded, everything else was seen in the perspective of the project. Prestige was at stake, and careers were at stake. Another constraint was the commitment of the foreign technicians involved in the project. Any modification of a project that seemed necessary in terms of Nepal's own overall development sent tremors of discontent up the line to the donor's head office. Donor agencies tended to think of projects as their property—not to be folded, mutilated, or spindled, no matter what Nepal's needs might be. When the administration's demands were arbitrary, no one could really complain about the resulting resentment, but when the demands were well-founded, project mentality created headaches for all involved. This project mentality is the logical product of an *ad hoc* approach to development, the route that foreign aid chose to follow at that time. This, of course, became the heart of the

⁶¹Mohan Man Sainju et. al., *Revisit to Budhabare* (CEDA: 1973), p. 35.

planning argument: resources had to be used intelligently and in a coordinated way to solve the nations' development problems. Someone in the administration had to sit down and think through the long-range problems that development implied, or foreign aid would continue to follow its natural tendency to diversify into dozens of *ad hoc* attempts to solve peripheral problems.

Local Structures

Perhaps the most critical constraint of all was the donors' failure to relate with Nepal's political and administrative structures. During the 1950s, there was ample room for dissatisfaction, as will be indicated in Chapter Four. However, since Nepal's expressed objective was a parliamentary democracy, both India and the United States, who were then the major donors, could relate with that objective by contributing what they knew was needed in a democratic situation. Although they realized that the burden they were placing on the administration was more than it could handle efficiently, they could proceed with the confidence that whatever structures they established would eventually be taken over by the administration. This was true of the American sponsored Village Development Service and also the American assistance to education.

However, when the panchayat system was introduced in 1962, donor agencies seemed both confused about its goals and uncertain about the structure itself. Initially Nepalese themselves were no more certain, and the foreign reaction was understandable. However, the administration soon made it very clear that it wished to channel as much foreign aid as it could into projects that would serve political as well as economic purposes and, wherever possible, to incorporate the panchayat system into the national development effort. It was here that a great divergence in policies became apparent. For most donor agencies the panchayat system was merely one factor in the development equation. King Mahendra considered it the most vital factor. One remembers the struggle that was involved in establishing an East-West Highway (now the Mahendra Highway) as a national development objective and the effort involved in securing funding for it.⁶²

Foreign aid grants accurately reflected the donors' uncertainty about the panchayat system. In the fiscal years 1959/60 and 1960/61, which coincided with the parliamentary experiment in Nepal, the level of foreign aid went up 250 per cent. In the

⁶²See Chapter Eight below.

following year, fiscal 1961/62, the level of foreign aid continued to increase by a further 36 per cent. However, many of the programmes for which funding was granted in this year had been on the drawing boards for some time, and must be considered a carry-over from the parliamentary period. In fiscal 1962/63 the level of foreign aid dropped 55 per cent. Although it soon began to float upwards, it did not reach its former high until fiscal 1968/69. The most noted drop in aid grants during this period was in American aid. Russian aid also dropped, but except for a three year period from 1961 to 1964 it had never been high. Throughout this transition period, however, Indian aid grew consistently both in the amounts granted and in the spread of activities. Whatever Indian political sentiments might have been, the Indian aid programme seems to have found it easier to relate to the new structures than other donors.

Table IV
Foreign Training during the Second Plan
(1962-65)

To India	517
To USA	142
To USSR	76
To UK	66
To China	24
Others*	171

(*includes Pakistan, Germany, Israel, Czechoslovakia, Yugoslavia, Poland, Ceylon, and Japan)
A total of 543 were sent for technical subjects such as engineering, health, and agriculture.

Source: Third Plan, p. 49.

It would be a serious error to conclude that no progress was made under foreign aid grants during this period. Indian aid and American aid in particular moved in directions that would have long range significance for Nepal's development effort. Of primary importance was the fact that both of these nations continued their heavy investment in training programmes. India accepted hundreds of technical and graduate students from Nepal into her best universities on generous scholarship grants. In addition, India provided strong financial and academic support to the

Tribhuvan University in the years immediately following its founding. The United States invested heavily in both academic and technical training programmes as well. These efforts were complemented by academic and scholarship assistance from the United Kingdom, China, and Russia, but the majority of the trainees were funded by India and United States. These two nations also moved heavily into the social services. Primary and secondary education and agriculture attracted heavy American investment during this period. Indian aid contributed heavily to irrigation projects and veterinary services.

It is interesting to note that all of these projects, and in fact all of the projects initiated under foreign aid during the period 1962-68, were neutral in regard to the panchayat system. Perhaps this was partly owing to the newness and the weakness of the development structures set up within the panchayat system. It seems far more likely, however, that donor agencies simply did not know how to relate their programmes to a grass-roots development effort.

Table V
Scholarships Granted to Nepalese
by Friendly Countries

Subject	India	China	USA	USSR	UK	Other	Total
Engineering	118	17	18	52	6	38	249
General Ed.	180	1	37	10	27	35	290
Health	53	2	19	8	19	16	117
Industry	19	2	23	2	2	22	70
Agriculture	62	2	26	3	3	9	106
Aviation	—	—	—	—	3	37	40
Forestry	11	—	3	—	—	4	18
Custom & Tax	29	—	1	—	—	4	34
Administration	20	—	9	—	4	3	36
Arts	6	—	—	—	—	—	6
Police	6	—	—	—	—	—	6
Tourism	4	—	1	—	—	1	6
Communications	2	—	1	—	2	—	5
Mining	2	—	1	1	—	2	6
Survey & Statistics	4	—	3	—	—	—	7
Total	517	24	142	76	66	171	996

Source: Third Plan, Table 15, p. 192.

E. The Foreign Aid Dilemma

The foreign aid dilemma can be precisely stated. For years to come, foreign aid will be an indispensable condition of Nepal's development—at the same time, the thinking that informs and directs Nepal's development effort will have to be Nepalese. How does one effectively combine the two? Conventional thought says that those who pay the piper call the tune. Can donors and Nepalese planners surmount this obstacle?

The history of donor freedom to plan for Nepal makes this difficult. However, some progress has been made. The process began years ago in the interaction of the more successful foreign experts with their Nepalese colleagues. This helped the trained Nepalese adapt his theoretical knowledge to the actual situation maintaining in Nepal, and gave the Nepalese the recognition and support he needed in his work. More importantly, this interaction led to a real development dialogue in which the Nepalese and his foreign counterpart reinforced one another's thinking and efforts to achieve a common purpose. This interaction has been institutionalized in recent years. The Centre for Economic and Development Administration (CEDA), the Industrial Services Centre, and the Agricultural Projects Services Centre have participated increasingly in the development dialogue, and foreign funding has substantially helped these organizations build up their level of expertise. These institutions are not alone. A whole new field of consultancy services has emerged in which private corporations are contributing heavily. The process is well under way, and donor agencies have begun to recognize the value of this input.

There is still an enormous gap, however, between the quality and quantity of expert Nepalese advice available and that which is needed. We are experiencing in both technical and social subjects the same shortage of highly competent Nepalese experts that we once experienced in the field of economics. There are not enough first rank Nepalese experts to go around. Even those few are handicapped by the lack of a regular forum for development discussion other than the topical seminars organized around specific development problems. The cross-fertilization necessary to stimulate development thinking among both junior and senior technicians requires more than this. The central problem that development thinkers have to face in Nepal is this: How does one encourage not only grass-roots acceptance of development programmes but also grass-roots involvement in the planning and execution of programmes? This is true whether the programmes are economic, political, or social. Answers to this question are

not going to come out of a donor agency think tank. Nor will they come out of the Nepalese think tank as long as the thinkers are isolated from the sort of discussion that will stimulate lateral thinking. We have looked at the problem head-on for too long a time to see any new perspectives. It is time to move around the problem and to look at it from new angles, but to do this we must have a more open discussion between the different areas of Nepalese expertise. This is essentially a Nepalese problem, not a foreign aid problem. But it has a direct bearing on the use we make of foreign aid.

And this is the challenge that foreign aid poses: the use we make of it. No one who is honest would say that foreign aid is the answer to Nepal's development problems. Nor could an honest person deny aid's role in Nepal's development. Foreign aid has been and will remain a very valuable input into our total development effort. How we use it is the challenge—for our leaders, our technicians, and our people. This is another of those demand decisions that cannot be postponed. Either we use foreign aid intelligently, or foreign aid will use us.

CHAPTER FOUR

THE ADMINISTRATION AND DEVELOPMENT

As our country is confronted with many problems of backwardness, so also we are endowed with as many prospects and potentialities for development. This calls for a need to acknowledge the role of knowledge, skill, and management as the basic infrastructure for development.¹

The challenge of the development era and His Majesty's frequent call to all Nepalese to enlist in the assault on poverty has centred, as it inevitably must, on the administration. Mention has already been made of the role that the administration played during the early development years. It is time to study the way the administration evolved in response to this challenge. Throughout this chapter the focus will be on trends and characteristics rather than on detail and disparate data. The picture that emerges from such a review should provide a clearer picture of what happened and suggest an overall view of events that is sometimes lost in the attempt to present every fact and every date.

The popular concept of the administration as a decision-making "machine" is far from being true. The administration is not nameless. Despite the mystique of the "Singh Durbar" the administration is made up of people working at their jobs and working together. The administrators are our friends and neighbours. We know them and they know us. We are all products of the same society and have essentially the same social interests at heart. As Professor Yadu Nath Khanal wrote while he was visiting professor at CEDA:

I do not share the view commonly found among intellectuals outside the civil service that civil servants in general, and those of the top echelon in particular, are insensitive and free from agony of mind over wrong and injustice. Not all civil servants in Nepal are sensitive, but I think those who are so agonized are not possibly much smaller proportionately in

¹His Majesty King Birendra.

number in the civil service than in any comparable organization or profession.²

It is good to remember that the administrators are our neighbours. If this is true, and we know it is, one may ask why the administration has generally been regarded as an amorphous, unwieldy, self-preserving structure, unyielding to reform and reluctant to act. If office procedures, structures, files, forms, stamps, decisions, modes of approval,³ and all the rest of the trappings of official action that fall under the general classification of "red tape" are the products of people like ourselves who set out to build a better way of serving the people and produced this, one may surely ask what happened to these neighbours of ours when they walked through the doors of their offices and became officials.

A. The Pre-1951 System

The Rana administrative system was simple in its objectives and efficient in achieving those objectives. It was built on the twin bases of the unification experience of 1744-1814 and Bhim Sen Thapa's administrative experience of 1816-37. Additional experience in solving problems and designing procedures was added to this foundation over the next hundred years to produce a structure that worked well within its limits. 1951 changed all of this because, as we have seen in Chapter One, the political goals of the new government changed the objectives of administration.

In 1950 there had been six Rana offices that could be compared to modern ministries: General Administration, Home, Foreign Affairs, Finance, Defence, and Forests. There had also been forty-five small departments that had enjoyed minimal standing because they had little actual work to do.⁴ The architects of the Delhi Agreement decided that there should be ten modern ministries: Home, Foreign Affairs, Finance, Defence, Commerce and Industry, Food and Agriculture, Health and Local Self-Government, Education, Forests, and Transport. The Rana

²*Administrative Biography of Mr. Sharma* (Yadu Nath Khanal), prepared for CEDA (undated), pp. 39-40. (mimeo)

³*Administrative Reforms Commission Report* (HMG, Kathmandu: 1976), pp. 49-75. (Nepali, mimeo)

⁴Hem Narayan Agrawal, *The Administrative System of Nepal* (New Delhi: 1976), pp. 47-96.

offices of Home, Foreign Affairs, Finance, Defence, and Forests could be transformed into ministries with little effort. Three of these remained in Rana hands, which meant that the new ministers had some idea of the ministry's function and the procedures that had traditionally been followed in that office. The remaining five ministries had to be created out of the forty-five departments. The title "department" sounds more impressive than the reality actually was. These departments, administered by a director or director-general, were usually housed in a room in his home, and functioned according to his personal style of administration.⁵ There was no uniform pattern of records or procedures. Sorting out these forty-five departments to create ministries was a task that required patience and no little administrative skill.

The Rana office of Commander-in-Chief, which had coordinated the work of the other offices and departments, might well have simplified the transition process and helped to coordinate the new administration. As suggested above, a change in name to "General Administration" or the equivalent would have been required, but the work of coordination would have continued. This office, however, was apparently too closely associated with the traditional powers of the Rana prime minister to be acceptable to the Congress leaders and the new officers of the administration. If coordination were to be developed in the new administration, it would have to be achieved through the cabinet, where the new ministers met as a consultative body. Laws governing the new administration's functions would also have to come from the cabinet, because, under the Interim Constitution, the cabinet (subject to the approval of His Majesty the King) was the nation's only law-making body.⁶ However, from the very outset the cabinet was split down the middle into ideologically conflicting blocs, the Rana bloc and the Nepali Congress bloc. The key portfolios were also divided equally, with the Ranas holding Foreign Affairs and Defence and the Nepali Congress holding Home and Finance. As a result, the only group that could coordinate activity was in itself uncoordinated. This was not an auspicious beginning for the new administration.

Below the ministerial level, the personnel who manned the various posts of government and tried to cope with the reor-

⁵Ibid, p. 35.

⁶*Interim Constitution of Nepal*, Clause 31.

ganization that the new structure imposed were two groups of public servants: the "old-guard" and the "new-comers". The old-guard included *char pass* personnel, high school graduates, and a handful of college graduates who had taken employment under the Rana regime.⁷ The *char pass* personnel had been trained in writing Nepali, simple accounting, and such administrative procedures as were in practice in the Rana system. High school graduates had some English and a good foundation in Sanskrit, Nepali, and mathematics. The college graduates had a smattering of such western education as Patna University had in its syllabus. No one was trained in administrative management, but all were familiar with the Rana system of administration and knew their own office procedures and records. The new-comers included the young ministers and their companions, educated both in Indian universities and Indian politics. They had no administrative experience and very little understanding of the problems involved in administering a nation like Nepal. They moved into their new administrative tasks with high hopes and the conviction that the problems of the nation would fade before the onslaught of their determination and drive. The dialogue between the two groups was an administrative stand-off. The new-comers had the ideas, but the old-guard knew the files, which represented the only available administrative assessment of Nepal.

The heart of an administration is its filing system. The Rana period administration had one formula for this: If its written, save it. Everything went into the record in one place or another. Those offices that required constant reference to documents bound them serially in a simple book format. Those who merely saved for saving's sake glued each newly arrived letter to the tail-end of its predecessor and rolled up the whole in a scroll. Modern notions of saving only important documents, cross-referencing, and easy accessibility were not significant. The men who maintained the files *were* the index, and most of these men could put their hand on any document that was needed within a reasonable time. The consolidation of departments implied in the formation of the new ministries meant the consolidation of files, which was clearly impossible. The best that could be done was to

⁷Some of these early college graduates were truly outstanding men and have served the nation with vigour and fidelity. Many of them were still in government service, and have performed with distinction in a wide variety of official positions.

store in the same place the files of the different Rana departments that had been joined to form the new ministries. But how one set of files related to another was something that no one could say. Given time, perhaps the older *bicharis* might have been able to give an opinion, but this could hardly serve the needs of the dynamic new-comers. It was discovered with mixed amusement and dismay that while individual men served as living indices of the contents of the old files, there was no such living cross-index who could relate the files of the different Rana departments. So the new administration was without a heart (an adequate filing system) and without a head (an office of general administration).

The Need to Modernize

The administration inherited from the Rana period was functional and problem-oriented. It was not, however, designed to meet the needs of a modern state oriented towards social service. The system had to be changed because the goals were changed. The size of the problem that this change presented appears immediately if one runs quickly through Talcott Parsons' summary of an administration's functional requirements. He lists them as four: 1) adaptation, 2) goal achievement, 3) integration, and 4) latency.⁸ This administrative jargon sounds more difficult than it is.

Adaptation says the administration must be able to acquire all the human and material resources necessary for its functions. Otherwise it functions poorly or not at all. The human resources available to the post-1951 administration were limited to the old-guard, the new-comers and such personnel as could be recruited from the school system, whose number, as we have seen in Chapter One, was extremely limited. People were brought into the administration on the basis of friendship, party connections, and the recommendation of friends. There was no official government recruiting system nor were there any training requirements that would have prepared these men for the tasks ahead. Except for the new-comers, the personnel pool was exactly the same as it had been in Rana days. The Singh Durbar

⁸Talcott Parsons, "Suggestions of a Sociological Approach to the Theory of Organizations," *Administrative Science Quarterly*, 1:63-85 and 227-39 (1956).

was pre-empted to house the central administration.⁹ As for other material resources, the administration did not even have an adequate number of desks. One observer remembers with amusement his first visit to the new education ministry, where he found that the sole office equipment consisted of a single chair and a telephone. Office furniture, filing cabinets, and all the equipment an office needs were missing. The wider range of material resources needed for a ministry to function were at that time beyond hope.

Goal achievement implies that the organization has strongly articulated goals that are seen as attainable. It also implies that the organization has established a series of norms that lead to the attainment of these goals. Specific goals and established norms. The Nepalese administration had only general social goals which had no direct bearing on the immediate activities of any single ministry or group of ministries. Even the concrete task of setting up a ministry was far less clear than it appeared, because it implied that one knew exactly what that ministry's functions would be.¹⁰

Integration expresses the need to coordinate and keep together the various branches (sub-systems) of the administration: technical, managerial, and institutional. Beyond a handful of technicians and a few experienced departmental secretaries, there were few people in the administration that could claim to belong to any of these sub-systems. There was no coordination of sub-systems, and there was no coordination of ministries.

Latency refers to training and motivation. In theory, if public servants are well-trained and highly motivated, they have a reserve ability to adjust to new tasks. Without a broad training base or without strong motivation, the administration as a whole is less able to solve problems that arise from new types of activity or when new policies are adopted. In Nepal, whatever motivation

⁹ "Pre-empted" is a strong word. Actually, Chandra Shamsher Rana "sold" the Singh Durbar to the nation shortly after he completed its construction, and then used it as the official residence of the Prime Minister. It housed the major offices of government during the Rana period. It was fitting that this building, which had become the symbol of power, should be the central secretariat.

¹⁰We distinguish here between the physical act of opening, equipping, and staffing an office and the organizational act of determining the ministry's role and powers.

the average public servant had in early 1951 was very rapidly drained away in the political and administrative confusion that was described in Chapter Three. As for training, the *char pass* and such collegiate training as was available at that time offered neither depth nor breadth in the training of public servants. The only reserve ability to solve new problems was personal, not institutional. Individuals in the administration had the native talent and vision to cope with problems, but the system was not sufficiently articulated for an administrative response. Thus the way was open for personalities to dominate structures. Reform, when it came, would be much harder, because it would have to contend not only with administrative problems and personnel problems, but would also have to deal with strong personalities who had established an administrative style of their own within existing structures.

In laymen's language, we can conclude that the administration was not able to cope with the change in structure the 1951 political development had imposed on the administration. The administration had no clear goals to work towards. There was no coordination of activities. And the administration's capacity for a successful adjustment to the new directions which the Interim Constitution specified for the nation was extremely limited, both because of inadequate training and a lack of general motivation. On the basis of a functional analysis of the administration, the administration simply could not function. The only saving factor was the fact that individuals in the administration did function. They did the jobs they knew how to do. The larger organizational jobs they were expected to do went by default simply because no one knew how to go about them. The Rana administration had built directly on the administrative experience that Nepal had acquired during the unification period as that experience had been modified during Bhim Sen Thapa's administration. It had taken the Ranas over one hundred years to adjust this administrative experience to suit Nepal as they saw it. The various levels of insight that had gone into the creation of the Rana system were the result of experience, interaction with the people, and the maturing quality of time.¹¹ No one could replace such a system

¹¹One can easily be misled by the documents detailing Rana administration. Memory has also served many of the old-guard badly. The Rana administration was far from the level of efficiency that some of the old-guard attribute to it. On the other hand, the Ranas had learned

overnight. Yet in the administrative stand-off between the old-guard and the new-comers, just such a decision was reached. Out of the window would go two hundred years of experience in dealing with the special problems that Nepal faced. Defective as the old system was, it still had much to offer and was open to modification. But the need to modernize the administrative apparatus struck the new-comers as far more urgent than the Nepalese values which they would "modernize" completely out of the system.

B. Conflicting Currents

The effort to modernize the administration of Nepal that began so hopefully with the arrival of the Indian experts Brij Narayan, J.M. Sriganesh, Govind Narayan, and S.K. Sinha in 1951 has lasted twenty-five years. During that time a series of conflicting currents and cross-currents have agitated the administrative field, each leaving its mark but none achieving its goal. The period of Indianization of the administration was soon followed by the organization and Methods (O & M) struggle, which in turn gave way to a three-year flirtation with "job classification," that was permanently interrupted by the 1971 promotion rules.¹²

Indianization

The Indian administrators who worked with the Nepalese administration gave what they could, and that was limited to what they had personally experienced. They were products of the Indian Civil Service, which in turn was a product of the British colonial administrative system. The British set up very strong structures and instilled in their Indian colleagues a sense of the vital importance of filing and files. The Indians working in the Indian Civil Service learned this well and added two ideas of their own: job security and permanency of tenure.

Administrative structures are not buildings. They are codes of procedure and office directives. The Indian administrators working with the Nepalese proceeded to elaborate both. They wrote codes of procedure and directives for the offices with which they were associated. They started at the Centre, where they

something about ruling Nepal during their 104 years in power, and there is something that we today can learn from their experience.

¹²The postponement of the job classification plan, scheduled to begin on 17 November 1971, was at first considered temporary. In fact, the job classification plan was never implemented.

were physically located, and failed to go beyond this. The relationship between the procedures they installed in the Centre and the actual administration in the field seems not to have struck them as urgent. Their first priority was to organize the flow of work through the office so that they could cope with it.

They also handed on to their Nepalese colleagues their own respect for files. The closest Nepalese equivalent to the Indian *file* was the *sanad nikasa* report,¹³ by which the Nepalese administrator had referred for higher decision those matters that fell outside his jurisdiction. The *sanad nikasa* report in its final form was an impressive document. It began simply enough with a letter from the officer with whom the problem rested, stating the problem, suggesting difficulties and proposing a solution. This letter was sent to his superior, who commented on it in writing, glued his comment to the side or bottom of the original letter, and in turn passed it up the line to his own superior. This process continued until the letter reached an officer empowered to make a decision. At this stage the *sanad nikasa* report might measure four feet by three in size, handwritten on Nepali paper and decorated with the official seals of the various officers who had passed comment on the original statement of the problem.

Under the influence of their Indian advisors, Nepalese administrators learned to gather all the papers dealing with a particular problem into a single flat file (manila folder). To this, the Nepalese added their own understanding of modern filing: Save everything that is written, regardless of its importance, and treat the file like a *sanad nikasa* report. The new filing system thus reached the limit of inefficiency. The file was sacred. It contained all sorts of trivia as well as the key documents. And it was treated as something on which only higher authorities could act.¹⁴ This Nepalese version of the Indian filing system proceeded to tie the administration into knots. Each file had to pass through numerous hands and reach the highest level before any

¹³The *sanad nikasa report* was not merely a type of official correspondence. It was a report for which definite procedures were specified, all of which had to be followed once the report was set in motion.

¹⁴The *sanad nikasa report*, in fact, did not have to be forwarded all the way to the top for a decision. It moved up the line only as far was necessary, and penalties were imposed on those officers who passed it upwards when they were empowered to act upon it. See *Muluki Sawal*, B.S. 1010, *Sanad Nikasa Report*.

decision could be taken. As the file moved along, various officers pinned their comments to pertinent pages. When it reached the top, harried officials had time for little more than a quick scanning of the comments (*tipani or tipot*). Since a high percentage of decisions were based on these comments, lower echelon officers might just as well have been formally empowered to take action on many of the cases. Instead, the *sanad nikasa*, which had been the Rana method of dealing with the extraordinary, became the ordinary way of doing business in the central administration. Wedded to the new worship of files that the administration had learned, this became a bureaucrat's delight. Those who thought that files of this sort instilled order into the functioning of government, had a great deal to learn about administration in Nepal. At any given time and for any substantial reason, this whole procedure could be short-circuited to produce almost instant response. Nepalese administrators neither needed nor wanted the burden of dealing with the system of files they struggled to master every day. At the same time, the system of files provided a perfect excuse for not taking action when action would prove inconvenient, distasteful, or embarrassing. Starting a file became a standard way of passing a decision up the line and washing one's hands of a difficult problem. Interdepartmental action merely meant adding more letters to the file, since nothing could be done except by letter.¹⁵ Thus the problem went wherever the file went, and nothing could be done until the file crossed one's desk, no matter how urgent the problem might be.

Another lesson the Indian administrators taught overly well was the need for security of tenure. In their minds, the Public Service Commission existed not only to approve candidates for appointment and promotion but essentially to protect public servants. Job security became a basic concern in the administration. Political events during these early years encouraged the Indian advisors to overemphasize security of tenure because the constant turnover of personnel made it difficult to train administrators. What was lost in the process was the connection between job-performance and security. Later service regulations tried, unsuccessfully, to re-establish this link. As one observer noted, Nepalese today still feel the need for the *pajani*. The

¹⁵Nothing could be done except by letter when civil servants wanted to work to the rules. When they wanted to be of service, a telephone call would suffice.

pajani, it will be remembered, was the annual suspension of service pending the review of one's service record. Each year's assignment required a new appointment even if the new appointment was merely a continuation of the old job. Economists recognize the same principle in "zero budgeting". The *pajani* was an institution at least two hundred years old. It played a real role in the psychology of the administration and established a link between tenure and service. The modern concern for security added nothing. In fact, despite all the rules relating to security of tenure, even higher ranking officers in the administration feel insecure. They would all feel happier if their tenure were based on a strong review of performance rather than on a system of rules which they know very well can be circumvented whenever occasion for doing so arises.

The Organization and Methods Struggle

The period of heaviest Indian influence on the administration was 1951-56. The struggle to establish a strong Organization and Methods office began in 1956 under the influence of public administration advisors of the United Nations Technical Assistance programme (UNTA). Organization and Methods sounds like any other cog in the machinery of the administration. It is not. Organization and Methods is the office that regulates the way the administrative team functions. The O & M office can pass under any name that is convenient and be structured to suit any political system, but every administration requires some such office to ensure the smooth functioning of the administration. In the Rana period, this had been the task of the Commander-in-Chief.

The O & M function and the debate that surrounds it can best be understood if one considers an administration as a *team* designed to prepare decisions, to make decisions, and to execute decisions. Regardless of the size of the administration, the fact that it must function as a team emphasizes certain tasks that the administration must perform if it is to do its job well. First, it must recruit or train people who will work well in such a team. Secondly, it must establish procedures by which individual members of the team will work together. Thirdly, it must be able to promote to key positions those who can help the team do its work more effectively (and remove those who are hindering the team's performance). Lastly, it has to ensure coordination of the various units of the team who perform separate functions but whose interaction is required to achieve the team's objectives.

These separate tasks can either be delegated to different units or be united in one office. The Public Service Commission,

for instance, could well be deputed to recruit new members for the team. Another organization could be designated to train new members for their duties. A third organization could prepare manuals for procedures and operations. And a fourth unit could ensure coordination of the various units of the team. The critical question is: Does such a division of labour destroy the team's functional unity? Those who argue that it *does* are those who press for the union of these functions in a central office of Organization and Methods. Those who argue that such a division of labour is desirable, struggle against what they see as a "super department" that would interfere in the working of the ministries and the other departments of the administration, because its jurisdiction would cut across all the departments in the administration.

The genesis of the struggle to establish an Organization and Methods office was the disarray of the Nepalese administration in the immediate post 1951 years. The administration was not functioning properly, and something had to be done about it. In the years since then, twenty-eight foreign advisors and experts in public administration have tried to do that "something".¹⁶ Whether they championed the cause of a strong O & M office or not, they all tried to introduce better organization and method into the administration. Each of these advisors enjoyed the cooperation of at least some members of the administration, and each did what he could to solve the problem the administration presented. However, none of the advisors enjoyed strong political support from the top levels of government nor widespread support from the majority of those working in the administration. There were three reasons for this.

First, Nepal was undergoing transformations quite different from those associated with the economic development problem. The two-fold adjustment required of both government and people in Nepal was not something that could be legislated or forced. An adjustment had to be made from the social and political structures that were identified with the Rana period. At the same time, both government and people had to come to grips with the outside "modern world" that was pressing in upon them. As a result of

¹⁶For an excellent description of this effort, see Minto Jung Thapa, *The Capability for Administrative Development in Nepal: A Survey of Foreign Advisory Efforts in Public Administration to His Majesty's Government of Nepal: 1951-74* (PhD dissertation: 1976). (xerox)

this two-fold adjustment, neither government nor people were really sure what they wanted in terms of the administration. There are few tasks more difficult than trying to advise people who are not sure what they want.

Secondly, the groping for long-range political solutions to Nepal's modernization process led to a rapid turnover of cabinets. The exact number of cabinets between 1951 and 1976 depends very much on the way the count is made, but by one account this number comes to just thirty-three. This means an average tenure of nine months. There were several causes for this. At times the Royal Palace used this method to signal a change in development thinking or the evolution of foreign policy. More commonly, changes were necessary because a given cabinet failed to function satisfactorily. Advisors to the administration found that advice that had been highly acceptable to one cabinet was frequently unwanted by its successor.¹⁷

Thirdly, the civil servants themselves were never convinced of the value of a strong O & M office. Some of their reasons for this will be discussed later in this chapter, but the main reason was their lack of faith in the capacity of any one person or group of persons to perform effectively the functions that would be assigned to such an office.

The struggle assumed some importance when various foreign donors began to put pressure on the administration to do something about the lack of coordination and decision-making that were endemic in the administration and inhibiting the development effort.¹⁸

The total result of all of these man-years of advice can be summed up very briefly.¹⁹

¹⁷This attitude is not unknown in other governments. It became a problem because the presence of these advisors was the result of foreign aid agreements between HMG and friendly governments.

¹⁸Eugene Mihaly, *Foreign Aid and Politics in Nepal* (Oxford, 1965), pp. 133-36.

¹⁹See Thapa, *Foreign Advisory Efforts*, for a detailed analysis of these efforts. His study stresses the foreign advisory input in detail. There is some critical comment on the administration's goals and its ability to chalk out its own programmes of administrative development, but this aspect receives less emphasis.

1. Manuals for office-use were produced. These were badly needed, and they have helped. They were not an answer to the problem.
2. Training programmes were introduced both in elementary office skills and in administration. These dealt with individual problems, but did not touch the organization as a whole.
3. A collection was made of all the sets of instructions for office procedures used in the various departments. This proved extremely helpful in updating the manuals indicated in *number one* above and enlightened some authorities about the real confusion in administrative procedures. It still did not touch the organizational problem.
4. The Centre for Economic Development and Administration was established to give high-level administrative training. However, almost before the CEDA programme got off the ground, pressure built up for CEDA to produce economic surveys and studies. Since CEDA was also structured to undertake these, it did so, and this aspect of its work very rapidly overshadowed the administrative training functions of CEDA. To compound the difficulty of imparting the kind of administrative training that CEDA was intended to give, there was a shortage of experienced Nepalese administrators who were free to take part in the programme. CEDA had to rely on foreign instructors and a core-group of talented and highly trained young Nepalese experts, full of theory but unseasoned in the rough and tumble of the Nepal administration. Participants in this training absorbed ideas that struck them as useful and rejected the rest.
5. Job-classification efforts had little more success. The effort to classify government positions was carried on by well qualified men with strong government support. The process of gathering the data required for such a job classification took well over three years. Unfortunately, it also generated a high level of apprehension among public servants. Job-classification was side tracked by the new promotion rules.
6. The new promotion rules of September 1971 were a product of a team working out of the *Janch-Bujh Kendra*. Promotion had been debated by civil servants for years. After 1951 both promotion and dismissal from office

had seemed arbitrary, and there was a general demand for a set of uniform promotion regulations. The *Janch-Bujh Kendra* team assigned to this task produced a set of rules that satisfied neither the individuals to whom they applied nor the requirements of the administration. The general complaint labelled the new rules "too mechanical" and "failing to make sufficient allowance for administrative skills that could not be graded quantitatively".

The appointment of an administrative reforms commission in 1976 was indicative of the continuing administrative problem. All efforts to improve the overall efficiency of the administration seem to have come to rest on personnel. Problems that repeatedly appeared were: the inability to get the right men in the right jobs, heavy weightage for seniority, and the lack of any meaningful relationship between task performance and tenure or promotion. Despite this, the administration has made progress. It is far better prepared to cope with the demands made on it today than it was twenty-five years ago. However the administration is still seen as sluggish and unimaginative in its performance, and seems not to have come to grips with the central problem of governing Nepal.²⁰ Nepal is not the central administration. Village Nepal is the area that has to be governed and developed.

C. District Administration

The administration was slow to realize that district administration is the heart of both national administration and national development activity. As the development era progressed greater recognition was given to district administration in all people-oriented development projects. In recent years the development and strengthening of district administration has at last become a recognized goal of government.²¹ This recognition, however, has not come easily.

The first steps in district reorganization were nothing more than an effort to shore-up the district administrator's police powers. This was done to counteract the erosion of the district administrator's power as a result of the disruption of the traditional lines of communication between the district and the Centre

²⁰See *The Administrative Reforms Commission Report*, 1976, pp. 27-48.

²¹*District Administration Plan*, 1975. (Nepali)

(discussed above) and the appointment of inexperienced administrators in posts that required broad administrative skills.

Reform Proposals

An Administrative Reforms Planning Commission (ARPC) was established during the administration of Tanka Prasad Acharya (January 1956-July 1957).²² A sub-committee of this commission studied the whole problem of district administration. The ARPC took its work seriously and produced both a plan for reorganization and a manual for district administration. The model for reorganization was the Indian "block" system. It recognized the fact that the old districts were unsatisfactory units of administration because they varied widely in area and population. The block system re-shaped the thirty-two districts and grouped them in seven larger units called divisions. Functional units called sub-divisions were to be created within each district. No effort was made to incorporate village administration into this scheme, but villages were to be grouped into development blocks and also given their own village panchayats to solve local problems. This plan was workable but was never implemented. The Nepali Congress government of 1959-60 took up the block system in earnest. They decided that there should be seven divisions, thirty-two districts, seventy-six blocks, and some sixty-five hundred village panchayats. The ARPC report had suggested the district administrator's office include seven departments. The Congress plan increased this to eleven departments. The ARPC report had lumped all development activities at the district level into one department in the district administrator's office. The Congress plan increased this to two departments: 1) public works and repair, and 2) food, health, education, and industry. The Congress government made a few efforts to put their plan into action, but they made little more progress than the Tanka Prasad Acharya government had with the ARPC report.²³

²²Nanda Lall Joshi, *Evolution of Public Administration in Nepal: Experiences and Lessons* (CEDA: 1973), pp. 19-22.

²³Agrawal, *Administrative System*, pp. 240-7, describes the plan of the Congress government in some detail and suggests that it was implemented. But the appointment of District Development Officers in February 1960 caused such a strong reaction that little more could be done at that time. The Congress government ran out of time in December of that year.

The panchayat system was the third proposal for major reform of district administration.²⁴ The architects of the panchayat structure recognized two basic concepts learned from experience. First, the old districts were too large for effective district administration. Secondly, there seemed a need for a larger unit to mediate between the district and the Centre. The panchayat system created seventy-five districts which would carry the major burden of administration and development at the local level. The districts were grouped into fourteen larger units (zones). The two major innovations in the panchayat structure were the incorporation of village panchayats into the overall structure of local administration and the stated belief that the formal powers given to the Zonal Commissioner and the Chief District Officer were open to modification according to the demands of experience. The old *Bada Hakim's* powers were divided between the new Zonal Commissioner and the Chief District Officer, with the Zonal Commissioner assuming responsibility for monitoring the political scene and reporting directly to the Palace and the Chief District officer assuming responsibility for administering the district and reporting to the Home and Panchayat Ministry.²⁵

Reversing the Flow

All three of these plans, the ARPC report, the Congress plan, and the panchayat system (which became law in December 1962) were attempts to fill the lacuna in the Rana district administrative system. The Rana system had been oriented towards the Centre. Routine district-level repair works or projects were financed out of the district's own resources, as were all local salaries. Surplus revenue was sent to the Centre and rarely, if ever, returned.²⁶ Quite possibly the post-1951 government in Nepal could have

²⁴The post of District Development Officer (created during the Congress period) was abolished on 22 February 1961. On 7 March of that year a new Ministry of National Guidance was created, and district guidance officers were appointed to each of the 75 districts. On 15 July of that year the Panchayat System was announced, and the work of setting up Village Panchayats began almost immediately.

²⁵It took some time to work out a suitable relationship between the Zonal Commissioner and the Chief District Officer. Initially there seemed to be considerable overlap of activity. The roles described here are those defined by the First Amendment to Nepal's Constitution, 1967.

²⁶*Muluki Sawal*, No. 9., *Banaune Bare Ko* (Concerning Building).

retained the old district structures and handled development works by a more liberal policy on the use of locally raised revenues to finance new projects. There would then have remained little or no surplus revenue to send to the Centre, but this was in line with the Centre's stated policy to develop the districts. However, with the advent of large foreign aid programmes and the more sophisticated development models of the late 1950s and 1960s, such a system could not possibly work. The Centre was receiving more money from foreign aid than it received in revenues from the districts. It was no longer a question of using district level revenues in the district. The problem now was to funnel foreign aid down to the districts in one form or another. District thought and district technology to solve problems in village Nepal no longer seemed significant. Nepal was open to both foreign funding and technology, and both entered Nepalese life by way of the ministries.

The technical ministries carried out their development programmes through the departments attached to the ministry. In theory, work at the ministerial level would be confined to supervision and evaluation of projects. The technical departments would extend their technology downward into village Nepal, where the departments themselves would implement various development works through their field representatives. The departments thus came to be considered the actual agents of development. In fact, the ministry was directly involved at all levels, since no clear boundaries were drawn between the activities of the ministry proper and the ministry's various departments. Ministerial interference was encouraged by prevailing attitudes. The socialist ideas that gripped many of the politicians of that era suggested that all development work should be done by the government — by implication, government meant the central administration. Complicating this was the concept of responsibility. Since the ministers and the heads of departments were responsible for the activities that fell under their jurisdiction, these officers felt free to interfere in all activities and even felt obliged to do so. As a result, two distinct problems emerged. The central administration was beset by growing confusion and inefficiency, because the ministry could and did interfere in the working of the departments, and the departments interfered in all projects at the district level. To cope with this assumed work load, the technical ministries expanded their executive departments by hiring the very technicians needed to carry out the development works they planned.

Newly trained technicians had no quarrel with this. Since the administration set itself up as the major employer, they automatically became members of an elite group. They had no need to search for employment in their youth, and they could expect to move into the central administration in their more mature years. The inherent difficulty in this procedure became apparent when it came time to send these technicians out to the districts. It was found that a surprising number of technicians had been assimilated into the central administration and were not free to go. Also, Kathmandu Valley had any number of technical problems that kept these men occupied. This was justified by the argument that as the national capital Kathmandu ought to have facilities. As a result there was very little trickle-down effect. At a time when engineers in Kathmandu were demanding (central) government jobs, whole zones in Nepal did not have a single engineer and were pleading with the Centre to send one to assist in their development efforts. The Centre, of course, would have been delighted to do so, if they could have found anyone free and willing to go. But few wanted to go. It was then that the weakness in the whole structure became apparent. Like the Rana system, it was oriented towards the Centre, except talent, not revenue, was drained away from the districts, rarely to return.

District-Level Coordination²⁷

The Chief District Officer faced the most serious problem of all. He was required to coordinate the activities of all technical branches of government operating within his district. Since the district headquarters was not a very large place and since most of these people had to deal with the Chief District Officer on a regular basis, the Chief District Officer had little trouble in convincing them of the need to cooperate. However, each ministry had formulated its own policy, which its field representatives dare not change or adapt for any reason. The Chief District Officer, also a man of field experience and burdened with the implementation of his own ministry's policy, understood this. The district-level representatives of the health ministry, the education ministry, the agriculture ministry, the public works ministry, and all the others had to observe and respect ministerial policy. At the same time, the Chief District Officer had a task to perform. He was supposed to coordinate work, but the workers

²⁷This section is based on material gathered in field interviews in eighteen districts of Nepal during the period 1976-78.

themselves were governed by policies that were uncoordinated. He could not reach the policy-makers. They were in Kathmandu, while he was in the field. He sent reports. Nobody read them outside his own Home and Panchayat Ministry. On the other hand, should some higher ranking official of any ministry come to his district even for a few short hours, this man got immediate hearing on his return to Kathmandu. He knew. He had been there. The Chief District Officer thus reached the nadir of frustration. He had all the responsibility but not enough authority to influence one whit the policy of the technical ministries working in his district. This problem would give rise in the mid-1970s to a demand for decentralization, but this was impossible until the ministries decided whether their role was advisory, planning, execution, or just plain paper-shuffling. In the meanwhile, the problem of district administration had not been solved, and until it was solved the people of village Nepal would remain as far removed from those who made the decisions that affected their lives as they had been in the days of the Rana regime.

D. Isolation and Empire Building

Isolation has been the dominant characteristic of the administration. There has not been an adequate flow of useful and necessary information either between the different departments and different ministries or between departments and their parent ministry. Information is exchanged by personal contact, not through official channels.

Isolation

The isolation of departments and ministries from one another has long been a major area of administrative weakness.²⁸ Even authorities who had a right to certain types of information required for their work found it difficult to get an accurate reporting of the data they required. The National Planning Commission and the planning units of the various ministries in particular faced this difficulty. True, part of the difficulty in eliciting information was based on the nature and timing of the

²⁸Aran Schloss, *Transportation and Development in Nepal: An Inquiry into the Dynamic of Development Administration and Development Policy Making* (PhD dissertation: 1977). p. 88, says of information exchange in the transportation sector, that the exchange of information among administrative units were carried out mostly along the lines of "avoid providing ammunition to others regardless of the cost to national planning."

request. If instructions were not clear, or if data was demanded without advance notice, any department that could safely do so ignored the request or postponed action on it. But the root of the problem lay deeper than this suggests.

Detailed information about what a department was doing or contemplating was the sort of knowledge that constituted power. Apparently, one was always free to discuss rumours or to talk in general about events, but the actual transfer of hard data was quite another thing. One veteran observer gave as his advice for staying in power: Never give information! The situation was not as grim as this advice might suggest. Information of a general sort was available to anyone who had a legitimate right to it. If one went to the concerned department, it was usually true that people were cooperative and helpful as long as questions remained sufficiently general. One could read rather more detailed information about the projects of a department in the various journals and year-books that departments produced. These were *safe* sources of information. They talked about projects already in hand or about targets already met. They rarely talked about projects planned or about the way in which targets were set. The RSS (National News Agency) was a willing helper in this conspiracy of silence about significant information. The expression "HMG announced..." was a common introduction to vague articles on development plans. Not even the simplest details were provided to the general public.

Empire-Building

Empire-building was a disease to which high-level administrators were prone. An empire, as it was understood in administrative circles, was an *ambitious, closed* organization. The empire-builder was an administrator who was on the alert for every opportunity to push his organization ahead, even at the expense of inter-departmental coordination and cooperation. To the observer, it was sometimes difficult to distinguish the true empire-builder from an energetic administrator who was endowed with both imagination and drive. The touchstone used by those who had to make the distinction was the closed organization and the reluctance to coordinate work.

Empires were built by developing a great sense of loyalty within the department. There was loyalty from the top down, and the top executives expected absolute loyalty from the bottom up. The theme that bound all together was the common belief that if the department made a strong impression, it would secure both public and official recognition. This meant, in concrete terms, a

high budget, promotions, foreign travel opportunities, and contracts or foreign aid programmes to further the work of their department. Donors were inclined to recognize empire-builders as men who could get things done in a system that was generally noted for procrastination and delay, and so they supported such men. It was very hard to convince anyone who was target-oriented and concerned for task performance that empire-building was harmful in itself and harmful to the overall administration of Nepal. The record shows, however, that any organization, whether it be at the department level or below, which failed to forge strong linkages with the organizations with which it was expected to interact, gradually began to establish its own sub-units to do the work that related organizations were designed to do. The rationale given was that the related organizations did not function well or were generally incompetent. This was rarely the case. The true reason seems to have been that the empire required these units in order to remain an empire.

Empire-building exists in all administrations. What made it particularly attractive in Nepal was that the whole decision-making process and foreign aid system supported this. Anyone with "contacts" had no real difficulty in succeeding, at least temporarily, if he really set his mind to it.

Administrators, generally speaking, were opposed to empire-building because it hindered good administration. However, the distinction between empire-building and aggressive administration was never as clear as some suggested. In fact, the accusation of empire-building proved a very useful way to disparage work being done in other departments that were attracting more notice than one's own work.

The CEDA Experience

CEDA was set up in 1969 as a semi-autonomous body within the Tribhuvan University to perform certain specific tasks, which included administrative training, economic research, and university development. The exact proportion of its energies CEDA was expected to devote to each of these disparate tasks was not spelled out. The initial funding for the formation of CEDA was supplied by HMG and the Ford Foundation. CEDA itself was expected to earn enough through its contract work to support its activities with minor assistance from the Ford Foundation. From the beginning it was clear that CEDA was intended by its primary donor to be a parallel structure that would influence both the university and government administration without being controlled by either. Under the leadership of its first director, CEDA

developed a reputation as an organization that could produce results. It also attracted outstanding Nepalese talent and its growth was striking. From the outset, CEDA developed a very strong sense of organization. Its people were deeply committed, and they performed a useful task, with the conviction that at last they were able to use their training in a meaningful way. CEDA staff were better rewarded for their work than other employees either in HMG or in the university, but members of the CEDA staff denied this as the reason for their commitment. There was no reason to doubt this. The perquisites helped, but they were an inadequate explanation for the quality of commitment that CEDA people displayed. However, CEDA projected an image of a closed shop run by energetic men who were anxious to influence policy. The combination was a serious handicap, which CEDA could have overcome only by strong efforts to establish linkages within the university and with related organizations outside the university. This effort was not made, nor, in the growing volume of work, did the CEDA staff see this as critical. When the problem of linkages was raised, individual members of the staff reacted either defensively or with condescension. They had built up a working organization in a short time, while other organizations had been content to dawdle along, why should they be deeply concerned with the desires of other organizations to establish linkages with CEDA? The results were most unhappy. CEDA's semi-autonomous status was removed and it was brought within the university structure at a critical time in its own growth.²⁹ The resulting change in status, freedom, and activity that befell CEDA staff members proved so demoralizing that it took years for CEDA to regain a semblance of its former efficiency.

The decision to "contain" CEDA has been severely criticized. Knowledgeable observers have indicated that the problem in CEDA was merely an outburst of enthusiasm that would have levelled off in time, as members of CEDA's senior staff moved on to other more challenging posts or were coopted for important posts in HMG. No matter what reasons were given publicly, the popular

²⁹CEDA had reached a point in its growth where serious adjustments were required internally to cope with the constantly expanding work load. Also, some senior members were ready to move on to other types of administrative work, and junior members had to be more fully integrated with the CEDA structure.

belief remained that the decision was based on the conviction that the CEDA *empire* was harmful.³⁰

If CEDA was considered an empire that was harmful, what could be done to improve the administration? Reports had been written in adequate language to convey to all concerned the difficulties within the administration. The inter-departmental and inter-ministerial rivalries, the outdated filing system, the plethora of channels through which documents must pass before coming to the attention of authorities, and the general malaise that moved official work along at a snail's pace were all as well known to higher authorities as they were to the common citizen who had to struggle through this to get any work accomplished. Whether it be CEDA, a strong Organization and Methods office, an administrative staff college, or any other office, someone had to take the lead in introducing the administrative reforms that everyone knew were necessary. If all those who tried to break through the existing situation to create more favourable administrative procedures were labelled empire-builders, what could be done to help the administration?

The question was far more serious than it might seem. The administration had to cope with programmes that became more complex each day. As the panchayat system grew, the demands made on the administration for rapid decisions and informed action increased. Development programmes were introduced that required the close interaction of a number of departments and their total cooperation. Development work in the districts demanded decentralization. Somehow the administration had to respond with more clearly defined areas of responsibility, openness to other organizations, and the delegation of authority commensurate with the tasks that had to be performed. Yet the administration proved almost impervious to change.

E. Personnel Practices

Morale was a vital factor in the performance of the administration. Critics pointed out that the threat to screen public servants in 1956-57 and the large-scale dismissal of public servants

³⁰Thapa, *Foreign Advisory Efforts*, P. 206, says that "the decision to downgrade CEDA was made by the National Education Board in two meetings on 24 April and 15 May 1973." He goes on to say, "[The Vice-Chairman of the NPC] spoke disparagingly of the Centre as that trans-Atlantic organization".

in 1960 had a serious impact on morale.³¹ The promotion scheme had not functioned well and this too was a factor. Yet these two causes did not fully explain the inefficiency that persisted in the administration. Nor did the suggestion that the banning of party politics made the administration itself a political arena adequately explain the malaise.³²

Reporting on the attitudes of higher echelon government officers, Dr. Jose Abueva noted that the vast majority surveyed indicated that their primary fear was arbitrary dismissal and their most important function was to please their superior.³³ The direct link between these two attitudes was clear. Whether either of these attitudes was justified is of little importance. What is important is that senior members of HMG had such attitudes.

Source and Force

The men Dr. Abueva surveyed were not unique. These attitudes were common and were recognized as such by everyone in the administration. The origin of these attitudes could be found in the general conviction that what made the system function (as it did) was "source and force". "Source": having a contact (friend or relative) who had the power to do what one wanted him to do. Source was rarely considered in isolation. It was taken for granted that one's competitors also had source. Therefore one must discuss the *relative power* of one's source: source and force. The result was the belief that every rule, every law, and every structure could be bent to one's purpose if an adequate "source" were at hand. As individuals, Nepalese tended to believe this without question, regardless of their place of employment, because they saw that it worked.

The morality of this approach to life's difficulties was not at all clear. If this was the way things happened in society, could one live and compete in society without having recourse to source and force to achieve one's goals? The individual, no matter how honest, was obliged to ask himself how he could be sure that

³¹Ibid., p, 127, mentions that some 200 gazetted officers and 600 non-gazetted officers were dismissed at this time.

³²Agrawal, *Administrative System*, p.354, says that "Whatever personnel was left had no choice but to follow the safest course of inaction and indecision to retain their jobs."

³³Dr. Jose Abueva, "Farewell Seminar", delivered at CEDA, January 1975.

others would not use their source and force, even if he did not. Did the mere fact that an individual refused to use his source and force ensure an open competition for a post, a scholarship, a license, or anything else? The individual felt not only that he had a right to use whatever source and force he could muster but also an obligation to do so if the goal was important enough. That was where the real competition lay. The interviews, applications, and tests were mere formalities. Those who let themselves be used as someone's source or force were in a similar dilemma. Repeatedly during the field work for this study, one heard the comment: What is the sense of having influence if it is not used? Or, perhaps more tellingly: I don't really believe one should use an official position to get favours done, but as long as everyone else is doing it, a person would be foolish not to do the same. In the popular mind, the morality of source and force came down to a simple question and answer. Question: When is source and force morally wrong? Answer: When it is used against me. No one succeeded in convincing the average citizen that using source and force always hurt the individual—even when it worked—because it encouraged the growth of injustice in society. Nor is it apparent that anyone tried to do so.

"But", the critics say, "this is obvious. Why belabour a point that is generally known?" Our answer is that we simply do not believe that everyone *does* know the problems that this common practice has generated. Nor do we think that anyone has yet given a satisfactory explanation of the origin of this practice. That it is social is definite. But it is not clear whether the origin is the social structure of the extended family or the result of historical events. Certainly it will take a study far more ambitious than this one to examine the origins of such a widespread social practice.

Evaluation

The most immediate problem that this belief and practice generated was the problem of evaluating the performance of civil servants. Source and force, it was believed, could be brought to bear on any subjective evaluation. To avoid the accusation of yielding to source and force, the norms of evaluation must be mathematically objective. Unfortunately, the most human part of man, his mind—the centre of judgement, vision, imagination, and initiative—was simply not amenable to evaluation according to any strict mathematical norms. The authors of the 1971 promotion scheme thought they had found a workable solution of this problem when they included three norms for promotion: length of service, past recognition of merit (including medals, citations

and degrees or academic qualification), and job performance.³⁴ The first two qualifications were automatic and perfectly objective, provided one accepted past recognition of merit as having been a recognition of true merit and treated all degrees as equivalent regardless of the university or the syllabus followed. Job performance seemed a simple thing. Either a person did his job well or he did not. What could be more objective? Apparently a great deal. The superior who was obliged to state this objective fact was less concerned with his subordinates' promotion prospects than with his own survival in the corridors of power. Since he believed that ultimately "source and force" would determine who was actually promoted and who was not, he simplified the whole procedure by assigning all of his subordinates a rating of "better than average". With one stroke the whole promotion scheme was ruined. The one thing that really mattered was considered to have little bearing at all on the case. What was left as a basis for promotion? Medals? Length of service? Or a degree won years before, having perhaps no bearing at all on one's assignment?

Similar comments could be made on the project progress reports required by the National Planning Commission. The Commission wanted data that dealt with the objective, mathematical, physical dimensions of a development project. How did one measure true progress in something as important as the National Education System Plan: ... by the number of schools built?... the number of students enrolled?... the number of courses taught?... or the number of teachers? Any development target, of course, had its physical, quantifiable aspects, but these were only a part of the project. One could quite easily complete a project, send in perfect project reports, and still produce nothing of value. This was recognized by members of the Planning Commission as well as by those who made the reports. Why then has there been this insistence on the quantifiable? Because it was objective.

This obsession with the quantifiable, objective aspects of development and service was especially interesting when compared with the objectives Nepal's constitution specified for the panchayat system, none of which were objective or quantifiable.

³⁴Thapa, *Foreign Advisory Efforts*, p.331, says, "The Rules sought to introduce an element of objectivity into the civil service promotion system by seeking a largely mechanical and mathematical approach to the measurement of merit."

Apparently the one thing that source and force could not achieve was national development.

F. Progress or Decline ?

Critics of the evolution of the Nepalese administration over the past twenty-five years have generally fallen into two major groups. The first group, made up of foreign administrative advisors and Nepalese trained abroad in modern administrative methods, has generally complained of the lack of method and efficiency in the administration. Members of this group have seen quite clearly that there is another way of doing things that is less expensive and more effective than the way the administration has done things in the past. They would like a change, which they see as both possible and desirable. The second group comprises those Nepalese who have worked over a long period of time inside the administration itself. They have perhaps never enjoyed an opportunity to study for a graduate or post-graduate degree abroad and have risen through the ranks to hold offices of considerable importance in the administration. This group holds steadfastly to their opinion that the administration has made significant progress and that the changes deemed necessary are in fact taking place. They would perhaps not deny the charges made by the first group but would insist that very significant progress has been made.³⁵

The difficulty lies in the fact that both groups are correct. Much more could be done, and done much more rapidly. At the same time, unless one intends to disrupt the whole system and start from scratch, whatever change is introduced will have to be a change that is amenable to the majority in the administration and one that fits their concept of fair play. When Eric Himsworth first pointed out the total inadequacy of the accounts system used in the Nepalese administration, he also cautioned that any abrupt change would create such confusion that nothing would be achieved. Better, he thought, to wait until a new system had been worked out and accountants trained in its use before introducing change.³⁶ It took, in fact, eight years to make this apparently simple change. More recently, one has witnessed the

³⁵Taken in the broadest possible classification, Nanda Lall Joshi would certainly be a representative of the latter group and Dr. Prachanda Pradhan the former.

³⁶Eric Himsworth, *The Fiscal System of Nepal* (undated), p. 122. (mimeo)

demoralization of the Tribhuvan University faculty over the changes introduced by the New Education System Plan in higher education. Those who witnessed the experience are aware of the energy-sapping struggle many faculty members went through in their effort to understand and accept a system whose logic was not clear to them. They interpreted the plan as best they could and applied it as they understood it, even though their interpretation was at complete variance with what the planners intended.

Those who have advocated dramatic changes in the administration may have to accept the fact that the changes desired are as much social as administrative. One veteran minister has remarked: Development is a state of mind, both in villagers and in administrators. He made a point worth noting. There is an acceptable degree of tolerance for new ideas. Once that degree is reached, to press further seems to disorient individuals rather than help them improve their performance. It seems useful to recall that the evolution of the administration is in itself an aspect of national development. Those who would legislate an immediate improvement in the administration would themselves laugh at the idea of legislating development. Yet, in a sense, this is precisely what they advocate. Recognizing that improving the administrative machinery involves a social process may be a healthy thing to do, even though it does not alleviate the frustration that Nepalese outside the administration feel towards administrative procedures. The observer who suggested that ministers who constantly exhort officials to do their duty are saying nothing, because the officials think they *are* doing their duty may be right. Perhaps it is the individual official's concept of duty, not his activity, that has to be changed.

Many observers have noted that Nepal's administrative and political structures seem—on paper—to be more than adequate for all of Nepal's needs: open to modification as changing situations demand, open to public participation, and aimed at an egalitarian society, as the people have demanded. The problem, they say, has been in getting them off the paper and into practice. We think this is an over-simplification that cannot pass unnoticed. The structures are working. They may not yet be working as they were designed to work, but they are most definitely working. Those who consider only the goals of society are sometimes misled by the fact that the goals are still a long way off and conclude that little has been done. It is good to look back at the starting point. Nepal has come a long way already. Prof. Yadu Nath Khanal has commented wisely on this point:

Many institutional changes have been introduced [in our administration] through the partial implementation of Buch Committee Report, the creation of the Public Service Commission, the enactments of Civil Service Laws and Regulations, the reorganization of the district administration and the development of the O & M division and the Administration Department. Various professional services other than the Administrative Service, including the Foreign Service, have been created. The story of the development of our administration cannot be divorced from that of the development of the country itself. Both the stories are full of fluctuations. They have been and continue to be subjected to informed and uninformed criticism. But there is no denying the fact that Nepal's administration, like its overall development, has made a significant upward movement. A comparative study of the actual positions of our administration in 1950, 1965, 1969 and 1970 evaluated in terms of its capacity to mobilize internal resources, to spend the contemplated input in the plan-outlay and to generate international good-will at the political level as well as that of economic cooperation should make the point clear. A detailed and unprejudiced study of this kind will certainly reveal many loopholes and deficiencies in our administrative set-up due to administrative and non-administrative causes; but it will also reveal features indicating the progressive strengthening of the administrative organization.³⁷

³⁷Yadu Nath Khanal, *Nepal: Transition from Isolationism* (Kathmandu: 1977), pp. 169-70.

CHAPTER FIVE

DEVELOPMENT RESOURCES

The need of the hour is to promote our nationalism, mobilize all available resources, and move ahead in the task of nation-building with firm determination.¹

In 1951, when Nepal set out on the development road, neither Nepalese authorities nor the various donor agencies knew exactly where to begin. Equally problematic was financing any change at all. No one had a clear idea of Nepal's internal resources. No one could guess how much foreign assistance would be attracted to finance Nepal's development effort.

Today much more data is available both on Nepal's own resources and on the possibilities of foreign assistance. There is still, however, no neat answer to Nepal's dilemma. Foreign assistance remains subject to the vagaries of the international political and economic scene, and local resources (other than those generated by commerce, tourism, and foreign aid itself) are still largely uncataloged. Despite this lack of precise data, it is important at this point to consider briefly the resources available for Nepal's assault on poverty. Understandably, this will not be a complete picture, but it should help us understand the limitations on Nepal's development effort. Resource availability determines very largely what can or might be done.

A. Internal Financial Resources

In 1952 Suvarna Shamsher, then Finance Minister, presented Nepal's first budget (for fiscal 1952) and also an estimate of government revenues and expenditures during fiscal 1951.² As we have seen in Chapter One, government accounting procedures then in use made it impossible to produce accurate budgetary data. We have also seen that during the 1951-1958 period there was a serious drain on net assets. Either government expenditures were well above the Finance Ministry's best estimates or revenue was far below estimates. Suvarna Shamsher's estimates were very rough indeed. The major sources of revenue listed in 1951 were land taxes, overseas remittances, and the proceeds from the sale of timber. The estimated government revenues for

¹His Majesty King Birendra.

²*Nepal Gazette*, B.S. 2008, Magh 21 (4 February 1952).

that year totalled 26 million rupees. In 1977 the Finance Ministry's revised estimates for fiscal 1976/77 placed the revenue figure at just over thirteen hundred million rupees.³ Quite a change. The major new sources of government revenue (developed over the twenty-five year period) were customs duties, sales tax, and excise tax. Land tax was still significant, though much less so proportionately than it had been. Revenue from income tax remained insignificant, though it had shown steady gains over the previous five years. The administration's ability to mobilize financial resources appears to have improved considerably during the development period. Equally encouraging was the administration's ability to mobilize resources through domestic loans, which, according to the revised estimates, had reached a level of 300 million rupees by fiscal 1976/77.

The most consistent criticism of the administration's effort to mobilize resources has been levelled at the low rate of taxation on agricultural land. At first glance, this seems justified. Agricultural taxes have not increased significantly for years. Agricultural taxes in Nepal are specific (a fixed amount of cash per unit of land, varying only according to the quality of the land), not based on a percentage of agricultural income. While land taxes have remained more or less constant, the market value of agricultural products has increased substantially. As a result the percentage of agricultural income paid in taxes has steadily diminished. A World Bank study in 1975 pointed out that, roughly estimated, direct government revenue from agriculture amounted to only one percent of value added, although the agricultural sector accounted for 68 percent of Gross Domestic Product.⁴ However, one can easily be carried away by statistics. The fact that the vast majority of Hill farmers and many of those in the Tarai are subsistence level farmers should mean something. Until these farmers are actually earning more, even the low taxes they pay seem an unduly heavy burden. It is also worth recalling that most Hill regions constitute small agricultural societies which, even today, are largely non-monetized. As these societies have come into contact with modernizing trends, especially education, the first result has been a steady draining away of the small amounts of cash that villagers have managed to accumulate. Villagers find it difficult to reverse the cash outflow. The sale of agricultural

³Budget Speech for Fiscal 1977/78.

⁴IBRD, *Review of the Economic Situation of Nepal* (22 July 1976), p.11.

products brings in a little cash, but the terms of exchange are invariably weighted against the farmer. Whatever agricultural surplus the average Hill farmer is able to accumulate over and above his own family requirements (and sometimes it is not a surplus that he sells) is desperately needed to earn small amounts of cash, without which he cannot take advantage of the few development opportunities available to him. To tax away this surplus would indeed add something to the government's revenues, but the cost in terms of the quality of village life would be out of proportion to the modest increase in revenue. More acceptable would be a system of proportionate taxation that took into account the difference in income between the small and the medium-to-large farmers, but the technical difficulties of assessing and collecting such a tax are beyond the capacity of the administration at this time. Even the assessment and collection of income tax, a far more tangible asset, has proved difficult.⁵ Apart from more efficient methods of collecting land-tax, there seems to be small scope for increased revenue returns from agricultural land at the present time. One might also note that the standard of living in Kathmandu Valley is so much higher than in the outlying districts that any substantial increase in small farmers' taxes would seem unjust. Until there is some improvement in the quality of life in the outlying districts, there seems little reason to expect an increase in revenue from such districts. Taxes, after all, are levied on the surplus, not the substance, of life. Too many of our farmers are living at the subsistence level, or even below that level, to permit serious consideration of an increase in land-tax assessment. Indirect taxes levied on many items in daily use in Nepal's villages more than compensate for the low agricultural land-tax.⁶

Budgetary data reveals that the burden of taxation lies for the most part on the import and sale of "luxury" goods. Thus, the most significant revenue increases have been made on items that

⁵Steady efforts to improve the rate of income tax collection over the period 1975-77 have produced a substantial increase in the rate of collection, and it is expected this process will continue. However, there are still large areas where income tax collection is well below standard.

⁶"According to the revenue estimate for the current year indirect taxes contribute 75.6 per cent of estimated revenue. Customs duty ranks first. Sales tax ranks second." *Economic Survey: Fiscal Year 1976/77 (HMG Ministry of Finance: 1977)*, p.8.

are in demand in the more developed centres such as Kathmandu, Biratnagar, Birgunj, Nepalgunj, Bhairawa, and Pokhara. Presumably the tax bite will be larger in other development areas as their standard of living improves.

In certain areas the administration has been slow to take action where action has clearly been indicated. The reluctance to tax water has been one example. Although various economic arguments have been advanced in a half-hearted fashion for not taxing water use, the underlying reasons for failing to levy such taxes have had less to do with economics than to the problem of assessment and collection.⁷ Wherever utilities provided by the municipality or government corporations have been taxed, even nominally, not only has some revenue been generated, but those who benefit from the utilities have learned to appreciate and care for these facilities in a more responsible way, thus lowering maintenance costs and increasing the value of the investment.

Revenue leakage has remained a serious problem. This is true in the area of income tax collection and also the collection of customs duties and sales tax. The long, open border with India has made the proper collection of taxes on many items imported into Nepalese border towns difficult. This fact has long been recognized by the administration, but the cure has been seen as more expensive than the disease. Income taxes remain a challenge to the will of the administration as well as to the collection machinery.

In recent budgets, savings made through improved administrative processes have been listed as revenue. The terminology may be suspect, but the savings have been real, and it is quite within reason to expect that very substantial savings (revenues) can be made in this way. Listing such savings as "revenue" is a dramatic way of indicating just how expensive the present administrative process can be.

Despite the experts' suggestions for improving revenue, it seems that the administration can expect annual revenues of about seven per cent of Gross Domestic Product for the foresee-

⁷The prime example is the water-rate on irrigated land, but even in Kathmandu Valley the taxes on water usage are minimal and the collection sporadic.

able future.⁸ There is little scope for new taxes, although some gains might be made by blocking the loopholes in existing tax laws and improving the tax collecting apparatus. A seven per cent rate of revenue return on Gross Domestic Product does not compare favourably with the rate of revenue return achieved in some developing countries,⁹ but this is not the only aspect of Nepal's development problem that will not fit a general scheme. All things considered, the administration has done well to increase national revenues as much as it has. A quick review of the budgets presented over the last twenty-five years reveals very definite progress in the nation's ability to pay its own way. At the same time, it is apparent that the nation can pay only a fraction of the development costs for an adequate communications network and for exploiting the nation's vast hydroelectric potential. The need for large-scale foreign assistance is going to remain with us for a long time to come.

B. External Financial Resources

External aid has been a major factor in Nepal's development effort since 1952. As a budgetary item, foreign aid is very difficult to calculate for three reasons. The costs of foreign technical assistance received under any aid project (except German and Chinese projects) are included in the grant. Since these costs are very high, the actual cash received by the administration is far less than annual aid figures indicate. One should also note that the figures given in foreign aid grants do not refer to cash received at all. Grants are promises. The actual transfer of funds (disbursement) depends on the progress of a project. To get a clearer idea of the cash inflow from foreign aid one should study the disbursement figures, not the grant figures. Poor project performance means less cash is actually received. Thirdly, a large part of each grant received is in the form of capital goods, equipment, and machinery. The rupee equivalent of this is reflected in the budget, but there was never any transfer of cash to Nepal. It is thus impossible to study the statement of aid received and estimate how much actual cash came into the administration's hands.

⁸The figure 7 per cent of Gross Domestic Product is taken from Dr. Bhekh Bahadur Thapa's Statement to the Nepal Aid Group meeting in Paris, 1978.

⁹In some developing countries, government revenue averages 10 to 12 percent of Gross Domestic Product.

Whereas the revenue figures given in the budget represent cash actually received, the figures on foreign aid given in the budget include the cash equivalent of whatever the donor agency includes in its grant: technical assistance, equipment, machinery, scholarships, etc. There is thus no point of real comparison between revenue figures and foreign aid figures. External loans received, of course, do represent cash receipts (subject to the rules of disbursement mentioned above). The monetary figure presented in the budget represents an actual inflow of cash, with this exception, that Asian Development Bank and World Bank financed feasibility studies (and these are expensive) that lead to an actual loan may be charged against the loan, in which case they also conceal the costs of technical assistance.¹⁰

In 1966, the Ministry of Economic Planning released statistics for foreign aid received during the period 1952-66. According to these statistics, the total amount of foreign aid received in fiscal 1951/52 was NRs 22,000. Indian assistance during this year was not listed as foreign aid, so this figure does not include the cost of the Indian army engineers who came to Nepal in that year to build Gauchar airport. In fact, the only aid item financed in that year was the office of Paul Rose, the US/TCM director.¹¹ By contrast, in fiscal 1976/77 foreign aid disbursements totalled 385.3 million rupees. Also in 1976/77, foreign loans totalled 215.2 million rupees. In 1951 there were *no* foreign loans.¹²

¹⁰All developing member countries are eligible for technical assistance grants for project preparation. In the event that a loan results from such technical assistance, the portion of the grant exceeding \$100,000 is converted and incorporated into the subsequent loan on the same terms as the loan. The cost of design and engineering, if included in the initial grant, however, is always converted to the subsequent loan." *Asian Development Bank: Questions and Answers* (April 1975), p. 47. The World Bank's policy is slightly different. "...the Bank may help countries in carrying out many other tasks essential to their development, undertaking feasibility studies of individual projects.... This work is performed, *most often*, at no cost to the governments of developing countries." *Questions and Answers. The World Bank* (March 1976), pp.33-4. Emphasis added.

¹¹Later called United States Operations Mission (USOM) and now called US/ AID.

¹²Budget Speech, 4 February 1952.

The influence of this amount of foreign aid on Nepal's fiscal system and budgetary process has never been studied in depth. Such a study would certainly prove enlightening. There are two points in this regard that have been made both by the Nepal Rastra Bank and the Ministry of Finance. Heavy foreign funding has largely been responsible for the rapid increase in Nepal's domestic money supply.¹³ This has had a strong inflationary influence on the domestic market, though it is difficult on the basis of presently available data to say how profound this influence has been. Nepal's domestic market is so closely tied to market prices in India that even serious analysis would be hard-pressed to show how much of Nepal's inflation can be traced to an increased money supply and how much is due to inflation in the Indian market.

The influence of foreign aid on the budgetary system is more easily isolated. Almost all foreign grants require some component of local contribution. This is based on the theory that the recipient country should finance at least part of any development project. Many grants cover only the convertible currency costs of a project. This implies that HMG will pay all local costs. Even grants that provide some of the local costs demand a heavy commitment of funds by HMG. The results of this are cumulative and have a strong influence on the annual budget. Those who read the annual budget only as a statement of cash inflow and estimated expenditures fail to see the true picture.

1. Actual cash inflow is far less than the budget indicates. The statement of resources includes not only cash inflow but also the cash equivalent of goods and services received.
2. The foreign aid component of the budget is listed as a lump sum. However, all of this money is specified. It does not represent funds that can be spent at HMG's discretion.
3. The foreign aid component of the budget requires a very substantial commitment of HMG's own resources. Thus, not only are foreign aid funds tied to specific projects, but in the process much of HMG's own financial resources are tied to these projects. If these

¹³See *Economic Survey: Fiscal Year 1976/77* (HMG Ministry of Finance: 1977).

projects happen to be long-term projects, HMG's resources are committed for years into the future.

4. Budget disparities between various development sectors often represent the *de facto* situation that has resulted from aid grants (or loans), and this may not represent the real intentions of government itself. HMG is often obliged to make the best foreign aid or loan deal it can, and this frequently means making a deal for heavy capital investment, to the partial neglect of other important services. Hence the discrepancy in the budget between health services and transportation. Health services do not attract large aid grants. Transportation does. Most transportation grants also involve heavy HMG expenditures for local costs, and this automatically reduces the revenues HMG can allocate for such services as health.

HMG's resource situation would improve substantially if the larger aid grants also included local costs of projects—or a higher percentage of local costs than they now finance.¹⁴ In projects presently funded by members of the Nepal Aid Group, HMG must pay eighty-six per cent of local costs. Few donor agencies, however, are willing to pay more of the projects' local costs. They argue that HMG will take greater pains in the selection and administration of projects if it has to pay part of the cost. The reasoning seems fair, but one could question grants for capital investment that weaken the host country's efforts to improve its social services.

C. Natural Resources

Nepal's greatest natural resource is its climate. Almost all of the earth's natural climatic zones can be found in Nepal. Practically anything can be grown. Past agricultural practices have concentrated on cereal grain production, but a variety of cash crops could be grown to meet the demands of developing markets.

Nepal's climate plus its possession of some of the world's most spectacular scenery as well as one of the world's oldest civilizations has also contributed to making Nepal a major tourist

¹⁴According to the Ministry of Finance, *ibid.*, p.11, there are some signs of improvement in this picture.

attraction. The tourism potential has hardly been touched, yet tourism has already become one of the Nepal's major foreign exchange earners.¹⁵

The forest resources of Nepal have yet to be exploited on a rational and self-sustaining basis. There is scope for important forest-based industries ranging from paper manufacture to furniture production, all of which have high value-added characteristics. The development and exploitation of these resources will depend largely on national policy in industry and trade, but there are forest resources ready to be tapped and large areas of land that can most economically be used for forest growth.¹⁶

Nepal has no massive mineral deposits that would lend themselves to large-scale commercial investment, but there are mineral deposits that justify medium and small scale investment.¹⁷ There are known deposits of lead and zinc that might well be developed. The concentration of lead and zinc is below that normally considered feasible for economic exploitation on the world market (10 per cent combined lead and zinc), but the trade patterns prevailing in the subcontinent are such that these deposits are within the range that can be exploited commercially. There is also a deposit of high grade (15 per cent) copper at Wapsa Khani in eastern Nepal. Experts are currently assessing the extent of the deposit to see if the tonnage will justify commercial investment. Abandoned copper workings in many localities in the hills also suggest the possibility of other veins that could be worked at least on a small scale. It is unfortunate that there is no tradition in Nepal of individual, free-lance prospecting that might explore these possibilities.¹⁸ The

¹⁵In 1976 the contribution of tourism to the Gross Domestic Product was estimated at 1.0 per cent.

¹⁶FAO forestry experts are confident that well-managed forest-based industries offer the best solution to the long-range development problem in the Hills. There is a tendency to concentrate on the Tarai's forest reserves as the most promising for industry, but many places in the Hills are ideally suited for commercial forest growth and forest-based industries.

¹⁷The data contained here is based on an interview with UNDP experts in mining and mineralogy.

¹⁸Many villagers know a little about minerals, but the old mines were discovered and worked by itinerant miners who have moved on or died out. Government policies in the early 19th Century may have had a great

alternative to individual initiative is government survey. This is very costly and time consuming and also less apt to discover small deposits. Semi-precious stones exist in sufficient quality to offer excellent profit opportunities for entrepreneurs. Also, tin, beryl, and tungsten are found, but in quantities and percentages that suggest that at present they are poor investment opportunities.

Most planners are less concerned with mineral resources than they are with Nepal's rich hydroelectric potential. This is estimated at 83,000 megawatts.¹⁹ Compared with Nepal's present installed capacity of 45 megawatts (31 megawatts of hydroelectric power), it is difficult for planners to imagine what this much power potential means and what it might do for the national economy. Projected development costs are formidable. The long-term use of this potential will depend heavily on Nepal's ability to reduce erosion in the Hills to some acceptable level. This is expensive. However, in view of the steadily rising costs of energy on the international market, there is no doubt that this potential will in time be tapped. While the Karnali project with its 3,600 megawatt potential is the most important single project from the point of view of export sales of power, there are other projects that certainly have priority for Nepal's own development.²⁰ The technology that has been developed for micro-hydroelectric plants has given hope that the pace of electrification of the country can be stepped up dramatically with quite reasonable rates of investment.²¹ The success already achieved suggests that these projects may be more in keeping with Nepal's own rural electrifi-

deal to do with this.

¹⁹This is estimated at one-fourth the hydroelectric potential of the whole Asia-Pacific region.

²⁰The Ministry of Finance has pressed hard for the development of the Karnali project. However, besides the fact that it would be ten years before the first four generators come on stream, there is the question of the impact such an enormously expensive project (conservatively estimated at \$ 1,500 million) would have on the society of west Nepal where the project would be located. Karnali is just too big a project for Nepal to manage at the present.

²¹Mini-hydel plants are installed where there is some hope that they will add sufficiently to local cottage industry production or the production of oil or flour mills to generate income to cover the recurring costs. They make an ideal project for small donors, and the technology of installation lies within Nepali competence.

cation needs than the very large projects that require heavy financial investment for plants and high voltage transmission lines that Nepal's topography makes so costly.

D. Human Resources

Current development thought stresses the need to mobilize human resources. In Nepal this has meant the use of the villagers' under-utilized labour capacity as a component in development projects. Before the political changes of 1951, *jhara* (compulsory, unpaid) labour had been a tradition in Nepal for several centuries, and there were few public works of any significance in the country that were not so constructed during the pre-1951 period. Today one finds less enthusiasm for this sort of activity than many development planners would like.²² Lack of "consciousness" on the part of the villagers has been advanced as the reason for this short-fall in enthusiasm for "voluntary" labour. However, available evidence indicates that villagers are reluctant to volunteer their labour because many projects undertaken with voluntary labour in the early development years were less significant economically than they were politically for those who organized them.

To many, it seems incredible that anyone looking at the evidence of village ingenuity in the terraced hills of Nepal and the traditional irrigation systems could fail to see that the villager of Nepal is not only a source of muscle power but also a shrewdly calculating person whose gift for survival in the most difficult of circumstances has included not only muscle but also ingenuity. The villagers of Nepal have repeatedly proved that they know their problems well. They need technical help in reaching satisfactory solutions to some of their problems, as the villagers readily admit.²³ Far too often and at considerable expense,

²²Planners are concerned about the amount of under-utilized labour in the agricultural sector. Approximately 94% of the economically active population are employed in agriculture, but only for 126 days per year. Many roads and similar construction projects in the Panchayat Sector do depend on voluntary labour. But the people must be strongly motivated before contributing in this way. They need cash income as well as roads and buildings. Yet the newspapers carry almost daily reports of official exhortations to mobilize (free) rural labour.

²³The alignment of a fair-weather road, the structural design for school buildings, forest nurseries, advice on marketing, and similar problems were raised on one field trip through the Rapti Zone.

however, technicians have arrived at solutions to the villager's problems without any reference to the villagers' own perception of these problems. The dialogue between the technician and the villager can be a tedious, costly, time-consuming exchange of ideas. For this reason it has often been dispensed with in the preparation of plans and programmes. Experience has shown that in the long term it is far cheaper to carry out the dialogue than it is to patch together a programme that has had dramatic appeal on paper but has not worked out in practice.²⁴ Since the villager has no means of making himself heard except through very limited channels, the administration has to find a way to open its planning process to the villager's input.

During the preparation of the Fourth and Fifth Five Year Plans it was fashionable to ask the question: Development for what? Far more pertinent was the question: Development for whom? It has been clear from both literature and editorial comment over the years that Nepalese have always wanted development that would give immediate benefit to the people of Nepal and most especially to the underprivileged. It is also clear that it has been the intention of the Crown—from King Tribhuvan to His Majesty King Birendra—that development would be for the people. Twenty-five years of development experience in Nepal have clearly shown that there will be no development for the people unless the people take part in it.

Popular participation means essentially three things: the people must contribute their perceptions of their own problems, their own ideas for solutions to these problems, and their cooperation and labour in working out the solutions. The arguments so often voiced by the technicians of Nepal that the technicians should have a greater say in what is done in Nepal's development is equally valid for the villagers of Nepal. The fact that villagers lack the technical expertise that is often necessary does not disqualify them from participation in the dialogue that will largely determine their future. The mobilization of this immense human resource will not be achieved on command nor

²⁴The villager has a knack for distinguishing between government projects and his own projects. Government projects are a source of employment, but the villager loses little sleep over the project's success or failure. Where villagers have been consulted, they have been quick to point out design changes that would make the project more useful to them and have been more willing to help carry the burden of maintenance.

will it be achieved by planners of whatever nationality who insist on looking at the villagers of Nepal as so many units of energy. In the final analysis, the men and women of village Nepal are a critical component of the development of Nepal. If they are ignored, there may indeed be economic development, but it will be the development of the few at the expense of the many, and it will be a very limited development.

One remembers with wonder an interview with a District Agricultural Development Officer. This DADO, a sincere young man who was nervously on the defensive, interrupted the interview to ask what one thought should be done in his district. A series of suggestions were made, based partly on suggestions made by villagers in his district during earlier interviews and partly on experience gained in other districts. The DADO smiled knowingly and proceeded to indicate why many of the suggestions from other districts were not feasible. In each such case his argument was prefaced by "The villagers say..." He thus ruled out every suggestion based on experience in other districts because villagers in his own district said these suggestions would not work. As for the suggestions based on the ideas of villagers in his district, he merely asked how he could be expected to do anything about these, when his office was not fully staffed. When asked if he had ever consulted the villagers about this problem, the answer was: What do they know? It is a departmental affair.

F. Summary

On the basis of the resources available to Nepal, the nation's future offers far more promise than the present state of development might indicate. It is quite true that Nepal's annual *per capita* income is still one of the lowest in the world and that there are pressing problems of deforestation and soil erosion that must be solved. Equally pressing is the problem of Nepal's birthrate, which has consistently cancelled out the gains made through development efforts. All of this is true, and yet the fact remains that Nepal today can bring more resources to bear on these problems than at any other time in the nation's history.

Nepal's mineral resources—at least as they are presently known—are not likely to excite international corporations. Nevertheless, there are mineral resources in Nepal that offer distinct development opportunities. Some of these resources are open to development on a commercial scale. Most, however, are more suited to small-scale, local development efforts.

The hydroelectric potential of Nepal is quite another thing. This is enormous and lies ready for exploitation, which will surely

come. Not one project, but many. The pre-feasibility and feasibility studies that have been conducted, especially throughout the Fourth and Fifth Plan periods, not only have shown the viability of such projects but have also aroused strong international interest. The great projects, like the Karnali Project, are not likely to be implemented in the immediate future. The development costs are very high for a country of Nepal's size. Kankai, Kulekhani, and projects of this size will, however, definitely be taken in hand on the basis of the studies that have already been completed.²⁵ If the erosion control measures that have been initiated during the Fifth Plan period (1975-78) prove as successful as they promise, this achievement will neatly complement future efforts to harness Nepal's water resources.

The soil and climate of Nepal offer far more hope for a well-diversified agricultural and horticultural programme than has hitherto been known in Nepal. Implementation of such a programme on any sizeable scale will require some control of the population problem and a more widely developed communications system, but the resource is there waiting to be used.

Nepal's own resources are amply augmented by foreign funding. Development costs rise each year, and the gap between government revenue and development expenditure is substantial. It is estimated that as much as 70 per cent of total spending on various programmes during the Fifth Plan period will be covered by foreign assistance in the form of bilateral grants, multilateral assistance, or loans.²⁶ The percentage is considerably higher than it has been for any plan since the First Five Year Plan. The achievements of the First Five Year Plan were totally financed by foreign assistance. The Second Plan (the Three Year Plan of 1962-65) relied only 65 per cent on foreign aid. The Third Five Year Plan (1965-70), a far more ambitious effort that increased development expenditure by 300 per cent, relied on foreign aid for only 56 per cent of plan expenditure. During the Fourth Plan period (1970-75) the dependence on foreign aid dropped still further to 45 per cent of plan expenditure. The Fifth Five Year Plan's reliance on foreign assistance for 70 per cent of plan financing reflects the intensification of Nepal's development effort and greater international concern for Nepal's problems both as a landlocked country and as one of the Least Developed Countries.

²⁵Work on Kulekhani has already begun.

²⁶World Bank estimate.

When actual expenditures during any fiscal year are compared with the resources available, it seems financing has never been a serious constraint on development. The two major constraints have been the ability of the administration and the nation to absorb investment and the quality of projects proposed. Recent years have witnessed a sharp upward swing in the administration's ability to utilize funds budgeted. The constraint in project preparation has not been so easily solved.

No effort had been made in this chapter to assess the resource leakage through mismanagement, incompetence, or asystemic practice.²⁷ Serious as this leakage may be, it is assumed that a certain percentage of leakage is inevitable in any development context. Both occult compensation arising from inadequate wage-scales and poor placement of trained personnel reflect the constraints of a developing nation. On the other hand, this study has made no effort to assess the resource value of the constantly growing pool of highly trained technical personnel on whom the administration can call in its development effort. It has been remarked by more than one observer that the percentage of Nepalese trained abroad who return to their country to work, even under quite difficult conditions, is comparatively higher than that commonly experienced in developing nations. There is, of course, some "brain drain", but the concern of most Nepalese for the welfare of their own country is a positive resource that cannot be overlooked. Not only has the concern of this trained group done much to improve the quality of project preparation and execution but it has also served as the most important pressure group for improved administrative practices.

Though Nepal is a poor country, finance has not been a serious development constraint. As we have seen in Chapter Four, the administration itself has been one constraint. Two others have been the lack of technical manpower and the failure to mobilize human resources. The solution to Nepal's development problem demands the most efficient use of Nepal's trained technicians and the mobilization of the people of village Nepal through their political structure. The pace of development will be largely determined by the administration's success in encouraging the collaboration and cooperation of these two human resources.

²⁷In-depth studies have been done on this subject, but the results have yet to be published.

CHAPTER SIX

THE GREAT DEBATES

Today, as ever, we need...the creative ability to confront problems rather than romanticized day dreams.¹

The course of planned development in Nepal has been a constant compromise between differing schools of development thought, economic theory, public opinion, and available finances. The ultimate and deciding factor in national planning has, of course, been political necessity. Wise planners have accepted this. The boundaries of debate have been generously drawn, but the end of any debate has been signalled by a clear statement of national policy. There has never been an adequate forum for these debates. They have been carried on in newspaper editorials, feature articles, seminars, offices, drawing rooms, canteens, stag dinner parties—wherever development planners congregate.

The five debates included in this chapter have been selected because they were (and are) central to much of Nepal's development strategy. They represent strategy struggles between planners and executive departments of government, between planners and donor agencies, and between donor agencies themselves. The five that have been selected do not exhaust the list of great debates. Important debates over forestry policy, education, and even the National Planning Commission have been omitted. Space has been a very limiting factor in the choice. Each of the topics chosen has been the centre of controversy in the past and still has the power to rouse emotional reaction. However, national policy has been established on these points, and whatever debate remains centres on the problems of execution rather than on the strategy to be adopted.

These five debates have been selected with only one purpose in mind, to present some of the problems that have confronted development planners. As presented, none of these five debates conveys the emotion or the rhetoric which actually marked the debates in daily life. Though no statistics are available, it seems likely that high blood pressure, chronic irritability, and frustration have been among the major by-products of the debates. Many an expert's pleasure over his stay in Nepal has been blighted by the refusal of other parties to interpret Nepal's development needs as

¹His Majesty King Birendra.

he has. Some readers will object strongly to the omission or unskilful summary of their favourite arguments. The reader's indulgence is requested. This exercise is only intended to bring the reader into the heart of the planning problem. The outcome of these debates has directly influenced the expenditure of hundreds of millions of dollars as well as the overall development of Nepal. It is a sobering thought. It is also sobering to realize the difficulty of each individual decision and to see how—for better or worse—decisions tend to reinforce each other. The reader is welcome to try to outplan the planners. It is a national pastime. The debates themselves are presented as simply as possible with enough background material to suggest the significance of the debate.

A. Land Reform

The first of the great debates that engaged the attention and emotions of the people of Nepal was land reform. In a sense, land reform summarized the whole popular concept of social change. In Nepal land has always been the ultimate good, sought by all sectors of society. For over a century political power had been used to gain control over land. The Rana family controlled vast areas of land, tax-free. This made land reform a natural target for political groups who had opposed and helped overthrow the traditional ruling family of Nepal.² The end of the Rana regime demanded a strong land reform programme. *Jagir* land, which was land held in partial payment for services government officials rendered to the state, was not a major problem. The area held under *jagir* tenure was restricted, and it was a simple matter to replace the *jagir* grant with a cash payment.³ Since the *jagir* grant did not confer ownership rights, there could be no real objection to substituting cash emoluments for the *jagir*. Though there may well have been disappointment, the issue had none of the emotional overtones that land reform measures touching ownership rights would produce. *Birta* grants posed quite another problem. Not only had *birta* grants been assimilated to ownership

²There is no doubt that from the time of Bhim Sen Thapa to 1951 political power was used to gain control of agricultural land. See Mahesh Chandra Regmi, *Thatched Huts and Stucco Palaces* (New Delhi: 1978).

³*Jagir* grants were restricted to Kathmandu Valley by the end of the Rana period. See Mahesh Chandra Regmi, *Land Tenure and Taxation in Nepal* (Berkeley: 1963-68), 3: 36-7.

The Great Debates

rights in general but also the many types of *birta* grants made it difficult to classify them under convenient headings for reform purposes. The problem was compounded by the fact that details of *birta* grants were not systematically recorded in any central land office, and the total area of farm and forest land held under *birta* grants was extensive.⁴ In those early months of the Interim Government, it was not the size of *birta* holdings that made them an object of concern but the fact that *birta* grants were held tax free. In any democratic society this was an anachronism that demanded immediate correction. It was also clear to most politicians that since land constituted the basic wealth of Nepal any equitable economic order would demand a redistribution of land. The administration found, rather to its surprise, that passing laws to tax *birta* lands was relatively easy. Putting teeth into those laws was very difficult.

The two basic problems that confronted the land reform programme at every step were these: 1) records of the actual areas held under individual *birta* grants were defective and of little use, and 2) *birta* ownership was not confined to members of the Rana family. In fact, almost every individual who was qualified for government service in 1951 held some land under *birta* grant. Thus, those who would administer any land reform law were themselves directly affected by that law. This was the essence of the land reform problem in Nepal. Only one point more need be added to put the debate into sharp focus. For all Nepalese, whether affected by land reform or not, land was the most highly prized possession. The possibility that those who administered the land reform laws would use their positions of trust and power to secure land for themselves, their families, or their friends was a factor that must inevitably affect the performance of the whole land reform operation.⁵

Land Reform: 1951

In the Coalition Government of 1951, the Congress Bloc argued:

⁴ Approximately 60 per cent of agricultural land was *Birta* land. Forest land totals are not known, but this was significant.

⁵Charges and accusations of such activity were frequent. On 15 June 1978, the Special Police Department announced that action had been taken against six persons for misappropriation of almost 1300 hectares of land that had been given for distribution. *Rising Nepal*, 16 June 1978.

1. *Birta* grants had been made according to legal norms that ceased to be valid from the time the Interim Constitution came into force.
2. Under the new government the only true claim that *birta* owners could assert was that of *de facto* possession.
3. Laws must be passed that denied the tax-free status of such lands and also that prohibited the exercise of ownership rights through the sale or mortgage of such lands.
4. In due time *birta* holdings would be redistributed in favour of those tenants who were presently farming them. Data necessary for this redistribution would be accumulated through the tax records that would be built up once *birta* owners began paying taxes on their land.
5. The question of compensation was considered a minor issue.
6. If *birta* landowners resisted, the tenants themselves could be relied upon to assist the police and the land administrators in enforcing the law.

Land Reform: 1952-59

The law was passed, but little was done to implement it. The necessary records were not available and there was strong opposition from conservatives in government and in society at large.⁶ In time a series of counter arguments was developed that carried considerable weight:

1. These hasty steps ignored both the unrest and the political opposition such a procedure would encourage. Until the administration was more surely in control of the situation throughout the country, this would be a very dangerous, not to say foolish, move to make.

⁶The 1951 law only banned the transfer of *Birta* lands.

2. A more scientific approach was needed that would consider the welfare not only of the tenant but also of the landowners.⁷

Land Reform: 1959-62

When the Congress government came into power in 1959, land reform was high on their list of priorities. Land reform laws were passed on 2 October 1959, and an attempt was made to enforce them.⁸ There was strong opposition. Surprisingly, not only landowners but tenants themselves opposed the laws in some areas. Throughout the summer and fall of 1960 violence in land reform districts was repeatedly reported in the press.⁹ The Congress government was dismissed in December 1960, and the land reform programme was quietly shelved. The debate continued, however, with emphasis placed more heavily on the development aspects of land reform. Strong arguments were presented to the new finance minister, Rishi Kesh Shah, and eventually also to King Mahendra that land reform must be enforced for the good of the country:¹⁰

1. There could be no hope for real agricultural development in Nepal unless those who actually farmed the land received a fair share of the harvest in reward for their labour.

⁷The M.P. Koirala cabinet of 16 November 1951-10 August 1952 removed the restrictions on the transfer of *Birta* lands in December 1951. On 18 March 1952, government assured landowners that the abolition of *Birta* holdings would not be done hastily. The government would first collect data on *Birta* holdings. On 27 August that year, a Land Reform Commission was appointed to study the land tenure system.

⁸Tenancy Acts were passed in 1951 and 1957 to try to protect tenancy rights, since many *Birta* owners were evicting tenants in an effort to safeguard their ownership rights. On 17 September 1959 the *Birta* Abolition Bill was presented to the House of Representatives. It was passed on 2 October and put into effect 3 January 1960. Disturbances began in District West No. 1 in March and continued sporadically until December. The *Birta* Abolition rules were published in the *Nepal Gazette* B.S. 2017, Marg 10 (25 November 1960).

⁹See *Nepal Press Digest*, ed., M.C. Regmi, 4:51-301.

¹⁰Louis J. Walinsky, ed., *The Selected Papers of Wolf Ladejinsky: Agrarian Reform as Unfinished Business* (New York: 1977), pp. 316-35.

2. The existing system was exploitative. Even those tenants who farmed the land on the basis of a 50-50 share of the crop actually received far less. At times they received as little as 20 percent of the crop.
3. Landowners must be convinced that it would be to their advantage to have a just land reform programme enforced. The tenants would not tolerate the existing situation forever, and in this situation dissatisfied tenants were fertile ground for any anti-nationalist agents who might wish to stir up trouble.
4. There was no need to wait until a perfect system could be devised. One required only the "political will" to bring about land reform and then start enforcing the law. Existing laws would be adequate to begin the programme. Improvement could be made as the programme progressed, when the defects of the system became apparent.

King Mahendra provided the "political will", and land reform once again became a topic of serious consideration. Economic planners and concerned foreign advisors worked together to prepare a programme that would incorporate land reform into Nepal's overall development effort. Land reform was considered in the whole context of Nepal's economic development, as the following points of the discussion indicate.¹¹

1. What should be done about agricultural credit in rural areas? Traditionally credit had been supplied by landowners and money lenders.
2. An adequate land reform programme would have to establish taxation rates on *birta* lands, set ceilings on landownership, and arrange for the re-distribution of land held above the legal ceiling. It would also have to register tenancy rights in law and establish ceilings on agricultural rents. Otherwise the gains made by any reform would rapidly be wiped out. An alternative system of credit was needed and arrangements must be made for marketing, both of which depended on the landlord-tenant relationship.

¹¹*Planning Notes*, pp. 17-20.

3. The introduction and administration of these reforms would be difficult. Planners thought the wisest course would be to introduce the reforms gradually, beginning in selected districts and then spreading the reforms to the whole country. This approach would permit adjustments in the programme to cover oversights or technical difficulties that arose in actual implementation and also allow for the training of personnel.
4. Outright confiscation of surplus lands was seen as undesirable. Nepal's total development effort needed not only the managerial skills of the landlord class but also their investment potential. Compensation must therefore be paid for lands that would be taken from large landowners, and these landowners must be encouraged through favourable investment incentives to invest in enterprises that would add to Nepal's development effort.

Land Reform: 1964-76

This total land reform package became the backbone of the agricultural strategy for the Third Plan (1965-70). Under the Land (Organization) Act, 1963,¹² Budhabare village in Jhapa District, Palpa District, and the Rapti Valley were selected in April 1963 for the pilot land reform programme.¹³ Within a few months teams had gone to these areas to implement the reforms and study the progress.¹⁴ The success of the programme in the pilot programme led to the promulgation on 13 November 1964 of the Land Act and the Land Rules, which, with amendments, would govern the land reform programme from that day to this. Sixteen districts were selected for immediate enforcement of the new legislation.¹⁵ The Land Act 1964 provided for ceilings on both owned and tenanted land. Provisions were also made for compensating landowners for land held in excess of the legal ceiling and acquired by government for redistribution. The Act

¹²Department of Publicity and Broadcasting Press Release. PD 7: 1963, 8).

¹³*Halkhabar*, 20 April 1963 (PD 7:10).

¹⁴*Gorkhapatra*, 15 October 1963 (PD 7:40).

¹⁵Kathmandu, Lalitpur, Bhaktapur, Nuwakot, Dhading, Rasuwa, Kabhrepalanchowk, Sindhupalchowk, Chitaur, Makwanpur, Bara, Parsa. Rautahat, Jhapa, Bardia, and Kailali.

also provided for the legal registration of tenancy rights. Rent ceilings were established (initially at 40 percent of the annual produce, but reduced in 1968 to 50 percent of the main crop only). The law also provided for the collection of compulsory savings from both landowners and tenants at fixed rates, the proceeds of which were to be used to finance production loans to farmers.¹⁶

The initial success of the pilot project was most encouraging, but there were problems. The cadastral survey had fallen far behind the pace of land reform.¹⁷ There were also many accusations of maladministration of the programme. The compulsory savings scheme, initiated to provide alternative sources of rural credit, generated financial resources far beyond expectations, but administering these savings adequately proved difficult. This combination of obstacles slowed the land reform programme to a walk, and a whole new series of arguments was produced to justify this slower pace:¹⁸

1. Land reform was as much a political and administrative problem as an economic problem. Not much progress could be made until the political climate was more favourable.
2. Until the compulsory savings already collected were completely accounted for, the books audited, and an adequate accounting system devised, it would be pointless to continue to try to collect these savings from the people. Once the farmers actually saw that their savings were properly supervised and that the money gathered was used to provide production loans,

¹⁶The rates of compulsory savings have been changed several times. The Land Rules have been amended eight times. Initially, compulsory savings were to be paid in kind. Cash payment was allowed only on cash crops. In 1968 cash payment was permitted all crops. In 1971 in-kind payment was again required on cereal crops.

¹⁷Even as late as 1978 there were districts in which no cadastral survey had been carried out.

¹⁸Land reform cannot move ahead faster than the cadastral survey. A delay here is unavoidable. However, despite the published intent to resume the collection of compulsory savings, the programme was still limited to the collection of arrears in payment in March 1978.

the problem of collecting compulsory savings would be simplified.

3. The whole complex: *Sajha* distribution centres, Agricultural Development Bank loans, Cooperatives and Cooperative Action Committees, compulsory savings, tenancy rights, and land administration should be consolidated in the districts where land reform had already been introduced before land reform was extended to new districts.
4. Landowners could not be enticed to invest heavily in new industrial and commercial enterprises until the commercial and industrial policies of HMG were more carefully spelled out and the investment climate improved. In particular, the role of public enterprises must be more clearly defined so that new investors did not face strong, and perhaps unfair, competition from public enterprises.

At this point general interest in the land reform debate seemed to cool. The Fifth Plan established definite targets for implementing the Land Act and Land Rules of 1964 (as amended) throughout larger areas of the country.¹⁹ The targets themselves were modest, and highly placed individuals in the administration considered the costs of strict enforcement prohibitive. In-migration from the hills into the Budhabare area, where land reform was first introduced virtually wiped out the gains made by the original programme, so that the landless again represented a significant percentage of the population.²⁰

Land reform remains a critical issue in the Tarai and the Inner Tarai. As irrigation and improved communications raise the value of landholdings in that area, the difficulty of enforcing land reform

¹⁹The *Fifth Plan*, p. 350 proposed to distribute permanent tenancy certificates in 16 districts in 1975/76, 14 districts in 1976/77, 6 districts in 77/78, and 4 districts each in 78/79 and 79/80.

²⁰In Budhabare Village Panchayat there is a total of 3,703 hectares of land. The number of households has increased from 1550 household in 1967 to 1884 an increase of 37.2 percent. Most of this increase has been traced to in-migration from the Hills. In 1970, 21.5 percent of the household in Budhabare were landless labourers. Yet the average holding of large landowners was only 15.3 hectares. Dr. Mohan Man Sainju *et al.*, *Revisit to Budhabare* (CEDA: 1973), p. 35.

legislation has increased.²¹ Whether the issue is debated or not in planning circles, it remains an explosive social problem.

B. Public Enterprises

The strategy which Nepal's planners devised for the land reform programme envisioned the shift of large landowner investment into new commercial and industrial enterprises. It was assumed that this class would use their capital and managerial skills to spearhead modernization in Nepal.²² For a variety of reasons, this did not take place as rapidly as planners had hoped. First, the landowners proved to be a very conservative group. Secondly, the administration's determination to initiate industrial projects led to the establishment of public sector enterprises that might have interested private investors. This created the impression that government planned to skim the cream off the top of investment opportunities and leave the rest for the private sector. And thirdly, constant readjustment of the administration's commercial policies (dictated in large part by Nepal's landlocked status and its dependence on regulations governing the transit of goods through India) tended to discourage investment in high-risk ventures. Investment in commerce and industry seemed a poor substitute for the security of investment in land and allied activities such as rice and oil mills. The debate about public enterprises in Nepal had as much emotional content as the land reform debate, though it touched fewer sectors of the population. The bearing it had on the future economic development of Nepal was as great as that of any of the great debates that surrounded planned development.

The establishment of the public enterprise system in Nepal was a product of economic planning. The only modern public enterprise in Nepal that antedates the First Plan is the Nepal Bank Limited, which was founded in 1937 with government ownership limited to forty per cent of the shares. In 1952 the administration increased government ownership to fifty-one per cent of the

²¹The most vital problem today is the problem of tenancy rights. Improved agricultural inputs and irrigation are making it possible to increase yields dramatically. Landowners find it more profitable to hire seasonal labour and farm the land themselves rather than to tenants.

²²See below, Chapter Seven, *Strategy of the Third Plan*.

shares. The remaining fifty-eight public enterprises in Nepal are the results of Planning.²³

The First Plan (1956-61) laid down a pragmatic principle that was to govern industrial development. The plan recognized that there would be corporations in both the public and the private sector, but made no effort to divide the investment opportunities between the two sectors. Certain public utilities were reserved for government investment, such as transportation, telecommunications, hydroelectric power, and irrigation. For the rest, the way was generally open for private entrepreneurial skill, with HMG providing support services (economic and market research, technical assistance, etc.).²⁴ The pragmatic principle, however, implied that if private entrepreneurs did not come forward, government would begin essential enterprises itself. In proof of its concern for private initiative, HMG established the Industrial Development Centre in 1957. In 1959 this was converted to the Nepal Industrial Development Corporation, and the NIDC, with refinancing from the United States and Germany, began to extend industrial loans as well as technical assistance to entrepreneurs whose project proposals had a high degree of feasibility. However, the dynamics of planned development and strong donor support for certain useful projects in Nepal did not allow time for popular recognition of investment opportunities nor for the whiplash effect discussed in Chapter Three. Before the land reform programme was even introduced, there was strong pressure for government to move into industries normally associated with the private sector. Despite this pressure, the public enterprises established during the First and Second Plans generally fell into the following categories:

1. Industrial support corporations such as NIDC, the Balaju Industrial District (and other industrial districts), and the *Rastriya Banijya Bank*;
2. Government services that for management reasons were detached from one or more departments of the administration and established as corporations, such as

²³Ajit Thapa, ed., *Performance of Public Enterprises in Nepal* (Kathmandu: 1977). This study provides the main documentary support for this section.

²⁴*Ibid.*, p.34.

- the Gorkhapatra Corporation, the Provident Fund, the Nepal Electricity Corporation, etc.; and
3. "Turn-key" projects constructed under foreign aid or with a high component of foreign technical aid, such as the Janakpur Cigarette Factory, the Birgunj Sugar Factory, the Timber Corporation of Nepal, etc.

"Turn-key" projects presented a problem. Donors asked: Who will run our projects once we hand them over to Nepal? Public corporations were the answer. The administration ran them, partly to answer the donor's dilemma and also in accord with the principle laid down in the First Plan that the public sector would take the initiative to develop those industries which promised "greater public welfare provided they were undertaken by the government and also those which failed to attract private investment". These "turn-key" projects were seen as fulfilling a public need and also as potentially large profit earners, since their size would assure them a virtual, if not a legal, monopoly. From those early years, the involvement of government in public enterprises has grown steadily, in consequence of which an intense debate has developed between the administration and the private sector over the role and management of public corporations. The main arguments of the debate have been presented here in a generalized form both to preserve the anonymity of informants and also to ensure that the points of dispute are clearly set forth.

In Criticism of Public Enterprises

Corporations are judged on the basis of their return on investment. The profits of public corporations have not been commensurate with the enormous public investment in these corporations. Some corporations, it is true, have done well, but the average annual rate of return on investment has been only 3.7 per cent. Of course, if one considers the taxes corporations pay and the interest payments they make on loans received from government, the contribution of these corporations to the government revenues has been higher than their return on investment might suggest. However, private corporations have to pay the same taxes and even higher rates of interest, and any Nepalese businessman would be ashamed of a return on investment of only 3.7 per cent *per annum*.

This poor performance is directly connected with the selection of managers for public corporations. The three critical management areas in any corporation are: the board, the chief executive, and the top management staff. The record of public

corporations is very poor. In a study of management patterns in eleven public corporations, the Corporation Coordination Council and the Industrial Services Centre joint study of public corporation performance found that one out of three persons holding top management positions had *no* management experience before being posted to the public corporation. An additional one-fourth of top management personnel had less than two years' experience. This means that over one-half of those in top management posts in public corporations had little or no management experience at any level before their appointment. The problem with chief executives is equally serious. One fourth of the chief executives had less than one year's experience in top management before being appointed chief executive of a public corporation. The composition of the boards of directors of these corporations was even less satisfactory. Three-fourths of the board members were government employees. Only one in every ten members of the board was from the private sector.²⁵ There seems to be a direct relationship between management placement policies and the poor return on investment. Considering the size of public investment in public corporations, this state of affairs is unacceptable.

Criticism of the monopoly aspects of many public corporations has also been strong. Even where public corporations have not enjoyed a complete market monopoly, facilities provided by government and pricing policies permitted by government have strongly favoured public corporations over private sector enterprises. Private businessmen point to government investment in the industrial development as well as resource development of sugar, tobacco, and cotton and claim that, given this sort of support, any businessmen could make a handsome profit without charging the prices that public corporations charge.²⁶

They argue that if Nepal must have public corporations, the corporations must at least be run efficiently. The public is paying higher prices for products than they were, yet the profit to the nation from the sale of these products is low or non-existent. This, they argue, is simply poor management.²⁷

²⁵Ibid., pp. 127,128, and 131.

²⁶Juddha Bahadur Shrestha, *Biteko Char Barsha tira Pharkera Herda* (Kathmandu: B.S. 2028), pp. 18 and 45.

²⁷Thapa, *Public Enterprises*, p. 225.

In Defence of Public Enterprises

Public corporations, it is argued, are not just businesses. They are *development* corporations, and they have many expenses directly connected with their development objectives that allow no possibility of profits. Not only do they pioneer in the market, but they frequently have to encourage supporting activities. For instance, the cigarette factory has had to encourage the growth of tobacco; the cotton mill has to encourage the growth of cotton. Public corporations cannot therefore be judged entirely on the basis of the profits they generate.²⁸

Also, many "turn-key" projects have to function within the constraints imposed by the donors or at least according to the basic understanding arrived at between the donors and HMG about the future use of these facilities. This means in practice that they must remain public corporations.²⁹

Private businessmen criticize the government corporations and pretend that these corporations are taking business opportunities away from them. This is not true. Private businessmen want full public support for their ventures, including the loans needed to initiate them. They want security and high profits but are reluctant to risk their own capital. Also, private businessmen either tend to be traditional in their approach or team up with foreign business partners in such a way that the greater share of the profits accrues to non-nationals.³⁰

In Reply

All of this may be true, but there is also the question of public accountability. At least the annual balance sheet of public corporations should be made public, so that the public has some idea of the actual financial position of these corporations. There should also be some effective forum for public criticism of the performance of public corporations. This would be a far more

²⁸This point is basically true, but it should not be pressed. Most public corporations in Nepal "came into being with the objective of operating on the principle of commercial efficiency." *Ibid.*, p. 119.

²⁹*Ibid.*, p. 54.

³⁰Actually, the strongest critic of this policy has been the Nepal Federation of Industries and Chambers of Commerce.

effective spur to improved management than a system that totally ignores public opinion.³¹

There is a middle way that would be useful for all concerned. Once public corporations are functioning and the economic growth motive is satisfied, shares should be sold to the general public both to raise capital and to release government funds for further development investment. This practice would also ease some of the pressure on the land. Larger landowners would be encouraged to invest their funds in such public corporations rather than in land. This would be an invaluable aid to the accomplishment of the national land reform objectives and also mobilize investment funds for development.

C. Capital Investment

The debate over capital investment has never been an either/or type of debate. It has always been recognized that concentration on capital investment alone would not lead to Nepal's development. There is a question, however, of timing and emphasis. The debate centres on two key points. The first of these is the fact that there are sectors that require intensive capital outlay. Transport and communications is one such sector and hydroelectric power another. The second point is the total *quantum* of foreign aid available.

Priorities in the early five year plans placed transport and communications first and agriculture a close second. At the end of each plan period, however, it was found that transport and communications had taken the lion's share of development expenditure and agriculture had come a very poor second. Not only had transport and communications commanded strong support for economic and political reasons, but this sector was able to absorb investment at a faster rate than agriculture. It was simply more difficult to spend money well in agriculture. In the late sixties this picture began to change, and by the mid-seventies it was clearly possible to invest heavily in agriculture-centred village development. This change in absorptive capacity focused attention once more on the capital investment debate.

³¹The Department of the Auditor General complains that the majority of public corporations have not cooperated with the department in getting their financial statements duly audited." Thapa, *Public Enterprises*, p. 119.

In Favour

As a principle of planning, one must ask whether the development of transportation and communications along with power and irrigation will make deep changes in economic patterns. If these changes can safely be anticipated, capital investment should be given paramount importance in the planning of rural development and capital investment projects should be given first priority in all requests for foreign aid.

On the Contrary

Even though improved communications and cheap electric power may in time have a very profound influence on the development of village Nepal, the most critical development sector at the present time is the rural agricultural society. If our villagers were given good communications and cheap power immediately, they would not know what to do with them. We would then have this enormous capital investment depreciating at a regular rate, with scarcely any economic return and very little utilization. Large capital-intensive projects will always be able to attract donor support. Besides being high in prestige value, they are also far easier to monitor. There is therefore no need to rush into these projects simply because support for them can now be found and because they are possible. One must consider also the absorptive capacity of society, which is low in most places in Nepal. At this time it is more important to move ahead on both fronts. Steady progress should be made in the development of communications and transportation, with continued investment in the development of hydroelectric power. At the same time, whatever projects in rural development arouse the interest of donors should be encouraged. Until the economic units at the village, district, and regional level are strengthened, it would be premature to stress investment in capital-intensive sectors.³²

Secondly, unless there is a steady integration of new economic opportunities with the village economic structure, the villager is unable to take advantage of these opportunities. Those with more capital and education or skill will certainly make use of whatever opportunities present themselves. However, the fact that this small group will profit enormously by an early realization of the value of electric power and communications is no argument

³²One has to choose between a strategy of building infrastructure and then praying that people will use it for economic activity or designing simpler programmes that the people can easily accept.

for urging capital investment in preference to other development activities. Not only has it been shown that wealth does not trickle down, but the total amount of new wealth generated by this small group of entrepreneurs is smaller quantitatively than would be true if the development benefits were more widespread. There is more wealth for all if development grows from the grass-roots.

Thirdly, the whole debate, in a sense, is a pseudo debate. The major capital-investment projects will be completed regardless of the priority assigned to them, because they are good business. There is thus no question of "turning off" projects such as the Karnali project. The real question is whether it is possible to squeeze a few more rupees out of the development budget for rural development. Every rupee that can be invested at this time in rural development not only strengthens the national economy but also promises a richer and more equitable use of the heavy capital-investment projects that are coming.

In Favour of the Proposition

In favour of the proposition that the highest priority should be assigned to capital-intensive projects, it has been argued that one cannot expect foreign aid to continue at its present level. One must make the maximum use of this funding while it is available.

While one might question the economic value of roads that are not integrated with local economies, the case for hydroelectricity development is quite different. There is a standing market for as much power as Nepal can produce. The sale of this power will not only repay the power development costs but also produce a net profit for HMG. And this money can be put to work on rural development that is integrated around the hydroelectric projects themselves. Why should we confine our thinking to the integration of presently existing local agricultural economies with new opportunities? It seems equally valid to think in terms of designing development projects around cheap power, irrigation, and new lakes. At the present time, drinking-water projects, small-scale industries, and irrigation projects in the Hills are designed for a society that is essentially without power. The presence of cheap power would make a qualitative difference in the kinds of projects that were developed as well as their utility. There is also a considerable cost factor to be considered. Many rural development schemes are costly, temporary solutions to the villagers' problems. We should press ahead with the large-scale hydroelectric projects now; sell the surplus power for additional

revenue; and invest this money in development projects that take full advantage of the power we will generate. Abundant, cheap electric power will provide a whole new spectrum of development opportunities. Large investment in the rural sector now, especially in the Hills, would at best be a "placebo".

In Reply

On paper this sounds impressive. The same arguments have been used in the Middle East regarding the exploitation of petroleum reserves. In practice, it has not proved quite so simple. If we rely on the major dams that have been proposed, abundant cheap power for the villagers of Nepal's Hills is two generations away at best. The cost of installing transmission lines and a distribution system in the Hills is prohibitive. One has only to recall the Trisuli experience. Even after the generators at Trisuli came on stream, it took years to establish a distribution network for the villages of Kathmandu Valley. Undoubtedly the big projects will come, but they are no shortcut to development for the majority of the people of village Nepal. Since they will come in any case, why not divert some of our investment towards those projects that will be of immediate benefit to the majority?

D. Agricultural Production

The increase in government revenue over the first twenty-five years of development has been impressive. Much of this revenue, however, is derived from *customs duties*, a fact which indicates that the total national expenditure for imported goods is very heavy. In 1974/75 the cash outflow for imported goods amounted to 11.0 per cent of Gross Domestic Product as compared with 9.3 per cent in 1973/74. During the same period the cash inflow from merchandise exports dropped from 6.3 per cent to 5.9 per cent of Gross Domestic Product. Thus, the balance of payments gap jumped from 3.0 per cent of Gross Domestic Product to 5.1 per cent in one year. Eighty per cent of Nepal's merchandise exports are agricultural products or agriculture based products. The most important contribution towards a better balance in Nepal's foreign trade would seem to be an increase in agricultural production leading to a higher rate of merchandise exports. However, despite the fact that agriculture contributed 68.0 per cent of Gross Domestic Product during the Fourth Plan period (1970-75), the

growth in agricultural production was only 1.8 per cent overall.³³ The population growth rate since 1965 has been a steady 2.2 per cent. Without a substantial increase in production the prospect of raising agricultural exports is bleak. It would seem, in fact, that Nepal's growing population will progressively consume more and more of the total agricultural surplus and leave little if anything for export. Predictions have already been made that by the late 1980s Nepal will be a net importer of food grains.

Agriculture: The State of the Question

These statistics have added fuel to one of the hottest debates of the development era. In the early sixties, planners had seen an increase in agricultural production as one of the major development targets. The Tarai was seen as the obvious place to achieve this, and an agricultural development strategy that centred on the Tarai was elaborated.³⁴ Stated in the briefest possible terms, the agricultural strategy for the period 1965-80 called for a concentration of agricultural investment in the Tarai (and a consequent benign neglect of the Hills). During the same period it was presumed that a basic roads' system would be constructed which would permit the movement of food grains and agricultural inputs from the Tarai into the Hills. These roads would also facilitate the movement of products out of the Hills and thus permit a diversification of agricultural activity in the Hills into livestock, horticulture, and forestry. This strategy recognized that the population pressure on the land would force some migration out of the Hills. Some of these migrants were to be re-settled in the Tarai, and others were to be absorbed by road construction teams or new industries.

Agricultural production in the Tarai failed to develop as rapidly as the strategy demanded. In the mid-seventies a sharp debate developed between those who argued for the diversion of some agricultural investment into Hill agriculture and those who insisted the basic strategy was sufficiently sound to justify its continuance and urged the need to increase agricultural exports as a compelling motive for *concentrating* agricultural investment in the Tarai.

³³World Bank, *Review of the Economic Situation in Nepal* (July 1976), *passim*.

³⁴Dr. Bhekh Bahadur Thapa, *Planning for Prosperity in Nepal: A Perspective for 1965-80* (PhD dissertation: 1966), pp. 37-42.

In Objection

Those who oppose a continuation of a straight production-oriented agricultural strategy find no fault with the economics of this strategy. A straight-forward economic analysis of agricultural production reveals that every rupee invested in the Tarai will produce a higher return than a rupee invested in the Hills. They also accept everything said of the export market potential. Their objections are based first on the human rights of the people of the Hills (a value judgement) and on the total impact of a "basic needs" strategy on the national economy.

They argue that the strategy of the early sixties was a strategy of expedience. The Hills were neglected not because it was the desire of the planners to neglect such a large segment of the population but because there was little else that could be done. The strategy was in essence an acceptance of the communications and transport problem which existed at that time. However, this situation has changed. As the roads' system has developed, it has become more feasible to do something for the Hill population. Since it is feasible, there is a moral obligation to do something. Therefore they urge a dual strategy. Investment should continue in the Tarai, but this investment should not be exclusive. A Hill-strategy adjusted to the multi-cropping patterns and small landholdings common in the Hills should be adopted. This would not merely allocate funds to extend to the Hills the agricultural support services designed for the Tarai. It would require in addition an agriculture support system specifically designed for the Hills. This would include experimental stations and an extension service that recognized the farmers' multi-faceted needs and reduce as far as possible the risk element in the Hill farmer's experimentation with new seeds, new cropping patterns, and new uses of their land.³⁵

They have also argued that circumstances militate against the feasibility and the desirability of encouraging large-scale migration from the Hills into the Tarai (and only a large-scale migration would ease the present man/land ration on Hill farms). Hill farmers have shown themselves reluctant to leave their land (small as their farmsteads might be) to engage permanently in construction work or in new industry, but they do move to the Tarai in search of land, which tends to increase the social tension in the

³⁵The need for this adjustment was seen in the Third Plan strategy. *Ibid.*, p.40.

Tarai and aggravate the land problem there. Thus the strategy of the sixties has not succeeded in absorbing the excess Hill manpower, and short of widespread and severe hardship that would compel Hill farmers to change their lifestyle, it seems doubtful that it will. To plan on the basis of such a contingency would go considerably beyond benign neglect.

Ultimately, they argue, the decision in favour of a purely production oriented agricultural strategy or for a dual strategy that would recognize the needs and rights of a large sector of the population is not an economic decision but a political one. The decision has already been made, in nuclear form in the Constitution of Nepal, but even more explicitly in the directives of His Majesty King Birendra and in the policies formulated by the National Development Council. The National Planning Commission's guidelines have reflected this decision. Only the implementation is wanting.

In Defence

In defence of a production-oriented agricultural strategy, economists have argued that the time for Tarai investment is now. As will be shown in greater detail in Chapter Eight, actual investment in Tarai agriculture was far less than the periodic plans suggested. Since the investment called for by the strategy was never made, it should be no surprise that agriculture did not experience the growth that planners expected. However, the infrastructure demanded by the strategy has been built. The nation is now ready to reap the rewards of this investment. In particular, larger areas of the Tarai are being brought under irrigation, and fertilizers are more readily available in most places in the Tarai. With the completion of the Mahendra Highway and its accompanying feeder-roads, these agricultural inputs will be available throughout the Tarai. By concentrating financial resources on this area now to make maximum use throughout the Tarai of ground water irrigation and surface irrigation, the strategy will bear fruit. The investment required to extend irrigation throughout the Tarai will require a concentration of the nation's resources, and this is the objective of planning.

Not too much importance should be placed, they argue, on the failure of the original strategy to produce the results promised. The period of fifteen years suggested in the original strategy was simply too short a time to accomplish what was planned. There was nothing wrong with the plan itself. It would be a mistake at this time to change strategies and divert large amounts of investment into what is essentially a parallel agricul-

tural support system. Some funds should undoubtedly be invested in the Hills, but the time for large investment in the Hills is not the present.

They also insist that investment in Hill agriculture will do little to raise production. In a few pockets, irrigation projects might increase production, but this increase would do little to increase overall national production. The national problem is to increase agricultural exports in the near future and to grow enough food to feed Nepal's population over the long term. Only a very substantial increase in production can achieve this, and this increase cannot be achieved in the Hills. The situation of the people in the Hills is unfortunate. But since food is the question, not sympathy, it is better for the Hill people in the long run if the nation pursues a policy that will provide food in the future rather than providing sympathy at the present. If substantial funds are diverted from production-oriented agricultural support systems now, it will merely postpone what has to be done, and the diversion of investment will achieve little.

In Reply

One cannot neglect indefinitely the people of the Hills, nor need one assume that the future of Hill agriculture is as grim as this strategy seems to suggest. In fact, only investment in the Hills now can help the Hill farmers make the adjustments necessary both to improve the calory content of their present diet and help them diversify into other economically viable occupations. Integrated Rural Development projects can do this. These projects are admittedly expensive, but expensive or not they are needed: 1) for the Hill people's immediate well being, and 2) to make the Tarai-production strategy work. This Tarai-production strategy aims at feeding Nepal and providing an exportable surplus. Setting aside the export question, one can ask how the Tarai can feed the nation if the Hill people have no money to buy Tarai grain? The pat answer is that the Hill people must diversify into other economically viable occupations: horticulture, pastoralism, etc. But the question remains: How do the Hill people get from Point A, where they are now, to Point B, where the planners want them to go? The transition has to be gradual and it has to begin with the Hill people's present situation, and that is mixed agriculture. Investment in Hill agriculture is admittedly only a part of an integrated scheme, but it is an indispensable first step. The costs, of course, are high, but as long as there is any possibility of encouraging donors to pay some of costs, it is in the best interests of the economy to do so.

The basic thrust of the production argument is that Nepal needs higher agricultural exports to reduce the balance of payments gap. But, even though Nepal is an agricultural country, there is a limit to what agriculture can do. There is also a limit to what agriculture in the Tarai can do. Even the purely statistical argument makes it clear that Tarai production is eventually going to be absorbed within Nepal. The kind of population control the counter-arguments presuppose is not going to be achieved rapidly enough to permit the export of Tarai agricultural surpluses over an indefinite period of time. If anything, the statistical argument seems to point towards a change in import regulations or encouragement of local industry to supply some of the goods that are presently imported.

The import-export figures are not conclusive. A high percentage of imports are destined directly or indirectly to support the tourism industry in Nepal or for the resident foreign-community. In trade tables, there is undoubtedly a large deficit, but when one considers that both tourists and the resident foreign community represent a steady inflow of hard currency that does not appear in the import-export tables, there is room for some revision of the general interpretation of the balance of payments position. Since tourism is recognized as the nation's most important foreign exchange earner, this revision may be substantial. A much broader view of the national economy is required than a simple input/output ratio of agricultural economics. No one is arguing that Tarai production should be neglected. There is a good economic argument, however, for a positive programme in the Hills to supplement Tarai investment. Only such an investment pattern will ensure that exploitation of the Tarai agricultural potential primarily benefits Nepal. The argument is in favour of balanced investment rather than highly specialized investment. Over the long-term, balanced investment always outperforms highly specialized investment if one looks at the total national welfare rather than the interests of specific groups.

E. Roads

The debate over the suitability of roads (highways) as a solution to Nepal's communications problems has been protracted over a full twenty-five years. It began in the early fifties, when a team of Swiss experts urged the construction of a road from Bhimphedi by way of Kulekhani and Pharphing to Tekhu in Kathmandu. The total length of this road, including a 2.1 kilometre tunnel at Kulekhani, would have been forty kilometres.

The total cost was estimated at five million dollars (1951 prices). A part of this cost might have been offset by using the same tunnel for hydroelectric power generation. In 1952 the proposal was set aside in favour of the Tribhuvan Rajpath, which, when completed, measured 138 kilometres over a difficult alignment. The debate on roads has been carried on vigorously ever since.³⁶

The alternative to roads was ropeways. Nepal had already experienced the value of ropeways when the development era began. In 1922-25, Prime Minister Chandra Shamsher had installed a ropeway that crossed the mountains from the Tarai to Kathmandu (Dhursing, near Bhainsi Dobhan, to Kisipidi).³⁷ This was replaced in 1958-60 by a modern aerial cable-way (financed by US/AID) that brought goods from Bhainsi Dobhan straight to Teku in Kathmandu. In 1964 the ropeway was extended southwards, with the new terminus at Hetaura. Chandra Shamsher's ropeway had a capacity of eight tons per hour in either direction. The US/AID built ropeway had a capacity of 25 tons per hour. On paper the ropeway had every advantage over the Tribhuvan Rajpath. The ropeway was not expected to replace the Tribhuvan Rajpath. The amount of freight to be moved along this route promised to be so great that both road and ropeway could be fully utilized. However, those who urged the economic superiority of ropeways confidently expected that the ropeway would outperform the road in cost-effectiveness. Unfortunately, no satisfactory basis for comparison has emerged. Competition among trucking firms has kept freight charges by truck relatively low, while poor management of the ropeway has led to under-utilization and correspondingly higher freight charges on the ropeway.³⁸ As a result, the debate that began in the early fifties is still very much alive in the mid-seventies.

The arguments against the construction of modern mountain highways or roads have fallen into three categories over the years. During the earlier years of the development period, the arguments against roads were for the most part economic arguments. Later discussion centred on the environmental problems that road con-

³⁶Toni Hagen, *Nepal* (New Delhi: 1971), 3rd edition, pp. 149-50.

³⁷Percival Landon, *Nepal* (London: 1928), ii, 202.

³⁸Aran Schloss, *Transportation and Development in Nepal: An Enquiry into the Dynamic of Development and Development Policy Making* (PhD dissertation: 1977), pp. 51-2; Hagen, *Nepal*, pp. 150-1.

struction created. In the most recent phase of the debate, the shift has been towards the social cost of roads.

Costs

Roads, it was argued during the fifties and early sixties, are expensive and time-consuming projects. Most roads take six to seven years to complete. An adequate basic roads network would take forty years to construct. The feeder-road system will add to this time-cost. If roads are basic to the whole development effort, then it would take forty or fifty years to get the fruits of development to most parts of the country. Roads are also expensive. The original construction costs are high, because of the terrain, but this is only the beginning. Immediately after construction, there is a period during which the road stabilizes. This is a period when landslides are common, and maintenance costs are especially high. Even after the road has stabilized, there is a steady drain on resources for maintenance. One must also consider the costs of fuel, tires, truck maintenance, and so forth. As useful as roads might be when they are completed, the urgency of the communications problem makes them far too expensive in both time and money for Nepal's development needs. With the same amount of investment, a network of improved mule tracks, ropeways, and STOL air strips could be built that would provide a speedy solution to the immediate communications' problem. Roads could be built later if the economy grows sufficiently to justify heavy road investment.

There is an economic aspect to this problem that should not be overlooked. Existing roads merely link terminal points. Goods and passengers are moved from point to point. Along the length of the roads there has been no significant economic development. For roads to be economically viable, it is necessary that a system of feeder-roads be built to supplement them. The investment cost of this feeder-road system should be considered in estimating the investment costs of road construction. Seen in this light, the total investment in roads is far too high for Nepal's economy to sustain, even with generous foreign assistance.

Environmental Factors

As Nepal's roads system grew, the criticism of roads turned to the problems of soil erosion and deforestation. It was pointed out at length that the construction of mountain roads, whether over the ridges or along river valleys, usually occasioned landslides and contributed to the overall erosion problem in Nepal. The hill sides along the route of major roads were scarred by erosion, and the rivers flowing below the road carried this soil south to the

Tarai, where it added to the siltation problem in Tarai rivers in both Nepal and India. Efforts were made to calculate the amount of sediment that was being deposited on river beds in the Tarai and to estimate the increased flood-hazard that this constituted.

Also at the heart of the environmental argument against roads was the deforestation that followed newly opened routes. Not only were trees felled along the line of construction, but long after the road was completed truckers and bus drivers took advantage of their trip through the forests to purchase firewood for use in Kathmandu. How much wood was taken illegally cannot be estimated, but each year one can see the depletion of the forest along major routes such as the Mahendra Rajmarg and the Tribhuvan Rajpath.

Social Costs

In recent years increasing concern has been shown for the social cost of roads. The great question has become: Who benefits? Transport costs, of course, drop dramatically. Omitting the question of the cost of road construction, transport costs for goods moved by truck have proved to be far cheaper than portage costs. Portage costs per ton/mile were always comparatively high. With the increasing cost of living, porters have been obliged to ask for higher wages, and this has tilted the balance even further in favour of truck transport. The road makes it possible to bring more goods, faster, and more cheaply than was ever possible before. However, the number of porters thrown out of work by the advent of a mountain road is high. Roads also drive locally produced goods off the market. Simple cottage industries and local crafts suffer. One of the social costs of a road that must be considered is the loss of this traditional employment.

Those who seem to profit most from the construction of a road are those who are financially more secure. Larger land-owners, merchants and those with the security of government service. The poorer sectors of the community, deprived of their small off-farm employment opportunities are forced to search for new ways to supplement their inadequate farm income, which means, practically speaking, either seasonal migration or permanent migration.

Road construction raises two more questions that are not easily answered. In most areas where roads have been constructed into the Hills there has been an in-migration of Indian merchants who are quick to see whatever business advantage the

new road has to offer.³⁹ Where local merchants have strong familial backing and commercial connections, as in Pokhara, they have been able to withstand this competition. However, in most places the Indian merchant has the advantage, and he presses it home quickly. The other question deals with the actual construction of the roads. Roads built by village labour, of course, offer no problem. Major roads, however, do. Planners in Kathmandu had hoped that road construction would offer employment to many Nepalese. In the Hills, the Chinese and the Swiss have effectively done this. In the Tarai, however, most of the construction crews have been Indian, partly because Indian workers are more easily recruited and partly because most Nepalese who take employment on roads are seasonal workers and therefore less desirable from the contractor's point of view.

The social cost of road construction is so high that planners have begun to struggle with a weightage system that would include consideration of the number and type of beneficiaries from new road construction.⁴⁰

In the Affirmative

Those who argue the necessity of roads admit many of the arguments the opposition presents. However, they continue to argue that the evidence is in favour of roads. As the World Bank study has put it, development follows roads. Roads do not constitute development, but they are a necessary precondition of development.⁴¹

Costs

The debate about costs in time and money of Nepal's road system are meaningless today. The system of major roads is almost completed. In some regions there will be further major road construction, but even as it stands today the highway system is viable. The whole problem of feeder-roads is a pseudo problem. Even today the district and village panchayats throughout the country are constructing feeder-roads that link their areas with

³⁹Dilli Ram Dahal *et al.*, *In-Migration of Indian Nationals* (in preparation), a field survey conducted by the Anthropology Department, Research Centre for Nepal and Asian Studies, Tribhuvan University.

⁴⁰Mahesh Banskota, ed., *Some Issues on Regional Planning in Nepal* (CEDA: 1974), pp. 62-7.

⁴¹IBRD, *A National Transport System for Nepal* (Washington: 1965), 3 vols.

major highways. In 1971 Hagen reported in the third edition of *Nepal* that the demands of villagers throughout the country were: "first, safe suspension bridges; secondly, hospitals and doctors; and thirdly, schools."⁴² There has been a considerable change in this list of priorities. Today the key word in villages throughout Nepal is "roads". And the villagers are building them. In the early years of the panchayat system there were many hasty forays into public road building based on volunteer labour. The result of these efforts was as negligible as the achievements of the Regional Transport Organization. But in more recent years a new coalition has arisen between the engineers and panchayats, with engineers helping to establish the survey line, and panchayats mobilizing manpower and financial contributions to construct fair-weather feeder-roads.

Environment

A great deal has been learned from the Nepalese experience with roads. Those who argue in favour of roads as the life-line of development would accept the fact that roads built in the panchayat sector are erosion-prone and environmental hazards. However, they argue the roads' programme should not be seen in isolation. The same villagers who build the roads have also to be involved in the whole soil and water conservation effort, which means that the villagers have to be taught afforestation and forest management practices. The loss due to erosion has to be minimized over time, and the dangers to the environment that arise from roads have to be used as an opportunity to educate the villagers in better conservancy and land use techniques. Roads, watershed management, and integrated rural development have to be seen as a package programme.

Social Costs

The argument that in any given community only the more prosperous profit from roads while the poorer members of the community suffer is not convincing. The first major benefit from roads is improved local administration and technical support. As long as an area is cut-off from contact with the rest of the nation, it is difficult to entice qualified people to serve there. In remote districts, the number of vacancies in the technical services and in education is alarming. Those who actually go to these remote regions find the assignment trying and do not wish to remain. There are no adequate schools for their children, no libraries, no

⁴²Hagen, *Nepal*, p. 127.

recreation, no amusements other than cards and conversation, and an inadequate and uncertain supply of the materials that they need to do their work. Once a road is constructed, this whole picture changes. Slowly, it is true, but definitely.

Consider the case of agricultural inputs. Without roads, porters have to carry fertilizers and improved seeds into the development region. During many months of the year the heat of the Tarai makes this exhausting task almost impossible for Hill porters, and only Hill porters can manage heavy loads on the Hill trails. Nor can porters move these inputs rapidly. If there is even a fair-weather road, tractors can haul these inputs to the Hill areas so that they arrive in time for the planting season. The marketing potential of a road must also be considered. These simple fair-weather roads permit the farmer either to vary his cropping pattern in favour of products he can market or to plant a few fruit trees on marginal land to supplement his income. Without roads, which offer cheaper transportation, he cannot market these products to advantage because the portage costs consume most of his profits. These factors are far more important to the small farmer than they are for the larger landowner precisely because the small farmer's subsistence margin is so thin.

One must also consider the educational advantage of roads. Travel suggests non-traditional lines of investment to the small farmer as well as to the larger landowner. Admittedly, those with more capital to risk are the first to benefit from a road, but smaller farmers also see new possibilities in cottage and subsidiary industries. Even the service castes such as shoemakers and blacksmiths tend to follow the roads into new areas where their services are needed, because the road gives them easier access to the supplies they need to do their work.

Conclusion

While the roads debate has been argued with vigour by both groups, neither has decisively made its point. Academically, there is something to be said for both sides. Practically, however, the debate has been won by those urging roads as the pre-condition for development. While the debate has raged, road construction has moved steadily forward. The debate is significant only within individual donor agencies, where the disposition of funds for road construction can be approved or refused according to the faction (pro-road or anti-road) that dominates that agency at any given time. A definite pattern has begun to emerge both as a result of the roads debate and the difficulties of constructing roads in the Hills, so much so that one can risk a prediction. Over the coming

development decades it is likely that there will be a strong primary roads network of good highways. Major feeder-roads will be metalled and their construction financed either by donor agencies or by loans. Less important feeder-roads will remain fair-weather roads, with some gravelling. These will be constructed by voluntary labour at the local level. Ropeways will be increasingly used to link the terminal points of major feeder-roads to the alpine valleys and will connect with a network of feeder-roads and improved trails constructed at the local level. There will be something of both sides in the final solution, but the ultimate cost of this network will be far higher than any of the early planners dreamt.

CHAPTER SEVEN

THE GROWTH OF PLANNING

Development cannot be achieved merely by wishing for it.¹

King Mahendra made the word "planning" part of Nepal's national vocabulary. But even before his time there had been planners and plans. In fact, from the time of Prime Minister Bir Shamsher in the 1890s, Rana prime ministers had embarked on a series of public works, social reforms, and administrative reforms that pointed towards development. Dev Shamsher will be remembered for his efforts to introduce vernacular education in Nepal and founding the *Gorkhapatra*. Chandra Shamsher will certainly be remembered for his social reforms, his reorganization of the central and district administration, the bridges he built throughout the country, the Birgunj-Amlekhgunj Railway (the NGR) with the Amlekhgunj-Bhimphedi road link and the ropeway, and for his initiatives in large irrigation projects. He also started Nepal's first college and the first government agricultural office, the *Charkal Adda*. Juddha Shamsher, in addition to rebuilding Kathmandu after the 1934 earthquake, will be remembered for the public drinking water projects he initiated, his encouragement of business and cottage industries, the Nepal Bank Limited, government experimental farms, and the *Udhyog Parishad*, which was Nepal's first planning body. He also initiated a programme of sending Nepalese students to India for specialized training, a programme continued by Padma Shamsher, who also attempted to give Nepal a written constitution. Mohan Shamsher, the last of the Rana prime ministers, brought into Nepal the first foreign experts to assist in planning (a team of four outstanding Swiss experts) and signed the first foreign aid agreement (with the United States in January 1951). He also sent Nepalese experts into the field to prepare a series of field studies to serve as a basis for further development activity.

Despite these achievements, Nepal remained a very poor country in 1951. During the four years between the inauguration of the Interim Government in February 1951 and King Mahendra's accession to the throne in March 1955, most of the great debates described in the previous chapter had already begun. The discussion about what should be done was endless. A number of

¹His Majesty King Birendra.

Nepalese had been grappling with aspects of the development problem for years. Their reports and comments, based on extended field tours, read well even today.² For the most part, however, the development debate rested on what people had seen work in other countries, limited field trips in Nepal, and such observations as they could make from the window of a Dakota as they flew over the countryside. Travel was arduous. Studies on Nepal were few. And the data banks were almost empty.

A. Departmental Planning

Within two months of his assuming responsibility for the nation, King Mahendra sent nine tour groups to different parts of the country to report on the conditions they found in the districts of Nepal,³ and within six months he had ordered the Ministry of Planning and Development to prepare a Five Year Plan.⁴ The Nepalese planners, many of them associated with planning in Nepal since the Rana days, had two weeks to put a draft on paper. Rough as it was, King Mahendra wanted a plan to present to the 1955 meeting of the Colombo Plan. He also began to refer to a Five Year Plan in his speeches.

This was moving very rapidly. There had been a planning portfolio in government since 16 November 1951, and the Ministry of Planning and Public Works had been formally established in 1952. Prime Minister Nehru had given strong support to planning in Nepal when he arranged for the Nepalese delegation that visited India in January 1952 to meet with India's Planning

²E.g. C. B. Gurung, *Report on the Study of Agriculture Conditions of the Eastern Nepal Hills, East No. 1 to Illam* (Kathmandu: 1949) (mimeo)

³King Mahendra received full royal power on 18 February 1955 and ascended the throne on 14 March 1955. He sent out these nine tour commissions on 9 April 1955.

⁴Y.P. Pant, *Planning for Prosperity: Planning Experiences in Nepal* (Kathmandu: 1975), p 23. It is clear from King Mahendra's speech stating the need for a plan that this "plan" was an outline, the details of which would be filled in later *Sri Panch Maharajadhiraj Bakseko Ghoshana Bhasan ra Sandeshharu* (Kathmandu: B.S. 2022), pp. 24-5.

Table VI
First Five Year Plan (1956-61)

(in millions of rupees)

Activity	Plan Target	Expenditure
Education ¹	52.262	19.088
Health	38.474	13.632
Power	56.374	13.350
Industry ²	59.332	14.900
Transportation and Communication	192.076	80.095
Village Development ³	58.029	22.634
Agriculture ⁴	69.265	21.905
Government Services ⁵	53.732	18.457
Totals	579.544	204.061

¹Includes construction of engineering school

²Includes mining, forests and tourism

³Includes cooperatives and local improvements

⁴Includes irrigation and the Rapti Valley Project

⁵Includes all survey work, public works, construction, posts and miscellaneous items

Commission.⁵ By the end of 1952, foreign aid groups and at least one United Nations expert had begun work in Nepal. Experts from the Indian Administrative Services also came to study the local situation and give suggestions on modernizing the administration and on planning. Their reports suggested that Nepal undertake a very restricted development programme for the near future. For this they thought department-level planning would be adequate, and coordination could be entrusted to the

⁵Eugene Mihaly, *Foreign Aid and Politics in Nepal* (London: 1965), p.44

Cabinet.⁶ There was thus no need of a central planning agency. The United Nations' experts were in substantial agreement with this.⁷ Until October 1955, however, little was produced in the way of departmental plans, and of national planning there was none. Coordination was even less evident. Government departments, in fact, had allowed donor agencies take the lead in planning and accepted what was offered. To take full advantage of the Colombo Plan meeting, King Mahendra wanted a plan, however sketchy this might be.

One of the first fruits of Nepal's admission to the United Nations in December 1955 was the arrival in Nepal of a United Nations Technical Assistance team to serve as advisors to various agencies in government: Harry Price, the advisor in economic planning, Frederick Gray in banking and currency, Eric Himsworth in public finance, and Soren Storgaard in economic analysis gave good service. Toni Hagen, who collaborated with this team, had been in Nepal since 1950. Only Price was able to do much to help re-shape the rough draft of the First Five Year Plan that had been prepared in October 1955.⁸ But the remaining members of the team began the systematic collection and analysis of data that was to help the administration understand the condition of Nepal and to translate this into terminology that would be understandable to technical experts in potential donor agencies.

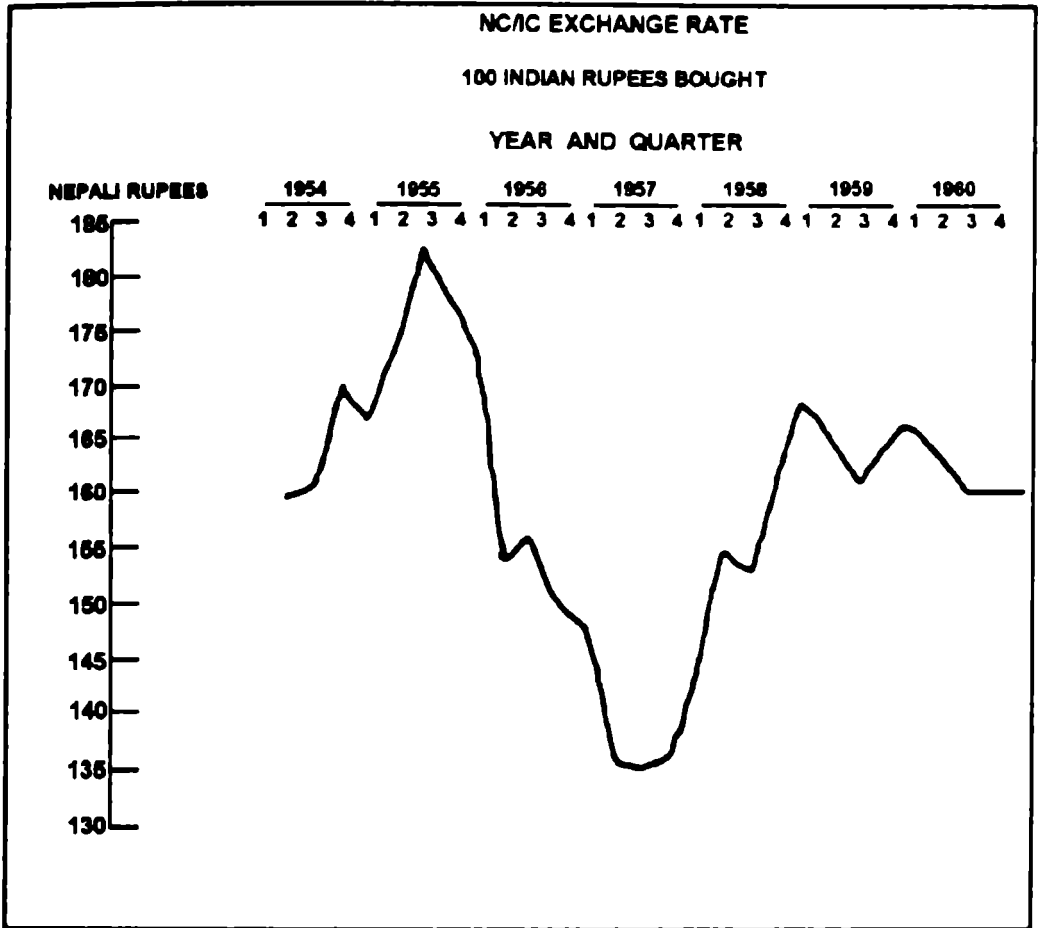
The high degree of cooperation achieved between the secretaries of the various ministries and this early planning team was impressive.⁹ In 1956, the over-riding concern was learning how to structure a plan. There was a great deal to learn. Not only were the technical departments hard pressed for trained

⁶*Development Schemes and Planning in Nepal* (Government of India Planning Commission: 1952), quoted in Devendra Raj Pandey, *Nepal's Central Planning Organization: An Analysis of Its Effectiveness in an Interorganizational Environment* (PhD dissertation: 1969), pp. 65-6.

⁷Toni Hagen, *Nepal* (New Delhi: 1971), 3rd edition, p. 127.

⁸It was only in 1959 that most of the team were able to submit their reports. These were later collated and condensed in United Nations' Report No. TAO/Nep/3, *Economic Survey of Nepal* (New York: 1961), ed. Harry B. Price.

⁹Based on an interview with Sardar Bhim Bahadur Pandey, who was Secretary of the Planning Minister at the time.



personnel (there were only eleven engineers in the whole of Nepal), but the mechanics of putting together even a simple plan had to be learned. Two memoranda of Harry Price (included in the appendix of this chapter) are especially eloquent of the state of planning in Nepal.

The First Five Year Plan

The First Five Year Plan has been severely criticized by planning experts. It offered few concrete targets. The programmes included were visionary. And the sums allocated by the Plan were simply too large for the administrative system to absorb. Price was aware of this when he put the Plan together. His comments (throughout the general introduction and the introductory sections for each sector of the Plan) provided a running explanation of what was needed. For technical reasons there was never any hope of fulfilling the Plan. It was based on the Indian "block system" of district development, which had not been implemented in Nepal. Equally impossible was the technician gap. The Plan estimated that eleven hundred technicians were

required to carry out its programmes.¹⁰ These technicians were unavailable. In a classic case of putting the cart before the horse, the Plan proposed to train during the Plan period the technicians who were needed to implement the Plan. By the end of the Plan period not a technician had been trained. Only the facilities for training were ready.¹¹ The Plan itself was a shot in the dark. There were no statistics to use as a basis for planning and little expertise in the use of statistics had they been available. In the Plan itself there were thirty-two separate references to the need for collecting data as a basis for future planning, and one whole section of the Plan dealt with the establishment of data-gathering institutions.

Table VII

(in millions of rupees)

Fiscal Year	Annual Aid Total	Cumulative Total
1956/57	27.3	27.3
1957/58	58.1	85.4
1958/59	35.1	120.5
1959/60	125.3	245.8
1960/61	137.1	382.9

The planners themselves seem to have had very limited objectives. They had put on paper a programme of action and stressed the need for improved data to make planning more realistic and effective. They knew, however, that the implementation of any of these programmes would require foreign funding. There was little possibility of financing development from local re-

¹⁰This figure is derived from the technical manpower requirements expressed in various programmes of the *Draft Five Year Plan*.

¹¹*HMG Policy Statement on Planning and Development*, 13 September 1961, p. 12.

sources. Foreign aid disbursements during the Plan period were well below the planners' hopes. During the first three years of the Plan period there were only two foreign donors, India and the United States. China had made a cash grant for general use during this period, but this had been used to bolster the sagging Nepalese rupee.¹² Only during the fourth year of the Plan did more donors appear. The yearly and cumulative totals of foreign aid during the First Plan are indicated in Table VII.

The Plan document had called for an expenditure of only 330 million rupees. Foreign aid during the Plan period amounted to 380 million, giving rise to the belief that the entire First Plan was financed from foreign aid. But projects added to the original Plan had brought the targeted financial outlay to 580 million rupees. Only 204 million was actually spent because of poor budgeting and slow project implementation and also because seventy per cent of the foreign aid did not arrive until the last two years of the Plan period. Foreign aid financed the development work done during the period, but achievements were less than targeted. Poor performance did not surprise the planners. They had not expected impressive results. But a beginning had been made, as the UNTAA report explained:

Though still lacking in the statistical foundations and realistic assessments of material and manpower resources required for efficient, detailed programming and budgeting, this initial Five Year Plan has provided broad policy direction and a general framework within which annual programming could begin in a more systematic fashion.¹³

The First Plan taught Nepal's planners that there was more to making a plan than a vague description of objectives. The attempt to implement the Plan revealed some of the problems of administering a Plan.

Typical of the confusion surrounding the First Five Year Plan was the fact that it included no specific date on which Plan activity would begin. A summary of the Draft Plan was published on 21 September 1956. On 14 March 1958, King Mahendra accepted this revised draft and back-dated the beginning of the

¹²Eric Himsworth, *The Fiscal System of Nepal* (Kathmandu: undated), p. 97. (mimeo)

¹³Price, *Economic Survey*, para 40.

Plan to 21 September 1956, the day the Draft had been published.¹⁴

The Tanka Prasad Acharya cabinet was the first in Nepal to attempt to implement a Plan. This required intensive coordination of the ministries and departments of government. The prime minister had a double handicap in this effort. His cabinet was a coalition composed of Independents, representatives of the Praja Parishad, the Nepal Praja Parishad, the Jana Congress faction of the Nepal Praja Parishad, and the National Democratic Party faction of the Nepal Praja Parishad.¹⁵ In addition, the ministries had grown accustomed to doing their own planning and did not easily accept attempts to coordinate their separate empires. The prime minister attacked the problem with verve. In March, almost immediately after King Mahendra's approval of the Plan, the cabinet established a Planning Commission of thirty-one members representing government, business, academics, and educated opinion to try to give momentum to Plan implementation.¹⁶ The prime minister was the chairman. In addition, and also under the chairmanship of the prime minister, a Council of the Plan was established, with the Minister of Planning and Development, Guna Man Singh (who also held the finance portfolio) as vice-chairman.¹⁷ This Council included the secretaries of the key ministries of government, the principal private secretary of the prime minister, and, as advisors, the heads of the various aid organizations operating in Nepal. The prime minister had apparently taken to heart Harry Price's observations in the Draft Plan:

Advanced economic planning... presupposes the existence of a Government with the power, the administrative machinery, and the experienced personnel required to formulate and execute economic policies on a national scale.¹⁸

¹⁴*Naya Samaj*, 15 March 1958 (PD 2: 1958, 63).

¹⁵Bhuwan Lal Joshi and Leo E. Rose, *Democratic Innovations in Nepal* (Berkeley: 1966), pp. 187-8.

¹⁶Pandey, *Nepal's Central Planning Organization*, pp. 67-8

¹⁷*Ibid.*, pp. 68-9.

¹⁸"Nepal's Draft Five Year Plan", Published in *Nepal Trade Directory*, 1959 (New Delhi: 1959), p.38.

Mention has already been made in Chapter Four of Acharya's efforts at administrative reform. That was one side of the operational picture. The other side was his inclusion of the directors of USOM and Indian Aid in his Council of the Plan. Differences of opinion between these two organizations on the approach to rural development had already become manifest and had even forced changes in the agricultural sector of the Plan quite contrary to what Nepalese planners had thought advisable and which Nepalese agricultural experts today recognize as the proper strategy.¹⁹ If possible, the prime minister wanted to bring these two agencies into close cooperation with his own government and with each other in the pursuit of some of Nepal's development goals.

Tanka Prasad Acharya, however, found the task of trying to coordinate the development efforts of a coalition government an impossible burden and requested that he be allowed to form a government that was homogeneous. This did not suit King Mahendra's decision to rule by coalition until after the elections, and Tanka Prasad Acharya's resignation was accepted on 14 July 1957. He was succeeded as prime minister by Dr. K.I. Singh.²⁰

The K.I. Singh cabinet took office on 26 July 1957. Five days previous to this, King Mahendra had constituted a committee under the chairmanship of Surendra Shamsher, Secretary of Transport and Communications, to recommend schemes for the development of transportation and communication between the capital and other parts of Nepal.²¹ Apparently the ministry, with Indian and American collaboration, had been preparing plans for such schemes long before the receipt of the King's directive. The committee reported back within one week, and on 22 August 1957 the broad outline of a roads' scheme was published.²² Eight days later, Prime Minister K.I. Singh astonished everyone by

¹⁹Compare C.B. Gurung, *Report on Agricultural Conditions, 1949, with A General Outline of the Five Year Plan for Agricultural Development in Nepal* (1957). Quite notable differences in strategy are indicated. In interviews, those responsible for the changes indicated that the changes were made in an effort to settle differences of opinion between U.S. and Indian advisors.

²⁰26 July 1957-14 November 1957.

²¹*Gorkhapatra*, 22 July 1957 (PD 1: 1957, 63)

²²*Halkhabar* 22 August 1957 (PD 1: 1957,79).

announcing his own programme for roads' development.²³ He also set aside the whole Five Year Plan in favour of his own Two Year Crash Programme.

K.I. Singh's Two Year Crash Programme had as little chance of implementation as the Five Year Plan, but it offered some interesting suggestions. Singh came out strongly for ropeways (six in all) and hydroelectric plants to power them. He also insisted on road alignments that responded to popular demand rather than alignments that would link regions of Nepal that had not traditionally interacted. Thirdly, he placed very strong emphasis on suspension bridges, of which he intended to build 100 during the two-year period! He also planned to convert the airports at Kailali, Nepalgunj, Dang, Bhairahawa, Pokhara, Simra, Janakpur, and Biratnagar into all-weather airstrips. No figures are available on the projected costs of this programme nor the means by which K.I. Singh intended to finance it. All of this proved immaterial. K.I. Singh was turned out of office on 14 November 1957. For the next six months King Mahendra ruled Nepal directly.²⁴

King Mahendra immediately restored the Five Year Plan and attacked the problem of coordinated planning. The ministries were churning out project proposals by the score and searching on their own initiative for donor agency funding. Without some centralized body to approve or disapprove projects and to negotiate the financing of approved projects, the whole planning effort was a shambles. To provide just such an agency the Planning Commission Act was passed on 4 December 1957.²⁵ The new Planning Commission was to advise the government on economic planning, frame plans for the comprehensive economic development of the country, and supervise the financial, administrative, and executive aspects of planning. It was also to advise on the procurement of resources from both internal and external sources. Legally the new Planning Commission would be very powerful indeed. Until the five members of the Commission were appointed, however, there was no way of knowing the Commission's real power.

²³*Naya Samaj*, 30 August 1957 (PD 1: 1957, 79).

²⁴14 November 1957-15 May 1958.

²⁵*Gorkhapatra* 4 December 1957 (PD 1: 156).

On 6 January 1958, the membership of the Planning Commission was announced. Prince Himalaya was appointed chairman.²⁶ There was no longer any doubt that this Commission was meant to have all the political support King Mahendra could give it. The commission was given the right of direct access to all government offices and papers connected with government work. In addition, one of its twenty committees took in hand the work of administrative reform that the Acharya government had first attempted.²⁷ A new Council of Ministers under the chairmanship of Suvarna Shamsher was appointed on

Table VIII

First Plan Development Expenditures

(in millions of rupees)

Fiscal Year	1957	1958	1959	1960	1961
Expenditures	14.7	12.4	32.7	78.9	65.3
Aid Grants	27.3	58.1	125.3	137.1	186.4

Sources:

HMG Policy Statement on Planning and Development, 13 September 1961

15 May that year. Suvarna Shamsher, who held the portfolios of Planning and Finance, also became Vice-chairman of the Planning Commission. Under this arrangement the Planning Commission continued to control the planning procedures and exercised some budgetary control.²⁸ No further change was made in the planning apparatus until after the parliamentary elections in the spring of 1959. However, on 6 January 1959, the Central Bureau of Statistics was established in Kathmandu with Bishnu Prasad

²⁶*Nepal Gazette*, B.S. 2014, Paush 30 (13 January 1958).

²⁷Hem Narayan Agrawal, *The Administrative System of Nepal* (New Delhi: 1976), p. 195.

²⁸Pandey, *Nepal's Central Planning Organization*, p. 72.

Dhital as Acting Director,²⁹ and on 16 May 1959, Dr. Y.P. Pant was appointed economic advisor to government, a position he retained until he was appointed Secretary of Finance in 1961.³⁰

On the day it took office, 27 May 1959, the Congress transition government repealed the Planning Commission Act.³¹ On 9 June the Congress appointed its own high-level committee (Surya Prasad Upadhaya and Suvarna Shamsher) to coordinate the implementation of development projects, and eight days later established its own Planning Board under the chairmanship of Suvarna Shamsher.³²

During the eighteen months that the Congress government was in power its planning energies were divided. A concerted effort was made to complete projects already under way. At the same time the Congress government began to struggle with the preparation of its own five year plan.

The Congress government had more success in project execution than in planning. There can be little question that the Congress government brought greater coordination into Plan execution than its predecessors had done.³³ The absorptive capacity of the administration improved dramatically, and most projects moved along faster and with fewer jurisdictional squabbles than had been previously noted. A certain amount of improvement could have been expected, since Plan performance always improves during the latter years of the Plan period, but the homogeneity of government certainly contributed.

The Congress planning performance, however, improved very little. Wolf Ladejinsky made several telling comments on this in a letter to George Gant of the Ford Foundation in November 1960, just a few weeks before the Congress administration was dismissed from power.³⁴ Ladejinsky felt that Nepal had never

²⁹*Filingo*, 6 January 1959 (PD 3: 1); and *Halkhabar*, 26 January 1959 (PD 3: 23).

³⁰*Commoner*, 16 May 1959 9 PD 3: 78).

³¹*Nepal Gazette*, B.S. 2016 Jyestha 25 (8 June 1959).

³²*Swatantra Samachar*, 9 June 1959 (PD 3: 86).

³³Agrawal, *Administrative System*, pp. 230-40.

³⁴Wolf Ladejinsky to George Gant, 21 November 1960, published in Louis J. Walinsky, ed., *The Selected Papers of Wolf Ladejinsky: Agricultural Reform as Unfinished Business* (New York:

really had a first Five Year Plan, but a planning board trying to create the rudiments of an administrative machine. Of the Five Year Plan that the Congress government was preparing, Ladejinsky's judgement was more harsh. He called it a series of ill-considered promissory notes. According to Ladejinsky, the prime minister admitted this, but insisted that for political reasons the Plan must remain substantially as it was.

Ladejinsky's presence in Nepal was an important indication that there was more to planning than having a Planning Commission with political clout. As early as 1959, discussions had been going on between HMG and the Ford Foundation for the services of a team of planning experts to strengthen the Planning Board. Suvarna Shamsher thought that the Ford Foundation would be able to supply competent experts who would work in an impartial and non-aligned manner, and he proposed that this team work as a cell within the Planning Ministry (Suvarna Shamsher was Minister of Planning and Development).³⁵ Ladejinsky, an internationally known expert on land reform, was seriously being considered for the role of leader of the Ford Foundation team. Although he never came to Nepal in this capacity, he did come as a visiting expert on a number of occasions, and his influence in shaping Nepal's land reform programme was important. The Ford Foundation agreement was approved on 26 February 1960, and the first member, William O. Thweatt (who had been on assignment with USOM) began to work as a Ford Foundation tax and fiscal economist with the Nepal Planning Board. Although Ford Foundation planning experts visited Nepal throughout the remainder of 1960 to study the situation and to recommend the precise Ford Foundation manpower required, Thweatt worked as the lone member of the team until January 1961. By that time momentous changes had taken place.

On 15 December 1960, King Mahendra dismissed the Congress government and set aside the experiment with parliamentary democracy. On 26 December, the King announced the formation of a new Council of Ministers, with himself as chairman, assisted by a team of five ministers and four assistant ministers. On 6 February 1961 the Planning Board and the Planning Ministry were officially dissolved and replaced by a National Planning Council

1977), p. 291.

³⁵*Planning Notes*. p.1.

consisting of King Mahendra as chairman, the ministers as ex-officio members, and six full-time members.³⁶ The former Planning Ministry was reorganized as the National Planning Council Secretariat. Dr. Bhekh Bahadur Thapa, who had been recruited while King Mahendra was on an official visit to the United States in 1960, was named member secretary of the National Planning Council and head of the National Planning Council Secretariat. At the time he was recruited Dr. Thapa was a twenty-five year old graduate student of economics at Claremont College.

The National Planning Council was given responsibility for planning and executing development projects and allocating foreign aid resources. Its status was equivalent to that of the Council of Ministers.³⁷ There could have been no clearer expression of King Mahendra's concern for planning and the powers he intended the planners to exercise. However, there was apparently some confusion about the relationship between the National Planning Council, the Finance Ministry, the Nepal Rastra Bank, and the executive ministries and departments of HMG. Some officials suggested that the Council was an extragovernmental organization with only advisory responsibilities. King Mahendra firmly intervened and established the authority of the Planning Council. This settled the *de jure* question, but the *de facto* question of power relationship remained very much alive within the administration. The situation became more tense than it might have been, because the weakness of the administration gave strong personalities an open field for activity.

The UNTAA *Economic Survey of Nepal*, published on 15 February 1961, strengthened the National Planning Council's hand. The Survey described Nepal's performance during the First Five Year Plan in less than glowing terms:

... early progress was considerably impeded by administrative uncertainties, lack of funds, insufficient coordination, and a shortage of experienced personnel. Notable among specific difficulties encountered were a lack of familiarity with financial administrative rules and regulations; inadequate and irregular reporting, plus a failure to consolidate and utilize for administrative purposes the financial progress reports

³⁶Gorkhapatra, 8 February 1961 (PD 5: 1962, No. 6, p.4)

³⁷Pandey, *Nepal's Central Planning Organization*, pp. 76-7.

received; and insufficient use of administrative assistance which could have been provided by foreign aid specialists.³⁸

The first Five Year Plan officially ended on 15 July 1961. There was no new Plan ready. Projects had been proposed in abundance, but few of them could be reconciled with the priorities established by the National Planning Council, who had decided that few of the First Plan targets had been achieved because the Plan was too ambitious and the programmes unsuited to Nepal's delivery capabilities.³⁹ The Council also wanted time to rethink planning in terms of the new panchayat structure that was announced on 16 July 1961.⁴⁰ It was decided to delay the introduction of the new Plan for one year to allow time for the Planning Council to cope with organizational problems within the administration and also to rethink the approach that should be taken.

Table IX
The Second Plan-Three Years (1962-65)

Activity	(in millions of rupees)	
	Plan Target	Expenditure
Reform, Survey, Publicity and Training	79.20	51.74
Transport, Communications and Power	234.50	230.87
Agriculture, Irrigation and Forests	81.60	87.31
Industry and Tourism	102.00	103.70
Social Welfare	102.70	95.31
Miscellaneous ¹	—	27.82
Totals	600.00	596.75

¹Includes building, planning, revolving, contingency and other expenses.

The Three Year Plan 1962-65

The organizational problems that planners had to face became apparent when the Second Plan was being prepared. There was

³⁸Price, *Economic Survey*, para. 40.

³⁹*Policy Statement*, pp. 3-5.

⁴⁰*Gorkhapatra*, 16 July 1961.

an intense clash between the planners and the executive departments. In Himsworth's words: the departments of government continued to ride their favourite hobby-horse into the planning fray, as they had been accustomed to do.⁴¹ This time they met very determined planners who had resolved to hold Plan targets to the lowest limit possible. In their view, the Plan would include:

1. Priority projects that would concentrate on building a strong planning structure: data collection, training, and evaluation procedures, and
2. Long-range projects already begun with foreign technical and financial assistance.⁴²

In theory, the National Planning Council was to determine in coordination with the departments which projects would be included in the plan. In fact, the Secretariat of the Council set a ceiling of 1,000 million rupees for the Three Year Plan. Departmental requests were cut to the bone. The result was a Three Year Plan that allocated 600 million rupees for development activities. Himsworth thought this sum impossible to raise and even less possible to spend.⁴³ In fact, the money was raised and almost all of it was spent. On this count the Plan was a success.

This ruthless approach to planning was something new to the departments. They resented such control of their plans and ambitions. Only very strong support from King Mahendra made it possible for the Secretariat of the Council to hold the line. During the plan-preparation period, the charge that the planners were only advisors was raised repeatedly. Eventually this led to a restructuring of the planning organization. The National Planning Council was retained as it was, but on 12 January 1962, the Ministry of Finance and Economic Affairs was divided.⁴⁴ Economic Affairs was set up as a separate ministry, to which the staff of the Secretariat of the National Planning Council was transferred. The planners thus acquired a base within the administration from which they could function, but this increased the tension between the Finance Secretary (whose fiefdom was

⁴¹Himsworth, *Fiscal System*, p. 97.

⁴²*Planning Notes*, pp. 7-8.

⁴³Himsworth, *Fiscal System*, p. 98.

⁴⁴*Naya Samaj*, 13 January 1962 (PD 6: 76).

reduced) and the secretary of the National Planning Council, who was named the Secretary of Economic Affairs.

B. Centralized Planning

Regardless of the uneasiness over the role of the Ministry of Economic Affairs (called simply the Planning Ministry from this point onwards), the secretary pressed forward with his planning efforts. Once the Second Plan was officially launched in July 1962, he urged the members of his newly formed Economic Research Group to visit each Ministry and review with them the projects and budgets they had submitted for the Plan, to try to explain how the planning process might have been done on a sounder basis and to enlist their efforts to improve the data base. This was one of the goals of the Second Plan.⁴⁵ He also made a concerted effort to recruit competent and committed personnel for the Planning Ministry.

The administration's inability to implement plans was a serious constraint. Against the background of attempts at administrative reform mentioned in Chapter Four, Himsworth's appraisal of the situation was almost ironic.

"Development" in the public sector is not, as is so often thought, some special species of government work which can be organized and implemented as an exercise distinct from ordinary government administration. Development in this sector is no more than an intensification of, or an extension to, ordinary government activities, although this process of intensification and extension to the economy may be carried further if the aid of private enterprise can be enlisted. It may be more convenient to group the new proposals as a special plan, but the machinery through which the Plan will be fulfilled in the public sector will be largely the existing government administration with the addition that more intensive or extensive work will entail. In the earlier stages of development, finance is not usually the most difficult hurdle. Staff and organization present more formidable problems.⁴⁶

When one considers what King Mahendra and his planners were attempting at this time, one has a sense of awe. A totally new

⁴⁵*Planning Notes*, p. 10.

⁴⁶Himsworth, *Fiscal System*, p. 93.

experiment in government was being tried. Thousands of panchayats were being activated at the village level not only as a means of solving local disputes but as a major vehicle for development efforts. District administration was being totally reformed. New districts were being created. The physical plant required for proper administration at the district level had to be built. The theory of the new political structure had to be elaborated. Personnel had to be found for the new posts that were created, and these personnel had to be formed in the new ideology. And all of this had to be integrated with the central administration and the planning effort.

Not surprisingly the results of these combined efforts were ragged. A review of the newspaper editorials of the day clearly established two facts:

1. The performance of the administration was constantly criticized; and
2. Any attempt to remove inefficient members of the administration was considered a political vendetta against Congress appointees and stoutly opposed.

The momentum of events, however, increased. In the Spring of 1963 the first elections to the Rastriya Panchayat were held and the first session summoned to meet on 14 April 1963. In preparation for this, on 8 April, King Mahendra reconstituted the National Planning Council. The King himself stepped out and placed in the Chair Dr. Tulsi Giri, who had become chairman of the Council of Ministers. The new membership of the National Planning Council included only the ministers, to the exclusion of members of the Planning Ministry.⁴⁷ The change made sense from the political point of view, but King Mahendra's support for the Planning Ministry was less visible.

Meanwhile the technical capacity of the Planning Ministry was strengthened. Dr. Quent Lindsey, who headed the Ford Foundation team of planners, had joined the Ministry in July 1962. The remaining two members (Dr. David and Dr. Okuta) joined in September and October 1963. Nowhere was this new technical strength more apparent than in the Third Plan.

⁴⁷Pandey, *Nepal's Central Planning Organization*, pp. 77.

The Third Plan (1965-70)

The Third Plan was characterized by a carefully designed strategy directed at the very base of Nepal's economy, the agricultural sector. Unhappily, the sharp outlines of this strategy were blurred by the multiplication of projects in sectors that had little bearing on the overall strategy. Had the Plan concentrated on transport, communications, and power (all foreign-aid financed) and the areas allied to agriculture such as land reform and rural credit, a break-through might have been made. However, ministries that had been held off during the whole of the Second Plan period were insistent, and the argument was accepted that many of their programmes were ancillary to the overall improvement in production and education. Funding was not a serious problem. The critical problem was human resources. There were too few administrators and field workers to execute a comprehensive plan.

The development strategy adopted during the Second and Third Plan periods can be very clearly spelled out in seven steps:

1. The creation of the new political structure, the panchayat system, to provide all Nepalese with opportunities for participation in the process of government and economic development.
2. Land reform, to give the tiller, through rent ceilings and security of tenure, the incentive to increase food production, and to open to him avenues of political participation in the panchayat system.
3. To undercut the vested interest of the traditional money lender and inefficient grain merchant, the third step was to create and improve credit and establish a marketing system for agriculture in which tillers also had a strong vested interest. The key to this was the compulsory savings programme.
4. Tax and administrative reforms were intended to provide the panchayat system a strong revenue base and to relate the administrative and technical staff to elected officials at each level from the Centre to the villages.
5. To counterbalance the impact of rental ceilings and higher taxes upon the landlord class, financial and technical assistance was to be provided to enable them to shift their capital and talents to manufacturing, trade, and construction activity. This step was intended to reduce resistance to land reform, provide the human and financial resources needed to the non-farm sector, and create a

- group with political and economic interest in these sectors.
6. To develop major non-farm components—e.g. national highways and large hydroelectric power plants—drawing heavily on foreign assistance.
 7. To prevent the benefits of increased food production from being dissipated through excessive population growth, the seventh part of this overall strategy was to press forward a strong family planning programme.⁴⁸

Table X
The Third Five Year Plan (1965-70)

Activity	(in millions of rupees)	
	Estimate	Expenditure
Transport, Communications and Power	875	873
Agriculture and Rural Development ¹	378	398
Industry	125	87
Social Services	292	239
Miscellaneous	70	168
Unallocable	—	14
Totals	1740	1779

¹Includes Irrigation and Forestry

During this period the staff of the Planning Ministry grew from thirty members, half of whom were clerks or peons, to 107 permanent employees of whom 51 were gazetted officers. That this staff was learning the mechanics of planning was evident from the studies and articles they published as well as the Third Plan document itself, which was a much more polished fiscal and economic document than its predecessors. The weakness of the planning effort lay in trying to do too much too soon. The members of the planning staff were not yet competent to prepare detailed projects for such a wide range of programmes, nor were the ministries. The attempt to project an economic growth target was another error. In 1962 there was no possibility of arriving at

⁴⁸*Planning Notes*, p. 21.

satisfactory data on which such a projection could be made.⁴⁹ The economy's failure to perform as predicted provided critics a convenient handle for a very negative appraisal of planning and planners in Nepal.

Neither the technical improvement in the Third Plan nor the concessions the planners made to the ministries guaranteed the planners smooth sailing. Far from it. The Third Plan period was a time of conflict between Nepal's planners and the donor agencies. In 1957 Harry Price had recommended that the ministries accept for the time the project evaluation and project preparation made by the donor agencies.⁵⁰ Necessity demanded this. In 1957 no one in the administration could supply this technical expertise nor had the question of an overall Nepalese strategy arisen. However, once HMG began to recruit highly trained people in planning and finance, this picture began to change. With the evolution of a definite planning strategy there was clearly room for conflict.

The struggle between donor agencies and the planning Ministry was symptomatic of the whole problem of development in Nepal. The background of this problem has been given in great detail in the earlier chapters of this study. However, one additional point must be made. If foreign assistance was to be considered a resource for Nepal's development, then it seemed evident that those responsible for the overall development strategy had to have the final say on how that resource would be used. The fact that this had not been recognized by the donor agencies reflected not only a weakness in the "aid" concept but also a very fundamental weakness in Nepal's total planning effort. Nepal needed foreign funding as well as technical assistance in project preparation and programme design. At the same time, to be effective, Nepal's planners required total control of strategy and

⁴⁹As Dr. Thapa said of the figures he used in arriving at this projection, "Technically speaking, this is not a very accurate measure of investment outlay. Double counting is not necessarily removed and some long-existing operational expenditures are no doubt included, although we are considering only the development or capital budget of His Majesty's Government. Nevertheless, it is the best measure available at present." Dr. Bhekh Bahadur Thapa, *Planning for Development in Nepal: A Perspective for 1965-80*. (PhD dissertation: 1966), p. 29. (Mimeo)

⁵⁰Cf. below, Appendix II to this chapter.

some control over resources. Specifically, Nepal's planners wanted:

1. Firm commitment of aid to projects well in advance of the annual or five-yearly plan;
2. Complete control of development strategy; and
3. The right to screen all requests for aid originating in the ministries as well as the right to reject aid proposals that did not fit the adopted strategy.

Up to a point, this was logical, but there was more to foreign aid than project finance and technical know-how. Donor agencies had their own policies (over which they frequently had no control) which they were obliged to follow whether this fitted into Nepal's planning or not. The Second Plan merely catalogued under appropriate budgetary heads the foreign aid projects already begun. From the Third Plan onwards there was a constant effort to find a means of channelling foreign aid into a strategy of development that fitted Nepal's position as an agricultural, land-locked country. This problem would, of course, become more acute as Nepal's planning became more comprehensive and donor agencies proliferated.

Cooperative Planning

Concern over Plan execution led the Planning Ministry to take two steps which were to have an important bearing on future planning efforts. A move was made during the preparation of the Third Plan to involve ministries more directly in project preparation not only to share the burden of planning but also to stimulate ministerial commitment to the Plan. The Planning Ministry also introduced for the first time an annual programme which included the development budget. This was still rudimentary in design, but it did prepare the way for the far more sophisticated statement of the annual strategy and priorities which the National Planning Commission issued in the mid-seventies.⁵¹

⁵¹In 1977/78, the Strategy and Priorities paper included general guidelines and a rather detailed statement of the areas within which it would consider projects for each ministry.

Criticism of the Third Plan

The progress in methodology that was evident in the Third Plan document and the fact that the Plan proposed a definite strategy of development did not protect it from criticism. The most obvious criticism was that the Plan did not achieve what it had proposed to achieve. This will be discussed more in detail in the following chapter. Of the strategy of the plan, there were three major criticisms:

1. The concentration of agricultural development on the Tarai with the rather vaguely expressed intent to develop animal husbandry and horticulture in the Hills led in fact to the neglect of the development of the Hills, where the majority of Nepal's population lived. The Plan discussed no strategy that could be applied to this immense human problem.⁵²
2. The Plan accepted with equanimity a shortfall in agricultural personnel on whom its agriculture strategy depended. This shortfall amounted to 201 agricultural graduates and 907 Junior Technical Assistants. Of the 680 middle level technicians already trained only 100 were actually working in the field. The Plan offered no strategy for getting trained personnel into the field.⁵³
3. There was an almost naive expression of faith that chemical fertilizers and irrigation would of themselves produce enormous increases in yields. The Plan failed to indicate that these yields were possible only if both chemical fertilizers and irrigation were used simultaneously in the same fields.⁵⁴

The results achieved during the Plan period failed to come up to expectations. The Tarai did not produce the increased yields that the Plan predicted. The land reform programme was not followed through. And no one knew what to do with the funds collected from compulsory savings. The Plan had been deliberately vague about many details of the land reform programme so that adjustments could be made in the light of

⁵²See Thapa, *Planning for Development*, pp. 37-40.

⁵³*Third Plan Document*, p. 65.

⁵⁴*Ibid.*

experience.⁵⁵ In fact, this vagueness created confusion in Plan execution. One was tempted to ask how lower-ranking members of the administration were expected to know what they were to do, if the planners did not know where they were going. To make such a Plan work, one needed either far more administrative flexibility than the Nepal administration possessed or a very high percentage of top administrators at the field level to apply land reform regulations in specific areas. Lacking both, the programme sputtered to a halt.

The planners had demonstrated their ability to produce a detailed strategy. They learned from experience that strategy was not enough. In addition to strategy, simple work plans were needed that set out the step-by-step procedures by which a department or ministry intended to execute the plan.

Changes in Organization

A year after the Third Plan was introduced several key changes were made in the planning organization. On 13 August 1966, Dr. Bhekh Bahadur Thapa was transferred to the Rastra Bank as Governor, and Dr. Y.P. Pant became Secretary of Planning in addition to his position as Secretary of Finance.⁵⁶ This latter move was apparently intended to bring about greater coordination between Finance and Planning. Such a dual responsibility, however, was too much for one man to carry. There was some dissatisfaction in the Planning Ministry,⁵⁷ and the failure to devalue the Nepali rupee to parallel a devaluation of the Indian rupee caused economic difficulties that brought considerable criticism upon the Finance Ministry. This led to a second major change in ministerial secretaries. On 27 July 1967 Dr. Thapa was moved from the Rastra Bank to the Finance Ministry as Secretary. Dr. Y.P. Pant was transferred to the Rastra Bank as Governor. A few weeks after this, a new National Planning Commission was formed to take the place of both the National Planning Council and the Planning Ministry. It was suggested that this change was necessary because:

⁵⁵*Planning Notes*, p. 18.

⁵⁶*Gorkhapatra*, 14 August 1966 (PD 10: 276).

⁵⁷Pandey, *Nepal's Central Planning Organization*, pp.204-5.

1. There had been a lack of project planning and detailed annual programming.
2. There had been poor communications between the Planning Ministry and the ministries in charge of project implementation.
3. The development budget was not sufficiently based on detailed annual programming, which in turn was due to poor project formulation.
4. Resource analysis was inadequate.
5. The structure of the Planning Ministry allowed no scope for regional planning.⁵⁸

The new National Planning Commission consisted of five expert members under the chairmanship of the prime minister. The personnel of the old Planning Ministry were assigned to the new Secretariat of the National Planning Commission. Also, in the Ministry of Finance, an Economic Analysis Division was established. To integrate the ministries into the planning operation, it was decided that each ministry should have its own permanent planning unit. The new planning concepts that were behind these changes involved a division of labour that was logical as far as it went.

1. The National Planning Commission was structured to prepare long-range perspectives and to monitor project performance.
2. The Finance Ministry dealt with all foreign aid proposals and its Economic Analysis Division was required to integrate the annual programme with the yearly development budget as well as to administer the development budget.
3. Actual project preparation was to be done by the planning units in each ministry.⁵⁹

The weakest link in this chain was the proposal to establish planning units in the ministries. This was a decision much easier to make than to implement. A really competent planning unit would actually dictate the future development of a ministry, which was more than the top-level authorities in the ministry were

⁵⁸*Planning Notes*, p. 27

⁵⁹*Ibid.*, p. 27.

willing to concede. Also, staffing such units with competent people proved a drain on the manpower resources of the ministry. The result was predictable. Planning units were set up but were poorly staffed and not taken seriously. Their functions within each ministry remained vague and their influence small, thereby creating a lacuna in the planning operation and frustrating the hope that if the ministries were involved in the planning process they would be far more anxious to implement the plans that were adopted. Since the ministries did little real planning, the donor agencies continued to prepare their own projects and negotiate them with the Finance Ministry. The major planning role thus fell to the Finance Ministry by default. It controlled project negotiation with donor agencies, the annual programme, and the annual development budget.

Change in Strategy

These changes in the planning structure ushered in a new development strategy. The Third Plan had leaned heavily on the development of the Tarai as the most promising area for increased agricultural production. Development projects were concentrated in Kathmandu Valley and in the Tarai. The Hills were almost completely neglected. The new strategy sought to correct this imbalance. Three major ideas formed the basis for this new strategy:

1. A number of north-south feeder-roads were seen as necessary to maximize the economic benefits of the Mahendra Highway. Once these feeder-roads were built, the Hills would be joined to the Tarai.
2. The routes along which these feeder roads passed should become the focus of Hill development work.
3. A more balanced development could be achieved if planning were done on a regional basis wherever this was possible.

A regional development strategy emerged from this coalescence of ideas. Nepal would be divided into four development regions, through each of which a major north-south communications link would be built. Development work would be initiated along each of these routes (the development corridor) and spread to the east and west as the pace of regional development quickened and the regional economies began to develop.

This new regional strategy made its debut in the Fourth Plan. It was not reflected in the Plan's sectoral programmes, but the

guidelines for a regional development strategy were clearly set forth in a separate section of the Plan document.⁶⁰ It was expected that these guidelines would influence the ministerial-level planning units during the Fourth Plan period and shape the preparation of annual programmes and the development budget.

The Economic Analysis Division of the Ministry of Finance took the preparation of the annual programme and the development budget seriously. A very competent team was put together for this work. The annual programme provided advance notice to the ministries of the sorts of projects that the Finance Ministry would entertain when it considered ministerial budget requests.⁶¹ The fact that the Finance Ministry could deny funds for projects not in line with the annual programme was strong inducement for ministries to at least try to comply. At the same time, the Ministry of Finance revised its budgeting system. Under the former system, ministerial budgets often overlapped. For instance, the budgets of ministries other than the Ministry of Transport and Communications might well include funds for the construction of minor roads required for their projects. Funds for roads of this type had previously been included under the sector for which they were built, whether this was agriculture, irrigation or power. There was thus a double distortion. The budgets of some sectors included expenditures not actually a part of these sectors' activities, and the budget for roads failed to reflect the full expenditure on roads. The new budget headings placed all sectoral expenditures under that sectoral heading, regardless of the ministry for whom those expenditures were incurred. The result was a much truer picture of budget allocation and priorities.

Coupled with this change in budget headings was an effort to introduce a modified system of programme budgeting. This was intended to force ministries to plan more carefully and limit budget requests to programmes they could actually implement.⁶² Even a modified system of programme budgeting was a change that could only be phased in over time. Personnel throughout the administration had to learn the techniques of project analysis and budget preparation that the system required. However, the goal

⁶⁰*Fourth Plan*, Appendix 3 (3).

⁶¹John Beyer, *Budget Innovations in Developing Countries: The Experience of Nepal* (New York: 1973), p.88.

⁶²*Ibid.*, p. 52.

was considered worth the effort, because the system fitted neatly with the new planning methodology that the 1968 changes in the planning structure indicated.

The sluggish performance of the administration was still a major concern. In 1968 it had been publicly announced that the major recommendations of the Jha Administrative Reforms Commission would be implemented.⁶³ This was timely indeed. In the early development years, good administration had been equated with a ministry's ability to spend its budget.⁶⁴ In the Third Plan period, people judged a ministry's performance by its ability to meet its targets. This was an improvement. The corollary was less encouraging. To facilitate this evaluation, targets were quantified even when quantified targets were not an accurate index of performance.

Throughout this second phase in the development of Nepal's economic planning structure, a gradual evolution had taken place. In an oversimplified, step-by step review, this evolution passed through six stages:

1. The central planning structure was strengthened by increasing its status in the administration and providing it with more highly trained personnel.
2. A comprehensive Plan was produced that included a clearly defined strategy.
3. To improve Plan implementation, cooperative planning was encouraged between the Planning Ministry and executive ministries of HMG.
4. The Ministries of Finance and Planning were coordinated by the appointment of the Secretary of Finance to serve also as Secretary of the Planning Ministry.
5. The economic planning mechanism was restructured:
 - a. The National Planning Commission was created and given an advisory role.
 - b. Planning units were opened in each ministry.
 - c. The Finance Ministry, through its annual Strategy and Priorities Paper and the development budget, directed the ministries' project-formulation efforts.

⁶³This was a promise made prematurely by the incoming Prime Minister. Little was heard of the Jha Commission report after the Interim Report was submitted in May 1969.

⁶⁴Pandey, *Nepal's Central Planning Organization*, p.200.

6. A modified system of programme budgeting and a simplified list of budget headings were introduced to encourage better analysis of the cost effectiveness of proposed projects and better work-plans.

The Fourth Plan (1970-75)

Both the new strategy of regional development and the new planning arrangements had a direct influence on the Fourth Plan, which was published on 15 May 1970. The Fourth Plan reflected, as did the Second and Third Plans, the lack of freedom of manoeuvre that large, on-going capital investment projects dictated. A high percentage of Plan expenditures were earmarked for major foreign-aided projects carried over from the Third Plan.⁶⁵ In fact, the Fourth Plan expressly recognized that most of the nation's resources would be required to complete projects begun during the Third Plan period. The Plan therefore set as one of its major objectives the consolidation of continuing projects rather than the launching of major new projects. This, of course, did not mean that there would be no new major projects during the Plan period. There would be, and all of them would be undertaken in the same way that previous projects had been undertaken. If a foreign donor agency made a good offer, it would be accepted—no matter what violence it did to the Plan. An effort would be made to steer such projects towards the objectives of the Plan. For the sake of future evaluation, the Finance Ministry and the Planning Commission would also insist on some quantification of the donor's planned financial contribution. But HMG was in no position to reject the offer of a project merely because it failed to fit into the strategy of the Plan. The Plan also included some indications of political realism. Some twenty million rupees for local development projects were allocated to the panchayat sector. The total planned expenditure was 4,730 million rupees. Domestic sources were expected to contribute 42 per cent of this, with 58 per cent coming from foreign aid and loans.

The Plan established quantified targets of a four per cent annual increase in Gross Domestic Product; a sixteen per cent increase in the production of food grains; and a forty per cent increase in cash crops. However, the Fourth Plan as the Third Plan before it, made little effort to achieve production increases of this kind. As

⁶⁵*Fourth Plan Document* p. 1-1.

will be seen in Chapter Eight, there was no planned development of the agricultural infrastructure. The budget allocated to agriculture was not proportionate to the targets set. Top-down planning, in the National Planning Commission or in the Ministry

Table XI
The Fourth Five Year Plan (1970-75)

(in millions of rupees)

Activity	Estimate	Expenditure
Transport and Communications	1050	1364
Agriculture, Irrigation, Forestry and Land Reform	663	931
Industry, Commerce and Power	470	526
Social Services	372	621
Miscellaneous	15	84
Totals	2570	3526

Source: The Fourth Plan Document, Public Sector only.

of Agriculture was not getting at the root of the problem. Elaborate plans were made for the agricultural extension service, but implementation, even quantitatively speaking, was progressively falling farther and farther behind Plan requirements.

In fact, achievement during the Fourth Plan period was considerably below targets. Gross Domestic Product grew by 2.2 per cent a year. Production of food grains increased by 1.9 per cent per year.⁶⁶ And the production of cash crops increased by only 2.0 per cent, well below the established target. The planners blamed this state of affairs on poor administration and poor project preparation. It seemed highly likely, however, that the strategy itself could be questioned.

Further Changes in the Planning Structure

On 13 April 1972 a major reshuffle of the membership of the National Planning Commission took place, and the task of

⁶⁶*Fourth Plan Evaluation (1970-75)* (HMG, National Planning Commission: undated), p. 10. (Nepali)

preparing the annual programme and development budget was transferred from the Finance Ministry's Economic Analysis Division to the National Planning Commission. In June of that year the National Development Council was established. The Council, under the chairmanship of His Majesty King Birendra, included: 1) all the Ministers, Ministers of State, and Assistant Ministers; 2) the Chairman of the Council of State and three to five former prime ministers; 3) all the members of the National Planning Commission; 4) central-level chairmen of the class organizations; 5) fourteen of the seventy-five chairmen of district panchayats (chosen so that all fourteen zones of the Kingdom as well as the Tarai, the Hills, and the Remote Areas were represented); 6) the Chairman of the Federation of Chambers of Commerce and Industry; and 7) three to five persons who had established reputations in different fields. The National Development Council's functions were clearly specified:

1. The Council will issue directives to the National Planning Commission with regard to basic policies and objectives to be adopted for periodic and annual plans, as well as the actual needs and conditions of different parts of the country.
2. The Council will direct the National Planning Commission to take appropriate steps to insure the correct implementation of development programmes on the basis of an annual review and evaluation of periodic plans.
3. If so directed by His Majesty, the National Development Council will recommend action against persons who are guilty of slackness or dereliction of duty in matters connected with the execution of plans, or the conferment of rewards.
4. Members of the Council will visit the sites of different development projects and help the National Planning Commission to remove difficulties and obstacles.
5. The National Development Council will perform other functions relating to development as commanded by His Majesty from time to time.⁶⁷

The new National Development Council seemed to be only an attempt to broaden the official arena for development discussion.

⁶⁷*Gorkhapatra*, 10 June 1972 (PD 16: 208).

In fact, however, as the Council's meetings developed, the Council became a strong review board at which ministers were asked to explain the poor performance their ministries posted in project implementation. At the Council's meetings, the National Planning Commission was in a position to use its watchdog powers effectively to ask the ministers most embarrassing questions.⁶⁸ In the presence of His Majesty King Birendra, this could be an excruciating moment of truth for ministers whose departments were delinquent in their performance. Other members of the Council also felt free to comment on the poor (or the total lack of) progress in development work in their districts. The published reports of meetings of the Council provided spicy reading for the average citizen who wanted to know what was happening.⁶⁹ The new Vice-Chairman of the National Planning Commission, Dr. Harka Bahadur Gurung, was especially outspoken in laying the blame where it openly appeared to lie. Almost from the first, the National Development Council meetings became far more than a formality, and there was an evident improvement in Plan performance.⁷⁰ Whether the Council's meetings were directly responsible for this or not, the improvement is on record. Members of the Council were also quick to point out that despite the Plan's strategy, the benefits of development were simply not reaching their districts. It was significant that the district panchayat chairmen were chosen to represent the districts rather than the Chief District Officers. This was an evident effort to give the average citizen more of a say in the deliberations of the Council, and these representatives used it to the full.

The presence of His Majesty King Birendra at the meetings added a very serious note. The tours of the country that His Majesty the King had made a regular part of his annual programme made him more aware of problems experienced in many parts of the country than the ministers or the planners. He was also quite willing to throw the weight of this judgement and authority behind ideas that struck him as sound. To aid his evaluation of the whole problem of development, he made more

⁶⁸*Gorkhapatra*, 25-27 September 1973 (PD 17: 313-17).

⁶⁹*Ibid.* In later years the reports published in the popular press have been more reserved. The meetings, however, are still lively.

⁷⁰Compare plan performance for the years 1973/74 and 1974/75 with performance in the period 1970-73.

liberal use of the *Janch Bujh Kendra*, to which highly qualified personnel were summoned to prepare reports, evaluate performance, and serve as a general think-tank for long range development policy.

All of these moves improved the existing structures. That they were still not adequate was evident by the final evaluation of the Fourth Plan. The two questions that were proving most intractable were the performance of the administration and the failure to extend development benefits to the poorer levels of society. As the Plan period continued, it became more apparent that these two questions were not merely development questions but also planning questions. One cannot plan performance, but one can most certainly plan the structures which train personnel or through which they must function.

C. Guided Planning

At the beginning of the Fifth Plan period, the planning structure that had evolved had taken on the following characteristics:

1. The National Development Council under the Chairmanship of His Majesty King Birendra provided the broad policies which directed the development effort. These broad policies were at times supplemented by more detailed policy statements prepared by special task forces which usually worked under the auspices of the *Janch Bujh Kendra*.
2. On the basis of the National Development Council's policies, the National Planning Commission had the task of formulating principles and objectives for each five year plan and monitoring plan execution. The National Planning Commission also issued an annual strategy and priorities paper that was designed to direct the efforts of the various planning units operating at the ministerial level. In addition, the National Planning Commission periodically sponsored seminars to consider common planning problems.
3. Actual plans were prepared by the ministry-level planning units. If necessary, the ministries might ask subordinate units to prepare their own annual plans and five-year projections, which the ministries would then coordinate in the ministerial plan.

The Fifth Plan (1975-80)

This was the planning structure that prepared the Fifth Five Year Plan. The Fifth Plan simplified the Fourth Plan's development corridor strategy by limiting development activity to four or five small areas within each development corridor. This seemed financially more realistic, and it was hoped that development would radiate outwards from these small areas until it filled the whole development corridor. A further refinement of the regional development concept resulted from His Majesty King Birendra's directive that development effort should be adapted to Nepal's major agroclimatic zones. Land-use activities were to be adapted to the special characteristics of the Alpine region, the Hills, and the Tarai. The Alpine region was to be given primarily to pastoral and horticultural pursuits. The Hills were to be a focal point for

Table XII
The Fifth Five Year Plan (1975-80)

Sector	(in millions of rupees)	
	Minimum Programme	Maximum Programme
Agriculture, Irrigation	—	—
Forestry and Land Reform	3,167.00	3,970.90
Industry, Commerce and Power	1,799.90	2,040.40
Transport and Communications	2,757.10	3,385.40
Social Services	1,703.00	2,007.40
Totals	9,427.00	11,404.10

Source: Fifth Plan Document

animal husbandry (milch cows and buffaloes), horticulture, and mixed farming. The Tarai was to become the granary of the nation, with special emphasis on cereal grain crops.

The Fifth Plan contained a much stronger emphasis on the rural poor. The National Education System Plan that had been introduced towards the end of the Fourth Plan period was given new stress, and assistance to rural schools was increased. Primary education was made free for all, and, where possible, textbooks were to be supplied free of cost to the children living in the poorer sectors of the country. Though no immediate improvement could be made in the quality of the instruction in schools in remote regions, HMG assumed the burden of paying the teachers'

salaries and gave as much encouragement as possible to these schools.⁷¹

In the area of agricultural credit, the Agricultural Development Bank received increased capital support to enable it to increase its

	<u>Agriculture</u>	<u>Industry</u>	<u>Services</u>
Men			
1950	2,298 (91.7%)	60 (2.4%)	148 (5.9%)
1960	2,405 (92.45%)	68 (2.6%)	129 (4.95%)
1971	3,178 (92.8%)	96 (2.4%)	151 (4.4%)
Women			
1950	1,622 (95.8%)	29 (1.7%)	42 (2.50%)
1960	1,735 (97.3%)	22 (1.25%)	26 (7.45%)
1971	1,392 (98.16%)	10 (0.71%)	16 (1.13%)
Total			
1950	3,920 (93.35%)	89 (2.12%)	190 (4.53%)
1960	4,140 (94.43%)	90 (1.05%)	155 (3.52%)
1971	4,579 (94.37%)	106 (2.19%)	167 (3.44%)
Note:	A person employed full time for 250 days per year is considered fully employed. An agriculture labourer in Nepal is employed full time on an average of 124 days per year. The statistics for agriculture labour therefore include disguised unemployment of approximately 50%.		
Source:	The 1950 and 1960 information is from the 1950-85 Labour Force Projection of the ILO. The 1971 information is from the Population Census of 1971, Central Bureau of Statistics, Nepal.		

production loans to small farmers. In conjunction with this, the percentage of Agricultural Development Bank funds earmarked for

⁷¹Initially each district was expected to bear a part of the cost of the educational institutions located in that district. However, the cost was prohibitive. Subsequently HMG assumed responsibility for salaries.

small farmer production loans was increased. The strategy of developing strong linkages between the Agricultural Development Bank, Cooperatives, and the Compulsory Savings Scheme was more clearly defined, and small farmers became one of the primary target groups. Once these institutions began to interact more smoothly, it was planned to resume collection of compulsory savings to provide capital for Cooperatives and for production loans.

Another important policy adopted by the Fifth Plan was its stress on labour-intensive (as opposed to capital intensive) technologies in construction and development work. The policy aimed at reducing the import of capital equipment for the execution of projects wherever this was feasible and providing more jobs for the rural poor. It was estimated that 269,700 (6.3 per cent of the total population) were unemployed landless labourers. It was thought that this labour intensive policy would increase the spill-over effect of development projects, so that the total gain derived from projects would include more than the finished road, dam, or building.⁷²

Even before the Fifth Plan officially began, however, planners in agricultural circles were developing the Plan's key concepts faster than had been anticipated. Some of these developments will be discussed in Chapter Nine below. At this point it need only be noted that Integrated Rural Development projects that covered whole districts, groups of districts or whole zones became increasingly popular with foreign donors. The financial arguments in favour of the Plan's Small Areas Development Programme were no longer totally valid. As a result of donor agency interest, there was adequate funding for development not only in small areas or along a development corridor but for projects in every village in the district or zone. Parallel with this were signs of increased activity in the panchayat sector. As a result of these new inputs, there were three distinct lines of development thought evident during the Fifth Plan period:

1. The sectoral programmes featured in the Fifth Plan largely reflected policies first enunciated in the Fourth Plan.

⁷²"Basic Principles of the Fifth Plan," *Gorkhapatra*, 1 March 1973 (PD 17: 87-9).

2. Conceptually, the policies and principles of the Fifth Plan were well in advance of the projects included in the Plan's sectoral programmes.
3. Integrated Rural Development strategies, under the impetus of international development thinking and donor interest, overshadowed the Fifth Plan's Small Areas Development strategy.

The fact that such strong, distinct streams of development thought should be at work simultaneously during the Fifth Plan period was indicative of the evolution in the methodology of development planning in Nepal. It was this methodology that set the stage for the new period of "guided planning".

Guided planning

"Guided planning" is an unofficial term. It is used here merely to describe the way Nepal's planning apparatus functioned during the mid-seventies. Guided planning recognizes the limitations of the ministry-level planning units and coordinates foreign financial and technical assistance with national development priorities. Guided planning is the most realistic approach to planned development that has yet emerged in Nepal—far more realistic than the esoteric flights into programme budgeting and "rolling plans" that international development thinkers have urged on developing nations.⁷³

Guided planning, as it has evolved in Nepal, presupposes that the official planning structure has functioned properly. The National Development Council under the Chairmanship of His Majesty King Birendra, the National Planning Commission, and the planning units of the ministries and departments perform as described above. Each of these bodies plays an important and complementary role in the total planning effort. Structurally, there is nothing new in guided planning.

Functionally speaking, however, guided planning is quite new. In essence, it uses two strong, donor inputs into Nepal's development effort to compensate for one present weakness in Nepal's planning capability.

⁷³The main advantage of guided planning is that it directs foreign aid into projects Nepal needs and wants. It is, however, purely functional, and is totally dependent on Nepal's planning policy and strategy for effectiveness.

The recognized weakness is the fact that ministries and departments are unable to cope with the combined demands of plan execution *and* long-range planning. There is simply not enough trained manpower to perform both of these functions well. Secondly, even if manpower were available, the costs of feasibility studies and project preparation are an impossible financial burden for HMG. The Planning Commission has tacitly recognized this situation. From ministries and departments it wants step-by-step work plans rather than vague projections. No ministry or department is discouraged from making long-range plans, but no one seems overly concerned if these are not forthcoming. A good work-plan for the coming fiscal year and a tentative programme for the following year seem to satisfy the National Planning Commission's requirements provided they conform to the current planning objectives. The ministries and departments, freed of the obligation of producing long-range plans and projects, are able to concentrate on plan implementation without struggling with the imponderables of possible financing for possible projects. Their energies can be concentrated on project implementation and executing programmes for which HMG has already secured donor agency funding.

What the ministries and departments cannot do because of a lack of personnel and funds, the donor agencies not only are willing to do but are often required to do by the policies that govern them. They have the funds and technicians at their disposal to carry out both feasibility studies and project design. In recent years donors have shown greater willingness to collaborate with Nepalese agencies such as the Agricultural Projects Services Centre, the Industrial Service Centre, or the Centre for Economic Development and Administration, in which case they pay not only their own technical costs but also the cost of Nepalese collaboration. The use of donor agency services in feasibility studies and project preparation often leads to donor agency involvement in the project itself. Donor agency involvement in all phases of project development, from feasibility studies through project design to the actual project preparation has tended to give them greater confidence in the viability of projects and encouraged them to make long-range commitment

of funds to the project.⁷⁴ The long lead-time during which the project is worked into shape has also given Nepal the advance commitment of funds that planners had long seen as necessary for planning strategy.

The final step in the evolution of guided development was taken with the institution of the Nepal Aid Group in 1976. The Nepal Aid Group includes most of Nepal's major donors. In preparation for meetings of the Nepal Aid Group, the World Bank prepares a detailed evaluation of Nepal's economic position, development strategy, and economic needs. This provides the background for HMG's own presentation, which includes a statement of Nepal's development strategy and priorities. Also included is Nepal's "needs" list of possible projects, arranged according to sector and priority. For some of these projects feasibility studies conducted under either World Bank or UNDP auspices have already been completed. For other projects the "needs" list specifies that feasibility study is required. The response to this dual presentation has been encouraging. Donors receive a clear statement of Nepal's felt needs, which they are free to discuss among themselves and with representatives of HMG. And Nepal has a forum at which its own needs can be made known.⁷⁵

The use of this "needs" list and the forum of the Nepal Aid Group comes under official Nepalese guidance in two ways. First, the "needs" list reflects national priorities as established both by the National Development Council and the National Planning Commission. Secondly, before agreements are actually signed between donor agencies and the HMG, the Foreign Aid Desk of the Finance Ministry ensures that the agreement covering the proposed project is in line with the priorities and strategy specified for the current plan period.

The "needs" list is prepared through group effort. Concerned departments and organizations are polled for projects that they think are useful or promising. Each department or organization polled submits a list of projects with appropriate priority ratings to the Foreign Aid Desk of the Finance Ministry. These lists are

⁷⁴Dr. Bhekh Bahadur Thapa, Statement to the Nepal Aid Group, Paris, 1978.

⁷⁵The Nepal Aid Group meetings are of two levels: 1) the meeting with senior financial spokesmen of the donor members, and 2) the meeting of local donor agency directors. Both types of meetings provide a useful exchange of views.

consolidated and screened, so that the final list presents a well-balanced group of project proposals that represent each sector's needs. Priorities are assigned on the basis of the overall national strategy for economic development. The final list is circulated among donors for their comment well in advance of the meeting of the Nepal Aid Group. Donors have an opportunity to study the strategy and "needs" list carefully and consult on it, and the meeting itself can lead to an informed discussion of Nepal's needs and the donors' abilities to help meet these needs.⁷⁶

Guided planning is the result. HMG is not burdened with detailed project preparation for projects for which funding may never materialize. The interest of donors can be channelled into sectors and projects that reflect Nepal's own felt needs and national strategy. And the administration can concentrate on project and plan execution without being overly burdened with a strict planning function. How effective guided planning will prove over the long term is something that only experience will tell, but it seems to bring donor agency cooperation under Nepalese guidance while making the best use of HMG's administrative and executive ability. The tempo of inter-agency discussion of Nepal's development problems with concerned departments of HMG has increased, and planning seems to have taken the lead in developing long-range strategies rather than following the initiative of donor agencies. There have undoubtedly been problems in the functioning of guided planning, and it is not without its drawbacks. But so far the gains have outweighed the losses. It seems reasonable to conclude with a fair amount of assurance that development planning in Nepal will continue to build on this combination of planning and donor agency coordination for some years to come.

⁷⁶The World Bank prepared Background Paper combined with the Finance Ministry's Background Paper and Needs List provide excellent material for informed discussion.

APPENDIX I

Memorandum 2 on Five Year Plan for Nepal

Harry B. Price

Economic Advisor (U.N.)

Subject: PATTERN FOR DEPARTMENTAL SUMMARIES

Introduction

1. I understand that, commencing shortly, a series of conferences is to be held between the heads of the participating Ministries and Departments, with their principal assistants, and appropriate officers of the Ministry of Planning and Development – in order, *first*, to ensure agreement on major points of policy and program for each section of the Five Year Plan, and *second*, to discuss the method by which each section can best be brought into line with available financial and other resources, and summarized for presentation to the Planning Commission.
2. Following preliminary discussions I am attaching hereto a suggested outline or pattern which might be followed, with necessary variations and modifications, in developing summaries to be presented to the Planning Commission. A few general points should perhaps be emphasized.
 - a. It is expected that the Ministry of Planning and Development will itself prepare a covering section for the Five Year Plan which will deal, in general or overall terms, with:
 - The Scope and purpose of the Five Year Plan and the progress envisaged during the period of the Plan;
 - Guiding principles and policies for the Plan as a whole;
 - The economic rationale of the Plan;
 - A summary of Governmental action proposed through direct outlays, with an indication of priorities;
 - A summary of other governmental action planned in order to facilitate dynamic economic growth, with an indication of priorities;
 - A review of available sources of financing, indicating probable orders of magnitude;

- A broad resumé of actions to be undertaken during the first year (or two years) of the plan's operation, with proposed budget figures to cover;
- A frank recognition of shortcomings in the Plan as presented and a discussion of remedial measures to be undertaken during the first year of operation; and
- A transitional introduction to the individual sections of the plan, to follow.

Such a covering section should reduce the need for repetitious treatment, in the Departmental summaries, of the more comprehensive features of the Five Year Plan as a whole.

- b. Out of statements of purposes applicable to major sections and sub-sections of the Plan it is most important that clear-cut *programs of action* should emerge. It is recommended that a distinction be made, throughout the presentation, between activities contemplated during the five-year period as a whole – which must necessarily be rather tentative and provisional in nature – and the activities to be undertaken during the first two years – which should be presented in more definite and specific terms.
- c. As is typical in early planning studies, the present coverage in each major section of the Five Year Plan is more comprehensive than selective. Careful *selection* of the activities that are to be emphasized and supported is now imperative in view of existing limitations in organization, finance, trained personnel, and readily available physical resources.
- d. What are the *criteria* to be applied in the making of such selections? It is essential that these be determined and set forth clearly. The following criteria are suggested for consideration, along with others that may be added, in deciding which programs and projects are to be retained, and which deferred, in light of current budgetary and other limitations. Projects to be retained, it is suggested, are those which:
 - i. are *capable of early expansion*, to the benefit of the population sector concerned and of the national

- economy at relatively low cost and with currently available or rapidly obtainable personnel; or
- ii. are *well adapted for training* urgently needed personnel; or
 - iii. will contribute to the growth of administrative organs essential to the carrying out of priority activities; or
 - iv. may be expected to contribute significantly to the *early expansion of available resources* or
 - v. are responsive to local initiative or expressed desire among the segments of the population most directly concerned; or
 - vi. *may be well and readily integrated with other priority activities* envisaged under the Five Year Plan; or
 - vii. are *important for the wise planning* of future operations – through such foundational work as the conduct of carefully selected and well conceived surveys and research projects.
- e. An effort has been made, below, to envisage an *attainable* pattern for the Departmental presentations to the Planning Commission rather than to set up an ideal or "perfectionist" pattern beyond possibility of realization in the limited time available.

Suggested Pattern for Departmental Summaries

1. Five Year Plan for ----- (total area of activity) Background: recent history; present stage of development; and any available and reliable statistics on resources (utilized and unutilized, geographical and occupational distribution, employment, production levels, etc. (1-2 pages)
2. Objectives: results to be sought during the next five years. (1/2 page to 1 page)
3. Major hindrances to development. (1 page)
4. Basic policies and principles to be followed, and methods to be employed (to be stated in broad terms), in carrying out the Five Year Plan. (Approx. 1 page)
5. Broad program of action contemplated: A summary, with supporting rationale, of the inclusive program envisaged, taking into account current limitations in resources and personnel, with an indication

of priorities and phasing and of anticipated benefits to the population concerned and to the national economy as successive stages in the Plan are brought to fulfilment. (2-3 pages)

6. Specific actions to be undertaken during the first and second years:
 To put policies into effect (1/2 page) and
 To ensure the observation of suitable criteria in the selection of projects for emphasis and support during the first two years of the Five Year Plan. (1/2 page)
7. Organizational evolution as now visualized (but subject to modification in the light of experience) for the execution of the Department's section of the Five Year Plan in its successive phases (1 page)
8. Personnel needs, types of training required; currently available and projected training facilities – with emphasis on definite, specific plans for the first two years, to the extent that these can be set forth. (1 page)
9. Legislation or broad administrative orders (if any) to be recommended. (1/2 page)
10. Tentatively estimated costs (within revised totals to be determined) for successive years under the Five Year Plan, and for annually recurring costs for maintenance and/or continuing expansion thereafter – over and above the current or "normal" Departmental budget for the area of activity concerned. The following skeletal table (1 page) might be adapted, with necessary modifications, for use by the participating Departments:

Segment of Program	Requirements and Estimated Costs					<u>Totals</u>
	<u>1st</u> <u>Yr.</u>	<u>2nd</u> <u>Yr.</u>	<u>3rd</u> <u>Yr.</u>	<u>4th</u> <u>Yr.</u>	<u>5th</u> <u>Yr.</u>	
Personnel						
Nep
For
Eq. & Supple.						
Nep
For
Administration
Training (if any)
Project op'ns
Totals

B. Five Year Plan for Each Departmental Segment

Note: This should not repeat, under each heading, what is covered under the foregoing general resume, but should add thereto facts and considerations specifically applicable to the more limited area of activity concerned. Suggested is a total of, say, up to 3 or 4 pages for each segment with single paragraphs or tables covering:

1. Present status
2. Resources and potentialities
3. Obstacles to development
4. Aims and purposes (beyond general purposes covered in Departmental Summary)
5. Listing, with succinct characterization of each, programs and projects contemplated under the Five Year Plan indicating those considered to be of the highest priority and therefore to be emphasized during the first two years.
6. Organizational changes planned for execution of FYP
7. Training activities to be undertaken during 1st 2 years
8. Surveys and research to be undertaken during 1st 2 years
9. Anticipated benefits in successive years to the population segment concerned and the nat'l economy.
10. A table, patterned on that for the Dept. as a whole, but showing in greater detail requirements and estimated costs. Totals of figures for segments should form a basis for departmental totals.

APPENDIX II
MEMORANDUM 8 ON FIVE YEAR PLAN FOR NEPAL

Harry B. Price
Economic Advisor (U.N)

Subject: Comment on Roads Section of Five Year Plan

1. This comment is based upon two documents; (a) One prepared in the Ministry of Transportation and Communications entitled "Draft for Five Year Plan: Roads"; and (b) one prepared jointly by Nepalese, Indian and American experts entitled "Outline of a Project for Road Development in Nepal." It is assumed that the second of these documents, having been prepared later, supersedes the first as regards topics treated by both, such as general background; construction principles; technical specifications; construction plans and priorities – including the tentative selection of alignments for the period of the Five Year Plan; organization of the Highway Board; requirements; and estimated costs. It is also assumed that separate treatment will be given, in the Five Year Plan, to ropeways and railways.
2. The present memorandum does not attempt any review of the more technical aspects of the above documents; assurance on this point is provided by the quality of the presentation and the caliber of its joint authorship. We are here concerned primarily with the requirements of a presentation of the Five Year Plan for Roads to the Cabinet, the Planning Commission and the public; and with certain points of emphasis or policy which appear to warrant some further consideration.
3. It is suggested that the second of the above documents should serve as the major basis for the Five Year Plan presentation, but that the first be utilized in connection with a few topics not treated in the second.
4. The "Outline of a Project for Road Development in Nepal" is presented in a 20-year perspective, with an indication, however, of priorities and phasing with special reference to the first five years.

In preparing for submittal the Roads section of the Five Year Plan, the benefit of a long view (20 years) should be retained, but with perhaps greater proportionate emphasis upon the first five years, and upon phasing of the work during that initial period. It might be well to insert two maps instead of one, the first showing in greater detail existing roads and construction plans for the main classes of roads during the period of the Five Year Plan, and the second showing tentative alignments in prospect for the 20-year span.

5. In view of the current shortage of reliable quantitative information regarding existing resources, agricultural and industrial production (including small-scale and cottage industries), the volume of trade and passenger traffic along the general route of each proposed alignment, potential development in each of these categories, and other basic economic data, it is important, that, consistent with technical requirements in planning, the proposals developed at this stage should have some degree of flexibility. This is recognized directly or by inference in both documents and is mentioned here only for emphasis, since the course of economic development during the next few years cannot now be foreseen except in tentative terms.
6. The question is raised for consideration as to whether east-west road transportation in the Tarai should be largely skipped in the longer-term, or even in the shorter-term perspective, thus linking, within Nepal, the proposed north-to-south alignments. If this is done because an east-west railway is to be preferred, taking into account all factors including costs and prospective traffic this should perhaps be explicitly stated as a tentative opinion. If for other reasons (fuller than those stated in the second document) it is deemed impractical or inexpedient to consider such an east-west link, this should perhaps be explained more adequately.
7. The consideration given to the training of Nepalese operating and administrative personnel, at all levels, to shorten the period and the extent of need for external aid and to develop competence for maintenance and further improvement and expansion in the future, appears rather incomplete. Would it be possible to analyze and treat this subject more fully?

8. Some topics, touched upon in the first above-mentioned, but not the second, call for brief further comment, namely, contract labor, taxation, the role of Government in relation to private enterprise, and research conducted by the Nepalese Government.
9. In view of the abuses that have frequently occurred in other countries in connection with contract labour for public construction work, it is suggested that further analysis be given to the means for preventing such abuses or, alternatively and perhaps preferably, to other means for engaging, supervising and paying such a labour force. This is especially important in view of the emphasis placed, in the proposed project, upon manual labor—for reasons of economy, employment etc.
10. Since, under the project, a very large proportion of the total costs would be met from foreign aid sources, the pressure for taxation to meet initial construction outlays is substantially reduced. The question of taxation is an intricate one, with many ramifications. It is suggested, therefore, that after further study statements on this subject be made in tentative terms only, with an indication that the subject will receive careful further analysis during the first year of the Five Year Plan.
11. The same suggestion is proffered as regards the respective roles of public and private enterprise in this field, the terms under which construction or maintenance contracts would be authorized, etc. There is time, during the first year, for such further study, and it is important that detailed decisions in this area be well considered before they are enunciated.
12. A final point which should, it is suggested, be made clear is the extent to which the Roads Board will provide adequate research facilities and initial studies, the way in which Nepalese participation in the responsibility for such research may be increased, and the implications that may follow respecting separate research facilities—for specific areas of study.

CHAPTER EIGHT

RESULTS: THE TOUCHSTONE OF PLANNING

While assessing projects, attention should not be confined to the percentage of achievements and shortfalls.¹

For twenty-five years, Nepal's effort at planned development has been a constant juggling act. Foreign aid, administrative changes, political developments, and economic models have all figured in the act. Throughout the administration, planners have been forced to keep things moving—never permitted to stop and concentrate on a single item—always fighting deadlines. Life went on, whether the planners were out in front (where they belonged) or tagging along behind the developments of national life. In Chapter Seven we saw the slow evolution of a planning structure and a functional approach to planning that promised to bring a semblance of rhythm and harmony into the many disparate parts of the planning act. In view of the difficulties experienced during the evolution of this planning process, it may seem unfair to analyze the results of planned development. However, planners exercise such power over the lives and fortunes of every citizen that it would be more unfair to pass over the planners' performance without comment.

This chapter has very limited objectives. Transportation, education, and agriculture are three sectors on which the future of Nepal rests. Transportation has been, and always will be, the major constraint to Nepal's development. Education holds the key to the future. And agriculture, which provides work for nine out of every ten Nepalese, is the heart of Nepal's economy. For years to come the spread of development benefits will depend on progress in agriculture. This chapter will study the impact of planning in these three sectors. Only two questions will be asked. What did the planners say they would do? And what did they actually do? Results are the best test of planning.

A. Transportation

The development of Nepal's highway network was unique. Planners never had any doubt about the priority of highways, nor, during the first four Plans, was finance a problem. Sometimes donors were reluctant to accept HMG's priorities, and at times construction grants did not materialize as rapidly as planners

¹His Majesty King Birendra.

might have liked. But the money always seemed to come. And the money was spent. The absorptive capacity for highway construction was much higher than in any other sector precisely because donor agencies were able to side-step three constraints:— There was no requirement that highways be built exclusively with Nepalese labour. Nepalese engineers and management personnel were not employed in meaningful positions either in project management or execution. Nor did highway projects include a training programme for highway maintenance. The highway programme produced highways. And that was all. The best evaluation of Nepal's planning performance in this sector is the simple narrative of how Nepal's present highway network came to be.²

Pre-Plan Period Highways

In 1951 Nepal possessed a total of 375 kilometres of roads. Of this total, five kilometres were pitch roads, eighty kilometres were gravelled, and the remaining 290 kilometres were fair-weather roads.³ Nepal also had a tentative plan for an East-West highway and a very definite plan to construct a road linking Kathmandu Valley with Bhainsi Dobhan via a tunnel at Kulekhani.⁴ In January 1952, when a Nepalese delegation first approached Prime Minister Nehru for development assistance, Nehru ignored the East-West highway and set aside the Bhainsi Dobhan road in favour of a new mountain road to be built by Indian Army engineers. This road became in due course the Tribhuvan Rajpath, which is today the most important single highway in Nepal. There are several popular misconceptions about the Tribhuvan Rajpath. A common error concerns the terminal points of this highway. Although the Tribhuvan Rajpath now extends from Kathmandu to Raxaul (on the Indian border), the original terminal points were Bhainsi Dobhan in the Tarai and Thankot at the edge of Kathmandu Valley.⁵ Only later was the Tribhuvan Rajpath

²See Aran Schloss, *Transportation and Development in Nepal: An Inquiry into the Dynamic of Development Administration and Development Policy Making* (Ph.D. Dissertation: 1977), for a detailed analysis of Nepal's planning effort in the transportation sector.

³Ibid., p. 24.

⁴Toni Hagen, *Nepal* (New Delhi: 1971), 3rd edition, pp. 149-50.

⁵The Bhainsi-Dobhan-Raxaul link was built under the auspices of the RTO. How much of this link was completed when the RTO was dissolved

extended to Tripureshwar on the northern end and an additional 74 kilometres to Raxaul on the southern end. It has frequently been suggested that this highway was strictly the result of Indian initiative.⁶ This is not completely true. Nepal had long wanted such a highway. The alignment was Indian; the initiative was Nepalese.

Nepal's second major highway project was the British-built Jogbani-Dharan highway, a 53 kilometre road built in the period 1953-58. The initiative for constructing this road was British. They required adequate communications to service the new British Gurkha recruiting centre established at Dharan.

Table XIV

1957 Suggestions for Road Construction⁷

- 1 Raxaul- Amlekhganj-Hetaura
- 2 Nautanwa-Bhairahawa-Tansen-Pokhara
- 3 Kathmandu-Trisuli-Gorkha-Pokhara
- 4 Kathmandu-Dhulikhel-Sindhuli-Jaleshwar
- 5 Dharan-Dhankuta-Bhojpur
- 6 Dhankuta-Taplejung
- 7 Bhojpur-Pyuthan
- 8 Nepalganj-Surkhet
- 9 Salyan-Pyuthan
10. Dhangadi-Baitadi

The Twenty-Year Road Programme

Formal planning for a highway network for Nepal began only in 1957, when King Mahendra requested a special committee under the Chairmanship of Surendra Shamsher (Secretary for Transport and Communications) to prepare a plan to improve communications between Kathmandu and other parts of Nepal.⁸ With the assistance of Indian and American advisors, a draft programme was submitted within one week recommending ten

is not clear from available records.

⁶Schloss, *Transportation and Development*, p. 146.

⁷*Halkhabar*, 22 August 1957 (PD 1: 79).

⁸*Gorkhapatra*, 22 July, 1957 (PD 1: 63).

major roads. This programme was published on 22 August.⁹ Three days later, U.S. Ambassador to Nepal Elsworth Bunker announced at a press conference in Kathmandu that the United States was granting Nepal five million dollars for road construction during the first three years of the First Plan and that a further two and one-half million dollars might be given.¹⁰

This tempo was maintained despite the aberrations of K.I. Singh's Two Year Crash Programme.¹¹ In October 1957, while K.I. Singh was still prime minister, G.R. Nagia, an Indian advisor to HMG, submitted a twenty-year plan for the development of a road system in Nepal.¹² This document became the basis for tripartite discussions between Indian, American, and Nepalese experts, whose final report, "An Outline of a Project for Road Development in Nepal", was accepted by the Ministry of Development and Planning as superseding the Roads Department (HMG) proposals for the First Five Year Plan.¹³ Harry B. Price, UNTAA expert in the Ministry of Development and Planning, circulated a memorandum on this document that showed insight and in many ways proved prophetic.¹⁴

1. Price recognized the value of a twenty-year perspective, but asked that the programme spell out in greater detail the steps to be taken in the first five years of the programme.
2. As far as the suggested alignments were concerned, Price urged that considerable flexibility be allowed, since there was little data on the volume of passengers or goods that might be expected to move along any given route.

⁹*Halkhabar*, 22 August 1957 (PD 1: 79).

¹⁰*Gorkhapatra*, 26 August, 1957 (PD 1: 79), and *Halkhabar*, 25 August 1957 (PD 1: 79).

¹¹See Chapter Seven.

¹²*Commoner*, 20 October 1957 (PD 1: 116).

¹³Cf. Harry Price, Memorandum No. 8, contained in Appendix II of Chapter Seven.

¹⁴This memorandum, taken in conjunction with the donor agencies' suggestions on a roads programme, indicates quite clearly the delicate position in which Nepal's planners found themselves during those early years.

3. Price also suggested that the possibility of an East-West highway not be dismissed arbitrarily, and that if the experts thought such a highway unacceptable, stronger economic arguments should be proposed than had been suggested in their twenty-year perspective.
4. He pointed out that no adequate provision had been made for the training of Nepalese personnel at all levels of highway construction and that the roads programme was being advanced without adequate concern for the future maintenance and development of roads in Nepal.
5. Price also raised the question of contract labour and suggested that this might well be one of the most serious aspects of the whole programme.
6. He urged in addition the importance of establishing a highway research unit as well as the training of Nepalese personnel in all aspects of such research.

Despite these objections, Price suggested that the Ministry of Development and Planning accept the proposal as being technically more sound than anything that could be prepared at that time by HMG working alone.

From the accompanying time-chart, it is apparent that only two major roads had been constructed or were under construction at this time: the Indian-built Tribhuvan Rajpath and the British-built Jogbani-Dharan road. The Tribhuvan Rajpath had been officially opened in 1956, but was not handed over until June 1957.¹⁵ Some construction was completed even after that time. Official records called it an ongoing project until 1959.¹⁶

The Regional Transport Organization, a tripartite organization including Indian Aid, the USOM, and HMG, was established on 2 January 1958 to carry out the twenty-year road programme. The RTO set itself an initial target of 1450 kilometres of roads. This coincided with the target of the First Five Year Plan, and from Price's memorandum, it seems clear that this organization was expected to plan and execute the whole Five Year Plan road programme. Three and one-half years later, on 29 June 1962, the RTO was dissolved. The Indian and American

¹⁵*Naya Samaj*, 30 June 1957 (PD 1: 51).

¹⁶See Ramesh Upadhaya and Arie Beenhakker, *A Guide to Nepal's Development Efforts* (HMG, Kathmandu: 23 August 1970). (mimeo)

experts could not work together because of differing policies and technologies, and the HMG representative was unable to impose a sense of common purpose on them.¹⁷ During these years over a million dollars worth of equipment had been brought into Nepal. But very little actual construction had been achieved. Mihaly reported that the RTO revised its initial target downwards from 1450 kilometres to 500 kilometres, but the RTO was unable to meet even this limited target. In three and one-half years they had built 39 kilometres of paved roads, graded another 311 kilometres, and gravelled 66 kilometres. In addition, they managed to construct a total of 240 kilometres of jeepable trails.¹⁸

The Mahendra (East-West) Highway

Nepal's planners dreamt of an East-West highway. Without such a road, communication with different parts of Nepal meant crossing the border into India, using the Indian railway system to reach an appropriate jump-off point, and then re-crossing the border into Nepal. This was politically unacceptable and economically debilitating. During 1958 and 1959 efforts were made to interest both the Indians and the Americans in the East-West highway project, but the cost of constructing such a road was more than either donor was willing to pay. The foreign aid sweepstakes in Nepal had not yet begun, and at that time the only available bidders were the Americans and the Indians. If they would not finance such a highway, the project was dead.

Nepal did manage to persuade the Russians to include an agreement to survey an East-West highway alignment in the general agreement on technical and economic cooperation signed on 29 April 1959.¹⁹ But little progress was made on the actual survey.

The 114 kilometre Arniko highway from Kathmandu to Kodari on the Tibet border was the outcome of King Mahendra's October 1961 visit to China to sign the Nepal-China border treaty. At the last minute the Chinese included an agreement for a highway linking Kathmandu with the border as a part of the border treaty package. The King instructed the prime minister to

¹⁷Eugene Mihaly, *Foreign Aid and Politics in Nepal* (London: 1965), p. 128.

¹⁸*Ibid.*

¹⁹*Ibid.*, p. 98.

sign the agreement, but insisted that the new highway be routed through Kodari rather than follow the shorter alignment through Rasuwa that the Chinese suggested. The highway would thus pass through several districts of eastern Nepal before swinging north towards the border.²⁰ In constructing the Arniko highway, the Chinese performed above expectations and in the process developed the first adequate solution to the problem of employing Nepalese labour in road construction without serious delay in their construction time-table.

The 1959 Russian agreement to survey the alignment of the East-West highway had still not been fulfilled when the Congress government was turned out of office in December 1960. Owing largely to King Mahendra's efforts, this survey finally began in 1961 and was "completed" the following year.²¹

There were still no donors for constructing the highway. King Mahendra accordingly made a valiant, but largely fruitless, effort to mobilize the Nepalese people to construct the highway. The East-West Road Central Construction Committee met for the first time on 31 January 1962. Shortly thereafter teams of villagers went to work in an effort to cut a road through the Tarai jungle.²²

Meanwhile, Indian Aid proved that the Indian commitment to Nepal's long-range road programme had not been lightly given. The RTO had originally undertaken the 69 kilometre Kathmandu-

²⁰The question of a Kathmandu-Lhasa highway was first raised by Nepalese merchants in Lhasa as the third point in a ten-point memorandum submitted to the Nepalese government in 1956. The memorandum dealt with the question of improving Nepal-Tibet trade. In January 1957, when Chou En Lai visited Kathmandu, Nepalese traders again raised this question — this time in Kathmandu. Chou En-Lai's response was not encouraging. Although the Chinese raised the question of the Kathmandu-Lhasa highway on the diplomatic level first, the question seems to have been raised earlier by Nepalese traders. See A.S. Bhasin, *Documents on Nepal's Relations with India and China 1948-61* (New Delhi: 1970), p. 263, note 1.

²¹*Kalpna*, 15 October 1960 (PD 4: 245). The survey was apparently never completed as it should have been. Loose ends were left hanging, and Indian Aid had to do much of its own survey work in the area near the Mechi River.

²²*Naya Samaj*, 31 January 1962 (PD 6: 25); and *Gorkhapatra*, 20 April 1962 (PD 6: 76).

Trisuli road. After the dissolution of the RTO, Indian Aid completed this road. In some respects this was pragmatic, since this road was essential to the construction of the Indian aided Trisuli hydro-electric project. But when India agreed to construct the 184 kilometre Siddhartha Highway (from Sunauli in India to Pokhara in Nepal's western Hills), it was evident that India was quite prepared to go ahead with the original road programme as time and finances permitted. The Siddhartha highway was second on the list of roads the RTO had planned to construct. Construction of the road was supervised by Indian experts, and the whole project was handled along the same lines as similar projects in India. Sectors of the road were let on contract and construction proceeded at the sedate pace that marked Indian projects in general.

Table XV
Road Construction Progress

(cumulative totals)

	All-Weather	Fair-Weather	Total
1951	88 km	288 km	376 km
1955	259 km	365 km	624 km
1961	343 km	569 km	912 km
1962	420 km	670 km	1090 km
1965	436 km	1390 km	1826 km
1970	1256 km	1474 km	2730 km
1975	1985 km	1703 km	3688 km

Indian aid, however, would still have nothing to do with the East-West Highway. This had not been on the original list of planned highways, and it offered India no immediate gain. King

Mahendra, however, was not to be denied. In 1963-64 he discussed his highway with the Chinese, who signed an agreement to construct the Janakpur-Pathalैया sector.²³

At this point, India set aside its original objections and agreed to participate, on the condition that China would not. The Chinese gracefully accepted this and changed their commitment to the 174 kilometre Prithivi Highway (Kathmandu-Pokhara), which had been number three in priority of the RTO programme.²⁴

When the Indians committed themselves to a sector of the East-West highway, the Russians also agreed, and in a short time there was commitment for two sectors: one from the eastern border of Nepal to the Kamala River, the Kankarbhatta-Dhalkewar sector, to be built by Indian Aid; the second, the Dhalkewar-Pathalैया sector, to be built by the Russians. The problem of bridging the Kamala River, which was necessary to complete the eastern section of the East-West Highway, was temporarily unresolved. Indian aid eventually spanned this difficult river with an excellent bridge at the cost of 45 million rupees.²⁵

India also built a road from Jaleshwar on the Nepal-Indian border, north through Janakpur to the East-West highway.

The Master Plan and Secondary Roads

In 1964 the Planning Ministry requested the World Bank to prepare a master plan for the development of a transportation system in Nepal. Because of the intense debate over alternative transportation strategies, no long-range planning had been done for the transportation sector as a whole. The World Bank accepted. The team deputed set about their work in three phases. They first studied Nepal's transportation needs on the basis of an economic analysis of all previous studies of the transportation problem in Nepal. From this they produced a master plan, which in turn served as a basis for a five-year plan of activity in the transportation and communications sector. The World Bank study (submitted in 1965) came out strongly in support of roads and road transportation as the primary means of

²³Schloss, *Transportation and Development*, p. 162.

²⁴Cf. above, Table XIV.

²⁵Interview with the Director, Indian Cooperation Mission. The published costs of the bridge have neglected to mention the costs of river training works that were essential to the construction of the bridge.

transportation for Nepal. In this connection, the World Bank team recommended:

1. That a clear distinction be made between Nepal's primary road system, which would be maintained by HMG's Roads Department (they preferred new nomenclature and suggested "Roads Authority") and a network of secondary roads to be constructed and maintained by the panchayat sector; and
2. The rationalization of road construction and road maintenance.²⁶

The World Bank study prompted HMG's Department of Roads to prepare, with UNDP assistance, a new plan, *A Revised Twenty Year Road Plan (1967)*, that identified the "nodes to be connected by road, designed the general shape of the network, estimated costs,... maintenance and establishment costs, and an annual expenditure forecast for the twenty year period 1965-84."²⁷

In September 1968, HMG asked the UNDP to plan a secondary road system. A project was approved in early 1969 according to which the UNDP and the Ministry of Transport and Communications would:

1. Carry out a reconnaissance survey:
 - a) to determine the need for secondary roads,
 - b) to determine the general shape of the secondary roads network;
2. Carry out feasibility studies for the selected 1,000 kilometres of secondary roads; and
3. Conduct a preliminary investigation of the existing transportation situation in the Kathmandu-Birgunj corridor and recommend steps that HMG should take to provide adequate transportation in that corridor in the future.²⁸

The survey and feasibility studies were given on contract to an Italian consortium of consulting engineers (COALMA: Comtec, Alpine, and Studio Macchi), who published the results of their

²⁶Schloss, *Transportation and Development*, p. 35.

²⁷United Nations Development Programme, *Road Feasibility Studies, Construction and Maintenance/Nepal* (UN Report DP/UN/Nep-69-516/1), p.1.

²⁸Schloss, *Transportation and Development*, p. 39.

reconnaissance survey in December 1970 and their feasibility study in May 1973. On the basis of these studies, thirteen roads totalling 1,116 kilometres were recommended as economically viable. Additional findings and recommendations on these roads and steps to be taken in the implementation stage were furnished in a 1975 UNDP report.

Both of these studies complemented the 1957 roads programme. Three of the roads listed in the 1957 programme had been constructed or were under construction at the time of the World Bank study. Three more would be undertaken:

1. In 1968 the Dhangadi-Dandeldhura Highway would be taken up;
2. In 1976 the Nepalgunj-Surkhet road would be begun; and
3. In 1978 the Dharan-Dhankuta extension of the Jogbani-Dharan Highway would be undertaken.

As a result of the World Bank study and the UNDP report, Nepal had confirmation in its primary roads programme and a blueprint for thirteen feeder roads. Actual construction of these would have to wait until Nepal found donors willing to invest in these projects. The 1957 programme continued to be the blueprint for planning major roads, although additions were made as Nepal's awareness of its communications' needs increased. The World Bank study and the UNDP study also stressed the need for rationalized road maintenance in Nepal and the development of a maintenance delivery system, issues that Harry Price had raised in 1957. There had been some progress on road maintenance. A British grant provided technical assistance for training programmes in road maintenance (1973-79). And a UNDP grant provided technical assistance in truck maintenance (1973-77). The Fifth Plan, which allocated 60 million rupees for road maintenance was the first plan even to mention road maintenance, and this allocation merely reflected grants already received. Road maintenance was not mentioned in the Strategy and Priorities paper until the fiscal year 1977-78.

The momentum of the road programme continued. Even before Indian Aid had completed the Kankarbhitta-Dhalkewar sector of the East-West Highway, India agreed to construct the Butwal-Nepalgunj sector. This was begun in 1972. The British constructed the 120 kilometre Narayanghad-Butwal sector (1968-76), and an Asian Development Bank loan financed construction of the Hetaura-Narayanghad sector (1976-continuing). It is evident

now that the total East-West Highway will be completed.²⁹ In addition to this, it seems that a second East-West road in the mid-Hills will also be built. In the west, the Chinese have agreed to build the Surkhet-Pokhara sector of this highway, and in the east, India has agreed to survey the alignment of the sector from Dolalghat to Dhankuta. The Dolalghat-Kathmandu-Pokhara sector comprises sections of the already completed Arniko Highway, the Tribhuvan Rajpath, and the Prithvi Highway. The British have already begun construction of an extension of the Joghani-Dharan Highway from Dharan to Dhankuta. Presumably this will link with the proposed Dhankuta-Dolalghat-Kathmandu-Pokhara-Surkhet Highway. It also seems evident at this time that fair-weather roads constructed at the local level will far exceed the number of feeder-roads recommended in the UNDP study. The Chinese have undertaken a road linking Narayanghad in the Inner Tarai with Gorkha in the mid-Hills by way of Mugling on the Prithvi Highway. This is a leading indicator. Highway construction has high prestige value. Other donors will probably build highways to link existing roads—perhaps not immediately, since the present thrust in foreign aid is towards a "basic needs" strategy—but in the foreseeable future.

Critique

In the first twenty-five years of its development era, Nepal has acquired a very impressive network of major roads that seems likely to expand into a more than adequate communications network. The impact of these roads on the economy has already been substantial, and this will increase steadily as the years progress.³⁰

This fact has not settled the debate over the construction of roads that was presented in Chapter Six, but it is doubtful if that debate will ever be settled, since it feeds on such differing philosophies of development. The basic criticism of the road development programme in Nepal has centred on inefficiency in management and the failure to plan a maintenance system to parallel the development of roads. The suggestion that the roads

²⁹There is still some difficulty in getting funding for the far western sector, but once the highway reaches Kohalpur, the economic advantages of finishing that last sector will be much clearer.

³⁰There have been several negative studies of the road system in Nepal. Most of the major points these studies raise have been mentioned in Chapter Six.

themselves were the result of political pressure is an exaggeration that is for the most part unfounded. There was a plan as early as 1957 that governed the construction of most of the roads built in Nepal. The only major roads not included in that plan but built since then were the East-West Highway, the Arniko Highway, and, of course, the Kathmandu Ring Road.

Harry Price's 1957 objections to the Highway Plan had little to do with the routes along which roads should be built. His major objections were three: labour, maintenance, and research.

The problem of recruiting Nepalese labour for construction work on roads is one that has not been solved.³¹

In terms of practical solutions, the Chinese and the Swiss (Lamosangu-Jiri road) have arrived at slightly different but workable solutions. The results have been good. Chinese management techniques divided the total construction work into a series of small tasks that could be performed easily by local labour. Hired labour was paid on the completion of each task at a set rate regardless of the time required. The system had built-in incentives and eliminated the need for local contractors. The Swiss have preferred to work with small Nepalese contractors, who make their own arrangements for local labour.

The Indians, British, and Russians worked with larger labour contractors. Geography favoured this approach, since their work was almost exclusively in the Tarai, where Indian labour was easily recruited and Indian labour contractors had long experience in recruiting construction labour for such projects. The fact that many Nepalese worked on these roads only seasonally made the full-time employment of Indian labour more attractive in the Tarai region. There were fewer delays and the work followed a recognized and accepted pattern.

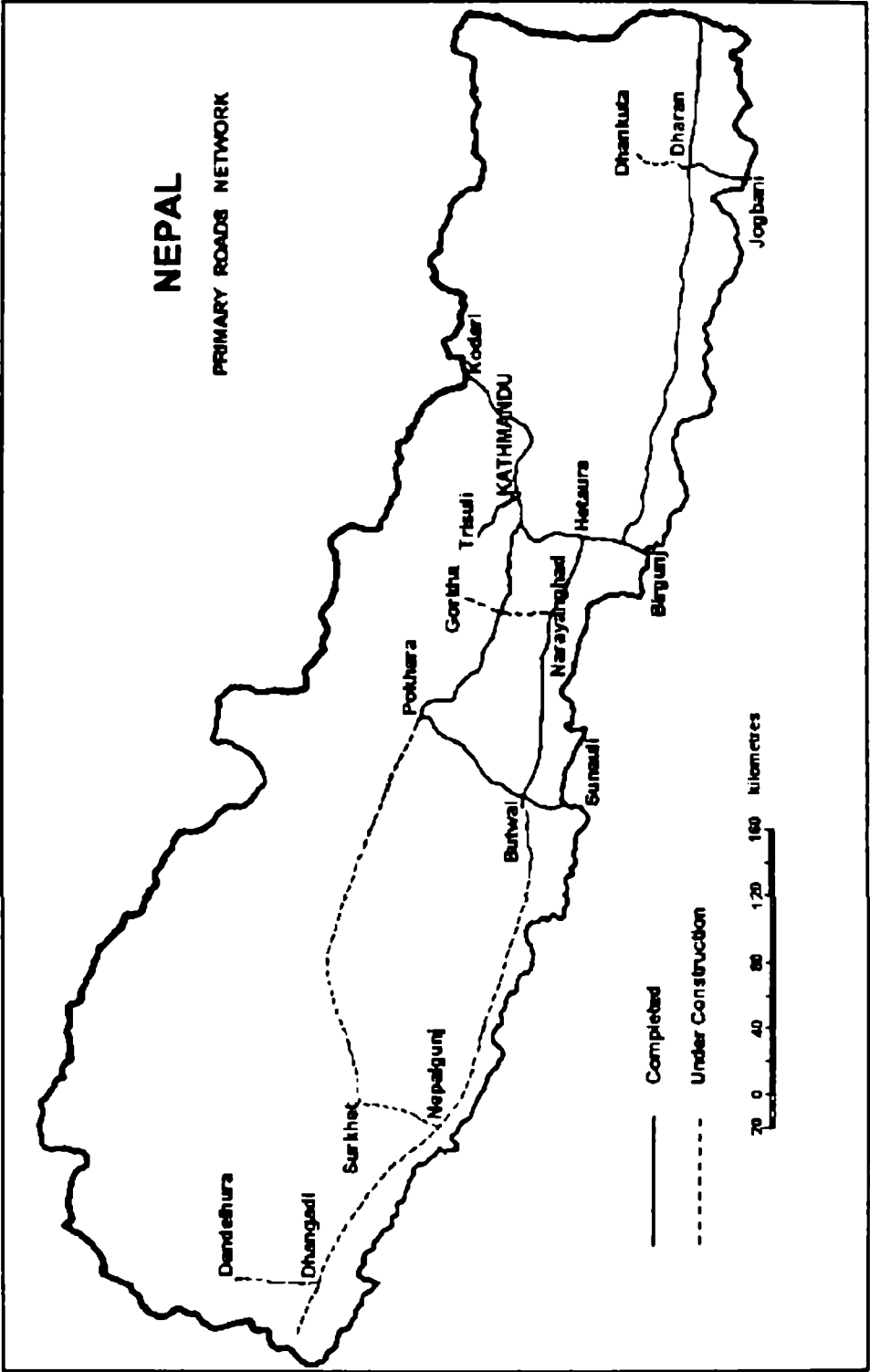
The Asian Development Bank sector of the East-West Highway has been an effort in capital-intensive construction, employing a firm of consulting engineers and three large construction corporations, one of which is Nepalese (NCCN).

The odd man out in the construction of major highways has been the American effort on the Dhangadi-Dandeldhura Highway. The Americans chose to co-finance this with HMG on a 75%-25% basis and permitted the HMG Roads Department to manage and

³¹There is a great deal to be learned from the Swiss and Chinese experiences. Neither of these systems will function well without tight management practices.

NEPAL

PRIMARY ROADS NETWORK



NEPAL HIGHWAY NETWORK CONSTRUCTION PERIOD

Pre-Plan	First Plan	Second Plan	Third Plan	Fourth Plan	Fifth Plan
1956	1961	1962	1965	1970	1975
Tribhuvan					
Jogbani-Dharan					
	Traisuli				
		Arniko			
		No Plan	Siddhartha		
			Prithvi		
			Dalkewar-Pathalaya		
	Mahendra Highway (East-West)		Kankarbhitta-Dalkewar		
			Butwal-Narayanghad		
				Butwal-Nepalgunj	
					Meteura- Narayanghad
				Dhangedi-Dandeldhura	
					Surkhet

execute the whole project. The results have been the far from encouraging. The wastage on this road has been sufficiently serious to cause profound criticism in official circles, and in 1973 (five years after the construction work had begun) it became serious enough to force US/AID to import a team of consultants to review progress and techniques.³²

Critics have written this experience off as just one more example of poorly planned American projects. The criticism is short-sighted as much of the criticism of development projects in Nepal has been.³³ The value of the experience that HMG and Nepalese technicians have gained in the execution of this project is evident from the progress being made on HMG's Nepalgunj-Surkhet road. The National Construction Corporation of Nepal (NCCN) had long before this proved its competence on major projects. But NCCN was a corporation that functioned outside the administration of HMG. The only real experience that the Roads Department was ever allowed to gain was in the Dhangadi-Dandeldhura Highway. All other major road projects had tried either to minimize HMG involvement or to by-pass it altogether. That the HMG Roads Department had to gain this experience at the expense of US/AID was unfortunate, since the construction of roads has become one of the key prestige items in the foreign-aid repertory. But somewhere and at someone's expense, this experiment had to be made. The lessons learned by everyone from the National Planning Commission down to the contractors in the field have been important. Even the corruption in the execution of the project has had its value. It took a major project to teach the administration the importance of management and management techniques in road construction. The assumption that technical skill was adequate to undertake such projects had

³²Schloss, *Transportation and Development*, pp. 202-8. See also R.S.J.B. Rana, *An Economic Study of the Area around the Alignment of the Dhangari-Dandeldhura Road, Nepal* (CEDA, 1971).

³³Criticism of projects carried out by HMG or by donor agencies is common. Most projects produce what they were designed to produce, and if one ignores the rhetoric that surrounds projects, it is found that projects as projects are relatively successful. That they do not produce the total effect everyone would wish, is also clear to all parties in the development effort. Development rhetoric tends to overplay the impact of projects. Criticism tends to isolate the project from its long-term effects. The latter procedure is no more candid than the former.

been widely made, and Dhangadi-Dandeldhura proved conclusively that this was unfounded.³⁴

Planners have failed primarily in their overall vision of Nepal's highway system. They have consistently seen it only as a combination of engineering skills, foreign investment, and cost effectiveness. There is no indication that local planners have ever considered the problem of highway development and maintenance in its totality. Hetaura is a perfect example of what happens when a programme is pieced together from disparate projects. The industrial complex is south of Hetaura. The ropeway terminus is north of the city. Even to use the ropeway, a fleet of trucks is necessary to carry goods from the industrial complex to the ropeway terminus. The truck maintenance depot, however, is in Birgunj, sixty kilometres south of Hetaura. Half-way between lies the airport, a forty-five minute drive away. Hetaura represents the meeting point of dozens of *ad hoc* planning decisions, none of which really mesh.

Looking at the planning performance for roads in Nepal from a slightly different perspective, there has been no official policy insisting that foreign aid agreements to construct roads include the construction of maintenance facilities along the alignment of the road. Nor in twenty years has there been any expression of the need for a highway research centre. Nepal's planners had a broad programme for highway construction, most of which either has been fulfilled or will be in the not-too distant future. But each sector of the highway system has been built by a different donor, and the donors have been uneasy partners. The total responsibility of Nepal's planners has been to know when to say yes to a proposal and when to urge a project on an unwilling donor. Budget and plan allocations merely reflected grants already negotiated or promised. The survey work, the planning of construction, and all that goes into highway construction has been the work of the donor agencies themselves.

The significance of Nepal's planning efforts in the development of the highway system is not to be overlooked. There is small room for doubt that the first lessons in *guided planning* were learned from the highway programme. There have been important improvements on the technique, but the fundamentals are

³⁴On road construction projects, management may be every bit as important as technical know-how. The avenues for profiteering are at times wider than the road being built and far more smooth.

patently in the record. The shortcomings of guided planning are in the record as well.

B. Education

No development sector has underlined more clearly the limits of planning than the education sector. It was in education that development planners ran head-on into the question of values. Initially the only demand the people of Nepal made was that there be schools. As the economy developed and education was perceived as a powerful means of economic advancement, planners and the average citizen tended to pursue quite contradictory objectives. Planners urged egalitarianism, standardization, and education for national manpower needs as specified by the periodic plans. Students, especially at the graduate and postgraduate levels, were divided. Those who saw the value of a degree in the degree itself rather than the education it was supposed to represent were more than willing to accept egalitarianism and standardization provided their degree qualified them for employment at any level of society without restricting their ambitions to the manpower needs of the five year plans. More serious students and their guardians tended to search for quality education and to distinguish clearly between their own educational goals and the publicly expressed goals of a national education system. The point of common agreement was the human right to education. On this there was unanimity. The point at issue was the quality of education. Logically, planners argued, Nepal must have schools and an education system open to all before one could expect qualitative improvements. Secondly, they argued, education must serve national needs or there would be no progress. The students and their guardians responded by questioning the planner's definition of national needs. The debate sharpened in the late sixties when planners were haunted by the spectre of the failure of development projects for lack of technical manpower and the fear of political unrest engendered by large scale educated unemployment. In the final analysis, it seemed, planners could prescribe formulas and create the physical components of an education system to produce the product they wanted, but they could not educate. Ultimately only a qualitative improvement in education (technical as well as humanistic) would satisfy both the nation's needs and the demands of the people, and this would depend on the development of a professional attitude among educators at all levels, a deep sense of commitment to educational values, and an improved teacher-student relationship. All of these values lay beyond the reach of planners.

The First National Education Plan

In 1952 the first tentative steps in education planning were taken when an Education Board was appointed to supervise and expand existing educational facilities and to prepare a scheme for national universal education in Nepal. Sardar Rudra Raj Pandey, one of the Nepal's most experienced educators, was appointed Chairman of this Board. His constant message to members of the Board was:

1. There must be a uniform system of education for the whole country in place of the existing confusing variety of schools;
2. There must be trained teachers in abundance; and
3. Nepal must have its own university.³⁵

All three of these points were important, but the last was easily the most sensitive. At that time, Nepalese students were enrolled in Nepalese colleges that were affiliated to Patna University in Bihar, India. This was a delicate point for Nepalese national sensibilities. It was a practical point also. The establishment of Nepal's own university was critical to any long-range development of its own educational system. In South Asia, only a recognized university could grant degrees and recognize certificates. In a sense, the university was the keystone of Nepal's policy for the development of its own education system.

These objectives, however desirable they might seem, were very far from realization. It took the Education Board time to come to grips with the problems, and its first efforts were confined to the establishment in 1953 of a government inspectorate of schools to set up some sort of contact with the schools that had proliferated in Nepal after the 1951 "revolution". Many of these schools were small—sometimes with only a single teacher—but they were schools. The inspectorate was not a very significant contribution. Government had no clear idea of what its role in education should be, and, without clear guidelines, the inspectorate was limited to casual, irregular visits to schools. Meanwhile, schools continued to multiply. Education was a basic right guaranteed by the Constitution, and schools were increasing in number as people throughout Nepal began to exercise their right.

³⁵*Education in Nepal: Report of the Nepal National Education Planning Commission*, ed. Sardar Rudra Raj Pandey et al. (Kathmandu: 1956), pp.2-3.

In 1953 the extent of government control of schools was determined by the amount of state aid they received. "Government" schools were financed and administered totally by the central government. There were very few such schools. "Aided" schools received some assistance from the central government in exchange for meeting certain general standards set by the Education Ministry. "Independent" schools received no financial assistance from the central government and were independent in their administration. Schools were also classified, according to the syllabus taught, into English schools, patterned after the English schools then operating in India; *Pathshalas* (whether Nepali, Hindi, or Sanskrit); and Basic schools, incorporating the Gandhian principles of basic education. All three types of schools recognized primary, middle, secondary, and higher levels of education. In November 1953, the Education Board recommended that a National Education Planning Commission be appointed to tackle this problem before it became more serious.

Meanwhile the USOM made it clear that it intended to support—and perhaps lead—Nepal's efforts to expand its educational efforts. On 8 February 1954 an agreement was signed to this effect between the Government of Nepal and the USOM. On 8 March the first grant was made under this agreement (\$24,000 and NRs. 204,800) to fund an adult literacy programme, to provide a radio educationist and 100 radio sets for the adult education programme (!), and to establish 200 additional primary school classrooms. This was the first of a long series of substantial American grants to Nepal's educational effort.³⁶ The contrast between the radio education concept with its implied technology (which Nepal did not have) and the work that the National Education Planning Commission would chalk out for itself could not have been greater. It was a perfect example of the process described in Chapter Two of foreign advisors offering solutions before they fully understood the problem. The way of the Commission would be more sure, though not uninfluenced by American educational concepts.³⁷ It was also going to cost the

³⁶United States financial assistance to education in Nepal (all sectors) amounted to 12 million dollars, 85 million Indian rupees, and 47 million Nepali rupees, as of 9 September 1977.

³⁷Hugh Wood of Oregon University was an advisor to the National Education Planning Commission, and all of the early staff members of the Teacher's Training Programme were trained at Oregon University in the

United States a great deal of money for the support and development of education in Nepal.

The Nepal Education Planning Commission was appointed in 1954 and met for the first time on 22 March. There were forty-seven members representing a fair cross-section of the educated community and educationists in general. Sardar Rudra Raj Pandey, the Chairman of the Education Board, was also appointed Chairman of the Education Planning Commission.

In its first session (22-25 March) the Commission found that there was unanimity on several points and passed resolutions to the effect that the Commission should:

1. Emphasize a new system of national education that would (in time) be universal and free—at least at the primary level;
2. Urge immediate establishment of short-term training courses for teachers; and
3. Survey existing educational conditions.³⁸

The National Commission completed its work and submitted its report on 1 March 1956. Its recommendations followed roughly the lines that had been indicated by the Chairman in the inaugural session. The Commission proposed a simple solution to a very complex problem. It would make education available to all through the gradual extension of the existing school system. The responsibility for opening new schools fell primarily on the local community. They must be willing to finance, at least in part, the operating cost of the school and supervise the functioning of the school through its school governing board.³⁹ The Plan considered the community to be responsible for education and therefore the burden of operating a school should rest with the community. The syllabus to be followed in each school and at each level would be provided by the central government operating through the appropriate department. The government would also test students on the completion of their studies and award School Leaving Certificates to successful candidates. The school "system" was loosely understood. While "independent" schools were permitted to continue to function, all schools receiving government support would be obliged to follow a common syllabus,

United States.

³⁸*Report of the National Education Planning Commission*, p. 239.

³⁹*Ibid.*, pp. 249-50.

prepare students for common examinations, employ (as and when they were available) teachers trained in the College of Education, and be subject to government supervision (inspection). Although there was considerable discussion in the Commission's meetings about educational and democratic values, education was considered an end in itself. Apart from the medium of instruction, the syllabus the Commission framed for primary and secondary education would be equally applicable anywhere in the world. This tonelessness was to be rectified by the textbooks used. The plan urged the foundation of a press for the printing of textbooks and proposed detailed plans for the writing and/or translation of textbooks. The system would be open to modern values through the training that the teachers would receive in the College of Education. While it was recognized that some time would be required for the establishment of an accredited college of education, crash training programmes were begun immediately with the idea that these short training programmes would be upgraded later and teacher-training could continue through a series of refresher courses. The main objective was to get the system started.⁴⁰

The heart of the new system was to be the National University. A University Planning Commission was appointed on 31 March 1956 with a three-fold mission: to study possible sites for the university, to study the organization of the university, and finally to prepare a tentative charter.

In July 1956, the National Education Commission's Five Year Plan for Education was included without significant change in the education sector of the First Five Year Plan. With a simple approach to the educational problem, geared to respond to popular demand, and adequate financial backing from USOM, the progress in the establishment of schools and the training of teachers moved ahead rapidly. Since the primary objectives were to establish schools and provide some teacher training, plan implementation was spectacular in comparison with other development programmes. The educators responsible for the education plan were not at the time very deeply concerned with the quality of education. It was expected that quality would

⁴⁰Even before the final report of the National Education Planning Commission was submitted, action had begun on some of the recommendations, in particular the teacher-training activity.

improve as the development of each district progressed.⁴¹ It was a grass-roots programme that worked because it had limited objectives that were clearly defined and adequately funded.

Table XVI

Level	Number of Schools				Number of Students			
	1950	1961	1970	1975	1950	1961	1970	1975
Primary	321	4,001	7,256	8,314	8505	182,533	449,516	485,516
Middle ¹	11	156	1,065	2,373	1680	21,115	102,704	241,357
Higher ²	2	33	49	79	250	5,142	17,200	23,504

¹Middle includes both Lower Middle and Middle (formerly called high schools).
²College or equivalent.

Source: Ministry of Education

Educational Values

The first serious difficulties with this limited education plan came to light when Tribhuvan University (the national university recommended by the plan) was founded in 1959 and students began to crowd the colleges of the country. The 1956 plan had made no provisions for college or university education other than to recommend that Nepal should have a university. The first result of the new wave of students coming into the colleges was a lowering of standards. Students coming from extremely primitive schools could not compete in the same examinations with students who had completed their studies in schools that were well managed and adequately staffed. Secondly, few of the high schools outside of Kathmandu Valley could offer their students anything more than the rudiments of a course in humanities. Most such students were weak in mathematics and had no science background at all. As a result, students crowded into the humanities, social science, and commerce courses, taking the easiest courses they could find to qualify for a certificate or

⁴¹Report of the National Education Planning Commission, pp. 249-50.

a degree. This combination of poorly prepared students and a badly skewed bias for the non-technical courses created two distinct but serious problems. There was increasing indiscipline in Nepal's colleges. Secondly, the nation was left without the technicians the overall development programme demanded. These problems could not be solved easily. Much depended on raising the quality of education outside of Kathmandu Valley, for which the teachers' training programme had been the great hope. But, despite rapid advancement in physical facilities and a steady allocation of funds, the training programme was not producing the quality or the number of teachers required. Many candidates took advantage of the programme to gain the stipend that was offered, and, on completion of their studies, promptly entered another course or sought service in government or in private enterprise. Teachers' salaries were low, their status in the community was modest, and opportunities elsewhere were abundant.

These failures in the education system caused concern. In an address to a conference of the Professors' Association of Tribhuvan University in July 1966, King Mahendra spoke out strongly for a system of education that inculcated, among other things, a strong sense of responsibility to one's local community. He spoke feelingly against a system that drew all talent to the Centre and of the need to update the curriculum.⁴²

Once King Mahendra had opened the door for criticism, the attacks on the education system increased steadily. Most critics spoke of the need for educated technicians to carry out development work or questioned the values the system taught. The period of criticism ended on 6 October 1969 when Shailendra Kumar Upadhaya, the Vice-Chairman of the National Planning Commission, publicly lamented the growing problem of educated unemployment at a time when thousands of technical jobs were available.⁴³ One month later the planners moved into action. The Education Advisory Council was reorganized and instructed to prepare a programme for a new educational policy for Nepal. The Council began by first sifting through the dozens of recommendations on education that had been submitted by experts and

⁴²King Mahendra to the Professors' Association of Nepal, 9 July 1966, published in English in *Ramjham*, 2 (October 1966), No. 3: 1-3.

⁴³*Gorkhapatra*, 7 October 1969 (PD 13: 441).

advisors over a twenty-year period and submitted its preliminary report on 13 January 1970.⁴⁴

In a speech at Rampur on 2 February, King Mahendra set the stage for far-reaching changes. He insisted on the need for a new educational system that would open the minds of Nepalese youth to the knowledge needed for Nepal's advancement while at the same time inculcating a strong sense of personal responsibility.⁴⁵ Thereafter, the Education Advisory Council proceeded with its revision of the education policy of the country, and on 21 February 1971 the draft of a New Education System Plan (NESP) was published.⁴⁶ On 17 March newspapers in Kathmandu reported that adjustments were being made in the Fourth Plan to accommodate the needs of the NESP, and on 14 April King Mahendra formed an eight-member National Education Board to formulate and implement the policies and programmes required for the introduction of NESP throughout Nepal. On 22 November 1971 a time-table was announced for the introduction of the NESP throughout the country, and thirteen districts were specified for the introduction of the NESP from the beginning of the 1972 academic year.⁴⁷

The changes NESP made in Nepal's educational system were radical. NESP was a much more comprehensive plan than the 1956 Plan, and it made important innovations. The NESP completed the systematization of education that the 1956 Plan had urged. All schools were brought under a common administrative system and followed a government prepared syllabus. While provision was made in the plan for private schools to continue to function, they were subject to government administrative control and under obligation to follow the approved syllabus. Basic schools, Sanskrit schools, and *Pathshalas* were eliminated from the system. The new school syllabus allowed for three "streams"—the general course, a technical course, and a Sanskrit course. However, even students following the general course were obliged to follow some technical courses to learn simple, practical skills they would need regardless of the profession they chose to follow.

⁴⁴*Gorkhapatra*, 14 January 1970 (PD 14: 35).

⁴⁵*Gorkhapatra*, 3 February 1970 (PD 14: 69).

⁴⁶*Gorkhapatra*, 22 February 1971 (PD 15: 122).

⁴⁷*Gorkhapatra*, 25 November 1971 (PD 15: 561).

Sanskrit students were obliged to study modern subjects in addition to Sanskrit.

NESP also stressed technical schools. A new Medical Institute was designed to prepare paramedical personnel for village work and existing nurses' training programmes were brought under the supervision of the Institute of Medicine. The Institute of Engineering was also re-designed to train personnel for middle-level technical work. Forestry, agriculture, horticulture, and animal husbandry were also stressed.

Table XVII
TU Central Library Budget

Year	(in rupees)		
	Books	Periodicals	Total Budget
1966/67	150,000	50,000	266,000
1967/68	150,000	50,000	236,000
1968/69	200,000	75,000	309,000
1969/70	225,000	75,000	430,234
1970/71	225,000	75,000	470,600
1971/72	225,000	80,000	529,540
1972/73	225,000	100,000	560,150
1973/74	375,000		611,045
1974/75	375,000		668,832
1975/76	200,000	250,000	758,200
1976/77	200,000	300,000	876,500
1977/78	400,000	400,000	1,321,550

All private colleges were incorporated into the university structure as constituent campuses. The university itself was divided subject-wise into thirteen Institutes. This was a major change. The Tribhuvan University had originally consisted of a central administration complex (that handled official university registration, accredited colleges, administered examinations, and granted certificates and degrees) and the University College, which enrolled students for postgraduate courses leading to the Master's Degree. NESP changed all of this. From the time the Plan was introduced, all colleges in the country lost their individual character and were considered as campuses of one or other

Institute of Tribhuvan University. This thrust a difficult management and administrative problem on the small central administration, the first result of which was to drain off the better faculty members to fill administrative posts.

Each of the thirteen new Institutes had jurisdiction over students anywhere in Nepal who followed the course of studies prescribed for that Institute. For example, students of the humanities or the social sciences throughout the country became students of the Institute of Humanities and Social Sciences, followed a syllabus prepared by the Institute, and qualified for degrees according to norms set by that Institute. In theory, faculty members also ceased to be faculty members of a specific college and became faculty members of the Institute at large. They could, at least theoretically, be transferred anywhere in Nepal where their Institute had a campus.⁴⁸

The National Development Service, introduced by NESP, created the greatest break from tradition. Students of the degree programme (formerly called the Master's programme) were obliged to spend ten months, between the second and third semesters of their four semester programme, in rural development work. Girls as well as boys were obliged to complete this service before they could qualify for a degree. The National Development Service was initially very controversial, but as students began to experience the benefits of actually playing a role in the development of their country, the programme rapidly achieved a status of its own and was generally considered the most effective part of NESP.⁴⁹

The change to a modified semester system proved the most controversial and the hardest change for students and faculty to assimilate. University students had rarely sat for examinations except at two year intervals throughout the six years of their graduate and postgraduate training. The semester system introduced regular internal assessments (class tests), occurring at approximately weekly intervals, and semester examinations at the

⁴⁸There were many factors that militated against the transfer of faculty. In the abstract, the idea had sounded useful, but in practice it proved unworkable, except on a very limited scale. It also proved demoralizing for faculty members.

⁴⁹See Prachanda Pradhan, *Impact of National Development Service in Nepal: A Study of Changing Attitude and Behaviour of Student Participants and Village People* (CEDA: 1978). The programme is far from being a total success, but it scores high marks by any assessment.

end of each four months of study. Students felt they were on a perpetual examination treadmill. More serious, perhaps, was the confusion created among faculty members who did not really understand what the semester system expected of them, nor, apparently, was anyone sufficiently concerned to try to help them make the adjustment. There were also, of course, many positive advantages of the new system. Professors who had lectured from the same notes throughout their academic careers (often the same notes they had been given by their own professors) were obliged at least to re-organize their lecture notes if not write new ones to fit the semester system.⁵⁰

The most important university innovation proved to be beyond the capacity of the faculty. NESP had hoped that university faculty members would organize the courses of the degree programme around the experience students derived from the National Development Service. In particular, it was hoped that the courses of the final year of the degree programme would help students analyze and interpret the knowledge they had acquired during their ten months of village service. However, the gap between text-book theory and the students' experience proved too great for the faculty to bridge, and this part of the NESP programme remained largely inoperative.

Mid-Term Evaluation

As NESP entered its fifth year, a mid-term evaluation was conducted to assess its impact on the overall educational structure.⁵¹ The university's administrative structure was found to be too complex, and an effort was subsequently made to simplify as well as decentralize it. In fact, however, the decision-making power continued to gravitate towards the Vice-Chancellor's office. Campus Chiefs (formerly called principals) were given slightly more

⁵⁰Many faculty members had developed the mental fixation that to teach their courses they had to cover a set number of topics, for each of which a series of lectures had been prepared. The topics and much of the content of these lectures were inherited from their own professors. They found it difficult to re-think their courses in terms of the relative importance of major ideas. Also, for years past, the topics taught had served not only as a basic outline of the course but also as a basis for examination questions.

⁵¹This evaluation was carried out by a team of educators under the auspices of the *Janch Bujh Kendra*. The results were disseminated on a "need-to-know" basis.

authority in the day-to-day functioning of their campuses. The powers of the Deans of Institutes were for the most part limited to long-range planning for their Institutes, preparing their annual programme, and general administration.

As a result of faculty demoralization, the standard of instruction continued to drop slowly but steadily in most Institutes in the University.⁵² More money than ever before was being spent on university education, but the results failed to justify expenditures. Some faculty members seriously questioned the allocation of funds. The central library of the university, for instance, was one indicator of the bricks, mortar, and numbers attitude that some planners applied to university education. The library budget for a twelve year period showed that expenditures on the library, the heart of any modern university and its research programme, barely kept pace with inflation, and, in view of the phenomenal rise in the cost of books after 1975, actually fell behind in terms of purchasing power. The syllabus inspired by the NESP prescribed new courses, for which both faculty and students demanded books. The library could not supply these and was frequently obliged to depend for its expansion on book donations, which rarely met the real needs of the university community. The condition of libraries on undergraduate campuses was pitiful, and

Table XVIII
Trained Teachers

<u>Level of Training</u>	<u>Number of Teachers</u>
Less than SLC	3,364
SLC Equivalent	5,872
Intermediate Arts or Equivalent	1,987
B.A. or Equivalent	2,014
M.A. or Equivalent	116
Total	13,353

⁵²The judgement on the standard of instruction is based on the opinions of professors solicited through personal interviews. The cause ascribed to this is based on personal observation.

the only serious effort to upgrade them was the establishment of regional libraries at Pokhara, Nepalgunj, Birgunj, and Biratnagar.

At the primary, lower-middle, and middle school level, positive efforts were made to improve school buildings and facilities, and the central government took over the burden of paying teachers' salaries. However, planners were unable to supply the trained teachers the expanding school system required. Over the twenty years since the 1956 education plan, the number of trained teachers had increased, but most teachers at the primary and middle school levels were the products of the regular university curriculum with no formal teacher training. In 1977 roughly half of the nation's school teachers had no training at all. An additional ten percent had not passed the S.L.C examination. Approximately fifteen percent had no other training than their own high school studies. Perhaps even more discouraging for those who had championed a nation-wide egalitarian system of education was the geographical spread of trained teachers. This was very uneven. The more remote districts found it almost impossible to find teachers for such subjects as mathematics, geography and science. The least developed zone in Nepal in terms of education was Karnali Zone. With a population of over 188,000, Karnali Zone had only three high schools, with a total of seven teachers, three of whom were trained.⁵³ Another disturbing factor was the attrition rate among primary school students in districts outside the major urban areas. Almost seventy per cent of those who began primary school dropped out after their first year. For budgetary purposes the *per capita* cost of educating a primary student for one year is estimated at NRs. 140. The economic aspects of this attrition are obviously serious.⁵⁴

⁵³Madhav Prasad Mainali, "*Avasyakta ko Sandarva ma Madhyamik Sthar ko Shikshak Prashikshan Karyakram*", *Bikas ko nimti Shiksha*, ed. Prem Kasaju *et al.* (Kathmandu: B.S. 2034), p. 221.

⁵⁴No one seems to have the final answer for this heavy attrition. Some very cogent answers are offered, but few of them take into account the quality of education small children receive. The most widely accepted theory is that families are quite willing to let a child go to school for the first year. The child is still too small to work. Were the child to stay at home, care would be necessary. The school, according to this theory, is a sort of day-nursery for small village children. After the first year of school, these children are big enough to carry out simple farm tasks. Their schooling ends at that time. One wonders if the hidden costs of education and the quality of the education received are

Very likely little can be done to improve the quality of education in the outlying districts in the near term. Schools will probably improve at about the same rate as the economy of the district where they are located. This is approximately the conclusion that the First National Education Planning Commission reached, and little, it seems, can be done to improve upon it. For the present, the strength of the educational system will have to lie in the nation's high schools and Tribhuvan University. The improvement of educational performance will remain a severe test of the planners' restraint. Once it has been openly admitted that quality education is as important an objective as quantity, the problem of evaluation under the present norms becomes almost impossible. Clearly there is a limit to what planners can achieve even with the best of plans. The responsibility of improved education does not lie on the planners but on educators themselves, and until these latter feel free to accept the challenge and do indeed take it upon themselves to improve the quality of the education they impart, there will be little improvement. The attitude of students, of course, is a constraint that must be considered, but this is so intimately bound-up with the public attitude towards employment, job-security, and promotion described in Chapter Four that there is little hope for a significant change—unless the NDS programme begins to influence the educational system. It is the human constraint more than planning or finance that is presently retarding educational advance. Planners must allow time for the educational process to work and restrain their natural urge to hasten the process by adding new rules, evaluation techniques, and pressure. Unfortunately, planners have been less willing than His Majesty King Birendra to recognize that development is not only an economic proposition but a human problem as well.

C. Agriculture⁵⁵

Since 1956 agriculture has been assigned a high priority in all Nepal's planning literature. The budgets for the agriculture sector

Table XIX
Yield Rates of Different Crops
(1967/68-1976/77)

Crop	1967/68	1976/77	(m/t per hectare)
			Difference
Paddy	1.84	1.89	0.05
Wheat	1.07	1.04	-0.03
Maize	1.81	1.79	-0.02
Millet	1.11	1.13	0.02
Barley	0.91	0.83	-0.08
Potatoes	4.74	5.88	1.14
Sugarcane	15.39	17.3	1.91
Oilseeds	0.53	0.51	-0.02
Tobacco	0.75	0.74	-0.01
Jute	0.88	1.41	0.53

have reflected this. Such a concentration of resources should have produced substantial progress in agricultural production. In fact there has been no such progress, as Table XIX will indicate. Over

⁵⁵The data in this section is based on the following articles by Dr. Ram Prakash Yadav: "A Glance at the Present Agricultural Research, Education and Extension in Nepal", APROSC Staff Paper, No. 1 (February 1976); "The Concept and Approach to Rural Development in Nepal", (CEDA Seminar: 1977); "Agricultural Modernization in Nepal", Seminar on Science and Technology for the Development of Nepal, September 1976; "Strategy for Agricultural Development in Nepal" (typescript); "Case Study of Small Farmers in Naktajhijh, Dhankuta, Nepal", *Contributions to Nepalese Studies*, 5 (1977), No. 1: 15-39; and "Application of Science and Technology for Food and Agriculture Development in Nepal", paper presented at the National Science Convention, 12-15 May 1978.

the decade 1967-77 total agricultural production has grown at the very modest rate of 1.7 percent per year, while the production of cereal crops has actually declined by 0.02 percent. By contrast, during the same period population increased at the rate of 2.2 percent. Yield rates for most crops have been sluggish or even stagnant. For some crops they have declined. In certain areas in the Hills, cereal grain productivity may well have deteriorated because the pressure of population forced an extension of cultivation to marginal land that should never have been brought under the plough. As a result of the decline in cereal gain production as compared with the population growth-rate, the availability of food grain per person has declined from 220 kg. in 1964 to 203 kg. in 1974. The exportable agricultural surplus has declined from 552,000 tons in 1970/71 to 100,000 tons in 1976/77. There are some agriculturalists who now publicly express their fears that by 1985 Nepal may become a food-importing country. This state of affairs seems strange in the light of the high priority that planners say they have given agriculture.

In fact, agriculture never ranked as high in priority as planners said it did. It was the "agriculture sector" that was given high priority in all plans but one. Agriculture was only one unit in the "agricultural sector". One has to consider the sector spread as well as the priority, and this tells quite a different story, as Table XX indicates.

<u>Plan</u>	<u>Sectoral Spread</u>	<u>Priority</u>
I	Agriculture, Irrigation, Rapti Valley	second
II	Agriculture, Irrigation, Forests	fourth
III	Agriculture, and Rural Development	second
IV	Agriculture, Irrigation, Forestry, Land Reform	second
V	Agriculture, Irrigation, Forestry, Land Reform	first

Throughout the first four Plans (1956-75) over 1,005 million rupees (approximately 20 percent of the public sector development budget) was spent on the agriculture sector. Actual expenditure for agriculture was far less, as Table XXI illustrates. The table lists both *planned and actual* expenditure for: 1) agricultural education, research, and extension; 2) agriculture (as distinguished from the other units in the agricultural sector); and 3) total development outlay.

Before the Third Plan there was no clear-cut agriculture strategy. From the Third Plan period onward, the strategy aimed at the development of a market-oriented production increase in Tarai agriculture. The target set for agriculture was 3.0 per cent growth per year. At the time this did not seem difficult to achieve, as Dr. Bhekh Bahadur Thapa then said:

Allowing for future population increases and, hopefully, an increase in exports of rice to India, output in the Tarai should at least be doubled over the next several years. This appears entirely feasible, given the fact that the introduction of improved seeds and the use of fertilizer and insecticides have only just begun together with the possible irrigation of much more land.⁵⁶

Heavy capital investment was seen as necessary in irrigation, seed production, fertilizer distribution, research and extension, credit and other essential programmes. The economic model used throughout this planning exercise was based on the Harrod-Domar model, which assumes that savings will be re-invested and also assumes that the labour supply is constant (a situation that rarely maintains in developing nations). Despite the weakness of the growth model, a good sum of money was invested in agriculture and this investment should have yielded results.

Results were not up to expectations for three fundamental reasons. First, agriculture received much less money than the planners suggested. The money actually allocated to agriculture was not spent directly on production but on a wide variety of agriculture-related projects and institutions. Secondly, the funds raised through the Compulsory Savings Scheme were not reinvested in production. And thirdly, the agriculture extension service was poorly oriented and under-financed.

Agricultural Expenditure

Table XXI shows clearly that budget estimates for agriculture (as opposed to the total agricultural sector) never exceeded 8.6 percent during the period 1965-73. Actual expenditures in agriculture never exceeded 8.0 per cent of the development budget for the same period.

⁵⁶Dr. Bhekh Bahadur Thapa, *Planning for Development in Nepal: A Perspective for 1965-80* (PhD Dissertation: 1966), p. 39. (mimeo)

Table XXI
The Budget Estimate and Actual Expenditure
under Total Development Outlays
1965/66 to 1972/73

(in millions of rupees)

Year	Budget Estimate			Actual Expenditure		
	Agricultural extension Education & Research	Agricul- ture	Total HMG Develop- ment Budget	Agricul- tural Extension Educa- tion & Research	Agricul- ture	Total Develop- ment Expendi- tures
1965/66	13.11 (4.2%)	15.45 (5.0%)	311.50	10.27 (3.7%)	12.60 (4.5%)	280.78
1966/67	16.67 (4.4%)	21.60 (5.7%)	376.40	10.55 (3.9%)	15.09 (5.6%)	268.24
1967/68	18.73 (4.1%)	23.05 (6.7%)	344.82	13.82 (4.9%)	18.12 (6.4%)	281.18
1968/69	18.58 (4.1%)	26.95 (5.9%)	458.42	11.17 (3.3%)	20.02 (5.8%)	344.23
1969/70	32.46 (5.3%)	39.21 (6.4%)	608.21	22.87 (4.9%)	29.08 (6.3%)	464.72
1970/71	38.84 (6.1%)	54.48 (8.6%)	633.05	23.67 (5.1%)	37.35 (8.0%)	465.02
1971/72	40.46 (5.3%)	60.85 (7.9%)	769.77	24.76 (4.4%)	44.67 (7.9%)	564.64
1972/73	40.86 (4.7%)	62.78 (7.2%)	875.78	27.09 (4.5%)	48.32 (7.9%)	608.50

Perhaps even more enlightening are the budgeted and actual expenditures for agriculture extension, agriculture education, and agriculture research. Actual expenditure in these areas never exceeded 5.1 percent for the period under review. This was true despite the fact that these three areas are vital to the improvement of agriculture technology. Agriculture education trains field technicians in the use of modern agricultural inputs such as fertilizers, insecticides, and improved seed. Agriculture research is concerned with the development and testing of seed suitable for different agroclimatic areas in Nepal. Agriculture extension is directed towards the dissemination of improved seed

and technology by means of trained field technicians. The three interact to form the basis of any agricultural development thrust.

Failure to invest adequately in these three programmes would have restricted gains in agricultural production regardless of the amount invested in inputs such as chemical fertilizers, nutrients, and improved seed. The farmer must be taught how to use such nutrients and fertilizers wisely to gain the maximum increase in production without damage to soil texture. Seeds must be tested to see whether they are really suited to the soil and climatic conditions of the precise areas where they are to be used. Soil must be tested and analyzed on a regular basis. Agriculture education, research and extension interact to form the foundation of any serious effort at agriculture development. The development budgets of the period failed to recognize that the success of the strategy depended on these three programmes. Not surprisingly, the strategy failed.

This failure to invest in the basics of modern agriculture was matched by a failure to invest in improved agricultural inputs. During the period under review the import of chemical fertilizer never exceeded a ratio of four tons per square mile. In most years only one-third of this amount was imported. The argument that this was more than enough to meet the market demand was not relevant. The question was, and remains, was it enough to meet the need expressed in the agricultural strategy of the period. Undoubtedly, the most objective answer is found in the production records for these years as shown in Table XIX. Apparently more capital was invested in building up agricultural institutions than in increasing agricultural production. This emphasis on agricultural institutions was considered "infrastructure building", and it had deep roots in Nepal's view of agricultural development. Institutions are useful, of course, but there is an innate tendency for institutions to imagine they exist for their own sake rather than for the service they are intended to provide.

Institutional Development

Government efforts to improve agriculture in Nepal can be traced back to 1921 when the first agriculture office was set up in the *Charkhal Adda*, Kathmandu, to help farmers increase production through the use of improved agricultural technology. Later, in July 1925, the Department of Agriculture was established, followed in 1938 by the Board of Agriculture. In 1952 the Interim Government set up the Ministry of Agriculture. At that time there was only one agriculture centre (Parwanipur, which had been

established in 1947). The Singh Durbar Centre (now at Khumaltar) was established in 1952.

In 1956 the School of Agriculture was established to train village-level extension workers. Similar agricultural divisions in operation by the end of the First Plan included agronomy, plant pathology, agricultural engineering, horticulture, livestock, veterinary science, entomology, fisheries, soil science, dairy development, agriculture extension, and agricultural economics. Financial and technical assistance from the United States, India, Switzerland, and New Zealand made much of this possible.

Later, beginning in the early sixties, numerous service institutions such as the Agricultural Supply Corporation (now the Agricultural Inputs Corporation), the Agricultural Development Bank, the Dairy Development Corporation, the Rehabilitation Company, and the Food Corporation were established. All of these were considered essential to agricultural development. Most of them were expected to provide nationwide service, and the cost of developing physical plants and training personnel was a heavy drain on the agriculture budget. No one questioned these expenditures. But, obviously, if large sums were spent in this development, much less could be spent for direct agricultural inputs to improve Tarai agriculture, which was the stated strategy.

Agriculture also suffered from confusion in administration. In 1966, for instance, the Department of Agriculture was arbitrarily restructured into five distinct departments:

1. Agriculture Education and Research
2. Agriculture Extension
3. Horticulture
4. Livestock and Veterinary Science
5. Fisheries

The arrangement created critical coordination problems between the five departments, increased management costs, and impeded the work of agriculture development. Different offices in the *same agriculture centre* were required to report to five totally distinct departments of HMG, to follow different guidelines, and to work towards different targets! Fortunately this state of affairs did not last long. In 1972 the five departments were again merged into one department with four regional agriculture directorates. A separate Department of Food and Agricultural Marketing Services was established. And the Department of Irrigation and Hydrology was incorporated into the Ministry of Food and Agriculture in order to achieve better coordination between irrigation and agriculture activities. However, although

the period of the Five Directorates did not last long, the damage was done as far as a coordinated and determined strategy of agricultural development was concerned.

Agricultural Credit

As early as the Third Plan it was realized that the lack of agricultural credit at reasonable rates was as much a constraint to the development of agriculture as the land tenure system then prevalent in Nepal. Small landholders and tenant farmers were paying local money lenders sixty per cent interest (and more) per year. The Third Plan structured a very elaborate system of rural credit and cooperatives that was expected to eliminate the middle men who were reaping most of the profits from agriculture and thereby destroying the farmers' incentive to produce.

A formal banking institution to serve the agricultural sector began in 1963 with the establishment of the Cooperative Bank. In the following year, the Land Act (1964) introduced the Compulsory Savings Scheme, which obliged all agricultural land owners and tenants to set aside a percentage of their crops as savings.⁵⁷ This compulsory savings scheme was intended to provide capital for the Cooperative Bank. Though poor farmers found it difficult to set aside these savings even at the modest rate set by law, planners considered this burden tolerable. The scheme was expected to mature rapidly and provide an adequate supply of cheap rural credit to meet the poorer farmers' needs.⁵⁸ The amounts actually collected under the compulsory savings scheme exceeded even the most optimistic expectations. As a result, the Land Reform Savings Corporation was established in 1966 to collect and utilize these compulsory savings. Administering the compulsory savings fund proved a major problem. Within a few years, mismanagement (or the rumour of mismanagement) created a backlash that made collection more difficult.⁵⁹

⁵⁷Specific rates for savings were set for three classes of farmers: owner cultivators, owners with tenants; and tenant-cultivators. Likewise, distinct rates were set for cereal crops and for cash crops. Both the rates and the mode of payment have changed over the years. Generally speaking, the rates have been lowered over time, but the assessment has been paid in kind on cereal crops and in cash on cash crops.

⁵⁸*Naya Samaj*, 17 August 1967 (PD 11: 243); and *Dainik Nirnaya*, 18 January 1968 (PD 12: 18-19).

⁵⁹*Naya Samaj*, 17 August 1967 (PD 11: 243).

More money was loaned for the purchase of farm machinery than for agricultural inputs. Tractors and trailers were two big purchase items. Both of these were more important for transportation than for production.⁶⁰

The import figures for fertilizers also tell a story. In fiscal 1969/70, Nepal imported only 16,000 tons of fertilizer. In 1973/74 this had increased to 35,800 metric tons. In 1974/75 the price of fertilizer on the world market skyrocketed. Fertilizer imports subsequently dropped to 12,658 tons.⁶¹ However, even in 1969/70 when 16,000 tons of fertilizer was imported, imports were far below the level required to meet the agriculture target of the Third Plan. This was true despite the marketing arrangements that had been made and the existence of credit facilities to assist in the purchase. Since the Third Plan had concentrated on increased production in the Tarai, there should have been a greater increase in fertilizer consumption. The fact that there was not underlines the inadequacy of Nepal's agriculture extension service. The fertilizer figures also make it clear that agriculture loans given under the rubric of "production loans" were not being used to increase production.

In 1968 the Cooperative Bank was restructured as the Agricultural Development Bank of Nepal (ADBN), and in 1973 the Land Reform Savings Corporation was merged with the ADBN, which then became the major institutional source of rural credit. The ADBN was designed to provide short, medium, and long term credit for the purchase of agricultural inputs and for the establishment (and operation) of small scale agro-based industries.

With the establishment of the Agricultural Development Bank an important break-through was achieved in the field of rural credit.⁶² Its management was tight, and its policies were sufficiently flexible to allow it to adjust to the production credit needs of the farmers of village Nepal. Within a few years the

⁶⁰Meena Acharya of the Nepal Rastra Bank has completed field studies in two localities in the Tarai and Inner Tarai on this point. Her work has not yet been published, but her conclusions suggest that tractors and such farm implements have had a negligible influence on production.

⁶¹*Fourth Plan Evaluation (1970-75)*, p. 13.

⁶²The Agricultural Development Bank/ Nepal has brought to the field of rural credit stricter accounting procedures, more imaginative management, and a new spirit of service.

Bank established over 130 branch offices throughout Nepal, four regional offices, and the central office in Kathmandu. The spread of branch offices into the Hill districts was especially encouraging. Not less encouraging were the policies and programmes evolved in the years following the Bank's founding.

1. An intense publicity programme was launched to explain to villagers the process of applying for loans. In this connection an excellent booklet written in simple Nepali and cleverly illustrated was distributed widely.
2. A standard loan application form was developed to simplify the process of applying for loans.
3. The approval of loans was decentralized to permit branch managers to approve small production loans.
4. For production loans of NRs. 5,000 or less, the regulation requiring branch managers to make an on-site inspection of the farmer's holding before granting the loan was discarded.
5. The Bank accepted tenancy certificates in collateral (not just ownership certificates), which gave added importance to tenancy registration and made agricultural loans available to a wider group of farmers.
6. Provisions were made to grant loans to cooperatives and village committees without collateral. (The importance of this policy will be explained in detail in Chapter Nine.)
7. Close cooperation and coordination of the Bank's activities with the District Land Reform Offices avoided unnecessary duplication of effort and added immensely to the Bank's ability to respond to rural credit needs.
8. The loan repayment rate was impressive, which spoke well for management procedures and the viability of the more liberal policies the Bank adopted.

To guarantee an adequate supply of capital for agricultural investment, the Rastra Bank (Nepal's central bank) instructed both the Nepal Bank Limited and the *Banijya* (Commercial) Bank to invest a minimum of 7 per cent of their total deposits in the rural and agricultural sector.

Seen against the background of the failure of earlier rural credit schemes, the need for an institution such as the Agricultural Development Bank is clear, and planners deserve credit for its creation. The Agricultural Development Bank came into existence

late in the Third Plan period. By the middle of the Fourth Plan it had taken over the duties of the Cooperative Bank and liberalized its lending policies in favour of small farmers' production loans.

Agriculture Extension

The agriculture extension model adopted for Nepal was patterned on the model that had worked well in the West. It tended to focus on "innovators", men who were more apt to adopt new farming techniques because of their own special circumstances. "Innovators" were characterized by: 1) large landholdings, 2) high social status, and 3) higher education. They were consequently better prepared to take risks than smaller farmers. The philosophy behind the innovator approach was simple. Seeing is believing! Once the innovators adopted the new techniques and proved their value by increased productivity, other farmers would see, approve of, and adopt them. The idea was to concentrate on the innovators and the remaining farmers would fall into line.

There were several difficulties with this system. Agriculture development required fertilizer, improved seeds, and extension agents to teach the farmers how to use them. The marketing system, institutionalized under the Agriculture Inputs Corporation, developed slowly and fertilizers were not available to many farmers who might have used them. Many of those who did use chemical fertilizers and nutrients did so without understanding how they were to be used to increase crop production without damage to the soil texture. Equally sticky was the question of improved seeds. Agricultural conditions even in the Tarai varied so much from place to place that seed had to be tested in each area to determine whether it was suitable for *that* area. Mobile research teams that tested the seed in the presence of the extension workers and farmers would have added immeasurably to the soundness of the programme, but this suited neither the extension model in use nor the administrative division of the Agriculture Department.

Secondly, many of the extension workers at the level of farmer contact were not adequately trained for the complex task of demonstrating new techniques, coping with variations in soil structure, and testing improved seeds. The Junior Technical Assistants, on whom this task fell, were generally young men whose post was relatively humble in the local administration. Few of them were of sufficient stature to deal directly with the larger landowners at whom the programme was directed. Perhaps they would have enjoyed more success had they worked with the

smaller farmers. Some 68 per cent of Nepal's cultivated land is in the Tarai. Roughly half lies in small holdings either owner-cultivated or tenant-cultivated. Theoretically, there could be as much agricultural development among the small land-holders as among the more wealthy landowners, but very little effort was made to extend improved agricultural practices to this group. By definition, small farmers were not innovators, and the extension programme was not designed with the small farmers' special constraints in mind.⁶³

Most tellingly, the proportion of the development budget spent on agriculture extension continued to decline throughout this period. This indicated the low absorptive capacity of the extension service but it also reflected the attrition rate among JTAs. It proved far more difficult to keep such technicians in the field than to train them. Many JTAs used their training merely as a stepping stone to better opportunities. The most kindly estimates placed the number of JTAs at slightly over 2,000 of whom less than 800 were actually working in the field.

In the mid-seventies, an effort was made to remedy these deficiencies. Under the influence of the National Education System Plan, a ten-year agriculture development plan was designed to train people for actual conditions in Nepal and to coordinate research with the needs that farmers experienced. The Crop Coordinated Research Programme, the Cropping System Programme, and the Institute of Agriculture and Animal Science based at Rampur were all steps towards a more balanced approach to agriculture in Nepal. The Institute of Agriculture and Animal Science began training students to the certificate and diploma level in agriculture and to collaborate with the Department of Agriculture in training JTAs in crops and livestock. The Crop Coordinated Research Programme was a multi-disciplinary effort to improve production in rice, wheat, maize, citrus fruits, potatoes, oilseeds, cotton, sugarcane, and jute. Combined with the Cropping System Programme, this new initiative in research

⁶³Some experts argue forcefully that the rural credit programme must embrace not only the production needs of the Nepali farmer but his total credit needs. Social obligations are sufficiently binding to force farmers into debt. A farmer can be ruined by usurious interest rates for social loans as well as for production loans. Unless the rural credit programme recognizes this and acts accordingly (either through the ADBN or cooperatives), the farmers will not break out of their indebtedness cycle.

was designed to identify technology that could be readily adopted by the farmers for increased production. The Cropping System Programme encouraged the active participation of farmers, research organizations, and extension agencies. The rationale behind this programme held that only after farmers, research personnel, and extension agents had jointly tested a recommended technology on farmers' fields could it be considered viable. This enabled the farmers to evaluate for themselves the adaptability and usefulness of a new technology. It was expected that the interaction between the Cropping System Programme and various commodity/discipline programmes would lead to the development of appropriate technologies that were widely applicable in the farmer's actual field situations.

The new directions adopted in the seventies in rural credit, agriculture extension, and agriculture research have generally been considered more applicable to Nepal's needs than the earlier models that were introduced in the sixties. The striking difference between the models adopted in the seventies as compared with those of the sixties is indication enough that agriculture experts were disillusioned with the approach that had been taken in agricultural development in Nepal during the first twenty years of the development era. The new directions taken in agriculture development also indicate that Nepal's planners have learned important lessons from the frustrations of that earlier period.

CHAPTER NINE

NEW DIRECTIONS: NEW HOPE

Rather than thrust upon the people projects fancied merely by the experts from the Centre, it is better that we launch those projects as are to the liking of the people in general and are inspired to meet their basic demands¹

A. Change in Strategy

One cannot pinpoint the moment in time when the cry for new thinking in Nepal's development strategy became general. The regional development concept emerged in discussion papers as early as 1967. The regional development concept drew strong support from international economists who were openly dissatisfied with economic development models that were clearly not working. A new series of economic models emerged that stressed the economic advantage in directing at least some investment towards the poorer sectors of the economy rather than concentrating investment exclusively on optimal production areas.² Meanwhile in Nepal the National Planning Commission used the annual reviews of plan implementation to level sharp criticism at the executive departments' performance. At the same time, the National Development Council became very vocal about the failure of Nepal's development efforts to reach whole areas in the country that could only be classified as "least developed".³ Lastly, and perhaps most tellingly, His Majesty King Birendra's increasing use of the *Janch Bujh Kendra* to analyze development problems jolted the planning establishment and made transparently clear His Majesty's dissatisfaction with the complacent pursuit of quantitative production targets. As usual, officials tried to reduce His Majesty's directives to slogans punctuating their development rhetoric, but His Majesty's message began to penetrate the circles

¹His Majesty King Birendra.

²See John W. Mellor, "Models of Economic Growth and Land Augmenting Technological Change in Foodgrain Production", (Cornell University: 1972), Occasional Paper No 58; and Uma Lele. "The Green Revolution: Income Distribution and Nutrition", (Cornell University: 1971), Occasional Paper No.48.

³See *Nepal Press Digest*, ed., Mahesh C. Regmi, 17: 313-18 (1973).

where planners met. As a result, development thought in Nepal took an entirely new direction.

The Ingredients of Change

Three major ingredients of change gave body to this new initiative: personnel, policy, and finance.

There had emerged in Nepal a group of dynamic young men and women—highly trained and professionally competent—who believed in the work that they were doing. These young technicians and experts were convinced that the farmers of village Nepal knew better than anyone else their own development problems and were anxious to improve their lot. They were also convinced that unless the farmers of village Nepal *did* begin to work out their own development, there would be no true development in Nepal. Finally, they were convinced that, given official policies that encouraged rather than restricted their initiative, they could use their professional skills to awaken these farmers to the possibilities of change and to assist them to improve the quality of their lives economically and socially.

Policy was undergoing a radical change. The Fourth Plan officially accepted the regional development concept and elaborated it along the lines of the regional development corridors. The experience planners gained during the early years of the Fourth Plan period indicated that it was beyond Nepal's fiscal and technical competence to carry out any meaningful development programme throughout the whole length of the four development corridors. A revision of this policy was in order. The result was the Small Areas Development Programme (SADP). According to the SADP, rather than attempt development activity throughout the development corridors, selected points along the corridors would be chosen for intense, coordinated development activity. There were three major changes in official thinking:

1. It was recognized that at least some effort must be made to extend the benefits of development to all regions of the country, even though this might not seem economically the most advantageous approach.
2. Local input was required. Regional differences dictated that planning for each region had to be tailored to the needs of that region. However, adequate planning for the Hill regions required more data than was available. Obviously a far greater local input into the planning process was required if regional planning and Small Areas Development were to succeed.

3. Scattered, unintegrated development efforts were inadequate. To make any significant impact on the Hill economy, one had to offer more than a token project or two. Thus "integrated development" became almost synonymous with "regional development."

Resources proved to be the major constraint during this period of re-orientation. While planners recognized that something had to be done on a regional basis, the limitations of human and financial resources almost imposed the Small Areas Development Programme. Official rhetoric explained that under this programme development attitudes and economic benefits would radiate out from the areas that were selected for intensive, integrated development, and thus the whole region would profit, even though development investment was concentrated in a few localities. This line of reasoning did not prove very convincing. Some authorities argued that rather than radiating the benefits of development outward from the target areas, improved economic opportunity in the target areas would attract an in-flow of economically deprived people, whose numbers would smother the small beginnings that might actually be made. What was needed, it was argued, was a system of balanced development throughout large areas in all four development regions. However, this alternative did not seem viable. Financial and technical constraints seemed to dictate a Small Areas Development Programme approach to regional development.

At this point the third ingredient of Nepal's new development thinking came into play. On the economic front, economic model-builders began to stress the multiplier effect that could be achieved by investment in the rural poor and to point out the inadequacies of the Harrod-Domar models for Third World development planning. Hand-in-hand with this change in economic thought, development strategists began to stress a "basic needs" approach to development that concentrated on fulfilling the basic needs of the poor. Also (and very significantly), donor agencies began to reflect the desires of their people and legislatures that development investment be an investment in people rather than in production-oriented activities that seemed to make the rich of the developing world richer and the poor poorer.

Thus the three ingredients of Nepal's new initiative came together: a group of highly trained technical people who were anxious to work for the poorer sectors of the population, an official policy that not only accepted but positively encouraged balanced regional development, and international finance that

would pay the costs of this new family of projects. The product of this mixture of ingredients went by the general name "integrated rural development".

Integrated rural development expanded a theme that began with the "regional development" idea and was later extended through the "development corridor" concept of the Fourth Plan and the "Small Areas Development" concept of the Fifth Plan. The integrated rural development concept went further in one essential respect. Integrated rural development aimed at creating a whole development *environment*. While integrated rural development programmes would involve many projects, these projects would not be considered as attempts to improve isolated aspects of the economy. "Integration" was the watchword. This integration was to be brought about not by cleverly coordinated activity on the part of technical field workers but by the people of the villages of the area in which an integrated rural development programme was introduced. The philosophy behind the integrated development programme insisted that grass-roots planning was the best solution for grassroots problems. Each project would have as its point of departure the people's needs as recognized by the people themselves. Government field agents would concentrate on assisting the people to define their needs more accurately and then supplying the technical support the people needed to work out their own solutions to their development problems. Integration would arise from the development of the family and local society as a whole rather than from attempts to coordinate disparate programmes that focused on purely economic targets. It was an exciting concept that hoped to draw three reactions from the people: commitment, labour, and ingenuity. It was hoped that the people would be more deeply committed to projects that they themselves had selected. It was assumed that the people, once committed, would contribute their labour readily to projects they had chosen. Allowing the people to select their own projects should involve the people intellectually in the search for new means to improve their community and their traditional economy. The great challenge to the administration of HMG and to the planning cells of the various ministries lay in allowing the people to participate in such a total manner in development activity. A tradition of strongly centralized planning in the ministries and in the National Planning Commission created psychological difficulties for those who would be obliged by this new concept to withdraw from a dominant and paternalistic position to one of support. The temptation was to plan from the "top-down" how the people should plan from the "bottom-up".

This temptation was strongly reinforced by the National Planning Commission and the Finance Ministry's determination to put Nepal's national stamp on all integrated development projects financed by donor agencies. The only way to achieve this, some thought, was to impose very strong guidelines on the functioning of the programmes. Development technicians feared that the guidelines themselves would stifle any true grass-roots planning effort.

Doubts and Tensions

Even before integrated rural development programmes were initiated, a wave of doubt assailed the whole administration. As long as regional development programmes were modest in size, there was no great concern about them. But with the arrival of substantial foreign funding to implement integrated rural development programmes, regional development suddenly became big business. Questions were raised that were impossible to answer until experience with the programmes produced more data. But the questions were disturbing. Could the rural sector absorb investments of the size contemplated? Could this money not be more profitably used in large capital investment projects while investment in the rural sector was increased slowly over a longer period of years? How would such projects be monitored? Who would be the coordinating agency? How much "say" should donor agencies have in project design and implementation? Discussions focused on three specific areas that gave voice to the underlying uneasiness.

First, if a large number of donor agencies initiated integrated rural development programmes in different parts of Nepal, would this not prove divisive? The nature of integrated rural programmes was such that large-scale funding was required. These programmes also required a uniform policy throughout the project area. In practical terms, this meant that for each area selected for integrated rural development one donor agency would have to bear the burden of investment. The collaboration of several donor agencies in one project seemed impractical. Their differing philosophies rarely permitted the kind of coordination a successful integrated rural development programme demanded. Merely achieving the required level of coordination from the HMG's line agencies would be difficult. The addition of another level of coordination at the donor agency level would create a structure far too complex to function efficiently. It seemed more practical to have separate donors finance integrated development projects in different regions of Nepal.

How then should HMG overcome the divisive tendencies implicit in such a programme? One suggestion was that HMG work out a set of basic guidelines with which all donor agencies would have to conform if they entered this field of development. This approach appealed strongly to central planners, but there were inherent difficulties. The fact was that, despite local and international enthusiasm for such programmes, there was very little actual experience of them in Nepal on which to base solid guidelines.⁴ Concerned planners were caught between the desire to get started on programmes that would help the poor of Nepal on the one hand, and, on the other, the determination in certain quarters of government to make it clear that all integrated rural development programmes would be HMG programmes, conducted on HMG guidelines, and administered as HMG wanted them administered. Planners were caught on the horns of a cruel dilemma. They wanted to maintain government control of development programmes and this was as it should be. At the same time, the nature of grassroots planning and the heart of the integrated approach called for the people of village Nepal to do their own planning to meet their own village needs. And the nation was committed to this not only by the direction which successive five year plans had taken but also by the directives of the National Development Council under the Chairmanship of His Majesty King Birendra.

As those concerned studied the integrated development approach more carefully, they realized there was a definite conflict between traditional planning and the type of grass-roots planning that these programmes required. To ask the ministries and their various departments to limit their intervention to providing essential technical support was a staggering demand to make of ministries that had matured in a tradition that understood administration to mean *control*, and of departments that considered themselves as a delivery system, designed to provide, according to their budget and manpower, such services as their own development plans considered expedient.

These discussions were serious and sincere. Sound arguments could be raised on either side, but the problems themselves were not insoluble, granted the will to proceed. There were indications that an integrated rural development approach would bring about

⁴See Dr. Bhekh Bahadur Thapa, Statement to Nepal Aid Group Meeting, Paris, 1978.

a more effective delivery system and a more coordinated development effort in the countryside—not because all eventualities had been foreseen, but because the common goal of serving the people would force the development of the services the people needed. As it was put succinctly by one expert in the field:

People criticize us for building health-posts when there are no health workers to man them. Experience has proved, however, that once a health-post is erected, the local people put so much pressure on the concerned minister that he has to find people to man it. Despite all the claims that there are no personnel available, it is clear that a determined effort can produce them. We will go a lot farther towards meeting our targets in training programmes, if the people demand the services we have to offer than we will by training people to meet the needs of some projection of needed personnel.

B. Converging Programmes

Many of the doubts (and much of the tension) prompted by the new approach to rural development merely reflected a fear of the unknown. Experience and actual involvement would resolve many of them. The fact was that, aside from the rhetoric and the emphasis given to integrated rural development programmes, various agencies throughout HMG had been at work on programmes that were very much in line with the objectives of the new development thought. There were differences in programme design and variations of emphasis, but the rural poor had already become a primary target for development programmes in most ministries. A selection of just a few of these programmes will indicate how much convergence there was in reality, despite the doubts expressed so strongly.

The Small Farmers Programme⁵

This programme was directed at a target group of six thousand low income families in two districts in Nepal (Dhanusha in the Tarai and Nuwakot in the Hills). The target group was composed of small farmers, tenants, share-croppers, and landless

⁵G.C. Clark et al, "First Annual Progress Report on Nepal's Experimental Field Action-cum-Research Project on Development of Low-Income Small Farmers, Tenants, and Agricultural Labourers", Nuwakot Workshop on the Two-Way Process in Planning, 20-24 March 1978.

agricultural labourers. Within this target group an effort was made to help organize small, informal groups of fifteen to twenty families. Each such group was homogeneous and multi-functional. The binding force for each group was an income-generating activity based on group work-plans and group action at the grass-roots level which was supported by an integrated programme of supervised credit. These informal groups were organized at a level subordinate to HMG sponsored cooperatives. It was understood from the outset that these groups would in time strengthen the official cooperatives. It was also seen as a distinct possibility that for their own social improvement and to take better advantage of available facilities these groups might decide to further organize themselves into associations.

The implementation of this programme was entrusted to four teams that were set up to assist in the organization of these small farmer groups. Their target was to organize one thousand families in the first year. In fact, in one year they assisted 651 families of the target group to organize themselves into 50 Small Farmer Groups. There were 27 groups in Dhanusha with a total membership of 218 families. In Nuwakot there were 23 groups with a membership of 427 families.⁶ *Against joint liability*, credit totalling NRs 875,000 was extended by the Agricultural Development Bank of Nepal to group members for the following production loans:

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|--------------------------------------|---------------------------|
| 1. Milch buffalo rearing | 9. Paddy cultivation |
| 2. Draft bullocks | 10. Tobacco cultivation |
| 3. Calves for rearing | 11. Wheat cultivation |
| 4. Sheep production | 12. Maize cultivation |
| 5. Goat production | 13. Fruit tree plantation |
| 6. Pig production | 14. Fish pond farming |
| 7. Male buffalo for breeding | 15. Well digging. |
| 8. Carts and oxen for transportation | |

In addition to the loans that individual members of these groups received on the basis of joint liability, the groups were

⁶The groups are kept small, with 20-25 families per group. Experience has shown that there is much more success with homogeneous groups and that the lower income farmers tend to profit more from group organization than larger land-owners.

also encouraged to (and in fact did) establish a monthly savings programme either for group use or to provide an emergency fund which the group might use to assist a member who faced particular difficulties.

During the first year of operation, the average family income of the 651 families in the fifty groups increased by approximately NRs. 450. Fifty-five of the 224 members in Dhanusha (i.e. 25%) opened personal savings accounts in their local cooperatives. In Nuwakot 427 members deposited nearly NRs. 10,000 in group emergency funds (an average of NRs. 23.00 per member).

Repayment of loans taken from the Agricultural Development Bank was on schedule and in some instances ahead of schedule.

The social changes that this one year of experience produced were sufficient to prompt those concerned with rural development to give this programme very close consideration. The gains registered by the farmers' groups were by no means merely economic. In particular there was a new interest in health, sanitation, housing, and family planning. Group members showed increased concern for one another's welfare. It was also found that group organization proved a very effective means of bringing to the notice of small farmers the services that were available to them but about which they knew nothing or which they were too timid to request.

In the areas of animal husbandry, veterinary services, agriculture and horticulture the year's experience proved that an organized and functioning group was more eager to learn new techniques and to profit from improved services. A small farmer who had invested in a buffalo because he was able to secure a loan on the basis of joint liability proved far more concerned about the welfare of that animal than a farmer who owned a number of buffaloes. If the small farmer's buffalo died or failed to produce, his own heavy investment was at stake as well as the faith his fellow group members had placed in him. In addition to his personal concern, the group's concern provided strong persuasion to make the fullest possible use of available government veterinary and animal husbandry services.

Agriculture Extension⁷

Changes in the agriculture extension programme also reflected the new thrust in Nepal's development strategy. Prior to the Fifth Plan, Nepal's experience with agriculture extension had been far from encouraging. Changes were in order, and a ten-year agriculture development programme was initiated. The agriculture extension section of this programme accepted the existing agriculture extension structure composed of a District Agriculture Development Officer (DADO) and a team of junior technicians and junior technical assistants, all of whom had some formal training in agriculture (the DADO was an agriculture graduate). The new programme added to this structure a new tier of agricultural workers called agriculture assistants.

The agriculture assistants' programme introduced two new ideas into extension practice. First, the agriculture assistant was not a trained agriculturalist, but a villager chosen on the basis of his personal qualities to serve as a liaison person between the agriculture extension structure and his fellow villagers. The agriculture extension structure reached down; the agriculture assistant reached up from the village level. Secondly, the agriculture assistants' targets were quantified in terms of the number of families to be visited rather than in terms of the amount of fertilizer, seeds, and other agriculture inputs to be introduced.

As the programme was applied in Nuwakot District, the whole district was divided into seven sub-centres chosen for their accessibility and the ease of communications. Each sub-centre was designed to serve six village panchayats. The District Agriculture Development Officer was located at the district headquarters. His responsibilities included the supervision of the whole agriculture extension programme in his district. Under his direct supervision were the junior technicians and junior technical assistants serving in the district. Each junior technician in the district was responsible for the functioning of one sub-centre and had two or three junior technical assistants to help him carry out the extension programme in his sub-centre. The junior technical assistants were each responsible for three village panchayats. This was the agriculture extension programme reaching down towards the village. Meanwhile, reaching up from the village, each village

⁷R.B. Singh and B.P. Sinha, "Formulation of District Level Agricultural Development Plan and Its Implementation", Nuwakot Workshop.

panchayat had its own agriculture assistant. The agriculture assistant was required to maintain contact with ten families in each of the nine wards of the village panchayat. He visited his ten contact families in each ward according to a fixed schedule that was part of a two week cycle. On nine of the twelve working days in the two-week cycle the agriculture assistant visited his contact families. On the remaining three days he attended training programmes either at the sub-centre or at the district headquarters. To make sure that *all* of the farm families in each ward were contacted the agriculture assistant was directed to choose ten new contact families each six months. As a result, it was estimated that in a period of three to four years the agriculture assistants would have visited all the families of the district on a regular basis through a period of six months.

The whole agriculture assistant programme was clearly designed to rectify the situation that maintained under the "innovators" programme. The programme has been criticised as a clear case of top-down planning and also as being overly ambitious. Agriculture assistants were required to see too many families in one day to allow any depth of instruction. With very little imagination, however, one could easily see a possible linkage between this programme and the Small Farmers' Programme. Instead of contacting a number of disparate families in the ward, the agriculture assistant could more easily contact one or two of the groups organized under the Small Farmers' Programme. His assistance would be welcome, because he could provide the link between the Small Farmers' openness to new technology and any new technology the agriculture extension programme was trying to deliver.⁸

⁸ "Group learning through directed group discussion is effective. Fertilizer use amongst SFDP members increased by 25%. In the Nuwakot area over 50% of the members have started compost pits. Nearly 400 animals have received proper vaccinations and members have received 1,355 fruit tree seedlings, 2,000 fish fingerlings and 350 improved fertile eggs for hatching purposes. Membership in the local cooperative in Nuwakot increased from 43 members to 538 and share capital from NRs 605 to NRs 12,027." Clarke, "Small Farmers" pp. 6-7.

Integrated Hill Development⁹

A third programme that bore a direct relationship to the Small Farmers' Programme and the agricultural assistants' programme was the Integrated Hill Development Programme inaugurated by the Swiss (SATA) in the Lamosangu-Jiri sector. The Swiss technicians, drawing on their long experience with the Jiri project, had come to the conclusion that one had to integrate all economic activities in a development area to create a development environment. Even the road they were building had to be integrated with local problems of over-grazing, soil erosion, soil exhaustion, drinking water, irrigation water, and surplus farm labour. This Integrated Hill Development Programme called for intensive research into possible new agricultural and pastoral activities, concern for local social customs and practices, and the human environment of the development area. Three major questions had to be answered: What interests do the people of this area have? What can we help them do? How can we help them make this economically viable and at the same time improve the overall environment? The Swiss found from experience that the solution lay not in many new projects nor in programmes oriented towards individual farmers, but in local communities or organized groups.

Here again it is possible to note areas of convergence with the Small Farmers' Programme, and the agriculture assistants' programme. If one organized groups that had strong common economic ties, and if one designed programmes in agriculture, health, education, and public works that combined both a delivery system and a receiving system, one could put together an integrated programme that would make a strong impact on village economies. It soon began to emerge, however, that the delivery systems must be designed to deliver services to match the farmers' actual activities and planned investment, and this meant that the farmers must be consulted.

Decentralization¹⁰

The District Administration Plan (1975) made precisely this effort. The DAP, as it was commonly called, made an effort to

⁹See *Mountain Environment and Development* (A Collection of papers published on the occasion of the 20th anniversary of the Swiss Association for Technical Assistance in Nepal) (Kathmandu:1976).

¹⁰*The District Administration Plan, 1975* (Kathmandu: 1975). (Nepali)

integrate village-level planning with the objectives and priorities of national and regional planning. From the wards of village panchayats up to the district level the medium for planning was the panchayat. This was the route for planning from the bottom-up. Top-down planning was routed from the National Planning Commission, through the ministries and departments, to the regional development centres and the Chief District Officers. The point of convergence was the approved district development plan and budget. There were thus three major aspects of DAP.

First the district level. All field officers of governmental departments working within the district were placed under the direct supervision of the Chief District Officer. His on-the-spot supervision of their activity was designed to ensure a more responsible performance of their duties. The field officers remained career workers belonging to one or other technical department of HMG, but for the time of their service in the district their responsibilities were divided. As far as policies and plans were concerned, they were obliged to carry out the policies of their respective departments and to execute their ministries' plans as these were modified by the approved district plan. In their day-to-day activity, the field officers were responsible to the Chief District Officer, who was fully aware of what the approved district development plan expected of each officer. The Chief District Officer had no control over ministerial or departmental policies, but he had some control over the performance of technicians posted in his district.

According to the District Administration Plan, panchayats proposed and planners disposed. The district panchayat's annual plan and budget had to be approved by the regional development office before it became effective. The basis for this approval was the congruence of the proposed district plan with the strategy and priorities established for the nation and for the region by the National Planning Commission and the concerned ministries. Budget requests had also to be in line with the proposed budget allocations for the region. Once the district programme was approved, however, it became the programme for the next fiscal year for all development work in the district undertaken within the panchayat sector.

It was in the preparation of the district's proposed programme and budget that grass-roots planning was expected to take place. Each ward and each panchayat was encouraged to propose projects that were seen as necessary or useful for the people of the village panchayat area. Projects that were approved by the village panchayat were then forwarded to the district level.

At the district level, the field experts assigned to the district, under the direction of the Chief District Officer, prepared a programme for the district and a budget to cover the expenses of the programme. Projects to be funded from local resources or executed by voluntary labour were specifically included in the programme. In preparing the programme and budget the district level officers were obliged to keep in mind the financial resources that had tentatively been allocated for development work in the district and the guidelines established for the year by the National Planning Commission's Strategy and Priorities paper. Key roles were assigned to the District Panchayat and Development Officer, the President of the District Assembly, and the various district-level coordination committees in integrating the many proposed projects into a viable and coordinated district programme. When the programme and budget were ready and the Chief District Officer had added his observations, the District Panchayat and Development Officer presented both programme and budget to the District Assembly for approval. Once this approval was achieved, the programme and budget were forwarded to the regional development office for inspection and approval, a step that has been described earlier.

This effort to decentralize planning required two very basic structures to function well. First, the village panchayat and ward had to be truly involved, interested, and committed, if their proposals were to have any real development content. Secondly, the technical services had to be support-oriented rather than programmed from above. There was no guarantee that these structures would function as required. Knowledgeable sources predicted there would be no informed input from the villagers and that extension personnel would continue to function as they had in the past. This prediction, though very negative, touched near the bone. Yet elements of success were already at work in Nuwakot District, which was the main test arena for the DAP.

The areas of convergence between the District Administration Plan, the Small Farmers' Programme, the agricultural assistants' programme, and the Integrated Hill Development Programme seem obvious. Proposals that were imaginative and open to guidance from technical agencies had a much better chance of meeting the village's real development needs. The possibility that such proposals would emerge increased proportionately as the people themselves were organized into highly motivated economic and social groups such as the Small Farmers' Programme developed. A modification of the agriculture assistants' programme to create stronger linkages between this programme

and Small Farmers' groups would encourage openness to new technology. Projects such as the IHDP could provide the necessary technology.

Integrated Rural Development Programmes

One might well ask why these four programmes that apparently converged in so many areas did not actually merge into one powerful thrust in the general assault on poverty. Although it seemed likely that the stronger aspects of these four programmes would merge with the whole cooperative and panchayat system, at the time of this writing no merger had taken place.

One of the major reasons for this failure lay in the general perception of the panchayat structure. There were some sectors of the administration who refused to take the panchayat structure seriously because it lay outside the control of the central administration. Central planning and central administration were perceived as the real government of Nepal, while the panchayat was seen as a localized adjunct that played a very insignificant role. This attitude was revealed in both plan allocations and in budget allocations for the panchayat sector.

At the same time there were spokesmen in the administration who saw the panchayat as the major area of concentration not only for political purposes but also for all development activity. Since the proponents of this view of the panchayat sector were dealing with complex social and political problems, it was far more difficult for them to propose programmes that could be neatly quantified and carefully planned. Their arguments that the panchayat structure had consistently posted gains as significant as any attained by the central administration and at far less cost had not convinced the majority of planners that the panchayat sector should be taken seriously.¹¹

There were also the extremists who insisted on overloading the panchayat structure. This group insisted on subordinating to

¹¹B.P. Shrestha, Vice-Chairman of the National Planning Commission, spoke vigorously in favour of increased use of the Panchayat sector in development work in the Nuwakot Workshop. However, the statistics for budget allocations have yet to reflect his interest in the Panchayat sector, and many critics insisted that the budget was a truer statement of priorities than papers read at workshops. The Vice-Chairman of the National Planning Commission, however, seems to reflect more accurately than his critics the current trends in planning and the logical sequence in Nepal's own planning effort.

the panchyats any activity that dealt directly or indirectly with the people. The combination of panchayats, cooperatives, land reform, compulsory savings, and the Agricultural Development Bank was correctly perceived as the system that would eventually reorient village society. The extremists, however, insisted on panchayat control of all agencies involved in rural development programmes. For them, no institution could exist of and by itself. It was clear, for instance, that local, small organizations such as those organized by the Small Farmers' Programme were performing a very vital and significant role in redirecting the thinking of villagers not only along economic lines but also along social lines. Similar groups organized around common economic interests could also serve to awaken social and community consciousness in the people. This possibility generated fear in the minds of the extremists who consistently focused on institutions rather than on people. It seemed very difficult in the mid-seventies to convince decision-makers at the Centre that if the focus were on people, the people would breathe life into institutions in a way that no panchayat worker—however well trained—could ever succeed in doing. Since it was apparent that an awakened citizenry would have a profound influence on the working of the panchayats at the village level and, in time, at the district level, there was an insistence in some quarters that these economic groups be subordinated to the panchayat structure. This attitude was typical at the time. The structure was more important than the people it was supposed to serve.

The very size of integrated rural development programmes was both a challenge to the planning mechanism in Nepal and a call for a change in attitudes. Could planners adjust their thinking to accept a grass-roots input that was meaningful? In theory the planning hierarchy found no difficulty in accepting the need for greater grassroots input into regional planning. They wanted it in order to make regional planning effective. In practice, planners tended to minimize the importance of local plans that did not mesh neatly with plans prepared at the Centre. It seemed to many observers that they wanted a grass-roots commitment to programmes and grass-roots labour while avoiding the inconvenience of involving grass-roots thought in planning local projects.

The whole philosophy of the integrated rural development programmes insisted that one could not have commitment and meaningful labour participation without an equal and antecedent intellectual involvement of the villagers themselves in the analysis of problems and planning. Those for whom the philosophy of

integrated rural development was especially meaningful found it difficult to convince planners that—with this grass-roots involvement—technical and financial support at the local level would produce the very results that had long been publicly stated goals of Nepal's development strategy.

First, they saw as the immediate result of sincerely pursuing such a programme a widespread and popular commitment to social and economic development. If the people of the various development regions were given the technical and financial means to work out their own development, local societies would be rejuvenated and a new sense of purpose would be born.

Secondly, this new sense of purpose would invigorate the local government, the cooperatives, and the government service agencies and make each of them far more effective.

Thirdly, integrated rural development programmes that actually produced the results expected would lead eventually to a harmony between central planning and grass-roots planning. Local government would make strong demands on the central planning agencies. At the same time, however, they would give strong support to regional objectives that reached far beyond the localized goals of those villages first touched by integrated programmes. Far from feeling left out, the people would feel very much a part of the whole national effort.

Conclusions

There were few who seriously believed that integrated rural development schemes would be the last word in Nepal's development effort. In fact, at the very time when these programmes were introduced in Nepal, plans were going ahead for needed major roads and hydroelectric plants, both of which sectors required heavy investment and large commitments of foreign aid and foreign loans. It was obvious that more was required for the future development of Nepal than a series of small farmer-oriented programmes. However, the development thought that led to the integrated rural development programmes was a step forward. This new line of thinking produced an intermediate strategy that promised:

1. Direct help to the poorest families in Nepal
2. A recognition of the individual as the essential *raison d'être* of all development planning;
3. The involvement of village intelligence as well as village labour;

4. Sound economic investment in the poorest sectors of the economy;
5. Just policies to establish a more equitable distribution of wealth rather than chasing blindly after ever increasing Gross Domestic Product figures; and
6. Meaningful employment to enable men and women to enhance their own dignity and awaken them to the possibility of creating a new society through their labour.

Whether this new line of thought would actually produce the results envisioned was something that the future alone could decide. There was hope, however, that these programmes and the development strategy that made them possible would provide the breakthrough that Nepal had been seeking. In a wider sense, the breakthrough had already been made. The new family of development programmes were Nepalese in their design and in their components. What impressed foreign consultants and donor agencies was the tenacity with which the young experts who developed these programmes clung to their convictions and fought for the programmes they had developed. Independent observers were even more deeply impressed with the way the new line of technical thinking had meshed with the long-range objectives that had been incorporated into Nepal's Fifth Five Year Plan and the directives that His Majesty King Birendra and the National Development Council had laid down for the development of Nepal.

At the same time, it should be noted that though these new programmes were Nepalese in origin and in focus, they utilized the best in current international development thought. Economists had produced strong economic models supporting the hypotheses that underlay Nepal's new programmes, and there was hardly an international organization of repute that had not given strong support to the general "basic needs" strategy. The "basic needs" strategy that Nepalese experts developed seemed sufficiently attractive to gain financial support from some traditionally conservative donor agencies. The strongest support for the new development strategy, however, came from the people of Nepal and their desire for social change, as this desire has been expressed in both the Interim Constitution and the present Constitution of Nepal. People felt that, whether this strategy produced the results that were promised or not, it was a move in the right direction.

The promise of the new strategy and the widespread support it received both in Nepal and abroad did not by any means indicate that the battle for development was over. Nothing in this strategy indicated a change in the basic problems that had affected Nepal's administration during the whole development era. There were still serious constraints that prevented the smooth progress of Nepal's assault on poverty, and there was little that the new strategy could do about them. The most that the proponents of the new strategy could hope to achieve was to call attention to these constraints and hope that a new understanding of development administration would emerge.

CHAPTER TEN TODAY'S CHALLENGE

Development without popular participation can at best be an incomplete affair.¹

The direction that development planning is taking in Nepal is both simpler and more complex than past approaches to national development. In some ways the early stages were more difficult. Our planners began with economic theory, struggled to acquire the data needed for their economic model, and planned on this basis an infrastructure of development they hoped would lift the people of Nepal out the lethargy that was the heritage of generations of neglect. On paper these plans looked promising. Initially there was real difficulty in executing the projects called for by plans. In the course of time, however, the development infrastructure that was planned slowly took shape. The cost of this infrastructure was high. The list of projects completed was impressive. Yet, apart from the tourism industry, in which private enterprise consistently moved ahead of planning, there was no discernible improvement in Nepal's villages. Undoubtedly the infrastructure created at such cost has been important and will become progressively more important. There would be no development in Nepal without it. However, the creation of the infrastructure has not been development nor has it created a development mentality. Until the people throughout Nepal make intelligent use of this infrastructure, this enormous investment will remain largely unproductive.

Today's strategy for development, whether we call it "Basic Needs", Integrated Rural Development, or the Small Farmers' Programme, is designed to bridge the gap between development infrastructure and the use villagers make of that infrastructure. The basic *delivery* systems have been set up and can be expanded or modified as trained manpower becomes available. Until greater use is made of these systems by the farmers themselves, their cost will far outweigh their benefits. The new directions in Nepal's development growth discussed in Chapter Nine all focus on the development of grass-roots planning and the receiving system by which small farmers are taught to make use of the technology that government agencies strive to put at the farmers' disposal.

¹His Majesty King Birendra.

Effective coordination of the delivery system and the receiving system calls for some form of convergent planning.

A. The Call for Convergent Planning

If we encourage grass-roots planning and also maintain our national planning structure, it seems evident that we either bring the two planning systems together at some point, or we are dealing with two distinct and parallel structures.

The 1975 District Administration Plan was the first effort to coordinate grass-roots planning with national planning. According to the District Administration Plan, villagers prepare their annual programmes and pass these up the line to the district headquarters. At the district headquarters these village programmes are broken down into sectoral requirements which are considered by specialized committees formed for each sector: agriculture, education, civil engineering, etc. When the committees have completed their work, their coordinated plans are then passed through the various stages connected with the preparation of the district's annual programme (as mentioned in Chapter Nine), which is then sent to the Regional Planning Office for approval.

The process of preparing the district's annual programme closely parallels the process by which each ministry prepares its annual programme. For each level the criterion for accepting or rejecting a proposal is whether the programme fits or does not fit the objectives and budgetary allocations established by the periodic plan and specified in the annual *Strategy and Priorities Paper*. Coordination is achieved by rejecting proposals that do not fit and accepting proposals that do. The theory is that if proposals fit the guidelines, which are coordinated,² then the proposed projects will be coordinated. In the Centre, the process of coordination is difficult but not impossible, because departments can supplement the planning process through personal contacts to achieve a coordination not demanded in the planning process itself. At the district level, coordination often means rejecting programmes prepared by the village with much time and effort for no other reason than they do not fit the general plan. To avoid this waste and frustration and achieve a greater grass-roots input, some form of convergent planning is required.

²The guidelines are not always coordinated. See Pashupati Shamsheer Rana, *The Fourth Plan, A Critique* (Kathmandu: Yeti Pocket Books, 1971).

Administrators who have considered the proposals for convergent planning without carefully studying the planning and development problem tend to be very negative in their judgments. They fear that if the villagers are encouraged to make their demands known and even given a channel for doing so, they will ask for facilities and financing that the Centre cannot produce. This could lead to frustration and deep resentment.

These fears are ill-founded. Experience with the Small Farmers' Programme has shown that the first requests the Small Farmers make when they are encouraged to state their needs are conservative and traditional.³ Their personal needs are very limited as compared with what wealthier landlords and larger farmers expect. In fact, most needs expressed by Small Farmers in their first round of projects can easily be met within the existing delivery system. The infrastructure has been there all along, but the farmers either did not know how to make use of it or they did not dare to do so.

It is only when these Small Farmers' groups reach the third and fourth round of projects that they begin to search for non-traditional means of increasing their income. This is the time when they require guidance. As far as the feasibility or economic viability of their projects is concerned, the Small Farmers' Programme has guidance built into it. The Small Farmers do get assistance in their planning, and the Agricultural Development Bank checks into the soundness of their proposals before granting loans. The guidance the Small Farmers have received at this level has also led them to prepare annual plans for their group and also plans that combine the efforts of several groups within the same district.⁴ With very little effort, they could be encouraged and helped to prepare plans that reached a full two years ahead.

³ "National Workshop of Local Level Agriculture Planning Processes and Their Linkages with Regional and National Planning", Nuwakot, 20-24 March 1968. (mimeo)

⁴ "These are plans made within an informal association of groups. Ideally, this planning should be done within the Small Farmers' Cooperative Society. See Sree Krishna Upadhaya, "Methodology for Small Farmers' Group Involvement in District Level Plan Formation and Implementation", Nuwakot Workshop. (mimeo)

Mobile Planning Teams

If the Small Farmers did attempt longer range planning for their own projects, they would have to know more accurately what plans the Centre was making for their areas and what support they could rightfully expect for their programme. If, for instance, they were interested in developing a group orchard, it would be very useful for them to know that the construction of a feeder road was planned for their area during the period when their trees were maturing. This might well make the difference between a border-line project and one that would be financially rewarding. The planned opening of a health post might well encourage them to discuss during their monthly meetings health and the benefits that could accrue to them from the health-post. The planning of a visit of a mobile family planning unit might well prompt them to discuss in advance the pros and cons of family planning and so prepare the way for a successful visit of the unit. Because of the nature of decision-making at the village level and within village families, this long, advance discussion of such services is important. As one writer has pointed out, in these discussions one person forms a majority. The family unit will rarely act as long as one member refuses to agree.⁵ Given time, however, they will convince the recalcitrant member of the family to accept what the majority feel is the right step to take. Group discussion and group decision-making have proved invaluable in dispelling fears and encouraging people to accept programmes that had previously not been understood.

Experience with the Small Farmers' groups suggests that once the groups reach the third and fourth round of projects or begin long-range planning, the advice of the Agricultural Development Bank or their Group Organizer is inadequate. For effective planning they need definite advice from people in the Regional Planning Centre. At the same time, if the people in the Regional Planning Centre knew what the Small Farmers' groups were hoping to do, it might make a very great difference in the advanced planning of government programmes for that area.

What is needed is a mobile planning team that would visit at least some of the Small Farmers' groups to discuss with the farmers and the Group Organizer the possibilities, hopes and plans that the Small Farmers' groups entertain. These mobile teams

⁵Gary Shepherd, *Deforestation in the Mahabharat: An Investigation of the Economics of Arakhala* (Kathmandu:1978), pp. 38-9.

would have to include planners who were empowered to interpret and to adjust the broader objectives of the regional plan to the realities they met at the village level. The team should also include some technicians who could immediately point out the impracticality of some proposals and the advisability or usefulness of others. Were this done in the context of a Small Farmers' group meeting, where rapport had long been established, the mobile planning unit's advice would be taken seriously as an effort to assist rather than limit the villagers in their effort to help themselves.

The first requirement for the successful functioning of such a mobile planning unit is dialogue. Planners have to go into an area and meet with the Small Farmers' groups. It is not necessary that they meet with every group in the area nor that they meet with groups separately. A number of groups can be called together for these meetings, and one or two meetings within an area would be adequate. What is essential is that the mobile team explain to the farmers in the context of the farmer's own group organization the objectives of the plan for their area and also that they listen to what the farmers themselves are planning or hoping to do. The discussion that follows should be a genuine exchange during which the mobile team is sensitive to what the farmers are saying and polite but firm in their advice. The object of the exercise is not merely to educate the farmers about the plan but to learn from the farmers how the plan can be made more realistic. This is not done in an abstract way but by noting carefully the plans or needs that the farmers' suggest. Experience has shown that the farmers' groups are more anxious to receive advice than to insist on their own programme. Because of their small reserves, they have much more at stake in any investment than do the planners and technicians of the mobile team. It is useful to remember that the Small Farmers' groups are not talking about government grants and government projects. They are discussing projects that they intend to finance themselves whether with a group loan from the Agriculture Development Bank or from their own group savings.⁶

⁶The villagers' own investment in their effort to improve their economic situation is an essential element of the "receiving system". Mass mobilization of labour for local level projects is important but it is only a part of the key to local development. All local level projects are essentially a part of the delivery system. Teaching people how to use these facilities for their own social and economic improvement means

Secondly, the mobile team must help the Small Farmers' groups shape their plans. Technical advice at this stage may well prove critical to the success of the farmers' plans. The mobile team is bringing into the area a far greater range of knowledge than the farmers possess. It is important that they help the farmers channel their interest and their investments into areas that promise real growth. During the whole dialogue the Group Organizer must maintain an atmosphere of mutual trust and cooperation, so that throughout the meeting the farmers experience strong support from government and are assured that government is trying to help them in the best way it can. The team's effort to help and to cooperate may well produce quite unexpected results. Questions may be raised that deal with almost any of the planning initiatives in the area ranging from sanitation to soil and water conservation. The farmers realize far better than anyone else how integrated the different aspects of their lives are. What began as an economic planning discussion may end with the farmers asking detailed questions about preventive health measures or better grazing practices. The range of possible questions is as broad as the whole of village life and activity.

Thirdly, the mobile planning unit ought to establish strong reporting practices. The planners at the Centre must be kept informed about economic and social initiatives that have been expressed in these meetings. Accurate and fresh data on the interests and aspirations of the people of an area might well indicate the need for an adjustment in priorities or suggest a package programme that a donor agency might be willing to finance. This reporting is the sort of feed-back that central planners need, but it must flow into the Centre on a regular basis. Members of the unit should prepare a joint report after each meeting and at the end of the tour it would be good for each technician on the team to file a technical report for his own department.

The mobile planning units might well conclude their tour with a period of de-briefing with one or more members of the National Planning Commission, during which some of the more outstanding points learned could be discussed in depth. The whole reporting

developing attitudes in the people of cooperation and self-help. Some sort of economic tie such as the Small Farmers' programme has presented seems to be most helpful.

process and debriefing exercise, if it is to be effective, should be understood as an attempt to feel the pulse of the nation, not as a mere fact-finding effort. The watchword is sensitive understanding. Understandably, many of the points that emerge from the operation will be routine. However, the small breakthroughs that can be communicated to other parts of the nation and exploited on a wider scale will also come to the fore. In a development operation, success breeds enthusiasm, and enthusiasm – once communicated – stimulates emulation.

The process described here for mobile planning units is only a supplementary process. Mobile planning units are needed because most of the nation's small farmers are inarticulate in the regular planning process, whereas once they are organized into small, self-help groups, they are able to express themselves and take advantage of the infrastructure that has been developed for them. Since the population of small farmers includes most of the population of Nepal, the importance of helping them to achieve self-reliance by sensitivity to their needs may well spell the difference between a successful development effort and one that increases Gross Domestic Product without any discernible improvement in the quality of life the poor experience.

The stress on small farmers is not meant to deny the importance of production-oriented planning. It is understood from the outset that increased production and increased productivity are important national economic goals. It is assumed that the major thrust of planning and the greater share of investment will continue to be placed in these sectors. What convergent planning and the Small Farmers' Programme are discussing is the marginal effort needed to include in these overall national goals a larger share of the population. Stress is laid on small farmers because experience has shown that farmers with larger landholdings can and do take advantage of development opportunities. It is the small man who is left out, and, unfortunately, this includes a high percentage of Nepal's population.

B. The Burden on the Administration

Convergent planning will place a different type of burden on the technical departments of the administration. Once plans have matured that include both the interests of local Small Farmers' groups and the overall national objectives, it is important that the departments carry out their programmes with the receiving mechanism in mind. In education, health, veterinary services, forest development, water use, agriculture extension, and allied services an effort must be made to respond to the needs actually

expressed. These needs are no longer the whims or wishes of the local communities, but the results of combining local interests and initiative with directed planning efforts. This is an important planning input that must be considered.

Planning on the basis of such an input is more demanding than planning in the abstract. Standardization, uniformity, and administrative management need not be set aside. But the system must have sufficient flexibility to match planned delivery targets with locally expressed needs. Such grass-roots oriented planning also implies that members of the central administration must go out to the districts on a regular basis to assess local needs.

There comes a point in any planning or development situation when it becomes necessary to test one's perception of a development problem in the development area itself. Education, for instance, is not a question of building schools and hiring teachers, although these are indispensable conditions of a national education programme. Education itself is an awakening of the desire to learn, a stimulation of the learning process, and a transfer of skills by which the student learns to organize data as a body of knowledge. To succeed, the educational process must be related to the students' environment, either in the textbooks themselves or in the use the instructor makes of the textbooks. The whole administrative structure of education is intended to facilitate this process. Certain aspects of education administration have to be concerned along with the physical side of education: textbooks, classrooms, teachers, wages, accounts, and the like. But the ultimate test of an education system is the way it relates the learning process with the students' environment. This is especially important in Nepal, where the national education system must aim at education that is suited to Nepal's needs rather than imparting a body of general knowledge. There seems to be no way to administer the education system effectively unless those involved in administration, even at the central level, get out to see what is happening in the districts and evaluate actual educational practices against the background of the Plan's objectives. The same could be said, *mutatis mutandis*, of all the other services from health to veterinary science.

Agriculture research is another case in point. Professional research requires research facilities that only a well-developed research station or research centre can offer. To be meaningful in a country like Nepal, however, research teams have to get out into the agricultural areas of Nepal's different regions from time to time and test under local field conditions the products of their research. Preferably this would be done under some system such

as the Cropping System Programme, with the research officers, local farmers and agriculture junior technical assistants testing any new technology. Under these conditions a great deal more is learned about the utility of any new technology than could be learned under research conditions. Such programmes enable the farmers to evaluate personally the adoptability and usefulness of new technology before it is extended by the District Agriculture Development Offices. The interaction between the Cropping System Programme and various commodity/discipline programmes will lead to the development of technologies that are truly appropriate and that are widely applicable in the farmer's field situation. The same is true of other aspects of agriculture research. Since the whole research programme is theoretically oriented towards helping the farmer improve crop performance, it is good that the farmer's total needs be taken into consideration. And this means that research people, too, must get out into the villages from time to time not just for an occasional meeting, but to work with the farmers and to learn from them even while they are trying to instruct them.

Visits of senior administrators could make a difference even in a system that seems as close to the people as the agriculture extension programme seems to be. The agriculture assistants' programme (described in Chapter Nine) introduced a significant change in extension targets. Targets were still quantified, but they were quantified in terms of families visited rather than the amount of seed or fertilizer distributed. An improvement, but still far off the mark. If a senior administrator of the Department of Agriculture were to spend a single day making the rounds with a typical agriculture assistant, he would see immediately the weakness in the system. The agriculture assistant must see too many people in too short a time. The agriculture assistant is not a postman delivering letters. He is a fellow farmer who has been taught a few new techniques which he is expected to share with his friends. He needs time to explain why the new technique is good, how it is done, and what it produces. He has to be convincing, and he has to be neighbourly. He can't do this ten times a day and still be coherent. Why *ten* visits? Apparently this number appealed to a group of central planners (under strong donor pressure). In itself ten is no better than any other number. It can be divided by two or five, but it remains an arbitrary number. The programme was designed to give farmers the technical advice they need and want. The agriculture assistant would have far more success were he to contact *one* Small Farmers' group a day — twenty families. This would be a living

contact. These farmers want advice, and the agriculture assistant has some knowledge he wants to share. Mutual interest would kindle mutual enthusiasm. The system would work, but the decision-makers in the Centre would have to get out into the field to see that the change was necessary.

Many members of the central administration will not easily admit the need to visit village areas to ascertain local needs. To them the development of the delivery system is largely a matter of adding up the right numbers and applying a standardized formula. We need so many health-posts per district; so many schools per district; so many agriculture experts per district, and so on. It is very hard to convey to these administrators that numbers are abstractions. One must occasionally see the reality to realize what these numbers represent. Basically, it comes to this, either we are planning buildings, posts, and jobs *or* we are planning for people. If it is the former that we are planning, we have probably achieved as much success as we are likely to achieve. If we are planning for people, then the quality of their lives, the way they think and work together, the difficulties they experience, and the resources they have at their disposal are an indispensable part of our planning operation. There is no way to reduce these to mere numbers. And this means that administrators must see, observe and experience something of the life that the people for whom they plan and execute programmes are obliged to live.

Planning that is people-oriented rather than merely an endless chase after paper targets requires above all a commitment to the value of the human person. In response, administrators argue that, with all due respect to the value of the human person, the real question is one of time. It is impossible to visit the districts regularly and still keep administrative work flowing smoothly at the Centre. This is precisely the point that the Administrative Reforms Commission Report has stressed. If those in the central administration who have to make decisions cannot get out into the districts on a regular basis, which is quite possibly true, then the decision-making power must be delegated to those in the field who do get into the districts – this means a true decentralization of power.

The Basic Needs development strategy and its corollary, convergent planning, is a challenge not only to the administrative machinery but to the humanity of our administrators as well. It requires that administrators "feel" the needs of the people for whom they work. If they are insensitive to this human feeling, it is very doubtful whether they will ever be able to recognize the

importance of small, marginal projects that arise from grass-roots activity.

In all fairness, it must be admitted that there are many sincere administrators who see the value in a basic needs approach to development in Nepal, but find it too demanding for the administration as it exists today to manage well. They doubt that the administration is capable of the flexibility and initiative needed for convergent planning. To the outside observer, this seems strange. The need seems so obvious and the action required so simple. Yet the most serious doubters – and this is worth noting – are high level officials in the administration itself. These men and women are speaking not merely from a personal reluctance to change but from their long experience of the administration and its labyrinthine ways. They have strong doubts about the ability of convergent planning to succeed when planning even within their own ministries has proved so difficult. Perhaps most of all they are reflecting a set of socio-psychological attitudes that are worth examining.

Control

The first of these is inherited. The whole planning process in Nepal centres on the administration of HMG. The concept of administration that had been inherited is one that confuses administration with control. Whereas administration should aim at expediting the work of government in the service of the people, the tradition in Nepal has stressed administration as rule or control. Historically, this attitude towards administration was strongly reinforced by the concept of accountability, which was reflected not only in the accounting procedures that accompanied all government activity but also in the traditional *pajani*. Officials were held responsible, and they met this responsibility by strict control of their subordinates. Generally speaking this is still true today. As a result of this attitude, initiative is stifled, and, more importantly, so is planning. As long as subordinates, especially those working at the Regional Development Centres and the district headquarters, are not given real authority, of course convergent planning cannot be done effectively. So often in the past, the delegation of authority to these field workers has been nominal. An administration oriented towards control will never produce the openness towards grass-roots input that convergent planning requires. Even the District Administration Plan (theoretically in force since 1975) has yet to be fully implemented in most districts. Yet this alone would be a giant stride towards the type of interaction between the village and the Centre that is the heart

of convergent planning. Not only must field workers be given clearly designated powers, but they must also be encouraged to use these powers as their right and their duty. This is especially true since subordinates have learned that the safest response to administrative control is to refer every decision to higher authorities. To counteract this attitude, central authorities must stress with their subordinates the importance of initiative and a confident use of the powers subordinates already have or will be given. This *can* be done, because it has been done with great success in certain departments and corporations already.⁷

The Project Mentality

For a great many years now, development work in Nepal has been understood as carrying out projects. One hears of project-design, project proposals, and project execution. This is good management: learning to express clearly the goals of an activity, the various intermediate steps to the attainment of these goals, the costs, and the time within which each of these steps is to be completed. However, as the experience of the past twenty-five years has taught us, projects are not development. It is only when the people for whom projects are intended actually use them to improve the quality of their lives that development begins to take place. Experience has also proved that it is much more difficult to help people use projects well than it is to execute the project itself. The actual projects undertaken at the village level under convergent planning may be so small that they do not rate even a single line in the National Planning Commission's semi-annual review. The whole project may be based on a small, production loan from the Agricultural Development Bank, and the demands made on the administration's field services may be minimal. Yet the completion of this project can create in the minds of the Small Farmers who have undertaken it an attitude that opens their whole village to greater cooperation with all the administration's efforts in their area. The key task of the administration is to provide the technical assistance the farmers need to make their project a success. The Small Farmers have

⁷Throughout Nepal one meets *individuals* at the district level (District Forest Officers, District Agricultural Development Officers, members of the staff of the Agricultural Development Bank Nepal) who were pressing forward with programmes in the most encouraging way. All of them are working within the present structures. These individuals are exceptional examples of what can be done with initiative and dedication.

planned the project; the administration must plan the services. To guarantee that the projects selected and the services offered "fit together" convergent planning is essential, and this requires that the administration be open to what villagers are planning or hoping to do. This has already been stated at some length. The point to be made here is that the administration must begin to think not only of projects and project cost, but also of services required. This is a very different mentality, and it will require a re-adjustment in our thinking. It will also mean beginning our planning efforts with the felt needs of the people of Nepal. This is vastly different from the prevailing practice of fitting our project proposals into a donor agency's overall programme. It is not a question of seeing how we can make use of a programme a donor agency promotes or is willing to finance but of knowing the real needs of our people and convincing donor agencies that these needs must be met and that we have the machinery (or can set up the machinery) to meet them.

The Need for Personal Experience

Because of the great regional disparities in Nepal and the even greater disparity between the quality of life in Kathmandu Valley and the outlying districts of Nepal, members of the ministries must get out to the villages. King Mahendra and His Majesty King Birendra have repeatedly urged this, and from their own conduct it is apparent that the experience has proved far more educating than any number of reports provided by others. For a long time to come, the need to see Nepal in order to realize its problems will remain with us. The argument advanced by some that this is unnecessary because many members of the administration originally came from the villages or have land in the districts is not adequate. People who reach positions of authority see things with far different eyes than they did when they were still living in the village. Also, there is the constant warning that one may not generalize about conditions in Nepal. The more that members of the administration see for themselves what is happening in village Nepal, the better it is. Village Nepal is where the action is, and the overall development of Nepal is going to depend very largely on how successful that action becomes. There was a time in the history of Nepal's development effort when ignorance of actual conditions in village Nepal could be accepted as an excuse for impractical plans and inadequate programmes. This excuse is no longer valid. With relatively little effort one may go to any section of the country. Finding the time

needed to do this is imperative if one hopes to see responsible planning develop within Nepal.

Realistic planning in Nepal must in one way or another include convergent planning, and there is no way to make convergent planning work if the villager stays in his village and the administrators stay in the Centre. Most of the field work can be done by mobile planning units and field representatives of the government departments, but the need for people from the Centre to visit village Nepal and experience the development atmosphere that prevails at that level cannot be ignored. Experience, however, has often proved that it is one thing to state a need and quite another to get individuals in the administration to fulfil it.

C. The Will to Change

At the heart of the problem of the "will to change" lies the tension that exists between our familial society and the wider society of the nation. The demands that nation-building makes on the individual are at times overwhelming. It is difficult for us to give up the snug security of the familial society that has nourished and protected us in favour of a wider society that makes demands of us as individuals and rewards or punishes us for our individual actions. The whole of our tradition tells us that just as the family has looked after us, so we must look after the family. The family nurtures us as infants, educates us as youth, encourages and supports us in our endeavours, and provides us security in our old age. The family, strengthened by marriage alliances and the fidelity of its members to the family unit is the strongest single force in the nation. When the family unit is located in Kathmandu, it can exert enormous pressure on the administration. Discreet, indirect, persistent, and rich in the currency of source and force, the family unit struggles to maintain its status and influence in a society that is constantly changing.

Change represents at one time both opportunity and threat to the family. Change has brought education, scholarships, new professions, new employment, and more government opportunities for members of the family. At the same time, both the principles of the Constitution and the objectives of our development effort speak forcefully about the uneven distribution of wealth and opportunity, the need to provide for the less privileged living outside the Valley, and the need to go to the people who are less "cultured" and less favoured. As realists, the family units of Kathmandu are aware that in a country the size of Nepal the number of opportunities for advancement are severely limited.

The re-distribution of wealth, influence, or power may mean both a lessening of the family's present position and also greater competition in the future. And thus the ugly development dilemma thrusts itself upon the individual in government service: To render development service, or to serve the family's interests? To go to the districts and do what I have been trained to do, or to stay in the Centre and manoeuvre for an even better opportunity? To help others, or to help myself? And the answer almost invariably demands that the individual go to the districts only if this assures greater opportunity than staying in the Centre. It is a cruel choice to force upon an individual, because pitted against the idealism of youth is the whole pressure of familial society and the hard realities of survival in the administration. In plain language, society as a whole has not rewarded those who gave of their time and talents in the service of the nation. Recognition, status, and the easy life have been the prerogatives of those at the Centre and at the top. Those struggling to the top have found the corridors of their departments far more productive of advancement than the trails of village Nepal. It has been good and necessary for His Majesty King Birendra to recognize officially and reward those who have shown outstanding commitment in the service of the people. But his struggle to recognize merit has been against the mainstream of social opinion. Society as a whole has not recognized this service for what it has been, and even royal recognition has been noted with cynicism in some quarters.

This is painful. It is painful not only to the individuals who have accepted the challenge to serve the less fortunate, but it is also painful for all who sit at home in the ease of their family circle. Because the growth of opportunity in Nepal that so restricts the future prospects of our children and grandchildren depends not on our ability to push papers from desk to desk in the administration but on the growth of social linkages throughout the whole of Nepal and the expansion of the economy that is so closely related to this. As we have seen in Chapter Five, finance has never been a critical problem in the development activity of post 1951 Nepal. The heart of the problem has been our own inability to work together to solve problems on the basis of a real knowledge of our country and our potential. The grass-roots growth that is now being urged by development thinkers and His Majesty King Birendra is the strongest effort yet to build the kind of economic growth based on a more open society that can provide greater opportunity to all Nepalese in the future. One can learn a very healthy lesson from the Agricultural Develop-

ment Bank of Nepal. This organization has taken a strong lead in helping the Small Farmers of Nepal to stand on their own feet, shake off the dust of centuries of subservience, and move forward economically and socially towards a happier and healthier life. The Agricultural Development Bank has demanded of its personnel some very real sacrifices, but it has also rewarded them well for the sacrifices made. It has been able to do all of this because helping Small Farmers has proved much better business than people imagined.⁸ And just as involvement in rural and village development has proved good business and a fountain of opportunity for the Bank, so this involvement is good for the whole administration. Opening out our planning structure to the people of village Nepal does not mean less power or prestige for those in the administration, nor does it threaten the family unit. On the contrary, this is the route to a stronger economy, to greater opportunity, and to a more satisfying sense of security. Of course, as in all business ventures, one must risk something to gain much. No progress can be made unless we are prepared to give up some of our present security to invest in the future. We, all of us, have our little bits and pieces of security squirrelled away for safety, very much as the villager has traditionally hidden his savings here and there about his house. But of what value are these bits of personal security if our nation is not socially and economically strong?

Critics say that a basic needs strategy of development is idealistic and impractical and that convergent planning will not work. The villager, they say is slow; does not understand the problems of planning and development; and cannot subordinate his personal interests to the welfare of his community. The same critics complain bitterly about the paternalistic attitude that some donors have adopted towards Nepal. There is no difference at all in the two situations. If the people at the Centre can say with truth that Nepal (meaning the Centre) must have a say in what is done in Nepal, why cannot the villager say with equal sincerity and right that the villager must have a say in what is done in his village; that the district must have a say in what is done in the district?

⁸The Agricultural Development Bank/Nepal posted a gross profit of NRs. 32,053,000 in fiscal 1976/77 and a net profit of 5,864,000. *Rising Nepal*. 4 June 1978.

Convergent planning and a basic needs development strategy seem threatening to many in the administration. Of course they are threatening. They constitute a real challenge, and challenges have always had their element of the unknown and uncertainty. But challenges are also invitations to growth and promise. Making convergent planning work is a question of technique and experience. The history of the past twenty-five years has taught us well that Nepalese can learn from experience and can learn new techniques. If we want to.

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