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Development Partnership Projects:
Emerging Evidence from Indian SDPs in Nepal

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Balancing State and Community Participation in Development Partnership Projects: Emerging Evidence from Indian SDPs in Nepal

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Abstract: Since early nineties when ‘East Asian miracle’ aroused heated debate among revisionists and neoclassical economists on economic development and the role of state, two different approaches have emerged in the realm of development cooperation. In one the community participation is seen in commanding position to “create” social capital while the other assign this role to a more “powerful” State. India’s development programme in Nepal exhibits features that are common to both of these positions. In this paper, we evaluate the impact and potential of these development programmes known as Small Development Projects (SDPs), introduced by India as part of its development cooperation portfolio in Nepal. Through a set of case studies and analytical tools, we find that India’s experience of SDPs in Nepal involved wide variety of stakeholders, namely, communities and their groups, local authorities from administration and governments from Nepal and India. We show that the positive externalities enjoyed by Nepal are a result of a complex interaction among these stakeholders as explained by the process through which the projects are delivered. We argue that the outcome of SDPs would be less than optimal if any one of the above mentioned constituents are missing. It would also be affected if the current process of approval is compromised as it brings in due representation of these actors, thus creating an approach that is more nuanced and balanced and one which leads to synergy between state and community for a better development. The paper concludes that the decentralised mode of project delivery led to demand for those projects that were relevant to the community. Further, we have identified gaps in the implementation process and recommend certain policy prescriptions that will improve or enhance the impact of similar development projects for Nepal.

Key words: Nepal, Community Development, Development Cooperation, India, NGOs, Small Development Project.

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I. Introduction

The effort to narrow development theories has evolved around two different lines of argument. One, where proponents of ‘social capital’ place high economic relevance of norms associated with trust and interpersonal networks, while the other group, of revisionists, emphasise central role of government in accomplishing development goals. The key instrument for movers of social capital is the idea of community-driven development, where community takes the lead in forming groups that deliver services, may be with the help of certain external actors, which may also include market based forces. This perspective can be further extended to include “complementarity” or the positive association between public and private actors or community and its role in delivering projects that are developmentally successful.

It is in this context, an Indian initiative initially launched in Nepal in the form of Small Development Projects (SDPs), which have expanded from 16 to almost 400 in the period 2003-2013 and assumes importance where the triangular partnership between the community, local government and Embassy of India (EOI) support development projects. The idea of SDP is to link development projects with community and with local development efforts, and at the same time ensure the role for local agencies. The first agreement for SDP was signed in 2003.¹ This programme has evolved over the years and is now being extended by India in other neighbouring countries like Afghanistan, Bhutan and Sri Lanka. There are plans to take them to Africa as well. In context of Nepal, the report on incoming assistance from the Ministry of Finance for 2010-11, placed SDP in the category of local development sector where quantum of SDP is shown to be the largest one, occupying nearly 15 per cent of the total inflows.

The rest of the paper is structured as follows. After discussing the contextual settings, Section II discusses various theoretical models that explain the nature of SDPs. It further discusses evidence of community participation world over and brings out some important development theories that explain the consequences and settings in which community participation thrives. Section III talks about the process of delivery mechanism of the SDPs and emphasises on the wider participation of various development

actors in the process. Section IV examines the geographical reach of SDPs along with the case studies to explain the actual process and the impact of SDPs on the citizens while emphasising on the multi-dimensional nature of India's assistance, including health, education and cultural investment. The concluding section examines the gaps in SDPs and recommends policy prescription for a more conjunctive approach to India's development initiative as a model.

II. Some Theoretical Considerations

With the introduction of structural adjustment programme (SAP) during 1980s and 1990s, withdrawal of the state² became central point of reference and as a result a "New Policy Agenda" (NPA) was launched which gave prominence to the role of community-driven development (CDD) and also to different entities such as Non-Governmental Organisations (NGOs) and Grass Root Organisations (GROs) in various social reconstruction programmes.³ Though the idea of peoples' participation has been a part of development thinking for quite long, however, the nature of programmes introduced by several bilateral and multilateral institutions for strengthening community participation very narrowly addressed the modalities. Most of the programmes addressed issues related to poverty alleviation⁴, social welfare and supporting other development projects. Part of support for these initiatives also came from disillusionment with top-down approaches.⁵ This provided major boost to various NGOs⁶, which in turn got engaged with projects designed for economic growth across different countries. The World Bank (WB) adopted several programmes supporting role of community in economic development related projects.⁷

Along with SAP, the issue of conditionality in programmes resurfaced. Khan and Sharma (2001) argue that country ownership of programmes is essential as enhanced ownership matters for success of the project. They argue that outcome based conditionalities, rather than policy based conditionalities, would lead to sufficient ownership of programme. However, as a caveat, they cite Dixit (2000) and Drazen and Fischer (1997) who argue that balance between the two types of conditionalities would depend on the circumstances of the country, nature of economic problem it is facing and the accuracy with which different policy actions and outcomes can be monitored.

Arguing for yet another dimension of success, Nel *et al.* (2001) have identified four different features which play important role in successful implementation of development projects. They are physical resources, human and social capital, appropriate external support and existence of facilitating environment. The idea of human capital brings in strength like skill, talent, leadership capacity and right ability to coordinate. There are development projects being implemented by various emerging economies where great emphasis is given to skill development. India's development cooperation programme largely focused on capacity development which Sen (1985) identifies as far more important than material well being. Out of all the four features identified above, Nel *et al.* (2001) demonstrate social capital as the most crucial component and argue that it is indispensable to community based development projects and without it these projects have little relevance. Without trust and or social capital, physical and human capital is easily squandered.⁸

The encouraging support to the idea of community participation largely reflects efforts for decentralisation. Government plays an important role in decentralising decision making and policy implementation for achieving diverse goals which include social development, democratic participation, resource management and service provision.⁹ Some sectors have been preferred in this process of decentralisation over others; for instance, environment management, etc. Burawoy (1996) uses a macro approach for explaining the positive consequences of the decentralisation process in China, to bring out its impact on over-all economic growth. He argues that the differences in growth rates of Chinese and Russian economies can be explained through the decentralisation process that China undertook. He shows that the mediation of State between markets and its effect has led to accumulation through development of new technology, and the invention of new product for China, while for Russia it led to economic involution or the decomposition of production as Russia failed to "organise the market economy leading to co-ordination and entrepreneurial vacuum". For instance, he cites the decentralisation of property relations in China which gave local states the resources to monitor and guide accumulation in the same ways as capitalist corporations control their managers while the case of Russia was exactly opposite. Moreover, decentralisation by its very nature, as Indian

experience has also shown, would be able to create “complementarity” among various developmental actors.¹⁰ Therefore, taking advantage of the Indian experience and specific situational context of decentralisation in Nepal and keeping in view the importance and reach of the decentralisation process to ensure better delivery of public goods and services in collaboration with the needs and preference of local population, the Indian government has utilised the local level bodies to effectively deliver development agenda in Nepal.

As Bardhan (2002) mentions, community empowerment is almost used as a synonym for privatisation. Further, he points out that decentralisation is to be preferred when there are no spill overs across jurisdictions with heterogeneity but in case of developing countries issues related to institutional processes and accountability both at the local and central level are extremely important. This becomes all the more important when resources are externally introduced such as technical, economic, political, social services, etc. and are distributed along lines of existing inequality and thus reinforce it unless accompanied by radical, and massive institutional changes (Agrawal and Gupta 2005). In light of prevailing civil war in Nepal, nature of development interventions, thus, may have severe long term implications. In fact, economists have argued that failed development strategies perhaps contribute to political greed and ethnic discrimination which then turn into civil unrest (Sharma 2006).

Another concept that emerged along with NPA was the focus on ‘Good Government Agenda’.¹¹ This approach was to largely address post-Soviet world, where emphasis was more on governance and stimulus for internal demand apart from political liberalisation. The World Bank came out with two documents which reflected the new emphasis. One was Bank’s Governance and Development (1992) and the other was Sub-Saharan Africa: From Crises to Sustainable Growth (November 1989). In these documents frequent reference to corruption, secrecy in policy making, and lack of accountability, disregard of the law, lack of benign concern for the private sector came up. This was also absorbed in the frameworks from bilateral donors.¹²

This agenda had its limitation because the programmes remained driven by a supply-led approach rather than responding to the needs of rural people in a participatory approach (Platteau and Gaspart 2003).¹³ The World Bank lending for CDD expanded from US\$325 million to US\$2 billion in the period 1996 to 2003. However, this neo-liberal approach of promoting NGOs in the name of enhancing economic efficiency and political pluralism was largely seen as agenda of northern governments.¹⁴ The CDD is also seen to be vulnerable as local elite may capture the initiatives. This becomes all the more challenging in caste-based or class-based societies (Bardhan 2002). The suggested solutions like leader disciplining mechanism (LDM) that relies on a sequential disbursement procedure only argues for caution on CDD as share of resources actually reaching the poor will be low (Platteau and Gaspart 2003). Another complementary argument is given by Fritzen (2007) where he focuses on the extent of elite presence and contends that the magnitude of elite presence is of lesser significance when compared with accountability mechanisms. He takes elites as “given” and instead suggests focusing on tools such as democratic selection and project design, which may affect institutional characteristics of local environments and can be (Ostrom 1990; World Bank 2004) analysed in terms of degree of information on board activities (decision makers or elite), incentives faced by board members and project monitors to enforce minimum standards of performance. Therefore, in a sense he talks about focusing on increasing the probability of elites to play a constructive role in development.

As we would explore little later in this paper, the SDPs represent convergence of State vs. market debate, as discussed earlier, on how complementarities may be captured between the two entities in a development setting. Evans (1996) has discussed some of these elements. Ostrom (1996) has also identified role for such a synergy, which she calls as ‘coproduction’. However, the central issue here is how we achieve this ‘synergy’. What really matters when efforts for such a synergy are to be met? Ribot (1995) and Bowen (1986) do indicate certain partnership instances from Africa and Asia respectively where costs of service delivery are transferred to potential beneficiaries. In an excellent literature survey Mansuri and Rao (2004) have documented how such partnerships are often founded on misplaced notion of ‘local knowledge’, ‘local partnership’ and ‘local priorities’. They point

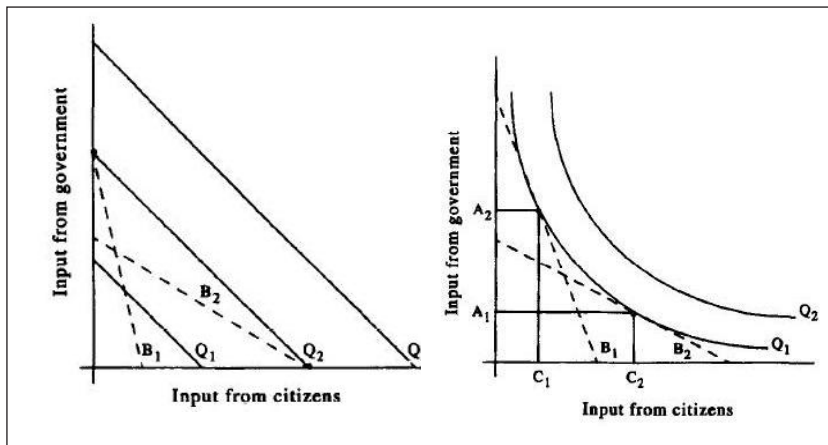
out that obscure differences that critically influence outcomes are driven by local structures of power and ideas and approaches of donor communities. In that sense there is much to be desired in a CDD programme, and this requires consistent evidence collection for learning emerging dynamics of synergistic partnerships.

In most of the CDD programmes, the role of group formation is emphasised. There is also an emerging consensus that effective participation requires people's involvement not just as individuals but as a collectivity, such as a village community (Agarwal 2001). However, the nature of participation may vary in terms of nominal membership and its breadth for a dynamic interactive process in which the disadvantaged have voice and influence in decision making. Agarwal (2001) has identified typology of participation which distinguishes nominal participation, passive participation, consultative participation, active-specific participation, active participation and interactive (empowering) participation. In this context, if CDD has to be meaningful, the role of civil society in the process of development may not be taken for granted.

A civil society in some sense is an engagement of informed ostensible beneficiaries of public goods, with the State. Fox (1996) brings out the role of civil society in the development process by arguing for the existence of the possibility of coproduction of social capital either by State and local society or through interaction of local society with external actors. He emphasises on the role of external actors as being crucial to the survival of civil society thus formed in the process. He has explained this through the case of rural Mexico and shows three distinct political pathways, namely, "coproduction between State and Societal actors", "coproduction between external and local societal actors" and "independent mobilisation from below" as reasons for convergence of pro-social capital actors in both State and society. In several development programmes, the South-South cooperation makes use of the inherent links of these very civil societies with the recipients of the services at large. The civil societies or citizens being direct beneficiaries of the services have a strong incentive to efficiently contribute to the process of development. A motivated civil society will contribute maximum as inputs in the production mix of services.

Figure 1(a): Substitutable Contributions from Government and Citizens to output

Figure 1(b): Complementary Contributions from the Government and Citizens to Output



Source: Ostrom (1996).

Following a more analytical design, Ostrom (1996) describes the relationship between the state and citizens as “co-producers.” She refers to State as “regular” producer and emphasises on coproduction as a way through which synergy between government and citizens can occur. She explains the existence of “working space” between government and citizens analytically. As Figure 1(a) shows, generally, when inputs exhibit the property of strict fungibility, economic theory would predict corner solutions to market equilibrium. Therefore, because inputs are strictly substitutable, there is no case for synergy. As Ostrom explains, the decision to produce a public good depends on the wage rate paid to public officials as compared to the next best alternative available for citizens for employing their time as inputs to production of public good. In Figure 1(a), the budget constraint B_2 illustrates the case when wage rate of public officials is lower than the opportunity cost of citizens, and therefore the efficient output Q_2 is produced by government. Similarly, if citizens have opportunity cost that are relatively lower than the wage rates of public officials, the output would be produced by the citizens alone as shown by B_1 . Obviously, this analysis assumes that both the parties are fully motivated to contribute in their respective cases. On the

contrary, Figure 1(b) shows the case for complementary inputs as provided by government and citizens. For instance, with a budget constraint B_1 , where the opportunity cost for citizens are higher as compared to the wage rate of public officials, citizens contribute C_1 as inputs while government contributes A_2 , thus producing output equivalent to Q_1 . Of course, Q_2 represent higher level of output or utility which consumers would ideally want to achieve. As citizens and government engage in repeated tasks, the budget constraint is likely to shift or tilt on account of increase in efficiency, cost reduction or increase in finances overtime to enable consumers to achieve a higher utility.

However, India's experience of SDPs is represented much more closely by budget constraint B_2 (Figure 1(b)) on account of underutilisation of knowledge skills, and time of residents - meaning the opportunity costs of devoting these inputs to the creation of valued public outputs is low.¹⁵ Governments in developed countries have surplus budgets to create public goods; further the opportunity cost of citizens in these countries is relatively high to contribute to creation of public goods. On the contrary, developing countries have low budgets, and at the same time, the opportunity cost of the citizens in developing world is low which makes inputs from citizens a possibility in the production function. For instance, a community that lacks basic educational facilities would be more keen to participate in the development process. This leads to creation of appropriate facility as participation in that process entails low cost (low skilled workers generally earn less) while outputs are relatively high. For that reason, Nepal would exhibit a flatter budget constraint. SDPs of India give a larger hand to local communities as explained below in Section III. As input, the Indian government provides finance to these projects, while entire management, decision making, etc., on how to carry the projects is rested upon local communities and as such represents inputs from citizens. With that in hindsight, as Figure 1(b) shows, these inputs from citizens or local communities of Nepal are C_2 while inputs from Indian government and government of Nepal (in terms of representation of development gaps to Indian Embassy) are represented by A_2 and budget constraint B_2 respectively. Therefore, same quantity of output, Q_1 can be produced by combination of inputs from government and citizens¹⁶. An important point to note from this analysis is that neither government nor citizens alone would be able to provide for efficient output. The SDPs, therefore, illustrate this very fine

piece of analysis through interaction between India's assistance and local communities for an efficient output. This analysis highlights the importance of civil societies in effectively filling the development gaps.

Local communities contribute knowledge and experience that would be costly for outsiders to acquire.¹⁷ As final recipients, community can also contribute their time as implicit wages.¹⁸ That is exactly what is happening for SDPs in Nepal which has in a sense created a kind of synergy that India exploited when it started its SDP programme in 2003. The experience of SDPs outshines the argument of zero-Sum relation between State and society or the view that State could crowd out civil society. Lam (1996) build upon the hypothesis of existence of synergy between state and society but moves on to show the potential disadvantages of a tightly controlled process which can lead to abuse of authority and can hinder communication and learning. As we show in this paper, the structure of SDPs does not thrust conditionalities and, therefore, the community at large is more open to express its views or demands. The success of this structure is evident from the fact, as we report later, about certain beneficiary communities directly approaching Indian embassy for assistance.

It is often argued that pre-existing features of a society determine the effectiveness of synergy between state and society. The argument leads to analogy that synergy may not be constructible; at least in short-run, as societies that lack economic growth would generally lack pre-existing features such as social capital. Evans (1996) presents these pre-existing features as "endowments" and argues quite authoritatively for constructability of synergy. Communities that enjoy the benefits of synergy do not necessarily enjoy exceptional prior endowments of social capital (Evans 1996). Heller (1996) has also shown a similar analogy related to constructability of synergy. He argues that State intervention and class mobilisation has produced two different forms of social capital for Indian State of Kerala, namely, successful social development and redistributive reforms. According to Heller, these two forms of social capital are a direct result of interaction between "pragmatic labour movement and democratic state". Of course, our own observations in Nepal also exhibit "synergy creation" in absence of high quality social capital, while at the same time it is important to note that, as Heller shows, interaction between state and citizens increases the "endowment" of social capital.

Mansuri and Rao (2004) critically evaluate the community-based developments for channeling development assistance and show that while they are not the best means for a targeted programme (such as poverty reduction, etc.), such projects create effective community infrastructure and, therefore, call for context specific projects with well-designed monitoring and evaluation systems.

In this context, role of emerging economies and nature of their programmes assumes key importance. Do they offer new ideas and approaches? Are they different from the development programmes delivered so far and in what way new vocabulary is required, if at all, to capture nuances of development projects in the framework of South-South cooperation.¹⁹ India has quietly become a significant provider of development assistance to other less developed countries. The single-most defining characteristic of this programming is the country's attempts to share its experience in poverty alleviation and economic development. In the next section we review one of the elements of this programme.

III. Delivery Mechanism and Key Features

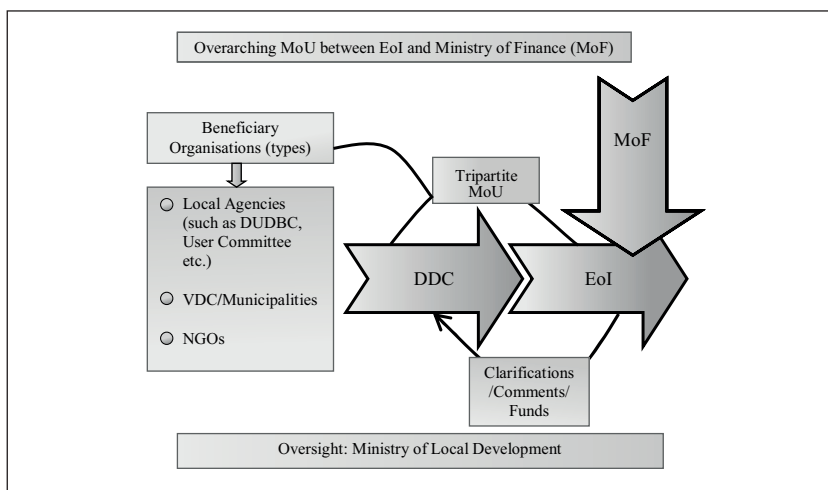
The SDPs are governed through MoUs, signed at two different levels. One is at the level of Ministry of Local Development and EOI and the other is between the concerned community entity and the EOI. The one between the Ministry of Local Development and EOI is for three years and this MoU mandates setting up of an appropriate mechanism for funding small but effective development initiatives through local bodies or non-government organisation. The SDPs were launched on the basis of an MoU signed between Indian government and Nepal government in November 2003, further renewed in June 2006, August 2008 and August 2011. The validity of the current MoU is until August 2014. The MoU provides for forming a project steering committee between Nepal and India for the coordination of the activities to be carried out under the project. To ensure smooth operation and maintenance of the EOI-aided project, MoU delegates such responsibility to the local body or an NGO.

Some of the legislations in Nepal have further helped in streamlining the project implementations. The Public Procurement Act, 2063 (2007) is

one such instrument that has provided legal provisions in order to make the procedures, processes and decisions relating to public procurement much more open, transparent, objective and reliable. It has made e-bidding compulsory for all the public projects. Similarly, the Financial Regulation Act, 2002 has also helped in streamlining financial working of local agencies.²⁰ The MoU between the EOI and the community states that project proposals must indicate how the project will be maintained and the source of funding for the same and asks for a certificate to this effect which is provided to the Embassy indicating the amount, mode and manner of the maintenance of the project.

Nepal has a two tier local administrative system. The lower level consists of Village Development Committees (VDCs) and Municipalities in urban areas. The second tier consists of District Development Committees (DDCs). In total there are 75 DDCs, 3915 VDCs and 58 Municipalities. VDCs and Municipalities are formed on the basis of direct popular election, while DDCs are formed through indirect voting as their electorate consist of all elected representatives of VDCs and Municipalities. The DDCs represent institutions of village and Municipal Governments in district levels.²¹ The main purpose of DDCs is to coordinate the development initiatives of district as district governments. Therefore, DDCs are the closest and are more structured to represent the needs and aspirations of the locals.

Figure 2: Flow of Proposal



Source: Compiled by the authors.

As seen from the Figure 2, the locals directly represent their aspirations about development needs in their district to the concerned DDCs, usually in form of written request. The DDC upon examining the proposals sends them to the EOI. The EOI examines the proposals and, if needed, visits sites and upon satisfaction, signs tripartite Memorandum of Understanding (MoUs) with DDCs, beneficiary organisation and EOI. The copy of the MOU is sent to the Ministry of Local Development and Ministry of Finance. However, the DDC acts as pivotal agency between the EOI and the local beneficiary as EOI transfers the money to DDC and DDC according to the guidelines commissions the project implementation through their own procedures. Apart from DDC there are other agencies as well that carry out development work. Some of these agencies and their work profile are captured in the Table 1.

Table 1: Executing Agencies and their Scope of the Projects

Executing agency	Type of Projects
District Development Committee (DDC) Ministry of Local Development	School, Roads, Health, Flood mitigation, Renovation of historical places
DUDBC (District urban development and building corporation)	Schools and other buildings
Municipality	Roads, Cold storage, Drainage
User Committee (<60 lakhs; It is the implementing agency but proposals have to be routed through above agencies)	Single floor School building, Renovation of historical places (Very small projects)
Department of Roads	Roads
Nepal Electricity Authority	Electrification Projects

Source: Compiled by the authors.

As seen from Table 1, District Development Committee (DDC) carry out major development initiatives such as building of schools, roads, health centres, flood mitigation, and renovation of historical places but other agencies such as District Urban Development and Building Corporation (DUDBC) primarily focus on constructing buildings for schools, etc. Further, Municipality also facilitates projects related to road, cold storage and drainage but they are the implementing agencies while the proposals and

funds are routed mainly through DDC. User committee is often authorised to carry out initiatives that are relatively smaller (less than 60 Lakh) such as single floor school building, renovation of historical places (very small projects) while some road projects are assigned to Department of Road Development of Nepal. Indian government also provides assistance for rural electrification. Such projects are carried out through Nepal Electricity Authority. For instance, the EOI has signed five MoUs with Nepal Electricity Authority amounting to Rs. 10 crore for electrification of five villages.

Key Features

Supplementing Local Effort

The unique feature of the majority of the SDPs is that they generally have short-gestation period and consequently the locals are able to enjoy the benefits relatively quickly. Such projects, therefore, require low investment. As we can see from Table 2, the costs of such projects was capped at an upper limit of NRs. 3 crore in 2003 which was later revised to NRs. 5 crore in 2006. These projects complement the development initiatives of the Government of Nepal (GoN) and that of various different local agencies, as per their recommendations, which otherwise might have taken longer time to come up in the local budget plans.

Table 1: SDP Limit

(NR in Crores)

	2003	2006	2009	2011	2014
SDP limit	3	3	5	5	?

Source: RIS (2012).

Direct Partnership with Community

The Government of India provides assistance for small projects that lead to socio-economic development but this assistance is not only restricted to the creation of physical infrastructure such as roads, electrification, etc. This also includes social infrastructure projects in the areas of education, health and also in the realm of community development. The projects are comprehensive, unambiguous and have features that make them participatory and community-driven. The nature of the projects is clearly apparent in

that they are not designed in a complex manner and contribute directly to the welfare of the community. The projects are driven by the needs of the recipients and are essentially locally owned. The popularity of projects can be gauged from the fact that in many cases the locals have directly contacted the EOI with specific requests.

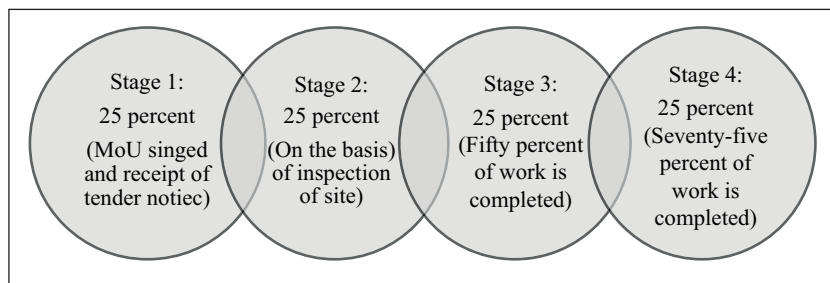
Wide Variety of Stakeholders

The projects have a wide variety of stakeholders and include Indian government, Nepal government, local governments and the recipients or local beneficiaries generally in the form of local communities or in some cases NGOs. The projects take into account the view of all the stakeholders and are, therefore, implemented in a manner that is satisfactory to each of these stakeholders. Each stakeholder has a clearly defined distinct role in the project implementation which facilitates timely execution of the projects.

Release of Money Linked with Project Advancement

The project fund, as approved after the techno-economic assessment, is linked to the advancements achieved in the project schedule, which is usually verified through site visits or on the recommendation of the committee responsible for monitoring and execution of the work as per the norms of government of Nepal. The committee comprises Chairperson of Management Committee of the project, engineer of the district technical office and a relevant district officer according to the project (for instance district education officer in case of projects relating to education).

Figure 3: Four Stages of Fund Release



Source: Compiled by the authors.

The fund is released in four equal instalments, all linked to the project schedule. The best part is that the money is always paid up in the beginning. The first instalment is released before the commencement of the project but after completion of the formalities such as signing of MoU and awarding of tender. The second instalment is released on the basis of inspection of the site, while the third instalment is released after the completion of fifty per cent of work. In this regard, an inspection report is submitted by DDC along with the photographs of the project. The fourth and the final instalment is released after the realisation of three-fourth of the work. This structure of fund release makes sure that project does not face fund shortage at the inception and also creates an incentive to complete the project as per the schedule. In this process 75 per cent of money is released before project is completely over.

Local Administrative Agencies as Nodal Points

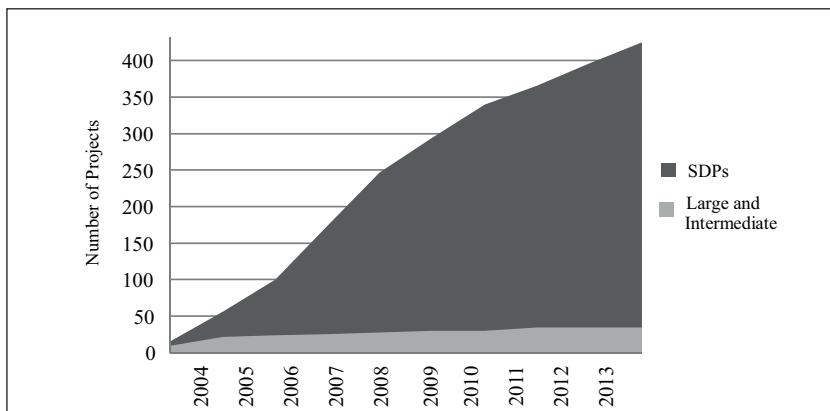
As discussed earlier, the role of local administrative units is extremely essential as they are point of contact between the EOI and the community or the recipients. In principle, the EOI does not have a formal structure through which locals can directly approach it with proposals and as such these proposals are routed through local administrative agencies. Project report, estimated costs, drawings, etc., are prepared by DDCs. They may be DDC, DUDBC while other local agencies such as Municipality and user committee also play an important but they are also expected to route their proposals through DDC. Through this mechanism the benefits of projects are maximised for locals as the project enjoy the leverage created by this decentralised system. The responsibility of audits for the project expenditure rests as per the GoN norms and regulations.

IV. Geographical and Sectoral Reach and Select Case Studies

India's development efforts in Nepal do not have one-point focus (see Figure 5). This varied emphasis is the result of India's approach to an efficient and equitable development model. The model is an outcome of India's own understanding of the challenges to effective development, manoeuvred to the local conditions in Nepal. Consequently, India's initiatives focus on improving or providing for efficient education system in Nepal, accessible and affordable health care system and cultural investment for improving people to people contact between India and Nepal. During our field work

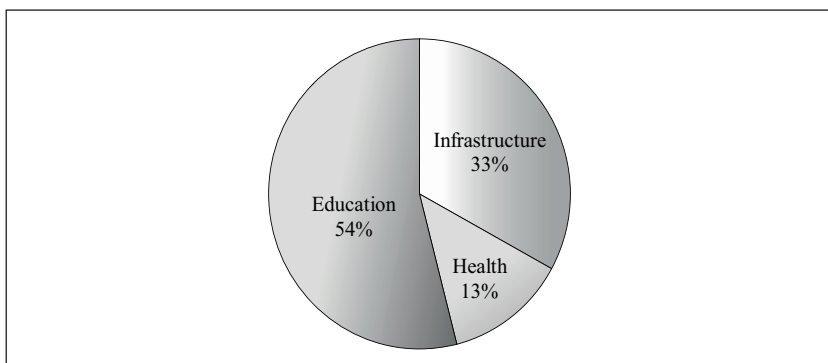
we came across several successful cases. Some of the case studies are being captured herewith. However before that we take stock of overall placing of the SDPs in the Indian development cooperation portfolio apart from their geographical and sectoral distribution.

Figure 4: Comparative expansion in SDPs and Large Projects (2004-2013)



Source: RIS (2012)

Figure 5: Sectoral Distribution of Completed SDPs



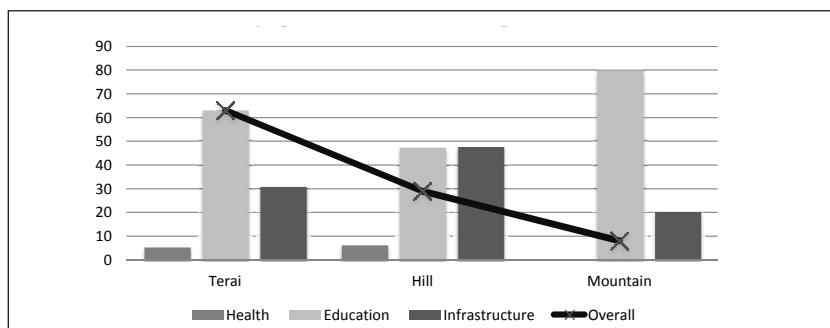
Source: RIS (2012)

Since the launch of the SDPs, India's major contribution relative to other forms of assistance has been under this programme. The SDPs exhibit a

growth rate of 44 per cent in the period 2004-2013 while large and medium projects have grown only at 15 per cent. In a period of a decade, the number of projects expanded from 16 to nearly 400. However, in the same period the number of large and intermediate projects has expanded only from 10 to 35. Though the numbers have limited relevance, they do reflect the growing popularity of SDPs and increasing budgetary provision for the same.

As Figure 5 shows, most of the SDPs have been in the education sector followed by infrastructure and health respectively. The emphasis on education, which constitutes almost half of the total projects, is logical. The literacy rate in Nepal in 2001 was 54 per cent which has improved to 66 per cent in 2011. This is important as low level of literacy itself can become an impediment to development. Further, among the total number of projects, share of infrastructure was 33 per cent and that of health was 13 per cent.

Figure 6: Geographical Distribution of Completed SDPs



Source: RIS (2012).

According to Figure 6, the primary share of the total projects has been in favour of Terai constituting about 63 per cent of projects. Share of total number of completed projects in Hills was 29 per cent and in mountain region it was 8 per cent. In terms of ecological distinction, Nepal can be categorised into Mountains, Terai and Hills. Mountains comprised over 35 per cent of area while hills comprise 42 per cent of the land area. Terai region on the contrary comprises close to 23 per cent of the land area. However, Terai region contains nearly 48 per cent²² of the total population of Nepal. We can see from Table 3 that the proportion of people living

in Terai has been increasing over time. This trend most likely explains the reason for the allocation of almost three-fifth of the total projects to Terai. The disproportionate distribution of population is most likely due to unequal distribution of resources, availability of productive land in Terai, difficult topography of Hills and Mountains, disparity in socio-economic development, lack of access to information.²³ Further, in the Terai region projects in the schooling sector account for the highest share, 62 per cent, followed by infrastructure, 31 per cent, and health 4 per cent. Similarly, for Hills and Mountains, projects in the schooling or education sector account for the highest share, followed by the infrastructure and health, thus showing India's emphasis on education in development.

Table 3: Decadal Growth in Population by Geographic Region

Geographic region	1961/71	1971/81	1981/91	1991/01
Mountain		1.35	1.02	1.57
Hill	1.85	1.65	1.61	1.97
Terai	2.39	4.11	2.75	2.62
Total	2.05	2.66	2.08	2.25

Source: RIS Dataset based on Nepal (2011a).

Focus on Education

Education is the key requisite for the prosperity of any nation in true sense and it has been the focus of India-Nepal cooperation since the early sixties. India's strategy in this sector is to address this issue at two inter-related levels. At one level the Indian assistance focuses on building or upgrading the infrastructure while at the other level it focuses on creating capacity for these institutions in the form of technical foundations such as training and scholarships. This design is mutually beneficial to both the countries as it provides infrastructure to those who want to pursue education while also encouraging the target population through scholarships.

Aabookharreni Campus

This campus project is being supported under SDP in Nepal's Tanahun district. The district has a population of 3,23,288²⁴ with population density

of 209. The sex ratio of the district is 79.73 per cent as per the census report of 2011. The project is building twenty-four class-rooms along with separate toilets for boys and girls. This is often a major challenge in most of the schools, as a study from UNESCO, led by Acharya (2007) observes:

“One simple requirement which makes a tremendous impact in women’s and girls’ lives and their participation in education is appropriate physical facilities. However, separate toilets with water for girls are still lacking in many schools. Lack of resources, as well as lack of sensitivity that women’s and girls’ natural needs should be taken care of and that such needs should not hinder their participation has contributed to this situation. At school level, School Improvement Plans (SIPs) are an appropriate avenue to institutionalise gender based needs but determinants of gender friendly school environments are not included in SIPs.”

The campus management committee expects that the separate toilets for girls will lead to an increase in their enrolment. The campus will incorporate the classes that are already running in a nearby government school and extend the programme to graduate level from the higher-secondary. The committee expects the enrolment of students to increase by about 25 per cent once the campus becomes operational. The locals are particularly enthused with the campus as their children will now be able to pursue higher education closer to home. Sending children to Kathmandu is not only expensive but at times inconvenient for parents, as they are at times reluctant to send girls to study away from home. This campus will, therefore, improve the education level among girls who were earlier unable to pursue higher education. The project has imbibed a sense of ownership among the locals as they actively participate in the meeting pertaining to working of the campus and contribute vocally to the suggestions asked by the campus chief. The chief of campus management committee, Mr. Balakrishna Neupane also highlighted the aspect of ownership as an essential character of the project through the financial contribution²⁵ that local beneficiaries have themselves made though in small amounts.²⁶

Aadikavi Bhanubhakta Multiple Campus, Damauli, Library

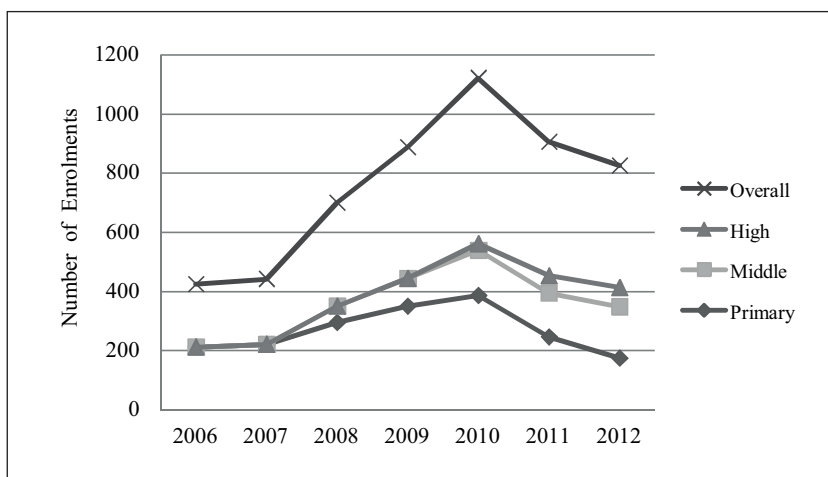
Another important initiative as part of supplementing the existing

infrastructure is the construction of double storied library building in Damauli and provision of furniture, Closed Circuit camera with network computer and office equipment. The library is used by the students in the campus but it is also open to locals through annual membership. This ensures sufficient fund for the long-term maintenance of the project. While the management committee recognised the role SDP played they do raise concerns regarding delays in the release of funds.²⁷ This was viewed as a serious bottleneck in achieving quicker success of the project as such delay accentuated the impact of the already spiralling inflation on the cost of the project.

Shree Nepal Rashtriya Primary School, Auraha, Birgunj

This school is built in Southern Nepal. We find this case interesting because this project shows the extent of commitment that both sides have towards the development projects. The school is located in highly remote area in Birgunj with only gravel roads. Carrying out development work in such an area is a challenge. The school was assisted in setting up of class rooms for middle and higher level classes which were non-existent in the neighbouring areas. Before India’s assistance the school had the status of primary school which was subsequently upgraded to middle school and later in 2010 to high school.

Figure 7: Year-wise Enrolments in Auraha School



Source: Compiled by the authors.

Figure 7 shows the annual enrolment in the school from 2006 to 2012. In 2006, primary enrolment was 212 which gradually rose to 295 in 2008. The pace of primary enrolment was rising until 2010 and reached its peak at 386 and suddenly fell to 246 in 2011 before reaching 174 in 2012. The trends in primary enrolment, along with overall enrolments after 2010, could be shocking when seen in isolation. But with further enquiry it was found that the World Food Programme (WFP) has been running an oil programme for primary schools around that area where it provides cooking oil to the families of the students enrolled in primary school.²⁸ Since the status of Shree Nepal Rashtriya Primary School was upgraded from primary to high school, it no longer enjoyed the benefits of the WFP. (The programme was only reserved for primary schools and not for primary students.) Hence, the enrolment for primary level declined. On the contrary, the enrolments of students in middle and high School have been consistently rising.

Shree Sharda Secondary School, Bahuwari-Sugauli, Birgunj

This is another initiative for further enhancing the educational facilities for the people of Birgunj. It helped in expanding the existing facilities. The school earlier was running all the classes in a small old dilapidated building but with the construction new building facilities have improved and the older building now runs preparatory school and serve as space for supply of the mid day meal. As a result the enrolment has expanded. The school attracts students from nearby villages and will eventually help in raising the literary rates not just around that area but also for the surrounding areas including across the villages. In this case, we found that at the time of approval the library support was not a part of the programme. What we found in Damauli was completely missing from this programme. Even support for the furniture was not part of the programme; as a result even with construction of building the larger objective of quality education is still far away. Thus, there is need to ensure a visit by the SDP team from the Mission for initial assessment.

Focus on Health Sector

The SDPs in the area of health sector have focussed on various different areas of concerns. However, in this study, we are going to focus on only one flagship project, viz. eye care programme. Though this programme is also supported through larger project, in the recent past SDP has emerged

as the major mode of support. In 1971, eye care programme of Nepal was in very rudimentary state with only three eye doctors available. Most of the patients used to visit Sitapur in India for cataract surgery. Nepal Netra Jyoti Sangh (NNJS) came up in 1978 under the leadership of Dr. Ram Prasad Pokhral, who first established an eye care centre and later conducted first eye survey in 1981.²⁹ Gradually this network has expanded. The NNJS is the only NGO receiving assistance under SDPs in Nepal.

In 2012, Nepal had 14 eye hospitals, 55 district centres and 150 eye doctors with staff of nearly 1000. There are nearly 10,000 volunteers working with these establishments. Population from Indian border villages is now taking advantage of this advanced health establishment. In 2011, nearly 2,80,000 eye surgeries were conducted by NNJS and out of them 1,80,000 were for patients from India. The ‘Right to Sight: Vision 2020’, as adopted by WHO in 1999 facilitated further deepening of these initiatives.³⁰ There are several new programmes that NNJS has introduced.

Table 4: Indian Support to NNJS for Eye Care Programme in Nepal

Year	Cataract Surgery Support	TT Surgery	School Programme Support
2001	2000	-	-
2007	10000	2000	9300
2011	15000	1000	9300

Source: RIS (2012).

NNJS has been implementing the National Trachoma Programme (NTP) along with the Ministry of Health and Population with the financial and Zithromax support from the International Trachoma Initiative (ITI) since January 2002. During its first phase (from 2002 up to September 2005) 8588 people were prevented from becoming blind by getting surgical treatment and 12,39,889 people were administered Zithromax (Zithromax is a drug of choice for trachoma treatment) against trachoma.

The SDPs have supported eye camps across different parts of Nepal including at various schools and across nearly 45 districts (see Table 4).

In 2001, nearly 2000 surgeries were supported. This number expanded to 10,000 in 2007 and 15,000 in 2012. It is estimated that per surgery cost in Nepal is around NRs.2260 while per optical dispensing cost is NRs.1104. In case of Trachomatous Trichiasis (TT) Surgery, per surgery cost is around NRs. 1860. India extended support for building 100 beds Nepal-Bharat Bakhtawari Eye Hospital at Krishnanagar, Kapilvastu at a cost of NRs 100 million in 2007.³¹

Rapid assessment for blindness survey (2010) indicates that blindness has gone down from 0.84 per cent to 0.34 per cent. The most important factor in this has been the organisation of Diagnostics Screening Treatment Camps (DSTC) which has helped in identifying key challenges. At another level, NJJS has also worked on enriching and enhancing the level of ophthalmic education programme at various eye hospitals. In this, help of various private sector establishments from India is also being sought. Under SDP, OPD building is being built at an eye hospital. The major hospitals which are helping are Aravind Eye Care System Hospital, Madurai; Shankar Netra Chikitsalay, Chennai; LV Prasad Eye Institute, Hyderabad; and Venu Eye Hospital, Delhi.

Focus on Cultural Heritage

India and Nepal share numerous cultural traditions including in the areas of art, festivals and religions. Therefore, it is only logical for India-Nepal cooperation to focus on preserving such a heritage. In Dholpa District of Nepal, a unique project of building a temple was implemented that focuses on cultural investment thus linking people through common faith and beliefs. Indian grant of about Rs. 3 crore has been routed through DDC. The project is almost 30 per cent complete. This project is a remarkable achievement in terms of its implementation in a tough terrain. The original temple is about 1100 years old and is, therefore, emotionally connected to people. The temple also has a historical importance as it becomes an important gathering point in times of festivals and social meetings. Nearly 36,000 strong community is directly associated with the temple. They formed Peoples' Association to consolidate the work at the site.³²

VI. Conclusions and Policy Recommendations

Relevance of any development intervention is not only always context-specific but also requires familiarity with its past. In the last decade or so Nepal has gone through major economic and political changes. In order to understand relevance of a programme one has to assess whether an assistance programme takes into account these changes and whether it envisages how the programme would interact at the national and sub-national levels. If these considerations are missing then it is more likely that it may not go far enough in terms of accomplishing its development objectives.

The ongoing political crisis of the late nineties and growing public aspirations required specifically designed interventions that meet pressing needs of the people. This specific stage of development required specifically designed programmes for meeting local challenges and aspirations. In this respect, it seems that SDP has proved out to be a successful tool for development assistance. The programmes are proposed by local community members and are channelled through local administrative agencies and they are also responsible for implementation as per the national guidelines for contracts and construction are also undertaken as per the national building code.

However, during the current research we came across several limitations which need to be addressed for enhancing the efficacy of this tool. One of the serious limitations is systematic collection of local debate and media coverage on impact of SDPs. The resources at the mission need to be optimally utilised for strengthening the library at the embassy. Digital ribbon project review should be created, along with a separate section covering media and other local reports. There is also need for ensuring outreach on the impact of SDPs. Budgetary provisions should be integral part of this exercise. The other issues that need attention are as below.

Need for Differentiated MoUs

At this point all the SDPs have similar time frame of 15 months and set upper limit of NRs. 5 crore. Same time period and same amount may be an administrative convenience but in practice this does not seem to be in

synchronisation with reality. As a result, there is no surprise that several projects are running late. The purpose and nature of projects supported under the SDP serve various different objectives and are so diverse in nature that they should not be placed in the same bracket. Moreover, geographically also Nepal is so diverse that uniform upper limit does not make much sense. During the study it was found that the time period of MoU is proving to be an impediment to the smooth operation of Government of India's aided projects. MoU should take into account the local considerations such as political instability, or demographic features such as difficult terrains, which can add to the delay in projects. Therefore, MoU signed for three years for a project in Kathmandu may be acceptable but MoU on same norms for a project in a rather extraneous terrain such as Bagmati in northern Nepal may need to be revised at least in terms of time period. Hence, it is recommended that MoU period should be of different timeframes and differentiated allocation limits.

Delays in Clearance

We have seen that certain projects took an unexceptionally long time to be approved. The delays were largely characterised by administrative procedures. In fact such delays contribute to several other factors contributing to lack of local support, even though SDPs are immensely popular in Nepal. Further, these delays also lead to revisions in cost due to inflationary pressure over time, which have their own implications in terms of setting in a vicious cycle of revisions and delays.

While these delays are unwarranted from Indian side as this impacts the credibility of India in Nepal, with current structure of approval and grant of projects (the approval comes from the concerned political division at the head quarters), these delays are expected. To counter this, it is recommended that a clearance window could be set up in Nepal itself while the finances can be released in tranches (bi-annually or quarterly) for the projects. Other than creating a favourable impact for India, such a structure will effectively contribute to the development of Nepal as it would bring in predictability. It would be helpful to set in a pre-defined timeframe for awarding approvals by the Ministry of External Affairs, Government of India.

Linkages with Other Initiatives

Indian government supports both small and large initiatives as part of its policy in Nepal. At this point, these projects are not interlinked and are carried out independently. However, during our field work we found that interlinking projects could have positive spillovers for the projects under both the categories. For example, building a school in an area with minimal access to transport or road may not have intended impact. Similarly, book donation scheme has little or no linkage with the SDPs. Clusters for the projects could be identified where SDPs can run in parallel with large projects. India has been building roads in Tarai region. As part of its SDPs programme, some portion could be transferred to Tarai region and linked with other mega projects such as connecting roads or social services such as school or health centers. These small SDPs can enjoy positive externalities with the larger projects. Such a strategy will improve the efficacy of all the projects in social and economic development of Nepal.

Reward Star Performers

The SDPs have been awarded to a wide variety of institutions in Nepal. It is natural that some have performed better than others in terms of timely completion, maintenance and in achieving self-sustainability of projects. Identifying such performers as star performers is crucial for the long-term success of this programme. This can help the Indian objectives in two distinct but important ways. Firstly, recognition of this nature may encourage others local participants in the projects for improving their own delivery mechanisms under SDPs. Secondly, such star performers can be awarded similar projects in other areas of Nepal, if in case they have such facilities in other areas of Nepal. This will ensure that SDPs are implemented in a manner that is advantageous for the people of Nepal. Such star performers will bring in their own insights from their successful projects. This will also be a model for other non-performing entities to improve upon their delivery mechanisms. During our field work we found case of Nepal Netra Jyoti Sangh interesting. There is also need to connect with those who have already benefitted by the SDPs. At this point, there is no mechanism which connects the EOI with beneficiaries after projects are over.

Apart from rewarding star performers, it is also needed that bad performers are punished. There are several projects, in some districts, which have not been completed for last seven to eight years and still new projects are being awarded to the same districts. This may not go well for the future of this programme.

Need for Joint Review

SDPs have now been in operation for over a decade. While many projects have been successfully delivered, some still remain to be completed. For future assistance to be effective, it is important to know what has worked and what has not worked for these projects in Nepal. Therefore, a joint review by the EOI and Nepal government becomes important. A joint review will help in analysing impediments and challenges faced by both the parties. It will also provide a platform to share respective experiences with SDPs. During the process, an effort may also be made for institutionalising certain measure for continuous dialogue with different beneficiaries of various projects. Long term institutional support is crucially dependent on continuous dialogue about objectives and strategies rather than simply a specification of output and targets.³³ There is also need to ensure greater ownership by the beneficiaries and one way could be to ensure at least some token contribution, in cash or kind, for continued commitment with the facility created. At the beginning, this was very much the spirit behind SDPs; however, over the years this has disappeared as a precondition.

These measures may also help in enhancing the visibility of India's project in Nepal's media. We found this to be rather deficient as compared to other countries like China and Japan. This could be due to the fact that most of the SDPs are in rural Nepal and the ones from above mentioned countries, as covered in media, are in urban areas like Kathmandu itself. Thus, in a way lesser media visibility may be a typical urban-rural divide. After signing of the MOUs, generally the press release is sent by the EOI which is a good step for making projects more visible and known to all concerned. However, review reports and successful completions of projects can give not only greater visibility but would also provide

positive frame for reference. It may also be extremely important to consider a new practice of jointly approving the projects. This may also ensure greater ownership.

Technical Capacity at the Mission

Over a period of time SDPs have become very popular in Nepal. The popularity can be gauged from the fact that some local peoples have directly submitted their proposals to Indian Mission, EOI, instead of routing it through local level bodies. This has led to a surge in new proposals of SDPs. Evaluation of these proposal require immense technical capacity. Lack of technical manpower has delayed transfers of completed projects to the executing agencies. Therefore, there is an urgent need to increase the technical capacity at the mission to deal with such huge inflow of projects for a timely clearance. Increase in technical capacity would also benefit existing projects which are generally delayed for want of inspections without which funds are not released. As mentioned earlier, if a joint review mechanism is established, it may also help in creating a joint technical team for analysing technical soundness of the projects. This would help in creating local capacity and would also facilitate early clearance of the project proposals.

Clubbing of Projects under SDP

As discussed earlier, nature and areas of SDPs have expanded over the years. SDPs of similar nature can be clubbed together for an expanded gain. For example, instead of giving ambulances separately, these can be linked to SDPs in health sector for a wider impact. These will amplify the gain from SDPs as a whole as each individual SDP will be complementary to another SDP in the same sector. Similarly, book donation, which is one of the regular activities by the EOI, may be linked with construction of school building. In addition, efforts to converge activities in this manner may also lead to better targeting of SDPs. For instance, two SDPs that build a school and a connecting road to school respectively are more effective than an SDP that just builds a school while road is built in another part of the country under another SDP. Thus, clubbing of SDPs for a more targeted approach will be in the interest of development of Nepal, which eventually is the goal.

Endnotes

1. This was signed on 7 November 2003 by Mr. Bhanu Prasad Acharya, Secretary, Ministry of Finance and Mr. Shyam Saran, Ambassador of India.
2. See Jayne *et al.* (2002)
3. Edwards and Hulme (1996).
4. See Riddell (1999)
5. International Development Department and Associates (2006) in a joint evaluation pointed out that direct support through government budget can be an effective way of delivering assistance, as it strengthened management of public financial system and improved access to services like healthcare and education. The joint evaluation drew on the experiences of seven countries: Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam.
6. See Reimann (2006).
7. See Mansuri and Rao (2004).
8. Evans Peter (1996).
9. Agrawal and Gupta (2005).
10. See Oommen (2004).
11. Moore (1993).
12. *Ibid.*
13. Also see Narayan and Ebbe (1997) and Tendler (2000).
14. Edwards and Hulme (1996).
15. Ostrom (1996).
16. It could be argued that efficient output could be produced by any combination on Q1. While theoretically true, but as we have shown earlier, Nepal could be characterised by underutilisation of knowledge skills, and the opportunity cost of devoting local inputs to the creation of public goods is low. Therefore, any combination to the one of the extreme ends on Q1 is unlikely and such a situation therefore has created leverage for SDPs.
17. Evans (1996).
18. *Ibid.*
19. The Indian development cooperation is mainly technical assistance, promotion of economic collaboration and analytical and advisory functions on matters related to aid and trade. India has also promoted the role of private sector actors in providing development assistance as a norm in SSC. In February 2012, India's EXIM Bank reported 153 operative lines of credit, most of which finance specific infrastructure projects in developing countries delivered by Indian companies in sectors such as electricity, energy, irrigation and transport (Indian EXIM Bank 2012). India channels most of its development co-operation budget to its neighbouring countries, including Bhutan, Bangladesh, Nepal, Sri Lanka, Myanmar and the Maldives. Nevertheless, Africa is attracting increasing volumes of Indian development co-operation. See Chaturvedi (2012a) for further details.
20. Personal communication with Local Development Officer (LDO), Kathmandu, May 8th 2013.
21. Though the elections for DDCs has not taken place for quite long now. The last local election was held in 1997, and the popular mandate expired back in 2001/02. For details see LNT(2013).
22. Nepal (2011b).

23. *Ibid.*
24. *Ibid.*
25. The chief of campus management committee, Mr. Balakrishna Neupane highlighted this aspect (Personal communication on 8 May 2013).
26. It is interesting to note that the local committee directly approached the Indian Embassy for the approval of the project instead of routing it through the official channels of DDC and government of Nepal, which eventually was ensured but this just shows the popularity of the India's SDPs at local level.
27. There may be several factors responsible for this delay.
28. Personal Communication with Mr. Laldev Prasad Yadav, Principal, Shree Nepal Rashtriya Primary School, Auraha, Birgunj, 10 May 2013. WFP programme was initiated in 1996.
29. Malla (2004). Nepal Blindness Survey conducted in 1981 revealed that 0.8 per cent of the Nepali populations were blind and 1.7 per cent had unilateral blindness. Besides, 90 per cent of the blindness was in rural areas.
30. Malla (2004). Vision 2020: The Right to Sight, programme has been declared at the VI Ophthalmological Congress of SAARC countries, held in November 1999 at Kathmandu. Similarly, the Apex Body for Eye Health in September 2001 launched National Plans of Action for Eye Care Services in Nepal (Strategic plans for 2002-2019).
31. This project has yet to take off.
32. Personal Communication with Mr. Upadhayay at Kathmandu on 6 May 2013.
33. Carroll (1992) Page 64.

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