



Capable Partners Program Learning Agenda on Local Organization Capacity Development

Country Report Series

#6: Nepal

Thomas Dichter and Dristy Shrestha

December 3, 2012

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of FHI 360 and do not necessarily reflect the views of the USAID or the United States Government.



TABLE OF CONTENTS

INTRODUCTION.....	3
POLITICAL CONTEXT.....	3
SHIFTS IN AWARENESS ARE EVIDENT EVERYWHERE.....	6
CIVIL SOCIETY.....	8
GOVERNMENT.....	9
DONORS.....	16
THE NGOS.....	12
THE LEGAL AND REGULATORY ENVIRONMENT.....	14
CAPACITY AND CAPACITY DEVELOPMENT.....	18
USAID.....	19
RECOMMENDATIONS.....	20
LIST OF NEPAL INTERVIEWEES.....	23

INTRODUCTION

This background report is based on interviews by the authors with 31 organizations covering a range of types from Local NGOs to Federations to donors, INGOs and the private sector. We also prepared for the trip by reading recent literature on Nepal Civil Society and trends.

Our sample was chosen using the snowball sampling method, and also with an eye towards meeting a few small organizations that were not well known. We did not interview in remote rural areas. Our approach encouraged people to talk frankly about what is on their minds; we used a question guide but did not adhere to it rigidly, in order to allow interviewees to lead the conversation where they wanted. We stressed our independence from any donor, and in arranging our meetings we discouraged large group presentations so that the setting could be informal and conversational.

POLITICAL CONTEXT

Terms like “in-transition” or “unstable” seem inadequate to describe the current political situation in Nepal. In 2005 when the Seven Party Alliance (SPA) of main opposition parties was formed, formally ending the Communist Party of Nepal (Maoist) insurgency,¹ Nepalese saw a hint of light at the end of the political tunnel. Perhaps those adjectives may have been appropriate then. But today “directionless” or even “paralyzed” better describe the situation. The Constituent Assembly (CA) formed by election in 2008 missed four deadlines to draft a new constitution due to the inability to find consensus. Consequently, Prime Minister Baburam Bhattarai dissolved the CA on May 27, 2012 and announced fresh elections for November, 2012. However, continued disagreements have caused further delays and led to the current political gridlock.

Historically, no matter what form of “democracy” and government has existed, be it the 104 year long Rana regime² or the frequently changing prime minister-ship paralleling the decade-long Maoist insurgency or periodic autocratic rule of the monarch, the pattern has been more or less the same – a tedious effort to criticize, weaken and overthrow the previous leadership, exploit newly acquired power and resources for as long as possible, and finally when resistance mounts, give up position only to join the opposing side and perpetuate the same vicious cycle. To many of Nepal’s people, it has been “a dirty game of power.” It should not be a surprise that Transparency International has put Nepal in 141st place among 176 countries in the Corruption Perceptions Index (CPI) with a score of 27 where zero is perceived as highly corrupt and 100 is the least corrupt.³

¹ The Maoist insurgency, also known as the People’s War or Nepali Civil War launched by the Communist Party of Nepal was an armed conflict between Maoist and government fighters. It lasted from 1996 to 2006 and around 17,800 civilians, police and insurgents lost their lives during the conflict period.

² The Rana dynasty was an autocratic rule in the kingdom of Nepal by the extended family of hereditary Prime Ministers. During the regime, the Shah kings were reduced to mere figureheads and Rana PM in power had control over the state. It lasted from 1846 to 1950.

³ “Nepal ranked 141st in corruption index,” Republica, December 6, 2012.

Moreover, disagreements persist both within and across political parties on vital issues like federalism. For example, the Nepali Congress (NC), the oldest democratic party in Nepal with the second largest number of seats in CA after the Maoists, has been unable to articulate its position on federalism. Until 2006, NC was opposed to federalism. Today, a section of the party wants federalism to be linked to development, economic resources, and geography, not ethnicity, language or culture, while a minority section still supports ethnic-based federalism. In July 2012, the NC finally declared its official position on federalism with support for the creation of multi-ethnic states. On the other hand, there are sharp internal disagreements in the Communist Party of Nepal- United Marxist Leninists (CPN-UML or UML) between former PM Madhav Kumar Nepal and party Chairman and former PM Jhala Nath Khanal who shows greater commitment to federalism. A similar division exists among the Madhesi parties, which have been a critical driver of the federalist agenda between the Madhesi Janaadhikar Forum-Nepal (MJF-N) and those that operate under United Democratic Madhesi Front (UDMF).⁴

The country is paying a high developmental and economic cost as the result of all the political infighting. The risks of deepening poverty, lawlessness and civil chaos are high.

The complexity of the current state of being overlays a complexity that is age-old in Nepal – the diversity of the country in terms of ethnicity (at least 10 major ethnic groups, and over 100 if one counts sub-groups), language (more than a dozen different languages with Nepali spoken by less than 50% of the people), topography and resources.

One could perhaps also describe the current situation as a series of different tectonic plates rubbing against each other with varying degrees of intensity, creating different degrees of friction. In terms of social and political structure, caste seems to hold sway everywhere, and rubs up against modern democratizing and inclusive tendencies and desires; elites continue to dominate in the private sector and by most reports also in the most active parts of the local NGO sector; plains culture and mountain culture continue to be in tension; administrative forms and habits from both the old days of the monarchy and those of the present liberal democracy are juxtaposed; ideologies (and a plethora of political parties) as noted above, abound.

Most relevant to the subject of our research – capacity building in the development realm – the rubbing of these plates also involves a fluid movement of professionals; from senior government personnel to newly returned educated-abroad younger people, many of whom move in somewhat revolving door fashion from government sector to civil society sector, from INGO to bilateral donor, from government to LINGO. Fragmentation of purpose and proliferation of programs and project characterize the development aid sector which represents at least 26% of GDP.

For example, in the area of Democracy and Governance, a terminology widely used among the donors, there are about 12 to 13 efforts underway at once. The largest is the five year long Local Government Community Development Programme (LGCDP), involving six UN agencies, the Asian Development Bank and eight bilateral donors. This project covers all 3915 VDCs (Village Development Committees) and 32,000 of the country's 35,000 wards. Under this program there is also the Local Governance and Accountability Facility, which ends in 2013. And under the

⁴ "Democracy, Human Rights and Governance Assessment of Nepal," Draft Report, USAID (Tetra Tech ARD,) August 2012

UNDP there are three additional programs; while under the Asian Development Bank (ADB) there is the \$115 million. five year Governance Support Program which also runs to 2013. The World Bank has the Demand for Good Governance project, the Program for Accountability in Nepal (PRAN) which involves Britain's DFID, Danida, the Swiss SDC and AusAid, as well as the ESP (Enabling State Programme). The Swiss SDC has its own State Building at Local Level project (SBLL) and DANIDA has its own Human Rights and Good Governance Initiative (HRGGI).

The only one of these that we interviewed was the LGCDP, which under four of its main themes (i. Fiscal Decentralisation, ii. Decentralisation and Local Governance, iii. Gender Equality and Social Inclusion, and iv. Social Mobilization) has 39 separate activities, some of which involve large numbers of deliverables such as the formation and training of District Social Mobilisation Committees in 73 districts and Citizen Action Committees in 32,000 wards. And while the donors say they are in regular discussions aimed at coordination, it seems reasonable to question whether there is some risk of a dissipation of quality in dealing with so many targets, so many different donors and so many different institutional actors and implementers in the classically short time frame of five years.

Indeed in a carefully undertaken review of the program done in 2009, there was considerable criticism of its approach and depth. Among the major findings of that review:

“...community-based process creates good ownership, but there are many contradictory and conflicting indicators leading to mis-targeting, confusion and suspicion.

- ***Extreme poor** are left out or self-exclude from almost all mobilisation processes*
- *There are no **graduation mechanisms** to support movement of extreme poor and excluded into mainstream development opportunities*
- *Few programmes **link citizens/groups with local body processes**; group processes are generally isolated and parallel and are failing to support the development of citizen-state relationships.”⁵*

The report states further that:

“Currently, there is no common agreed understanding of LGCDP and the profound importance of the linkages between its three outcomes. As a consequence there is a lack of consistency and linkage between programme outputs and no clear sequencing of key activities and links within an agreed and commonly understood and shared framework. This has led already to ambiguity, conflicts and contradictions between the programme document, strategies, guidelines and M&E framework. Such ambiguity and confusion allows business to continue as usual and provides the conditions for elite capture.”⁶

In general, we had the impression that there is an urgency amongst the donors to do many things in many spheres, and that the quality of what is being undertaken suffers as a result.

⁵ Chhaya Jha, Sitaram Prasai (HURDEC), Mary Hopley and Lynn Bennett, “Citizen Mobilisation in Nepal - Building on Nepal's Tradition of Social Mobilisation to make Local Governance more Inclusive and Accountable,” World Bank, Department for International Development (DFID) and Swiss Development Cooperation (SDC), May 2009, p.xiii.

⁶ Ibid, p. xiv.

And finally, of course, to add to the phenomenon of multi-layered pressures, movements and tensions, Nepal has a high remittance income culture linked to a migrant labor tradition which to some extent has elements of trafficking in persons embedded in it.

Yet the frictions caused by this movement of different tectonic plates, in the arena that concerns our study (local organization capacity development) seem for the most part relatively mild – the most important of these is the tension between the state and the Civil society, where there is a sense of competition for donors’ attention (by one account done in 2003, the annual budget of the NGO sector was about 20% of that of the state). As donors shift their priorities and their attention within a sector or between sectors, jealousies arise, competition rears its head, but throughout everyone keeps to the rhetoric of the essential complementarity of the public and third sectors. “You can’t live with them, you can’t live without them” would be an apt phrase to describe this particular tension.

It seemed to us that at practically all levels, people are living in a kind of metaphorical gambling casino – stakes and bets shift periodically, and since the number of actors is surprisingly small, perhaps a matter of 20,000 or so people in the active and engaged part of civil society and the INGOs and donors, many positions, quite a few emphases, and perhaps even some heart-felt causes seem a bit temporary.

And this shifting and movement takes place inside a small country, where the vying for attention of different views of what is to be done to bring the country forward can be intense.

The economic stakes are high. There is a sense of India’s dominance – even of its imperialistic tendencies; there is the ironic conflict between aspects of rural development and international adventure and eco-tourism, driven by a romantic view of an untouched, undeveloped rural Nepal in the minds of tourists who by class and education and predilection ought to be FOR Nepal’s development. (Tourists who trek do not want to see hard topped roads for example).

And of course the whole array of classic development challenges is to be found in Nepal – infrastructure challenges, governance challenges, water and sanitation issues, human rights, TIP, health, HIV/AIDs, internally displaced persons, urban migration, labor emigration, enterprise development, etc. It is a donor’s paradise in many ways; a supermarket of options.

In this messy and rather shapeless politico-socio-economic Nepal many things seem to be moving forward, but it is unclear in what ways and at what speed. Indeed, we had the impression that many people are at one and the same time both pessimistic and optimistic.

SHIFTS IN AWARENESS ARE EVIDENT EVERYWHERE

The view of the system of those we spoke with emphasized the following positive points.

The significant change in Nepali society has been the growing savvy of large numbers of Nepalis about the concepts of democracy. Training of local community members – elected officials, school teachers, local leaders, media, health workers, etc. has been going on under the aegis of

local and international NGOs for at least 15 years in Nepal.⁷ And especially given the 12 to 13 projects related to democratization over the last four to five years (noted above), more and more people speak the talk of inclusion, social mobilization, citizen's awareness, capacity development, sustainability and so on. And even in the administrative staff college there are courses in "appreciative inquiry" and "positive thinking." Isolated as Nepal may have been in the past, it is connected to the concepts and vocabulary of democratic and pro-poor development. And capacity abounds – indeed the main obstacle to change is not the lack of 'capacitated people' but the inability of those people to translate their capacity into change within the institutions and organizations in which they work. Some of our interlocutors said this is because those at the top don't want change, their interests are too threatened.

Decentralization is underway, with some major projects, like the aforementioned \$500M LGCDP effort to galvanize local communities with training in citizen's awareness and block grants, to move accountability, as the project states, "downward." Government, willy nilly, is moving in the direction of reaching the remotest areas and devolving from the center, even though some parts of the effort may be less than fully embraced.

In general there is a greater awareness on all fronts of the needs and rights of children, the disabled, marginalized persons (Dalits) and so forth. Social mobilization is achieving something.

There is clearly a positive shift in the way rural communities understand where they are in relation to the state and the nation, and that is clearly the result of many activities in awareness raising undertaken by CBOs and CSOs.

As a manager of a INGO project put it:

"... there is more awareness at the community levels – even in remote areas of entitlements and rights and this is due to local NGOs and INGOs, but people do not get the responsibility side of the equation."

The media is becoming more important and a stronger voice.

The larger parts of the GDP in Nepal are foreign aid and remittances. According to the World Bank, in 2011 Nepal was one of the highest receivers of remittances based on the share of GDP, amounting to 22 percent of the country's GDP. And remittances are believed to have made a significant contribution in reducing poverty in the last 15 years and increasing the HDI of Nepal.⁸

The role of the private sector remains weak in terms of its share of GDP.

At the same time, a recent review stated:

⁷ "Networking as an NGO Alternative Approach in Conflict Situation, A Case Study of SAATHI in Nepal," CAP, 2006, p. 9, describing various trainings underway in the late 1990s.

⁸<http://www.thehimalayantimes.com/fullNews.php?headline=Remittance+contribution+to+GDP+rises&NewsID=355884>

“... constraints on the recipient side are many, beginning with the disconnect between elite control of the major political parties as well as the economy and government administration on the one hand and demands on the part of marginal communities for inclusion on the other, compounded by low government effectiveness in delivering public services. As a result, the benefits of state activity have gone largely to elites at both national and local level, both openly through the possession of key positions in all these sectors and clandestinely through a myriad of corrupt practices. ...In addition to elite domination and corruption, lack of capacity in the public service delivery system acts as a constraint, along with pervasive absenteeism among government servants assigned with delivering those services in the field.”⁹

CIVIL SOCIETY

We noted considerable doubt and skepticism about the integrity of many CSOs and heard descriptions of their motivation similar to what we have heard in other countries: many are in existence to capture donor money; many are one-man shows; many are in competition with each other and with government. And we heard also that they each tend to think they are unique and right, while in their view all the others are not.

We also heard from a surprising number of Nepalis the common belief that the better known CSOs get support from political parties, providing them with the enabling environment – with useful contacts, funding and power to remain in business and grow. The political history of Nepal does provide some evidence for this myth. For example, over a decade ago when the monarchy held most of the power in the state, NGOs that were favored by the royal family flourished. However, the introduction of multiparty democracy opened up the political arena to the overwhelmingly diverse and poorer Nepali population. Consequently, the 1990s saw a steep rise in new CSOs aimed at serving various ethnicities and minorities that had been stuck at the bottom of the social structure for hundreds of years. The various political parties in the race to win popularity tried every means to appeal to this gradually uprising population. They articulated a philosophy that resonated with the poor, financially supported the CSOs serving them, put pressure on international community to push their development agendas in Nepal and also, one could say, ‘glorified’ the poverty and neediness of the country to foreign donors. Meanwhile, domestically, in the Nepali market of CSOs, the differences between the “stronger” ones and the struggling ones continued growing. The CSOs with a high number of urban elite contacts, powerful political connections, reliable funding sources and well-managed, long-term relationships with donors have the upper hand on the project-based development work that most donor do.

Many of our interviewees felt there are simply too many CSOs, and that it should not be so easy for someone to start one – according to several with experience, an NGO can be started up in a matter of days. Likewise it is easy for a foreign NGO to start up work in Nepal. One senior project manager, a Nepali, lamented that:

⁹ Op. Cit. “Democracy, Human Rights and Governance Assessment of Nepal,” Draft Report, USAID (Tetra Tech ARD,)August 2012

“...it is very easy for hundreds of small US and European NGOs to come in and set themselves up with \$50,000 or \$75,000 in money and do a project and then leave.”

As one European donor representative put it:

“Many people are skeptical about NGOs – their accountability is in question, they are all affiliated with political parties. It’s hard to say who constitutes civil society.”

Another interviewee said:

“Ideally CS should be motivated by the concept of Niskam Karma - the culture of helping without expecting anything in return, but in fact the Civil Society here is “projectized.” I see many CSOs therefore as a kind of “bonded labor.”

This phenomenon of “projectization” was much talked about especially in the context of capacity development where it was felt that the donors’ focus on speed and target numbers, all implemented through projects, stood in the way of developing capacity in a sustainable lasting way.

And in looking in detail at the plans of large programs (the LGCDP, for example) or some of the water and sanitation efforts, where things are driven by the need for large numbers, there is a clear danger of a dissipation of quality as a multifold group of donors at the top who sub-contract activities in turn to multiple layers of actors who “deliver” at each stage down the line.

GOVERNMENT

In the government realm people we spoke with repeatedly described a dysfunctional situation, where while there are a few champions who are dedicated and visionary, most people at the top revert to clientelism and hold on to their power for the relatively short periods they may be in place, as the shifts taking place regularly mean people move in and out.

More than elsewhere, in Nepal we heard repeatedly that government is not given its due by some donors and by the NGO sector (both international and to some extent local). Among those we spoke with in government or government related institutions, there are resentments about salary differentials, about the perception that donors structure projects in overly complicated layerings of partners and sub contractors with too much money going to overheads and not enough to the targets; that government cannot compete, and that experts from abroad are too expensive, bring too little to the table and are not generally needed in the first place. Most important, those who view government as left out of donor and INGO work, see this as a perilous mistake.

“...relations between Nepalese NGOs and the state are characterized by dependency and mistrust. Officially, NGOs are considered to be complimentary to the state. They can deliver services efficiently and reach remote areas. However, both state and NGOs are heavily dependent on international aid and so compete for donor resources. Recent estimates show that the annual budget of the NGO sector is about one fifth the state’s total annual budget.”¹⁰

¹⁰ Op.Cit., SAATHI Case Study, p.4.

As a senior veteran of aid, who has worked for several large donors, put it: *“if the government doesn’t get stronger (and better) nothing will change.”* Similarly a health expert in one of the state-run universities said, *“Strengthen government, not Civil Society, until and only then will you have sustainability.”*

And yet another interviewee said: *“Any donor that wants to work with CSOs has to get involved in the enabling environment. Government and NGOs have to respect each other.”*

At the same time, some local firms and NGOs who are willing in principle to work with government, avoid it in practice because it is simply too cumbersome and risky.

The CEO of a decades-old consulting firm said:

“Our current contracts are all with bi-lateral and multilateral donors and this is because working directly with the government of Nepal is a pain- it’s such a messy and dirty business. So this way it is so much easier for us – it’s unfortunate, but that’s the way it is.”

Another consulting firm expressed almost the same sentiment: *“We are very reluctant to work directly with GON – we don’t want to get our hands dirty.”*

The implicit message is that not only is it less hassle to work directly under an international partner or donor, but they get protection from corruption, a contract that can be counted upon, and are willing to get less of the funding pie in exchange for this protection.

DONORS

The donor community is unusually large in Nepal. The major donors are all present (the UN system, the World Bank and the ADB, the bi-laterals and the European union). Donor aid also dominates the economy. In the 2010-2011 fiscal year foreign aid made up 26 percent of Nepal’s national budget with a total of \$1.08 Billion disbursed for both on and off budget support. The top five multilateral and bilateral donors were The World Bank (\$256.1 million), Asian Development Bank (\$184.4 million), UN Country Team (\$112.5 million), UK (\$92.1 million), and Japan (\$58.7 million). The sectors receiving the most aid were the education, local development, and health sectors. (Government of Nepal, Ministry of Finance 2011).

The consensus is that there is less coordination and harmonization than there should be, and civil society actors with whom we spoke suggest that most of the donors, in the name of greater accountability, are moving in the direction of more quantitatively measurable targets.

An expat who has lived and worked in Nepal for over three decades and who manages a large INGO program said:

“M&E has reached an insane level – I have a sign above my desk “Feed the pig, don’t weigh it.” The donors now want huge amounts of M&E (weighing the pig) but don’t want to spend money on delivery. We are generating more and more data and no one intends

to make decisions on that data, and of course there is no time to analyze any of it. Sometimes we have 3 to 4 evaluations going on at once (since different donors each want one) – It's ridiculous, it's theater. Someone flies in for 5 days, a person with no experience on the ground, but who has done many evaluations, stays in a hotel, asks for a translator, doesn't trust us to supply one, so hires some urban based kid who does not really speak the Nepali that is spoken in the countryside, and because the evaluator doesn't feel like walking much, the project brings folks to the roadside and dumb questions get asked which are in any case mistranslated. The she flies home and everyone is satisfied that the job has been done.”

Our impression is that there is a tendency in Nepal for most sectors to tarnish each other with the same brush. Thus both local and International NGOs complain that there is little continuity in government offices as people are shifted around, while government complains that there is little continuity among donors as international staff move on and new ones come in.

Similarly, the brain drain problem affects all the players. The country is small and the Kathmandu aid industry players are a relatively finite group. So people move around, Someone who was with UNDP for years, ends up with USAID; someone who was with USAID ends up working for SCF, or in the Nepal Administrative Staff College, and so on.

Amongst the INGOs and Local NGOs we met, donors received faint praise at best. And those we spoke with who seemed the most well-informed, were surprisingly cynical, as in the case of this head of an international NGO:

“The donor agencies are into building their portfolios. The mission directors, country directors, the politicians, feel the need to act quickly. It's all about predetermined ideas and local CSOs are adept at responding to these – local knowledge is ignored. So everyone becomes a “log frame operator.” The scope to think, to figure out local culture and local politics is limited. So you have a system that on one end is incapable of being flexible and on the other end donors who don't really care.”

Or as another veteran of many years in Nepal said

“ ...the worst of it, is that in the name of participation, donors decide behind closed doors what meets their objectives and their priorities and then call us in. The donors themselves have no in house technical capacity.”

The criticisms come from within as well. As one World Bank person said:

“...donors need to come to terms with the issue of time – 3 and 5 year project cycles don't work, you need 10 years at least.”

And someone inside a government-run institution complains that the government itself is at the mercy of different donor priorities:

“Consistency and coordination are the big challenges. We are always in “transition phase,” it is almost permanent – it never changes. A donor like Japan comes with support to change the system (and any change takes a minimum of 3 years), so then we change and then another donor like Danida comes along with support to change the system in a different way, and in the name of change we throw out everything, and start

anew, thus there is no institutional memory – instead the donors need to be more adaptive and gradual.”

We ask this person why they cannot say no to such demands. The reply:

“We don’t have the capacity to assess our own needs. There are too many old style leaders [in government] who get too much ‘respect’ and no questioning. Plus donors themselves need to “sell” their programs because that is how their jobs are defined.”

As for how the donors deal with CSOs in Nepal, another former government official with experience on the National Welfare Council said:

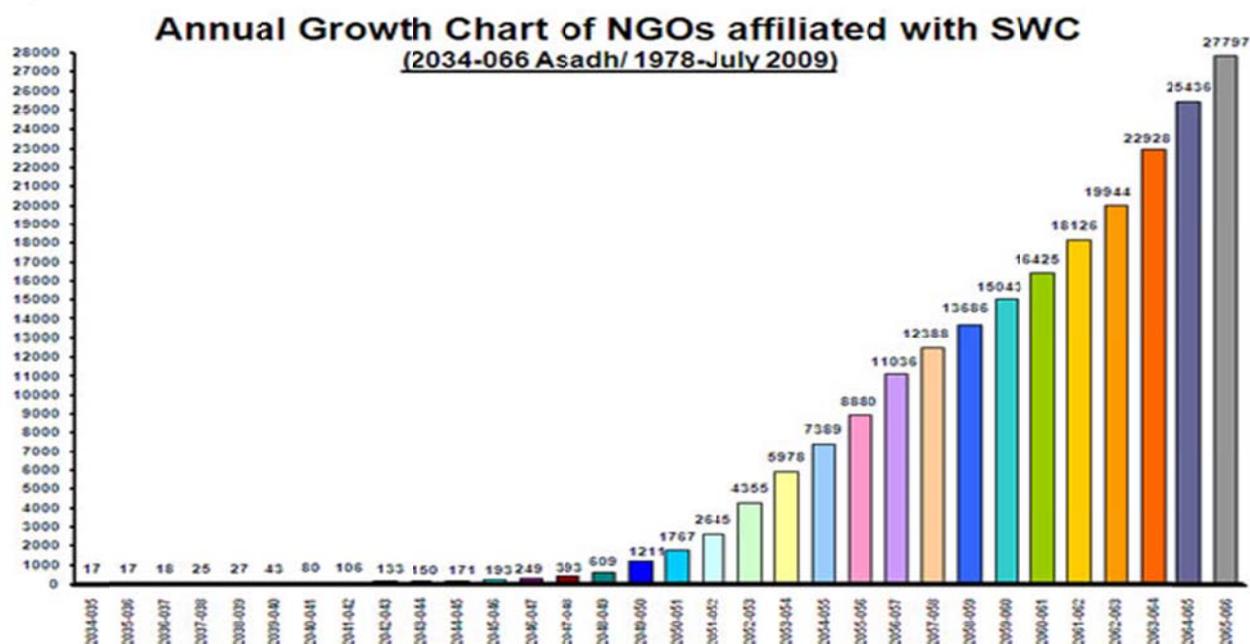
“Only a few Local CSOs get access to the TORs of the donors and are capable of filling in their complicated templates, in to do it in English. The donors should be looking for good ideas, not for someone to pass a TOEFL test. And if the CSOs cannot write a proper proposal, then send someone to write it with them, because it’s not about teaching them proposal writing.”

THE NGOS ¹¹

The fall of the Panchayat regime brought about two significant changes for the regulation of NGOs in Nepal. First, the Social Service National Coordination Council (SSNCC) which had formerly regulated NGOs and funding agencies was reorganized into the less restrictive Social Welfare Council (SWC). Second, and most important, foreign funding was allowed to flow directly to NGOs rather than being channeled through the government’s central fund (ADB 2005). Third, the practice of pre-approval requirement by the SSNCC for the registration of NGOs in District Administration Office was eliminated. With these changes, the number of NGOs registered with the SWC increased rapidly each year after 1990. Figure 1 below displays the annual increase of the number of NGOs from 1979 through July 2009. Recent information available from SWC reports 30,284 registered NGOs in Nepal and about 270 international NGOs (INGOs); however, The International Center for Not-for-Profit Law (ICNL) offers an unofficial estimate that there are approximately 84,000 CSOs operating in Nepal at this time (SWC 2009, ICNL 2012).

¹¹ Some of the material in this section was compiled by Whitney King of fhi360.

Figure 1: Annual Growth Chart of NGOs affiliated with SWC 1978-2009



Source: Social Welfare Council Nepal 2009

Table 1: Nepalese NGOs by Sector

Nepalese NGOs by Sector	
NGO Sector	Number of NGOs registered with SWC
Community and Rural Development	18,625
Youth Services	4,321
Women Services	2,305
Environmental Development	1,318
Child Welfare	951
Moral Development	876
Health Services	703
Handicapped and Disabled	597
Educational Development	492
AIDS Abuse and Control	88
Total	30,276

THE LEGAL AND REGULATORY ENVIRONMENT

Since 2007, Nepal has been declared as a federal democratic system, but the basis for federalism, as noted earlier, has not been agreed upon by the political parties in power. As a result, the body responsible for drafting a new Constitution has missed several deadlines to do so, including one on May 27, 2012. With this, all laws are subject to change and it is unclear what the legal and regulatory environment will be like for civil society in the future, though reports made public by sub-committees of the drafting body have given CSOs adequate space to act as independent development actors in Nepal (ICNL 2012). Current laws require registration and coordination among CSOs and several public authorities in Nepal. These institutions and requirements are described further below.

The Social Welfare Council (SWC) was established by the Social Welfare Act of 1992. The Act authorized the SWC to carry out the following activities:

- promote, facilitate, coordinate, monitor, supervise, and evaluate NGO activities
- create the possibility of assistance for establishing, promoting, extending, and strengthening NGO activities
- function as the coordinating body between the Government of Nepal and NGOs
- advise and provide recommendations to the Government in formulating plans, policies, and programs related to social welfare and the service sector
- establish trust funds for social welfare activities and encourage others to do the same
- conduct training and undertake studies and research on social welfare issues
- carry out physical supervision of the property of NGOs in Nepal
- use national and international NGO assistance effectively (ADB 2005)

Funding agencies that want to engage in development activities in Nepal must present a proposed plan of action and minimum expected annual budget to the SWC in order to obtain a two-year agreement to operate. Agencies must apply to renew the agreements, and if approved, the renewals are valid for 5 years. Nepalese NGOs are required to register with the Ministry of Home Affairs and district Offices to operate legally under the Associations Registration Act of 1977. While it is not mandatory for them to register with the SWC, registering with this body allows for tax deductions and facilitates access to local and foreign funding (ICNL 2012, ADB 2005).

At the same time, one needs to recognize that the SWC has been moved around in government and has had frequent changes in leadership. Perhaps as a result, the people we interviewed tended to see the SWC as largely ineffective.

Table 2 below presents the other central government ministries and the ways in which they can affect the work of NGOs in Nepal. In addition to these agencies and the SWC, local governments have also been given some authority over NGOs. District Development Committees (DDCs) and Village Development Committees (VDCs) are authorized to demand the plans of NGOs operating in their areas and NGOs must obtain clearance from these committees for their projects (ADB 2005).

Table 2: Government of Nepal Central Agencies and Means of Regulating NGOs

Government Ministry	Affected NGO Function	Operational Channel
Ministry of Finance (MoF)	Facilitation & control, duty-free status, and tax exemption	Through SWC
Ministry of Education (MoE)	Facilitation for education related (non formal education) NGOs	Through District Education Office, Through selected NGOs
Ministry of Health (MoH)	Facilitation for health-related NGOs	Through SWC, Through selected NGO
Ministry of Labour & Population	Facilitation and controlling working visa for expatriates	Through SWC
Ministry of Peace, Reconstruction, Local Development, Land Reform & Management	Facilitation and coordination to local development / community development related NGOs	Through DDC, VDC, municipality, Through selected NGOs
Ministry of Population and Environment (MoPE)	Facilitation to social mobilization and environmental awareness NGOs	Through selected NGOs
Ministry of Home	Registration/renewal of all NGOs, Facilitation to drugs-related NGOs	Through CDO Office, Through selected NGOs
Ministry of Foreign Affairs (MoFA)	Facilitation and control of formal Visa	Through SWC
National Planning Commission (NPC)	Approval & coordination of NGO activities with the national development plan / programs	Through SWC

Source: Dhakal 2007

More recently, among the pending legislative/regulatory initiatives, there have been talks about monitoring foreign funding by the Ministry of Finance and forming the Social Development Act drafted by the NGO Federation in consultation with SWC. (ICNL, 2012) However, considering the frequent change in the government leadership, it is difficult to assume that such initiatives will be consistently prioritized.

The range of CSOs we interviewed was quite large – from several small and struggling, almost unknown organizations that were founded to prevent child sexual abuse, to promote the welfare of widows, and to help disabled children, to a couple of large well-established NGOs that

undertake contracts and subcontracts in multiple areas and have established systems of fundraising, proposal writing and access to rosters of consultants. One of these in the current fiscal year, for example, with support from numerous donors, including American, British and the United Nations, was involved in projects in food security, water and sanitation, agriculture, climate change, youth livelihoods and rural infrastructure. The organization has hundreds of staff and a turnover of over 70 million rupees (\$850,000). This organization has achieved the kind of status that many of the INGOs have achieved in their relationships with donors – it is trusted and turned to when a new project or program comes along for bidding. To an extent one has here the phenomenon of increasing returns – “those who have, get.” But at the other end there are small organizations with passion and focus, who for 12 or 15 years of their existence go from small grant to small grant with dry periods in between.

With respect to the small organizations we met, what is both surprising and somewhat mysterious is their lack of aggressiveness when it comes to fund-raising. They admit they don't know much about this, but also admit they don't give much thought to learning more. This is not to say they are content to struggle (in one case a center for sexually abused children was closed for lack of funds and the founders are now taking no salary and living with their parents), but that they are at a loss as to how to keep doing what they want to do and still attract funding.

Interestingly they are looking for ways to earn income.

We found that besides a lack of imagination or will when it came to fundraising on the part of the smaller ones, nearly all the CSOs we met are short on ideas and innovation.

Indeed as the head of a research organization said:

“...the country suffers from a lack of ideas, and it is ideas we need. That is more important than money”

Another interviewee said:

“Here everyone is focused on grants and projects – there is no creative thinking about new ways of being self supporting – not like BRAC, or Sarvodaya in Sri Lanka.”

The head of a INGO talks about local financial self-reliance for CSOs.

“One way donors can help is to provide an endowment that will produce income, or enable the to buy real estate which can produce income. But you can only do that if you know and trust the organization.”

The ‘projectization’ phenomenon is good for a large established organization whose main interest is delivery, but those who retain a focus and know exactly what they want to do and what they do not, are tempted by the ‘projectization’ game.

An interview with experience in other countries in the region says:

“Many South Asian CSOs begin with a passion or cause, have political view, but pretty soon their passion doesn't fit with donors' and so they realign themselves to fit into log frames and financial management systems and thus become implementers who aspire to

be “good clients.” – in this way everyone becomes “professionals.” The expectation is that if one donor drops you another will pick you up.”

A professor in the Medical school and occasional consultant to INGOs says:

“Too often the organization just wants to meet the targets. Take the example of family planning and the distribution of IUDs, the donors want only to know how many were distributed, but IUDs are all about in-depth counseling and follow-up, and if you don’t do that it’s useless.”

As elsewhere, where the local development NGOs are tied at one end to the ‘projectization’ syndrome driven by donors, or at the other end by a devotion to a cause, but limited scope, we found a tendency to be somewhat “silo’d” (isolated) from development thinking, not from current buzzwords however. By development thinking we refer to some common lessons learned over 60 years of development assistance in most countries of the developing world, in particular lessons about dependency, sustainability, and meaningful potential for scale. These are not being reflected upon, and so even in one of the darlings of the Nepali CSO community, an NGO that is a grant-making institution in its own right (to CBOs in rural districts) we found a rather surprising number of very old fashioned, unsustainable, charity-like income generating projects, where groups of rural women are being trained in pickle making, in how to make glass bead products, how to embroider, how to keep bees, how to make paper hand bags, and in one case a contribution of sewing machines to be owned and managed collectively. No thought was apparently given to marketability of these products, nor to maintenance of machinery, nor to the evidence that small businesses managed collectively tend eventually to run into trouble. At the same time this organization has been adept at generating funds from local elites, and from major foundations, in part because they are good at representing themselves.

A Multi-lateral donor staffer said:

“As for development knowledge and Lessons Learned, it’s the big organizations that have continuity of knowledge in the NGO world. There is hardly any of that here. NGOs are not thinking about big issues. They are stuck in “repetitive grant syndrome,” and if they do thinking in the think tanks, it is “think to order.”

A senior veteran of government, now with a research center says:

“NGOs here have become businesses without investment – it’s a try-your-luck, begging bowl approach; anyone can start one, it takes about three days. There should be a sorting out, but in fact the numbers are growing.”

Finally, as elsewhere in the countries we have visited in this research effort, there is evidence of a new insistence on fairer treatment when it comes to transparency. We hear calls for transparency as a two-way street. As the head of a local federation put it, somewhat aggressively:

“... why should we show our audit to the donor if they don’t show theirs. They too should be transparent – what are their salaries; their budget, their operation costs?”

CAPACITY AND CAPACITY DEVELOPMENT

Nepal has a fairly long history of Capacity Development projects aimed at strengthening the NGO sector. But our interviews and analysis of many documents related to CD prompt us to wonder if the most important capacities are being dealt with, and whether the means of delivery of CD services is the most appropriate to actual organizational change, learning and enhanced effectiveness.

One of these CD efforts, the USAID-funded, Save The Children (SCF)-run Strengthening the NGO Sector in Nepal (SNSN) popularly known as “SANDEEP,” used a standard set of modular training and coaching support over the five years between 2003 and 2008. The bulk of the project involved the implementation of these modules through a layered approach involving five local district level ISOs such as the Shiva Shakti Youth Club, which in turn trained an initial cohort of 35 local district partner NGOs (of which 5 were early on eliminated). The 30 that were trained received training in the basics of OD, all of which, by the project’s own admission, enabled them to be in position to access future donor funds. The project’s measurement of success was in essence how well situated they would be to tap donor funds; not whether their work would be more effective:

“The sustainability of SANDEEP will, primarily, be contingent on the availability of projects to practice SANDEEP’s learning and processes, especially in the case of small PNGOs [Partner NGOs] whose major concern is how they can tap donor and local resources. Another major concern regarding further replication of SANDEEP’s learning is the depth of ISOs’ commitment to perform their role as OD facilitators.”¹²

Moreover, it is unclear from the evaluation how deeply the analysis of achievements went. For example, under the general target of “Expansion of Linkages” the NGOs that received capacity development were rated very high in the following four indicators: “Initiation of meetings with other NGOs;” “Received not more than 60% of funds from one source;” “Received consulting services and Private Sector Support;” “Participated in yearly learning fora.” While expansion of linkages is important as a way of enhancing organizational learning and effectiveness, one has to ask if these particular indicators really tell us something about whether they contributed to that end goal.

As elsewhere we found considerable extant capacity in Nepal – quite literally hundreds of professionals with experience. We were told repeatedly of Nepalis who run development projects in other countries and with some pride that these people are equal to any other project managers anywhere. Perhaps a function of the emigration urge, Nepal may even hold a stronger cohort of technical experts and managers than other countries in the same development status.

We also found a robust consultant culture, not only individuals, but consulting firms, some established as long ago as 40 years, with a track record of being able to deliver quality training in

¹² Mohan M. Thapa, Kedar P. Badu, Shanker R. Pandey, “Final Evaluation of Strengthening the NGO Sector in Nepal (SNSN) Project,” Sept. 1, 2008, p. iv.

the basics of organizational development – strategic planning, financial management, project management, human resources policy, etc.¹³

The CD needs expressed are very basic and tied exclusively to the desire for donor funding – more knowledge on proposal writing and fund raising – access to the internet. A senior Nepali now with a research institute said:

“The needs are in the rural areas and they are two: 1) Access to the internet, which will give small organizations access to information about the donors’ offers, and 2) the need to allow Nepalis to write their proposals in Nepali. There are two walls here: The Berlin Wall is lack of access to information, and the Great Wall is language.”

Also, as elsewhere people talk about the physical needs – the minimum basics for operating – office space, furniture, computers.

But it was striking that several thoughtful people in both government and the NGO sector said that individual capacity is not the problem. They felt that capacity exists on two levels, the capacity already in the hands of many, and the capacity to develop capacity. The blockage is the resistance to change at the top of organizations, whether in the public or the third sector.

A U.S. educated Nepali INGO country director said:

“LNGOs in contrast don’t develop capacity because of leadership resistance; because of the projectization phenomenon and indeed they are often reluctant to hire consultants because don’t really want to develop their capacities – it threatens the leaders and the founders.”

A mid level manager at a private consulting firm says that the big surprise in his time in the business is that:

“CD is really about change management.” You can train but in the end you have to deal with the resistances at the top.”

USAID

According to the DRG report cited earlier, USAID in Nepal faces an 18% cut in resources for FY 2013 (down from about \$80m in FY 2012) and will decrease its Direct Hires from 20 to 19, its FSNs from 58 to 48.¹⁴

In general, amongst the actors we spoke with, USAID is seen as somewhat less active and more isolated than before. One donor representative said *“They sit in their castle.”*

Even the staff member who we met who seemed intensely motivated to get out and see what is going on among the grantees this person is responsible for, is not able to visit more than twice a

¹³ There are at least six well-established ISOs such as Alliance Nepal, the Development Project Service Centre, Nepal (DEPROSC Nepal), The Foundation for Development Management, HURDEC, TMS and New Era. We interviewed three of these six.

¹⁴ Op.Cit., Democracy Human Rights and Governance Assessment draft report.

year at best and the visits are sometimes accompanied by a contingent of officers, making it more of an “official” visit, which has its limitations in terms of opportunities to interact openly with project staff and delve into issues and challenges.

We did not interact much with the Mission in Kathmandu, except with those involved with the Development Grants Program (DGP). The Mission seems committed to the DGP and to its underlying purpose of developing relations with local NGOs through direct funding. Their communications and interactions during the proposal process seemed a model of how such applicants ought to be dealt with- both grantees we interviewed indicated they felt they could approach USAID at will with questions and concerns. More important perhaps is the sense we got that these grantees felt they had a real relationship with the person at USAID they dealt with and that this person was genuinely concerned with them as an organization and not just as a contractor. The two grantees had no concerns about the application and granting process except to say (as many others have elsewhere) that they wish funding flows were more timely.

It is important to point out that the person involved with the grantees is a PSC local hire expat with decades of experience in Nepal who speaks Nepali. This is not the usual profile of a DGP Grantee AO, and it may be worth USAID considering the hiring of more such persons in Missions where direct granting to local NGOs grows.

At the same time, we note that USAID’s emphases on the “burn rate,” and on meeting quantifiable targets, both in Nepal as elsewhere seems to get in the way of one of the goals of the DGP (and of IPR Objective 2) and that is a strengthening of the local grantee organization as an independent, reflective, innovative learning entity. One of the two grantees we met had recently been dropped from contention in a new round of grants, in part because they were not moving fast enough to spend their money. The reasons for this were unclear to us, but it seemed reasonable to ask whether changing circumstances internally or on the ground where the project is working might have justified a slower pace, and thus could have been seen as a positive rather than a negative. The system is geared to equate a slow burn rate with in-effectiveness while there is no logical reason to make that equation.

RECOMMENDATIONS

Given the reductions in staff and money in 2013, it would seem that USAID Nepal might consider a modified “wholesale” approach to direct grants to LNGOs. A retail approach, for example, would entail more due diligence and a capacity development approach based on mentoring and coaching rather than one-off training modules. This is not something that the Mission staff are likely to have the time for given the future prospect of a smaller Mission, unless, as suggested above more PSCs of the type noted above are recruited.

A wholesale approach could involve, for example, a staggered iterative set of carefully monitored experiments over the next three years, in

- 1) creating a “platform” approach for brokering connections between and among local CSOs, where USAID’s role would be that of match-maker, or network convener

- 2) experimenting with core support to select CSOs, such as the purchase of land or a building that could be rented on a subsidized basis by small CSOs, in essence a low risk, quasi endowment arrangement
- 3) getting back in to the business of “participant training” as a key capacity development mechanism: such as cross-visits, study tours, and sponsored secondments of personnel between different actors
- 4) an incubator approach to capacity development – that is sponsoring shared space in which 3 to 4 different CSOs could do their work, thus enabling peer-to-peer learning, cost-savings, and perhaps could include subcontracted financial management services to the CSOs so that each does not need to develop their own systems – this is referred to in the literature as the “association management concept”

USAID historically has shown a preference to work at some distance from the government. However, considering its long history in Nepal and its resources, other donors seem to perceive it as a leader – its preferences do matter a lot. We recognize that there are challenges involved in USAID playing any role between the government and civil society right now because it already seems to have less direct relationship with the government than what other donors may have and because the political instability of the country and frequent change in leadership make this more challenging.

More doable perhaps would be for USAID to create more USAID funded projects that require the involvement of government agencies and their collaboration with civil society. There are of course already DG projects, but as far as we know, they don’t include working together with a government body or positioning USAID as a facilitator between the government body and CSOs and playing a role in strengthening their relationship.

As for capacity development indicators, we suggest experimenting with the development of new kinds of indices:

- a “QQQ” (Quantity vs Quality Quotient – in which the work of the organization is judged in terms of whether it tends to sacrifice quality for quantity)
- a BDI (Beneficiary Dependency Index in which a score is developed to suggest the degree to which the work of the organization creates dependency among its beneficiaries)
- Give Away Quotient – This could be developed as a weighted score to reflect the balance of ‘freebies’ in the organization’s projects, vs. benefits that are not given away, or are even paid for by the beneficiaries
- The heart vs. mind index – Does the organization exhibit more heart than mind? Or more mind than heart? Is there a need to redress the balance?
- The “passion temperature” dynamic. Has the organization’s founding passion cooled off, is it in the process of cooling off, or is it rising?
- The Inner vs. outer-directed index – is the organization locked in the not-invented-here syndrome, thus prone to re-inventing wheels, OR is it looking outward to find out what else is going on?
- The relational (“clubability”) index – is the organization good at relationships, making them, keeping them up, seeking them out (is the organization even “relational” in the first place?)
- The Pain/Gain index – Regarding mistakes and failures, is the organization reflective? Self-Critical? Risk-taking (no pain no gain)

- The speed index – is the organization on a fast track, or has it slowed down, and if so why? Is the organization on a slow track, and if so is this deliberate, that is for good reasons having to do with ensuring quality work, or is it “just slow”

The Mission might consider greater investment in strengthening the CS sector, especially in their relationships with government. This linkage is in need of work. USAID could play a convening role here.

The Mission might consider entering into an agreement with the newly arrived US Peace Corps to field a number of volunteers to small NGOs to help them connect with the rest of the world.

The Mission could experiment with a ‘voucher’ system for capacity development services in which the grantee (in discussion with the Mission) decides what and when they need CD, and then USAID provides a basket of possibilities – a coaching data base, a volunteer mentoring/advisory set-up, a cross visit system, a peer group, etc., and offers a voucher to use as full or partial payment for these services.

LIST OF NEPAL INTERVIEWEES

10/29/12 - **USAID DONOR**

Ramesh Adhikari

Colin Holmes

David Atteberry (MD)

Susan DeCamp

Sheila Lutjens

Linda Kentro

10/30/12 - **Samata Foundation LNGO**

Arjun Bishwakarma, research fellow

Dr. Rabindra Roy, research director

Erisha Suwal, researcher

Mr. Padam Sundas, chairperson, Board of Directors

10/30/12 - **Tribhuvan University ACADEMIC Inst.**

Binjwala Shrestha – consultant and asst Prof., Dept of Community Medicine and Public Health

10/30/12 - COP SUSAHARA/ **SCF INGO**, Women for Human Rights (WHR) **LNGO**

Lynn Lederer, health project and *Les Long*, independent consultant to AID on CD

Miriam Haviland, intern with Women for Human Rights (WHR) **LNGO**

10/31/12 - **The Asia Foundation INGO**

Sagar Prasai, deputy Country Rep.

10/31/12 - **Antardristi Nepal LNGO**

Vinita Adhikari, director/founder

Yogita Chapagain, manager

10/31/12 – **Himalayan Bank Ltd. PRIVATE SECTOR**

Himalaya Shumsher Rana, former 1st governor of Nepal, Ex first finance secy, former chairman, co-founder

11/1/12 - **World Bank DONOR**

Richard Holloway, Program Coordinator, Program for Accountability in Nepal (PRAN)

11/1/12 - **World Education INGO**

Shrinkhala Thapa, Program Coordinator, Combating Trafficking in Persons Program (USAID – CTIP)

11/1/12 - **GIZ DONOR**

Arun Kumar Regmi, Deputy Prog Mgr, Sub National Governance Programme

11/2/12 - **INWOLAG** (Indigenous Women’s Legal Awareness Group) **LNGO**

Sharda Subba

Kaushila Rai
Sabitri Shrestha

11/2/12 - **Legal Aid and Consultancy Centre (LACC) LNGO**
Sharda Subba, former executive director

11/2/12 - **FECOFUN** (the Federation of Community Forestry Users Nepal) **FEDERATION**
Apsara Chapagain, chairperson
Mr Krishna Bahadur
Mr. Thakur Bhandari

11/3/12 - *Helen Sherpa*, Education Specialist, World Education

11/4/12 - **Friedrich Ebert Stiftung INGO**
Dev Raj Dahal

11/4/12 - **Tribhuvan University. ACAD**
Anand Aditya, prof of Political Science

11/4/12 - **Nepal Institute of Development Studies THINK TANK**
Dr. Ganesh Gurung, ex-vice-chairman of the Social Welfare Council

11/5/12 - **Nepal Administrative Staff College, (NASC) GOVT**
Dr. Shankar Prasad Rajbhandari, director, Human Resource Management Centre

11/6/12 – **New Era Development Resch and Training for Change CONSULTING FIRM**
Dr. Bal Gopal Baidya, Sr. Resch Assoc.

11/6/12 - **Save The Children**
Deepak Koirala, HR Director

11/6/12 - **TEWA LNGO**
Astha Thapa Pandé, exec director
Sita Shrestha, fund-raising officer

11/7/12 - **Water Aid Nepal INGO**
Ashutosh Tewari, country director

11/7/12 - **Association of International NGOs FED**
Ashutosh Tewari, chairman

11/7/12 - **HURDEC** (Human Resource Development Centre) **CONSULT**
Parimal Jha, executive director

11/7/12 - **Total Management Services (TMS) CONSULT**
Sagun Shrestha, Mgr, Project Coordinator, Business Development and Implementation,

11/7/12 - **Kathmandu Post JOURNALIST**

Gyanu Sharma, journalist

11/8/12 - **NGO Federation of Nepal FED**

Sharmila Karki, president

Daya Sagar Shrestha, executive director

11/8/12 - **ENPHO (Environment and Public Health Org.) (LNGO) DGP**

Dr. Suman Shakya, exec. director

Prumina Shakya (11/9/12)

11/8/12 - **Nepal Disabled Women's Society LNGO**

Rita Shakwy, director, board member

11/9/12 - **SEBAC (LNGO) DGP**

B.B. Thapa, program director

Sitaram xxx, project director

11/9/12 - **WHR**

Lily Thapa, founder president

Srigana Nohan, president

Chandrika Bhattarai, chairperson

11/9/12 - **Malun Khola Hydropower, Ltd. PRIVATE SECTOR**

Dr. Damber Bahadur Nepali, CEO

11/10/12 - *Tom Arens*, thought leader, experienced Nepali hand, founder of an INGO

31 Orgs; 52 individuals